



November 14, 2008

Business Performance for the First Two Quarters of Fiscal 2008

(on a consolidated basis)

1. Outline of business operations for the first two quarters (April 1 to September 30, 2008)

(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 two quarters of fiscal 2008	255,990	-	18,143	-	18,308	-	9,936	-
First two quarters of fiscal 2007	244,289	13.4%	19,910	10.3%	20,278	7.8%	11,167	17.0%

	Earnings per share (Yen)
First two quarters of fiscal 2008	24.69
First two quarters of fiscal 2007	27.74

(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 two quarters of fiscal 2008 (Sept. 30, 2008)	546,093	211,102	36.0	489.00
Reference: FY2007 full term (March 31, 2008)	547,237	217,813	37.2	506.02

Notes:

Equity

First two quarters of fiscal 2008: ¥196,814 million

FY2007 full term: ¥203,696 million

2. Forecasts for business operations for the fiscal 2008 full term (April 1, 2008 – March 31, 2009)

(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)
FY2008 full term	516,000	1.6%	35,500	(8.5%)	34,700	(9.9%)	19,200	(12.5%)	47.85

Note:

Changes in forecasts for business operations made during the first two quarters: Revised as of November 14, 2008

3. Business performance and financial results

(1) Business performance for the first two quarters of fiscal 2008

During the first two quarters (April 1 to September 30) of fiscal 2008, the Japanese economy showed a marked deceleration. This came in response to the global economic slowdown that has resulted from financial market instability caused by the U.S. subprime mortgage loan crisis, as well as the rapid appreciation of the yen against the dollar.

Under these circumstances, the Group posted business results for the first two quarters of fiscal 2008 as follows: sales of ¥255,990 million (up 4.8% over the same period of the previous fiscal term), operating income of ¥18,143 million (down 8.9%), recurring income of ¥18,308 million (down 9.7%), and net income of ¥9,936 million (down 11.0%). In spite of an increase in revenues, higher depreciation expenses resulting from changes in the useful lives of long-lived assets accompanying revisions to the taxation system, as well as the impact of foreign currency exchange adjustments, contributed to a year-on-year decline in earnings.

(2) Breakdown of business performance by operational segment

Gas Business

In the Gas Business, sales of specialty gases rose on strong demand from users in the electronics sector, which more than offset a decline in demand among some of our customers, principally in the chemical industry.

As a result, sales of the Gas Business increased 7.2% year-on-year to ¥175,019 million. However, operating income fell 13.0% to ¥14,028 million, due primarily to a rise in depreciation expenses resulting from changes in the useful lives of long-lived assets accompanying revisions to the taxation system.

The Machinery & Equipment Business

In the Machinery & Equipment Business, sales of air separation plants and equipment exceeded previous-year levels due to posting of revenue from large-scale projects (primary for Japanese steel makers) under the percentage-of-completion method. On the other hand, revenue from the sale of electronic equipment showed a year-on-year decline owing to a smaller number of large-scale projects compared with the previous first half.

As a result, sales of machinery and equipment posted a year-on-year decline of 1.5% to ¥70,535 million, while operating income rose 5.1% to ¥5,034 million.

Housewares Business and Others

In the Housewares Business, Thermos K.K. reported steady sales of sports bottles and portable mugs. Consequently, sales in this segment rose 11.4% year-on-year to ¥10,436 million, while operating income was up 46.8%, at ¥1,670 million.

(3) Breakdown of business performance by geographical segment

Japan

Despite production cuts in customer industries and a growing trend among certain industrial sectors to curb plant and equipment investments, demand remained generally firm in the first half. Sales increased 6.7% to ¥200,280 million. Higher depreciation expenses as a result of changes in the useful lives of long-lived assets accompanying revisions to the taxation system led operating income to decline 3.0% to ¥13,884 million.

North America

In the first-half period under review, our North American affiliate Matheson Tri-Gas reported a year-on-year increase in sales on a dollar basis, with the economic slowdown in the U.S. having no obvious impact on the company's performance. On a yen basis, however, sales declined 4.8% to ¥41,715 million as a result of the yen's sharp appreciation against the dollar. Operating income decreased 21.0% to ¥4,746 million, which is primarily attributable to the posting of substantial losses as a result of foreign currency exchange in the wake of the yen's appreciation. In addition, changes in accounting standards for the amortization of goodwill in line with new accounting procedures that are mandatorily applied to foreign subsidiaries caused expenses to increase.

Other Regions

In Southeast Asia, our mainstay gas business showed a strong performance thanks to the expansion of production facilities in the previous term to meet the robust demand for industrial gases. As a result, sales increased 9.4% to ¥13,994 million, while operating income rose 20.8% to ¥1,151 million.

4. Results by operating segment

First two quarters of fiscal 2008 (April 1 to September 30, 2008)

(Millions of yen)

	Gas Business	Machinery and Equipment Business	Housewares Business and Others	Total	Eliminations or Corporate	Consolidated
Sales						
(1) Sales to external customers	175,019	70,535	10,436	255,990	-	255,990
(2) Sales from inter-segment transactions and transfers	11	9,910	41	9,963	(9,963)	-
Total	175,031	80,445	10,477	265,954	(9,963)	255,990
Operating income	14,028	5,034	1,670	20,733	(2,589)	18,143

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, air-conditioning equipment, drainage treatment systems
Housewares Business and Others	Stainless steel vacuum bottles(household, laboratory), vacuum thermal insulation cooking pans, assembly, processing and inspection of electronic components, maintenance of facilities, other outsourced business

3. Changes in accounting policies

Accounting standards for inventory valuation

From the first quarter of the term, 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

From the first quarter of the term, 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 first half of fiscal 2008 decreased ¥715 million for Gas Business.

Application of accounting standards for lease transactions

From the first quarter of the term, 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.

4. Additional information

Changes in useful life of machinery and equipment

Effective from the first quarter of the term, 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 2008.

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 first two quarters of fiscal 2008 decreased ¥1,102 million for Gas Business, ¥25 million for Machinery and Equipment Business, and ¥7 million for Housewares Business and Others, respectively.

5. Results by geographical segment

First two quarters of fiscal 2008 (April 1 to September 30, 2008)

(Millions of yen)

	Japan	North America	Other countries	Total	Eliminations or Corporate	Consolidated
Sales						
(1) Sales to external customers	200,280	41,715	13,994	255,990	-	255,990
(2) Sales from inter-segment transactions	3,949	5,749	1,870	11,569	(11,569)	-
Total	204,229	47,465	15,864	267,559	(11,569)	255,990
Operating income	13,884	4,746	1,151	19,781	(1,637)	18,143

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 policies

Accounting standards for inventory valuation

From the first quarter of the term, 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

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Application of accounting standards for lease transactions

From the first quarter of the term, 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.

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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 first two quarters of fiscal 2008 on business operations in Japan decreased ¥1,135 million.