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# Consolidated Business Performance for the First Half of the Fiscal Year Ending March 2015 (Fiscal 2015)

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November 5, 2014

TAIYO NIPPON SANSO Corporation

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1. Consolidated Business Performance for the First Half of FY2015
2. Segment Report
3. Topics
4. Consolidated Full-Year Forecasts for FY2015



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# Consolidated Business Performance for the First Half of FY2015

(Billions of yen)	First half FY2014	First half of FY2015 (Announced targets)	First half of FY2015 (Results)	YoY Change
	Margin	Margin	Margin	% change
<b>Sales</b>	249.6	271.0	268.9	+19.2 +7.7%
<b>Operating Income</b>	14.3 5.8%	16.8 6.2%	16.4 6.1%	+2.0 +14.2%
<b>Ordinary Income</b>	14.1 5.7%	15.8 5.8%	16.5 6.2%	+2.3 +16.7%
<b>Net Income</b>	12.2 4.9%	9.8 3.6%	9.9 3.7%	-2.3 -19.0%



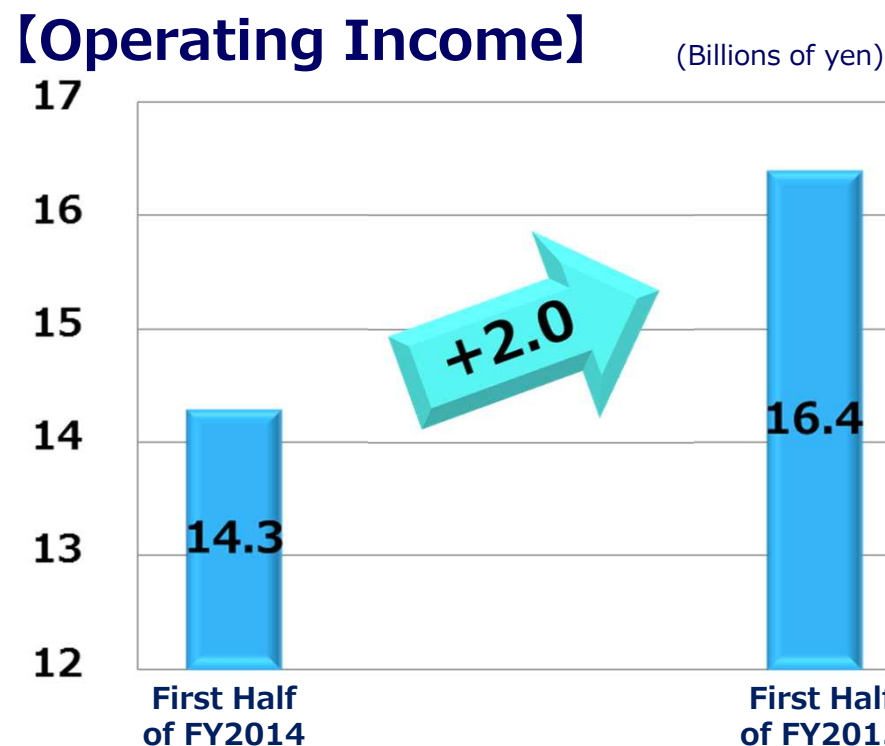
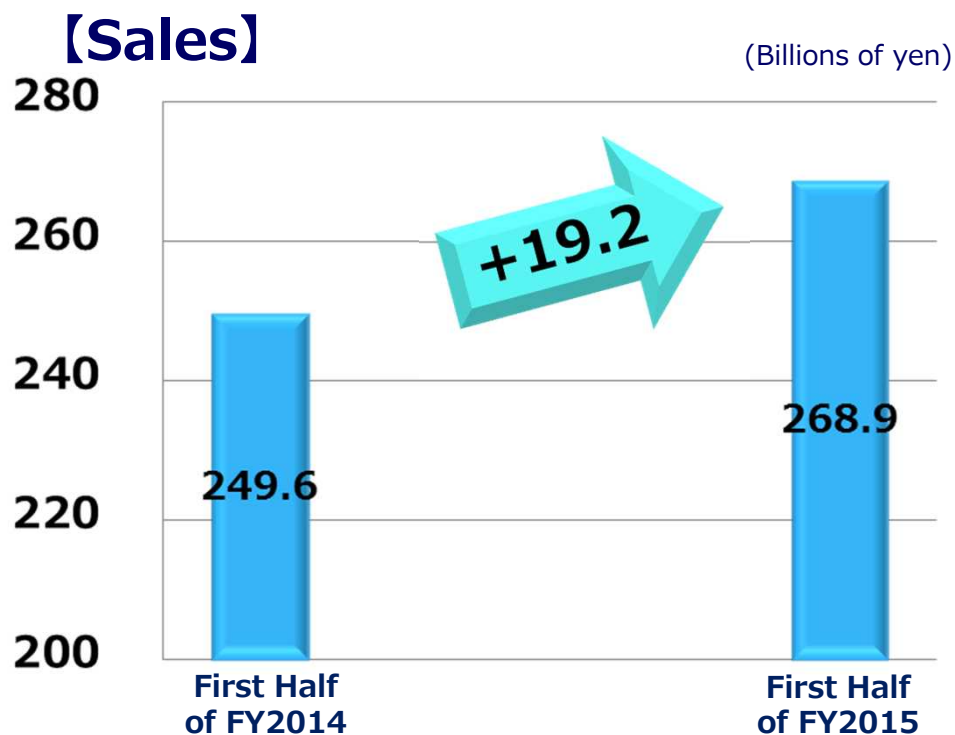
# Other Financial Results for the First Half of FY2015

(Billions of yen)	Mar.2014	Sept.2014	Change
Total assets	731.6	702.1	-29.5
Shareholders' equity	274.3	278.1	3.8
Net interest-bearing debt	219.7	213.1	-6.6
Net D/E ratio	0.80	0.77	-0.03

	Sept.2013	Sept.2014	Change
Capital expenditure	13.6	14.8	1.2
Investment and loan	0.7	1.8	1.1
Depreciation and amortization	18.3	20.2	1.9
(Amortization of goodwill)	1.6	2.4	0.7
R&D expenses	1.2	1.4	0.1
FCF (investing activities)	14.9	10.6	-4.2

- Total assets decreased mainly due to a large reduction in cash and deposits
- Amortization of goodwill increased due to the acquisition of Pacific Medico Co., Ltd. and Continental Carbonic Products, Inc.
- FCF declined mainly due to the absence of the gain on sales of noncurrent assets recorded in the same period last year

# Analysis of Year-on-Year Change (1)



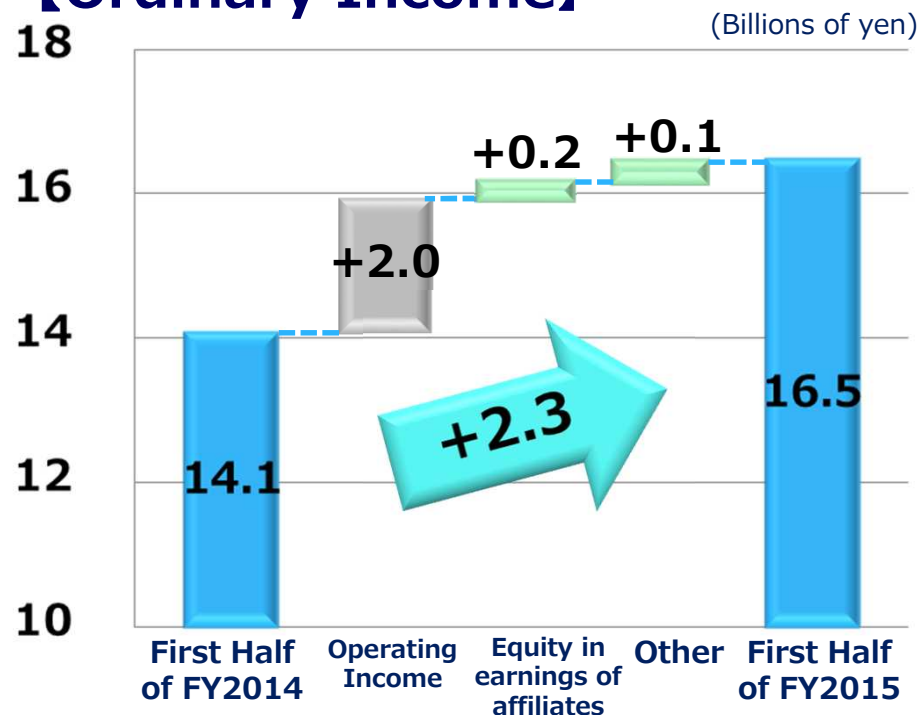
- Higher sales +19.2 billion yen  
Gas Business in Japan +4.7 billion yen,  
Gas Business in the US +9.3 billion yen,  
Gas Business in Asia +4.4 billion yen,  
Other Businesses +0.8 billion yen
- \* Including foreign exchange impact of +5.7 billion yen  
(U.S. 4.1 billion yen, Asia 1.6 billion yen)

- Higher operating income +2.0 billion yen  
Gas Business in Japan +0.9 billion yen,  
Gas Business in the US +0.5 billion yen,  
Gas Business in Asia +0.4 billion yen,  
Other Businesses +0.3 billion yen  
Elimination of intra-company transactions  
-0.2 billion yen
- \* Including foreign exchange impact of +0.3 billion yen  
(U.S. 0.1 billion yen, Asia 0.1 billion yen)



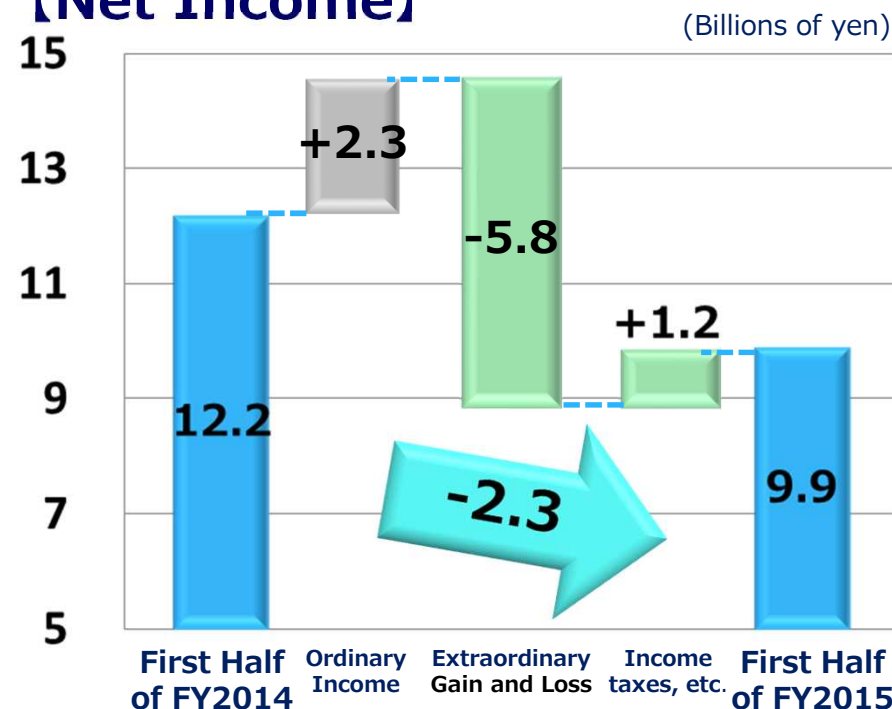
# Analysis of Year-on-Year Change (2)

## 【Ordinary Income】



- Increase in equity in earnings of affiliates from THERMOS K.K.

## 【Net Income】



- Extraordinary gains on sale of fixed assets, etc., recorded in the same period last year
- Lower income taxes

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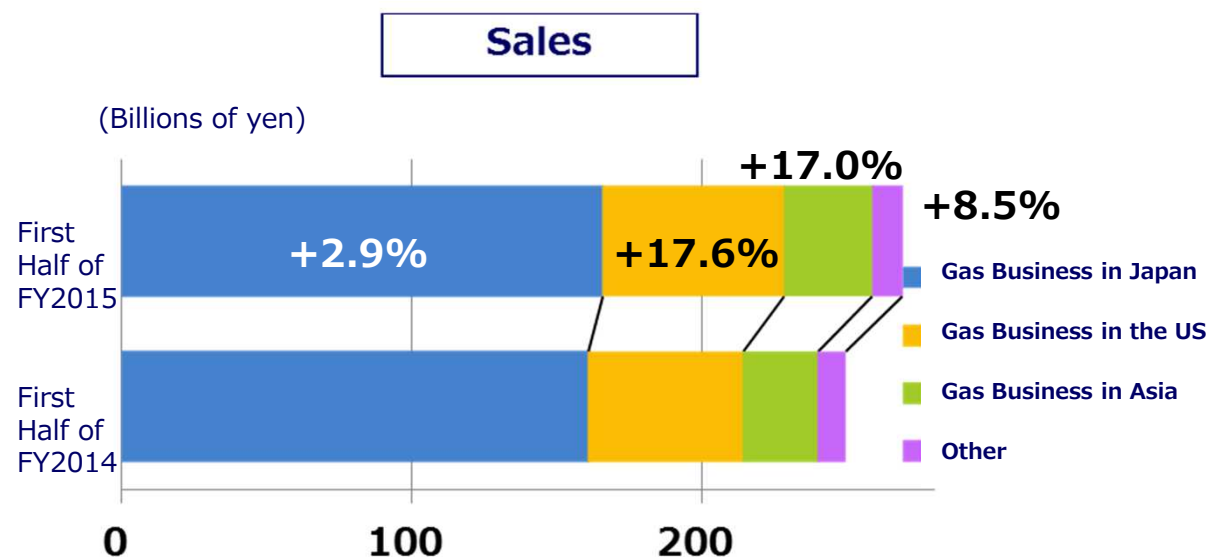


# Segment Information: Breakdown of Sales and Operating Income

## Sales

(Billions of yen)

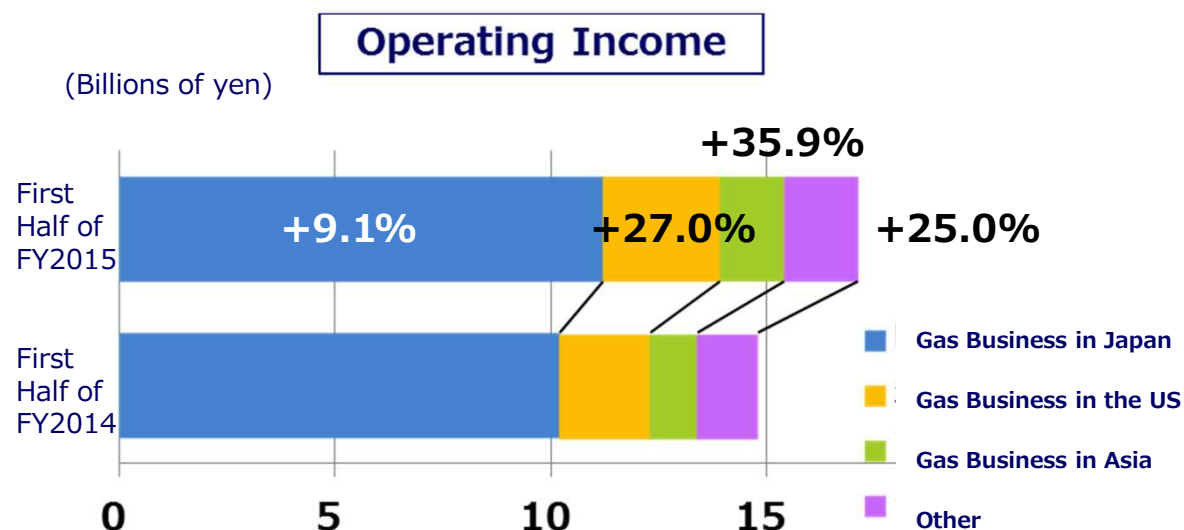
	First Half of FY2014	First Half of FY2015	% change
Gas Business in Japan	160.8	165.5	+2.9%
Gas Business in the US	53.2	62.6	+17.6%
Gas Business in Asia	25.9	30.3	+17.0%
Other	9.5	10.3	+8.5%
Segment Total	249.6	268.9	+7.7%



## Operating Income

(Billions of yen)

	First Half of FY2014	First Half of FY2015	% change
Gas Business in Japan	10.2	11.2	+9.1%
Gas Business in the US	2.1	2.7	+27.0%
Gas Business in Asia	1.1	1.5	+35.9%
Other	1.4	1.7	+25.0%
Adjustments	-0.6	-0.8	-41.2%
Segment Total	14.3	16.4	+14.2%



# Gas Business in Japan

## Sales

(Billions of yen)

		First Half of FY2014	First Half of FY2015	% change
Industrial Gas	Bulk/On-site	65.2	67.6	+3.7%
	Package/Hard goods	14.7	15.9	+8.1%
	Plants and Equipment	16.5	16.7	+0.8%
	Medical	8.9	10.8	+22.2%
	Total	105.4	111.1	+5.4%
Electronics	Gases	25.4	25.7	+1.4%
	Equipment and Installation	11.4	9.2	-18.6%
	Total	36.8	35.0	-4.8%
Energy	Gases	16.9	17.8	+5.5%
	Equipment	1.6	1.4	-8.6%
	Total	18.5	19.3	+4.3%
<b>Segment Total</b>		<b>160.8</b>	<b>165.5</b>	<b>+2.9%</b>

## Operating Income

(Billions of yen)

	First Half of FY2014	First Half of FY2015	% change
<b>Segment Total</b>	<b>10.2</b>	<b>11.2</b>	<b>+9.1%</b>

### «Sales»

#### ◆ Industrial Gas

- On-site demand from steel industry was strong
- Solid sales of welding-related equipment
- Sluggish demand for plants
- Medical benefited from the positive impact of new consolidations and solid sales in the stable isotope business

#### ◆ Electronics

- Solid sales of electronic materials gases
- Large orders were recorded in the same period last year for equipment installation and MOCVD equipment

#### ◆ Energy

- Transferred increased import prices to selling prices

### «Operating Income»

Higher earnings on the back of the positive impact of rationalization and higher sales of electronic materials gases and other products, despite higher-than-anticipated power costs

# Gas Business in the US

## Sales

(Billions of yen)

		First Half of FY2014	First Half of FY2015	% change
Industrial Gas	Bulk/On-site	12.8	19.7	+54.2%
	Package/Hard goods	37.7	40.2	+6.5%
	Plants and Equipment			
	Medical			
	<b>Total</b>	<b>50.6</b>	<b>60.0</b>	<b>+18.6%</b>
Electronics	Gases	2.0	1.9	-3.1%
	Equipment and Installation	0.6	0.6	+0.8%
	<b>Total</b>	<b>2.6</b>	<b>2.6</b>	<b>-2.1%</b>
Energy	Gases			
	Equipment			
	<b>Total</b>			
<b>Segment Total</b>		<b>53.2</b>	<b>62.6</b>	<b>+17.6%</b>

## Operating Income

(Billions of yen)

		First Half of FY2014	First Half of FY2015	% change
<b>Segment Total</b>		<b>2.1</b>	<b>2.7</b>	<b>+27.0%</b>

### «Sales»

- Positive impact from foreign exchange effects  
(FY2014 First Half: 95.73 yen / dollar  
→ FY2015 First Half: 102.46 yen / dollar)
- Continental Carbonic Products, Inc., a newly consolidated carbon dioxide gas manufacturing company, contributed to sales

### «Operating Income»

- Continental Carbonic Products, Inc. recorded operating income greater than the amount of amortization of goodwill, in addition to foreign exchange effects
- Gas prices, including helium prices, were raised

# Gas Business in Asia

## Sales

(Billions of yen)

		First Half of FY2014	First Half of FY2015	% change
Industrial Gas	Bulk/On-site	7.1	7.8	+9.4%
	Package/Hard goods	5.5	6.2	+13.9%
	Plants and Equipment	4.2	4.1	-1.9%
	Medical			
	Total	16.9	18.2	+8.0%
Electronics	Gases	8.5	11.2	+32.6%
	Equipment and Installation	0.4	0.7	+54.5%
	Total	9.0	12.0	+33.8%
Energy	Gases			
	Equipment			
	Total			
<b>Segment Total</b>		<b>25.9</b>	<b>30.3</b>	<b>+17.0%</b>

## Operating Income

(Billions of yen)

		First Half of FY2014	First Half of FY2015	% change
<b>Segment Total</b>		<b>1.1</b>	<b>1.5</b>	<b>+35.9%</b>

### «Sales»

- Positive impact from foreign currency effects
- Solid sales were recorded in the electronics business, primarily in Taiwan, China, and South Korea
- Singapore-based Leeden Limited saw strong sales in existing businesses, in addition to the positive impact of an acquisition

### «Operating Income»

- Among the foregoing factors, strong sales in the electronics business had a particularly large positive impact on earnings

# Other Businesses

## Sales

(Billions of yen)

		First Half of FY2014	First Half of FY2015	% change
THERMOS	Japan	7.4	7.7	+3.7%
	Asia	0.8	1.3	+58.2%
	Total	8.2	9.0	+9.3%
Other	Japan	1.2	1.2	+3.1%
	Total	1.2	1.2	+3.1%
Segment Total		9.5	10.3	+8.5%

## Operating Income

(Billions of yen)

		First Half of FY2014	First Half of FY2015	% change
Segment Total		1.4	1.7	+25.0%

### «Sales»

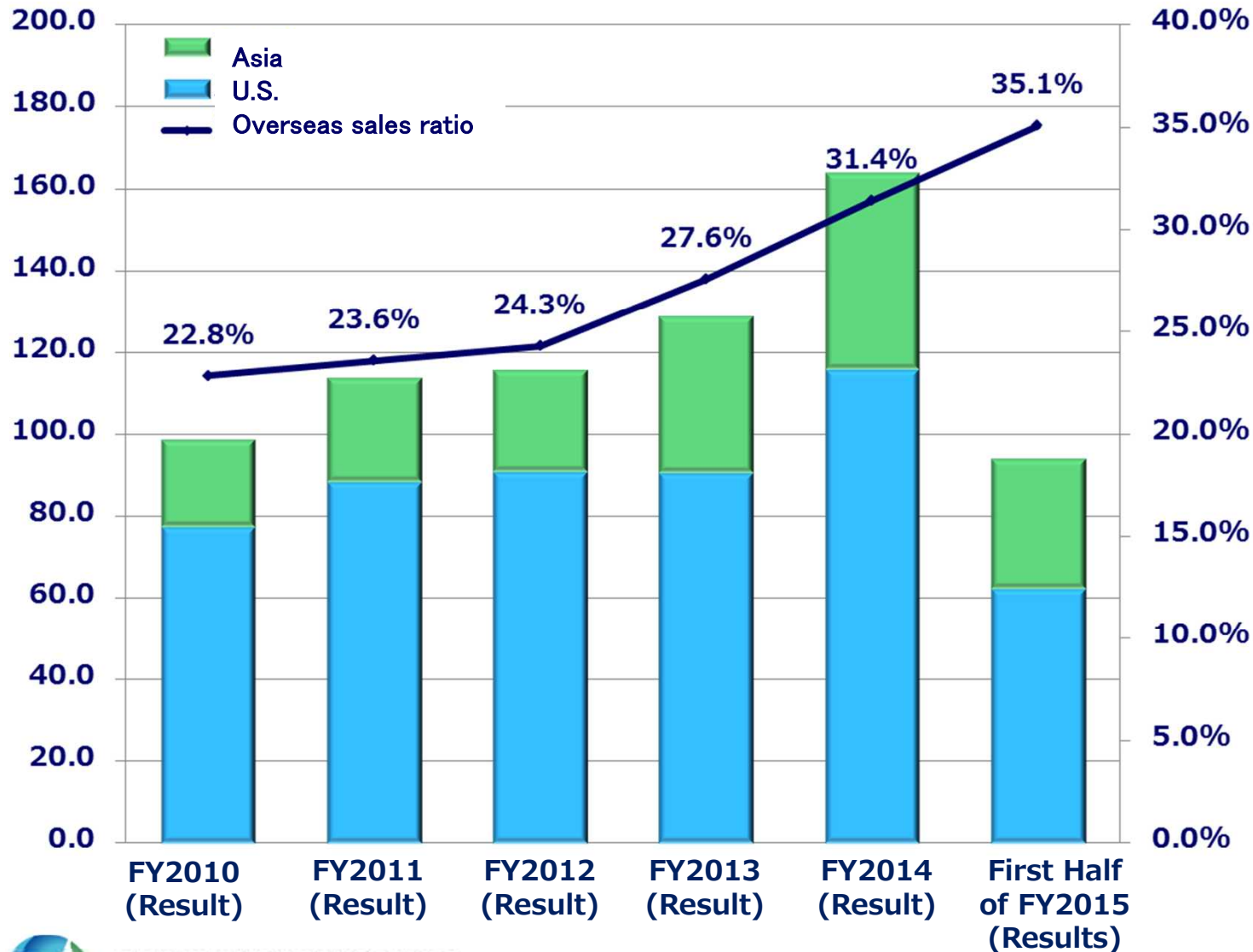
- ◆ Thermos
  - Solid sales centered on new products, with no impact from the consumption tax rate increase in Japan
  - Brisk sales overseas, primarily in South Korea

### «Operating Income»

- ◆ Thermos
  - Transferred the amount of the higher costs caused by a weaker yen, to selling prices by raising prices in August 2013

# Overseas Sales Ratio

(Billions of yen)



## «Overseas Expansion Measures»

### February 2014 U.S.

Acquired Continental Carbonic Products, Inc., the second largest U.S. manufacturer in the dry ice industry

### February 2014 Indonesia

Established PT. Samator Taiyo Nippon Sanso Indonesia, an industrial gas joint venture, in Java, Indonesia

### March 2012 Singapore

Acquired Leeden Limited, a manufacturer and distributor of welding-related equipment, safety goods, and industrial gas

### May 2010 U.S.

Acquired Western International Gas & Cylinders Inc., the largest U.S. manufacturer and wholesale supplier of acetylene

### March 2010 India

Acquired K-Air India Gases Private Limited, a manufacturer and distributor of industrial gas

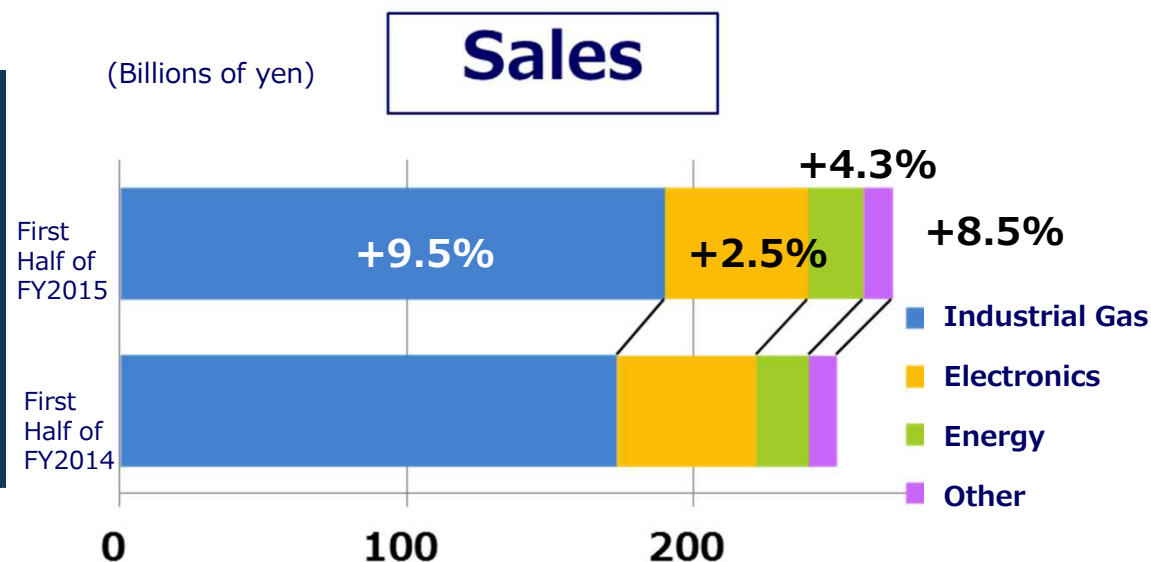


# Breakdown of Segment Sales and Operating Income

## Sales

(Billions of yen)

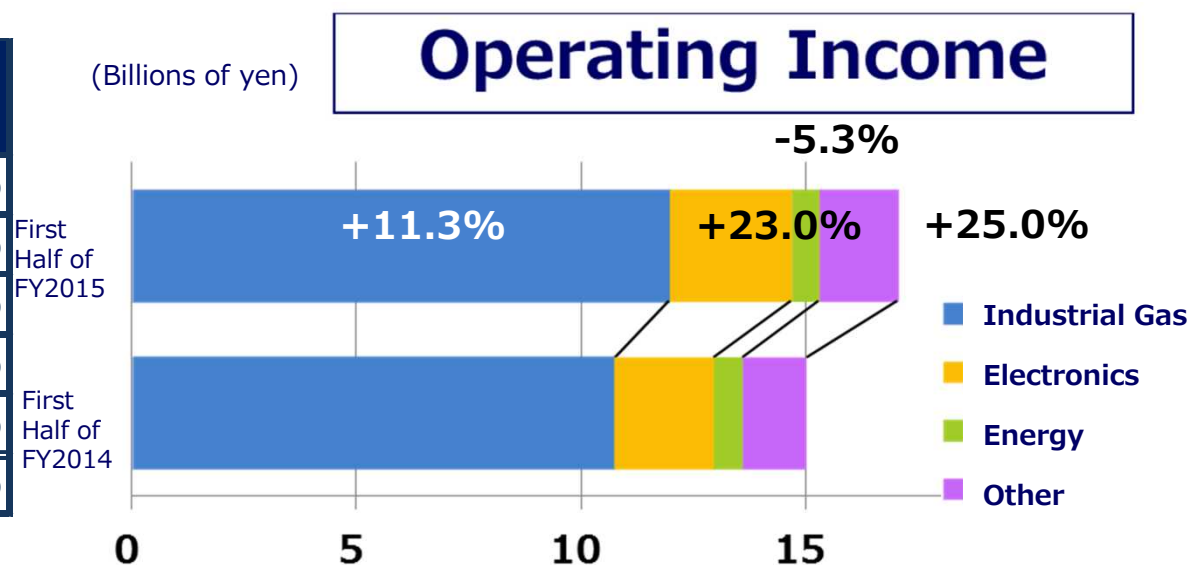
	First Half of FY2014	First Half of FY2015	% change
Industrial Gas	172.9	189.4	+9.5%
Electronics	48.5	49.7	+2.5%
Energy	18.5	19.3	+4.3%
Other	9.5	10.3	+8.5%
Segment Total	249.6	268.9	+7.7%



## Operating Income

(Billions of yen)

	First Half of FY2014	First Half of FY2015	% change
Industrial Gas	10.7	11.9	+11.3%
Electronics	2.2	2.7	+23.0%
Energy	0.6	0.5	-5.3%
Other	1.4	1.7	+25.0%
Adjustments	-0.5	-0.5	+0.4%
Segment Total	14.3	16.4	+14.2%



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# Topics

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## Japan

- ◆ **Hydrogen Station Business**
- ◆ **Reorganization of LP Gas Business in Japan**

## Overseas

- ◆ **Expand MOCVD Equipment Sales**
- ◆ **Expand Asian Business**
- ◆ **Expand the Thermos Business**

# Hydrogen Station Business

## Aiming to expand hydrogen station sales

Developed the **Hydro Shuttle**<sup>®</sup> a compact, low-cost package-type hydrogen station, in August 2013 to supply hydrogen gas for fuel cell vehicles (FCVs)

### Advantages of **Hydro Shuttle**<sup>®</sup>

- Only half the cost of conventional hydrogen stations
- Package-type station reduces on-site installation costs
- Reduces required installation area

Strengthened sales by targeting both package-type and mobile stations

### Planned installation of commercial stations

	Off-site	On-site	Package	Mobile	Other	Total
FY2013	17	1				18
FY2014	2	2	7	12	1	24
FY2015						

Plans call for installation at 100 sites by 2015



# Reorganization of LP Gas Business in Japan

## Merger of five LP Gas business subsidiaries

Company Name: **TAIYO NIPPON SANSO ENERGY CORPORATION**

Merger date: April 1, 2015

Shareholder: TAIYO NIPPON SANSO CORPORATION 100%

Head office: Kanie Town, Ama District, Aichi Prefecture

Taiyo Nippon Sanso Energy Kanto Corporation

Taiyo Nippon Sanso Energy Chubu Corporation

Taiyo Nippon Sanso Energy Chugoku Corporation

Taiyo Nippon Sanso Energy Kyushu Corporation

Saan Gas Shikoku K.K.

**New company:  
TAIYO NIPPON SANSO  
ENERGY  
CORPORATION**

### Merger purpose:

- Strengthen management platform
- Expand business scale
- Streamline administrative divisions



Chubu Region : 1 Head Office, 1 regional office, 5 branches and sales offices

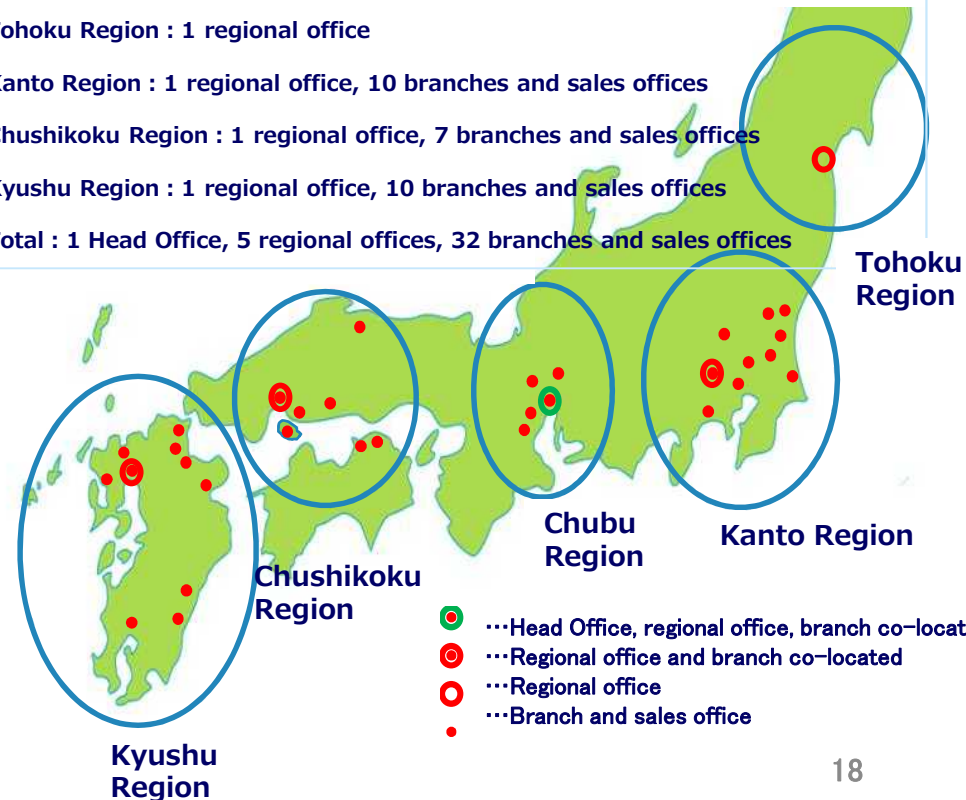
Tohoku Region : 1 regional office

Kanto Region : 1 regional office, 10 branches and sales offices

Chushikoku Region : 1 regional office, 7 branches and sales offices

Kyushu Region : 1 regional office, 10 branches and sales offices

Total : 1 Head Office, 5 regional offices, 32 branches and sales offices



# Expand MOCVD Equipment Sales

## The Company's MOCVD equipment business strategy

Accelerate global business expansion by capturing demand for cutting-edge equipment primarily from the U.S. and Taiwan, while maintaining a high share of equipment for the Japanese market

### Equipment delivery approved to Sandia National Laboratories, a U.S. government research institution

[Sandia National Laboratories]

Outline: A national science and engineering laboratory for the U.S. Department of Energy's National Nuclear Security Administration (NNSA)

Research : Research and development in national security, energy, environmental technologies and economic competitiveness

Uses of equipment delivered by the Company: Research and development in compound semiconductors such as aluminum gallium nitride (AlGaN) and Aluminum nitride (AlN), etc.

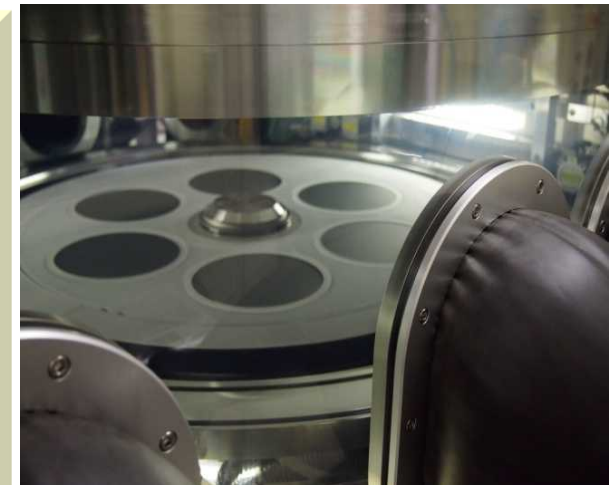
### Equipment delivered to Taiwanese LED manufacturer Epistar Corporation

[Epistar Corporation]

Outline of company: World's largest LED manufacturer

Manufacturing of high brightness LED products for traffic lights, cell phones, laptops, etc.

Equipment delivered by the Company: UR25K system, capable of growing on 7 6-inch sapphire substrates in the same growth run.



# Expand Asian Business

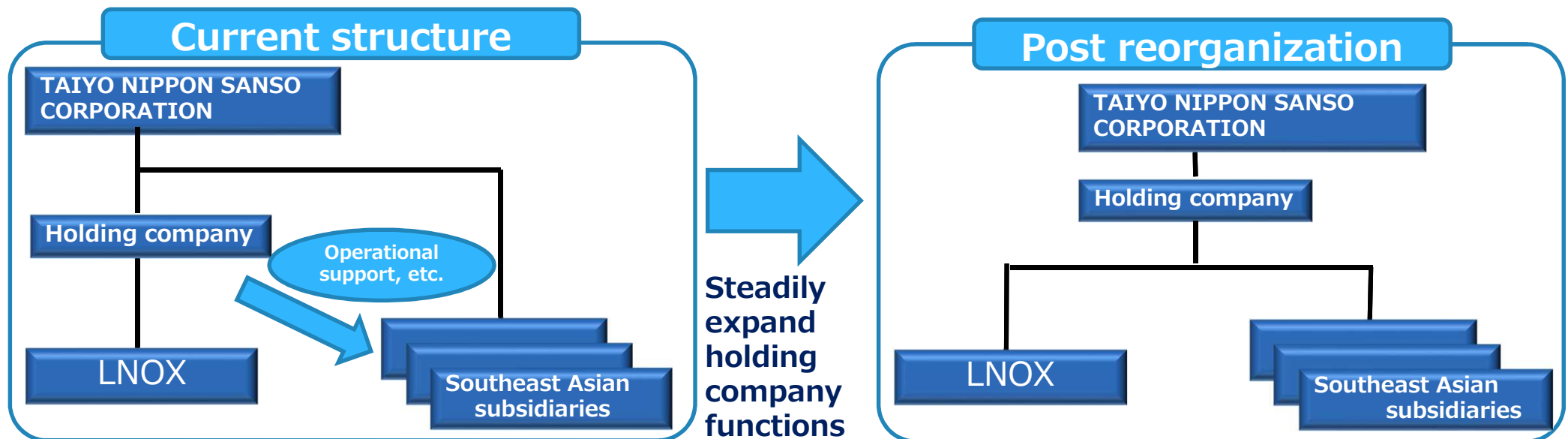
## 1. Holding Company Established in Singapore

Company name: Taiyo Nippon Sanso Holdings Singapore Pte. Ltd.

Established: July 30, 2014

Shareholder: TAIYO NIPPON SANZO CORPORATION 100%

Purpose: Accelerate business growth by expanding functions as a regional headquarters in Southeast Asia into the future



※ **LNOX** = Leeden National Oxygen Ltd.

# Expand Asian Business

## 2. Merger of Singapore subsidiaries

Established Leeden National Oxygen Ltd. by merging three consolidated subsidiaries in Singapore in October 2014

### Outline of company

Company name: Leeden National Oxygen Ltd.  
Sales composition: gas business 42%, welding-related business 36%, safety goods 22%

### Business plan

#### Gas business:

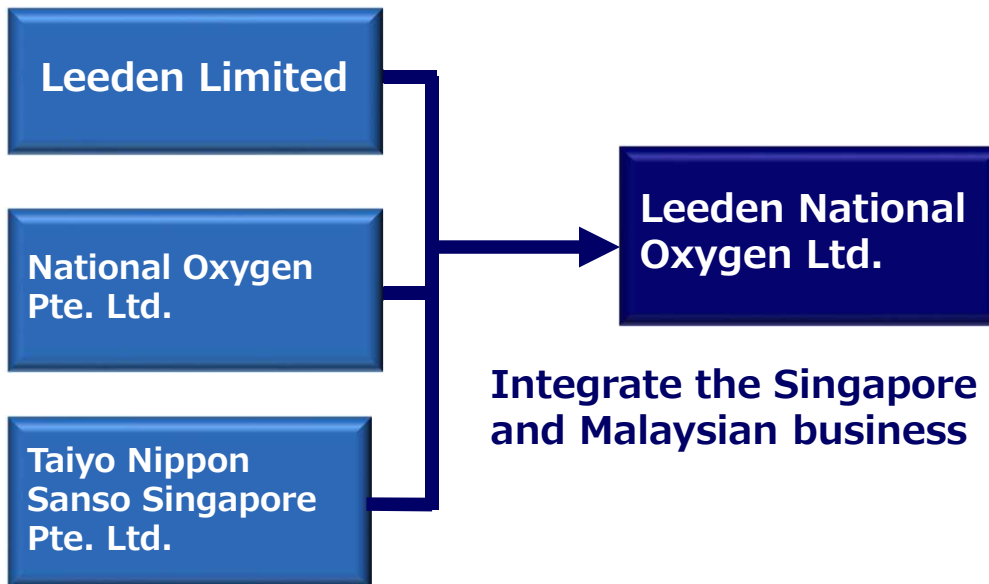
- Strengthen activities in promising fields such as life sciences and energy
- Expand business in the Malaysian market
- Expand sales of high-value-added products

#### Welding-related business:

- Develop markets further through M&As, joint ventures and opening new sites
- Upgrade and expand in-house brand products

#### Other:

- Raise earnings by cutting costs



# Expand Asian Business

## 3. Install a new liquefied carbon dioxide manufacturing facility in Singapore

LNOX conducts a carbon dioxide gas manufacturing business in Malaysia. It plans to install a carbon dioxide (CO<sub>2</sub>) recovery and liquefaction plant at Neste Oil Singapore's renewable diesel refinery located in western Singapore. LNOX will commence a liquefied carbon dioxide manufacturing business in Singapore by procuring feedstock gas from Neste Oil Singapore.

**Purpose:** To secure the company's own, stable source of carbon dioxide gas by building a new plant, with the view to capturing solid demand for carbon dioxide gas for welding applications in automobile manufacturing, shipbuilding, and other sectors.

Installation location	Start of operation
Tuas, Singapore	September 2015

	Production capacity
Existing capacity	45 tons/day
<b>New capacity</b>	<b>72 tons/day</b>
<b>Total</b>	<b>117 tons/day</b>

Supply carbon dioxide gas from the new plant to Singapore and Malaysia's Batam Island and Bintan Island



# Expand Asian Business

## 4. Install a new air separation unit in Malaysia

**Project outline:** Sabah Oxygen, a subsidiary of LNOX, is installing a new Taiyo Nippon Sanso air separation unit in Kota Kinabalu, Sabah  
 Scheduled to start operations in June 2015

**Business plan:** Strengthen supply of industrial gases to shipyards and hospitals in existing areas  
 Capture demand for industrial gases for growing petroleum and gas development and chemical plants in East Malaysia

## 5. Expand business areas in Malaysia

**Project outline:** Scheduled to obtain a site in Sarawak within the year through an M&A, following on from Sabah  
 Strive to expand the gas business throughout all of the East Malaysia region

## 6. First on-site project in Indonesia

**Project outline :** PT. Samator Taiyo Nippon Sanso Indonesia will build the Company's first air separation unit in Indonesia in order to supply nitrogen gas on-site to a Japanese steelmaker in Java, Indonesia.



Installation location	Start of operation
Bekasi, Java	January 2017



# Expand the Thermos Business

## Establish a subsidiary to produce stainless steel vacuum insulated bottles in the Philippines

Company name: Vacuumtech Philippines Inc.  
 Established: July 2014  
 Planned start of production: December 2015  
 Production capacity: 10 million bottles/year  
 Investment amount: Approx. 3.9 billion yen

[Artist's rendering of new plant]



Plant name	Location	Production items
Thermos (China) Housewares	Kunshan, Jiangsu, China	A wide range of products
Thermos (Jiangsu) Housewares	Huai'an, Jiangsu, China	Products for China, Europe and North America
Top Thermo Mfg.(Malaysia)	Selangor, Malaysia	Ultralight, compact products
New company in the Philippines	Batangas, Philippines	Ultralight, compact products

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 QUALITY SINCE 1904

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# Consolidated Full-Year Forecasts for FY2015

(Billions of yen)	FY2014 (Results)	FY2015 forecast (Previous forecast)	FY2015 forecast (Revised forecast)	YoY Change
	Margin	Margin	Margin	% change
<b>Sales</b>	522.7	550.0	550.0	+27.2 +5.2%
<b>Operating Income</b>	31.4 6.0%	35.0 6.4%	35.0 6.4%	+3.5 +11.1%
<b>Ordinary Income</b>	30.5 5.8%	33.2 6.0%	33.2 6.0%	+2.6 +8.7%
<b>Net Income</b>	20.1 3.9%	20.0 3.6%	20.0 3.6%	-0.1 -1.0%

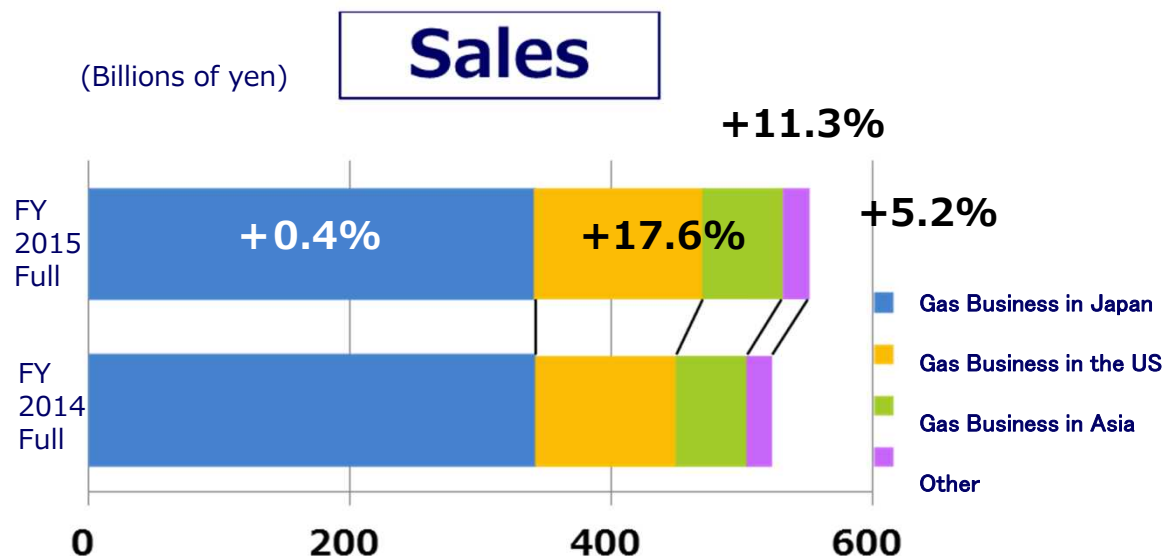


# Full-Year Forecasts for FY2015 by Business Segment

## Sales

(Billions of yen)

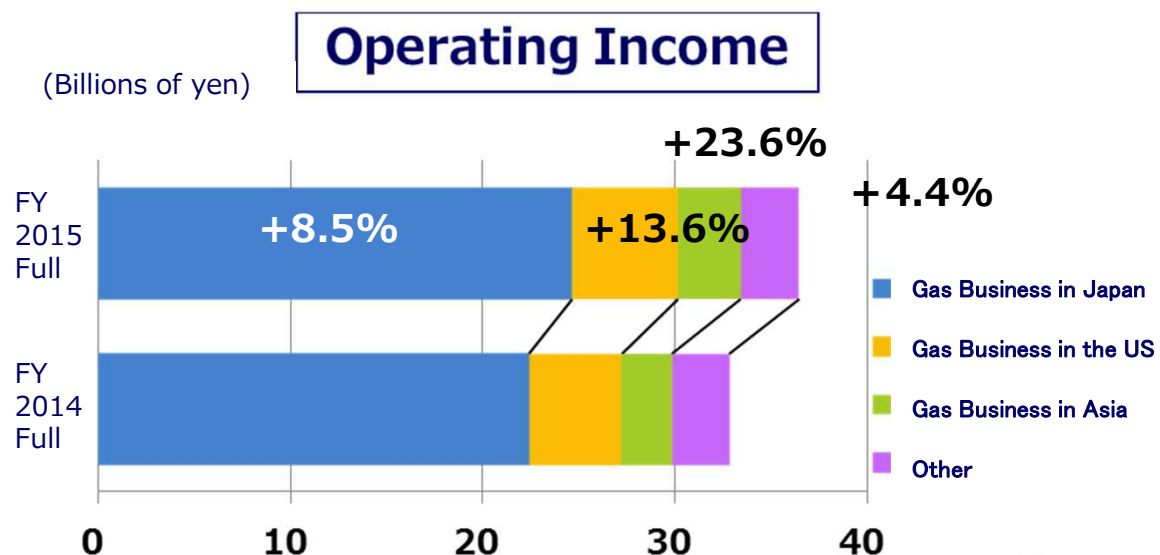
	FY2014 Full-Year	FY2015 Full-Year	% change
Gas Business in Japan	341.8	343.1	+0.4%
Gas Business in the US	107.5	126.4	+17.6%
Gas Business in Asia	54.3	60.5	+11.3%
Other	19.0	20.0	+5.2%
Segment total	522.7	550.0	+5.2%



## Operating Income

(Billions of yen)

	FY2014 Full-Year	FY2015 Full-Year	% change
Gas Business in Japan	22.4	24.4	+8.5%
Gas Business in the US	4.8	5.5	+13.6%
Gas Business in Asia	2.6	3.3	+23.6%
Other	3.0	3.2	+4.4%
Adjustments	-1.5	-1.4	+10.8%
Segment total	31.4	35.0	+11.1%



# Disclaimer

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- 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.