TAIYO NIPPON SANSO
The Gas Professionals

November 5, 2013

Taiyo Nippon Sanso Corporation

Consolidated Financial Performance for the First Half of Fiscal Year 2014 (Based on Japan GAAP)

1. Financial results for the first half (April 1, 2013 - September 30, 2013)

(1) Operating results (Amounts less than ¥1 million are omitted)

	Net sales		Operating income		Ordinary income		Net income	
	(¥ million)	YoY Change	(¥ million)	YoY Change	(¥ million)	YoY Change	(¥ million)	YoY Change
First half of FY2014	249,621	9.4%	14,396	14.6%	14,199	17.9%	12,229	_%
First half of FY2013	228,272	(2.8)%	12,566	(20.3)%	12,042	(24.8)%	(7,910)	_%

Note: Comprehensive income
First half of FY2014: ¥30,112 million (_%)
First half of FY2013: ¥(10,620 million) (_%)

	Earnings per share (Yen)	Diluted earnings per share (Yen)
First half of FY2014	31.53	-
First half of FY2013	(19.93)	-

(2) Financial position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
First half of FY2014 (September 30, 2013)	652,799	255,438	35.6
FY2013 (March 31, 2013)	615,820	224,253	33.1

Reference: Equity
First half of FY2014: ¥232,258 million
FY2013 full term: ¥203,771 million

2. Dividends

	Annual Dividend				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Term end	Total
	Yen	Yen	Yen	Yen	Yen
FY2013	—	6.00	—	6.00	12.00
FY2014	—	6.00			
FY2014 (est.)			—	6.00	12.00

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

3. Forecasts for business operations for FY2014
(full term; April 1, 2013 – March 31, 2014)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	YoY Change	(¥ million)	YoY Change	(¥ million)	YoY Change	(¥ million)	YoY Change	(Yen)
FY2014 (full term)	514,000	9.7%	30,000	20.6%	28,800	24.9%	19,400	–	47.47

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

4. General information relating to the first half results

Overall business performance (consolidated basis)

During the first half (April 1, 2013 - September 30, 2013) of the fiscal year under review, the global economy remained lackluster overall. This was primarily attributable to financial instability in the United States, which appears to be experiencing a gradual economic recovery; the ongoing economic recession in Europe; and a slowing of economic growth in China, India and other emerging markets. The outlook for the Japanese economy remained uncertain due mainly to increases in electricity rates and raw material prices. This uncertainty continued despite indications of an improvement in corporate performance centered on export industries, reflecting the weak yen and higher stock prices resulting from government and Bank of Japan monetary easing policies.

Against this backdrop, first-half net sales on a consolidated basis increased 9.4% year on year to ¥249,621 million, operating income rose 14.6% to ¥14,396 million, and ordinary income improved 17.9% to ¥14,199 million. Net income for the first half stood at ¥12,229 million compared with a net loss of ¥7,910 million during the corresponding period of the previous fiscal year.

A breakdown of business performance by operational segment is as follows.

(1) Industrial Gas

Despite a slight slowdown of sales to the chemical industry, sales in Japan to the steel industry, a key user of industrial gasses, remained firm. In addition, domestic sales of oxygen and nitrogen supplied onsite were all up year on year. However, shipping volume and sales of liquid oxygen, liquid nitrogen and liquid argon decreased year on year because of an overall decline in demand from industries that use these items. Sales of machinery and equipment dropped sharply year on year following a decline in orders. In overseas markets, sales in North America rose year on year, reflecting a rebound in the economy, while sales in Asia increased substantially thanks to new consolidation effects.

As a result, sales in the Industrial Gas segment increased 10.6% year on year to ¥163,992 million, but operating income fell 5.2% to ¥10,653 million due to a rise in costs following a fall in industrial gas production volume in Japan and lower profit margins for machinery and equipment.

(2) Electronics

Amid an ongoing weakness in demand in the electronics industry, signs of a rebound in certain sectors became apparent. Accordingly, sales of electronic materials gases, electronics-related equipment and installations, and semiconductor manufacturing equipment (MOCVD) rose above the low levels recorded in the corresponding period of the previous fiscal year.

As a result, sales in the Electronics segment increased 5.2% year on year to ¥48,553 million, and the segment posted operating income of ¥2,213 million compared with an operating loss of ¥602 million in the same period of the previous fiscal year.

(3) Energy

Regarding LP gas, consumer demand declined amid higher-than-average temperatures throughout the spring and summer, purchasing costs increased due mainly to the weak yen, and sales prices rose in line with higher purchasing costs.

As a result, sales in the Energy segment increased 6.4% year on year to ¥18,536 million, while operating income decreased 18.4% to ¥630 million.

(4) Other

In the Medical Business, medical device sales were steady, but the volume and sales of medical-use oxygen declined year on year. Sales in the Thermos Business jumped significantly year on year because of strong sales mainly of sports-use vacuum bottles following a heat wave. However, purchasing costs increased due to the weak yen.

As a result, sales in the Other segment increased 13.2% year on year to ¥18,538 million, but operating income decreased 14.8% to ¥1,511 million.

5. Explanation of revisions to consolidated financial forecasts

(1) Revisions to financial forecasts

The Company has revised consolidated financial forecasts for the full fiscal year ending March 31, 2014, which were announced on August 21, 2013, based on performance during the second quarter of the fiscal year under review and current sales conditions. Revised forecasts are as follows.

Consolidated financial forecasts for the full fiscal year ending March 31, 2014 (April 1, 2013 to March 31, 2014)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Previous forecasts (announced on August 21, 2013) (A)	(¥ million) 514,000	(¥ million) 31,500	(¥ million) 29,300	(¥ million) 19,400	Yen 50.02
Revised forecasts (B)	514,000	30,000	28,800	19,400	*47.47
Change (B – A)	0	(1,500)	(500)	0	
Percentage change (%)	-	(4.8)	(1.7)	-	
Reference: Consolidated Financial Performance for FY2013	468,387	24,884	23,060	(2,071)	(5.25)

*Calculations for the FY2014 net income per share revised forecast (B) includes the number of new shares issued and treasury shares disposed, both of which were fully paid in by third-party allotment on October 15, 2013.

(2) Reason for the revision

Despite the domestic and overseas shipping volumes primarily for liquid oxygen, nitrogen and argon falling below initial forecasts, the revised forecast for net sales remains unchanged due to the yen being weaker compared with the initial exchange rate forecast (previous forecast: US$1 = ¥90; revised forecast: US$1 = ¥97). Conversely, operating income is expected to be below the previous forecast mainly because of lower shipping volume of mainstay gasses and a lack of improvement in earnings in light of higher domestic electricity costs. Consequently, ordinary income has been revised below the previous forecast despite improvements in non-operating income and expenses. Net income remains unchanged from the previous forecast largely due to the posting of extraordinary income from the sale of fixed assets and loss on liquidation of subsidiaries and affiliates as well as the expected loss on disposal of fixed assets.

Note: The above forecasts are based on information available to the management of the Company as of the time of writing, and may differ from actual results owing to a number of factors that may materialize subsequent to this announcement.

6. Segment information

(1) First Half, FY2013 (April 1, 2012 to September 30, 2012) (¥ million)

	Reportable segment					Adjustments (Note 2)	Consolidated
	Industrial Gas	Electronics	Energy	Other (Note 1)	Total		
Sales (1) Sales to external Customers	148,307	46,169	17,420	16,375	228,272	-	228,272
(2) Sales from inter-segment transactions and transfers	760	59	884	1,342	3,047	(3,047)	-
Total	149,067	46,229	18,305	17,718	231,320	(3,047)	228,272
Operating income (loss) [Segment earnings (loss)]	11,237	(602)	773	1,773	13,181	(614)	12,566

Notes

1. Other businesses include the medical-related business, the Thermos business and real estate operations.
2. The ¥614 million negative adjustment for segment earnings (loss) comprises ¥101 million of inter-segment eliminations and companywide expenses of ¥716 million that were not allocated to any particular reportable segment. These companywide expenses relate principally to basic researches that were not particularly allocated to reportable segments.

(2) First Half, FY2014 (April 1, 2013 to September 30, 2013) (¥1 million)

	Reportable segment					Adjustments (Note 2)	Consolidated
	Industrial Gas	Electronics	Energy	Other (Note 1)	Total		
Sales (1) Sales to external Customers	163,992	48,553	18,536	18,538	249,621	-	249,621
(2) Sales from inter-segment transactions and transfers	834	53	1,020	1,670	3,579	(3,579)	-
Total	164,827	48,606	19,556	20,209	253,200	(3,579)	249,621
Operating income [Segment earnings]	10,653	2,213	630	1,511	15,009	(612)	14,396

Notes

1. Other businesses include the medical-related business, the Thermos business and real estate operations.
2. The ¥612 million negative adjustment for segment earnings comprises ¥234 million of inter-segment eliminations and companywide expenses of ¥846 million that were not allocated to any particular reportable segment. These companywide expenses relate principally to basic researches that were not particularly allocated to reportable segments.

7. Important subsequent events

1. Business combination by means of acquisition

The Company resolved at a Board of Directors' meeting held on September 11, 2013 to purchase all the shares of Pacific Medico Co., Ltd. in order to make it a subsidiary. The share purchase took place on October 1, 2013.

(1) Overview of business combination

(i) Outline of the acquired company

Name of acquired company:	Pacific Medico Co., Ltd.
Details of business:	Develop, manufacture and sale of mechanical ventilators, portable suction devices, pulse oxymeters and other respiratory care-related medical devices

(ii) Main reasons for business combination

The Company's medical business is centered on the manufacture and sale of medical gasses, related equipment and devices as well as the sale of medical devices used mainly in home oxygen therapy (HOT). As one of the medical business' medium- to long-term plans, the Company is working to strengthen its business base as a manufacturer while promoting M&A, product development and other business strategies.

Consequently, the Company has acquired Pacific Medico Co., Ltd., which is aggressively expanding its businesses by leveraging its strong points—development and extensive product lineups—which meet a broad array of needs in the respiratory care sector. Particularly in mechanical ventilators used at home (intended for tracheostomy patients), Pacific Medico Co., Ltd. commands the top share in the domestic market; possesses a product lineup focusing on imported devices; and boasts abundant experience and achievements in the respiratory care business through such actions as purchasing plants that have enhanced its manufacturing position.

The Company has recently made a full-fledged entry into the advanced medical device business (which includes mechanical ventilators) through the acquisition of Pacific Medico Co., Ltd. in order to expand into the respiratory care business domain. In addition, Pacific Medico Co., Ltd. will strengthen its sleep care business by focusing on the development of diagnostic devices for sleep apnea syndrome as well as upgrading diagnostic and therapeutic environments.

(iii) Date of business combination

October 1, 2013

(iv) Legal form of business combination

Share purchase paid in cash

(v) Corporate name after business combination
No change

(vi) Percentage of voting rights acquired
100.0%

(vii) Main rationale for selecting the acquiring company
The Company purchased all the shares of Pacific Medico Co., Ltd. in cash.

(2) Cost of acquiring Pacific Medico Co., Ltd. and breakdown

Consideration for acquisition	¥6,500 million
Costs directly incurred for the acquisition	Currently being calculated
Acquisition costs	Currently being calculated

(3) Amount of goodwill generated,, reason for the generation, amortization method and period
Amount of goodwill generated is currently being calculated.

2. Issuance of new shares and disposition of treasury shares by way of third-party allotment
The Company resolved at a Board of Directors meeting held on September 26, 2013 to conclude a capital and business alliance agreement with Mitsubishi Chemical Holdings Corporation ("MCHC") as well as issue new shares and dispose of treasury shares by way of third-party allotment, with MCHC as the allottee. Payment procedures were completed on October 15, 2013 pertaining to the issuance of new shares and disposition of treasury shares by way of third-party allotment.

Issuance of new shares and disposition of treasury shares by way of third-party allotment

(1) Issuance of new shares by way of third-party allotment
(i) Type and number of shares issued 30,000,000 shares of common stock of the Company
(ii) Issue price (paid in) ¥687 per share
(iii) Total issue price (paid in) ¥20,610,000,000
(iv) Total amount of stated capital and capital reserve increased
Stated capital: ¥10,305,000,000
Capital reserve: ¥10,305,000,000
(v) Due date for payment October 15, 2013
(vi) Allottee and the number of shares allotted
The Company allotted 30,000,000 shares to MCHC by way of third-party allotment.

(2) Disposition of treasury shares by way of third-party allotment

(i) Type and number of treasury shares disposed

15,096,000 shares of the Company's common stock

(ii) Amount disposed of (paid in) ¥687 per share

(iii) Total amount disposed of (paid in) ¥10,370,952,000

(iv) Due date for payment October 15, 2013

(v) The party to whom shares were disposed of, and the number of shares disposed of

The Company allotted 15,096,000 shares to MCHC by way of third-party allotment.

Use of funds

(i) Capital investments for enhancing industrial gas manufacturing capability outside Japan

The Company aims to increase industrial gas manufacturing capability outside Japan by apportioning the raised funds to capital investments (including air separation plants and hydrogen producers), mainly in the petrochemical industry in North America, and mainly in the petrochemical and semi-conductor industries in Vietnam and the Philippines.

(ii) Capital investment for enhancing product production capability in Japan

The Company aims to increase the manufacturing capability in Japan by apportioning the raised funds to capital investments concerning liquefied carbon dioxide gas, labeled water for oxygen stable isotopes (Water-18O) (Note), and other industrial and medical gases.

(Note) Labeled water for oxygen stable isotopes (Water-18O) is produced by enriching the oxygen stable isotopes with the mass number of 18, included in natural oxygen at an extremely tiny amount, at a percentage of 98% or more. They are used as the material of the diagnostic reagent for the positron emission tomography (PET), which is effective at detecting early stage cancer and at prognosis monitoring.

(iii) Strategic investment and financing in North America, Asia, and other countries or regions inside and outside Japan

The Company's management policy is to "further strengthen our domestic operating foundation" and "grow our promising overseas businesses." It therefore believes that a strategic business alliance or capital alliance is a useful means to achieve this end. Thus, the Company intends to apportion the raised funds to strategic investments for expanding its business scale, such as, in Japan, by purchasing Pacific Medico Co., Ltd., which is a medical device manufacturer in Japan, in contemplation of expanding the medical business; and in the North American and the Asian region, by purchasing distributor companies or local gas manufacturers.