



TAIYO NIPPON SANSO
The Gas Professionals

Consolidated Business Performance for the Full-Year of the Fiscal Year Ended March 2016 (Fiscal 2016)

May 12, 2016

TAIYO NIPPON SANSO Corporation

Contents

1. Business Performance for the Full-Year of FYE2016

- 1) Overview of business performance for the full-year
- 2) Business performance by segment

2. Full-Year Forecasts for FYE2017

- 1) Overview of forecasts for the full-year
- 2) Forecasts by segment

3. Topics

- 1) Expansion of onsite supply business in Japan
- 2) U.S. growth strategies
- 3) Thermos business strategies
- 4) Strengthening of corporate governance system

4. Medium-Term Management Plan Ortus Stage 1

- 1) State of Progress
- 2) Strategic Direction
- 3) Progress with transformation
- 4) Innovation
- 5) Networking
(Globalization and M&A)

5. Investment and Financial Strategies/Shareholder Returns

- 1) Investment strategy
- 2) Financial strategy
- 3) Shareholder returns policy



1-1. Overview of business performance for the full-year

(Billions of yen)	FYE2015 Margin	FYE2016 Margin	YoY Change Margin	FYE2016 (Announced targets) Margin
Sales	559.3	641.5	+82.1 +14.7%	655.0
Operating Income	35.2 6.3%	43.3 6.8%	+8.0 +22.8%	42.5 6.5%
Ordinary Income	34.2 6.1%	43.1 6.7%	+8.8 +25.9%	41.3 6.3%
Net income attributable to owners of the parent	20.7 3.7%	25.8 4.0%	+5.0 +24.5%	27.0 4.1%



1-2. Business Performance by Segment: Gas Business in Japan

(Billions of yen)	FYE2015	FYE2016	% change
Sales	344.6	332.2	-3.6%
Operating Income	25.0	27.5	+10.0%
Operating Margin	7.3%	8.3%	+1.0pt

【Reasons for Change in Sales】

- Sales of gas equipment increased as Hydrogen Refueling Station sales were favorable
- Sales were recorded for a large project in electronics equipment and installation
- Sales of LP gas fell significantly due to the impact of the falling oil price

【Reasons for Change in Operating Income】

- Increased profit by the sales increase of electronics equipment and installations, and Hydrogen Refueling Stations
- Cost declined along with declining oil prices
- Improve earnings through promoting transformation, including the strengthening of supply chains



1-2. Business performance by segment: Gas Business in the U.S.

(Billions of yen)	FYE2015	FYE2016	% change
Sales	130.9	188.5	+44.0%
Operating Income	5.7	6.8	+17.6%
Operating Margin	4.4%	3.6%	-0.8pt

【Reasons for Change in Sales】

- Sales of separate gas supplied in bulk and carbon dioxide gas were firm, but helium sales fell
- In electronics, shipments for major users were strong
- Sales increased along with strategic investments including in continuing M&A and air separation units (ASU)
- Impact of foreign currency translation: +¥17.6 billion
- Impact of change in business-year ends: +¥38.7 billion

【Reasons for Change in Operating Income】

- Earnings increase resulting from sales increase of carbon dioxide gas and electronics gas
- Decreased profit due to decreased sales of helium
- Impact of foreign currency translation: +¥0.8 billion
- Impact of change in business-year ends: +¥2.2 billion

1-2. Business Performance by Segment: Gas Business in Asia & Oceania

(Billions of yen)	FYE2015	FYE2016	% change
Sales	61.9	93.1	+50.3%
Operating Income	2.4	4.4	+80.7%
Operating Margin	4.0%	4.8%	+0.8pt

【Reasons for Change in Sales】

- Profits grew in Vietnam and the Philippines, but were soft in Singapore and Malaysia
- Two acquisitions in Thailand and Australia contributed to sales growth.
- Shipments of electronics gas were strong in China and South Korea
- Impact of foreign currency translation: +¥3.7 billion
- Impact of change in business-year ends: +¥12.6 billion

【Reasons for Change in Operating Income】

- Two acquisitions in Thailand and Australia contributed to profit increase.
- Increased profit along with increased sales of electronics gas
- Impact of foreign currency translation: +¥0.2 billion
- Impact of change in business-year ends: +¥0.7 billion



1-2. Business Performance by Segment: Thermos & Other Businesses

(Billions of yen)	FYE2015	FYE2016	% change
Sales	21.7	27.5	+26.5%
Operating Income	3.4	5.9	+74.3%
Operating Margin	15.8%	21.8%	+6.0pt

【Reasons for Change in Sales】

- ◆ Thermos Business
 - Sales of new products launched every year in February and August were firm
 - Inbound demand continued to make a contribution

【Reasons for Change in Operating Income】

- ◆ Thermos Business
 - Earnings increase resulting from sales increase.
 - Improved utilization rate of plant in Malaysia, and improved product mix



2-1. Full-Year Forecasts for FY2017

(Billions of yen)	FYE2016 Japan GAAP Margin	FYE2016 IFRS Margin	FYE2017 (forecast) IFRS Margin	FYE2016 Japan GAAP and IFRS adjusted amounts	YoY Change IFRS
Sales	641.5	594.4	610.0	-47.1	+15.6 +2.6%
Operating Income	43.3 6.8%	49.0 8.2%	52.0 8.5%	+5.7	+3.0 +6.1%
Net income attributable to owners of the parent	25.8 4.0%	29.0 4.9%	30.0 4.9%	+3.2	+1.0 +3.4%

Change from Japan GAAP to IFRS (below, for year ended March 2016)

- Net sales: -¥47.1 billion (under IFRS, Matheson Tri-Gas, Inc. recorded a loss of -¥42.7 billion for a 12-month period, and -¥4.2 billion for some domestic subsidiaries outside the scope of consolidation)
- Operating income: +¥5.7 billion (Impact of 12-month period on Matheson Tri-Gas, Inc.: a loss of -¥2.7 billion, non-amortization of goodwill of +¥6.2 billion, equity earnings of +¥2.6 billion, and other of -¥0.4 billion)

Impact of change in business-year ends: (IFRS basis for FYE2017)

- For FYE2017, net sales of -¥8.6 billion and operating income of -¥0.2 billion

* The actual figures according to IFRS for FYE2016 are approximate calculations and may be changed depending on the result of an accounting audit.



2-2. Full-Year Forecasts for FY2017 by Segment

【Sales】

(Billions of yen)	FYE2016 IFRS	FYE2017 IFRS	% change
Gas Business in Japan	328.0	334.0	+1.8%
Gas Business in the US	149.8	160.0	+6.8%
Gas Business in Asia & Oceania	89.1	88.0	-1.2%
Thermos & Other Businesses	27.5	28.0	+1.8%
Sales Total	594.4	610.0	+2.6%

【Operating Income】

(Billions of yen)	FYE2016 IFRS	FYE2017 IFRS	% change
Gas Business in Japan	27.2	27.6	+1.5%
Gas Business in the US	9.2	11.3	+22.8%
Gas Business in Asia & Oceania	5.0	7.7	+54.0%
Thermos & Other Businesses	9.0	7.0	-22.2%
Eliminations	-1.4	-1.6	
Operating Income Total	49.0	52.0	+6.1%

*Impact of change in business-year ends of some subsidiaries in the Gas Business in Asia & Oceania in FYE2016 comprises net sales of ¥8.6 billion and operating income of ¥0.2 billion

【Business Plan】

Gas Business in Japan

- Expand sales in the stable isotope business by starting product shipments from the Water-¹⁸O No.3 Plant
- Promote measures related to transformation such as the rationalization of domestic businesses

Gas Business in the US

- Strive to recover earnings in the industrial gas business and maintain earnings in the electronics business
- Expand business by building a sales network by M&As in areas we have not yet entered, and win orders for large onsite projects

Gas Business in Asia & Oceania

- Expand the businesses of API (Thailand) and RGP (Australia), which became subsidiaries last fiscal year
- Promote the earnings reform policy at Leeden National Oxygen Ltd.
- Expand earnings in the Philippines, where business is good

Thermos & Other Business

- Expand sales and utilize sales channels of alfi (Germany), which we are acquired in the fiscal year before last
- Establish a stable supply system by such measures as starting a manufacturing plant in the Philippines

3. Topics

- 1) Expansion of onsite supply business in Japan
- 2) U.S. growth strategies
- 3) Thermos business strategies
- 4) Strengthening of corporate governance system

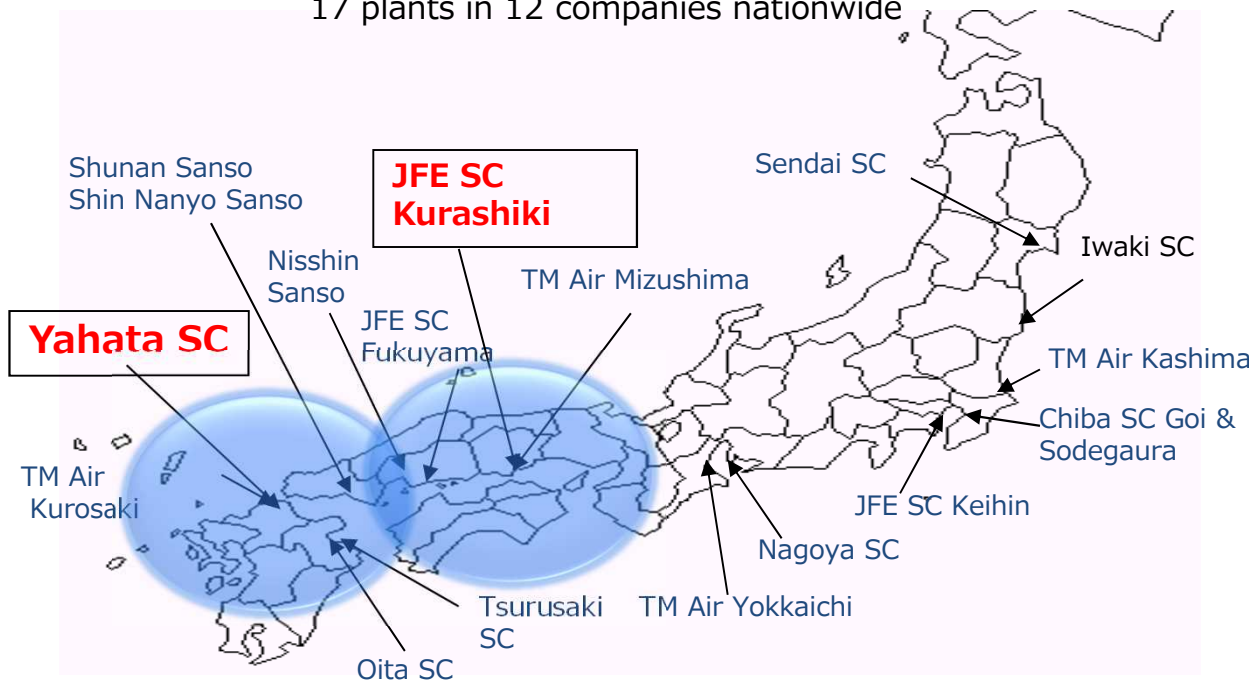


3-1. Expansion of Onsite Supply Business in Japan

- Acquire new onsite projects from Nippon Steel & Sumitomo Metal Corporation and JFE Steel Corporation
- Build one large ASU in Yahata, and two large ASUs in Kurashiki

TNSC's large onsite bases

17 plants in 12 companies nationwide



Make the joint venture partner gas supply system more effective, and plan to build the optimum production system in each region

Yahata Sanso Center

Investment ratio: TNSC 50%, Nippon Steel & Sumitomo Metal Corporation 50%

Established: January 2016

New ASU operations start date: Early 2017

New ASU production capacity :

- Gaseous oxygen: 35,000 Nm³/h
- Nitrogen gas: 50,000 Nm³/h
- Liquefied nitrogen: 1,250 Nm³/h
- Crude argon gas: 1,220 Nm³/h

JFE Sanso Center Kurashiki Plant

Investment ratio: TNSC 60%, JFE Steel Corporation 40%

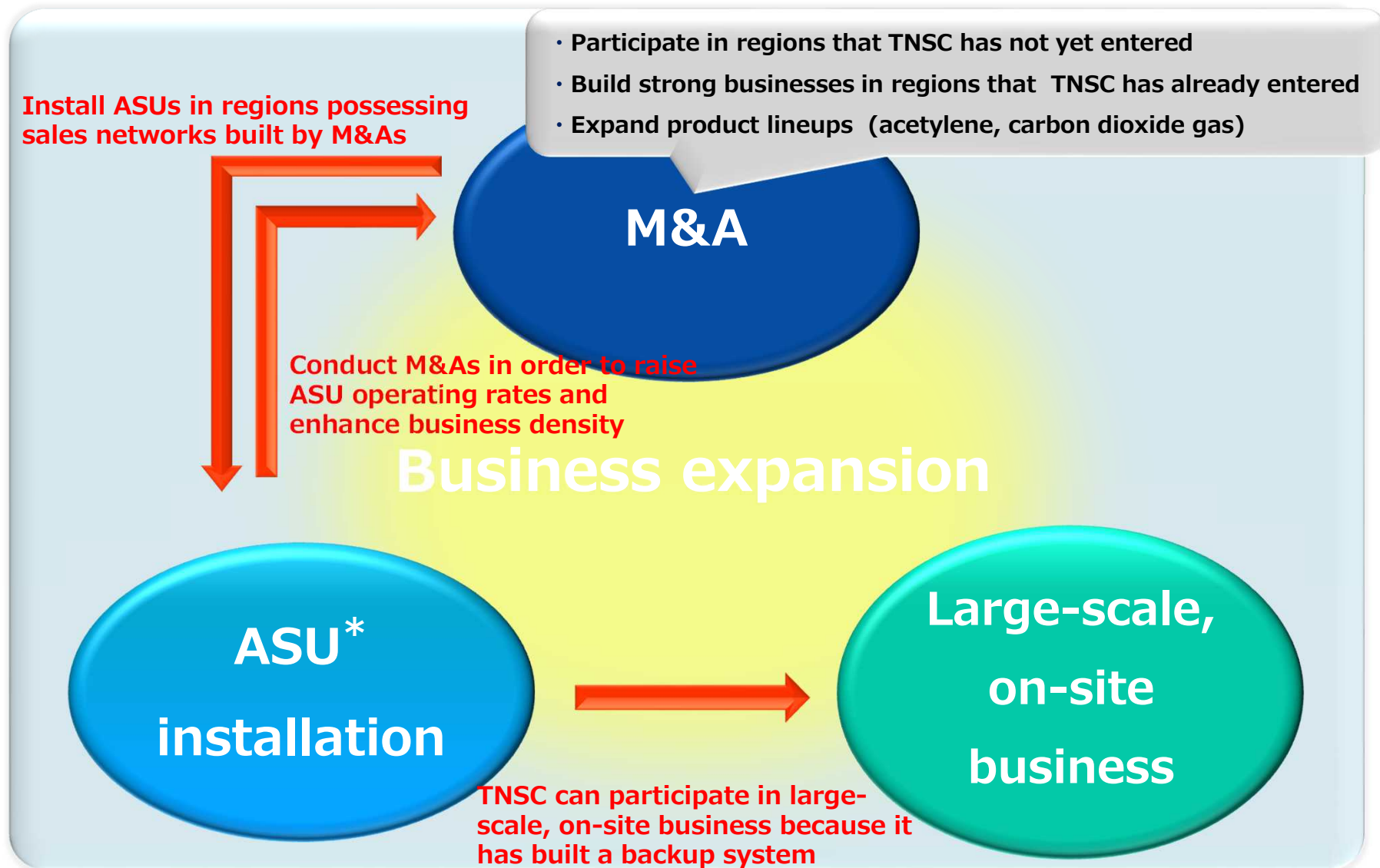
Established: October 2017

New ASU operations start date: End of 2018

New ASU production capacity :

- Gaseous oxygen: 60,000 Nm³/h
- (For each plant) Nitrogen gas: 83,000 Nm³/h

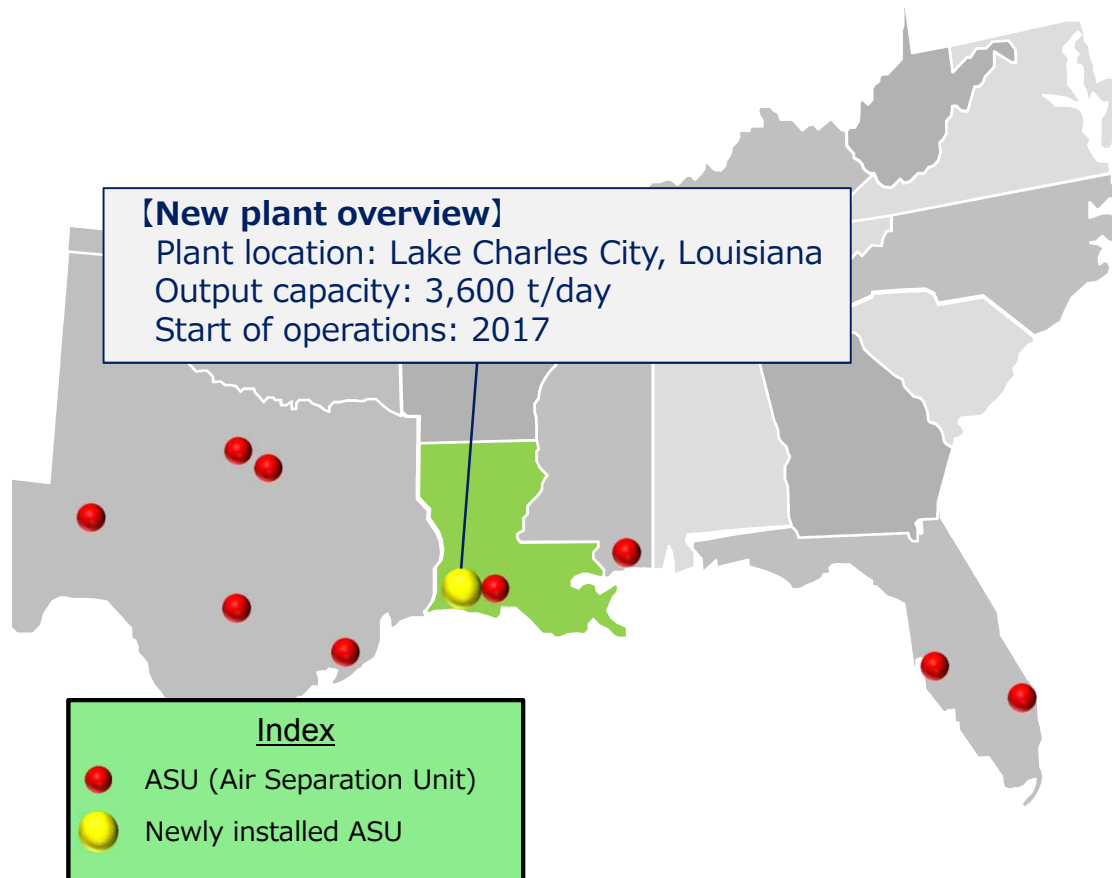
3-2. U.S. Growth Strategies



*ASU: Air Separation Unit

3-2. U.S. Growth Strategies (2)

- Participate in large-scale, on-site business in the U.S.



[Aims and effects of investment]

Expansion of business

- Secure a stable earnings infrastructure by on-site supply contracts
- Expand sales of liquefied argon acquired as a Company source
- Expand sales to new customers in Louisiana and southeast Texas by expanding output capacity

Cost reductions

- Reduce power costs by using economies of scale
- Reduce delivery costs by reviewing and changing the delivery area of each plant

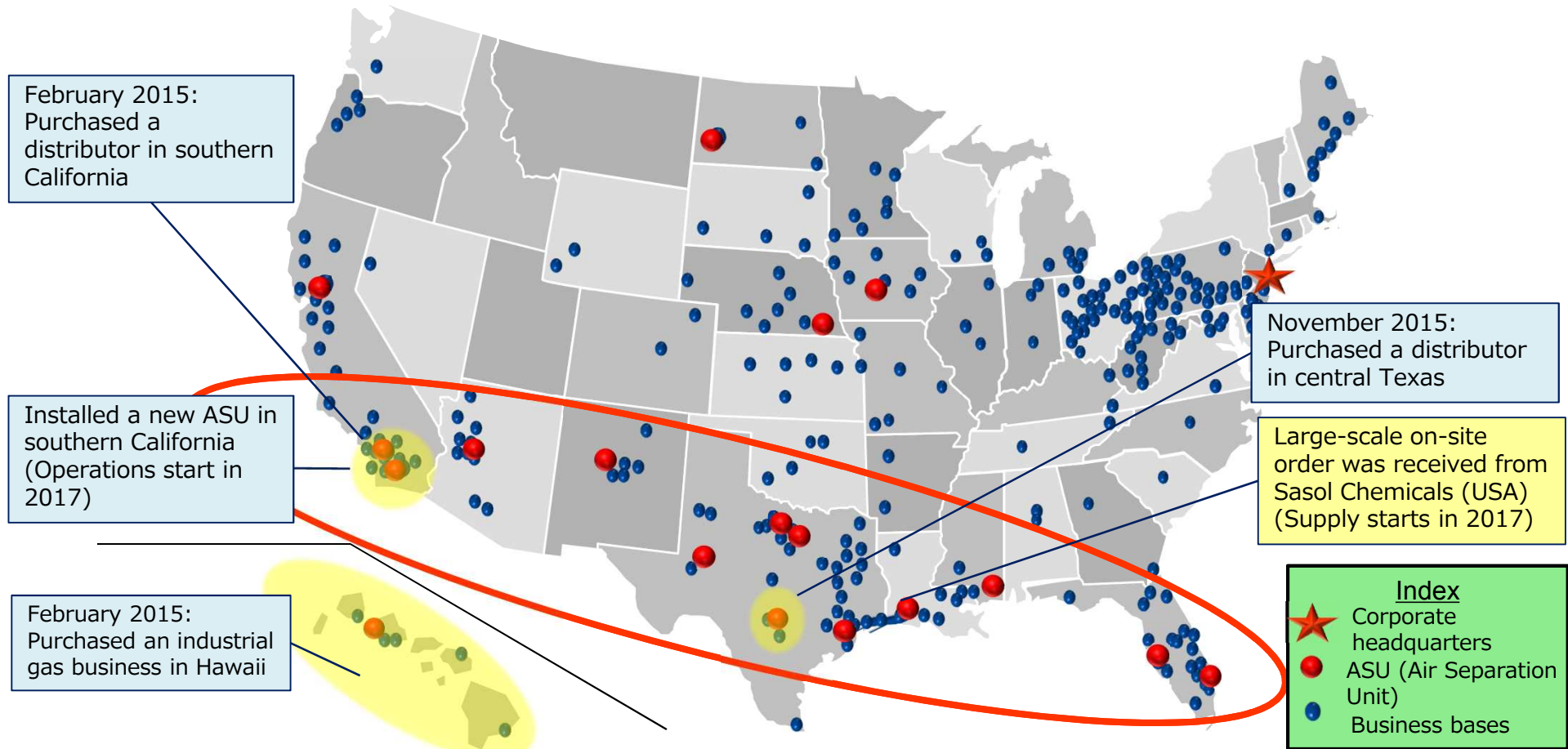
Strengthen the Company's business infrastructure in the southern U.S. by installing large-scale ASUs



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3-2. U.S. Growth Strategies (3)

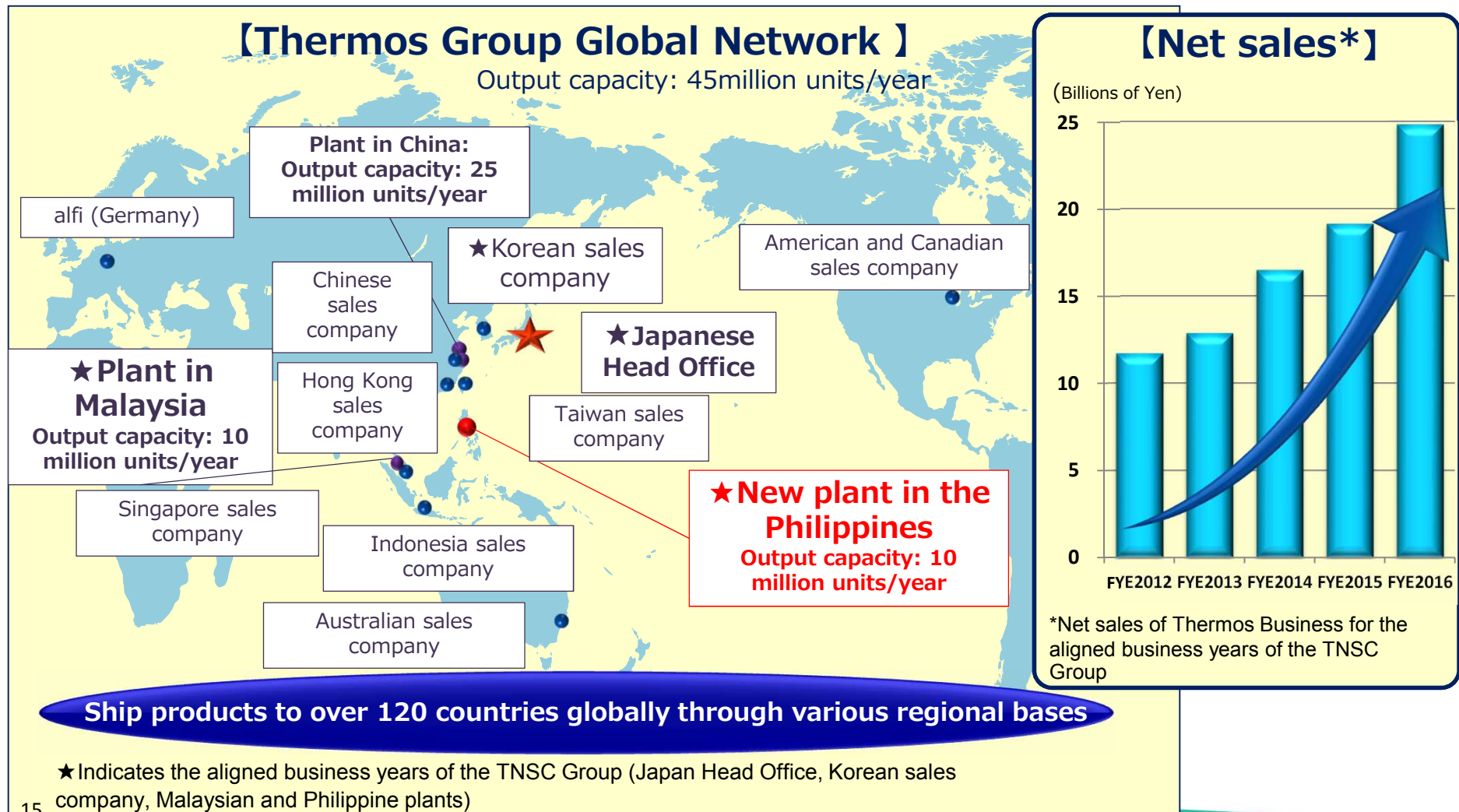
- Based on the U.S. growth strategy, build an ASU supply network in the core areas stretching from California to Florida



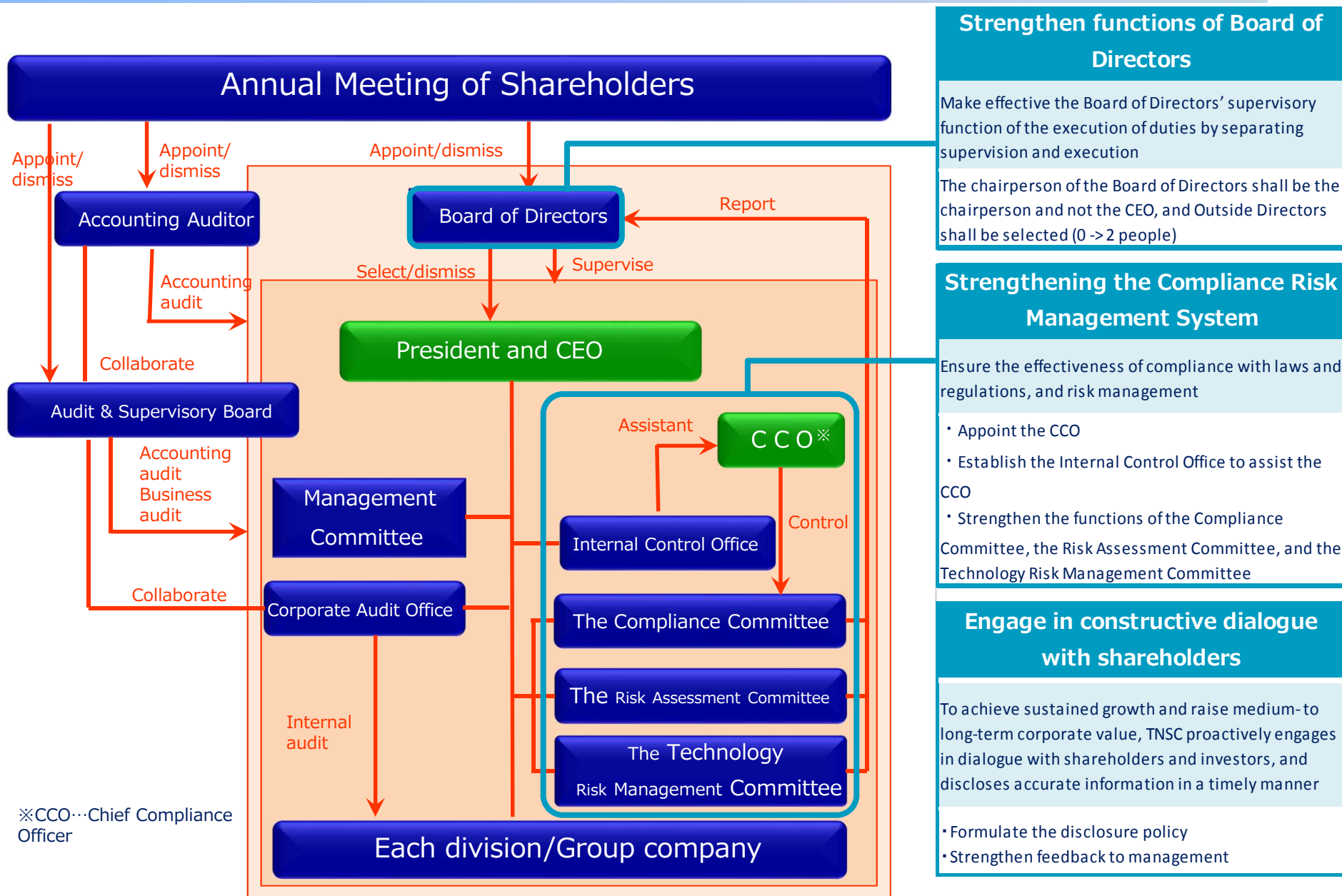
Looking ahead, TNSC will promote its strategy of installing ASUs after conducting M&As, and aims to expand business by acquiring large-scale on-site projects following Sasol Chemicals

3-3. Thermos Business Strategy

- To drastically increase sales from the fiscal year ended March 2014 against the backdrop of brand penetration, regular new product launches, and a powerful production system
- Aim to further expand sales by establishing a new plant in the Philippines



3-4. Strengthening the Corporate Governance Organization



Strengthen functions of Board of Directors

Make effective the Board of Directors' supervisory function of the execution of duties by separating supervision and execution

The chairperson of the Board of Directors shall be the chairperson and not the CEO, and Outside Directors shall be selected (0 -> 2 people)

Strengthening the Compliance Risk Management System

Ensure the effectiveness of compliance with laws and regulations, and risk management

- Appoint the CCO
- Establish the Internal Control Office to assist the CCO
- Strengthen the functions of the Compliance Committee, the Risk Assessment Committee, and the Technology Risk Management Committee

Engage in constructive dialogue with shareholders

To achieve sustained growth and raise medium- to long-term corporate value, TNSC proactively engages in dialogue with shareholders and investors, and discloses accurate information in a timely manner

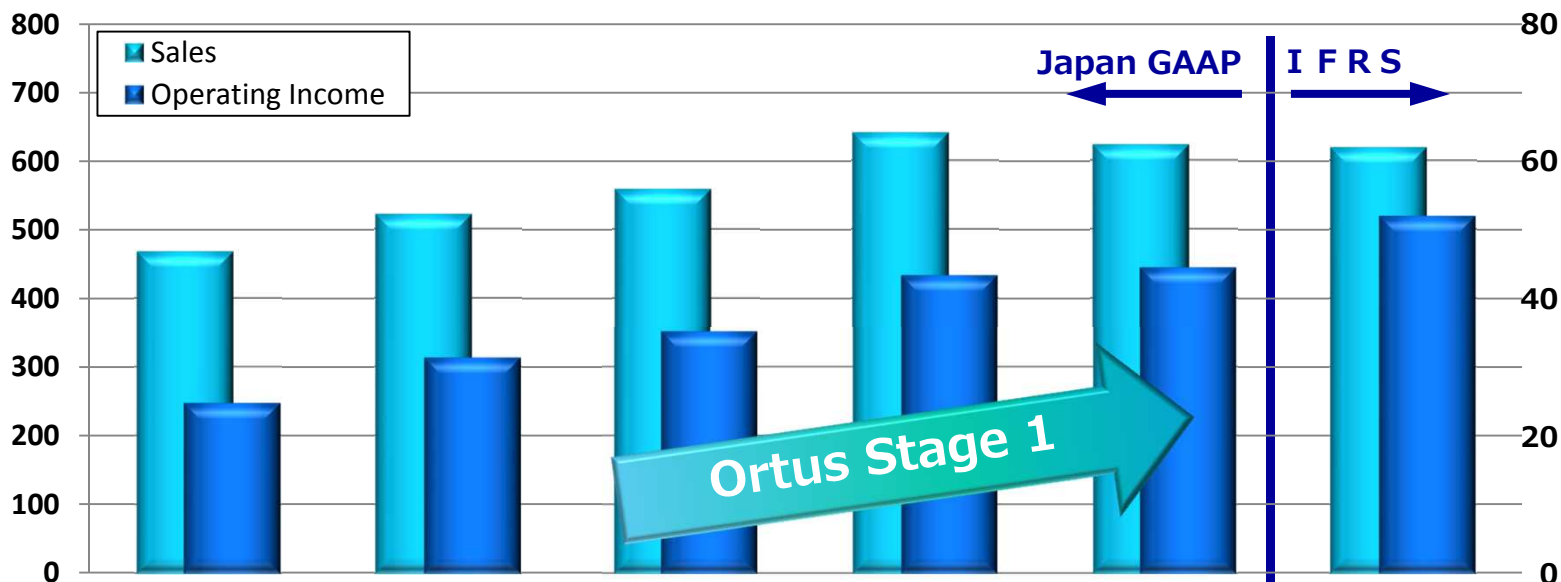
- Formulate the disclosure policy
- Strengthen feedback to management

※CCO...Chief Compliance Officer

4-1. Ortus Stage 1: State of Progress

Left axis: Sales
(Billions of Yen)

Right axis: Operating Income
(Billions of Yen)



	FYE2013 (Result)	FYE2014 (Result)	FYE2015 (Result)	FYE2016 (Result)	FYE2017 (Forecast)	FYE2017 (Forecast)
Sales	468.3	522.7	559.3	641.5	614.0	610.0
(Difference versus initial plan)			(+9.3)	(+71.5)	(+14.0)	
Operating Income	24.8	31.4	35.2	43.3	44.5	52.0
(Difference versus initial plan)			(+0.2)	(+5.3)	(-0.5)	
Operating Margin	5.3%	6.0%	6.3%	6.8%	7.2%	8.5%
(Difference versus initial plan)			(-0.1%)	(+0.1%)	(-0.3%)	
Overseas Sales Ratio	27.6%	31.4%	35.0%	44.4%	41.1%	41.4%
ROCE	5.5%	6.2%	6.2%	7.4%	7.4%	8.6%

※ The fiscal year ended March 31, 2016 includes the impact of changes in the accounting period of some subsidiaries (net sales +¥51.3 billion, operating income +¥2.9 billion)

4-2. Ortus Stage 1 Strategic Policy



4-3. Progress with Transformation

Reduce personnel expenses in Japan

- Encourage leaving early at Taiyo Nippon Sanso and engineering subsidiaries

Strengthen supply chains

- Strengthen infrastructure of carbon dioxide gas
- Strengthen product management
- Replace plants to reduce power costs, repair costs, etc.

Rationalize other domestic businesses, etc.

- Strengthen plant engineering
- Bolster competitiveness by establishing the SI Innovation Center
- Streamline by integrating liquid petroleum gas (LPG) subsidiaries

Rationalize overseas businesses

- Rationalize the businesses in Vietnam, the Philippines and China
- Conduct various types of rationalizations at a consolidated subsidiary in Thailand

The initial target for this fiscal year is ¥6 to ¥7 billion (compared to the fiscal year ended March 31, 2014) as a result of the transformation and cost reductions centered on domestic business, and TNSC now expects to achieve about ¥6 billion



4-4. Innovation

- Accelerate the innovation strategy focused on launching new strategic products and venture capital investment

Commercialization of new strategic products into growth markets

- Expand sales of hydrogen refueling stations (net sales of ¥3.1 billion for the fiscal year ended March 31, 2016)
- Start product shipment at Water-180 No. 3 Plant (March 2016)
- Start sales of the CryoLibrary iMaster integrated temperature history information management system

Open innovation

- Invested in SulfaTrap LLC , a U.S. venture company engaged in the development of desulfurization sorbents (January 2016)
- Invested in Jilin OLED Material Tech Co. Ltd, a venture capital company engaged in the development of OLED materials in China (February 2016)

Development of new energy businesses

- In process of entering new businesses related to energy

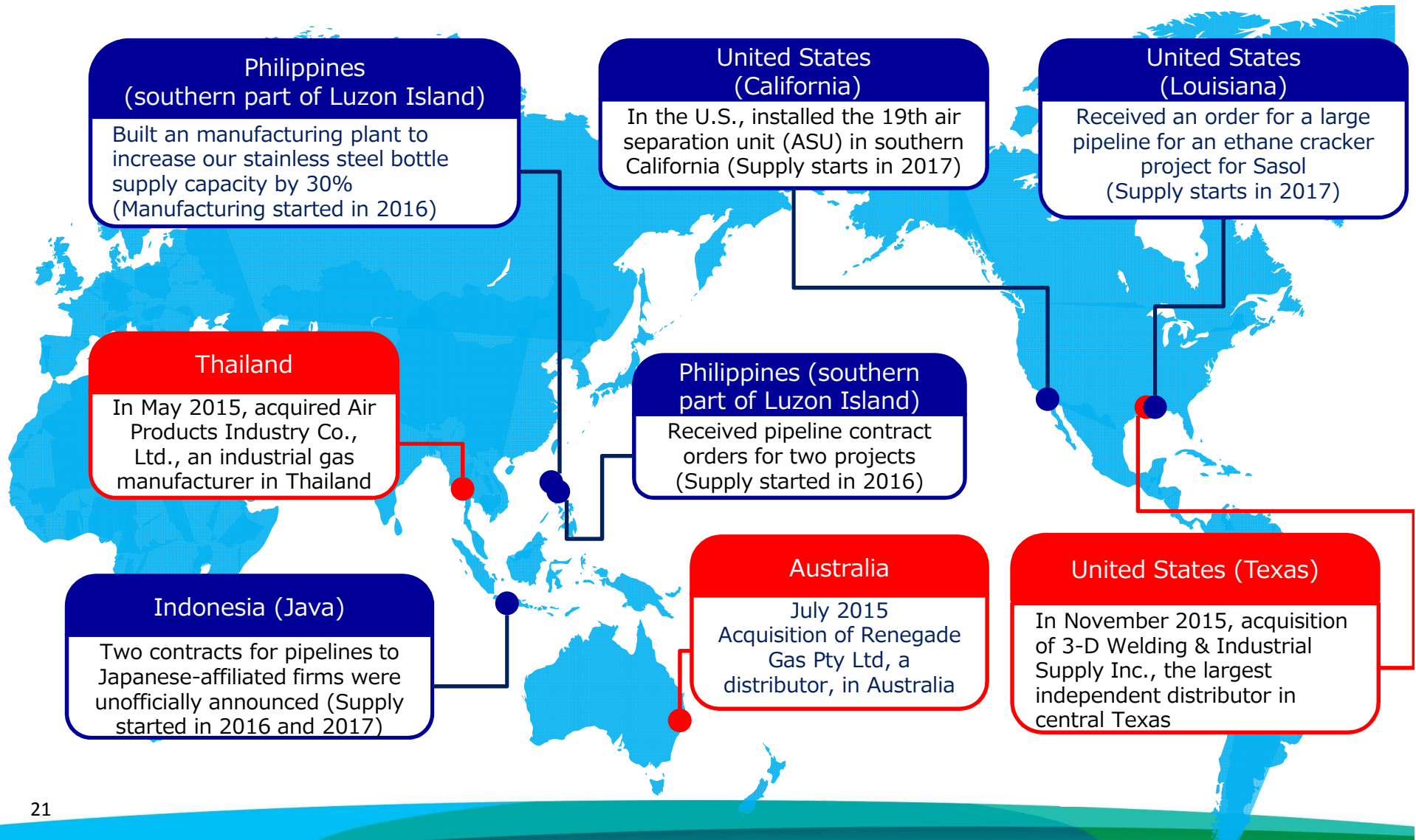
Create new business synergy with Mitsubishi Chemical Holdings Group

- Mitsubishi Chemical and Taiyo Nippon Sanso started marketing zeolite membranes for bioethanol production in the U.S. (December 2015)
- Nippon Ekitan Corporation will obtain feedstock gas from Mitsubishi Chemical Corporation Mizushima Plant, and manufacture high-grade carbon dioxide gas (plant completion in October 2017)
- Strengthened collaboration with Mitsubishi Tanabe Pharma Corporation in the healthcare field

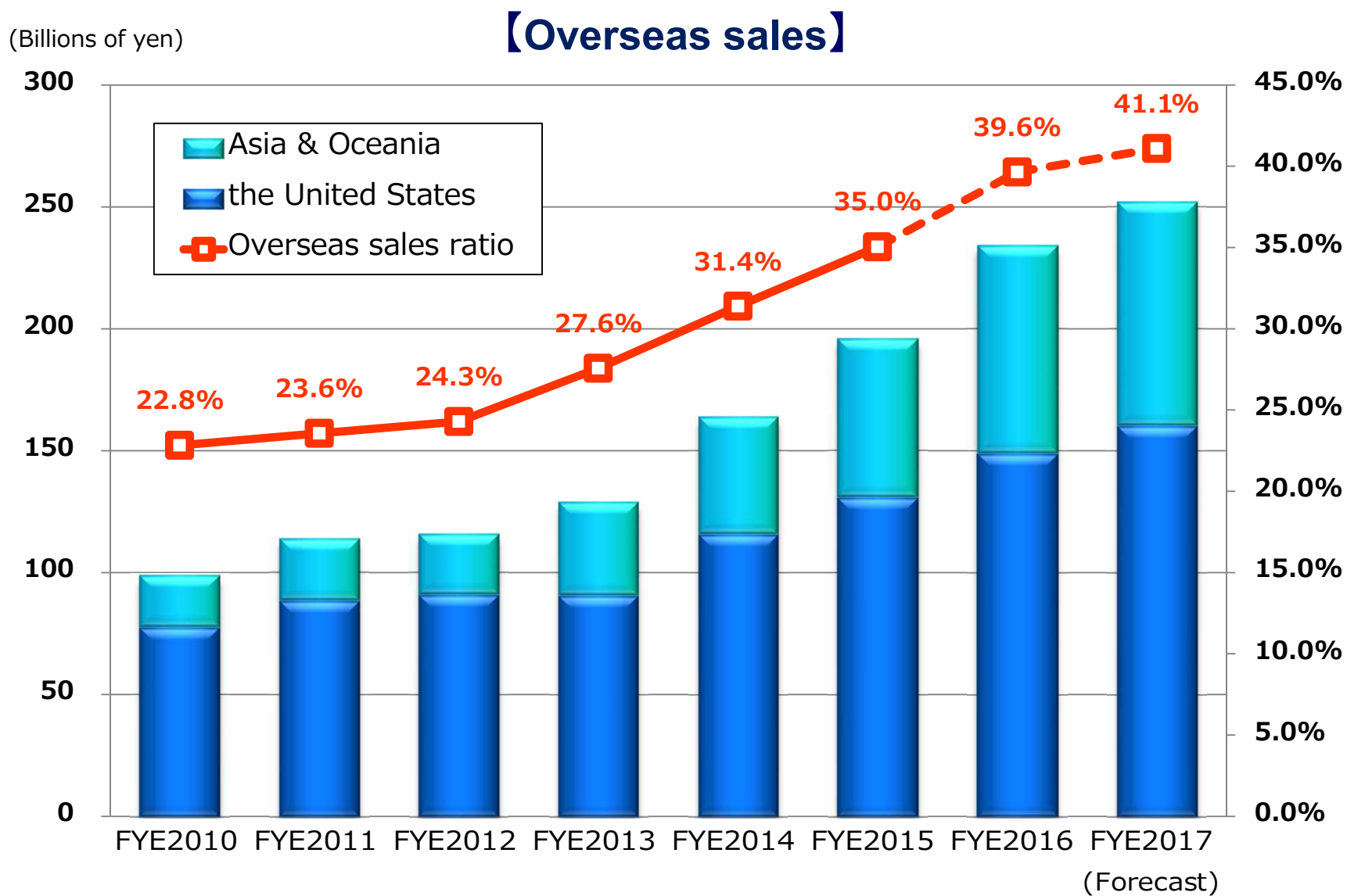


4-4. Networking (Globalization/M&A)

- Search for opportunities for M&As, including areas we have not yet entered, and aggressively invest in ASUs



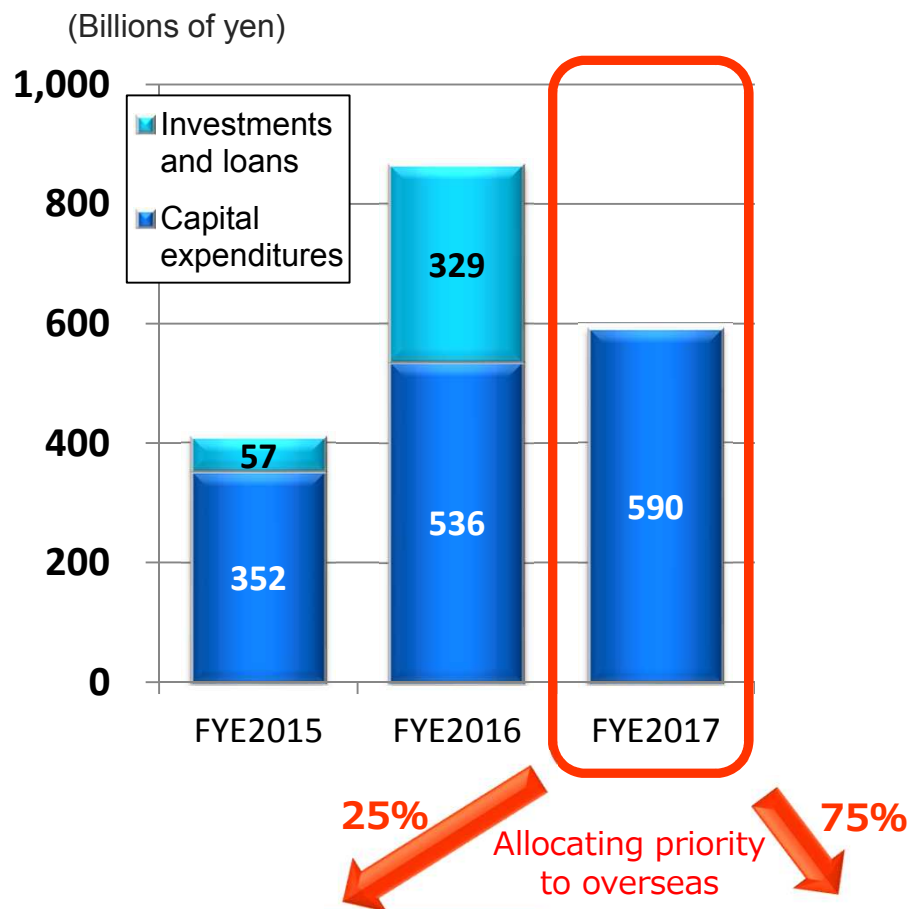
4-4. Networking (Globalization/M&A)



* Calculated by excluding the effects of changes in fiscal-year end in FYE2016 at U.S. and Asian subsidiaries

5-1. Investment Strategies

- TNSC plans to conduct capital expenditures, and investments and loans, totaling ¥200 billion, during the three years of its medium-term plan



Fiscal year	Main capital expenditures, and investments and loans
2015	<ul style="list-style-type: none"> Plant in Mesa, Arizona (U.S.) Clark Plant in northern Luzon Island (The Philippines) Acquired alfi (Germany)
2016	<ul style="list-style-type: none"> Water-¹⁸O No. 3 Plant (Shunan City, Yamaguchi Prefecture) Replace liquefied gas plant (Hitachinaka City, Ibaraki Prefecture) Replace the on-site plant (Yokkaichi city, Mie Prefecture) Acquired the Hawaii business, Sims Welding Supply, and 3-D Incorporated (U.S.) Acquired Air Products Industry Co., Ltd. (Thailand)
2017 onward	<ul style="list-style-type: none"> On-site for Sasol (U.S.) JFE Yahata Sanso Center Kurashiki Plant (Kurashiki City, Okayama Prefecture) Carbon dioxide recovery facility at Nippon Ekitan's Mizushima Plant (Kurashiki City, Okayama Prefecture)

Japan

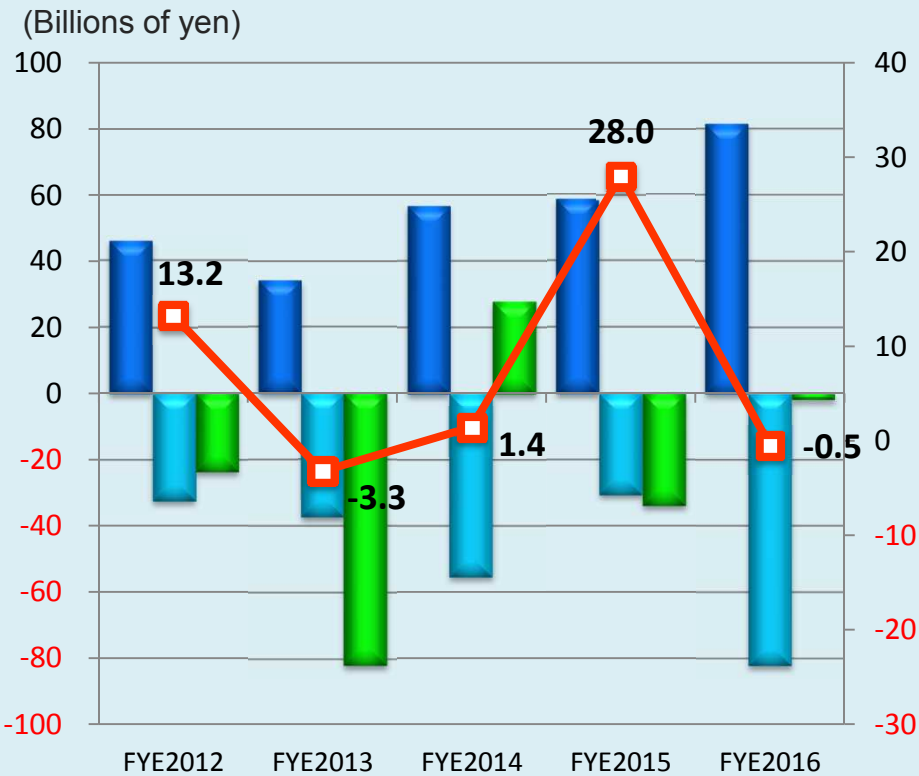
- New on-site businesses
- Strengthening the supply chain

Overseas

- Large-scale on-site project
- Liquefied gas manufacturing plant

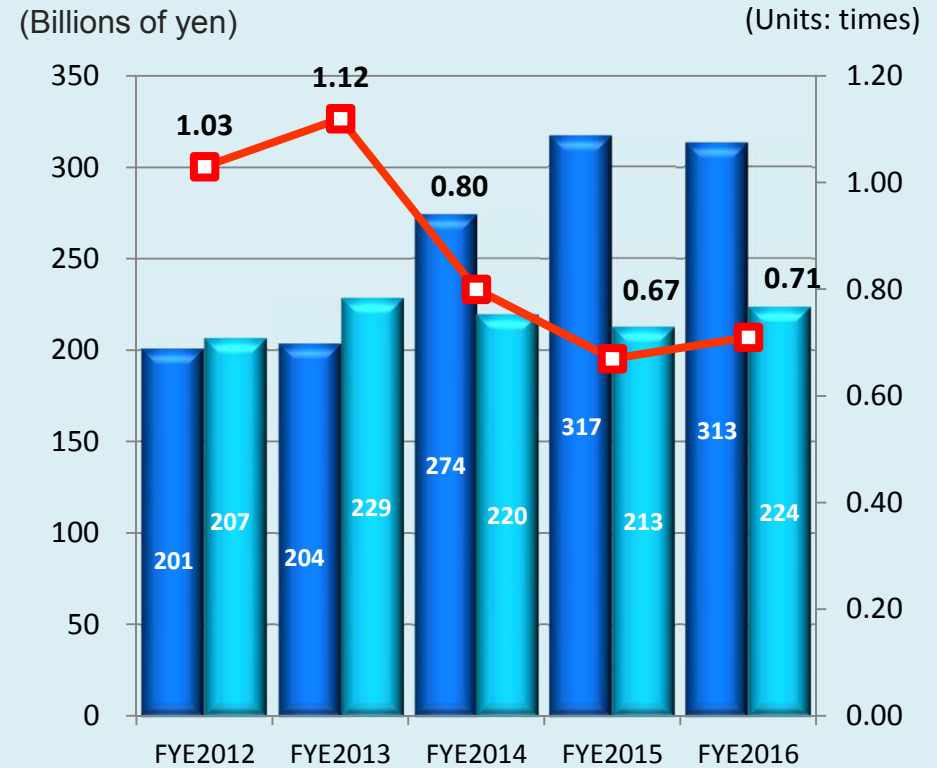
5-2. Financial Strategies

Cash Flows



■ Cash flows from operating activities ■ Cash flows from investing activities
■ Cash flows from financing activities ■ Free cash flows

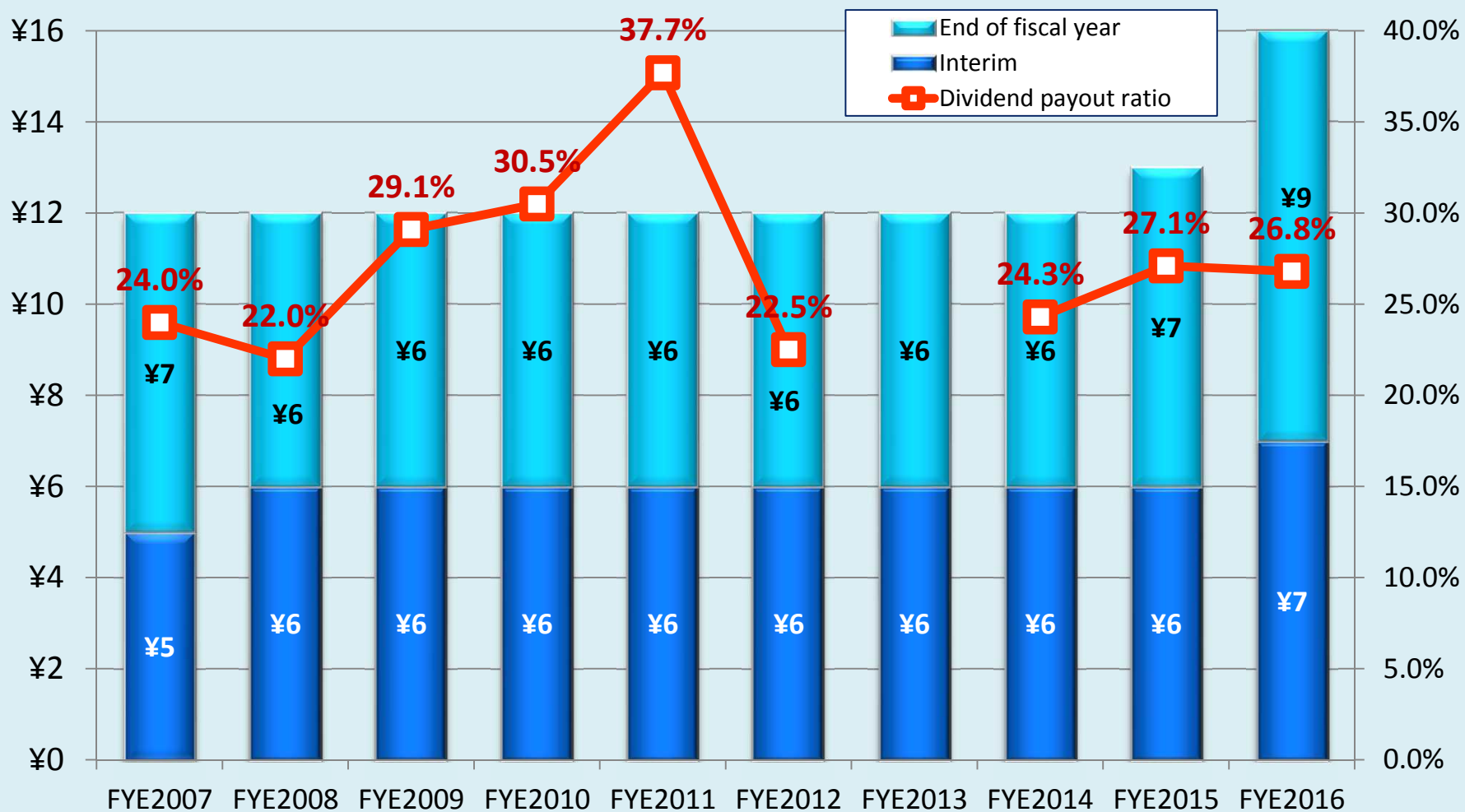
Net debt-to-equity ratio



■ Shareholders' equity ■ Interest-bearing debt ■ Net debt-to-equity ratio

Build a robust financial structure to support proactive investment strategies

5-3. Shareholder Returns



TNSC makes shareholder returns in line with a dividend policy linked to consolidated performance and based on sustained payment of a stable dividend

Disclaimer

- This material is not intended for purposes of disclosure for securities transactions, and it is impossible to guarantee that the information contained in this presentation is accurate and complete.
- This presentation and report contain forward-looking statements (estimates and forecasts) regarding the future plans, strategies, activities and performance of Taiyo Nippon Sanso Corporation. Forward-looking statements reflect management's assumptions and beliefs based on information available as of the time of writing. Actual results reflect a variety of risk and uncertainties. These risks and uncertainties include, but are not limited to, changes in general economic and specific market conditions, currency exchange rate fluctuations, tax systems, and regulations.
- Accordingly, actual results may differ from forecasts issued at this time. With this in mind, please refrain from relying solely on these materials when making investment decisions.

