AIR WATER REPORT 2019

Financial Section

Year Ended March 31, 2019

Meeting society's needs with nature's blessings.

AIR WATER

Business Overview and Analysis of Financial Condition and Cash

AIR WATER INC.

1. Business Overview

The Japanese economy in the consolidated fiscal year ended March 31, 2019 was on a gradual recovery trend as a whole, backed by improvements in corporate earnings and the employment and income environments. On the other hand, business conditions continued to remain uncertain due to the apprehension about the international situation such as the trade conflict between the U.S. and China and the Brexit negotiations and the effects of earthquakes, heavy rains and typhoons that struck many parts of Japan.

In such a business environment, each business segment of our corporate group steadily promoted various implementation measures set out in our three-year mid-term business plan " NEXT-2020 Ver. 3," which concluded its implementation period this consolidated fiscal year, by placing the wheels of "structural reform of existing businesses" and "growth strategies through M&A" on the standard of our growth strategies.

As the structural reform of existing businesses, our industrial gas business actively promoted investment to augment and update production facilities and worked to develop its business foundations aimed at increasing market share and strengthening profitability by reinforcing the alliance with regional partners. Efforts were also made for structural reform to increase earnings power including the reorganization of group companies and for the strengthening of the organizational function of engineering to promote the development of a system by which new businesses and products are created through the improvement and advancement of technologies. Our chemical business changed its business structure to one centering on functional chemicals through the transfer of its coal-chemical business, which further solidified our "All Weather Management System."

As our growth strategy through M&A, along with M&As that were implemented to further expand our domestic regional businesses, foundations for overseas engineering business were built in North America and Asia as a preparatory action towards future business expansion to overseas. Also, business areas in the fields of electronics and advanced medical treatment equipment were strengthened.

In addition, the construction of woody biomass power plants, which are currently underway at three sites in Japan toward the launch of power generation business, progressed steadily.

With regards to the business results for this consolidated fiscal year, revenue increased in all segments, as a result of efforts in taking measures to increase sales including the acquisition of new customers, and also due to the rise in market condition of chemical business,in addition to the active promotion of M&As. With regards to profits, although our medical business saw a decrease due to the impact of market conditions of facility construction, strong performance was seen in our chemical business due to progress in structural reform and improvement in earnings, as well as in our industrial gas business and logistics business, each of which grew satisfactorily thanks to the strong gas demand that continued across a broad range of domestic manufacturing industries and because of an increase in volume of shipments and progress made in optimizing prices in the logistics sector. Growth in profit was maintained firmly in our energy business and agriculture and food product business despite the negative impact of the externalbusiness environment, and robust performance was also seen in our aerosol business and information electronics materials business that constitute our other business.

As a result, for the consolidated fiscal year ended March 31, 2019, the group's net sales were ¥801,494 million (106.4% that of the previous year), operating income was ¥43,580 million (102.8%), ordinary income was ¥46,977 million (105.1%) and net income attributable to shareholders of the parent was ¥26,469 million (105.1%).

2. Analysis of Financial Condition

Assets:

Current assets increased by ¥22,332 million from the end of the previous consolidated fiscal period to ¥305,323 million due to an increase in notes and accounts receivable - trade.

Non-current assets grew by ¥67,614 million from the end of the previous consolidated fiscal period to ¥477,724 million due to an increase in property, plant and equipment.

As a result, total assets increased by ¥89,946 million from the end of the previous consolidated fiscal period to ¥783,047 million.

Liabilities:

Liabilities increased by ¥75,893 million from the end of the previous consolidated fiscal period to ¥474,349 million due to an increase in borrowings.

Net assets:

Net assets increased by ¥14,053 million from the end of the previous consolidated fiscal period to ¥308,698 million due to a growth in profit attributable to owners of the parent.

3. Analysis of Cash Flows

Cash and cash equivalents

Cash and cash equivalents ("Funds") at the end of the current consolidated fiscal period increased by ¥9,037 million from the end of the previous consolidated fiscal period to ¥31,471 million.

Cash flows from operating activities

In the current consolidated fiscal year, net cash provided by operating activities amounted to ¥56,690 million, an increase of ¥8,925 million compared to the previous consolidated fiscal period. This is the balance after deducting income taxes from the sum of income before income taxes and depreciation and amortization.

Cash flows from investing activities

In the current consolidated fiscal year, net cash used in investing activities amounted to ¥88,805 million, an increase in outflows of ¥27,168 million compared to the previous consolidated fiscal period, due mainly to a rise in outflows for purchase of property, plant and equipment.

This resulted in a negative free cash flow of ¥32,115 million for the current consolidated fiscal year, a decrease of ¥18,243 million compared to the previous consolidated fiscal period.

Cash flows from financing activities

In the current consolidated fiscal year, net cash provided by financing activities amounted to ¥40,906 million, an increase in inflows of ¥36,416 million compared to the previous consolidated fiscal period, due mainly to proceeds from borrowings.

Risks Factors

AIR WATER INC.

Listed below are matters that may impact the Air Water Group's business development, operating results and financial condition and may significantly influence investor decisions.
The forward-looking statements in the section below are based on the Group's judgment as of the end of the current consolidated fiscal period.

(1) Markets

The steel, electronics, automobile, and shipbuilding industries are major customers of industrial gases, such as oxygen and nitrogen, manufactured and marketed by the Group. Therefore, changes in demand from these industries could influence sales of industrial gases.

If electricity charges rise due to soaring crude oil prices, the manufacturing costs of industrial gases, such as oxygen and nitrogen, manufactured and marketed by the Group will increase. If the Group is unable to fully pass the increases in manufacturing costs on to customers, earnings of the Industrial Gas business could be adversely affected.

The prices of LP gas and kerosene marketed by the Group are subject to fluctuations in CP and crude oil prices. If the Group is unable to promptly reflect changes in purchasing costs in its sales prices, earnings of the LP gas and kerosene businesses could be adversely affected.

(2) Soaring prices of fuel oils

If crude oil prices soar, distribution costs, including diesel oil prices, fuel oil prices, sea freight charges, and air freight charges, will increase accordingly. If the Group is unable to fully pass the cost increases on to customers, earnings of the Group could be adversely affected.

(3) National Health Insurance (NHI) drug price system

The Group provides medical institutions with medical gases and services. Therefore, the reduction in drug prices could influence the Group's sales of medical gases and services.

(4) Safety and quality

The Group manufactures and markets high-pressure gases in accordance with the High Pressure Gas Safety Act and the Liquefied Petroleum Gas Act. If any accidents occur at the Group's plants, the operating results and financial condition of the Group could be adversely affected.

The Group manufactures, imports and markets medical gases and equipment in accordance with the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices. The occurrence of a recall or a product defect that leads to product-liability compensation could have a negative impact on the operating results and financial condition of the Group.

The Group manufactures and markets foods, including frozen foods, ham, and delicatessen items, in accordance with the Food Safety Basic Act, the Food Sanitation Act, and the JAS Act (standards for quality labeling). If a quality problem occurs, the Group will lose consumer confidence. Consequently, the operating results and financial condition of the Group could be adversely affected.

(5) Business investments

The Group has recently striven to expand business through engaging in M&A activity. If the Group's business investments do not progress as planned, the operating results and financial condition of the Group could be adversely affected.

(6) Competitors

Each business of the Group faces competition with various companies. There are also potential competition risks, including new entries from different industries. Therefore, if the Group fails to take adequate measures in a timely manner to cope with competitors' moves, such as business expansion and cost reductions, the operating results and financial condition of the Group could be adversely affected.

(7) Environmental regulations
As the Group is subject to environment-related laws and regulations, it conducts business activities by complying with such laws and regulations. If regulations are strengthened by the revision of environment-related laws and regulations, a large amount of extra fees and charges corresponding to the revision could have a negative impact on the operating results and financial condition of the Group.

(8) Natural disasters
The occurrence of natural disasters, such as earthquakes, could damage the Group's production bases, causing a drastic decline in production capacity or a delay in production activities. In such case, the operating results and financial condition of the Group could be adversely affected.

(9) Lawsuits, regulatory authorities' measures and other legal procedures
In the course of conducting business activities, the Group faces the risk of being targeted by lawsuits, regulatory authorities' measures and other legal procedures. The Group may be subject to litigation for damages and fines or limitation on business activities imposed by regulatory authorities, which could have a negative impact on the businesses, operating results and financial condition of the Group.

(10) Overseas business
The Group engages in business in China, Taiwan, Southeast Asia, India, North America, and South America. The following are risks that the Group's business activities may face in these areas, primarily China and Southeast Asia. The occurrence of these events could adversely affect the operating results and financial condition of the Group.

(a)Unforeseen changes in laws and regulations as well as taxation systems that may have detrimental effects on the Company;
(b)Adverse effects on the Group's activities caused by inadequate social common capital (infrastructure);
(c)The occurrence of unfavorable political events;
(d)Social disruption caused by acts of terror or war and infectious diseases;
(e)Unforeseen drastic changes in the labor environment; and
(f)Unexpected fluctuations in exchange rates

(11) Information security
The Group acquires personal information and confidential information relating to customers and business partners through its business operations and holds confidential business and technical information. To strengthen information security, the Group has constructed a control system to strictly manage such information; has prepared and enhanced internal regulations to handle information; and has ensured the regulations are communicated to, and understood and observed by, all employees. However, if such information is leaked, important data are destroyed or falsified, or information systems are shut down through a cyberattack, illegal access, a computer virus intrusion, or other causes, the operating results and financial condition of the Group could be adversely affected.

Consolidated Balance Sheets

AIR WATER INC.
As of March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
ASSETS			
Current assets:			
Cash and deposits (Note 3 and 7)	**¥ 32,621**	¥ 23,298	**$ 293,909**
Notes and accounts receivable - trade (Note 7)	**194,939**	185,216	**1,756,365**
Inventories (Note 4 and 7)	**60,147**	53,243	**541,914**
Short-term loans receivable	**5,270**	10,736	**47,482**
Other current assets	**14,689**	12,280	**132,345**
Allowance for doubtful accounts	**(2,343)**	(1,782)	**(21,110)**
Total current assets	**305,323**	282,991	**2,750,905**
Property, plant and equipment (Note 7):			
Land (Note 6)	**84,174**	74,735	**758,393**
Buildings and structures	**175,342**	153,365	**1,579,800**
Machinery, equipment and vehicles	**324,445**	306,772	**2,923,191**
Lease assets	**38,626**	34,596	**348,012**
Construction in progress	**52,135**	33,847	**469,726**
Other	**32,680**	29,370	**294,443**
	707,402	632,685	**6,373,565**
Less accumulated depreciation	**377,811**	358,407	**3,404,009**
Total property, plant and equipment	**329,591**	274,278	**2,969,556**
Investments and other assets:			
Investment securities (Note 5 and 7)	**77,349**	79,270	**696,901**
Investments in capital	**5,490**	3,633	**49,464**
Long-term loans receivable	**8,134**	2,805	**73,286**
Net defined benefit asset (Note 17)	**4,407**	7,444	**39,706**
Deferred tax assets (Note 9)	**5,927**	5,261	**53,401**
Deferred tax assets for land revaluation (Note 6 and 9)	**85**	66	**766**
Goodwill	**24,354**	17,409	**219,425**
Other assets (Note 7)	**25,432**	21,522	**229,138**
Allowance for doubtful accounts	**(3,045)**	(1,578)	**(27,435)**
Total investments and other assets	**148,133**	135,832	**1,334,652**
Total assets	**¥ 783,047**	¥ 693,101	**$ 7,055,113**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
LIABILITIES			
Current liabilities:			
Notes and accounts payable:			
Trade	**¥ 127,671**	¥ 114,430	**$ 1,150,292**
Construction	**12,346**	8,254	**111,235**
Short-term borrowings, including current portion of long-term debt (Note 7)	**72,656**	53,367	**654,618**
Lease obligations (Note 7)	**2,969**	2,677	**26,750**
Accrued expenses	**16,855**	18,464	**151,861**
Income taxes payable (Note 9)	**8,001**	8,010	**72,088**
Provision for directors' bonuses	**362**	334	**3,262**
Other current liabilities	**21,656**	17,669	**195,116**
Total current liabilities	**262,516**	223,205	**2,365,222**
Non-current liabilities:			
Long-term debt (Note 7)	**166,263**	128,030	**1,498,000**
Lease obligations (Note 7)	**21,277**	19,109	**191,702**
Deferred tax liabilities (Note 9)	**7,152**	10,636	**64,438**
Deferred tax liabilities for land revaluation (Note 6 and 9)	**921**	902	**8,298**
Provision for directors' retirement benefits	**1,214**	928	**10,938**
Net defined benefit liability (Note 17)	**9,154**	8,665	**82,476**
Other non-current liabilities	**5,852**	6,981	**52,725**
Total non-current liabilities	**211,833**	175,251	**1,908,577**
Contingent liabilities (Note 12)			
Total liabilities	**474,349**	398,456	**4,273,799**
NET ASSETS (Note 10)			
Shareholders' equity:			
Capital stock			
Authorized - 480,000,000 shares			
Issued - 195,761,919 shares in 2019	**32,264**	32,264	**290,693**
195,384,551 shares in 2018			
Capital surplus	**36,651**	37,061	**330,219**
Retained earnings	**228,015**	209,570	**2,054,374**
Treasury stock, at cost	**(3,464)**	(4,089)	**(31,210)**
2,943,138 shares in 2019			
3,320,506 shares in 2018			
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	**6,831**	10,559	**61,546**
Deferred gains or losses on hedges	**369**	(545)	**3,325**
Revaluation reserve for land (Note 6)	**(8,503)**	(8,504)	**(76,611)**
Foreign currency translation adjustments	**201**	443	**1,811**
Remeasurements of defined benefit plans (Note 17)	**(1,153)**	1,196	**(10,388)**
Total accumulated other comprehensive income	**(2,255)**	3,149	**(20,317)**
Subscription rights to shares (Note 18)	**423**	379	**3,811**
Non-controlling interests	**17,064**	16,311	**153,744**
Total net assets	**308,698**	294,645	**2,781,314**
Total liabilities and net assets	**¥ 783,047**	¥ 693,101	**$ 7,055,113**

Consolidated Statements of Income

AIR WATER INC.
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Net sales	**¥ 801,494**	¥ 753,559	**$ 7,221,317**
Cost of sales	**631,233**	592,616	**5,687,296**
Gross profit	**170,261**	160,943	**1,534,021**
Selling, general and administrative expenses	**126,681**	118,545	**1,141,373**
Operating income	**43,580**	42,398	**392,648**
Non-operating profit:			
Interest and dividend income	**1,205**	1,031	**10,857**
Share of profit of entities accounted for using equity method	**1,308**	677	**11,785**
Other - net	**4,112**	3,579	**37,048**
	6,625	5,287	**59,690**
Non-operating loss:			
Interest expense	**1,439**	1,182	**12,965**
Other - net	**1,789**	1,812	**16,119**
	3,228	2,994	**29,084**
Ordinary income	**46,977**	44,691	**423,254**
Extraordinary income:			
Gain on sales of non-current assets	**202**	294	**1,820**
Gain on sale of investment securities	**478**	1,180	**4,307**
Gain on bargain purchase	**—**	1,018	**—**
Other - net	**154**	68	**1,387**
	834	2,560	**7,514**
Extraordinary loss:			
Loss on sales and retirement of non-current assets	**2,947**	2,137	**26,552**
Loss on liquidation of business (Note 13)	**2,817**	—	**25,381**
Other - net	**2,208**	4,612	**19,893**
	7,972	6,749	**71,826**
Income before income taxes	**39,839**	40,502	**358,942**
Income taxes (Note 9):			
Current	**13,709**	13,251	**123,515**
Deferred	**(1,940)**	263	**(17,479)**
	11,769	13,514	**106,036**
Net income for the period	**28,070**	26,988	**252,906**
Net income attributable to non-controlling interests	**(1,601)**	(1,815)	**(14,425)**
Net income attributable to shareholders of the parent	**¥ 26,469**	¥ 25,173	**$ 238,481**

	Yen		U.S. dollars (Note 1)
Per share of common stock:			
Net income - basic	**¥ 135.34**	¥ 128.95	**$ 1.22**
Net income - diluted	**135.09**	128.72	**1.22**
Cash dividends applicable to the year	**40.00**	38.00	**0.36**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

AIR WATER INC.
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Net income	**¥ 28,070**	¥ 26,988	**$ 252,906**
Other comprehensive income			
Valuation difference on available-for-sale securities	**(3,594)**	1,359	**(32,381)**
Deferred gains and losses on hedges	**1,515**	(479)	**13,650**
Foreign currency translation adjustments	**(286)**	45	**(2,577)**
Remeasurements of defined benefit plans, net of tax	**(2,442)**	(292)	**(22,002)**
Share of other comprehensive income of associates accounted using equity method	**(193)**	90	**(1,739)**
Other comprehensive income (Note 14)	**(5,000)**	723	**(45,049)**
Comprehensive income	**23,070**	27,711	**207,857**
Comprehensive income attributable to			
Shareholders of the parent	**21,048**	25,684	**189,639**
Non-controlling interests	**2,022**	2,027	**18,218**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

AIR WATER INC.
Year ended March 31, 2019

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Share-holders' equity
Balance at April 1, 2018	**¥ 32,264**	**¥ 37,061**	**¥ 209,570**	**¥ (4,089)**	**¥ 274,806**
Changes in items during the period					
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(481)			(481)
Dividends from surplus			(7,852)		(7,852)
Reversal of revaluation reserve for land			(0)		(0)
Net income attributable to shareholders of the parent			26,469		26,469
Change in scope of consolidation		68	(139)		(71)
Increase by merger			(27)		(27)
Change of scope of equity method.			(6)		(6)
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		3		630	633
Net changes in items other than shareholders' equity					—
Total changes in items during the period	-	**(410)**	**18,445**	**625**	**18,660**
Balance at March 31, 2019	**¥ 32,264**	**¥ 36,651**	**¥ 228,015**	**¥ (3,464)**	**¥ 293,466**

Millions of yen

	Accumulated other comprehensive income								
	Valuation difference on available -for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2018	**¥ 10,559**	**¥ (545)**	**¥ (8,504)**	**¥ 443**	**¥ 1,196**	**¥ 3,149**	**¥ 379**	**¥ 16,311**	**¥ 294,645**
Changes in items during the period									
Change in treasury shares of parent arising from transactions with non-controlling shareholders						-			(481)
Dividends from surplus						-			(7,852)
Reversal of revaluation reserve for land						-			(0)
Net income attributable to shareholders of the parent						-			26,469
Change in scope of consolidation						-			(71)
Increase by merger						-			(27)
Change of scope of equity method.						-			(6)
Purchase of treasury stock						-			(5)
Disposal of treasury stock						-			633
Net changes in items other than shareholders' equity	(3,728)	914	1	(242)	(2,349)	(5,404)	44	753	(4,607)
Total changes in items during the period	**(3,728)**	**914**	**1**	**(242)**	**(2,349)**	**(5,404)**	**44**	**753**	**14,053**
Balance at March 31, 2019	**¥ 6,831**	**¥ 369**	**¥ (8,503)**	**¥ 201**	**(¥ 1,153)**	**(¥ 2,255)**	**¥ 423**	**¥ 17,064**	**¥ 308,698**

	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Share-holders' equity
					Millions of yen
	Shareholders' equity				
Balance at April 1, 2017	**¥ 32,264**	**¥ 33,706**	**¥ 192,021**	**¥ (4,646)**	**¥ 253,345**
Changes in items during the period					
Change in treasury shares of parent arising from transactions with non-controlling shareholders		3,365			3,365
Dividends from surplus			(7,260)		(7,260)
Reversal of revaluation reserve for land			(0)		(0)
Net income attributable to shareholders of the parent			25,173		25,173
Change in scope of consolidation			(181)		(181)
Increase by merger			(85)		(85)
Change of scope of equity method.			(98)		(98)
Purchase of treasury stock				(8)	(8)
Disposal of treasury stock		(10)		565	555
Net changes in items other than shareholders' equity					—
Total changes in items during the period	**-**	**3,355**	**17,549**	**557**	**21,461**
Balance at March 31, 2018	**¥ 32,264**	**¥ 37,061**	**¥ 209,570**	**¥ (4,089)**	**¥ 274,806**

	Valuation difference on available -for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
									Millions of yen
	Accumulated other comprehensive income								
Balance at April 1, 2017	**¥ 9,353**	**¥ (73)**	**¥ (8,504)**	**¥ 404**	**¥ 1,459**	**¥ 2,639**	**¥ 381**	**¥ 24,386**	**¥ 280,751**
Changes in items during the period									
Change in treasury shares of parent arising from transactions with non-controlling shareholders						-			3,365
Dividends from surplus						-			(7,260)
Reversal of revaluation reserve for land						-			(0)
Net income attributable to shareholders of the parent						-			25,173
Change in scope of consolidation						-			(181)
Increase by merger						-			(85)
Change of scope of equity method.						-			(98)
Purchase of treasury stock						-			(8)
Disposal of treasury stock						-			555
Net changes in items other than shareholders' equity	1,206	(472)	-	39	(263)	510	(2)	(8,075)	(7,567)
Total changes in items during the period	**1,206**	**(472)**	**-**	**39**	**(263)**	**510**	**(2)**	**(8,075)**	**13,894**
Balance at March 31, 2018	**¥ 10,559**	**¥ (545)**	**¥ (8,504)**	**¥ 443**	**¥ 1,196**	**¥ 3,149**	**¥ 379**	**¥ 16,311**	**¥ 294,645**

Consolidated Statements of Changes in Net Assets

AIR WATER INC.
Year ended March 31, 2018

Thousands of U.S. dollars (Note 1)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Share-holders' equity
Balance at April 1, 2018	**$ 290,693**	**$ 333,913**	**$ 1,888,188**	**$ (36,841)**	**$ 2,475,953**
Changes in items during the period					
Change in treasury shares of parent arising from transactions with non-controlling shareholders		**(4,334)**			**(4,334)**
Dividends from surplus			**(70,745)**		**(70,745)**
Reversal of revaluation reserve for land			**(0)**		**(0)**
Net income attributable to shareholders of the parent			**238,481**		**238,481**
Change in scope of consolidation		**613**	**(1,253)**		**(640)**
Increase by merger			**(243)**		**(243)**
Change of scope of equity method.			**(54)**		**(54)**
Purchase of treasury stock				**(45)**	**(45)**
Disposal of treasury stock		**27**		**5,676**	**5,703**
Net changes in items other than shareholders' equity					—
Total changes in items during the period	-	**(3,694)**	**166,186**	**5,631**	**168,123**
Balance at March 31, 2019	**$ 290,693**	**$ 330,219**	**$ 2,054,374**	**$ (31,210)**	**$ 2,644,076**

Thousands of U.S. dollars (Note 1)

	Accumulated other comprehensive income								
	Valuation difference on available -for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2018	**$ 95,135**	**$ (4,910)**	**$ (76,620)**	**$ 3,991**	**$ 10,776**	**$ 28,372**	**$ 3,415**	**$ 146,959**	**$ 2,654,699**
Changes in items during the period									
Change in treasury shares of parent arising from transactions with non-controlling shareholders						-			(4,334)
Dividends from surplus						-			(70,745)
Reversal of revaluation reserve for land						-			(0)
Net income attributable to shareholders of the parent						-			238,481
Change in scope of consolidation						-			(640)
Increase by merger						-			(243)
Change of scope of equity method.						-			(54)
Purchase of treasury stock						-			(45)
Disposal of treasury stock						-			5,703
Net changes in items other than shareholders' equity	(33,589)	8,235	9	(2,180)	(21,164)	(48,689)	396	6,785	(41,508)
Total changes in items during the period	**(33,589)**	**8,235**	**9**	**(2,180)**	**(21,164)**	**(48,689)**	**396**	**6,785**	**126,615**
Balance at March 31, 2019	**$ 61,546**	**$ 3,325**	**$ (76,611)**	**$ 1,811**	**$ (10,388)**	**$ (20,317)**	**$ 3,811**	**$ 153,744**	**$ 2,781,314**

Consolidated Statements of Cash Flows

AIR WATER INC.
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Cash flows from operating activities:			
Income before income taxes	**¥ 39,839**	¥ 40,502	**$ 358,942**
Depreciation and amortization	**27,621**	27,120	**248,860**
Amortization of goodwill	**2,677**	2,544	**24,119**
Gain on bargain purchase	**—**	(1,018)	**—**
Increase (decrease) in allowance for doubtful accounts	**1,911**	716	**17,218**
Increase (decrease) in net defind benefit liability	**(631)**	184	**(5,685)**
Interest and dividend income	**(1,205)**	(1,031)	**(10,857)**
Interest expense	**1,439**	1,182	**12,965**
Share of (profits) loss of entities accounted for using equity method	**(1,308)**	(677)	**(11,785)**
Loss (gain) on sales and retirement of noncurrent assets	**2,745**	1,843	**24,732**
Loss on liquidation of business	**2,817**	—	**25,381**
Decrease (increase) in notes and accounts receivable	**(3,559)**	(25,097)	**(32,066)**
Decrease (increase) in inventories	**(4,001)**	(3,077)	**(36,048)**
Increase (decrease) in notes and accounts payable	**7,312**	17,436	**65,880**
Other - net	**(4,518)**	(33)	**(40,706)**
Subtotal	**71,139**	60,594	**640,950**
Interest and dividends income received	**1,596**	1,402	**14,380**
Interest expense paid	**(1,409)**	(1,180)	**(12,695)**
Income taxes paid	**(14,636)**	(13,051)	**(131,868)**
Net cash provided by (used in) operating activities	**¥ 56,690**	¥ 47,765	**$ 510,767**
Cash flows from investing activities:			
Purchase of property, plant and equipment	**(69,235)**	(53,507)	**(623,795)**
Proceeds from sales of property, plant and equipment	**1,318**	4,379	**11,875**
Purchase of intangible assets	**(2,305)**	(5,401)	**(20,768)**
Purchase of investment securities	**(7,717)**	(4,888)	**(69,529)**
Proceeds from sales of investment securities	**1,278**	2,207	**11,515**
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 3)	**(8,404)**	(3,410)	**(75,719)**
Payments for investments in capital	**(2,068)**	(1,419)	**(18,632)**
Payments for transfer of business	**(2,017)**	—	**(18,173)**
Payments of loans receivable	**(22,315)**	(10,493)	**(201,054)**
Collection of loans receivable	**22,380**	10,967	**201,640**
Other - net	**280**	(72)	**2,523**
Net cash provided by (used in) investing activities	**¥ (88,805)**	¥ (61,637)	**$ (800,117)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**19,733**	3,759	**177,791**
Proceeds from long-term debt	**43,962**	32,893	**396,090**
Repayment of long-term debt	**(22,369)**	(26,667)	**(201,541)**
Proceeds from issuance of bonds	**10,000**	10,000	**90,098**
Additional purchase of investments in subsidiaries	**(1,989)**	(6,897)	**(17,921)**
Proceeds from sale-leaseback transactions	**2,434**	4,335	**21,930**
Repayment of lease obligations	**(2,971)**	(5,355)	**(26,768)**
Purchase of treasury stock	**(5)**	(8)	**(45)**
Proceeds from sales of treasury stock	**633**	565	**5,703**
Cash dividends paid	**(7,869)**	(7,273)	**(70,898)**
Cash dividends paid to non-controlling interests	**(653)**	(862)	**(5,883)**
Net cash provided by (used in) financing activities	**¥40,906**	¥4,490	**$368,556**
Effect of exchange rate changes on cash and cash equivalents	**(267)**	(105)	**(2,406)**
Net increase (decrease) in cash and cash equivalents	**8,524**	(9,487)	**76,800**
Cash and cash equivalents at beginning of year	**22,434**	30,412	**202,126**
Increase in cash and cash equivalents resulting from merger	**82**	72	**739**
Increase in cash and cash equivalents from newly consolidated subsidiary	**431**	1,437	**3,883**
Cash and cash equivalents at end of year (Note 3)	**¥ 31,471**	¥ 22,434	**$ 283,548**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

AIR WATER INC.

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of AIR WATER Inc. ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese
Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The financial statements of the Company's consolidated overseas subsidiaries for consolidation purposes have been prepared in conformity with IFRS or generally accepted accounting principles in the United States of America ("US GAAP"), with the adjustment of specific items in accordance with Japanese GAAP.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts was included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2019, which was ¥110.99 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(1) Scope of consolidation and application of equity method

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries (together "the Companies") over which the Company has power of control through majority voting rights or the existence of other conditions evidencing control by the Company. Investments in affiliates over which the Company has the ability to exercise significant influence on operating and financial policies are accounted for using the equity method and stated at cost adjusted for the equity in the undistributed earnings and losses from the date of acquisition.

For the year ended March 31, 2019, there were 130 consolidated subsidiaries (111 for the year ended March 31, 2018) and 17 companies accounted for using the equity method (16 for the year ended March 31, 2018).

Changes in the scope of consolidation during the year ended March 31, 2019 were as follows:

(a) Due mainly to new acquisitions, 24 companies became consolidated subsidiaries.

(b) Due mainly to dissolution and extinction because of merger, 5 subsidiaries were excluded from the scope of consolidation.

Changes in the scope of consolidation during the year ended March 31, 2018 were as follows:

(a) Due mainly to an increase in materiality, 13 companies became consolidated subsidiaries.

(b) Due mainly to dissolution and extinction because of merger, 3 subsidiaries were excluded from the scope of consolida tion.

Changes in the scope of equity method application during the year ended March 31, 2019 were as follows:

(a) Due to an increase in materiality, 1 subsidiary became an equity method affiliate.

Changes in the scope of equity method application during the year ended March 31, 2018 were as follows:

(a) Due to loss of significant influence over the subsidiary, 1 subsidiary was excluded from the scope of consolidation.

(2) Accounting changes
(Standards and guidance not yet adopted)

-"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
-"Implementation Guid−−ance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview
The Accounting Standards Board of Japan (ASBJ) has developed comprehensive accounting standards for revenue recognition. According to the standards, revenue is recognized in a five-step model framework.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obliga tions in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of adoption and effect of adoption of the accounting standards
The Company will voluntarily adopt the International Financial Reporting Standards ("IFRS") from the first quarter of the consolidated fiscal year ending March 31, 2020. The effects of applying these new standards on the consolidated financial statements have not been evaluated.

(Changes in presentation methods)
(Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

Upon application of "Partial Amendment to the Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of the fiscal year ending March 31, 2019, the Company and its domestic subsidiaries changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of 'investments and other assets' and 'non-current liabilities', respectively.

As a result, ¥4,428 million of deferred tax assets classified as " current assets" and ¥1,812 million of deferred tax liabilities classified as "non-current liabilities" have been included in deferred tax assets (¥5,260 million) in "investments and other assets", and deferred tax liabilities classified as non-current liabilities have been restated to ¥10,635 million in the balance sheet as of the end of the previous fiscal year.

It should be noted that total assets decreased by ¥1,812 million compared with the data before change, due to the effect of setting off deferred tax assets against deferred tax liabilities in terms of the same tax entity.

The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation reserves) and 9 of "Accounting Standard for Tax Effect Accounting", which are required in paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatments prescribed in paragraph 7 of Statement No. 28.

(Changes in accounting estimates)
(Change of the useful life)

In the fiscal year ended March 31, 2019, the consolidated subsidiaries in the logistics business replaced tangible fixed assets in their logistics business and reviewed their actual use and expected period of use. As a result, the useful life of these physical assets was changed to the useful life based on expected use period at the beginning of the fiscal year ended March 31, 2019.

Following this change, depreciation expense for the fiscal year ended March 31, 2019 decreased by ¥1,132 million ($10,199 thousand), while operating income, ordinary income and income before income taxes increased by the same amount compared to the results that would have been reported calculated by the method used before this change.

(Reclassification of cost)

In the fiscal year ended March 31, 2018, The Company and some of the subsidiaries reclassified the cost of filling gas from S&G cost to cost of sales. This was done in order to optimize the correspondence between sales and cost of sales and to insure integrity between performance evaluation and accounting, using the opportunity of introducing a new accounting system.

(Additional Information)
(Transactions for the delivery of the Company's own stock to employees through trusts)
For the welfare of its employees, the Company has been conducting transactions through trusts for the delivery of its own stock to the Employee Stock Ownership Group.

(a) Details of transactions
The Company introduced a trust-type Employee Stock Ownership Plan (hereafter "the ESOP") by resolution of the Board of Directors meeting held on May 13, 2016 to increase mid- and long-term corporate value and promote employee welfare. The ESOP is an incentive plan for all employees who belong to the Air Water group Employee Stock Ownership Group (hereafter "the Group"). The Employee Stock Ownership Trust (hereafter "the Trust"), which was set up for this incentive plan, borrows the funds necessary from a bank and acquires a substantial number of shares of the Company stock that the Trust takes and holds for five years after the establishment. The shares are acquired from the stock market during a fixed period of time and sold automatically and continuously to the Group. The Trust is to be terminated when all of the shares of stock with the Trust are sold. If a profit accumulates from an increase in stock price, that profit is distributed to the members of the Group who satisfy the requirements to receive it. If a loss accumulates from a fall in stock price and the obligations of the Trust cannot be fully performed, the Company performs on behalf of the Trust based on the contract with the bank concerning compensation for the borrowing of the Trust.

(b) The remaining shares of stock in the Trust
The Company recorded the remaining 561,800 shares of stock in the Trust as treasury stock in net assets based on the book value of the Trust, which was ¥962 million ($8,667 thousand) as of March 31, 2019 and 910,500 shares and ¥1,559 million as of March 31, 2018.

(c) The book value of the borrowing recorded with the gross price method
¥791 million ($7,127 thousand) as of March 31, 2019
¥1,446 million as of March 31, 2018

(3) Securities
Equity securities issued by subsidiaries and affiliated companies not consolidated or accounted for using the equity method are stated at moving average cost.

Available-for-sale securities with available fair market values are stated principally at fair market value based on the average market price in the month before the balance sheet date.

Unrealized gains and losses on available-for-sale securities with available market prices are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost.

Available-for-sale securities with no available fair market values are stated at moving average cost.

If the fair market value of available-for-sale securities is not readily available, the securities are written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly and is not expected to recover.

(4) Inventories
Inventories are principally stated at the lower of cost or net realizable value and costed using the average cost method. Each valuation at cost includes the write-down of the book value using the decreased profitability method for the amount on the consolidated balance sheet.

(5) Derivatives and hedge accounting
The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss, unless the derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from changes in the fair value of the derivative financial instruments until the related loss or gain on the hedged items are realized.

However, in cases in which forward foreign exchange contracts are used as hedges, meet certain hedging criteria and are executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gain or loss on the forward foreign exchange contract is recognized.

Interest rate swaps meeting the requirement of exceptional treatment under Japanese GAAP are not measured at fair value, but the difference between the payment amount and the receipt amount is included in the interest expense on the borrowings as the hedged item.

(6) Property, plant and equipment
Property, plant and equipment are carried at cost. Depreciation is computed principally by the straight-line method.

(7) Lease assets
Property, plant and equipment capitalized under finance lease arrangements are depreciated over the estimated useful life of the asset or the lease term. The residual value is the guaranteed residual value if such value is set forth in the lease contract, otherwise the residual value is zero.

Finance leases, except for certain immaterial leases, are capitalized and depreciated over the estimated useful life of the asset or lease term as applicable. However, the Companies account for finance leases commenced prior to April 1, 2008 and which do not transfer ownership of the leased property to the lessee as operating leases with the disclosure of certain "as if capitalized" information.

(8) Amortization of intangible assets
Intangible assets are carried at cost. Amortization is computed by the straight-line method.

(9) Amortization of goodwill
Goodwill is amortized using the straight-line method within 20 years. A limited amount of goodwill is recognized as income directly when incurred.

(10) Allowance for doubtful accounts
Allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based upon the actual rate of historical bad debts. For certain doubtful receivables, the uncollectible amount is individually estimated.

(11) Provision for directors' and statutory auditors' bonuses
Provision for directors' and statutory auditors' bonuses is provided in the amount of the expected payment for each fiscal year to those directors and statutory auditors serving at the end of the fiscal year.

(12) Provision for directors' retirement benefits
Certain consolidated subsidiaries provide for directors' and statutory auditors' retirement benefits based on internal regulations in the estimated amount to be paid if all directors and statutory auditors retired at the balance sheet date.

(13) Accounting treatment for retirement benefits
The method for attributing projected benefits to periods was adopted for attributing the amount of expected retirement benefit in each period in calculating projected obligation. Actuarial gains and losses are recognized in expenses using the straight-line method within the average of the estimated remaining service years of employees commencing with the following period. Prior service cost is recognized in expenses using the straight-line method within the average of the estimated remaining service years commencing with the period incurred.

Some of the consolidated subsidiaries have adopted the simplified method for micro enterprises to calculate the amount of net defined benefit liability and retirement benefit expenses.

(14) Standards for recognition of construction revenue
When the outcome of individual construction contracts can be estimated reliably, the domestic companies apply the percentage-of-completion method; otherwise the completed contract method is applied. The percent, or portion, of the contract completed as of the end of the reporting period is measured by the proportion of the cost incurred in the period to the estimated total cost.

(15) Research and development expenses
Research and development expenses, which were ¥2,859 million ($25,761 thousand) and ¥2,776 million for the years ended March 31, 2019 and 2018, respectively, are recognized when paid and are included in general and administrative expenses.

(16) Translation of foreign currencies
Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

The financial statements of consolidated foreign subsidiaries are translated into Japanese yen at exchange rates prevailing at the respective year-end dates, except for shareholders' equity accounts, which are translated at historical rate. The resulting foreign currency translation adjustments are presented in accumulated other comprehensive income in the net assets section of the consolidated balance sheets.

(17) Income taxes
The asset-liability approach is used to recognize deferred tax assets and liabilities for loss carryforwards and the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(18) Cash and cash equivalents
Cash and cash equivalents include cash on hand, readily available deposits placed with banks on demand and highly liquid investments with insignificant risk of change in value and maturities of three months or less when purchased.

(19) Per share of common stock
The computations of net income per share are based on the weighted average number of shares of common stock outstanding during the period.

Diluted net income per share is based on the assumption that dilutive convertible bonds were converted and all stock options were exercised to the extent that each is not antidilutive at the beginning of the period.

Cash dividends per share presented in the statements of income represent the applicable cash dividends declared for each period.

3. Statements of cash flows

The reconciliations of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Cash on hand and in banks in the consolidated balance sheets	**¥ 32,621**	¥ 23,298	**$ 293,909**
Time deposits with maturities exceeding 3 months	**(1,150)**	(864)	**(10,361)**
Cash and cash equivalents in the consolidated statements of cash flows	**¥ 31,471**	¥ 22,434	**$ 283,548**

Details of the assets and liabilities of significant newly acquired subsidiaries were as follows:

	Millions of yen	
For the year ended March 31, 2019	**Power Partners Private Limited and 4 other companies**	**Nichinetu Holdings Co., Ltd. and 2 other companies**
Current assets	¥ 4,023	¥ 3,611
Non-current assets	904	2,476
Current liabilities	(3,671)	(1,610)
Non-current liabilities	(188)	(1,519)
Goodwill	5,625	842
Non-controlling interests	(427)	—
Acquisition cost of stock	6,266	3,800
Cash and cash equivalents of acquired companies	(1,880)	(1,883)
Net expenditure	**¥ 4,386**	**¥ 1,917**

	Thousands of U.S. dollars	
	Power Partners Private Limited and 4 other companies	**Nichinetu Holdings Co., Ltd. and 2 other companies**
Current assets	$ 36,247	$ 32,535
Non-current assets	8,145	22,308
Current liabilities	(33,075)	(14,506)
Non-current liabilities	(1,694)	(13,686)
Goodwill	50,680	7,586
Non-controlling interests	(3,847)	—
Acquisition cost of stock	56,456	34,237
Cash and cash equivalents of acquired companies	(16,939)	(16,965)
Net expenditure	**$ 39,517**	**$ 17,272**

For the year ended March 31, 2018	GLOBALWIDE INTERNATIONAL PTE. LTD and one other company (Millions of yen)	Japan Pionics Co., Ltd. (Millions of yen)
Current assets	¥ 1,481	¥ 2,066
Non-current assets	421	848
Current liabilities	(1,422)	(1,084)
Non-current liabilities	(164)	(3)
Goodwill	1,708	—
Gain on bargain purchase	—	(1,018)
Non-controlling interests	(142)	—
Acquisition cost of stock	1,882	809
Cash and cash equivalents of acquired companies	(386)	(5)
Net expenditure	**¥ 1,496**	**¥ 804**

4. Inventories

Inventories as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Merchandise and finished goods	**¥ 33,740**	¥ 28,897	**$ 303,991**
Work-in-process	**9,239**	8,443	**83,242**
Raw materials and supplies	**17,168**	15,903	**154,681**
	¥ 60,147	¥ 53,243	**$ 541,914**

5. Securities

Available-for-sale securities with available fair market values at March 31, 2019 and 2018 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference gain (loss)	Book value	Acquisition cost	Difference gain (loss)	Book value	Acquisition cost	Difference gain (loss)
	2019			2018			**2019**		
Securities with book values exceeding acquisition costs:									
Stocks	**¥ 29,595**	**¥ 15,858**	**¥ 13,737**	¥ 34,355	¥ 15,902	¥ 18,453	**$ 266,646**	**$ 142,878**	**$ 123,768**
Other	**—**	**—**	**—**	28	22	6	**—**	**—**	**—**
Subtotal	**29,595**	**15,858**	**13,737**	34,383	15,924	18,459	**266,646**	**142,878**	**123,768**
Securities with book values not exceeding acquisition costs:									
Stocks	**3,870**	**5,422**	**(1,552)**	3,640	4,779	(1,139)	**34,868**	**48,851**	**(13,983)**
Subtotal	**3,870**	**5,422**	**(1,552)**	3,640	4,779	(1,139)	**34,868**	**48,851**	**(13,983)**
Total	**¥ 33,465**	**¥ 21,280**	**¥ 12,185**	¥ 38,023	¥ 20,703	¥ 17,320	**$ 301,514**	**$ 191,729**	**$ 109,785**

6. Land revaluation

On March 31, 2002, in accordance with "The Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land," the Company and some subsidiaries revalued land. The valuation difference, net of the income tax effects, was directly charged to net assets.

The difference between the book value and the fair value of the revalued land as of March 31, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Revalued land	**¥(4,344)**	¥(5,042)	**$(39,139)**

7. Short-term borrowings and long-term debt

The weighted average interest rate of short-term borrowings as of March 31, 2019 and 2018 was 0.49% and 0.38%, respectively.

Long-term debt as of March 31, 2019 and 2018 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Loans from banks and insurance companies due 2032 (weighted average interest rate as of March 31, 2019: 0.48%)	**¥153,512**	¥128,561	**$1,383,116**
Unsecured bonds due 2028 (weighted average interest rate as of March 31, 2019: 0.34%)	**30,500**	20,000	**274,799**
Lease obligations through 2033	**24,246**	21,786	**218,452**
	208,258	170,347	**1,876,367**
Less amount due within one year	**20,718**	23,208	**186,665**
	¥187,540	¥147,139	**$1,689,702**

The aggregate annual maturities of short-term debt and long-term debt as of March 31, 2019 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	**¥20,718**	**$186,665**
2021	**33,443**	**301,316**
2022	**12,886**	**116,101**
2023	**23,037**	**207,559**
2024	**30,866**	**278,097**
2025 and thereafter	**87,308**	**786,629**

As of March 31, 2019, assets were pledged as collateral for short-term debt of ¥2,690 million ($24,236 thousand), long-term debt of ¥6,907 million ($62,231 thousand) and others of \1,590 million ($14,326 thousand) as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and deposits	**¥742**	**$6,685**
Notes and accounts receivable - trade	**575**	**5,181**
Inventories	**55**	**496**
Buildings and structures	**5,159**	**46,481**
Machinery and equipment	**7,118**	**64,132**
Land	**6,843**	**61,654**
Other (property, plant and equipment)	**40**	**360**
Investment securities	**497**	**4,478**
Other (investments and other assets)	**286**	**2,577**
	¥21,315	**$192,044**

As of March 31, 2018, assets were pledged as collateral for short-term debt of ¥3,626 million, long-term debt of ¥4,382 million and others of \2,614 million as follows:

	Millions of yen
Cash and deposits	¥127
Buildings and structures	2,709
Machinery and equipment	657
Land	6,178
Other (property, plant and equipment)	44
Investment securities	485
Other (investments and other assets)	276
	¥10,476

8. Derivative financial instruments and hedging transactions

Derivative financial instruments and hedging transactions were as follows:

(1)Derivative transactions for which hedge accounting does not apply

For the years ended March 31, 2019 and 2018

None

(2)Derivatives transactions for which hedge accounting applies

① Currency related

For the year ended March 31, 2019

Hedge accounting method	Type of transaction	Hedged items	Millions of yen: Contract amount	Millions of yen: Portion over 1 year	Millions of yen: Fair value	Thousands of U.S. dollars: Contract amount	Thousands of U.S. dollars: Portion over 1 year	Thousands of U.S. dollars: Fair value
Deferral hedge accounting	Forward foreign exchange contracts:							
	Buy							
	Indian rupee	Purchase of investments in affiliates	**¥24,789**	**¥—**	**¥(495)**	**$223,344**	**$—**	**$(4,460)**
	Currency swap							
	Receive U.S. dollar and pay Indian rupee	Long-term loans payable	**467**	**408**	**13**	**4,208**	**3,676**	**117**
Allocation method	Forward foreign exchange contracts:							
	Sell							
	U.S. dollar	Accounts receivable -trade	**271**	**—**	**(1)**	**2,442**	**—**	**(9)**
	Euro	Accounts receivable -trade	**12**	**—**	**0**	**108**	**—**	**0**
	Buy							
	U.S. dollar	Accounts payable - trade	**29,477**	**24,592**	**1,844**	**265,582**	**221,569**	**16,614**
	Euro	Accounts payable - trade	**220**	**68**	**(4)**	**1,982**	**613**	**(36)**
	Chinese yuan	Accounts payable - trade	**86**	**—**	**3**	**775**	**—**	**27**
	Singapore dollar	Accounts payable - trade	**120**	**—**	**2**	**1,081**	**—**	**18**
Total			**¥55,442**	**¥25,068**	**¥1,362**	**$499,522**	**$225,858**	**$12,271**

For the year ended March 31, 2018

Millions of yen

Hedge accounting method	Type of transaction	Hedged items	Contract amount	Portion over 1 year	Fair value
Allocation method	Forward foreign exchange contracts:				
	Sell				
	U.S. dollar	Accounts receivable -trade	¥1,231	¥8	¥4
		Accounts receivable -trade	29	—	—
	Buy				
	U.S. dollar	Accounts payable - trade	28,755	25,633	(531)
	Euro	Accounts payable - trade	308	106	15
	Chinese yuan	Accounts payable - trade	39	—	0
	Singapore dollar	Accounts payable - trade	136	33	2
Total			¥30,498	¥25,780	¥(512)

Notes:
1. Fair value is based on information provided by financial institutions at the end of the fiscal year.
2. Certain foreign currency forward exchange contracts meeting certain hedging criteria are excluded from fair value in the table above.

② Interest rate related

For the year ended March 31, 2019

Hedge accounting method	Type of transaction	Hedged items	Contract amount (Millions of yen)	Portion over 1 year (Millions of yen)	Fair value (Millions of yen)	Contract amount (Thousands of U.S. dollars)	Portion over 1 year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
Deferral hedge accounting	Interest rate swap: Receive floating rate and pay fixed rate	Long-term loans payable	**¥1,500**	**¥1,500**	**¥(39)**	**$13,515**	**$13,515**	**$(351)**
Special treatment of interest rate swaps	Interest rate swap: Receive floating rate and pay fixed rate	Long-term loans payable	**24,312**	**16,708**	**(Note 2)**	**219,046**	**150,536**	**(Note 2)**
Total			**¥25,812**	**¥18,208**	**¥(39)**	**$232,561**	**$164,051**	**$(351)**

For the year ended March 31, 2018

Millions of yen

Hedge accounting method	Type of transaction	Hedged items	Contract amount	Portion over 1 year	Fair value
Deferral hedge accounting	Interest rate swap: Receive floating rate and pay fixed rate	Long-term loans payable	¥1,578	¥1,500	¥(58)
Special treatment of interest rate swaps	Interest rate swap: Receive floating rate and pay fixed rate	Long-term loans payable	31,616	24,312	(Note 2)
Total			¥33,194	¥25,812	¥(58)

Notes:
1. Fair value is based on information provided by financial institutions at the end of the fiscal year.
2. The fair value of interest rate swaps subject to special treatment embedded in long-term loans subject to hedging is included in the fair value of the corresponding long-term loans.

9. Income taxes

The Companies are subject to a number of taxes based on income, which, in aggregate, indicate a statutory tax rate in Japan of approximately 30.6% for the year ended March 31, 2019 and 30.8% for the year ended March 31, 2018.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2019 and 2018.

	2019	2018
Statutory tax rate	–	30.8%
Amortization of goodwill	–	1.7
Non-deductible expenses	–	1.1
Per capita inhabitants taxes	–	0.6
Gain on bargain purchases	–	(0.7)
Loss carryforwards	–	(0.6)
Equity in earnings of non-consolidated subsidiaries and affiliates	–	(0.5)
Other	–	1.0
Effective tax rate	–	33.3%

Notes: The reconciliations for the year ended March 31, 2019 are not presented because the difference between the statutory tax rate and the effective tax rate was less than or equal to 5% of the statutory tax rate.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Loss on business of subsidiaries and affiliates	¥3,959	¥3,848	$35,670
Net defined benefit liability	3,335	3,014	30,048
Net operating loss carried forward for tax purposes (Note 2)	2,733	2,167	24,624
Excess bonuses accrued	2,146	2,055	19,335
Impairment loss	1,497	1,867	13,488
Loss on valuation of investment securities	984	883	8,865
Accrued enterprise taxes	643	610	5,793
Other	6,512	5,513	58,672
Total deferred tax assets	21,809	19,957	196,495
Valuation allowance related to loss carried forward for tax purposes (Note 2)	(1,971)	–	(17,758)
Valuation allowance related to total deductible temporary differences, etc	(7,772)	–	(70,024)
Valuation allowance (Note 1)	(9,743)	(9,223)	(87,782)
Net deferred tax assets	12,066	10,734	108,713
Deferred tax liabilities:			
Net unrealized holding gains on securities	(4,059)	(3,892)	(36,571)
Variance on estimate of capital consolidation	(3,728)	(5,275)	(33,589)
Retained earnings appropriated for allowable tax reserves	(3,029)	(2,930)	(27,291)
Gain on contribution of securities to retirement benefit trust	(960)	(1,741)	(8,649)
Other	(1,515)	(2,271)	(13,650)
Total deferred tax liabilities	(13,291)	(16,109)	(119,750)
Net deferred tax assets (net deferred tax liabilities)	¥(1,225)	¥(5,375)	$(11,037)

Note 1: Valuation allowance increased by \520 million ($4,694 thousand) due mainly to an increase in the valuation allowance related to the deductible temporary difference of the subsidiaries.

Note 2: Amounts of net operating loss carried forward for tax purposes and the related deferred tax assets as of March 31, 2019, were as follows;

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	Total
							Millions of yen
Net operating loss carried forward for tax purposes (a)	**¥ 195**	**¥ 510**	**¥ 220**	**¥ 212**	**¥ 173**	**¥ 1,423**	**¥ 2,733**
Valuation allowance	**(34)**	**(467)**	**(183)**	**(135)**	**(108)**	**(1,044)**	**(1,971)**
Net deferred tax assets	**¥ 161**	**¥ 43**	**¥ 37**	**¥ 77**	**¥ 65**	**¥ 379**	**(b) ¥ 762**

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	Total
							Thousands of U.S. dollars
Net operating loss carried forward for tax purposes (a)	**$ 1,757**	**$ 4,595**	**$ 1,982**	**$ 1,910**	**$ 1,559**	**$ 12,821**	**$ 24,624**
Valuation allowance	**(306)**	**(4,208)**	**(1,649)**	**(1,216)**	**(973)**	**(9,406)**	**(17,758)**
Net deferred tax assets	**$ 1,451**	**$ 387**	**$ 333**	**$ 694**	**$ 586**	**$ 3,415**	**(b) $ 6,866**

Note a: Figures for net operating loss carried forward were the amounts multiplied by the effective statutory tax rate.
Note b: For the net operating loss carried forward of ¥2,733 million ($24,624 thousand) (amount multiplied by the effective statutory tax rate), deferred tax assets of ¥762 million ($6,866 thousand) were recorded. A net operating loss carried forward was determined to be recoverable as future taxable income. Therefore, a valuation allowance has not been recognized.

Deferred tax assets and liabilities for land revaluation difference as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Deferred tax assets	**¥ 3,252**	¥ 3,252	**$ 29,300**
Valuation allowance	**(3,102)**	(3,102)	**(27,948)**
Net deferred tax assets	**150**	150	**1,352**
Deferred tax liabilities	**¥ (986)**	¥ (986)	**$ (8,884)**

10. Net assets

Under the Japanese Corporate Law and regulations (hereafter "the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings on the consolidated balance sheets.

In addition, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or can be capitalized. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Moreover, additional paid-in capital and legal earnings reserve may not be directly distributed as dividends. However, additional paid-in capital and the legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the Board of Directors meeting held on May 14, 2019, the Company resolved an appropriation of surplus as follows:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥21.00 = U.S. $0.19 per share)	**¥ 4,123**	**$ 37,147**

The above mentioned appropriation was not reflected in the consolidated financial statements as of March 31, 2019. Such appropriations are recognized in the period in which they are approved.

11. Segment information

1. General information about reportable segments

The reportable segments of the Company consist of business components for which separate financial statements are available. The reportable segments are the subject of periodic review by Board of Directors meetings for the purpose of making decisions on the distribution of corporate resources and evaluating business performance.

The Company develops comprehensive business strategies by product and service and undertakes business activities accordingly. Therefore, the Company's business is separated based on its products and services into 7 segments: Industrial Gas Business, Chemical Business, Medical Business, Energy Business, Agriculture and Food Products Business, Logistics Business and Other Businesses, all treated as reportable segments.

In the Industrial Gas Business, the Companies manufacture and sell industrial gas such as oxygen, nitrogen and argon. In addition, the Companies manufacture and provide installation related to high-pressure gas and gas generators. In the Chemical Business, the Companies manufacture and sell basic chemical products and fine chemical products. In the Medical Business, the Companies manufacture and sell medical gas such as oxygen and nitrogen. In addition, in this business segment, the Companies provide various medical equipment and operate in the hospital facility construction business. In the Energy Business, the Companies sell petrochemical products such as LP gas, kerosene and other products. In the Agriculture and Food Products Business, the Companies manufacture and sell fruit, vegetables, frozen foods, processed meat products and beverages. In the Logistics Business, the Companies handle logistics of high-pressure gas, general cargo, food products and medical care (blood plasma and NAT sample transportation) and warehousing, distribution processing and specialty vehicles manufacturing. The Other Businesses segment consists of the Seawater Business and Aerosol Business. The Seawater Business includes the manufacturing and sale of salt, salt by-products, electro fused magnesia and magnesia oxide.

As described in "Changes in accounting estimates," the consolidated subsidiaries in the logistics business changed the useful life of tangible fixed assets in their logistics business at the beginning of the fiscal year ended March 31, 2019.

Following this change, segment profit in the logistics business for the fiscal year ended March 31, 2019 increased by ¥1,132 million compared to the results that would have been reported calculated by the method used before the change.

2. Basis of measurement for reported segment sales, segment profit or loss, segment assets and other material items

The accounting methods used for reportable segments are the same as those used for the preparation of the consolidated financial statements. Profits for reportable segments are ordinary income. Profits and transfer sums for intersegment sales and transactions within the Group are based on market prices.

3. Information about reported segment profit or loss, segment assets and other material items

Millions of yen

	Reportable Segment									
For the year ended March 31, 2019	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Logistics	Other	Total	Adjustments (Note 2)	Amounts reported on consolidated financial statements (Note 1)
Net sales:										
Customers	**¥ 176,376**	**¥ 75,651**	**¥ 176,653**	**¥ 52,741**	**¥ 136,569**	**¥ 47,948**	**¥ 135,556**	**¥ 801,494**	**¥ –**	**¥ 801,494**
Intersegment	**5,726**	**164**	**280**	**3,422**	**799**	**15,370**	**2,422**	**28,183**	**(28,183)**	**–**
Total	**182,102**	**75,815**	**176,933**	**56,163**	**137,368**	**63,318**	**137,978**	**829,677**	**(28,183)**	**801,494**
Segment profit	**17,132**	**3,706**	**9,860**	**4,009**	**4,906**	**2,649**	**8,414**	**50,676**	**(3,699)**	**46,977**
Segment assets	**199,534**	**44,394**	**130,033**	**30,939**	**91,465**	**38,187**	**183,290**	**717,842**	**65,205**	**783,047**
Other items:										
Depreciation and amortization	**11,015**	**2,383**	**1,706**	**1,881**	**3,309**	**1,201**	**6,126**	**27,621**	**–**	**27,621**
Amortization of goodwill	**768**	**–**	**463**	**234**	**748**	**42**	**422**	**2,677**	**–**	**2,677**
Interest income	**5**	**5**	**4**	**1**	**2**	**–**	**24**	**41**	**144**	**185**
Interest expense	**370**	**–**	**6**	**–**	**–**	**–**	**10**	**386**	**1,053**	**1,439**
Equity in earnings of non-consolidated subsidiaries and affiliates	**104**	**–**	**136**	**8**	**–**	**–**	**1,060**	**1,308**	**–**	**1,308**
Investments in equity method companies	**826**	**–**	**9,913**	**547**	**–**	**–**	**5,086**	**16,372**	**–**	**16,372**
Increase in amounts of fixed assets and intangible fixed assets	**19,317**	**2,981**	**9,910**	**2,185**	**7,071**	**9,892**	**21,893**	**73,249**	**5,277**	**78,526**

										Thousands of U.S. dollars
	Reportable Segment									
For the year ended March 31, 2019	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Logistics	Other	Total	Adjustments (Note 2)	Amounts reported on consolidated financial statements (Note 1)
Net sales:										
Customers	**$ 1,589,116**	**$ 681,602**	**$ 1,591,612**	**$ 475,187**	**$ 1,230,462**	**$ 432,003**	**$ 1,221,335**	**$ 7,221,317**	**$ –**	**$ 7,221,317**
Intersegment	**51,590**	**1,478**	**2,523**	**30,831**	**7,199**	**138,481**	**21,822**	**253,924**	**(253,924)**	**–**
Total	**1,640,706**	**683,080**	**1,594,135**	**506,018**	**1,237,661**	**570,484**	**1,243,157**	**7,475,241**	**(253,924)**	**7,221,317**
Segment profit	**154,357**	**33,390**	**88,837**	**36,120**	**44,202**	**23,867**	**75,809**	**456,582**	**(33,328)**	**423,254**
Segment assets	**1,797,766**	**399,982**	**1,171,574**	**278,755**	**824,083**	**344,058**	**1,651,410**	**6,467,628**	**587,485**	**7,055,113**
Other items:										
Depreciation and amortization	**99,243**	**21,470**	**15,371**	**16,947**	**29,814**	**10,821**	**55,194**	**248,860**	**–**	**248,860**
Amortization of goodwill	**6,920**	**–**	**4,172**	**2,108**	**6,739**	**378**	**3,802**	**24,119**	**–**	**24,119**
Interest income	**45**	**45**	**36**	**9**	**18**	**–**	**216**	**369**	**1,298**	**1,667**
Interest expense	**3,334**	**–**	**54**	**–**	**–**	**–**	**90**	**3,478**	**9,487**	**12,965**
Equity in earnings of non-consolidated subsidiaries and affiliates	**937**	**–**	**1,225**	**72**	**–**	**–**	**9,551**	**11,785**	**–**	**11,785**
Investments in equity method companies	**7,442**	**–**	**89,314**	**4,929**	**–**	**–**	**45,824**	**147,509**	**–**	**147,509**
Increase in amounts of fixed assets and intangible fixed assets	**174,043**	**26,858**	**89,287**	**19,687**	**63,708**	**89,125**	**197,252**	**659,960**	**47,545**	**707,505**

Notes:
1. Segment profit is adjusted to be consistent with ordinary income reported on the consolidated statements of income.
2. Adjustments are as follows:
(1) The adjustment to intersegment of -¥28,183 million (-$253,924 thousand) is the elimination of intersegment transactions.
(2) The adjustment to segment profit of -¥3,699 million ($33,328 thousand) is the sum of corporate expenses, research and development department expenses, profit or loss related to financing and equity in earnings and losses of non-consolidated subsidiaries and affiliates.
(3) The adjustment to segment assets of ¥65,205 million ($587,485 thousand) is the sum of eliminated intersegment assets of -¥29,035 million (-$261,600 thousand) and corporate assets of ¥94,240 million ($849,085 thousand) that cannot be assigned to any particular segment.
(4) The adjustment to interest income of ¥144 million ($1,298 thousand) is interest income that cannot be assigned to any particular segment.
(5) The adjustment to interest expense of ¥1,053 million ($9,487 thousand) is interest expense that cannot be assigned to any particular segment.
(6) The adjustment to increase in amounts of fixed assets and intangible fixed assets of ¥5,277 million ($47,545 thousand) is mostly corporate assets that cannot be assigned to any particular segment.

Millions of yen

For the year ended March 31, 2019	Reportable Segment: Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Logistics	Other	Total	Adjustments (Note 2)	Amounts reported on consolidated financial statements (Note 1)
Net sales:										
Customers	¥ 159,251	¥ 67,985	¥ 170,898	¥ 51,459	¥ 133,702	¥ 44,934	¥ 125,331	¥ 753,560	¥ –	¥ 753,560
Intersegment	4,547	155	307	2,717	736	14,570	4,080	27,112	(27,112)	–
Total	163,798	68,140	171,205	54,176	134,438	59,504	129,411	780,672	(27,112)	753,560
Segment profit	16,170	1,855	10,317	3,937	4,851	1,889	8,214	47,233	(2,542)	44,691
Segment assets	178,558	45,564	114,432	29,346	82,533	29,102	141,693	621,228	71,873	693,101
Other items:										
Depreciation and amortization	11,455	2,268	1,515	1,739	3,116	2,146	4,881	27,120	–	27,120
Amortization of goodwill	668	–	447	211	863	42	313	2,544	–	2,544
Interest income	2	1	2	2	4	–	13	24	134	158
Interest expense	354	–	5	–	–	–	2	361	821	1,182
Equity in earnings of non-consolidated subsidiaries and affiliates	103	(281)	153	22	–	–	680	677	–	677
Investments in equity method companies	826	–	9,612	547	–	–	5,086	16,071	–	16,071
Increase in amounts of fixed assets and intangible fixed assets	18,301	2,231	3,881	3,135	4,964	5,485	19,606	57,603	3,706	61,309

Notes:
1. Segment profit is adjusted to be consistent with ordinary income reported on the consolidated statements of income.
2. Adjustments are as follows:
(1) The adjustment to intersegment of -¥27,112 million is the elimination of intersegment transactions.
(2) The adjustment to segment profit of ¥2,542 million is the sum of corporate expenses, research and development department expenses, profit or loss related to financing and equity in earnings and losses of non-consolidated subsidiaries and affiliates.
(3) The adjustment to segment assets of ¥71,873 million is the sum of eliminated intersegment assets of -¥19,336 million and corporate assets of ¥91,209 million that cannot be assigned to any particular segment.
(4) The adjustment to interest income of ¥134 million is interest income that cannot be assigned to any particular segment.
(5) The adjustment to interest expense of ¥821 million is interest expense that cannot be assigned to any particular segment.
(6) The adjustment to increase in amounts of fixed assets and intangible fixed assets of ¥3,706 million is mostly corporate assets that cannot be assigned to any particular segment.

(Related information)
1. Information by area
For the years ended March 31, 2019 and 2018

(1) Net sales
This information was omitted as sales to external customers in Japan exceeded 90% of net sales on the consolidated statements of income.

(2) Property, plant and equipment
This information was omitted as property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheets.

2. Information by major customer
For the years ended March 31, 2019 and 2018

This information was omitted because no single external customer accounted for 10% or more of sales as shown on the consolidated income statements.

3. Information on impairment loss on non-current assets for each reportable segment

Millions of yen

For the year ended March 31, 2019	Reportable Segment									
	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Logistics	Other	Total	Eliminations and Corporate	Total
Impairment loss	**¥ —**	**¥ 856**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ 856**	**¥ —**	**¥ 856**

Thousands of U.S.dollars

	Reportable Segment									
	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Logistics	Other	Total	Eliminations and Corporate	Total
Impairment loss	**$ —**	**$ 7,712**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 7,712**	**$ —**	**$ 7,712**

Millions of yen

For the year ended March 31, 2018	Reportable Segment									
	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Logistics	Other	Total	Eliminations and Corporate	Total
Impairment loss	¥ —	¥ —	¥ —	¥ 446	¥ 312	¥ —	¥ —	¥ 758	¥ 19	¥ 777

4. Information on amortization of goodwill and the amortized balance for each reportable segment

Millions of yen

For the year ended March 31, 2019	Reportable Segment									
	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Logistics	Other	Total	Eliminations and Corporate	Total
Amortization of goodwill	**¥ 768**	**¥ —**	**¥ 463**	**¥ 234**	**¥ 748**	**¥ 42**	**¥ 422**	**¥ 2,677**	**¥ —**	**¥ 2,677**
Balance at end of period	**¥ 4,174**	**¥ —**	**¥ 4,297**	**¥ 1,086**	**¥ 7,135**	**¥ 261**	**¥ 7,401**	**¥ 24,354**	**¥ —**	**¥ 24,354**

Thousands of U.S.dollars

	Reportable Segment									
	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Logistics	Other	Total	Eliminations and Corporate	Total
Amortization of goodwill	**$ 6,920**	**$ —**	**$ 4,172**	**$ 2,108**	**$ 6,739**	**$ 378**	**$ 3,802**	**$ 24,119**	**$ —**	**$ 24,119**
Balance at end of period	**$ 37,607**	**$ —**	**$ 38,715**	**$ 9,785**	**$ 64,285**	**$ 2,351**	**$ 66,682**	**$ 219,425**	**$ —**	**$ 219,425**

Millions of yen

For the year ended March 31, 2018	Reportable Segment									
	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Logistics	Other	Total	Eliminations and Corporate	Total
Amortization of goodwill	¥ 668	¥ —	¥ 447	¥ 211	¥ 863	¥ 42	¥ 313	¥ 2,544	¥ —	¥ 2,544
Balance at end of period	¥ 3,624	¥ —	¥ 4,331	¥ 1,042	¥ 7,586	¥ 303	¥ 523	¥ 17,409	¥ —	¥ 17,409

5. Information on gain on negative goodwill for reportable segments

For the year ended March 31, 2019

None.

For the year ended March 31, 2018

The amount accounted for as negative goodwill was immaterial and the record of this amount was omitted.

12. Contingent liabilities

As of March 31, 2019, the Companies were contingently liable with respect to notes receivable discounted in the amount of ¥176 million ($1,586 thousand) and notes receivable transferred by endorsement in the amount of ¥243 million ($2,189 thousand). As of the same date, the Companies were also contingently liable as guarantors for loans of other companies and employees in the amount of ¥8,487 million ($76,466 thousand).

As of March 31, 2018, the Companies were contingently liable as guarantors for loans of other companies and employees in the amount of ¥13,658 million.

13. Loss on liquidation of business

Loss on liquidation of business is the loss and costs arising from and associated with withdrawing from a business. Loss on liquidation of business for the year ended March 31, 2019 includes impairment loss on the Chemical Business in the amount of ¥856 million ($7,712 thousand).

14. Comprehensive income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Valuation difference on available-for-sale securities			
Increase (decrease) during the year	**¥ (4,790)**	¥ 3,127	**$ (43,157)**
Reclassification adjustments	**(355)**	(1,179)	**(3,199)**
Subtotal, before tax	**(5,145)**	1,948	**(46,356)**
Tax (expense) or benefit	**1,551**	(589)	**13,975**
Subtotal, net of tax	**¥ (3,594)**	¥ 1,359	**$ (32,381)**
Deferred gains or losses on hedges			
Increase (decrease) during the year	**¥1,866**	¥ (554)	**$16,812**
Reclassification adjustments	**22**	84	**199**
Subtotal, before tax	**1,888**	(470)	**17,011**
Tax (expense) or benefit	**(373)**	(9)	**(3,361)**
Subtotal, net of tax	**¥ 1,515**	¥ (479)	**$ 13,650**
Foreign currency translation adjustments			
Increase (decrease) during the year	**¥ (286)**	¥45	**$ (2,577)**
Reclassification adjustments	**—**	—	**—**
Subtotal, before tax	**(286)**	45	**(2,577)**
Tax (expense) or benefit	**—**	—	**—**
Subtotal, net of tax	**¥ (286)**	¥45	**$ (2,577)**
Remeasurements of defined benefit plans, net of tax			
Increase (decrease) during the year	**¥ (3,629)**	¥ (257)	**$ (32,697)**
Reclassification adjustments	**95**	24	**856**
Subtotal, before tax	**(3,534)**	(233)	**(31,841)**
Tax (expense) or benefit	**1,092**	(59)	**9,839**
Subtotal, net of tax	**¥ (2,442)**	¥ (292)	**$ (22,002)**
Share of other comprehensive income of associates accounted for using equity method			
Increase (decrease) during the year	**¥(193)**	¥ 90	**$ (1,739)**
Total other comprehensive income	**¥ (5,000)**	¥ 723	**$ (45,049)**

15. Finance leases

Lease payments under finance leases that do not transfer ownership of the leased assets commenced prior to April 1, 2008 are accounted for in the same manner as operating leases. The amount of lease payments was immaterial and is omitted for the years ended March 31, 2019 and 2018.

16. Operating leases

Obligations under non-cancelable operating leases as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Due within one year	**¥ 655**	¥ 410	**$ 5,901**
Due after one year	**2,100**	1,823	**18,921**
	¥ 2,755	¥ 2,233	**$ 24,822**

17. Employees' severance and pension benefits

1. Summary of adopted retirement benefit plans

The Companies have funded and unfunded defined benefit pension plans and funded and unfunded defined contribution pension plans to provide retirement and severance benefits to substantially all employees. Under the defined benefit pension plans, employees are entitled to lump-sum payments or pension payments based on their earnings and the length of service at retirement or termination of employment.

The Company and certain subsidiaries have adopted cash balance plans. Under the cash balance plans, each employee has a notional account which represents pension benefits. The balance in the notional account is based on principal credits accumulated as employees render services and interest credits determined based on market interest rates.

Certain defined benefit pension plans have a pension trust. Under lump-sum pension plans, some of which are funded by a pension trust, employees are entitled to lump-sum payments based on their earnings and the length of service at retirement or termination of employment.

In addition, the Company and certain subsidiaries use the simplified method to determine pension benefit obligations.

Finally, certain subsidiaries have adopted defined contribution pension plans or the Smaller Enterprise Retirement Allowance Mutual Aid System as defined contribution plans.

2. Defined benefit plans

(1) Movement in retirement benefit obligations, except plans that applied the simplified method

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Beginning balance	**¥ 30,934**	¥ 30,537	**$ 278,710**
Service cost	**1,455**	1,403	**13,109**
Interest cost	**229**	226	**2,063**
Actuarial loss (gain)	**2,436**	444	**21,948**
Benefits paid	**(2,267)**	(2,006)	**(20,425)**
Other	**(91)**	330	**(820)**
Ending balance	**¥ 32,696**	¥ 30,934	**¥ 294,585**

(2) Movements in plan assets, except plans that applied the simplified method

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Beginning balance	**¥ 33,635**	¥ 32,921	**$ 303,045**
Expected return on plan assets	**298**	294	**2,685**
Actuarial loss (gain)	**(1,193)**	188	**(10,749)**
Contributions paid by the employer	**1,277**	1,675	**11,506**
Benefits paid	**(1,621)**	(1,520)	**(14,605)**
Other	**58**	77	**523**
Ending balance	**¥ 32,454**	¥ 33,635	**¥ 292,405**

(3)Movement in net defined benefit liability of plans that applied the simplified method

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Beginning balance	**¥ 3,922**	¥ 3,995	**$ 35,336**
Retirement benefit cost	**671**	595	**6,046**
Benefits paid	**(408)**	(409)	**(3,676)**
Contributions paid by the employer	**(106)**	(95)	**(955)**
New acquisitions	**458**	7	**4,126**
Other	**(32)**	(171)	**(288)**
Ending balance	**¥ 4,505**	¥ 3,922	**$ 40,589**

(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Funded retirement benefit obligations	**¥ 33,283**	¥ 31,157	**$ 299,874**
Plan assets	**(33,953)**	(35,121)	**(305,910)**
	(670)	(3,964)	**(6,036)**
Unfunded retirement benefit obligations	**5,417**	5,185	**48,806**
Total net liability (asset) for retirement benefits at year end	**4,747**	1,221	**42,770**
Liability for retirement benefits	**9,154**	8,665	**82,476**
Asset for retirement benefits	**(4,407)**	(7,444)	**(39,706)**
Total net liability (asset) for retirement benefits at year end	**¥ 4,747**	¥ 1,221	**$ 42,770**

(Note) Includes plans that applied the simplified method

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Service cost	**¥ 1,455**	¥ 1,403	**$ 13,109**
Interest cost	**229**	226	**2,063**
Expected return on plan assets	**(298)**	(294)	**(2,685)**
Net actuarial loss amortization	**240**	110	**2,162**
Past service costs amortization	**(145)**	(86)	**(1,306)**
Retirement benefit cost calculated with simplified method	**671**	595	**6,046**
Total retirement benefit costs for the fiscal year	**¥ 2,152**	¥ 1,954	**$ 19,389**

(6) Remeasurements of defined benefit plans, net of tax

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Prior service costs	**¥ (145)**	¥ (86)	**$ (1,307)**
Actuarial differences	**(3,389)**	(147)	**(30,534)**
Total balance at year end	**¥ (3,534)**	¥ (233)	**$ (31,841)**

(7) Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Unrecognized prior service costs	**¥ (119)**	¥ (264)	**$ (1,072)**
Unrecognized actuarial differences	**1,856**	(1,533)	**16,722**
Total balance at year end	**1,737**	(1,797)	**15,650**

(8) Plan assets

1) Plan assets comprise:

	2019	2018
Bonds	**22.8%**	22.2%
Equity securities	**31.9%**	35.5%
General accounts	**21.1%**	20.3%
Other	**24.2%**	22.0%
Total	**100.0%**	100.0%

(Note) Assets in the pension trust set up for corporate pension plans and lump-sum plans represented 21.2% of total plan assets for the year ended March 31, 2019 and 27.3% for the year ended March 31, 2018.

2) Long-term expected rate of return

The principal actuarial assumptions were as follows:

	2019	2018
Discount rate	**mainly 0.33%**	mainly 0.96%
Long-term expected rate of return	**mainly 1.0%**	mainly 1.0%
Assumed rate of salary increase	**mainly 3.7%**	mainly 3.7%

(Note) The Company adopted a pension point system. The assumed rate of salary increase was the basis for the assumed rate of increase for pension points.

3. Defined contribution plan

Contributions to the plan from the Company and its consolidated subsidiaries were ¥502 million ($4,523 thousand) for the year ended March 31, 2019 and ¥455 million for the year ended March 31, 2018.

18. Stock options

1. Expenses recorded for stock options were ¥80 million ($721 thousand) in the year ended March 31, 2019 and ¥71 million in the year ended March 31, 2018 and were included in selling, general and administrative expenses.

2. Details, number, movement and price of stock options

(1) Details of stock options

Company name	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 8, 2007	July 30, 2008
Persons granted options	18 directors	17 directors
Number of options granted	60,100 shares of common stock	67,300 shares of common stock
Date of grant	August 31, 2007	September 1, 2008
Vesting conditions	Holder relinquishes position as a director of the Company	Holder relinquishes position as a director of the Company
Eligible employment period	—	—
Exercise period	Within 5 years after the vesting date from September 1, 2007 to August 31, 2027	Within 5 years after the vesting date from September 2, 2008 to September 1, 2028

Company name	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 12, 2009	August 13, 2010
Persons granted options	20 directors	19 directors
Number of options granted	80,100 shares of common stock	88,700 shares of common stock
Date of grant	September 1, 2009	September 1, 2010
Vesting conditions	Holder relinquishes position as a director of the Company	Holder relinquishes position as a director of the Company
Eligible employment period	—	—
Exercise period	Within 5 years after the vesting date from September 2, 2009 to September 1, 2029	Within 5 years after the vesting date from September 2, 2010 to September 1, 2030

Company name	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 12, 2011	August 14, 2012
Persons granted options	18 directors	17 directors
Number of options granted	94,700 shares of common stock	85,400 shares of common stock
Date of grant	September 1, 2011	August 31, 2012
Vesting conditions	Holder relinquishes position as a director of the Company	Holder relinquishes position as a director of the Company
Eligible employment period	—	—
Exercise period	Within 5 years after the vesting date from September 2, 2011 to September 1, 2031	Within 5 years after the vesting date from September 1, 2012 to August 31, 2032

Company name	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 14, 2013	August 8, 2014
Persons granted options	17 directors	17 directors
Number of options granted	54,000 shares of common stock	47,800 shares of common stock
Date of grant	August 30, 2013	September 1, 2014
Vesting conditions	Holder relinquishes position as a director of the Company	Holder relinquishes position as a director of the Company
Eligible employment period	—	—
Exercise period	Within 5 years after the vesting date from August 31, 2013 to August 30, 2033	Within 5 years after the vesting date from September 2, 2014 to September 1, 2034

Company name	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 7, 2015	August 10, 2016
Persons granted options	17 directors	16 directors
Number of options granted	38,800 shares of common stock	43,300 shares of common stock
Date of grant	September 1, 2015	September 1, 2016
Vesting conditions	Holder relinquishes position as a director of the Company	Holder relinquishes position as a director of the Company
Eligible employment period	—	—
Exercise period	Within 5 years after the vesting date from September 2, 2015 to September 1, 2035	Within 5 years after the vesting date from September 2, 2016 to September 1, 2036

Company name	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 10, 2017	July 5, 2018
Persons granted options	18 directors	18 directors
Number of options granted	41,500 shares of common stock	46,300 shares of common stock
Date of grant	September 1, 2017	August 1, 2018
Vesting conditions	Holder relinquishes position as a director of the Company	Holder relinquishes position as a director of the Company
Eligible employment period	—	—
Exercise period	Within 5 years after the vesting date from September 2, 2017 to September 1, 2037	Within 5 years after the vesting date from August 2, 2018 to August 1, 2038

(2) Numbers of stock options

Company name	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 8, 2007	July 30, 2008	August 12, 2009	August 13, 2010	August 12, 2011	August 14, 2012
Before vesting options (number of shares)						
April 1, 2018	9,400	11,200	16,700	19,200	28,700	43,600
Granted	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Vested	—	—	—	—	—	—
March 31, 2019	9,400	11,200	16,700	19,200	28,700	43,600
After vesting options (number of shares)						
April 1, 2018	—	—	—	5,600	5,900	5,700
Vested	—	—	—	—	—	—
Exercised	—	—	—	5,600	—	5,700
Forfeited	—	—	—	—	—	—
March 31, 2019	—	—	—	—	5,900	—

Company name	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 14, 2013	August 8, 2014	August 7, 2015	August 10, 2016	August 10, 2017	July 5, 2018
Before vesting options (number of shares)						
April 1, 2018	28,700	29,400	25,200	37,400	41,500	—
Granted	—	—	—	—	—	46,300
Forfeited	—	—	—	—	—	—
Vested	—	—	—	2,400	1,300	—
March 31, 2019	28,700	29,400	25,200	35,000	40,200	46,300
After vesting options (number of shares)						
April 1, 2018	7,000	9,800	4,800	5,900	—	—
Vested	—	—	—	2,400	1,300	—
Exercised	7,000	4,900	3,600	4,400	—	—
Forfeited	—	—	—	—	—	—
March 31, 2019	—	4,900	1,200	3,900	1,300	—

The following table summarizes price per share.

Company name	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 8, 2007	July 30, 2008	August 12, 2009	August 13, 2010	August 12, 2011	August 14, 2012
Exercise price (yen)	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise (yen)	—	—	—	1,982	—	1,765
Fair value price at grant date (yen)	1,001	1,104	868	746	741	715

Company name	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 14, 2013	August 8, 2014	August 7, 2015	August 10, 2016	August 10, 2017	July 5, 2018
Exercise price (yen)	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise (yen)	1,846	1,756	1,889	1,887	—	—
Fair value price at grant date (yen)	1,100	1,410	1,602	1,641	1,724	1,731

19. Related party transactions

For the year ended March 31, 2019

This information was omitted as the amount of transactions between the Company and the related party were immaterial.

For the year ended March 31, 2018

The Company directly owned 49% of Sakai Gases Center Co. Ltd.

Significant transactions between the Company and the related party were as follows:

	Millions of yen
	2018
Interest income	¥ 71
Collection of loans receivable	800

The balance of loans of the Company due to the related party was as follows:

	Millions of yen
	2018
Short-term loans receivable	¥ 6,609

20. Financial instruments

Financial instruments were as follows:

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

The Companies restrict their funds management to time deposits and other short-term investments. Also, it is the Companies' policy to raise funds mainly by borrowing from banks and issuing bonds. The Companies' policy on derivatives is to use derivatives strictly as hedges to manage the risks of interest rate fluctuations and foreign currency exchange fluctuations that arise in transactions denominated in a foreign currency. The Companies do not use derivatives to conduct any speculative transactions.

(2) Financial instruments, associated risks and the risk management system

Operating receivables, including notes and accounts receivable - trade, are exposed to the credit risk of customers. To minimize the credit risk, the Companies perform due date controls and balance controls for each customer in accordance with internal regulations and regularly screen the credit status of major customers.

The Companies are exposed to market price fluctuation risk in relation to investment securities. However, the securities are primarily the shares of companies with which the Companies have operational relationships. The Companies assess the fair values of these securities on a quarterly basis.

Trade liabilities, including notes and accounts payable – trade, are mostly current liabilities with due dates within a year.

Short-term loans payable are primarily used to raise short-term funds for operations. Bonds payable, long-term loans payable and lease obligations are used mainly for capital investment and are exposed to the risk of interest rate fluctuations.

(3) Supplemental information on the fair value of financial instruments

The fair value of financial instruments is based on market prices or a reasonable estimate of fair value for instruments for which market prices are not available. Estimates of fair value are subject to fluctuation because they employ variable factors and assumptions. In addition, the contractual amounts of the derivatives transactions described below in the note "Derivative financial instruments and hedging transactions" do not represent the market risk of the derivative transactions themselves.

2. Fair value of financial instruments

Fair value, the carrying value reported in the balance sheets and any difference between the fair and carrying value as of March 31, 2019 and March 31, 2018 are set forth in the table below. Financial instruments for which it was extremely difficult to measure the fair value are not included.

For the year ended March 31, 2019	Carrying value reported in the balance sheets (※1)	Fair value (※1)	Difference
			Millions of yen
(1) Cash and deposits	**¥ 32,621**	**¥ 32,621**	**¥ —**
(2) Notes and accounts receivable - trade	**194,939**	**194,939**	**—**
(3) Short-term loans receivable	**5,270**	**5,270**	**—**
(4) Investment securities			
Other securities	**33,465**	**33,465**	**—**
(5) Long-term loans receivable (※2)	**8,134**		
Allowance for doubtful accounts	**(70)**		
	8,064	**8,050**	**(14)**
(6) Notes and accounts payable - trade	**(127,671)**	**(127,671)**	**—**
(7) Short-term loans payable	**(54,907)**	**(54,907)**	**—**
(8) Current portion of long-term loans payable	**(17,499)**	**(17,499)**	**—**
(9) Current portion of bonds	**(250)**	**(250)**	**—**
(10) Current portion of lease obligations	**(2,969)**	**(2,969)**	**—**
(11) Bonds	**(30,250)**	**(30,631)**	**(381)**
(12) Long-term loans payable	**(136,013)**	**(137,168)**	**(1,155)**
(13) Lease obligations	**(21,277)**	**(19,471)**	**1,806**
(14) Derivative transactions (※3)	**1,801**	**1,801**	**—**

	Carrying value reported in the balance sheets (※1)	Fair value (※1)	Difference
			Thousands of U.S. dollars
(1) Cash and deposits	**$ 293,909**	**$ 293,909**	**$ —**
(2) Notes and accounts receivable - trade	**1,756,365**	**1,756,365**	**—**
(3) Short-term loans receivable	**47,482**	**47,482**	**—**
(4) Investment securities			
Other securities	**301,514**	**301,514**	**—**
(5) Long-term loans receivable (※2)	**73,286**		
Allowance for doubtful accounts	**(631)**		
	72,655	**72,529**	**(126)**
(6) Notes and accounts payable - trade	**(1,150,292)**	**(1,150,292)**	**—**
(7) Short-term loans payable	**(494,703)**	**(494,703)**	**—**
(8) Current portion of long-term loans payable	**(157,663)**	**(157,663)**	**—**
(9) Current portion of bonds	**(2,252)**	**(2,252)**	**—**
(10) Current portion of lease obligations	**(26,750)**	**(26,750)**	**—**
(11) Bonds	**(272,547)**	**(275,980)**	**(3,433)**
(12) Long-term loans payable	**(1,225,453)**	**(1,235,859)**	**(10,406)**
(13) Lease obligations	**(191,702)**	**(175,430)**	**16,272**
(14) Derivative transactions (※3)	**16,227**	**16,227**	**—**

For the year ended March 31, 2018	Carrying value reported in the balance sheets (※1)	Fair value (※1)	Difference
			Millions of yen
(1) Cash and deposits	**¥23,298**	**¥23,298**	**\—**
(2) Notes and accounts receivable - trade	**185,216**	**185,216**	**—**
(3) Short-term loans receivable	**10,736**	**10,736**	**—**
(4) Investment securities			
Other securities	**38,023**	**38,023**	**—**
(5) Long-term loans receivable (※2)	**2,805**		
Allowance for doubtful accounts	**(44)**		
	2,761	**2,803**	**42**
(6) Notes and accounts payable - trade	**(114,430)**	**(114,430)**	**—**
(7) Short-term loans payable	**(32,836)**	**(32,836)**	**—**
(8) Current portion of long-term loans payable	**(20,531)**	**(20,531)**	**—**
(10) Current portion of lease obligations	**(2,677)**	**(2,677)**	**—**
(11) Bonds	**(20,000)**	**(20,049)**	**(49)**
(12) Long-term loans payable	**(108,030)**	**(108,847)**	**(817)**
(13) Lease obligations	**(19,109)**	**(18,298)**	**811**
(14) Derivative transactions (※3)	**(82)**	**(82)**	**—**

Notes:
※1 Figures shown in parentheses are liabilities.
※2 Allowance for doubtful accounts separately recorded in long-term loans is excluded.
※3 The value of assets and liabilities arising from derivatives is shown at net value, and a net liability position is shown in parentheses.

Note 1. Valuation approach for fair value of financial instruments, securities and derivative transactions

(1) Cash and deposits, (2) Notes and accounts receivable - trade and (3) Short-term loans receivable
For these items, the fair value is stated at the carrying amount, which is approximate to it.

(4) Investment securities
The fair value of equity securities equals the quoted market price, if available. The fair value of debt securities is equal to the quoted market price or the price provided by financial institutions. Marketable and investment securities classified by the purpose for which they are held are described in "Notes to securities."

(5) Long-term loans receivable
The fair value of long-term loans receivable is determined by the present value of future cash flows discounted using the assumed current lending rate for similar loans receivable of a comparable maturity. Doubtful receivables are valued with consideration for the possibility of collection based on guarantees or the existence of collateral.

(6) Notes and accounts payable - trade, (7) Short-term loans payable, (8) Current portion of long-term loans payable, (9) Current portion of bonds and (10) Current portion of lease obligations
For these items, the fair value is stated at the carrying amount, which is approximate to it.

(11) Bonds
The fair value of bonds is determined by the present value of future cash flows discounted using the assumed current interest rate for similar bonds of comparable maturities and contract conditions.

(12) Long-term loans payable
The fair value of long-term loans payable is determined by the present value of future cash flows discounted using the assumed current interest rate for similar loans payable of comparable maturities. Interest rate swaps subject to special treatment are used for long-term floating-rate loans. "Derivative transactions" provides additional explanation. The principal and interest of the loans in which interest rate swaps are embedded are discounted using a reasonable estimate of the interest rate on the loan at the time of issue.

(13) Lease obligations
The fair value of lease obligations is determined by the present value of future cash flows discounted using the assumed current interest rate for similar lease contracts of comparable maturity and contract conditions.

(14) Derivative transactions
Hedge accounting was applied to derivative transactions. The fair value of derivatives transactions is determined by quoted prices provided by financial institutions. The fair value of interest rate swaps subject to special treatment embedded in long-term loans subject to hedging is included in the fair value of the corresponding long-term loans. The fair value of gain or loss resulting from a forward foreign exchange contract embedded in a payable or receivable subject to hedging is included in the fair value of the corresponding payable or receivable.

Note 2. Financial instruments for which it is extremely difficult to assess the fair value.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Unlisted shares	**¥ 43,884**	¥ 41,247	**$ 395,387**

Unlisted shares are not included in “(4) Investment securities - Other securities” because these securities are without market values and their future cash flows cannot be estimated, which makes it extremely difficult to assess the fair value.

Note 3. The redemption schedule for receivables and marketable securities with maturity dates after the close of the fiscal year

				Millions of yen
For the year ended March 31, 2019	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	**¥ 32,621**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable - trade	**194,939**	**—**	**—**	**—**
Short-term loans receivable	**5,270**	**—**	**—**	**—**
Long-term loans receivable	**—**	**7,587**	**244**	**303**
Total	**¥ 232,830**	**¥ 7,587**	**¥ 244**	**¥ 303**

				Thousands of U.S. dollars
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	**$ 293,909**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable - trade	**1,756,365**	**—**	**—**	**—**
Short-term loans receivable	**47,482**	**—**	**—**	**—**
Long-term loans receivable		**68,358**	**2,198**	**2,730**
Total	**$ 2,097,756**	**$ 68,358**	**$ 2,198**	**$ 2,730**

				Millions of yen
For the year ended March 31, 2018	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	**¥ 23,298**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable - trade	**185,216**	**—**	**—**	**—**
Short-term loans receivable	**10,736**	**—**	**—**	**—**
Long-term loans receivable	**—**	**1,941**	**540**	**324**
Total	**¥ 219,250**	**¥ 1,941**	**¥ 540**	**¥ 324**

Note 4. The redemption schedule for short-term loans payable, bonds, long-term loans payable and lease obligations

Millions of yen

For the year ended March 31, 2019	Within 1 year	From 1 year to 2 years	From 2 years to 3 years	From 3 years to 4 years	From 4 years to 5 years	Over 5 years
Short-term loans payable	**¥ 54,907**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bonds	**250**	**10,150**	**—**	**100**	**—**	**20,000**
Long-term loans payable	**17,499**	**20,977**	**10,600**	**20,881**	**27,574**	**55,981**
Lease obligations	**2,969**	**2,316**	**2,286**	**2,056**	**3,292**	**11,327**
Total	**¥ 75,625**	**¥ 33,443**	**¥ 12,886**	**¥ 23,037**	**¥ 30,866**	**¥ 87,308**

Thousands of U.S. dollars

	Within 1 year	From 1 year to 2 years	From 2 years to 3 years	From 3 years to 4 years	From 4 years to 5 years	Over 5 years
Short-term loans payable	**$ 494,703**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Bonds	**2,252**	**91,450**	**—**	**901**	**—**	**180,196**
Long-term loans payable	**157,663**	**188,999**	**95,504**	**188,134**	**248,437**	**504,379**
Lease obligations	**26,750**	**20,867**	**20,597**	**18,524**	**29,660**	**102,054**
Total	**$ 681,368**	**$ 301,316**	**$ 116,101**	**$ 207,559**	**$ 278,097**	**$ 786,629**

Millions of yen

For the year ended March 31, 2018	Within 1 year	From 1 year to 2 years	From 2 years to 3 years	From 3 years to 4 years	From 4 years to 5 years	Over 5 years
Short-term loans payable	**¥ 32,836**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bonds	**—**	**—**	**10,000**	**—**	**—**	**10,000**
Long-term loans payable	**20,531**	**15,371**	**18,740**	**8,107**	**17,957**	**47,855**
Lease obligations	**2,677**	**2,165**	**1,976**	**1,950**	**1,735**	**11,283**
Total	**¥ 56,044**	**¥ 17,536**	**¥ 30,716**	**¥ 10,057**	**¥ 19,692**	**¥ 69,138**

21. Significant subsequent events

1.Acquisition of industrial business of Praxair India Private Limited and capital increase of subsidiary

On June 14, 2019, Air Water India Private Limited (hereafter "AW India") and the Company entered into an agreement, entitled " Business Transfer Agreement," for AW India to acquire a related business for the manufacture, sale and distribution of oxygen, nitrogen and argon operated in East India (hereinafter referred to as the "East Region Divestment Business") of Praxair India Private Limited (hereafter "Praxair India").

Pursuant to the Agreement, the Company will make an investment in AW India to provide it with the funds necessary to acquire the East Region Divestment Business.

2.Background of Acquisition

Praxair, Inc. (Head office: Danbury, CT, United States) and Linde AG (Head office: Munich, Germany) entered into a Business Combination Agreement on June 1, 2017 to merge the two companies. Pursuant to a notice filed by Praxair, Inc. and Linde AG with the Competition Commission of India (hereafter "CCI"), the Indian government's competition authority, the parties were directed by the CCI to sell part of their Indian business to a third party on September 6, 2018. After deliberations on the acquisition, the Board decided on March 4, 2019 to submit a binding offer to acquire the East Region Divestment Business. After negotiations on the terms and conditions of the acquisition, CCI granted its approval to Praxair India to divest the East Region Divestment Business to the Company on May 31, 2019. The Company was selected as the 'approved purchaser' in terms of the order of the CCI for continuing the East Region Divestment Business as a going concern and executed the Agreement on June 14, 2019 with Praxair India.

3.Summary of Acquisition and Investment in Indian Subsidiary

In the case of the East Region Divestment Business, the demand for industrial gases is expected to grow along with the economic growth in India. The onsite gas supply business for blast furnace steel manufacturing, in which we have extensive operating knowledge in Japan, will comprise the great majority of this growth. We believe that this acquisition directly connects establishing the upstream business in that we can obtain new liquid gas production and supply base, and has high strategic complementarity with the downstream business of our subsidiary Ellenbarrie Industrial Gases Ltd. from a medium- to long-term perspective, and operating mainly in Eastern India should provide a great contribution to expanding our industrial gas business in India.

The East Region Divestment Business will be acquired by AW India, a subsidiary of the Air Water group, and the Company will make an investment in AW India to provide it with the funds necessary for the acquisition.

(1) Business to be acquired:
Part of the industrial gas business of Praxair India (in the east region) related to production, storage, delivery, and sale of oxygen, nitrogen and argon (including business related to storage, transport, sales of trading products).

(Assets)	3 ASUs (Cryogenic Air Separation Units), filling facilities, storage tanks, cylinders, vehicles, etc.
(Locations)	3 Locations Onsite business location: Jamshedpur of Jharkhand Cylinder filling stations: Parbangla, and Asansol of West Bengal
(Employees)	Approximately 60
(Net sales)	5.07 billion Indian rupees (approximately 7.9 billion yen* ($71 million)) (Fiscal 2018)

(2)Acquisition price: 15.25 billion Indian rupees (approximately 23.8 billion yen* ($214 million))

(3)Settlement method: Cash settlement

(4)Amount of investment:
16.9 billion Indian rupees (approximately 26.4 billion yen* ($238 million), including working capital and necessary expenses after acquisition)

* 1 Indian rupee = 1.56 yen (as of June 13, 2019)

4.Schedule of the Acquisition and the Investment in Indian Subsidiary

(1) Date of the board of directors:	June 14, 2019
(2) Date of execution of the Agreement:	June 14, 2019
(3) Date of investment in Indian subsidiary:	July 10, 2019 (Estimated)
(4) Date of acquisition:	July 12, 2019 (Estimated)

KPMG

Independent Auditor's Report

To the Board of Directors of AIR WATER INC.:

We have audited the accompanying consolidated financial statements of AIR WATER INC. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AIR WATER INC. and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 26, 2019
Osaka, Japan

AIR WATER INC.