

August 12, 2009

Business Performance for the First Quarter of Fiscal 2010

(on a consolidated basis)

1. Outline of business operations for the first quarter (April 1 to June 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 quarter of fiscal 2010	96,637	(22.6%)	5,042	(44.9%)	4,733	(49.8%)	2,622	(49.2%)
First quarter of fiscal 2009	124,843	-	9,152	-	9,428	-	5,163	-

	Earnings per share (Yen)
First quarter of fiscal 2010	6.56
First quarter of fiscal 2009	12.83

(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 quarter of fiscal 2010 (June 30, 2009)	618,078	204,850	31.0	479.29
Reference: FY2009 full term (March 31, 2009)	534,350	194,250	33.9	452.67

Notes:

Equity

First quarter of fiscal 2009: ¥191,653 million

FY2008 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)
First half of fiscal 2010	205,000	(19.9%)	11,000	(39.4%)	10,300	(43.7%)	5,500	(44.6%)	13.75
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 quarter of fiscal 2010

During the first-quarter period (April 1 to June 30, 2009) of fiscal 2010 signs of a bottoming-out of the economy were seen in certain sectors thanks to the government's stimulus packages, but against the background of a continued recession in the global economy, conditions in Japan remained severe, with sharp inventory adjustments, major production cutbacks, and drastic curbs on capital investment. In addition, consumer spending remained stagnant amid a worsening employment situation.

In the Company's main user industries – the steel, non-ferrous metals, automotive, and semiconductor industries – a number of plants were closed and production lines stopped in response to the need for sharp inventory adjustments and production cuts. As a result, overall demand for the products of the TNSC Group remained weak despite certain encouraging signs such as an upturn in demand for gases for use by makers of ethylene and LCD panels in China and other East Asian countries.

Amid these circumstances, the Group posted business results on a consolidated basis for the reporting first quarter as follows: sales of ¥96,637 million (down 22.6% year-on-year), operating income of ¥5,042 million (down 44.9%), recurring income of ¥4,733 million (down 49.8%), and net income of ¥2,622 million (down 49.2%).

Breakdown of business performance by operational segment

Gas Business

In the Gas Business, we experienced a resurgence in demand in the Japanese market from chemicals companies and certain electronics parts manufacturers such as LCD panel makers. We also saw some encouraging signs from our automaker customers, where inventory adjustments have just about run their course. Even so, a fullscale recovery has yet to occur, with sales volumes of the mainline products oxygen, nitrogen, and argon as well as specialty gases staying below the levels of the corresponding quarter of FY2009. Overseas, meanwhile, we experienced sharp drops in demand for gases in America and East Asia, and the effects of the yen's appreciation compounded this factor, pushing sales down sharply on a year-on-year comparison.

As a result, sales of the Gas Business declined by 22.7% year-on-year, to ¥67,365 million, while operating income fell 34.9% to ¥4,704 million.

Machinery & Equipment Business

Orders for installation work came in at a fairly normal pace, but rethinking and postponement of capital investment plans in our main customer industries pushed down demand for gas-related equipment (including installation), equipment for the electronic industry (including installation), and welding and cutting equipment. Consequently, sales were down sharply from the previous first-quarter period.

Sales of the Machinery & Equipment Business posted a year-on-year drop of 25.6% to ¥23,962 million, while operating income was down by 62.3% at ¥831 million.

Housewares Business and Others

In the Housewares Business, sales of our mainline sports bottles held firm, but all other businesses suffered from a decline in demand, causing overall sales to fall by 4.0% from the level of the previous first quarter, to ¥5,310 million, while operating income came to ¥1,273 million, up 16.0% 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 the chemicals and automotive industries and from some sectors of the electronics industry, but no recovery was evident in the steel, non-ferrous metals, shipbuilding, machinery, and construction industries. As a result, total segment sales fell below the previous year's level. In the Housewares Business, shipments of sports bottles continued to be brisk.

Sales in Japan were down 21.0% year-on-year, at ¥76,911 million, while operating income was down 48.7% at ¥3,796 million.

North America

The economic downturn caused sales of oxygen, nitrogen, and argon to post year-on-year declines in North America, and a sharp fall in sales of specialty gases to the semiconductor industry was also recorded. Sales on a local currency basis posted declines while on a yen basis the rate of decline was larger due to the Japanese currency's appreciation. Sales were down 25.2% year-on-year, at ¥15,581 million, while operating income fell sharply by 44.2% to ¥1,112 million.

Other Regions

Customer companies in Southeast Asia have also been heavily impacted by the global downturn, and sales in the Gas Business posted a year-on-year decline for the quarter. Our major users in Taiwan, the semiconductor manufacturers, are holding back on capital investment, and as a result we recorded a decline in sales on a local currency basis. Once again, the Japanese currency's appreciation accelerated the margin of decrease in sales on a Japanese-currency basis.

Total sales for Other Regions amounted to ¥4,145 million for a year-on-year decrease of 38.0%. Operating income was down 28.4% at ¥328 million.

4. Results by operating segment

Fiscal 2010 (April 1 to June 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	67,365	23,962	5,310	96,637	-	96,637
(2) Sales from inter-segment transactions and transfers	3	1,959	8	1,972	(1,972)	-
Total	67,368	25,922	5,319	98,610	(1,972)	96,637
Operating income	4,704	831	1,273	6,809	(1,766)	5,042

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 2008

Accounting standards for valuation of inventory assets

For the previous first quarter, 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

For the previous first quarter, 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 previous first quarter decreased by ¥358 million.

Application of accounting standards for lease transactions

For the previous first quarter, 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 2009

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 ¥1,000 million 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 reporting first quarter, 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 reporting period (except for short-period work); and the percentage of construction already completed by the end of the reporting period 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 or operating income.

4. Additional information

Previous first quarter (first quarter of fiscal 2009)

Changes in useful life of machinery and equipment

Effective from the previous first quarter, 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 previous first quarter decreased by ¥533 million for the Gas Business, ¥11 million for the Machinery and Equipment Business, and ¥2 million for the Housewares Business and Others.

5. Results by geographical segment

Fiscal 2010 (April 1 to June 30, 2009)

(Millions of yen)

	Japan	North America	Other countries	Total	Eliminations or Corporate	Consolidated
Sales						
(1) Sales to external customers	76,911	15,581	4,145	96,637	-	96,637
(2) Sales from inter-segment transactions	768	567	1,080	2,416	(2,416)	-
Total	77,679	16,149	5,225	99,054	(2,416)	96,637
Operating income	3,796	1,112	328	5,237	(194)	5,042

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 2008

Accounting standards for valuation of inventory assets

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Unification of accounting policies applied to foreign subsidiaries

For the previous first quarter, 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 on business operations in North America for the previous first quarter decreased by ¥358 million.

Application of accounting standards for lease transactions

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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.

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This change has no effect on sales or operating income.

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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 for the previous first quarter on business operations in Japan decreased by ¥546 million.