TAIYO NIPPON SANSO
The Gas Professionals

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Taiyo Nippon Sanso Corporation

Consolidated Financial Performance for the First Quarter of Fiscal Year 2012 (Based on Japan GAAP)

1. Financial results for the first quarter (April 1- June 30, 2011)

(1) Operating results

	Net sales		Operating income		Ordinary income		Net income	
	(¥ million)	YoY Change	(¥ million)	YoY Change	(¥ million)	YoY Change	(¥ million)	YoY Change
First quarter of FY2012	116,268	(0.6)	7,636	(17.9)	8,086	(13.8)	3,325	(36.8)
First quarter of FY2011	117,005	21.1	9,304	84.5	9,381	98.2	5,261	100.7

Note: Comprehensive income

First quarter of FY2012: ¥4,939 million (up 19.0%)

First quarter of FY2011: ¥2,255 million (-%)

	Earnings per share (Yen)	Diluted earnings per share (Yen)
First quarter of FY2012	8.33	-
First quarter of FY2011	13.16	-

(2) Financial position (¥ million)

	Total assets	Net assets	Equity ratio (%)
First quarter of FY2012	612,661	208,093	31.5
FY2011	617,676	207,416	31.2

Notes: Equity

First quarter of FY2012: ¥193,075 million

FY2011 full term: ¥192,571 million

2. Forecasts for business operations for FY2012 (full term; April 1, 2011 – March 31, 2012)

(¥1 million)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	YoY Change	(¥ million)	YoY Change	(¥ million)	YoY Change	(¥ million)	YoY Change	(Yen)
FY2012 (first half)	239,000	0.7	15,000	(16.8)	14,000	(21.5)	7,400	(27.6)	18.51
FY2012 (full term)	493,000	1.9	35,000	(1.3)	32,000	(6.3)	17,700	39.0	44.28

Note: No revisions have been made to recently announced forecasts.

3. General information relating to the first quarter results

Overall business performance (consolidated basis)

During the first quarter of the fiscal year under review (April 1, 2011 - June 30, 2011), China and other emerging markets maintained high growth rates despite the slowness of economic recovery in the United States and the sovereign debt crisis in Europe. Meanwhile, in Japan, there were signs of resurgent domestic consumer demand. However, the highly appreciated yen combined with direct economic damage from the Great East Japan Earthquake of March 2011 and subsequent fears of power shortages cast a shadow over economic prospects.

Against this backdrop, first quarter sales on a consolidated basis declined 0.6% year-on-year to ¥116,268 million, operating income sank 17.9% to ¥7,636 million and Ordinary income dropped 13.8% to ¥8,086 million. Net income for the quarter fell 36.8% year-on-year to ¥3,325 million. A breakdown of business performance by operational segment is as follows.

① Industrial Gases Business

Sales of oxygen, nitrogen and argon were all down year-on-year due partly to the impact of the earthquake disaster on core customer industries in Japan (steel and chemicals). In the machinery and equipment business, sales in Japan of cutting and welding equipment and materials rose year-on-year, but air separation plants were down significantly due to a drop-off in major construction projects. Due partly to gains from mergers and acquisitions in the previous fiscal year in North America, overseas sales rose year-on-year.

As a result of the foregoing, sales in the Industrial Gases Business increased 2.9% year-on-year to ¥72,521 million and operating income dropped 11.8% to ¥5,235 million.

② Electronics Business
The electronics industry enjoyed steady demand from semiconductor manufacturers in Korea, Taiwan and other Asian markets. In Japan, sales of our mainstay electronic materials gases were down year-on-year due to lower capacity utilization at major manufacturers of semiconductors and LCD panels due mainly to the demand slow down. Likewise, sales of electronics related equipment and installation were down sharply year-on-year. Sales of semiconductor-manufacturing equipment (metal organic chemical vapor deposition, MOCVD) were also affected by the absence of completed shipments for large-scale projects during the quarter.

As a result of the foregoing, sales in the Electronics Business declined 10.7% year-on-year to ¥26,274 million, while operating income fell 50.7% to ¥1.0 billion.

③ Energy Business
Sales of LP gas maintained previous-year levels, despite of lower shipment volumes but with persistently high import prices.

As a result, sales in the Energy Business increased 0.1% year-on-year to ¥9,288 million, while operating income rose 30.6% year-on-year to ¥502 million.

④ Other Businesses
In the Medical Business, sales rose year-on-year with the earthquake disaster having only limited impact. Sales of the Thermos Business edged down year-on-year.

As a result, sales in Other Businesses increased 4.6% year-on-year to ¥8,183 million, and operating income dropped 16.4% to ¥888 million.

4. Segment information

Results by operating segment
First Quarter, FY2011 (April 1, 2010 to June 30, 2010)

(¥ million)

	Reportable segment					Adjustments (Note 2)	Consolidated
	Industrial Gases Business	Electronics Business	Energy Business	Other Businesses (Note 1)	Total		
Sales (1) Sales to external Customers	70,483	29,417	9,278	7,825	117,005	-	117,005
(2) Sales from inter-segment transactions and transfers	470	21	506	723	1,721	(1,721)	-
Total	70,954	29,438	9,785	8,548	118,726	(1,721)	117,005
Operating income	5,938	2,029	384	1,062	9,414	(109)	9,304

Notes
1. Other businesses include the Medical Business, Thermos Business and real estate operations.

2. The ¥109 million negative adjustment for segment earnings comprises ¥7 million of inter-segment eliminations and companywide expenses of ¥117 million that were not allocated to any particular reporting segment. These companywide expenses relate principally to basic researches that were not particularly allocated to reporting segments.

Results by operating segment
First Quarter, FY2012 (April 1, 2011 to June 30, 2011)

(¥ million)

	Reportable segment					Adjustments (Note 2)	Consolidated
	Industrial Gases Business	Electronics Business	Energy Business	Other Businesses (Note 1)	Total		
Sales (1) Sales to external Customers	72,521	26,274	9,288	8,183	116,268	-	116,268
(2) Sales from inter-segment transactions and transfers	884	13	1,008	673	2,579	(2,579)	-
Total	73,406	26,287	10,297	8,856	118,848	(2,579)	116,268
Operating income	5,235	1,000	502	888	7,626	10	7,636

Notes
1. Other businesses include the Medical Business, Thermos Business. and real estate operations.
2. The ¥10 million negative adjustment for segment earnings comprises ¥126 million of inter-segment eliminations and companywide expenses of ¥115 million that were not allocated to any particular reporting segment. These companywide expenses relate principally to basic researches that were not particularly allocated to reporting segments.
3. (Major assets subject to depreciation and amortization and method of depreciation)
The Company has been using the declining-balance method for calculating depreciation of property, plant and equipment other than machinery and plant for lease and structures (not including ancillary facilities) acquired since April 1, 1998. However, from the quarter under review, we have switched to the straight-line method.

In the new Medium-Term Business Plan, TNSC will continue to focus management resources on growth markets such as electronics and emerging markets. With regard to mid-sized and small gas supply facilities, our principal items of property, plant and equipment, we expect stable long-term utilization, with capital investments focusing on replacement works in anticipation of stable demand from established customers while we reduce investment targeting facilities for new customers. Accordingly, we decided it would be more logical to adopt the straight-line method for earnings statements in light of the distribution of expenses at a constant pace for long-term period.

As a result of this change, segment income in the first quarter (consolidated basis) has increased by ¥236 million (Industrial Gases), ¥173 million (Electronics), ¥7 million (Energy) and ¥22 million (Other). Adjustments increased ¥38 million.