
Consolidated Business Performance
for the First Half of the Fiscal Year
Ending March 2014
(Fiscal 2014)

TAIYO NIPPON SANSO Corporation

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Consolidated Business Performance for the First Half of FY2014

Consolidated Business Performance for the First Half of FY2014

(Billions of yen)

	First half FY2013 Ratio to sales	First half FY2014 (Announced targets) (August 21)	First half FY2014 (Results)	YoY change % change
Sales	228.2	252.0	249.6	+21.3 +9.4%
Operating Income	12.5 5.5%	14.6 5.8%	14.3 5.8%	+1.8 +14.6%
Ordinary Income	12.0 5.3%	13.8 5.5%	14.1 5.7%	+2.2 +17.9%
Net Income	-7.9 -3.5%	10.2 4.0%	12.2 4.9%	+20.1 -

Consolidated Business Performance for the First Half of FY2014

Analysis of year-on-year change (1)

【Sales】	+¥21.3 billion
Japan:	+¥2.4 billion Industrial Gases -¥1.6 billion, Electronics +¥1.2 billion Energy +¥1.1 billion, Other +¥1.7 billion
Overseas:	+¥18.9 billion North America +¥12.0 billion, Asia +¥6.9 billion (Exchange rate effects: +¥12.8 billion [North America +¥9.5 billion, Asia +¥3.3 billion])
【Operating Income】	+¥1.8 billion
Japan:	-¥0.2 billion Electronics earnings recovered, plants and machinery sales decreased
Overseas:	+¥2.1 billion North America +¥1.6 billion, Asia +¥0.4 billion (Exchange rate effects: +¥0.68 billion [North America +¥0.45 billion, Asia +¥0.23 billion])
【Ordinary Income】	+¥2.2 billion
	Investment return from equity: +¥0.26 billion

Consolidated Business Performance for the First Half of FY2014

Analysis of year-on-year change (2)

【Extraordinary Gain and Loss (before tax)】	+¥29.4 billion
FY2013	Loss on liquidation of business + ¥23.5 billion
FY2014	Gain on sale of Shimbashi building and others + ¥3.8 billion
	Gain on sales of investment securities + ¥3.2 billion
	Loss on liquidation of a subsidiary - ¥0.5 billion
	Early retirement expenses - ¥0.3 billion
	Loss on valuation of investment securities - ¥0.3 billion
【Net Income】	+¥20.1 billion

Consolidated Business Performance for the First Half of FY2014

Other results

(Billions of yen)

	FY2013 First half	FY2014 First half	Change
Capital expenditure	15.9	13.6	-2.3
Equity investments	1.7	0.7	-1.0
Depreciation and amortization	15.6	18.3	2.7
(Amortization of goodwill)	1.2	1.6	0.4
FCF (operating cash flow - investment cash flow)	-1.1	14.9	16.0

	March 2013	September 2013	Change
Total assets	615.8	652.7	36.9
Shareholders' equity	203.7	232.2	28.5
Net debt	228.6	227.1	-1.5
Net D/E ratio	1.12	0.98	-0.14

- Depreciation and amortization: Increased due to exchange rate effects, new consolidation, and investments in plant and equipment overseas

- Free cash flow (FCF): Drastic increase due to decrease in income taxes paid and gain on sales of fixed assets

- Net debt: Decreased compared with end of previous fiscal year due to increase in FCF, despite yen-dollar exchange rate that was a factor for increase (+¥9.5 billion)

⇒ Net D/E ratio:
At less than one times due to shareholders' equity increase

Performance by Segment

First Half of FY2014 Performance by Business Segments

(Billions of yen)

	First Half of FY2013		Margin	First Half of FY2014		Margin
	Sales	Operating Income		Sales	Operating Income	
Industrial Gas	148.3	11.2	7.6%	163.9	10.6	6.5%
Electronics	46.1	-0.6	-1.3%	48.5	2.2	4.6%
Energy	17.4	0.7	4.4%	18.5	0.6	3.4%
Other	16.3	1.7	10.8%	18.5	1.5	8.2%
Adjustments		-0.6			-0.6	
Consolidated	228.2	12.5	5.5%	249.6	14.3	5.8%



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Industrial Gas Segment

(Billions of yen)

	First Half of FY2013			First Half of FY2014			Change	
	Sales	Operating Income	Margin	Sales	Operating Income	Margin	Sales	Operating Income
Segment Total	148.3	11.2	7.6%	163.9	10.6	6.5%	10.6%	-5.2%
Japan	98.1			96.5			-1.6%	
Overseas	50.2			67.4			34.4%	
Bulk/On-site	80.0			85.1			6.5%	
Japan	64.8			65.2			0.6%	
Overseas	15.1			19.9			31.4%	
Packaged	48.4			57.9			19.5%	
Japan	15.2			14.7			-3.2%	
Overseas	33.2			43.2			29.9%	
Plants and equipment	19.7			20.7			5.2%	
Japan	18.0			16.5			-8.2%	
Overseas	1.7			4.2			145.0%	

Bulk/On-site

Japan: On-site demands from steel and chemicals were strong, but liquefied gas was down year on year due to sluggish demands

Overseas: Large increase due to exchange rate effects and volume increases in North America, and new consolidations in Asia

Packaged

Overseas: Exchange rate effects and volume increases in North America

Plants and equipment

Japan: Decrease in plant orders

Overseas: Revenue increase owing to Leeden Limited



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Electronics Segment

(Billions of yen)

	First Half of FY2013			First Half of FY2014			Change	
	Sales	Operating Income	Margin	Sales	Operating Income	Margin	Sales	Operating Income
Segment Total	46.1	-0.6	-1.3%	48.5	2.2	4.6%	5.2%	-
Japan	35.6			36.8			3.3%	
Overseas	10.4			11.6			11.6%	
Gases	35.4			35.9			1.2%	
Japan	26.2			25.4			-3.3%	
Overseas	9.2			10.5			13.8%	
Equipment and Installation	10.5			12.5			18.5%	
Japan	9.3			11.4			21.6%	
Overseas	1.2			1.1			-5.3%	

Gases

Japan: Sales of specialty gases and argon gas continued to decrease

Overseas: Revenue increased due to exchange rate effects in North America/Asia

Equipment and Installation

Japan: Installation sales increased and MOCVD was delivered to Nagoya Institute of Technology

Overseas: Sales decreased in Taiwan



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Energy Segment

(Billions of yen)

	First Half of FY2013			First Half of FY2014			Change	
	Sales	Operating Income	Margin	Sales	Operating Income	Margin	Sales	Operating Income
Segment Total	17.4	0.7	4.4%	18.5	0.6	3.4%	6.4%	-18.4%
Gases	15.6			16.9			8.0%	
Related Equipment	1.7			1.6			-7.8%	

Gases

Consumer demand declined amid higher-than-average temperatures throughout the spring and summer

Purchasing costs increased due mainly to the weak yen, and sales prices rose in line with higher purchasing



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Other Segment

(Billions of yen)

	First Half of FY2013			First Half of FY2014			Change	
	Sales	Operating Income	Margin	Sales	Operating Income	Margin	Sales	Operating Income
Segment Total	16.3	1.7	10.8%	18.5	1.5	8.2%	13.2%	-14.8%
Japan	15.8			17.6			11.4%	
Overseas	0.5			0.9			80.0%	
Medical	8.5			8.9			5.4%	
Japan	8.5			8.9			5.4%	
Overseas	0.0			0.0			-	
Thermos	6.6			8.2			24.2%	
Japan	6.1			7.4			21.3%	
Overseas	0.5			0.8			70.4%	
Other	1.2			1.2			4.1%	
Japan	1.2			1.2			4.1%	
Overseas	0.0			0.0			-	

Medical

Gas-related sales were steady
Equipment-related sales to hospitals and home healthcare equipment sales were steady

Thermos

New product sales were strong



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Profitability Improvement Progress

(Billions of yen)

	FY2014 Full-Year Target	First Half of FY2014 Results
Improve profitability of industrial gases in response to electric power rate hikes	0.5	-0.01
Strengthen partnerships with distributors	0.8	0.0
Improve profitability in the domestic electronics businesses	0.8	0.6
Improve profitability of the North American business	2.5	*1.61
Expand our business in Asia	0.5	*0.48
Total	5.1	2.68

* Results for the first half includes effects of exchange rates and new consolidations



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First Half of FY2014 Performance by Geographic Segment

(Billions of yen)

	First Half of FY2013		Margin	First Half of FY2014		Margin
	Sales	Operating Income		Sales	Operating Income	
Japan	167.0	11.1	6.7%	169.5	10.8	6.4%
North America	45.4	1.0	2.4%	57.4	2.7	4.7%
Other	15.7	0.8	5.5%	22.6	1.3	6.0%
Adjustments		-0.5			-0.5	
Consolidated	228.2	12.5	5.5%	249.6	14.3	5.8%

Topics by Region

Japan

- ◆ Medical Business Expansion
- ◆ Development Project Progress

North America

- ◆ Plant Capacity Expansion

Asia

- ◆ New Market Development

Medical Business Expansion (Japan)

Acquisition of Pacific Medico Co., Ltd.

[Company Outline]

- Employees: 60
- Capital: ¥95 million
- Details of business: Development, manufacture, import, sale and maintenance of respiratory care-related medical equipment
- Main products: Mechanical ventilators, pulse oxymeters, diagnostic devices for sleep apnea syndrome

* Top share in Japan of mechanical ventilators for home use (intended for tracheostomy patients)

[Acquisition Overview]

- Acquisition method: Acquisition of shares (100%) by TNSC
- Share acquisition date: October 1, 2013



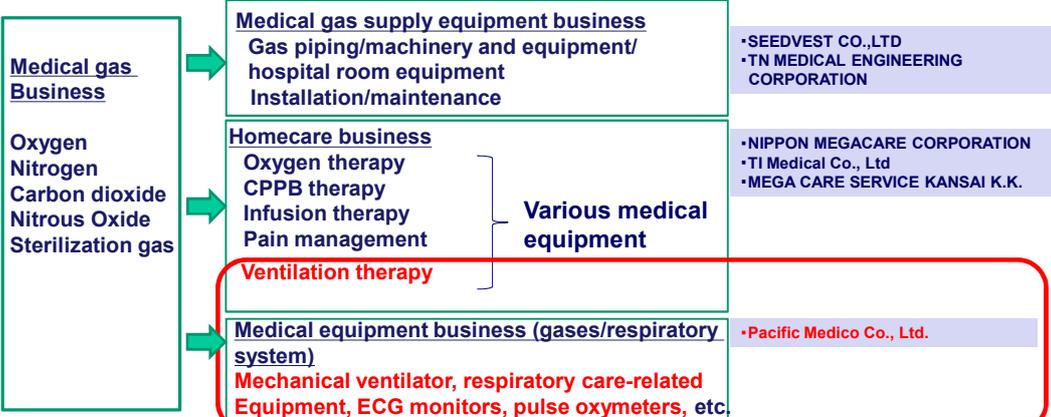
Medical Business Expansion (Japan)

Outline of acquisition objective and medical business expansion

<Acquisition Objective>

- ◆ Expansion of respiratory care business domain and reinforcement of manufacturing business base
- ◆ Full-scale entry into sleep apnea business
- ◆ Overseas expansion of medical equipment business

TNSC Group companies



Development Project Progress (Japan)

1. Cryopreservation system for medical/pharmaceutical research

[FY2013 Results]

- Results for the first two quarters: ¥0.07 billion
- Full-year forecast: ¥0.37 billion

<Customers (including projection)>

National university research labs: 2 units

Independent organizations: 2 units

National research labs: 2 units



Development Project Progress (Japan)

2. Neon refrigerator for high-temperature super conduction

Sales efforts underway for domestic and overseas super conduction projects



3. Hydrogen stations

Expect to deliver equipment to energy companies' construction projects starting up at 100 locations by 2015



Expansion of Liquefied Gas Business (North America)

Progress report on newly construction air separation plants

- Lakeland, Florida Commenced operation in March 2013
- Dickinson, North Dakota Commenced operation in May 2013
- Mesa, Arizona To be completed in May 2014

Construction of 1 to 2 new liquefied gas production plants per year planned

Lakeland ASU



Dickinson ASU



New Market Development (Asia)

Established a joint venture company with PT. Samator Group of Indonesia

[Indonesian Market]

- Southeast Asia's largest population and economy
- Strong economic growth <GDP growth rate: 6.2% in 2012, and 6.3% in 2013 (forecasted)>
- Industrial gas market to grow at a high annual rate of 20-25%
- Aggressive investments by Japanese companies <405 projects in 2012 valued at approx. US\$2.5 billion>

Major market investors: 1,300 in total including TOYOTA MOTOR CORPORATION, Daihatsu Motor Co., Ltd., Honda Motor Co., Ltd., SUZUKI MOTOR CORPORATION, Mitsubishi Motors Corporation., Panasonic Corporation, SHARP CORPORATION, SEIKO EPSON CORP.

[Outline of PT. Samator Group of Indonesia]

Indonesia's largest industrial gas maker

Sales : Approx. US\$200 million (FY2012 results)

Bases : More than 60 in Indonesia



New Market Development (Asia)

[Outline of Joint Venture Company]

- Company name: PT. SAMATOR TAIYO NIPPON SANZO INDONESIA
- Location: Greenland International Industrial Center, Bekasi, West Java, Indonesia
- Capital: US\$6 million
- Shareholdings: TNSC 33%, NOX 17%, PT. Samator Group 50%
- Establishment: December 31, 2013 (scheduled)

[Goals]

- Short-term
Develop downstream markets of Japanese manufacturers, automobile- related, and oil and gas-related
- Medium- to long-term
Win orders for on-site projects, deliver plant to PT. Samator Group of Indonesia



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New Market Development (Asia)

Acquisition of Sabah Oxygen Sdn. Bhd. in Malaysia

[Company Outline]

- 2012 Results: Sales ¥356 million, Operating Income ¥33 million (Margin 9.3%)
- Details of Business: Manufacture and sales of industrial and medical gases
- Territory: East Malaysia, Sabah
- Employees: 82



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New Market Development (Asia)

[Acquisition Overview]

- Acquisition of 100% shares of Sabah Oxygen Sdn. Bhd. through Malaysian subsidiary of Leeden Limited
- Scheduled acquisition date: Early November 2013



[Purpose of Acquisition]

- To develop the gas market in East Malaysia , a new market for the TNSC Group
- To expand sales of industrial and safety equipment offered by Leeden Limited to existing customers of Sabah Oxygen Sdn. Bhd.
- Targeting sales of ¥1.0 billion after three years



Consolidated Full-Year Forecasts for FY2014

Consolidated Full-Year Forecasts for FY2014

(Billions of yen)

	FY2013 (Results)	FY2014 Full-Year (Previous Forecast)	FY2014 Full-Year (Revised Forecast)	YoY Change	% change
Sales	468.3	514.0	514.0	45.6	9.7%
Operating Income	24.8 5.3%	31.5 6.1%	30.0 5.8%	5.2	20.6%
Ordinary Income	23.0 4.9%	29.3 5.7%	28.8 5.6%	5.8	24.9%
Net Income	-2.0 -0.4%	19.4 3.8%	19.4 3.8%	21.4	—

Full-Year Forecasts for FY2014 by Business Segment

(Billions of yen)

	FY2013 Full-Year		Margin	FY2014 Full-Year		Margin
	Sales	Operating Income		Sales	Operating Income	
Industrial Gas	298.0	21.3	7.2%	334.6	22.5	6.7%
Electronics	96.5	-0.5	-0.6%	99.0	3.6	3.6%
Energy	40.0	1.8	4.5%	41.8	1.9	4.5%
Other	33.7	3.2	9.8%	38.6	3.1	8.0%
Adjustments		-1.0			-1.1	
Consolidated	468.3	24.8	5.3%	514.0	30.0	5.8%

Full-Year Forecasts for FY2014 by Geographic Segment

(Billions of yen)

	FY2013 Full-Year		Margin	FY2014 Full-Year		Margin
	Sales	Operating Income		Sales	Operating Income	
Japan	339.2	22.1	6.5%	352.4	23.8	6.8%
North America	90.6	2.0	2.2%	114.6	4.7	4.1%
Other	38.4	1.8	4.7%	47.0	2.7	5.7%
Adjustments		-1.2			-1.2	
Consolidated	468.3	24.8	5.3%	514.0	30.0	5.8%

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