

February 12, 2010

Business Performance for the First Three Quarters of Fiscal 2010

(on a consolidated basis)

1. Outline of business operations for the first three quarters fiscal 2010 (April 1 to December 31, 2009)

(1) Operating results

(Amounts less than ¥1 million are omitted.)

	Net sales		Operating income		Recurring income		Net income	
	(¥ million)	(YoY change)	(¥ million)	(YoY change)	(¥ million)	(YoY change)	(¥ million)	(YoY change)
First 3 quarters of fiscal 2010	311,513	(17.3%)	19,840	(22.0%)	19,374	(23.3%)	10,812	(19.6%)
First 3 quarters of fiscal 2009	376,719	-	25,452	-	25,255	-	13,441	-

	Earnings per share (Yen)
First 3 quarters of fiscal 2010	27.04
First 3 quarters of fiscal 2009	33.46

(2) Financial position

(As of end of terms; amounts less than ¥1 million are omitted.)

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
First 3 quarters of fiscal 2010 (Dec. 31, 2009)	611,071	204,070	31.2	477.25
Reference: End of FY 2009 (March 31, 2009)	534,350	194,250	33.9	452.67

Notes:

Equity

First 3 quarters of fiscal 2010: ¥190,822 million

End of FY 2009: ¥181,037 million

2. Forecasts for business operations for the fiscal 2010 full term (April 1, 2009 – March 31, 2010)

(Amounts less than ¥1 million are omitted.)

	Net sales		Operating income		Recurring income		Net income		Earnings per share
	(¥ million)	(YoY change)	(¥ million)	(YoY change)	(¥ million)	(YoY change)	(¥ million)	(YoY change)	(Yen)
FY2010 full term	450,000	(9.2%)	27,400	(6.0%)	24,600	(12.0%)	13,300	(19.6%)	33.26

3. Business Performance and Financial Results (consolidated basis)

1. Business performance for the first three quarters of fiscal 2010

During the first three quarters (April to December 31), the Japanese economy showed a moderate recovery trend, thanks to improvement in export-related demand accompanying a general recovery in China and the other Asian economies. This trend was also supported by an expansion in demand for eco-friendly cars and energy-saving home appliances, as a result of the Japanese government's economic stimulus measures.

However, in Japan the general outlook is far from optimistic. Consumer spending remains sluggish, and commodities prices are extending their downward trend. Manufacturers continue to curb plant and equipment investment, and corporate earnings performance is slow to reflect the recovery trend against the backdrop of the yen's rapid appreciation. Unemployment also remains at a high level.

In the Company's main user industries – the steel, non-ferrous metals, automotive, and semiconductor industries – inventory adjustments ran their course and production recovered against a backdrop of an ongoing increase in exports, mainly of LCDs and steel products to China and other East Asian countries.

Amid these circumstances, the Group made concerted efforts to strengthen marketing capabilities, further reduce costs and restore profitability. Nonetheless, sales declined 17.3% year-on-year to ¥311,513 million, operating income fell 22.0% to ¥19,840 million, recurring income decreased 23.3% to ¥19,374 million, and net income came to ¥10,812 million, down 19.6% from the same period of the previous year.

Breakdown of business performance by operational segment

Gas Business

In Japan, sales volumes of our mainline products of oxygen, nitrogen, and argon as well as specialty gases stayed below the levels of the corresponding nine-month period of the previous fiscal year. However, improvement was also seen in industries directly benefiting from the

government's economic stimulus measures in addition to growing demand for exports of LCD panels and steel products. Consequently, demand for industrial gases showed a gradual recovery trend. Overseas, meanwhile, revenues declined year-on-year, due in part to the yen's appreciation against the dollar, although signs of recovery in demand emerged in North America.

As a result, sales of the Gas Business declined by 15.3% year-on-year, to ¥221,100 million, while operating income fell 20.4% to ¥16,115 million.

Machinery & Equipment Business

Demand remained weak overall in response to reductions in or postponements of capital investment in our main customer industries and sluggish public sector spending. Consequently, sales revenues for electronics-related equipment (including installation) and cutting and welding-related equipment showed a year-on-year decline compared with the previous year's first three quarters.

As a result, sales of Machinery & Equipment segment came to ¥76,124 million, down 24.7% year-on-year, while operating income fell 48.8% to ¥4,337 million.

Housewares Business and Others

In the Housewares Business, sales of our popular "Portable Mug" were favorable, enabling Thermos K.K. to post a year-on-year rise in revenues and earnings. However, demand for the Others business segment remained weak. Consequently, sales declined 1.4% to ¥14,288 million, while operating income rose 37.4% to ¥2,681 million.

Breakdown of business performance by geographical segment

Japan

In the Gas Business, we saw signs of a recovery in demand from our users, primarily chemical companies, electronics manufacturers, and steelmakers. However, demand from the metal processing and construction industries remained sluggish. In the Machinery & Equipment Business, total segment sales fell below the previous year's level, reflecting the impact of reductions in or postponements of capital investment plans in our user industries, and sluggish investment by the public sector.

Sales in Japan were down 17.5% year-on-year to ¥238,762 million, while operating income decreased 10.9% to ¥16,917 million.

North America

In the Gas Business, there emerged a recovery trend in demand for mainline products of oxygen, nitrogen, argon and specialty gases. In the Machinery & Equipment Business, there was a sharp decrease in demand for cutting and welding-related equipment. Sales posted on a yen basis also resulted in a year-on-year decline, due partly to the yen's appreciation against the dollar. Consequently, sales in North America decreased 10.7% year-on-year to ¥57,172 million, while operating income fell sharply by 50.3% to ¥3,399 million.

Other Regions

Sales in Other Regions on a Japanese-currency basis declined year-on-year, attributable in part to the yen's appreciation against the dollar. In the Asian region as a whole, signs of a recovery in demand for industrial gases were being seen. In Taiwan, a recovery trend was seen in demand for specialty gases from electronics manufacturers.

Total sales for Other Regions fell 33.4% to ¥15,579 million, while operating income declined 33.2% to ¥1,283 million.

4. Results by operating segment

First three quarters fiscal 2010 (April 1 to December 31, 2009)

(Millions of yen)

	Gas Business	Machinery and Equipment Business	Housewares Business and Others	Total	Eliminations or Corporate	Consolidated
Sales						
(1) Sales to external customers	221,100	76,124	14,288	311,513	-	311,513
(2) Sales from inter-segment transactions and transfers	4	7,112	26	7,143	(7,143)	-
Total	221,105	83,236	14,314	318,657	(7,143)	311,513
Operating income	16,115	4,337	2,681	23,134	(3,293)	19,840

First three quarters fiscal 2009 (April 1 to December 31, 2008)

(Millions of yen)

	Gas Business	Machinery and Equipment Business	Housewares Business and Others	Total	Eliminations or Corporate	Consolidated
Sales						
(1) Sales to external customers	261,175	101,045	14,498	376,719	-	376,719
(2) Sales from inter-segment transactions and transfers	18	18,178	49	18,246	(18,246)	-
Total	261,193	119,223	14,548	394,965	(18,246)	376,719
Operating income	20,254	8,470	1,951	30,675	(5,223)	25,452

Notes

1. Segmentation method

Products (whether developed and/or made in-house or by other companies [i.e. bought-in merchandise]) are allocated to one of the three segments of the Gas Business, the Machinery and Equipment Business, and the Housewares Business and Others.

2. The principal products and services included in the three segments are shown in the table below.

Business segment	Main products
Gas Business	Oxygen, nitrogen, argon, carbon dioxide, helium, rare gases such as xenon and neon, hydrogen, medical gases(oxygen, nitrogen oxide, etc), specialty gases (semiconductor materials gases, standard reference gas, etc), dissolved acetylene, liquid petroleum gas (LPG), other gases, stable isotopes, equipment lease
Machinery and Equipment Business	Cutting and welding equipment, welding materials, cylinders, semiconductor related equipment /engineering, semiconductor

	manufacturing equipment, medical equipment, air separation plants (oxygen, nitrogen, argon, rare gases), cryogenic air separation plants, ultra-low-temperature equipment, high-vacuum equipment, pressure swing adsorption (PSA) gas generators, hydrogen generators, gas compressors, gas expanders, liquefied gas storage tank/pumps, vacuum brazing, atomic power/space development related equipment and other related equipment
Housewares Business and Others	Stainless steel vacuum bottles (household, laboratory), vacuum thermal insulation cooking pots, assembly processing and inspection of electronic components, maintenance of facilities, other outsourced business

3. Changes in accounting standards

Previous term (first three quarters of fiscal 2009)

Accounting standards for valuation of inventory assets

From the first quarter of the previous term, the Company applied the “Accounting Standards for Measurement of Inventories” (Accounting Standards Board of Japan (ASBJ) Statement No. 9 on July 5, 2006). The changes in the accounting standards have no material effect on the income statement.

Unification of accounting policies applied to foreign subsidiaries

From the first quarter of the previous term, the Company applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18 on May 17, 2006). As a result, operating income for the Gas Business for the first three quarters of the previous term decreased by ¥1,083 million.

Application of accounting standards for lease transactions

From the first quarter of the previous term, the Company applied the Accounting Standard for Lease Transactions (ASBJ Statement No. 13 (June 17, 1993 (Business Accounting Council, First Subcommittee) revised March 30, 2007) and the Implementation Guidance on the Accounting Standard for Lease Transactions (ASBJ Guidance No. 16 (January 18, 1994 (Japanese Institute of Certified Public Accountants, Accounting System Committee) revised March 30, 2007). The changes in the accounting standards have no material effect on the income statement.

Reporting term (first three quarters of fiscal 2010)

Changes in accounting standards for recognition of construction revenues and cost of completed work

With regard to accounting standards employed for the recognition of revenues resulting from construction work undertaken for customers using the completed-contract method, we previously recognized the total lump-sum amount of the completed contract values at completion, excepting for contracts with a contract amount of ¥1 billion or larger and a work period of longer than one year to which the percentage-of-completion method was applied. However, with effect from the first quarter of the current term, the Accounting Standards for Construction Contracts (ASBJ Statement No. 15, issued on December 27, 2007) and the Guidance on Application of Accounting Standards for Construction Contracts (ASBJ Guidance No. 18, issued on December 27, 2007) have been applied to construction contracts. The percentage-of-completion method is applied to construction contracts meeting the following criteria: construction had started within the first quarter of the current term (except for short-period work); and the percentage of construction already completed by the end of the reporting third quarter can be estimated fairly reliably. (The estimation is based on the proportion of direct costs incurred for each work phase as compared with the estimated total cost for the entire contract.) Other than the above-mentioned construction contracts, the completed-contract method has been applied. This change has no effect on sales revenues or operating income.

4. Additional information

Previous term (first three quarters of fiscal 2009)

Changes in useful life of machinery and equipment

Effective from the first quarter of the previous term, the Company and its consolidated subsidiaries in Japan have changed their accounting policy for the depreciation of machinery and equipment in line with amendments to the Income Tax Law effective from fiscal 2009.

Accordingly, the useful life of machinery and equipment has been changed to more effectively reflect the actual useful lives.

As a result, operating income for the first three quarters of the previous term decreased by ¥1,393 million for the Gas Business, ¥34 million for the Machinery and Equipment Business, and ¥11 million for the Housewares Business and Others compared with the amounts calculated under the previous standards.

5. Results by geographical segment

First three quarters fiscal 2010 (April 1 to December 31, 2009)

(Millions of yen)

	Japan	North America	Other countries	Total	Eliminations or Corporate	Consolidated
Sales						
(1) Sales to external customers	238,762	57,172	15,579	311,513	-	311,513
(2) Sales from inter-segment transactions	2,783	3,529	2,628	8,941	(8,941)	-
Total	241,545	60,701	18,207	320,455	(8,941)	311,513
Operating income	16,917	3,399	1,283	21,600	(1,759)	19,840

First three quarters fiscal 2009 (April 1 to December 31, 2008)

(Millions of yen)

	Japan	North America	Other countries	Total	Eliminations or Corporate	Consolidated
Sales						
(1) Sales to external customers	289,283	64,035	23,400	376,719	-	376,719
(2) Sales from inter-segment transactions	5,657	8,744	2,533	16,936	(16,936)	-
Total	294,941	72,779	25,934	393,655	(16,936)	376,719
Operating income	18,986	6,838	1,922	27,747	(2,294)	25,452

Notes

1. Principal countries in the North America and Other Countries segments are as follows:

(1) North America: The United States of America

(2) Other countries: Singapore, Malaysia, Philippines, China, Taiwan etc.

2. Changes in Accounting Standards

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operating income from business operations in North America for the first three quarters of the previous term decreased by ¥1,083 million compared with the amounts calculated under the previous standards.

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Accordingly, the useful life of machinery and equipment has been changed to more effectively reflect the actual useful lives.

As a result, operating income from business operations in Japan for the first three quarters of the previous term decreased by ¥1,439 million compared with the amounts calculated under the previous standards.