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The Gas Professionals

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Business Performance for Fiscal Year 2010

(on a consolidated basis)

1. Outline of business operations for FY2010 (April 1, 2009 to March 31, 2010)

(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
FY2010	433,390	(12.6)%	27,556	(5.5)%	27,058	(3.2)%	15,748	(4.7)%
FY2009	495,746	(2.4)%	29,164	(24.8)%	27,948	(27.4)%	16,533	(24.6)%

	Earnings per share (Yen)	ROE	ROA	Operating margin
FY2010	39.39	8.3%	4.7%	6.4%
FY2009	41.21	8.6%	5.2%	5.9%

(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 (¥)
FY2010 full term (March 31, 2010)	617,215	212,396	32.3	497.92
FY2009 full term (March 31, 2009)	534,350	194,250	33.9	452.67

Notes:

Equity

FY2010 full term: ¥199,078 million

FY2009 full term: ¥181,037 million

2. Forecasts for business operations for the FY2011 full term (April 1, 2010 – March 31, 2011)

(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)
FY2011 (first half)	230,000	12.7%	15,000	17.5%	14,200	14.9%	8,000	17.2%	20.01
FY2011 (full term)	480,000	10.8%	32,500	17.9%	30,500	12.7%	17,000	7.9%	42.52

3. Business Performance and Financial Results (consolidated basis)

Business performance for FY2010

(1) Overview

During the reporting term (ended March 31, 2010), the Japanese economy suffered from a production slowdown in manufacturing industries as a whole at the start of the term as a result of the global recession that began in 2008 stemming from the U.S. financial crisis. However, since then, demand has swiftly recovered in Asian countries including China. The effects of policies to stimulate domestic demand focusing on eco-friendly automobiles and energy-saving home appliances also appeared, leading to a moderate recovery of demand through the end of the fiscal year.

In the Company's main user industries, despite a modest economic rally in North America, demand recovery was driven largely by LCD panels, semiconductors, high-end steel materials for automobiles and general-purpose resins from Asian countries including China. Steel, chemicals and electronics industries in particular showed promising signs.

Amid these circumstances, as a result of concerted efforts made by the Group to increase earnings, demand for gases, especially in Japan, steadily recovered, but demand for equipment and installation/construction services dropped sharply because of weak capital investments. Furthermore, the modest economic recovery staged in North America, which fell below forecast, and the sudden appreciation of the yen resulted in sales of ¥433, 390 million, a 12.6% year-on-year decline, during the reporting term.

On the earnings front, as a result of continued efforts to achieve greater distribution efficiency of liquefied gas as well as to focus on further Groupwide cost reductions, operating income came to ¥27,556 million (down 5.5% year on year) and recurring income came to ¥27,058 million (down 3.2%.). Net income came to ¥15,748 million (down 4.7%) due chiefly to extraordinary losses including a loss on disposal of noncurrent assets and a gain on sales of subsidiaries' stocks recorded as extraordinary income.

On a non-consolidated basis, sales were down 15.8% year on year to ¥224,742 million, while operating income edged up 1.1% to ¥14,315 million, recurring profit increased 8.4% to ¥15,899 million, and net income climbed 28.1% to ¥10,595 million.

(2) Breakdown of business performance by operational segment

Gas Business

The Group's mainline gases – oxygen, nitrogen, and argon – saw increased exports in related industries including electronics, automotive and petrochemical products, as well as the beginning of a partial recovery thanks to the effects of policies to stimulate domestic demand. Such promising signs as a rebound in shipment volumes gradually emerged from around the fourth quarter of FY 2009 and the first quarter of FY 2010.

Shipments of oxygen for supply through a pipeline (on-site plants) rallied thanks to increased demand in China and Asia for high-end steel plates for automobiles and other applications and higher demand for petrochemical products. Because demand for liquefied gas, especially for use in transportation equipment, electric furnaces and metal processing, has recovered at only a moderate pace, total oxygen sales fell below the previous fiscal year's level.

On the other hand, steady demand from steelmakers, chemical companies, and electronics manufacturers for nitrogen for use in ensuring process safety and for purging (protection from impurities), as well as new demand for its use in Sharp Corporation's plant for large LCD panels that began operation in Sakai City, Osaka Prefecture, contributed to earnings. Nevertheless, since demand for liquefied gas in Japan has only modestly recovered, total nitrogen sales fell below the previous fiscal year's level.

Although there were signs of recovering demand for argon for use in semiconductor silicon crystals and stainless steel smelting, shipments and sales of argon fell below the previous year's level owing to a sharp decline in demand for its use in welding due to weak public-sector investments and construction demand.

Despite a rebound in electronics-related demand for LCD panels, semiconductors and other products, as well as new demand from large LCD panel plants, sales of electronic materials gases fell below the previous year's level due to a modest recovery in demand from North America.

Sales of LP gas fell below the previous term's level in the wake of decreasing demand and declining import prices.

Sales of other gases fell below the previous year's level on the back of weak domestic demand primarily for carbon dioxide, helium and hydrogen.

As a result, sales of the Gas Business declined 8.9% year on year to ¥300,451 million.

Machinery & Equipment Business

The TNSC Group's machinery and equipment business was also heavily impacted by the global financial crisis and its concomitant economic downturn. Our main customer industries made sharp cuts in expenditures on plant and equipment, and sales fell below the previous year's level in both the domestic and overseas markets.

In the field of electronics-related equipment, despite large projects that are progressing well, sales fell below the previous year's level owing to a significant decrease in the replacement of equipment following the economic recession in Japan and the review and postponement of new investments.

In the field of chemical compound semiconductor manufacturing equipment (MOCVD), business inquiries from Japan and abroad intensified thanks to rapidly expanding LED demand for backlights in LCDs and lighting as well as increased chemical compound semiconductor devices demand for equipment and machinery, causing sales to exceed those of the previous year.

Sales of welding equipment and materials fell below the previous year's level as a result of a sharp decline in domestic demand for transportation and construction equipment due in part to decreased public-sector investment and the postponement of private capital investment, in addition to later-than-expected economic recovery in North America.

Sales of air separation plants were below those of the previous year because of generally weak capital investment plans in the steel, chemical and electronics industries.

Despite steady demand for cryogenic equipment from universities and research institutions, amidst a continuing long-term slump in demand from the government sector for equipment related to aerospace research, business conditions were harsh due to the effects of the protracted slowdown in large-scale capital investments in the private sector.

As a result of the foregoing, sales for the reporting term by the Group’s Machinery & Equipment Business decreased 22.7% from the previous year, to ¥113,997 million.

Housewares Business and Others

In the Housewares Business, earnings exceeded those of the previous term thanks to favorable shipments of sports bottles, the mainstay product of Thermos K.K., and portable mugs, a popular product.

As a result, sales for this business rose 2.5% year on year, to ¥18,941 million.

(3) Prospects for FY 2011

Present global economic conditions appear to be on a general recovery trend with continued growth in emerging nations such as China and India and the effects of economic measures in the U.S. beginning to appear. Moreover, although domestic demand is likely to remain lackluster, exports to Asian countries including China are a growth engine that is driving the economy back on track to a modest recovery. Amid these circumstances, in the fiscal year ending March 31, 2011, the final year of the current medium-term business plan, the TNSC Group will take steps to further improve earnings by implementing key strategies including the focusing of its business resources on growing markets and industries.

Business performance forecasts for FY 2011

(Billions of yen)

	Net sales	Operating income	Recurring income	Net income
FY2011	480	32.5	30.5	17.0
FY2010	433.3	27.5	27.0	15.7
YoY decrease (%)	10.8	17.9	12.7	7.9

Note: For the purposes of these forecasts, the average exchange rate of the Japanese yen against the U.S. dollar in FY 2011 is assumed to be ¥90/$1.

4. Segment information

(1) Results by operating segment

FY2009 (April 1, 2008 to March 31, 2009)

(Millions of yen)

	Gas Business	Machinery and Equipment Business	Housewares Business and Others	Total	Eliminations or Corporate	Consolidated
I. Sales and operating income Sales (1) Sales to external customers	329,813	147,445	18,488	495,746	-	495,746
(2) Sales from inter-segment transactions and transfers	20	23,362	57	23,441	(23,441)	-
Total	329,834	170,807	18,546	519,187	(23,441)	495,746
Operating expenses	307,384	159,219	16,313	482,917	(16,335)	466,582
Operating income	22,449	11,587	2,232	36,269	(7,105)	29,164
II. Assets, depreciation, impairment and capital expenditures Assets	390,458	79,757	19,405	489,621	44,729	534,350
Depreciation	25,141	2,454	767	28,363	(23)	28,339
Impairment loss	-	-	-	-	141	141
Capital expenditures	58,862	7,939	667	67,469	(1,459)	66,010

FY2010 (April 1, 2009 to March 31, 2010)

(Millions of yen)

	Gas Business	Machinery and Equipment Business	Housewares Business and Others	Total	Eliminations or Corporate	Consolidated
I. Sales and operating income Sales (1) Sales to external customers	300,451	113,997	18,941	433,390	-	433,390
(2) Sales from inter-segment transactions and transfers	5	10,012	34	10,052	(10,052)	-
Total	300,457	124,009	18,976	443,442	(10,052)	433,390
Operating expenses	278,014	117,362	15,563	410,940	(5,105)	405,834
Operating income	22,443	6,646	3,412	32,502	(4,946)	27,556
II. Assets, depreciation, impairment and capital expenditures Assets	464,741	70,939	21,641	557,322	59,893	617,215
Depreciation	28,044	1,811	748	30,604	(461)	30,143
Impairment loss	-	-	-	-	570	570
Capital expenditures	32,425	5,875	1,442	39,743	(1,377)	38,366

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. The operating expenses of “Eliminations or corporate” included operating expenses of ¥3,541 million that could not be allocated to any particular segment. The majority of these items consist of expenses incurred by the Company’s administrative divisions.
4. The assets of “Elimination or corporate” included Companywide assets totaling ¥86,215 million. The majority of these were monetary assets that were being managed, investment securities and assets related to the administrative division.

(2) Results by geographical segment

FY 2009 (April 1, 2008 to March 31, 2009)

	Japan	North America	Other countries	Total	Eliminations or Corporate	Consolidated
I. Sales and operating income						
Sales						
(1) Sales to external customers	383,936	82,006	29,802	495,746	-	495,746
(2) Sales from inter-segment transactions	7,177	9,985	3,298	20,461	(20,461)	-
Total	391,114	91,992	33,101	516,208	(20,461)	495,746
Operating expenses	368,386	83,462	31,513	483,362	(16,779)	466,582
Operating income	22,728	8,529	1,587	32,846	(3,682)	29,164
II. Assets	324,729	102,332	34,653	461,715	72,635	534,350

FY 2010 (April 1, 2009 to March 31, 2010)

	Japan	North America	Other countries	Total	Eliminations or Corporate	Consolidated
I. Sales and operating income						
Sales						
(1) Sales to external customers	334,444	77,554	21,391	433,390	-	433,390
(2) Sales from inter-segment transactions	3,390	5,776	3,136	12,303	(12,303)	-
Total	337,834	83,331	24,528	445,694	(12,303)	433,390
Operating expenses	313,802	78,369	22,934	415,106	(9,271)	405,834
Operating income	24,031	4,962	1,594	30,587	(3,031)	27,556
II. Assets	332,399	163,106	35,898	531,404	85,810	617,215

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. The operating expenses of “Eliminations or corporate” included operating expenses of ¥3,541 million that could not be allocated to any particular segment. The majority of these items consist of expenses incurred by the Company’s administrative divisions.
3. The assets of “Elimination or corporate” included Companywide assets totaling ¥86,215 million. The majority of these were monetary assets that were being managed, investment securities and assets related to the administrative division.