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**Consolidated Business Performance for  
FY2014 (Year Ended March 2014)**

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**TAIYO NIPPON SANSO Corporation**

**May 14, 2014**

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## Consolidated Business Performance for FY2014

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### Consolidated Business Performance for FY2014

(Billions of yen)

	FY2013 Ratio to sales	FY2014 Announced targets (Nov. 5)	FY2014 (Results)	YoY change % change
<b>Sales</b>	<b>468.3</b>	<b>514.0</b>	<b>522.7</b>	<b>+54.3</b> <b>+11.6%</b>
<b>Operating Income</b>	<b>24.8</b> 5.3%	<b>30.0</b> %	<b>31.4</b> 6.0%	<b>+6.6</b> <b>+26.5%</b>
<b>Ordinary Income</b>	<b>23.0</b> 4.9%	<b>28.8</b> %	<b>30.5</b> 5.8%	<b>+7.4</b> <b>+32.5%</b>
<b>Net Income</b>	<b>-2.0</b> -0.4%	<b>19.4</b> %	<b>20.1</b> 3.9%	<b>+22.2</b> <b>—</b>

## Consolidated Business Performance for FY2014

### Analysis of year-on-year change (1)

<b>【Sales】</b>	<b>+¥54.3 billion</b>	
<b>Japan</b>	<b>+¥19.4 billion</b>	<b>Industrial Gas +¥8.2 billion, Electronics +¥0.8 billion Energy +¥4.5 billion, Other +¥5.9 billion</b>
<b>Overseas</b>	<b>+¥34.9 billion</b>	<b>North America +¥25.2 billion, Asia +¥9.7 billion</b> (of which, exchange rate effects +¥28.3 billion [North America +¥21.2 billion, Asia +¥7.1 billion])
<b>【Operating Income】</b>	<b>+¥6.6 billion</b>	
<b>Japan</b>	<b>+¥2.6 billion</b>	<b>Electronics earnings recovered, but plants and machinery sales decreased</b>
<b>Overseas</b>	<b>+¥4.4 billion</b>	<b>North America +¥3.6 billion, Asia +¥0.8 billion</b> (of which, exchange rate effects +¥1.5 billion [North America +¥1.1 billion, Asia +¥0.4 billion])
		Elimination of intra-company transactions -¥0.4 billion
<b>【Ordinary Income】</b>	<b>+¥7.4 billion</b>	
		Investment return from equity method +¥0.7 billion

## Consolidated Business Performance for FY2014

### Analysis of year-on-year change (2)

<b>【Extraordinary Gain and Loss (before tax)】</b>	<b>+¥27.3 billion</b>
<b>FY2013</b>	<b>Loss on liquidation of business, etc. +¥23.5 billion</b>
<b>FY2014</b>	<b>Gain on sales of Shimbashi building and others +¥3.8 billion</b>
	<b>Gain on sales of investment securities +¥3.6 billion</b>
	<b>Loss on liquidation of subsidiaries and affiliates -¥0.5 billion</b>
	<b>Early retirement expenses -¥1.7 billion</b>
	<b>Impairment loss -¥1.2 billion</b>
	<b>Loss on valuation of investment securities, etc. -¥0.2 billion</b>
<b>【Net Income】</b>	<b>+¥ 22.2 billion</b>

## Consolidated Business Performance for FY2014

### Other results

(Billions of yen)

	FY2013	FY2014	Change
Capital expenditure	31.7	32.5	+0.8
Investment and loan	5.6	35.7	+30.1
Depreciation and amortization	32.1	37.1	+5.0
(Amortization of goodwill)	2.7	3.6	+0.9
FCF (operating cash flow - investment cash flow)	-3.2	1.4	+4.6

	March 2013	March 2014	Change
Total assets	615.8	731.6	+115.8
Shareholders' equity	203.7	274.3	+70.5
Net interest-bearing debt	228.6	219.7	-8.9
Net D/E ratio	1.12	0.80	-0.32

▪ **Investment and loan:**  
Large-scale acquisition of a carbon dioxide gas company in North America

▪ **Depreciation and amortization:**  
Increased due to exchange rate effects, etc.

▪ **Free Cash Flow (FCF):**  
Increased due mainly to more profit and less tax, despite large-scale acquisition

▪ **Net interest-bearing debt:**  
Debt reduced (¥30.8 billion) as a result of allocation of new shares to a third party was offset by debt increased (¥15.0 billion) from yen-dollar exchange rate and others

⇒ **Net D/E ratio:**  
At less than one times due to shareholders' equity increase

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## Performance by Segment

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## FY2014 Performance by Business Segment

(Billions of yen)

	FY2013		Ratio to sales	FY2014		Ratio to sales
	Sales	Operating Income		Sales	Operating Income	
Industrial Gas	298.0	21.3	7.2%	338.6	21.9	6.5%
Electronics	96.5	-0.5	-0.6%	98.3	5.2	5.4%
Energy	40.0	1.8	4.5%	44.5	1.6	3.8%
Other	33.7	3.2	9.8%	41.2	3.7	9.2%
Adjustments		-1.0			-1.1	
<b>Consolidated</b>	<b>468.3</b>	<b>24.8</b>	<b>5.3%</b>	<b>522.7</b>	<b>31.4</b>	<b>6.0%</b>

## Industrial Gas Segment

(Billions of yen)

	FY2013			FY2014			Change	
	Sales	Operating Income	Ratio to sales	Sales	Operating Income	Ratio to sales	Sales	Operating Income
<b>Segment Total</b>	<b>298.0</b>	<b>21.3</b>	<b>7.1%</b>	<b>338.6</b>	<b>21.9</b>	<b>6.5%</b>	<b>+13.6%</b>	<b>+2.9%</b>
Japan	193.7			201.9			+4.2%	
Overseas	104.3			136.6			+31.0%	
<b>Bulk/On-site</b>	<b>158.0</b>			<b>173.2</b>			<b>+9.6%</b>	
Japan	126.0			131.4			+4.3%	
Overseas	32.0			41.8			+30.3%	
<b>Package</b>	<b>98.4</b>			<b>118.5</b>			<b>+20.4%</b>	
Japan	30.7			32.4			+5.4%	
Overseas	67.7			86.1			+27.2%	
<b>Equipment and Plants</b>	<b>41.5</b>			<b>46.7</b>			<b>+12.7%</b>	
Japan	36.9			38.0			+3.0%	
Overseas	4.5			8.6			+92.3%	

**Bulk/On-site**

Japan: On-site demands from steel industry were strong, but liquefied gas was down year on year due to slow demand recovery  
 Overseas: Exchange rate effects and sales volume increase in North America, and new consolidations in Asia

**Package**

Overseas: Exchange rate effects and sales volume increase in North America  
**Equipment and plants**  
 Japan: Revenue from plant business decreased, but revenue from gas-related equipment increased  
 Overseas: Revenue increase in Leeden Limited, and new consolidations

## Electronics Segment

(Billions of yen)

	FY2013			FY2014			Change	
	Sales	Operating Income	Ratio to sales	Sales	Operating Income	Ratio to sales	Sales	Operating Income
Segment Total	96.5	-0.6	-0.7%	98.3	5.2	5.4%	+1.9%	-
Japan	72.5			73.3			+1.1%	
Overseas	23.9			25.0			+4.4%	
Gases	71.9			72.1			+0.4%	
Japan	51.3			50.5			-1.4%	
Overseas	20.5			21.5			+4.9%	
Equipment and Installation	24.6			26.2			+6.4%	
Japan	21.2			22.7			+7.2%	
Overseas	3.3			3.4			+1.5%	

### Gases

Japan: Sales of specialty gases and argon gas decreased

Overseas: Revenue increased due to exchange rate effects in North America and Asia

### Equipment and Installation

Japan: Installation sales increased and MOCVD was delivered to Nagoya Institute of Technology

Overseas: Revenue increased due to exchange rate effects in North America and Asia, but revenue decreased in Taiwan due to the change in accounting period in the previous fiscal year

## Energy Segment

(Billions of yen)

	FY2013			FY2014			Change	
	Sales	Operating Income	Ratio to sales	Sales	Operating Income	Ratio to sales	Sales	Operating Income
Segment Total	40.0	1.8	4.5%	44.5	1.6	3.8%	+11.2%	-7.4%
Gases	36.2			40.8			+12.7%	
Related Equipment	3.7			3.6			-3.7%	

### Gases

Sales prices rose in line with increased costs due mainly to the weak yen

Consumer demand declined amid an extremely hot summer although the total sales volume of LP gas remained flat year on year

## Other Segment

(Billions of yen)

	FY2013			FY2014			Change	
	Sales	Operating Income	Ratio to sales	Sales	Operating Income	Ratio to sales	Sales	Operating Income
<b>Segment Total</b>	<b>33.7</b>	<b>3.2</b>	<b>9.8%</b>	<b>41.2</b>	<b>3.7</b>	<b>9.2%</b>	<b>+22.2%</b>	<b>+14.9%</b>
Japan	32.8			38.8			+18.0%	
Overseas	0.8			2.4			+182.0%	
<b>Medical</b>	<b>18.4</b>			<b>22.1</b>			<b>+20.0%</b>	
Japan	18.4			21.9			+18.9%	
Overseas	0.0			0.2			-	
<b>Thermos</b>	<b>12.8</b>			<b>16.4</b>			<b>+28.2%</b>	
Japan	12.0			14.2			+18.9%	
Overseas	0.8			2.2			+158.1%	
<b>Other</b>	<b>2.3</b>			<b>2.5</b>			<b>+6.9%</b>	
Japan	2.3			2.5			+6.9%	
Overseas	0.0			0.0			-	

### Medical

Contribution from newly-consolidated Pacific Medico Co., Ltd.

Equipment-related sales to hospitals and home healthcare equipment sales were steady

### Thermos

New product sales in Japan and sales from a newly-consolidated South Korean subsidiary were strong

## Performance by Geographic Segment in FY2014

(Billions of yen)

	FY2013		Ratio to sales	FY2014		Ratio to sales
	Sales	Operating Income		Sales (% change)	Operating Income (% change)	
Japan	339.2	22.1	6.5%	358.6 5.7%	24.7 11.6%	6.9%
North America	90.6	2.0	2.3%	115.8 27.8%	5.6 171.7%	4.9%
Other	38.4	1.8	4.8%	48.1 25.3%	2.6 44.5%	5.6%
Adjustments		-1.2			-1.6	
<b>Consolidated</b>	<b>468.3</b>	<b>24.8</b>	<b>5.3%</b>	<b>522.7</b> <b>11.6%</b>	<b>31.4</b> <b>26.5%</b>	<b>6.0%</b>

## Profitability Improvement Results

(Billions of yen)

	FY2014 Full-Year Target	FY2014 Full-Year Results
Improve profitability of industrial gases in response to electric power rate hikes	0.5	0.0
Strengthen partnerships with distributors	0.8	-
Improve profitability in the domestic electronics businesses	0.8	1.92
Improve profitability of the North American business	2.5	*3.59
Expand our business in Asia	0.5	* 0.82
<b>Total</b>	<b>5.1</b>	<b>6.33</b>

\* Full-year results include effects of exchange rates and new consolidations

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## Strengthening the Capital Alliance

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1. Scheme for Strengthening the Capital Alliance
2. Schedule for the TOB
3. Capital Structure After Completion of the TOB

## Scheme for Strengthening the Capital Alliance

- MCHC will make a TOB of the Company's shares on the condition of the completion of necessary procedures and approval based on relevant domestic and overseas laws and regulations.
- MCHC plans to keep the Company's shares listed on the stock exchange even after the TOB. The maximum number of shares purchased will be 51% of outstanding shares combined with the shares currently held by the Group. The minimum will be a number that exceeds 50%.

### □ Number of shares currently held

	Number of Shares Held	Ratio
Number of shares issued	433,092,837	—
Number of shares held by MCHC Group	116,797,870	26.97%

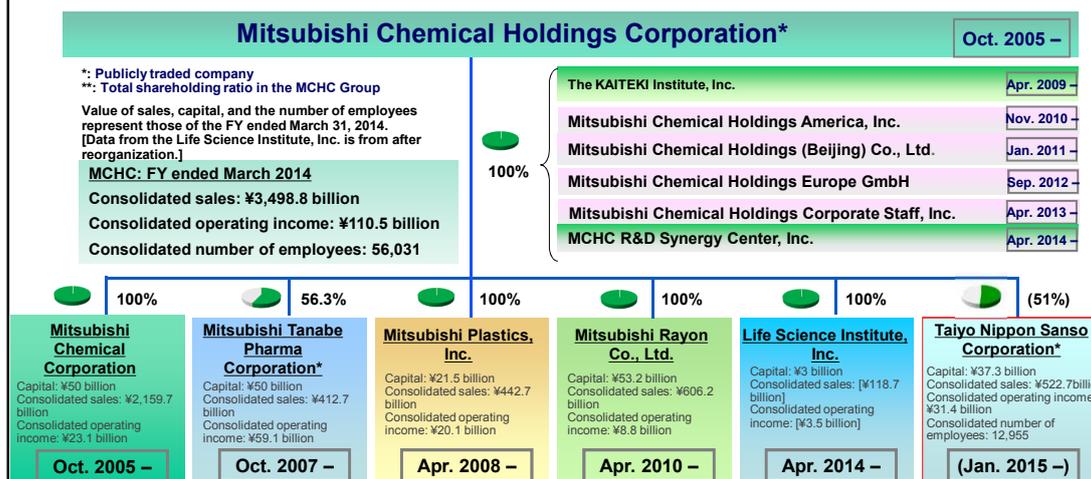
- TOB price: ¥1,030 /share (28% premium added to May 12 closing price ¥802)
- Number of shares to be purchased: 104,079,476 (up to 51%)  
99,748,549 shares (min. above 50%)

## Schedule for the TOB

Schedule	Action
May 13, 2014	<ul style="list-style-type: none"> <li>● Sign the basic agreement</li> <li>● Announce the strengthening of the capital alliance</li> </ul>
Application based on the competition law in Japan and applicable countries	
Early November 2014 (Scheduled)	● Start the TOB
End of December 2014 (Scheduled)	● Complete the TOB

\* The schedule and other plans may change given the necessary procedures and responses based on relevant laws in Japan and overseas.

## Capital Structure after Completion of TOB



- The Company will be the sixth operating company of the MCHC Group.
- Maintaining its independence, the Company will remain a publicly traded company.

### Changes in Representative Directors (as of June 27, 2014)

Name	New Title	Current Title
Shotaro Yoshimura	Chairman & Representative Director	Director
Shinji Tanabe	Vice Chairman & Representative Director Supervising: Technological Affairs, Development & Engineering, and On-site & Plant divisions	President & Representative Director
Kunishi Hazama	Vice Chairman & Representative Director Supervising: Industrial Gases and Medical divisions	Vice President & Representative Director General Manager of Gases and Electronics
Yujiro Ichihara	President & Representative Director, CEO	Vice President & Director Supervising: Corporate Administration and Corporate Planning & Global Operations divisions
Tadashige Maruyama	Vice President & Representative Director General Manager of Industrial Gases	Vice President & Director General Manager of Business Administration
Hiroshi Taguchi	Executive Adviser	Chairman and Representative Director

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## New Medium-Term Business Plan “Ortus Stage 1”

Ortus: “beginning, birth” in Latin

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1. Long-Term Vision
2. Business Targets of the New Medium-term Business Plan
3. Structural Reform
4. Innovation
5. Globalization
6. M&A Strategy
7. Investment Plan

## 1. Long-Term Vision

Achieve “sales of 1 trillion yen, an operating margin of 10%, a ROCE of 10% or above, and an overseas sales ratio of 50% or above” by FY2023.

⇒Position the new medium-term plan as the first stage in the achievement of the long-term management vision, and develop a foundation and system for building a new revenue base.

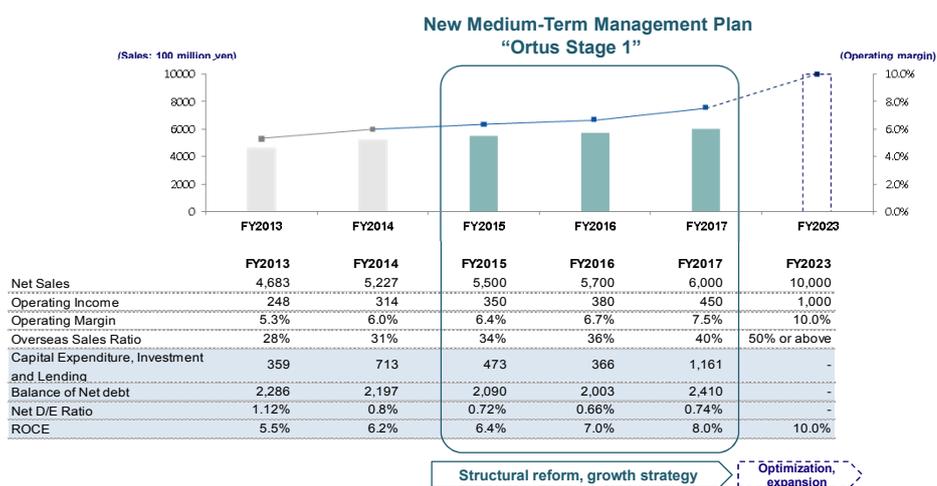


### [Future plans for shareholder returns]

The Company positions returns to shareholders as one of its highest priorities and seeks to perform a dividend payout policy in a manner that fairly reflects its business performance while maintaining stable dividend payouts. Going forward, we will strive to further improve our business performance based on the strategic policy set forth in the New Medium-Term Business Plan, and aim to raise consolidated dividend payout ratio during the period of the plan (FY2015 – FY2017).

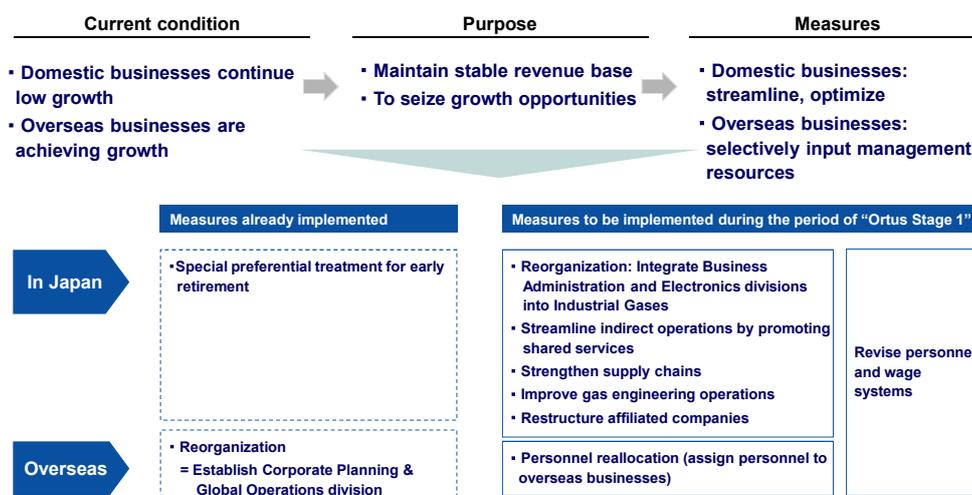
## 2. Business Targets of the New Medium-Term Management Plan

Aim to achieve “sales of 600 billion yen, an operating margin of 7.5%, a ROCE of 8% or above, and an overseas sales ratio of 40% or above” in FY2017.



## 3. Structural Reform

Aim to reduce 6-7 billion yen/year in fixed costs (compared to the FY ended March 2014) by implementing the measures below.



## 4. Innovation

Create the new businesses that will be the core of the next generation, by seizing opportunities of global energy shift such as natural gases and shale gas.

Accelerate the commercialization of new products into global market by aggressively taking innovations from open resources.

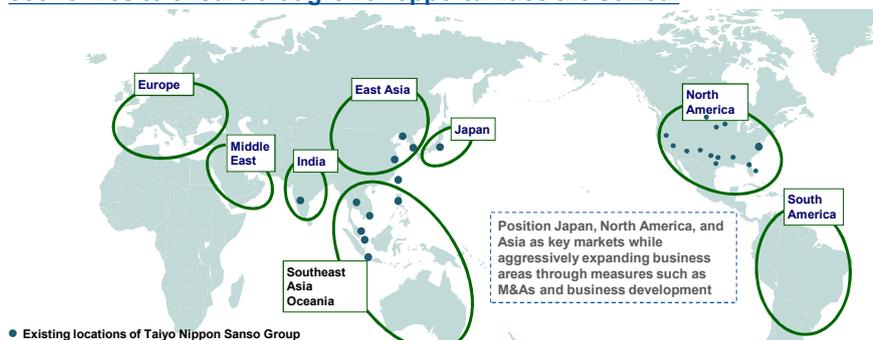
**Definition of “innovation”:** To create completely new value based on new technologies and ideas

- Create new synergy by strengthening cooperation with Mitsubishi Chemical Holdings Group
  - Overseas on-site business, CO<sub>2</sub> spa, value add materials
- Open innovation
  - Investment into venture companies, development and sale of high-value added products through M&A
- Development of new energy businesses
  - Natural gas liquefaction, hydrogen on-site business, shale gas-related businesses
- Commercialization of new strategic products into growth markets
  - Hydrogen station, superconductive cooling system, PSA nitrogen generator, oxygen stable isotope labeled water (water -<sup>18</sup>O), helium containers, new materials, etc.

## 5. Globalization

Fully implement globalization during the period of “Ortus Stage 1” and, for the long run, increase the overseas sales ratio to 50% or above (FY2023).

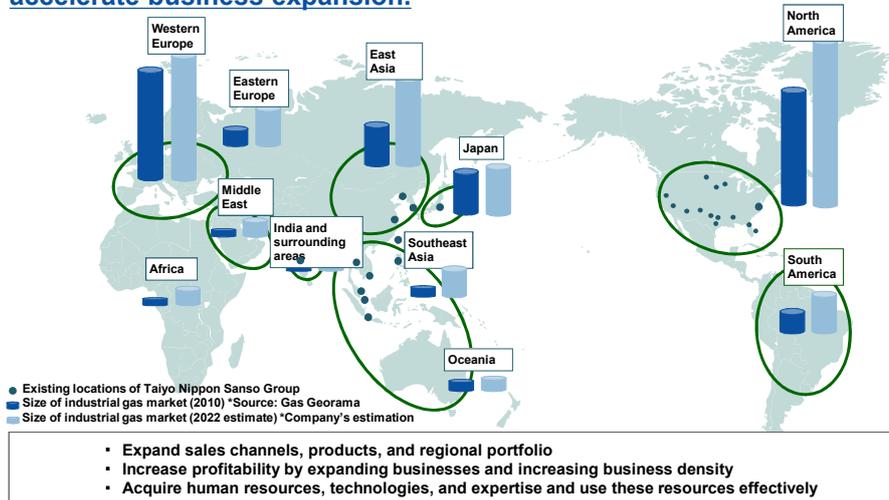
Strategically input management resources in North America and emerging economies to ensure that growth opportunities are seized.



- Localize overseas management systems: Establish a global innovation group, business systems in China, India, and Southeast Asia
- Promote globalization of domestic group companies: Southeast Asia, etc.
- Develop global human resources: Personnel shift to overseas businesses, introduction of an overseas trainee system
- Introduction of International Financial Reporting Standards (IFRS)
- Strengthen technical risk management on a global scale

## 6. M&A Strategy

**Cultivate and penetrate global markets, including new countries, and accelerate business expansion.**



## 7. Investment Plan

**Make a strategic investment of 200 billion yen in three years in and outside Japan, including M&As of operating companies, investment in venture businesses, large capital expenditure, investment in rationalization, etc.**

### Investment Plan (strategic division)

Ordinary investment	¥75 billion
M&A	¥40 billion
Large capital expenditure, investment in rationalization	¥82 billion
Investment in venture businesses	¥3 billion
<b>Total</b>	<b>¥200 billion</b>

### Investment Plan (regional division)

Japan	¥58 billion
United States	¥77 billion
Asia and Others	¥65 billion
<b>Total</b>	<b>¥200 billion</b>

### Example of investment

Shunan, Yamaguchi Prefecture  
Further construction at a manufacturing plant for oxygen stable isotope labeled water (water-<sup>18</sup>O)



Lakeland, Florida, U.S.  
Constructed a new air separation plant in the U.S. which is experiencing an industrial recovery through the shale gas revolution



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## Consolidated Full-Year Forecasts for FY2015

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## Consolidated Full-Year Forecasts for FY2015

(Billions of yen)

	FY2014 (Results)	FY2015 (Forecasts)	Change	% change
<b>Sales</b>	522.7	550.0	27.2	5.2%
<b>Operating Income</b>	31.4 6.0%	35.0 6.4%	3.5	11.1%
<b>Ordinary Income</b>	30.5 5.8%	33.2 6.0%	2.6	8.7%
<b>Net Income</b>	20.1 3.9%	20.0 3.6%	-0.1	-1.0%

## Full-Year Forecasts for FY2015 by Business Segment

(Billions of yen)

	FY2014		Ratio to sales	FY2015		Ratio to sales
	Sales	Operating Income		Sales	Operating Income	
Industrial Gas	338.6	21.9	6.5%	362.0	25.8	7.1%
Electronics	98.3	5.2	5.4%	99.0	5.0	5.1%
Energy	44.5	1.6	3.8%	45.0	1.9	4.2%
Other	41.2	3.7	9.2%	44.0	3.5	8.0%
Adjustments		-1.1			-1.2	
<b>Consolidated</b>	<b>522.7</b>	<b>31.4</b>	<b>6.0%</b>	<b>550.0</b>	<b>35.0</b>	<b>6.4%</b>

## Full-Year Forecasts for FY2015 by Geographic Segment

(Billions of yen)

	FY2014		Ratio to sales	FY2015		Ratio to sales
	Sales	Operating Income		Sales (% change)	Operating Income (% change)	
Japan	358.6	24.7	6.9%	363.0 2.0%	26.0 5.1%	7.2%
North America	115.8	5.6	4.9%	135.0 16.5%	7.1 24.9%	5.0%
Other	48.1	2.6	5.6%	52.0 7.9%	3.4 27.1%	6.5%
Adjustments		-1.6			-1.5	
<b>Consolidated</b>	<b>522.7</b>	<b>31.4</b>	<b>6.0%</b>	<b>550.0</b> <b>5.2%</b>	<b>35.0</b> <b>11.1%</b>	<b>6.4%</b>

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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.**
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