

May 13, 2014

Taiyo Nippon Sanso Corporation

Consolidated Business Performance for Fiscal Year 2014 (Based on Japan GAAP)

1. Financial results for the FY2014 full term (April 1, 2013 – March 31, 2014)

(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
FY2014	522,746	11.6%	31,489	26.5%	30,546	32.5%	20,194	—%
FY2013	468,387	(1.9)%	24,884	(19.9)%	23,060	(22.4)%	(2,071)	—%

Note: Comprehensive income

FY2014: ¥46,512 million [251.5%]

FY2013: ¥13,234 million [(18.4)%]

	Earnings per share (Yen)	Diluted earnings per share (Yen)	ROE	ROA	Operating Margin
FY2014	49.42	—	8.4%	4.5%	6.0%
FY2013	(5.25)	—	(1.0)%	3.8%	5.3%

Reference: Equity in earnings of affiliates

FY2014: ¥1,999 million

FY2013: ¥1,284 million

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
FY2014 (March 31, 2014)	731,677	298,475	37.5	633.69
FY2013 (March 31, 2013)	615,820	224,253	33.1	525.38

Reference: Equity

FY2014: ¥274,307 million

FY2013: ¥203,771 million

(3) Consolidated Cash Flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Balance of cash and cash equivalents at term-end (¥ million)
FY2014	56,716	(55,295)	27,884	56,088
FY2013	33,964	(37,225)	(8,181)	22,721

2. Dividends

	Annual Dividend					Total amount of dividends	Payout ratio (consolidated)	Ratio of dividends to net assets
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	Term end	Total			
	Yen	Yen	Yen	Yen	Yen	(¥ million)	%	%
FY2013	—	6.00	—	6.00	12.00	4,710	—	2.3
FY2014	—	6.00	—	6.00	12.00	4,926	24.3	2.1
FY2015 (est.)	—	6.00	—	6.00	12.00		26.0	

3. Forecasts for business operations for FY2015 full term (April 1, 2014 – March 31, 2015)

(%: YoY)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	YoY Change	(¥ million)	YoY Change	(¥ million)	YoY Change	(¥ million)	YoY Change	(Yen)
First-half	271,000	8.6%	16,800	16.7%	15,800	11.3%	9,800	(19.9)%	22.64
Full term	550,000	5.2%	35,000	11.1%	33,200	8.7%	20,000	(1.0)%	46.20

4. Business performance

(1) Analysis of business results

① Overview

During the reporting period, the global economy remained lackluster overall, with a modest economic recovery in the United States counterbalanced by the slow rebound of European economies after they seemingly bottomed out and slowing economic growth in China, India and other emerging markets. In the Japanese economy, a full-scale recovery failed to materialize in spite of indications of an improvement in corporate performance centered on export industries, reflecting the weak yen and higher stock prices resulting mainly from monetary easing policies.

Turning to the businesses of the Taiyo Nippon Sanso Group (TNSC Group), in North America, industrial gases demand was strong due to the economic recovery. In Asia, sales increased in spite of slowing growth, mainly due to recovery in the electronics sector in Taiwan and new consolidation effects. In Japan, demand trends varied from sector to sector and, overall, the pace of recovery remained modest.

Against this backdrop, net sales on a consolidated basis rose 11.6% year on year, to ¥522,746 million, operating income climbed 26.5%, to ¥31,489 million, and ordinary income grew 32.5%, to ¥30,546 million. Net income stood at ¥20,194 million, compared with a net loss of ¥2,071 million for the previous fiscal year.

② Breakdown of business performance by operational segment

Industrial gas

Sales in Japan of oxygen and nitrogen supplied onsite to the steel industry, a key user of industrial gases, increased significantly year on year. However, full-year shipping volume and sales of liquid oxygen, liquid nitrogen and liquid argon decreased slightly year on year, in spite of signs of recovery in the second half of the year. Sales of machinery and equipment fell year on year, reflecting an ongoing decline in orders. In overseas market, currency exchange rates increased yen equivalents, sales in North America rose year on year, reflecting a rebound in the economy, and sales in Asia grew substantially thanks to new consolidation effects.

As a result, net sales of the Industrial gas segment increased 13.6% year on year, to ¥338,616 million, but operating income rose just 2.9% to ¥21,933 million due to a rise in costs accompanying a fall in industrial gas production volume and electricity rate hikes in Japan as well as deteriorating profitability for machinery and equipment.

Electronics

Despite an ongoing weakness in demand in the electronics industry, signs of a rebound in some regions such as Taiwan became apparent. Accordingly, sales of electronic materials gases, electronics-related equipment and installations, and semiconductor manufacturing equipment (MOCVD) rose slightly compared with the previous fiscal year.

As a result, net sales for the Electronics segment climbed 1.9% year on year, to ¥98,399 million, and operating income was ¥5,282 million, compared with an operating loss of ¥536 million for the previous fiscal year.

Energy

Regarding LP gas, sales price hikes in response to high purchases costs caused mainly by the weak yen contributed to increases in sales. Earnings declined due to a drop in consumer demand amid higher-than-average temperatures throughout the spring and summer of 2013.

As a result, net sales in the Energy segment increased 11.2% year on year, to ¥44,511 million, while operating income sank 7.4%, to ¥1,674 million.

Other

In the Medical Business, medical device sales increased significantly, mainly due to the contribution of sales by Pacific Medico Co., Ltd., which was purchased in October 2013. However, the volume and sales of medical-use oxygen decreased slightly year on year.

Sales in the Thermos Business jumped substantially year on year because of strong sales mainly of sports-use vacuum bottles and portable mugs, and the contribution of sales of new products.

As a result, net sales in Other segment increased 22.2% year on year, to ¥41,219 million, and operating income grew 14.9%, to ¥3,782 million.

③ Prospects for FY2015

Regarding the outlook for the Japanese economy, the era of low growth will continue, in spite of signs of a modest recovery due to the weak yen and rising stock prices. In the industrial sector, there will be no let-up in rising energy costs or the shift to overseas production, and the operating environment of the Company and the TNSC Group is also expected to remain severe. Meanwhile, overseas, an industrial comeback in the United States due to the shale revolution and high economic growth in emerging markets are forecast, and the market for industrial gases is expected to expand.

Amid these circumstances, the Company and the TNSC Group has formulated a new medium-term business plan *Ortus Stage 1* covering the three-year period from FY2015 to FY2017 (April 1, 2014—March 31, 2017), and will make a concerted effort to improve domestic earnings in an era of low growth, to focus management resources on overseas growth opportunities, and to enhance corporate value.

(Billions of yen)

	Net sales	Operating income	Ordinary income	Net income
FY2015(April 1, 2014— March 31, 2015)	550.0	35.0	33.2	20.0
FY2014(April 1, 2013— March 31, 2014)	522.7	31.4	30.5	20.1
YoY change (%)	5.2	11.1	8.7	(1.0)

Note: For the purposes of these forecasts, the average exchange rate of the Japanese yen against the U.S. dollar in FY2015 is assumed to be ¥100/\$1

(2) Basic Company policy on profit allocation, and dividend payments for the reporting term and the next term

The Company has adopted a policy of allocating sufficient earnings to internal reserves for the expansion and strengthening of its corporate capabilities, as well as to allow investment in vigorous business development and thereby improve business performance so as to meet shareholder expectations.

With regard to the allocation of profits, the Company's basic policy is to pay a dividend from retained earnings twice a year, in the form of a semiannual interim dividend and a year-end dividend. This distribution of retained earnings is determined by the annual general meeting of the Company's shareholders in the case of the year-end dividend, and by the Company's Board of Directors for the interim dividend.

In accordance with the above-stated policy, an annual dividend of ¥12 per share shall be paid for the reporting term, consisting of a year-end dividend of ¥6 and an interim dividend also of ¥6.

For the next business term (ending March 31, 2015), the management of the Company plans to pay an annual dividend of ¥12 per share, similarly consisting of term-end and interim payments of ¥6 each.

(3) Other

On January 2, 2013, the Company converted consolidated subsidiary Vietnam Japan Gas Co., Ltd. from a limited liability company to a joint stock company and made it into a subsidiary. Accordingly, the Company changed the name of Vietnam Japan Gas Co., Ltd. to Vietnam Japan Gas Joint Stock Company and, with its capital now exceeding 10% of that of the Company, Vietnam Japan Gas Joint Stock Company has become a specified subsidiary of the Company.

5. Matters relating to the business terms, etc. of consolidated subsidiaries

Accounts closing dates of the Company's consolidated subsidiaries are as follows:

December 31: 74 overseas consolidated subsidiaries

March 31: 86 consolidated subsidiaries excluding those noted above

The difference between the closing date of the Company's consolidated accounts and the closing dates for its subsidiaries is within three months. However, for significant transactions that have occurred during the period from January 1, 2014 and the consolidated account closing date of March 31, 2014, the accounts are adjusted where necessary.

6. Segment Information

(1) Overview of reporting segments

The Company regularly reviews segment performance to enable the Board of Directors to make decisions on resource allocation and evaluate results of each segment, based on financial data that can be extracted on an individual segment basis.

The Company recognizes four segments for reporting purposes, the Industrial gas, Electronics, Energy, and Other segments, reflecting a basic breakdown of our businesses by product and service category, and end-user market, each category being a business division. The Industrial gas segment engages in the manufacture and marketing of gases and related equipment to steelmakers, chemical companies and other general industries in Japan and overseas. Please note that the Plants & Engineering business has been folded into the Industrial gas segment as their core customers are similar in nature. Electronics segment engages in the manufacture and marketing of gases and related equipment for electronics companies in Japan and overseas. The Energy segment markets LP gas within Japan. The Other segment includes the Medical Business (marketing of medical-use gas), Thermos Business (manufacture and marketing of housewares) and others.

The principal products and services included in the four segments are shown in the table below.

Business segment	Main products
Industrial gas	Oxygen, nitrogen, argon, carbon dioxide, helium, hydrogen, acetylene, gas- related equipment, cutting and welding equipment, welding materials, plants and machinery
Electronics	Nitrogen, argon, specialty gases (electronic materials gases, pure gases, etc.), electronics-related equipment and installation, semiconductor manufacturing equipment
Energy	Liquid petroleum gas (LPG) and related businesses in Japan
Other	Medical-use gases (oxygen, nitrous oxide, etc.), medical equipment, stable isotopes, housewares, real-estate rental

(2) Method of calculating figures of sales, earnings or losses, assets, liabilities and others of the Company's reporting segments

The accounting procedures for the reporting business segments are listed using figures based on Important Matters Forming the Basis for Preparation of Consolidated Financial Statements.

Segment income figures are for operating income.

Intersegment transactions and transfers are based on the current market price.

(3) Figures of sales, earnings or losses, assets, liabilities and others by reporting segment

FY2013 (April 1, 2012 – March 31, 2013)

(Millions of yen)

	Reporting segments					Adjustment (Notes) 1	Total (consolidated)
	Industrial gas	Electronics	Energy	Other	Total		
Sales							
(1) Sales to external customers	298,073	96,546	40,031	33,736	468,387	—	468,387
(2) Sales from inter-segment transactions and transfers	1,742	157	1,985	2,552	6,437	(6,437)	—
Total	299,816	96,703	42,016	36,289	474,825	(6,437)	468,387
Segment earnings (losses) (Operating income (loss))	21,322	(536)	1,808	3,291	25,885	(1,000)	24,884
Other depreciation	17,977	9,806	446	1,493	29,724	(323)	29,400

Notes

1. The ¥1,000 million negative adjustment for segment earnings comprises ¥383 million of inter-segment eliminations and companywide expenses of ¥1,384 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.
2. The Company has not allocated assets to any business segment.

FY2014 (April 1, 2013 – March 31, 2014)

(Millions of yen)

	Reporting Segments					Adjustment (Notes) 1	Total (consolidated)
	Industrial gas	Electronics	Energy	Other	Total		
Sales (1) Sales to external customers	338,616	98,399	44,511	41,219	522,746	—	522,746
(2) Sales from inter-segment transactions and transfers	2,000	136	2,352	3,385	7,875	(7,875)	—
Total	340,616	98,535	46,863	44,605	530,621	(7,875)	522,746
Segment earnings (losses) (Operating income (loss))	21,933	5,282	1,674	3,782	32,673	(1,183)	31,489
Other depreciation	22,207	9,200	446	1,868	33,722	(214)	33,507

Notes

1. The ¥1,183 million negative adjustment for segment earnings comprises ¥371 million of inter-segment eliminations and companywide expenses of ¥1,554 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.
2. The Company has not allocated assets to any business segment.

(4) Reporting by Geographical Segment**①FY2013 (April 1, 2012 – March 31, 2013)**

Sales (Millions of yen)

Japan	United States	Other	Total
329,771	81,024	57,592	468,387

Note: Sales are classified according to the countries or regions of location of customers.

Property, Plant and Equipment (Millions of yen)

Japan	United States	Other	Total
159,074	82,994	30,073	272,142

②FY2014 (April 1, 2013 – March 31, 2014)

Sales (Millions of yen)

Japan	United States	Other	Total
352,069	102,772	67,905	522,746

Note: Sales are classified according to the countries or regions of location of customers.

Property, Plant and Equipment (Millions of yen)

Japan	United States	Other	Total
161,440	111,813	33,802	307,057