

Report on Business Performance for the  
First Two Quarters of the  
Fiscal Year Ending March 2012  
(FY2012)

**TAIYO NIPPON SANSO Corporation**

## Results Meeting

1. Performance for the First Two Quarters of FY2012
2. Impact of the Great East Japan Earthquake
3. Overview of the New Medium-term Business Plan  
(FY2012 to FY2014)
4. Topics
5. Consolidated Full-Term Forecasts for FY2012

# Performance for the First Two Quarters of FY2012

## Performance for the First Two Quarters of FY2012

(Billions of yen)

	Previous 1 <sup>st</sup> two quarters Ratio to sales	Reporting 1 <sup>st</sup> two quarters (Targets)	Reporting 1 <sup>st</sup> two quarters (Results)	YoY change % change	Change from targets % change
<b>Sales</b>	<b>237.3</b>	<b>239.0</b>	<b>234.7</b>	<b>-2.5</b> -1.1%	<b>-4.2</b> -1.8%
<b>Operating Income</b>	<b>18.0</b> 7.6%	<b>15.0</b> 6.3%	<b>15.7</b> 6.7%	<b>-2.2</b> -12.5%	<b>0.7</b> 5.2%
<b>Ordinary Income</b>	<b>17.8</b> 7.5%	<b>14.0</b> 5.9%	<b>16.0</b> 6.8%	<b>-1.8</b> -10.3%	<b>2.0</b> 14.3%
<b>Net Income</b>	<b>10.2</b> 4.3%	<b>7.4</b> 3.1%	<b>8.4</b> 3.6%	<b>-1.8</b> -17.7%	<b>1.0</b> 13.7%

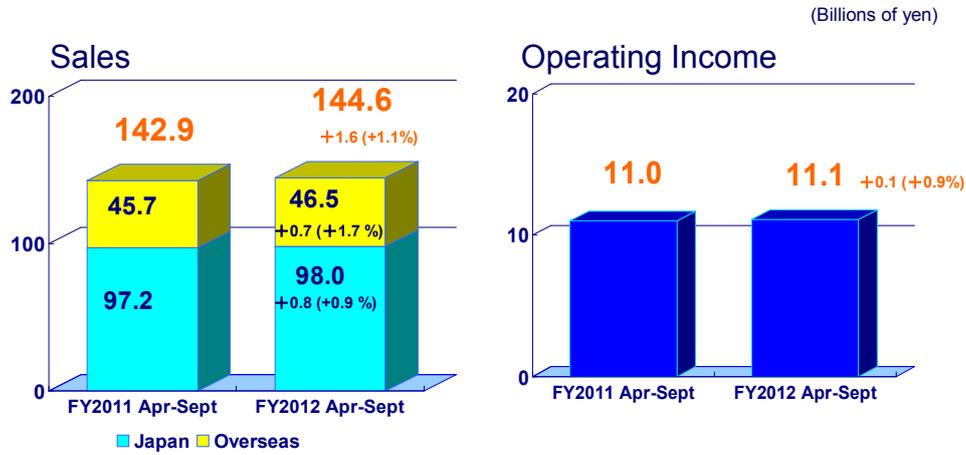
# Performance by Segment

## Performance by Segment for the First Two Quarters of FY2012

(Billions of yen)

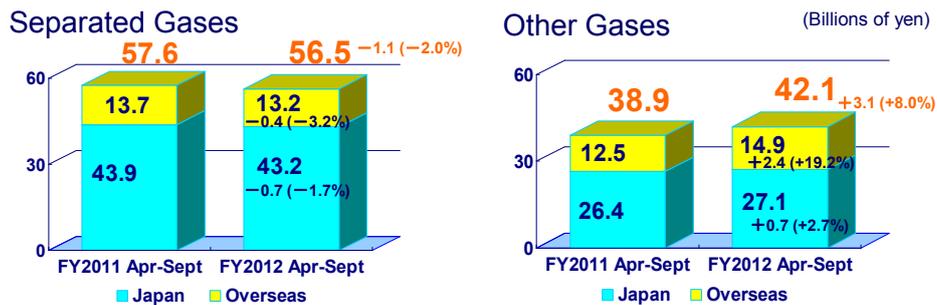
	First two quarters of FY2011 (Apr-Sept)		Margin	First two quarters of FY2012 (Apr-Sept)		Margin
	Sales	Operating Income		Sales	Operating Income	
<b>Industrial gases</b>	<b>142.9</b>	<b>11.0</b>	<b>7.7%</b>	<b>144.6</b>	<b>11.1</b>	<b>7.7%</b>
<b>Electronics</b>	<b>61.7</b>	<b>5.2</b>	<b>8.4%</b>	<b>56.1</b>	<b>3.1</b>	<b>5.6%</b>
<b>Energy</b>	<b>16.6</b>	<b>0.4</b>	<b>2.8%</b>	<b>17.7</b>	<b>0.6</b>	<b>3.7%</b>
<b>Other</b>	<b>15.8</b>	<b>2.0</b>	<b>13.1%</b>	<b>16.2</b>	<b>1.5</b>	<b>9.3%</b>
<b>Adjustments</b>		<b>(0.7)</b>			<b>(0.6)</b>	
<b>Total</b>	<b>237.3</b>	<b>18.0</b>	<b>7.6%</b>	<b>234.7</b>	<b>15.7</b>	<b>6.7%</b>

## Industrial Gases Businesses



\* The graph contains figures for both Japan and overseas sales.

## Major Industrial Gases Businesses (Sales)



### «Overseas»

◆ Volumes were up year-on-year, but sales fell back slightly due to the strong yen

### «Japan»

- ◆ Sales volumes and values were down early in the first half due mainly to the earthquake disaster
- ◆ Recovery set in towards the end of the first half

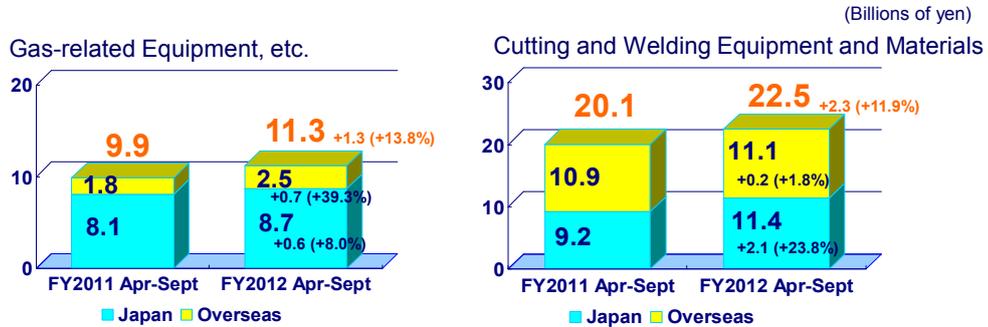
### «Overseas»

◆ Acetylene sales benefited from consolidation of North American units

### «Japan»

◆ Carbon dioxide sales had a good half

## Major Industrial Gases Businesses (Sales)



### «Overseas, Japan»

- ◆ Gas supply equipment sales were strong

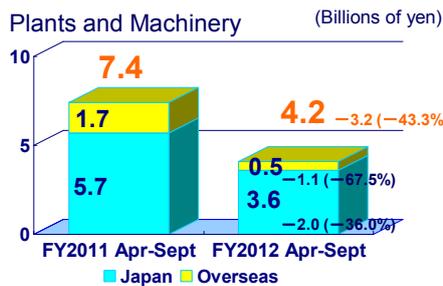
### «Overseas»

- ◆ Non-gas products did well in North America

### «Japan»

- ◆ Laser cutting machinery held up well

## Major Industrial Gases Business (Sales)



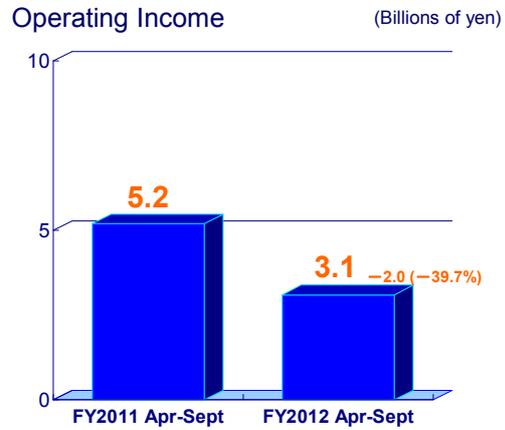
### «Overseas»

- ◆ Installation project sales were down

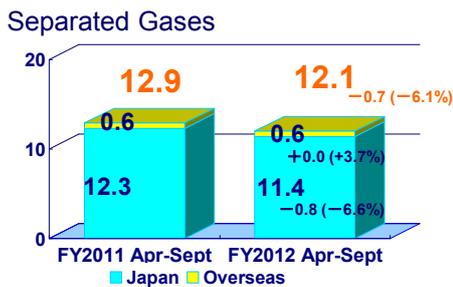
### «Japan»

- ◆ Installation project sales were down steeply
- ◆ Major installation projects completed without hitches
- Received orders for air separation plant from chemical majors

## Electronics Business



## Major Electronics Businesses (Sales)

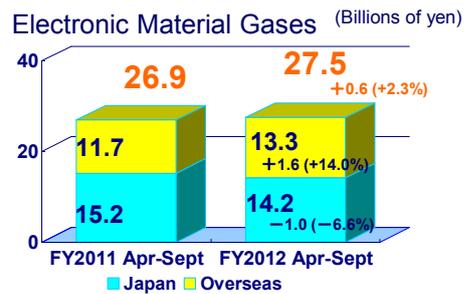


《Overseas》

- ◆ Nitrogen sales were strong in Asia and North America

《Japan》

- ◆ Earthquake impact largely confined to early part of first half



《Overseas》

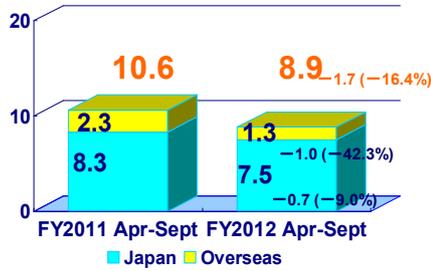
- ◆ Strong sales in Korea, Taiwan and China

《Japan》

- ◆ Sales volumes and values down on production cutbacks for semiconductors and LCD panels
- ◆ Launch of new hydrogen selenide supplies

## Major Electronic Business (Sales)

Electronics Related Equipment and Installation



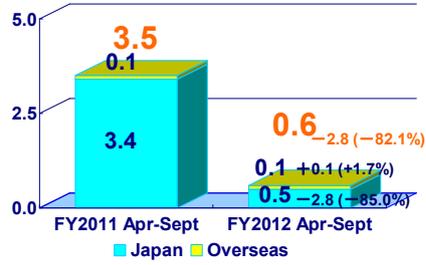
«Overseas»

◆ Fewer equipment orders in North America

«Japan»

- ◆ Decline in large-scale equipment and installation orders
- ◆ Some project launches delayed by earthquake disaster

MOCVD Equipment (Billions of yen)



«Overseas»

- Orders held up well in Taiwan and Korea
- Promising manufacturing and sales outlook at South Korean joint venture

«Japan»

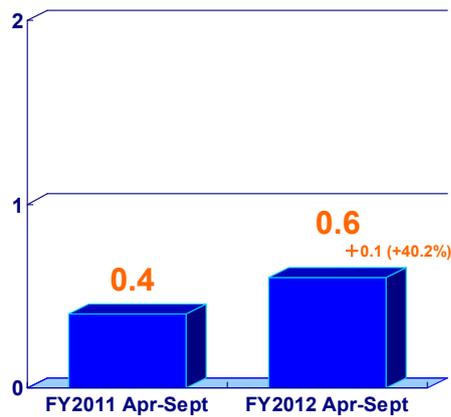
- ◆ Steep fall in completed installation projects
- Trial production starts with new large-diameter mass production unit

## Energy Business

Sales

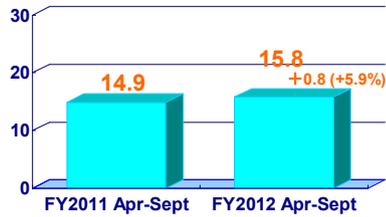


Operating Income (Billions of yen)



## Major Energy Business (Sales)

### LP Gas



#### «Japan»

- ◆ Volumes down marginally due to impact of earthquake disaster
- ◆ Higher selling prices as import prices rise

### Equipment and Installation, etc.

(Billions of yen)

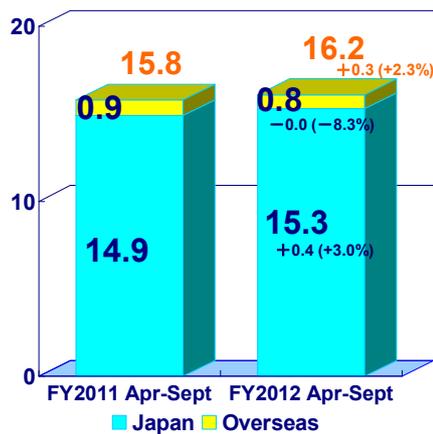


#### «Japan»

- ◆ Industrial equipment holds up year-on-year
- ◆ Inquiries increase for LP gas-powered small generators and gas heat pumps due to fears of electricity shortages

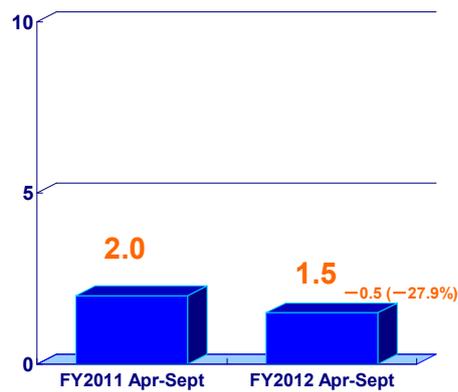
## Other Businesses

### Sales



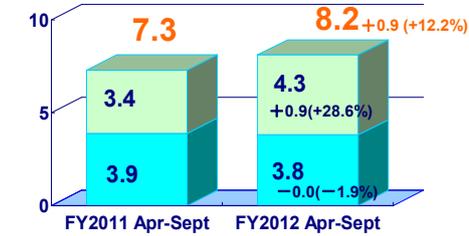
### Operating Income

(Billions of yen)



## Major Other Businesses (Sales)

### Medical Business



■ Medical-use gases ■ Equipment, services, etc.

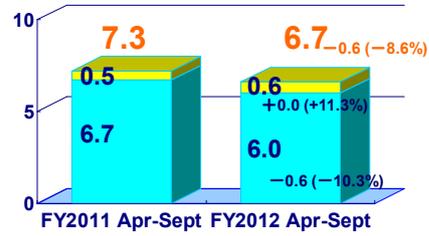
#### «Japan»

- ◆ Medical-use oxygen down slightly due partly to earthquake disaster
- ◆ Equipment sales benefit from consolidation of one unit
- ◆ Leased equipment for Home Oxygen Therapy use performed well
- ◆ Established a special office to handle hospital equipment



### Thermos Business

(Billions of yen)



■ Japan ■ Overseas

#### «Overseas»

- ◆ Strong sales in Asia

#### «Japan»

- ◆ Demand flat for mainstay sports-use stainless steel vacuum insulated bottles
- New portable mugs launches planned for second half

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## Impact of the Great East Japan Earthquake



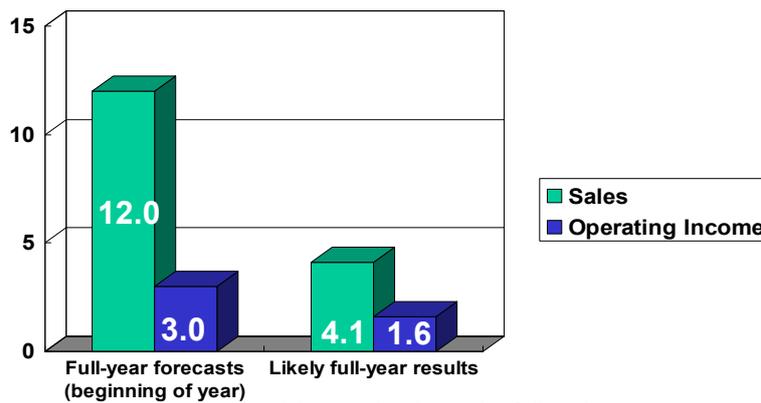
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## Progress in Restoration of Production Facilities

- ☐ Resumption of shipments from liquefied gas production bases:
  - ◆ Pacific Gas Center: early-July (gas piping: June)
  - ◆ Sendai Sanso Center: early-September (gas piping: August)
  
- ☐ Cylinder-filling facilities
  - ◆ Sendai Nissan (Tagajo premises)
    - Portable liquid gas cylinder-filling resumed in late August
    - Cylinder pressure inspections resumed in early October
    - Restoration of general-use high-pressure gas filling under review
      - ✂ Back-up possible at other filling plants

## The Costs of the Earthquake

(Billions of yen)



# Overview of New Medium-term Business Plan (FY2012 to FY2014)

## New Medium-term Business Plan (FY2012 to FY2014)

**“Gear Up 10”**

**~Challenges in Becoming a  
Global Company III~**

## Longer-term Benchmarks

### 【Triple 10】

#### FY2011 Results

1. **10%** share of the world market ⇒ **7.6%** <sup>(\*1)</sup>
2. Operating margin of **10%** or higher ⇒ **7.3%**
3. ROCE<sup>(\*2)</sup> of **10%** or higher ⇒ **7.8%**

\*1 Calculations by Corporate Planning Dept. are based on figures from CryoGas International magazine (2010) and investor relations materials from various gas companies

\*2 ROCE (return on capital employed) = [operating income ÷ beginning and end of term average figure for (interest-bearing debt + shareholders' equity)] × 100 (%)

## Key Strategies and Policies in the Medium-Term Business Plan

### Key Strategies

1. Concentrate management resources in growth markets and regions
2. Strengthen upstream strategies
3. Promote M&A strategy
4. Implement cost reductions
5. Strengthen Group management

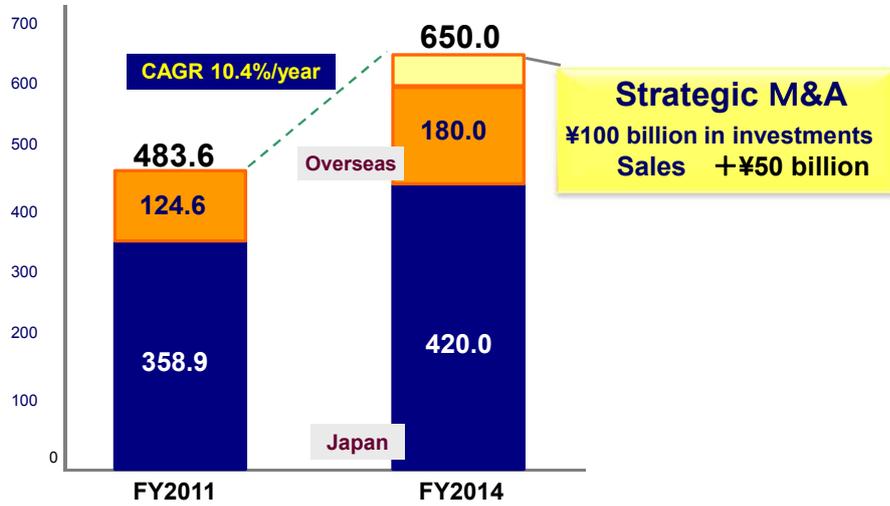
Carried over from  
the previous plan

### Policies

1. Strengthen compliance and ensure safety and quality control
2. Efficient management rigorously pursuing cost and labor benefits
3. Strengthen regional sales base
4. Focus on cylinder business
5. Strengthen R&D
6. Continue proactive investment

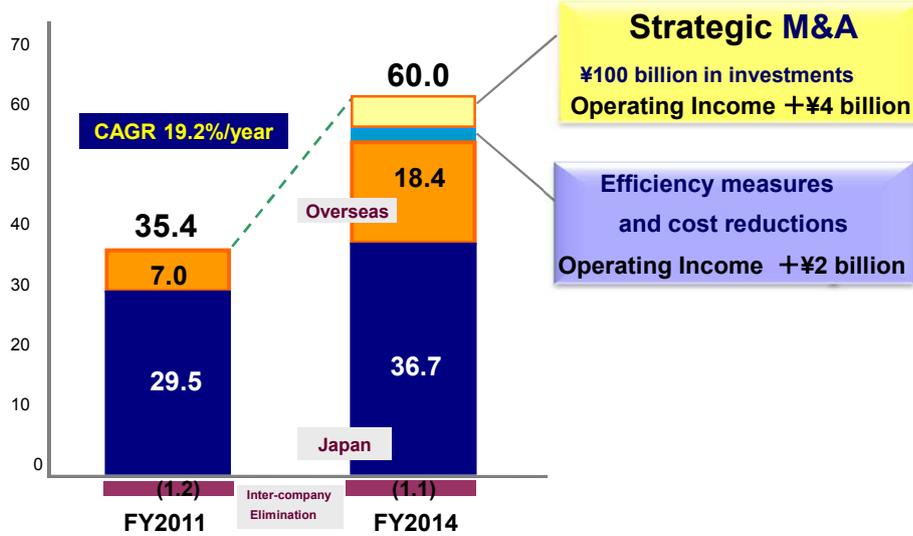
## Sales Targets —¥650 billion—

(Billions of yen)

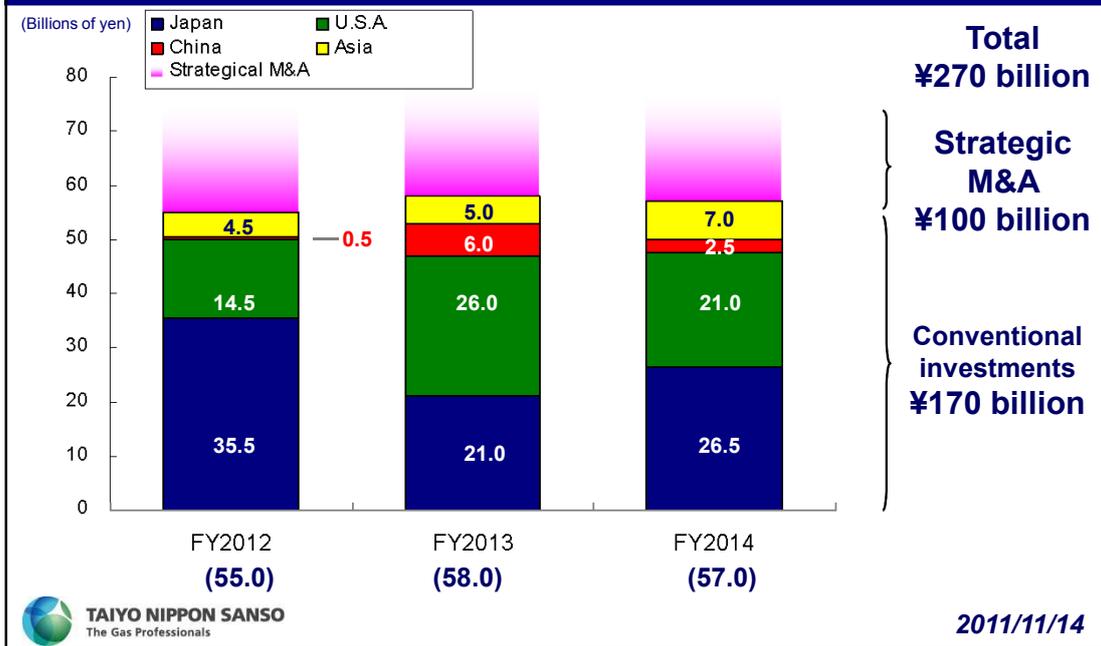


## Operating Income Targets —¥60 billion—

(Billions of yen)



## Capital investment and Investment and Loans, by Region (FY2012-FY2014)



## “Gear Up 10” Numerical Targets and Benchmarks

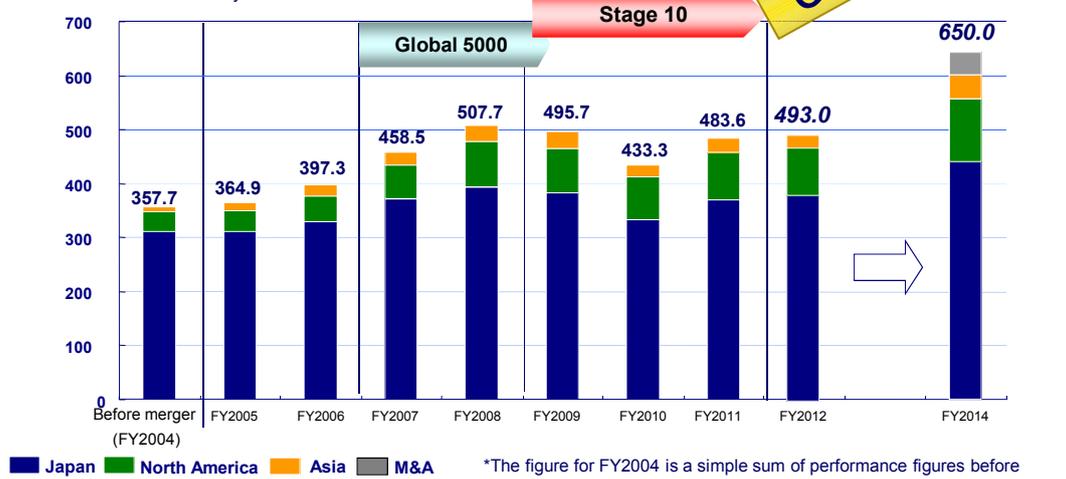
(Billions of yen)	FY2011 Results	FY2014 Plan (*1)
Sales	483.6	650.0
Operating Income	35.4	60.0
Margin	7.3%	9.2%
Ordinary Income	34.1	53.0
Net income	12.7	30.0
Depreciation	32.1	37.6
ROCE	7.8%	10.8%
Capital expenditure <sup>*2</sup> and investment and loans	54.2	157.0
Net interest-bearing debt	211.8	340.0
Net D/E ratio	1.10 times	1.42 times

\*1 Includes ¥50 billion in revenue gains and ¥4 billion in increased earnings from ¥100 billion in strategic M&A

\*2 Based on completed capital expenditure projects

## Sales Performance

(Billions of yen) << Full-year basis >>

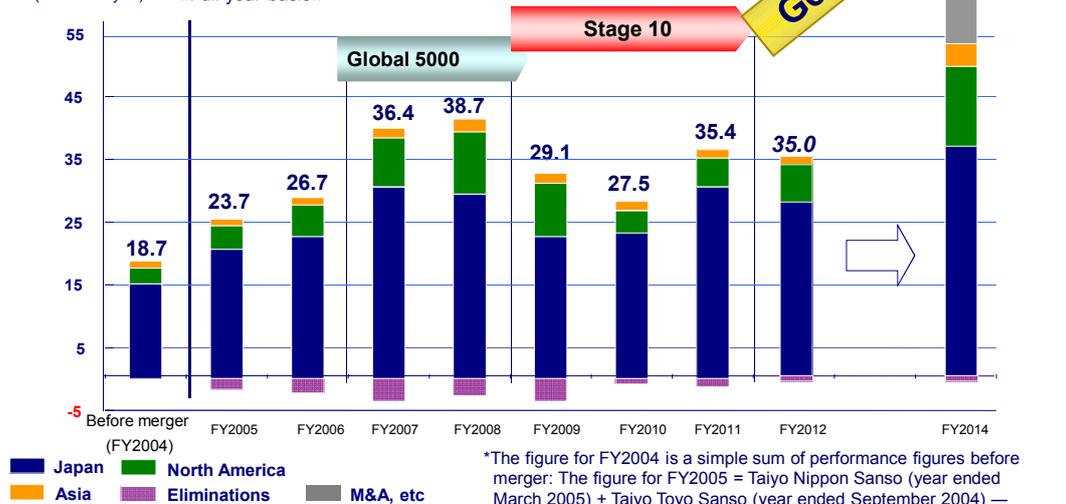


\*The figure for FY2004 is a simple sum of performance figures before merger: The figure for FY2005 = Taiyo Nippon Sanso (year ended March 2005) + Taiyo Toyo Sanso (year ended September 2004) — internal transactions between the two companies

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## Operating Income Performance

(Billions of yen) << Full-year basis >>



\*The figure for FY2004 is a simple sum of performance figures before merger: The figure for FY2005 = Taiyo Nippon Sanso (year ended March 2005) + Taiyo Toyo Sanso (year ended September 2004) — internal transactions between the two companies

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## Overseas Sales Performance

(Billions of yen)	Japan	Overseas	Total	Overseas (%)
Before merger	305.3	52.4	357.7	14.7%
FY2005	303.0	61.9	364.9	17.0%
FY2006	318.3	78.9	397.3	19.8%
FY2007	362.4	96.1	458.5	21.0%
FY2008	381.1	126.5	507.7	24.9%
FY2009	378.2	117.5	495.7	23.7%
FY2010	328.3	105.0	433.3	24.2%
FY2011	358.9	124.6	483.6	25.8%
<b>FY2014 Plan</b>	<b>420.0</b>	<b>180.0</b>	<b>600.0</b>	<b>30.0%</b>



\*Excludes impact of strategic M&A

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## Our 10-year Vision for the Period up to FY 2021

Strengthen operations in Japan

Accelerate global expansion

Sales of ¥1 trillion

Raise international profile as major industrial gas supplier from Asia



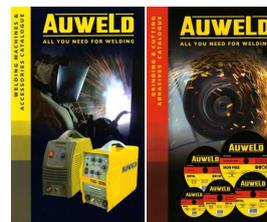
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# Topics

## Tender Offer for Leeden Limited

### <Leeden at a glance>

- ❑ Consolidated results (year ended December 31, 2010) Sales: ¥12,446 million  
Operating income: ¥1,093 million Net income: ¥495 million
- ❑ Sales by region: Singapore 45%; Malaysia 31%, Indonesia 12%, others 12%
- ❑ Links with TNSC: We own 9,055,000 shares in Leeden (5.0% of issued stock) through subsidiary National Oxygen Pte Ltd.
- ❑ Capital: ¥3,547 million
- ❑ Employees: 1,131
- ❑ Products handled:
  - ◇ Cutting and welding equipment division (45%)  
Welding, gas-cutting, laser-cutting and other equipment
  - ◇ Gas division (30%)  
Industrial, medical, specialty and other gases
  - ◇ Safety division (20%)  
Protective, rescue, water treatment and other equipment



Leeden brand products

## Tender Offer for Leeden Limited

### <Outline of tender offer>

#### □ Purposes

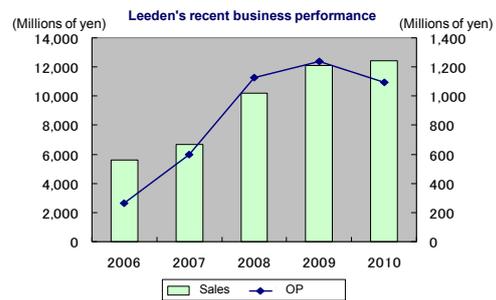
- Will enable sharing of marketing networks and corporate resources on Group basis
- Will enable expansion of operations in Southeast Asia, a growth market

□ Shares subject to Tender Offer: Some 170,510,000 common shares (of a total of 179,565,000 issued shares)

□ Funding required (provisional figure): up to 85.3 million Singapore dollars (approximately ¥5.55 billion)



Gas-filling plant of Leeden's gas division



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## Initiatives in Growth Markets (MOCVD)

### Trials begin for new large-diameter MOCVD mass-production equipment UR26K



#### [Processing capacity]

6 inch × 10 wafers

or

8 inch × 6 wafers

\*Largest treatable wafer surface in the world

#### [Comparison with predecessor, UR25K]

Installation footprint: Same

Production efficiency: 50% increase



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## Initiatives in Growth Markets (Stable Isotopes of Oxygen)

**<Summary>**

**Build more isotope manufacturing plants for “Water-<sup>18</sup>O,” a stable isotope of oxygen used as raw material in PET diagnostic drugs**

**Location: Sodegaura plant, Chiba Sanso Center**  
**Production capacity: a further 200kg a year**  
**If combined with existing plant (Goi plant, Chiba Sanso Center): a further 300kg a year**  
**Completion: Early 2013**



**Goi plant**

**2011/11/14**

**<Demand trends>**

**[Current applications]**

**Tumor diagnostic agents for PET imaging**  
**Raw material for F-18 fluorodeoxyglucose (FDG)**  
**Global market in 2010: 500kg/year, with annual growth of 5-10%**



## Initiatives in Growth Markets (Stable Isotopes of Oxygen)

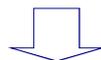
**[New applications]**

For	Manufacturer	Diagnostic agent	Marketing schedule (clinical trials)	Potential demand (tests)
Brain disease (Alzheimer's)	Eli Lilly, GE, Bayer	AV-45- <sup>18</sup> F	2013 (P-III)	5 million/year
Heart disease (myocardial infarction)	Lantheus	Flurpiridaz- <sup>18</sup> F	2014 (P-III)	5 million/year
Cancers (therapeutic effect)	Roche	ML-10- <sup>18</sup> F	2014 (P-II)	2 million/year

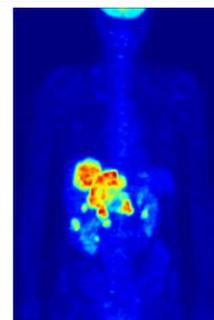
\*Currently, about 4 million cancer diagnosis tests are carried out each year using FDG

**[Market outlook]**

**Including new applications (brain and heart diseases), global demand will (by our estimate)**



**Double in 5-10 years**



Example of FDG-PET image



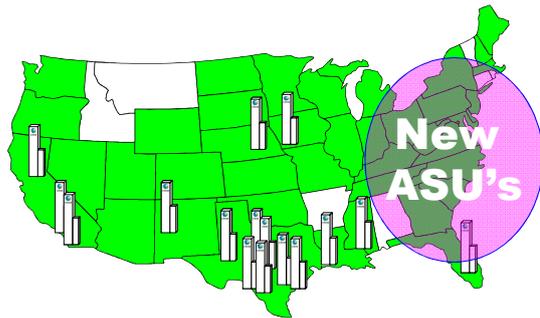
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## Initiatives in Growth Regions (U.S.A)



**MATHESON**

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The Gas Professionals

### Major Investment Projects in North America

- 2004 \* Acquired six air separation units (ASUs) of former Messer from Air Liquide
- 2006 \* Acquired renowned Midwest-based industrial gas producer Linweld  
\* Acquired helium business from the BOC Group
- 2007 \* Began operation of new large-scale ASU in Southern California  
\* Established helium production company with Air Products & Chemicals, Inc. (APCI)
- 2008 \* Acquired Southern California-based Five Star Gas & Gear, Inc.  
\* Acquired Northern California-based Aeris, Inc.
- 2009 \* Acquired Valley National Gases, LLC  
\* Constructed new ASUs in Iowa and Texas
- 2010 \* Acquired acetylene manufacturer and wholesaler Western International Gas & Cylinders, Inc.

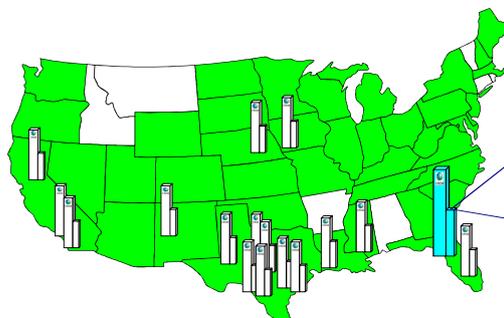
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## Initiatives in Growth Regions (U.S.A)



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### [General Overview of New Air Separation Plant]

- Location: Lakeland, in central western area of Florida, United States
- Liquid production capacity: 340 tons/day
- Share of production capacity in Florida 38% (No.1)
- ※ Fourth-best market in U.S. by Gross State Product (GSP)
- Launch of operations: November 2012

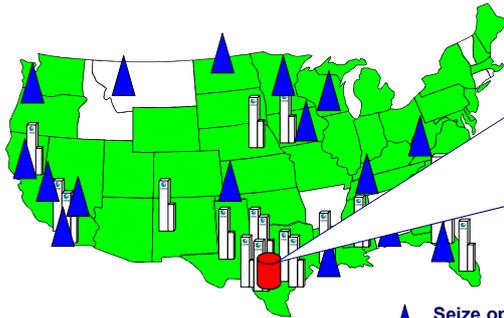
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## Initiatives in Growth Regions (U.S.A)



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### [Energy Sector]

- Hydrogen gas for biomass plant, Win on-site business
- Hydrogen production capacity: 4,400Nm<sup>3</sup>/h
- Location of facility: Pasadena, Texas
- Launch of operations: End of 2011



Expand on-site business in bio-fuel and other energy domains

▲ Seize opportunities of on-site supplies of oxygen, nitrogen and hydrogen at bio-fuel plants, etc



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## Consolidated Full-Term Forecasts for FY2012



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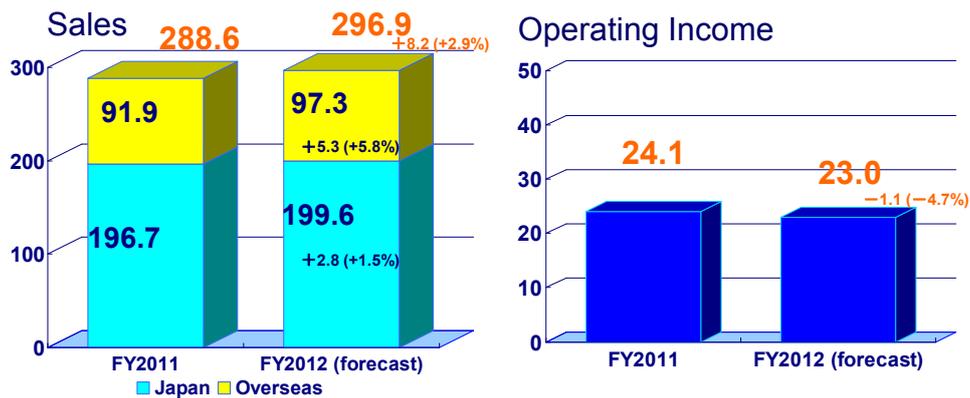
## Consolidated Full-Term Forecasts for FY2012

(Billions of yen)

	FY2011 (Results)	FY2012 (Forecast)	Change	% change
Sales	483.6	493.0	9.3	1.9%
Operating Income	35.4 7.3%	35.0 7.1%	-0.4	-1.3%
Ordinary Income	34.1 7.1%	32.0 6.5%	-2.1	-6.3%
Net Income	12.7 2.6%	17.7 3.6%	4.9	39.0%

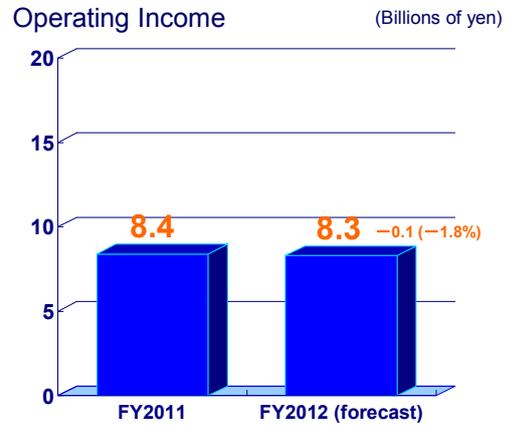
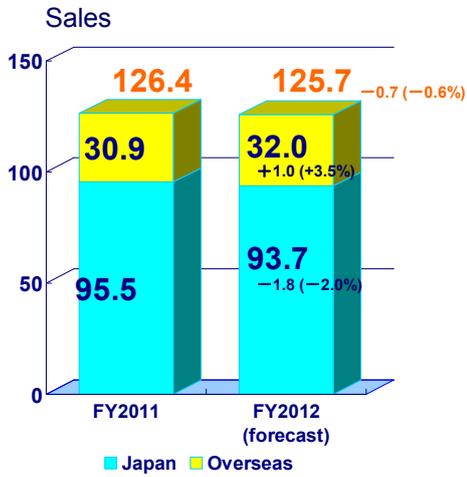
## Industrial Gases Business Segment Forecasts for FY2012

(Billions of yen)

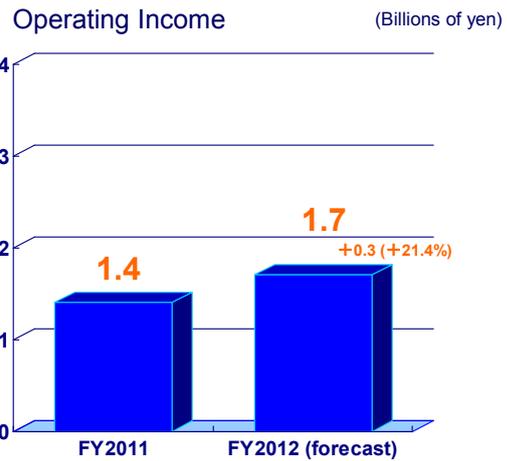
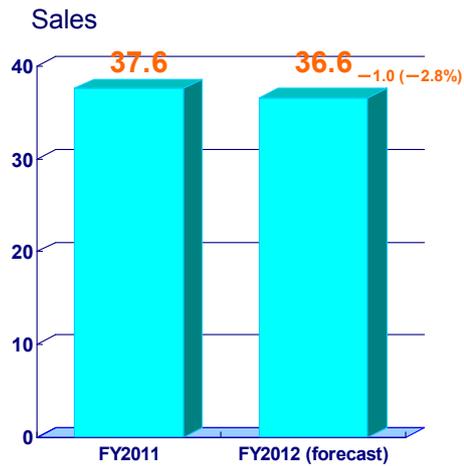


\* The graph contains figures for both Japan and overseas sales.

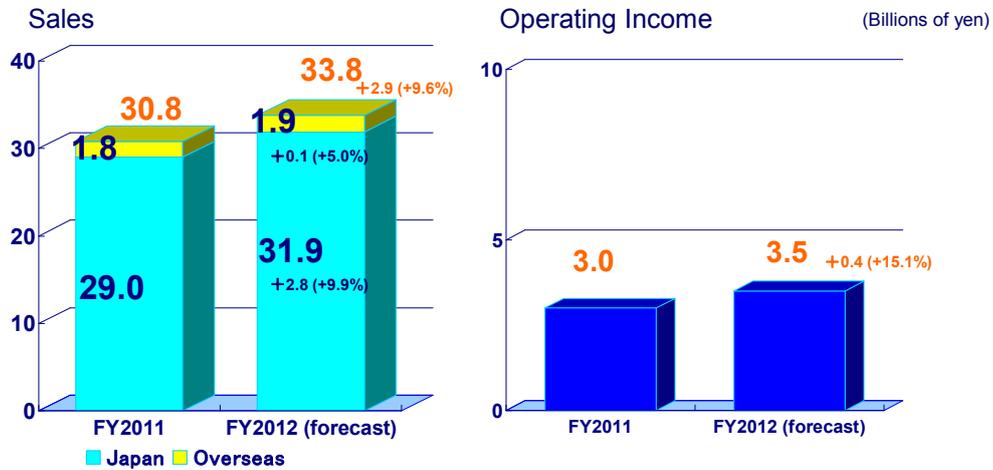
## Electronics Business Segment Forecasts for FY2012



## Energy Business Segment Forecasts for FY2012



## Other Businesses Segment Forecasts for FY2012



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- Actual results may thus differ substantially from the said forward-looking statements, and investment decisions should not be made solely on the basis of the information provided herein.