

# Report on Business Performance for the First Two Quarters of the Fiscal Year Ended March 2010 (Fiscal 2010)

November 18, 2009

Taiyo Nippon Sanso Corporation

18, November, 2009



## Performance for the first two quarters of fiscal 2010

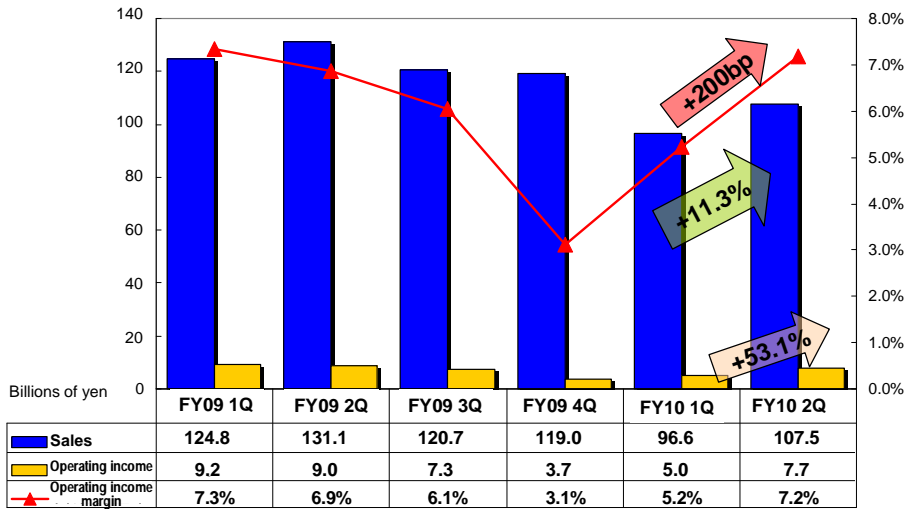
Billions of yen

	Previous 1st two quarters Ratio to sales	Reporting 1st two quarters (forecast) Ratio to sales	Reporting 1st two quarters Ratio to sales	YoY change % change	Change from forecast % change
<b>Sales</b>	<b>255.9</b>	<b>205.0</b>	<b>204.1</b>	<b>(51.8)</b> <b>(20.2%)</b>	<b>(0.9)</b> <b>(0.4%)</b>
<b>Operating income</b>	<b>18.1</b> 7.1%	<b>11.0</b> 5.4%	<b>12.7</b> 6.3%	<b>(5.3)</b> <b>(29.7%)</b>	<b>1.7</b> <b>+15.5%</b>
<b>Recurring income</b>	<b>18.3</b> 7.2%	<b>10.3</b> 5.0%	<b>12.3</b> 6.1%	<b>(5.9)</b> <b>(32.5%)</b>	<b>2.0</b> <b>+19.4%</b>
<b>Net income</b>	<b>9.9</b> 3.9%	<b>5.5</b> 2.7%	<b>6.8</b> 3.3%	<b>(3.1)</b> <b>(31.3%)</b>	<b>1.3</b> <b>+23.6%</b>

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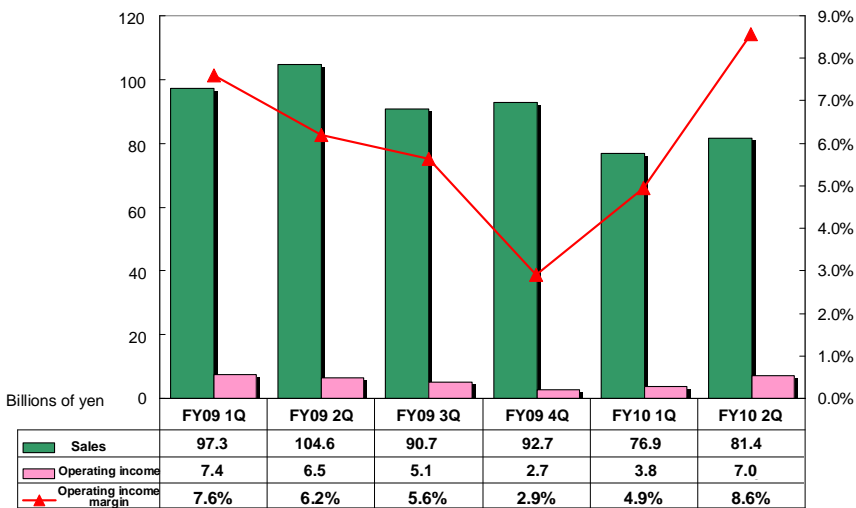
### Quarter-by-quarter breakdown of sales and operating income



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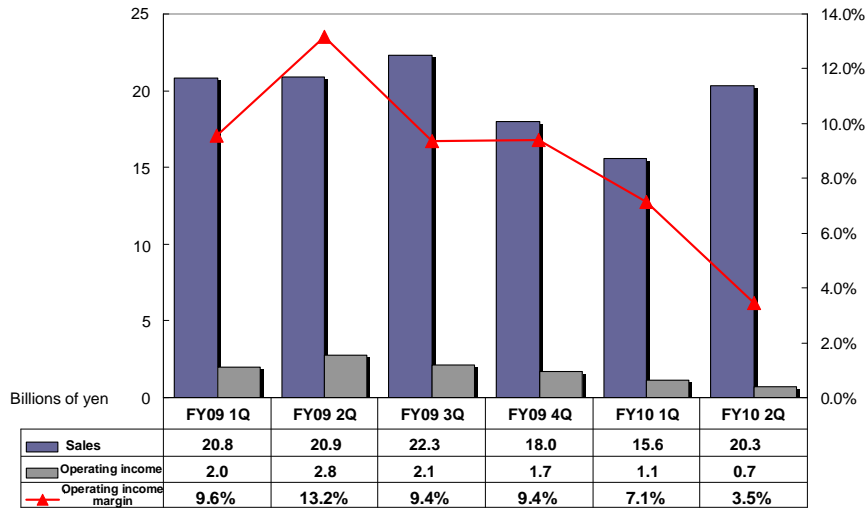
### Quarter-by-quarter breakdown of sales and operating income (by geographical segment): Japan



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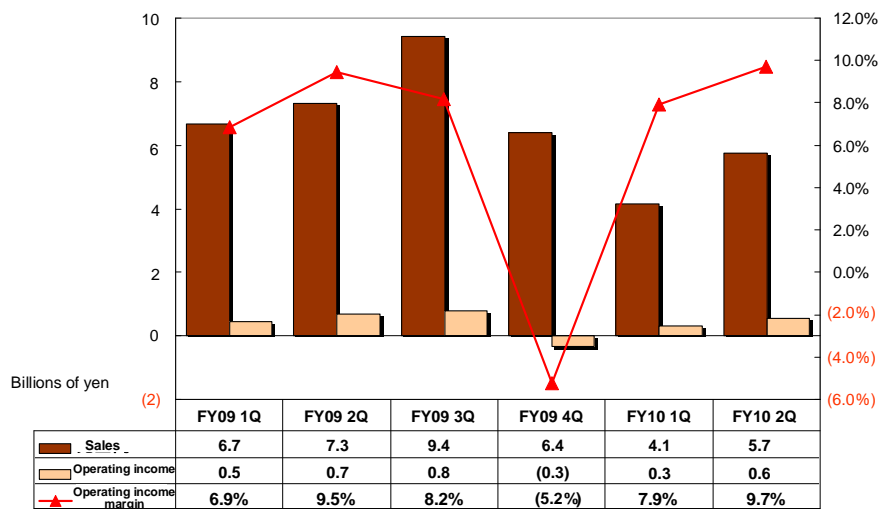
**Quarter-by-quarter breakdown of sales and operating income  
(by geographical segment): North America**



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**Quarter-by-quarter breakdown of sales and operating income  
(by geographical segment): Other region**



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## Segment information

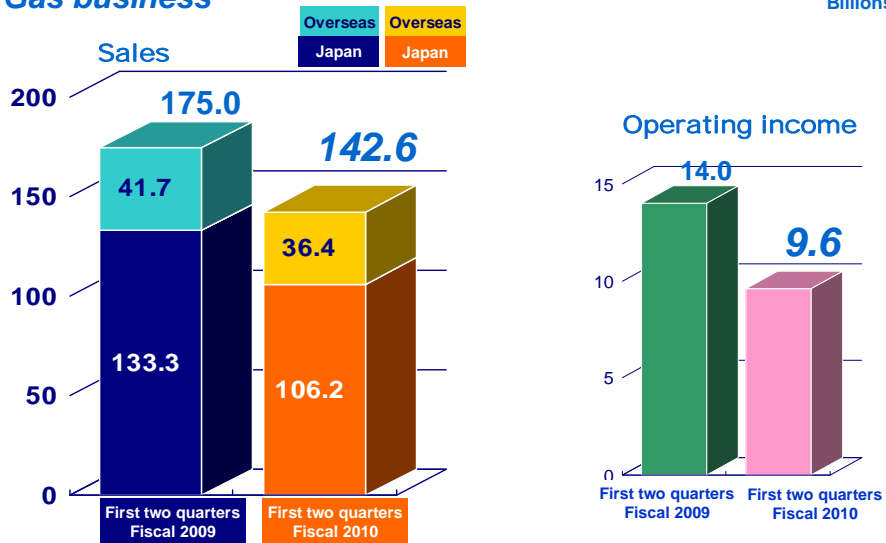
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### First two quarters of fiscal 2010: Breakdown by segment (consolidated)

#### Gas business

Billions of yen



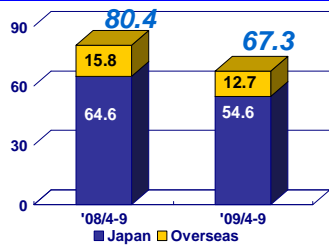
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## First two quarters of fiscal 2010 Gas business overview (sales)

Billions of yen

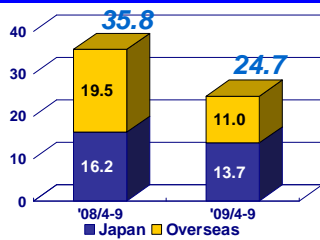
### Oxygen, nitrogen, argon



**¥67.3 billion (YoY (16.3%))**

- Overseas** ▶ Steep falloff in demand seen in the 1Q, with major decline in shipment volume, particularly in the North American market. Demand followed a recovery path from the 2Q.
- Japan** ▶ Despite the overall significant drop in demand, demand from the steel and electronics industries started to recover from midway in the 1Q.

### Gases for electronic device production



**¥24.7 billion (YoY (30.9%))**

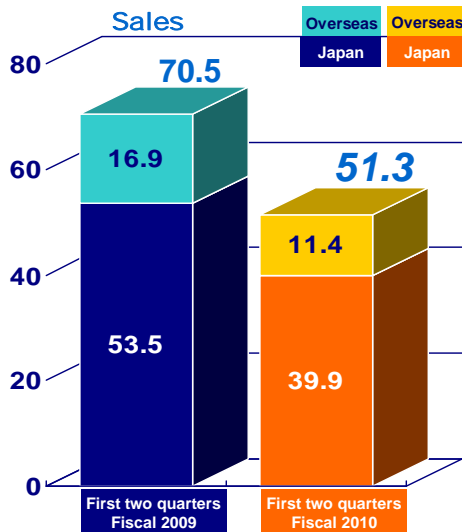
- Overseas** ▶ Demand for specialty gases for the electronics industry fell below the previous term's level, but demand from users in the U.S., Taiwan, and Singapore, among other markets, rose in the 2Q.
- Japan** ▶ Demand for gases for the semiconductor and LCD production bottomed out in the 1Q and recovered steadily during the 2Q.

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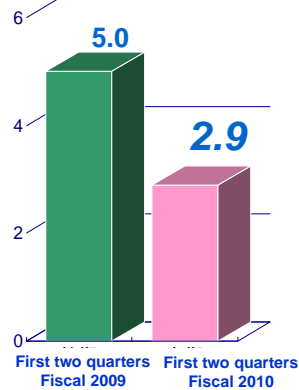


## First two quarters of fiscal 2010: Breakdown by segment (consolidated) Machinery and equipment business

Billions of yen



### Operating Income



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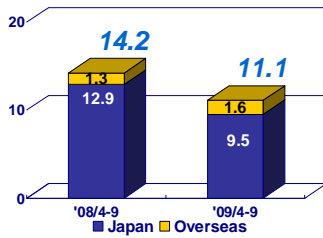


## First two quarters of fiscal 2010

### Machinery and equipment business overview (sales)

Billions of yen

#### Electronics-related equipment and installation

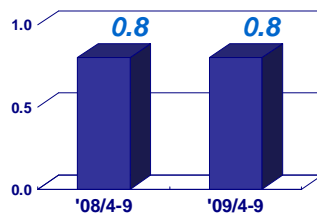


¥11.1 billion (YoY (21.4%))

**Overseas** ➤ Sales revenues rose slightly in the U.S. and Asian markets.

**Japan** ➤ Demand dropped sharply due to the postponement and/or downsizing of capital investment.

#### MOCVD equipment



¥0.8 billion (YoY (4.8%))

**Japan** ➤ Sales of MOCVD equipment for use in the manufacture of LEDs increased gradually, and inquiries became brisk. Overall sales for the first half stayed roughly flat from the same period of the previous term.

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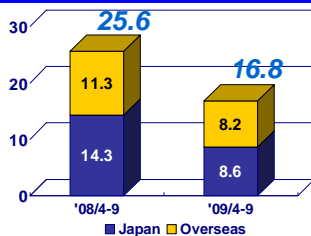


## First two quarters of fiscal 2010

### Machinery and equipment business overview (sales)

Billions of yen

#### Cutting and welding-related equipment

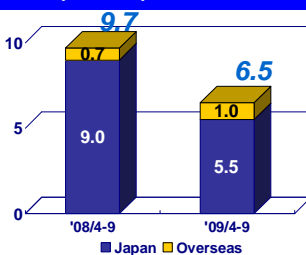


¥16.8 billion (YoY (34.2%))

**Overseas** ➤ Demand fell sharply, particularly in the U.S. and Chinese markets.

**Japan** ➤ Sales revenues posted a major decrease, due mainly to a decline in the volume of capital investment and construction work amid the economic downturn.

#### Air separation plants



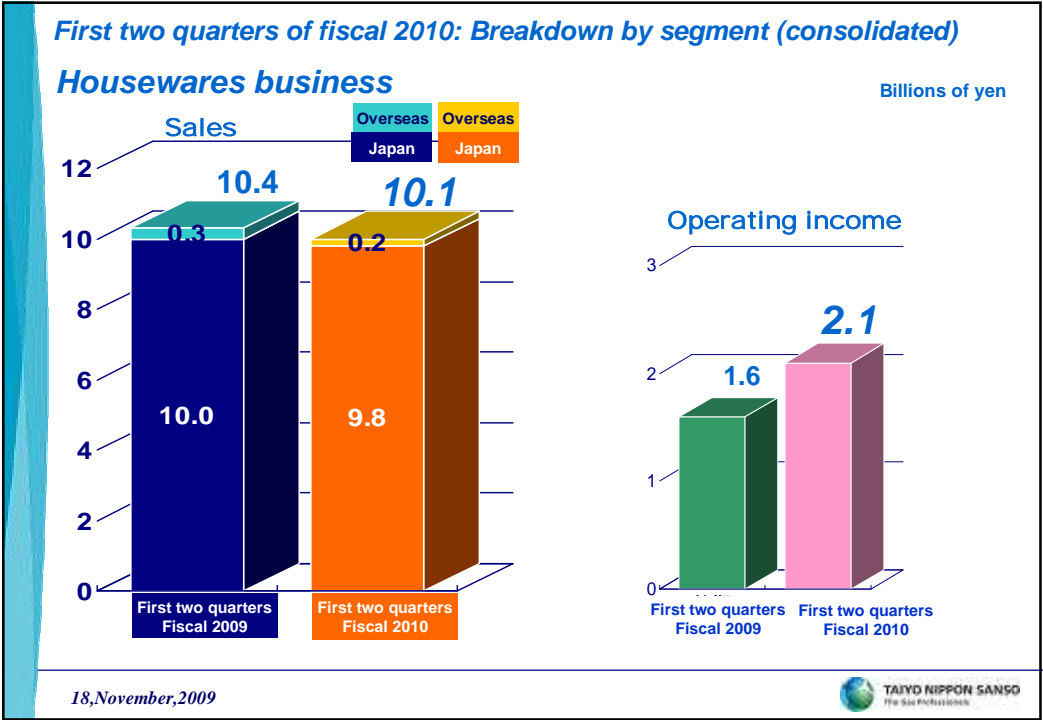
¥6.5 billion (YoY (32.6%))

**Overseas** ➤ Inquiries from new customers in the steel and chemical industries have been growing, and the business as a whole is holding firm.

**Japan** ➤ Capital investment levels in TNSC's principal customer industries were down sharply from the same period of the previous term.

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**Topics (April – September 2009)**

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The Sea Protectionists

## Main topics in the first two quarters of fiscal 2010

	April 2009	September 2009
Japan	 <p><b>April</b> Launch on market of MO Sun-Arc C Series shielding gas for arc brazing with the cold metal transfer (CMT) process</p>	<p><b>July</b> Joined the Research Consortium for Hydrogen Supply and Utilization</p>
	<p><b>May</b> Contract signed with Evonik Degussa Japan Co., Ltd. for joint production of monosilane gas</p>	
	 <p><b>May</b> Completion of construction of filling plant at Saikai Sogo Gas Center</p>  <p><b>May</b> Start of sale of new high-performance nitrogen gas generator</p>	
Overseas	<p><b>April</b> Acquisition of Valley National Gases LLC</p>	
	<p><b>July</b> Establishment of Taiyo Nippon Sanso Shenwei (Shanghai) Medical Gas Co., Ltd. (start of operations from October)</p>	
	<p><b>July</b> Liquefied carbon dioxide plant starts operations in Malaysia</p> <p><b>September</b> New plant constructed for Linweld, Inc. in Iowa</p>	

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## Growth Markets – Recent measures in Asia

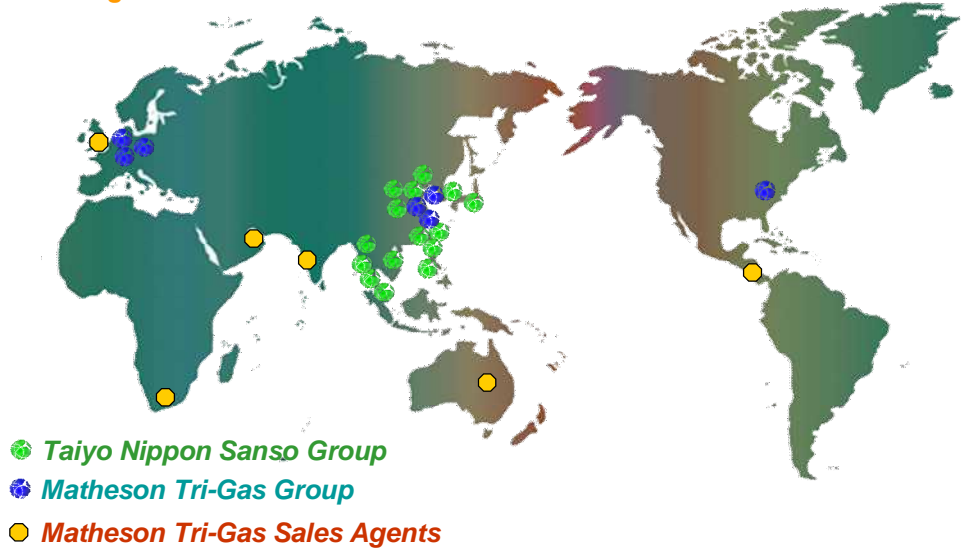
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## TNSC's Global Business Network

Serving Five Continents from Nineteen Countries



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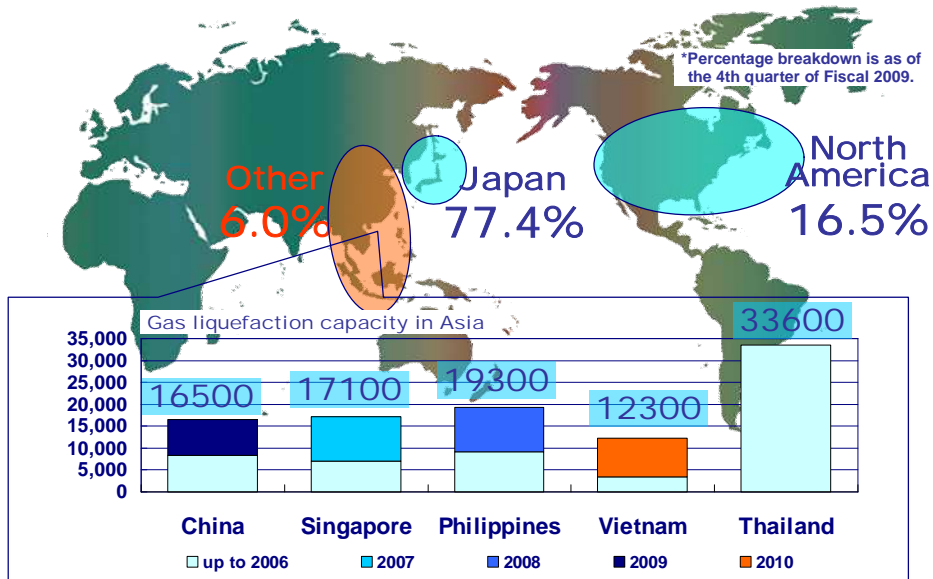
## Recent measures in Asia

- **China**  
Establishment of Taiyo Nippon Sanso Shenwei (Shanghai) Medical Gas Co., Ltd.
- **Singapore / Malaysia**  
Further steps taken under plan to expand operations into Malaysia
- **Philippines**  
Progress made in implementing the plan to expand the Group's production facilities to other parts of the Philippines outside the island of Luzon
- **Vietnam**  
Strategic investments made, in line with plan to expand operations to the whole of Vietnam

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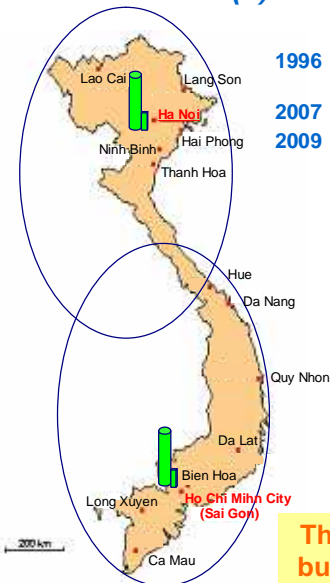
## Increases in gas liquefaction capacity in Asia



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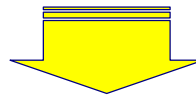
## Business Focus (1) – Reinforcement of Vietnamese operations



- 1996 Vietnam Japan Gas (VJG) established (head office in Bien Hoa)
- 2007 VJG opens office in Hanoi
- 2009 Joint venture formed with Than Gas, the No. 2 gas company in the north of Vietnam, under the name of Northern Vietnam Japan Gas (VJG's equity stake is over 80%)

Northern Vietnam Japan Gas concludes agreement with the Thang Long II industrial park, under which a plant is being constructed in northern Vietnam with an annual liquefaction capacity of 3,500m<sup>3</sup>/h.

VJG has received an order for the on-site supply to one of Vietnam's leading steelmakers (in the suburbs of Ho Chi Minh City) at 18,000 m<sup>3</sup>/h of gas and 5,300 m<sup>3</sup>/h of liquefied gas.



The TNSC Group is also taking steps to bolster its business base in southern Vietnam with the aim of acquiring the largest share of the nationwide market.

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## Business Focus (2) – Medical gas home supply business started up in China



Signing of joint-venture agreement (May 28, 2009)



Opening ceremony at FRP gas cylinder filling station (Nov. 5, 2009)



Portable FRP gas cylinder for outdoor use



FRP gas cylinder filling line

Taiyo Nippon Sanso Shenwei (Shanghai) Medical Gas Co., Ltd.

Established: July 2009

Start of operations: October 2009

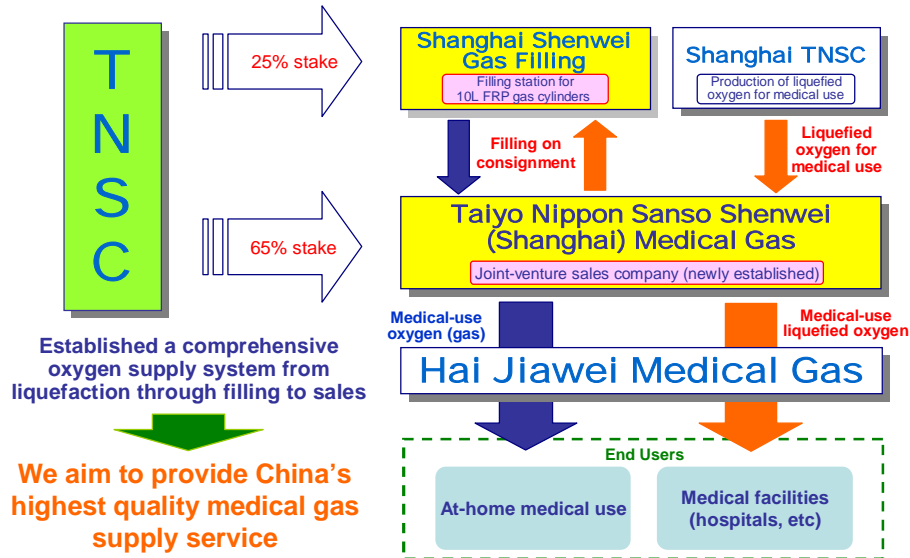
Paid-in capital: US\$2 million

Equity stakes: TNSC 65%; Shanghai Shenwei Medical Gas Co., Ltd. 35%

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## Business Focus (2) – Medical gas home supply business started up in China



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# Helping to realize a low-carbon society

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## Hydrogen supply technology

Fuel-cell-related market (fuel cell systems, hydrogen stations, hydrogen fuel)

Fiscal 2009 ¥9.7 bn (source: Fuji Keizai Report)



Fiscal 2021 ¥1,500 bn (of which demand for hydrogen stations is estimated at ¥25 bn)

Technological issues surrounding hydrogen stations include measures to cope with high-pressure hydrogen, need for more compact in-vehicle equipment, and cost reductions.



70 MPa hydrogen supply stations

Completed orders received for three out of four stations (Senju, Asahi in Yokohama, Funabashi)



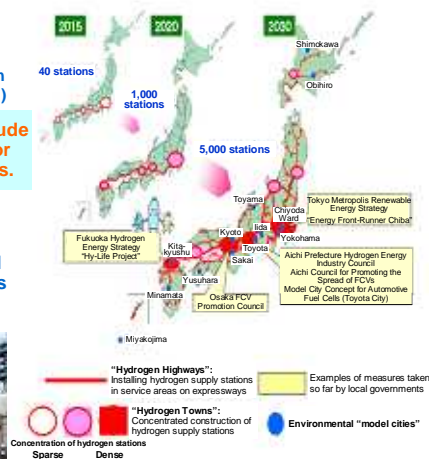
### Demand for new stations

In 2010 and after: around 10 per annum

In 2015 and after: 60 or more per annum

## Scenario for spread of hydrogen supply stations

(Source: Report by Council on Competitiveness-Nippon)

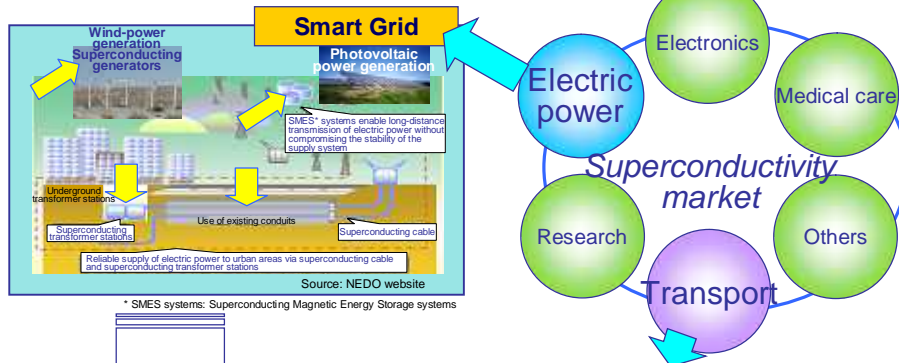


Dia. 4.9-1 Diagram contrasting spread of "Hydrogen Towns" and "Hydrogen Highways" with measures currently taken by local governments

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## Measures taken toward establishing a superconductivity-related business



The market for “smart grid-related equipment” is estimated at a combined ¥12.5 trillion over the 20 years from 2010 to 2030 in the U.S., the EU and Japan.

(Estimates by the Nomura Securities Financial and Economic Research Center)

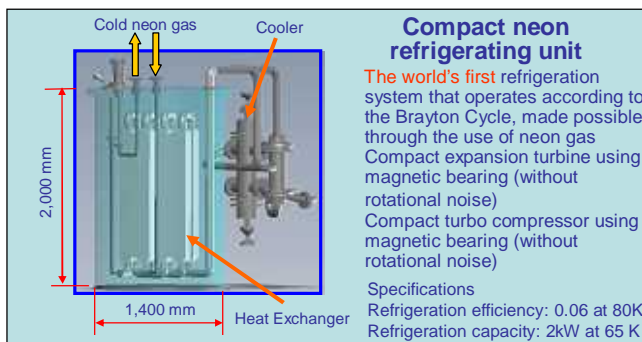
### Superconducting electric motor for marine and rail use



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## Refrigeration system for superconducting equipment



### Main markets involved

- Superconducting magnetic energy storage (SMES)
- Superconducting power transformer equipment (transmission)
- Superconducting power cable (transmission)
- Superconducting power generation equipment
- Superconducting electric motors (transportation field)

Practical realization of world's first refrigerating system using neon  
Realizes advances in technologies for the production and handling of sub-cool liquid nitrogen

Supplying and managing refrigeration systems for the extensive use of superconducting systems throughout society



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## Fiscal 2010 consolidated full-term forecasts

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### Fiscal 2010 consolidated full-term forecasts

Billions of yen

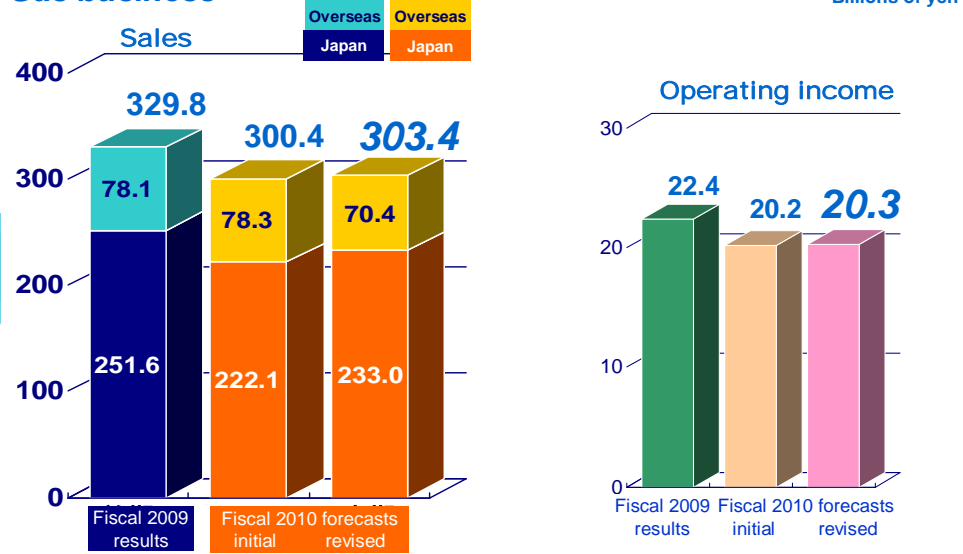
	Fiscal 2009	Fiscal 2010 (forecasts)	YoY change	% change
Sales	495.7	450.0	(45.7)	(9.2%)
Operating income	29.1 5.9%	27.4 6.1%	(1.7)	(6.0%)
Recurring income	27.9 5.6%	24.6 5.5%	(3.3)	(12.0%)
Net income	16.5 3.3%	13.3 3.0%	(3.2)	(19.6%)

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**Fiscal 2010 consolidated full-term forecasts by segment**

**Gas business**

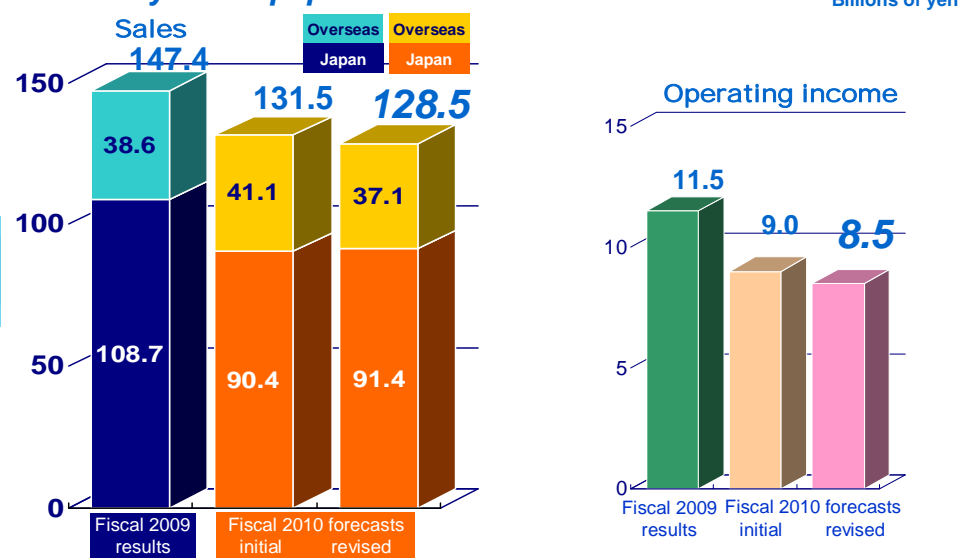


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**Fiscal 2010 consolidated full-term forecasts by segment**

**Machinery and equipment business**

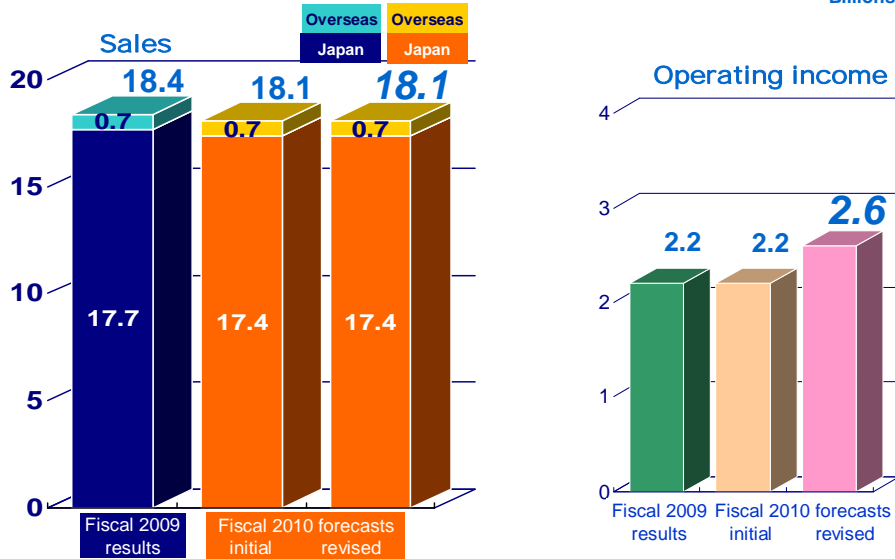


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**Fiscal 2010 consolidated full-term forecasts by segment**  
**Housewares business**

Billions of yen



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