
New Medium-Term Business Plan

“Ortus Stage 1”

Ortus: “beginning, birth” in Latin

TAIYO NIPPON SANZO Corporation

May 14, 2014

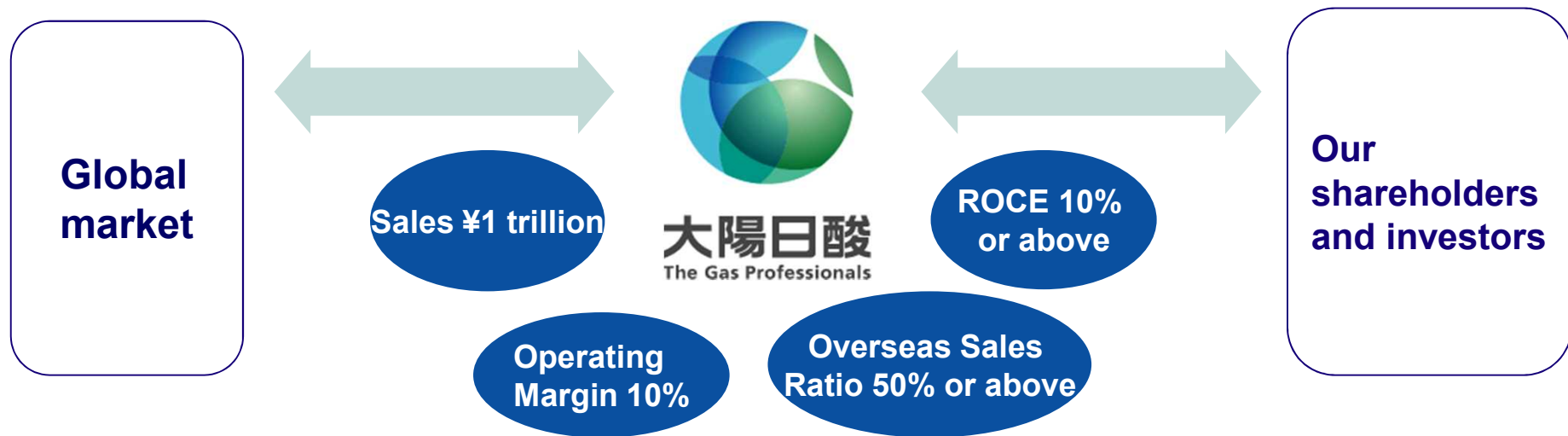
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1. Long-Term Vision

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.



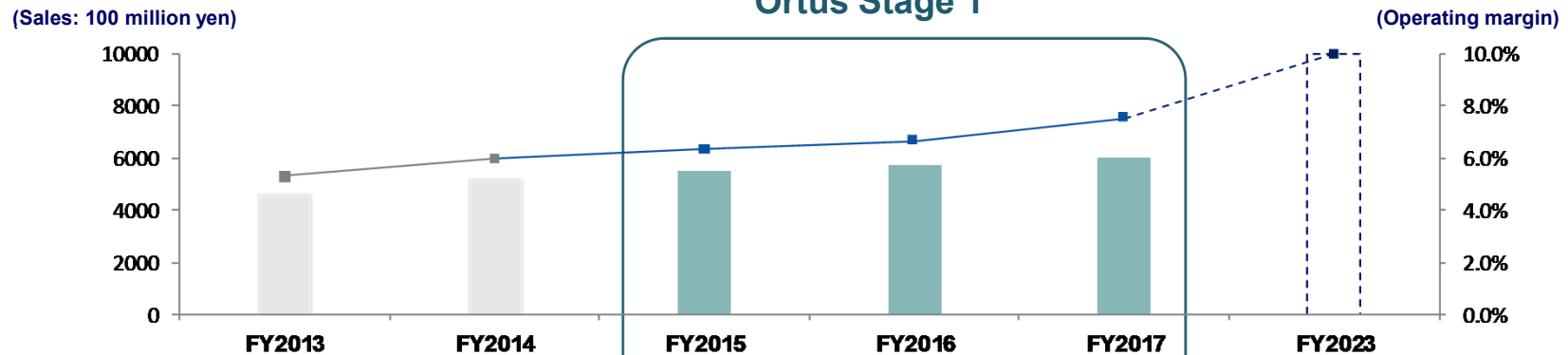
[Future plans for shareholder returns]

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.

New Medium-Term Management Plan “Ortus Stage 1”



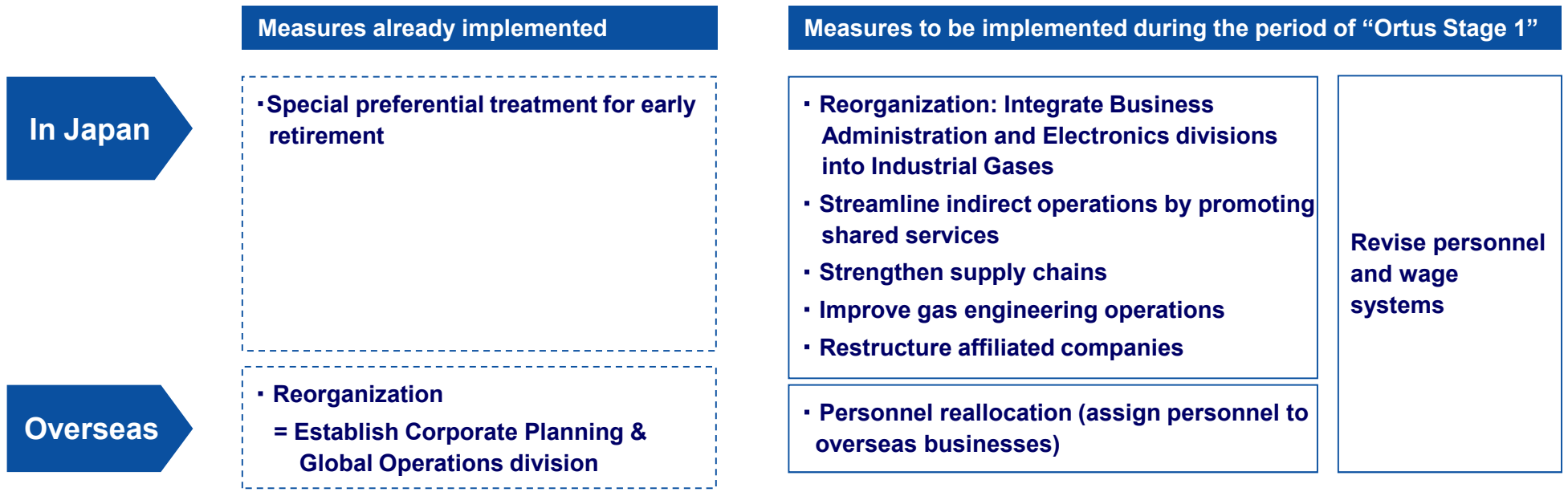
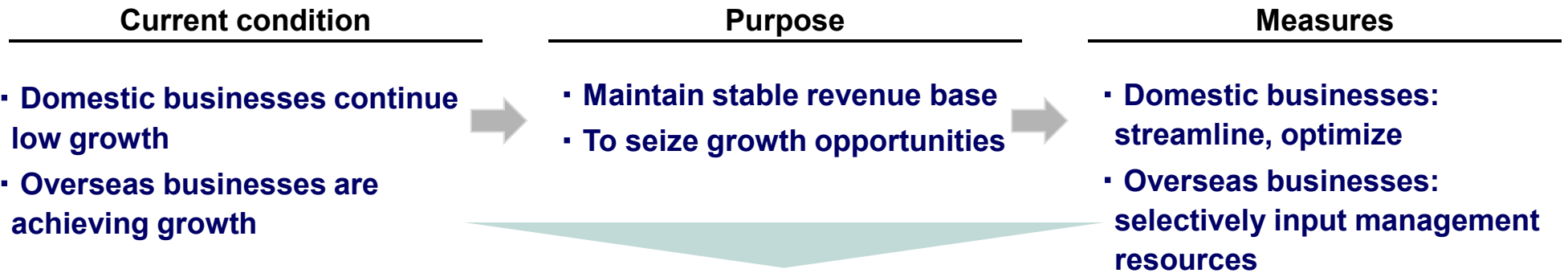
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2023
Net Sales	4,683	5,227	5,500	5,700	6,000	10,000
Operating Income	248	314	350	380	450	1,000
Operating Margin	5.3%	6.0%	6.4%	6.7%	7.5%	10.0%
Overseas Sales Ratio	28%	31%	34%	36%	40%	50% or above
Capital Expenditure, Investment and Lending	359	713	473	366	1,161	-
Balance of Net debt	2,286	2,197	2,090	2,003	2,410	-
Net D/E Ratio	1.12%	0.8%	0.72%	0.66%	0.74%	-
ROCE	5.5%	6.2%	6.4%	7.0%	8.0%	10.0%

Structural reform, growth strategy

Optimization,
expansion

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.

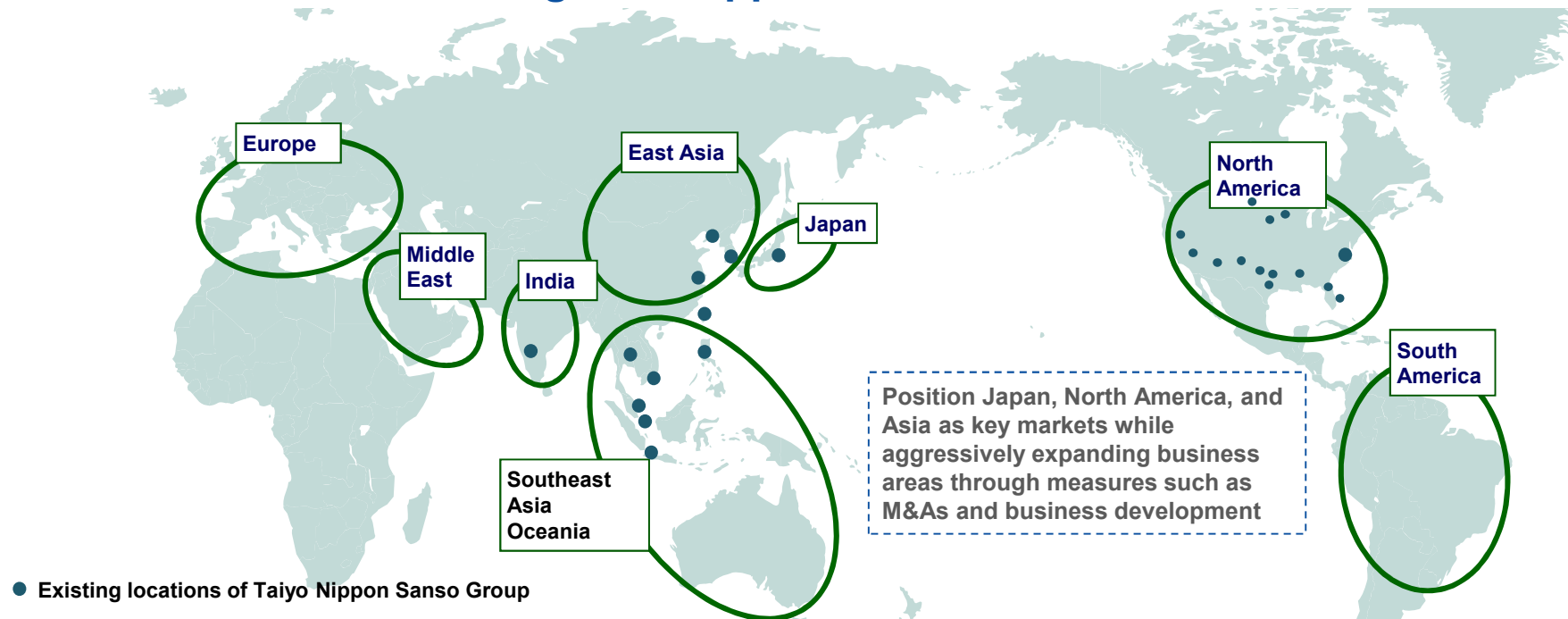
Definition of “innovation”: To create completely new value based on new technologies and ideas

- Create new synergy by strengthening cooperation with Mitsubishi Chemical Holdings Group
 - Overseas on-site business, CO₂ 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 -¹⁸O), 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).

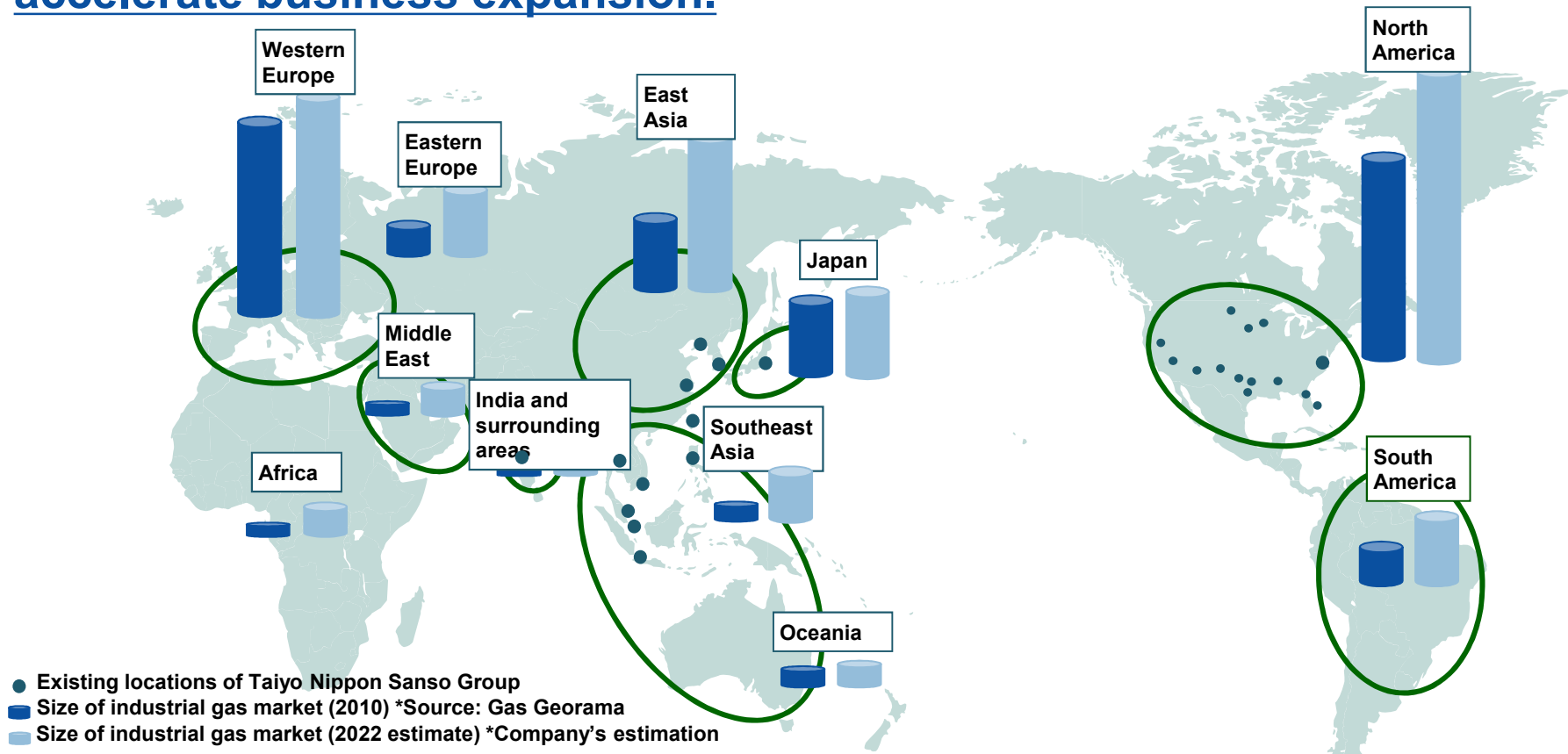
Strategically input management resources in North America and emerging economies to ensure that growth opportunities are seized.



- 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.



- Expand sales channels, products, and regional portfolio
- Increase profitability by expanding businesses and increasing business density
- Acquire human resources, technologies, and expertise and use these resources effectively

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
Total	¥200 billion

Investment Plan (regional division)

Japan	¥58 billion
United States	¥77 billion
Asia and Others	¥65 billion
Total	¥200 billion

Example of investment

Shunan, Yamaguchi Prefecture

Further construction at a manufacturing plant for oxygen stable isotope labeled water (water -¹⁸O)



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

