November 13, 2009

Business Performance for the First Two Quarters of Fiscal 2010

(on a consolidated basis)

1. Outline of business operations for the first two quarters of fiscal 2010 (April 1 to September 30, 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 two quarters of fiscal 2010	204,157	(20.2%)	12,761	(29.7%)	12,358	(32.5%)	6,828	(31.3%)
First two quarters of fiscal 2009	255,990	-	18,143	-	18,308	-	9,936	-

	Earnings per share (Yen)
First two quarters of fiscal 2010	17.08
First two quarters of fiscal 2009	24.69

(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 two quarters of fiscal 2010 (Sept. 30, 2009)	612,763	206,513	31.5	483.17
Reference: FY2009 full term (March 31, 2009)	534,350	194,250	33.9	452.67

Notes:
Equity
First two quarters of fiscal 2010: ¥193,188 million
FY2009 full term: ¥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)

Business performance for the first two quarters of fiscal 2010

During the first two quarters (April 1 to September 30, 2009) of fiscal 2010, the Japanese economy showed signs of a bottoming-out, primarily due to increased consumer spending, and thanks to the implementation of economic stimulus packages in the world's leading economies, including Japan's, and a recovery in demand which pushed up capacity utilization rates in leading industries, owing largely to growth in exports to China and other markets. However, the future direction of the economy remained unclear, as manufacturers continued to curb capital investment and concerns over high unemployment persisted.

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 the backdrop of an increase in exports, mainly of LCDs and steel products to China and other East Asian countries. The increase in demand, as a whole, however, was still insufficient to realize a full-scale recovery.

Amid these circumstances, the Group made concerted efforts to further reduce costs and recover profitability. These efforts were insufficient to offset the adverse effects of weak demand. Consequently, the Group posted the following business results on a consolidated basis for the reporting first two quarters: sales of ¥204,157 million (down 20.2% year-on-year), operating income of ¥12,761 million (down 29.7%), recurring income of ¥12,358 million (down 32.5%), and net income of ¥6,828 million (down 31.3%). Both revenues and earnings declined year-on-year.

Breakdown of business performance by operational segment

Gas Business

In the Gas Business, we experienced a resurgence in demand from Japanese companies exporting LCD panels and steel products to the Chinese and other East Asian markets. We also saw some encouraging signs of a recovery in demand from our users, primarily chemical companies, automakers, and steelmakers. Even so, a full-scale recovery has yet to occur, with sales volumes of our mainline products of oxygen, nitrogen, and argon as well as specialty gases staying below the levels of the corresponding six-month period of the previous fiscal year. Overseas, meanwhile, demand for gases in America remained weak, and the effects of the yen's appreciation against the dollar compounded this factor, pushing sales down sharply on a year-on-year comparison.

As a result, sales of the Gas Business declined by 18.5% year-on-year, to ¥142,603 million, while operating income fell 31.5% to ¥9,608 million.

Machinery & Equipment Business

Demand remained weak overall in response to reductions in or postponements of capital investment in our main customer industries, which led to a decline in demand for electronics-related equipment, (including installation), and air separation plants. Consequently, sales revenues were down sharply from the previous first two-quarter period.

Sales of the Machinery & Equipment Business posted a year-on-year drop of 27.1% to ¥51,395 million, while operating income was down by 40.4% at ¥2,999 million.

Housewares Business and Others

In the Housewares Business, sales of our popular portable mug and other mainline products held firm, but other businesses generally suffered from a decline in demand, causing overall sales to fall by 2.7% from the level of the previous first-half period, to ¥10,159 million, while operating income came to ¥2,182 million, up 30.7% year-on-year.

Breakdown of business performance by geographical segment

Japan

In the Gas Business, the start of a recovery in demand was seen from our user industries of chemicals, electronics, and steel, but demand remained sluggish in the shipbuilding, metal processing, and construction industries. In the Machinery & Equipment Business, total segment sales fell below the previous year's level due to a decline in demand for large-scale projects. In the Housewares Business, shipments of portable mugs and similar products continued to be brisk.

Sales in Japan were down 20.9% year-on-year, at ¥158,350 million, while operating income was down 22.4% at ¥10,773 million.

North America

The ongoing economic downturn caused demand to remain weak in both the Gas and Machinery & Equipment Businesses, causing sales of oxygen, nitrogen, and argon to post year-on-year declines in North America. A sharp fall in sales of specialty gases to the electronics industry was also recorded. Sales posted on a yen basis also resulted in a large year-on-year decline, due partly to the yen's appreciation against the dollar. Consequently, sales decreased 13.9% year-on-year to ¥35,920 million, while operating income fell sharply by 61.7% to ¥1,817 million.

Other Regions

In Southeast Asia, sales in our mainstay Gas Business posted a year-on-year decline for the six-month period. Growth in demand as a result of the beginnings of an economic recovery was insufficient to fully offset a substantial decline in sales to our major users in Taiwan − semiconductor and LCD manufacturers. Sales on a Japanese-currency basis declined year-on-year, which is attributable in part to the yen's appreciation.

Total sales for Other Regions amounted to ¥9,887 million for a year-on-year decrease of 29.3%, while operating income was down 23.0% at ¥886 million.

4. Results by operating segment

First two quarters of fiscal 2010 (April 1 to September 30, 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	142,603	51,395	10,159	204,157	-	204,157
(2) Sales from inter-segment transactions and transfers	3	5,028	17	5,049	(5,049)	-
Total	142,607	56,423	10,176	209,207	(5,049)	204,157
Operating income	9,608	2,999	2,182	14,790	(2,028)	12,761

First two quarters of fiscal 2009 (April 1 to September 30, 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	175,019	70,535	10,436	255,990	-	255,990
(2) Sales from inter-segment transactions and transfers	11	9,910	41	9,963	(9,963)	-
Total	175,031	80,445	10,477	265,954	(9,963)	255,990
Operating income	14,028	5,034	1,670	20,733	(2,589)	18,143

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, dinitrogen monoxide), specialty gases (semiconductor materials gases, standard reference gas), 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 engineering/equipment, 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/pumps, vacuum brazing, atomic power/space development 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: Changes applicable with effect from the first quarter 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 two quarters of the previous term decreased by ¥715 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: Changes applicable with effect from the first quarter 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 ¥1billion 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 second 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 two quarters of fiscal 2009)

<u>Changes in useful life of machinery and equipment</u>

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 two quarters of the previous term decreased by ¥1,102 million for the Gas Business, ¥25 million for the Machinery and Equipment Business, and ¥7 million for the Housewares Business and Others compared with the amounts calculated under the previous standards.

5. Results by geographical segment

First two quarters of fiscal 2010 (April 1 to September 30, 2009)

(Millions of yen)

	Japan	North America	Other countries	Total	Eliminations or Corporate	Consolidated
Sales						
(1) Sales to external customers	158,350	35,920	9,887	204,157	-	204,157
(2) Sales from inter-segment transactions	1,348	1,616	2,000	4,964	(4,964)	-
Total	159,698	37,536	11,887	209,122	(4,964)	204,157
Operating income	10,773	1,817	886	13,477	(715)	12,761

First two quarters of fiscal 2009 (April 1 to September 30, 2008)

(Millions of yen)

	Japan	North America	Other countries	Total	Eliminations or Corporate	Consolidated
Sales						
(1) Sales to external customers	200,280	41,715	13,994	255,990	-	255,990
(2) Sales from inter-segment transactions	3,949	5,749	1,870	11,569	(11,569)	-
Total	204,229	47,465	15,864	267,559	(11,569)	255,990
Operating income	13,884	4,746	1,151	19,781	(1,637)	18,143

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

Previous term: Changes applicable with effect from the first quarter of fiscal 2009

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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 two quarters of the previous term decreased by ¥1,135 million compared with the amounts calculated under the previous standards.