TAIYO NIPPON SANSO
The Gas Professionals

May 13, 2014
Taiyo Nippon Sanso Corporation

Notice of New Medium-Term Plan "Ortus Stage 1"

Taiyo Nippon Sanso Corporation (President Shinji Tanabe) hereby announces that it has compiled its new three-year Medium-Term Business Plan "Ortus Stage 1" starting in fiscal year 2015. The Company will strive to leverage the full resources of its Group companies to enhance corporate value by concentrating its management resources to improve profitability in Japan – under its low economic growth - and seek new growth opportunities abroad.

1. Positioning of the New Medium-Term Business Plan

The Company had been implementing its three-year Medium-Term Business Plan "Gear Up 10" since fiscal year 2012. However, given the turbulent changes centering on the domestic electronics market, we put this plan aside. Then, to improve profitability as soon as possible, we implemented the following measures: price revision of industrial gases, strengthening of alliances with designated partners, improvement of profitability of electronics businesses, improvement of profitability of the North American business, and expansion of businesses in Asia. These efforts have resulted in some achievements.

Under these circumstances, we streamlined organizations to support the growth strategies going forward and, as our long-term vision, set the following targets by fiscal year 2023: net sales of one trillion yen, an operating income ratio of 10%, a rate of return on capital employed (ROCE) of 10% or higher, and an overseas ratio of 50% or higher.

As the first stage toward the achievement of our long-term vision, we have compiled the new Medium-Term Business Plan "Ortus Stage 1" to facilitate a structural reform towards the strengthening of organizations and a foundation for a new revenue base.

* Ortus means "birth, beginning" in Latin.

2. Overview of the New Medium-Term Business Plan

(1) Numerical Targets

	FY2017 Plan	FY2014 Results
Net Sales	600.0 billion yen	522.7 billion yen
Operating Income	45.0 billion yen	31.4 billion yen
OI Ratio	7.5%	6.0%
Overseas Ratio	40% or higher	31%
Net Debt	241.0 billion yen	219.7 billion yen
Net D/E Ratio	0.74 times	0.80 times
ROCE	8.0% or higher	6.2%

(2) Market Observation

◆ Japanese Market

The age of low economic growth will continue, despite signs of moderate recovery, due to a weakened yen and stock price hikes. It is expected that the industry will continue to navigate severe business situations as production bases continue to be transferred to overseas due mainly to high energy costs.

◆ Overseas Market

The industrial gas market is expected to expand in the United States, where the return of industries continues due to the shale gas revolution, and in emerging countries, where high economic growth is anticipated.

(3) Strategic Policy

◆ Structural Reform

- Implementation of the early retirement incentive program
- Review of organizations and strengthening of sales and profitability through redeployment of human resources
- Review of the gas engineering function in Japan
- Improvement of efficiency of back-office functions by facilitating shared services
- Strengthening of supply chains in Japan
- Reorganization of subsidiaries in Japan
- Review of personnel and wage systems

◆ Innovation

・ Generating new synergies through a strengthened alliance with the Mitsubishi Chemical Holdings Group
・ Adopting and developing high value-added products and merchandises through venture capital investment and M&A
・ Facilitating the cross-organizational development of new businesses to address environmental changes associated with energy issues (shale-gas related demand in the United States and leveraging of economic growth in Asia)
・ Launching new strategic products and merchandises in growth markets
(hydrogen station, superconductor cooling system, Pressure Swing Adsorption (PSA) nitrogen generators, oxygen stable isotope labelled water (Water-^{18}O), helium containers, new materials, etc.)

◆ Globalization

・ Facilitating localization of overseas management systems
・ Strengthening global development of Group companies located in Japan
・ Promoting global personnel development
・ Introducing International Financial Reporting Standards (IFRS)
・ Strengthening technological risk management on a global scale

◆ M&A

・Facilitating M&A on a global scale
(Explore possibilities in North America, Asia, Oceania, Middle East, South America, and Europe)

(4) Investments according to the New Medium-Term Business Plan

We plan to carry out strategic investments totaling 200 billion yen over a period of three years in Japan and abroad, which include operating companies' M&A, venture capital investments, large capital investments, and rationalization investments.

By Region	CAPEX・Investment/Finance
Japan	58 billion yen
United States	77 billion yen
Asia and Others	65 billion yen
Total	200 billion yen

By Strategy	CAPEX・Investment/Finance
Ordinary Investment	75 billion yen
M&A	40 billion yen
Large Investment, Rationalization Investment	82 billion yen
Venture Capital Investment	3 billion yen
Total	200 billion yen

(A) Ordinary Investments

We plan to spend 75 billion yen for ordinary investments that will take place regularly for the maintenance of facilities and so on in our business in Japan and abroad.

In the New Medium-Term Business Plan, we also plan, apart from ordinary investments, to make a special allocation of 125 billion yen to the following activities.

(B) M&A

We will facilitate M&A actively on a global scale. In addition to the United States and Asia, where we are already operating, we will actively seek to enter untapped markets in other regions (Oceania, Middle East, South America, and Europe), and accelerate our efforts to expand the scale of existing businesses.

(C) Large Investments and Rationalization Investments

We will move ahead with large capital and rationalization investments including, among others, the construction of new air separation equipment in Arizona, United States, and the expansion of manufacturing plants of oxygen stable isotope labelled water (Water-^{18}O) in Japan. Through the expansion and reinforcement of production capacities in Japan and abroad, we will strive to further increase the volume and improve the efficiency of our business and, therefore, build a robust revenue base.

(D) Venture Capital Investment

We will proactively adopt value-added technologies, products, merchandises, and business models through venture capital investments, in order to improve profitability through synergies with existing businesses and develop next-generation core businesses.

3. Policy on Returns to Shareholders

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).