TAIYO NIPPON SANSO
The Gas Professionals

May 11, 2011

Taiyo Nippon Sanso Corporation

Consolidated Business Performance for Fiscal Year 2011

(based on Japan GAAP)

1. Financial result for the FY2011 full term (April 1, 2010 to March 31, 2011)

(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
FY2011	483,620	11.6%	35,468	28.7%	34,167	26.3%	12,736	(19.1)%
FY2010	433,390	(12.6)%	27,556	(5.5)%	27,058	(3.2)%	15,748	(4.7)%

Notes: Comprehensive income
FY2011: ¥(449 million) (101.9)%
FY2010: ¥24,101 million [—%]

	Earnings per share (Yen)	ROE	ROA	Operating Margin
FY2011	31.86	6.5%	5.5%	7.3%
FY2010	39.39	8.3%	4.7%	6.4%

Reference: Equity in earnings of affiliates
FY2011: ¥1,541 million
FY2010: ¥1,385 million

(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 (¥)
FY2011 (March 31, 2011)	617,676	207,416	31.2	481.71
FY2010 (March 31, 2010)	617,215	212,396	32.3	497.92

Reference: Equity
FY2011: ¥192,571 million
FY2010: ¥199,078 million

2. Forecasts for business operations for the FY 2012 full term (April 1, 2011 – March 31, 2012)

(Amounts less than ¥1 million are omitted)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	YoY change	(¥ million)	YoY change	(¥ million)	YoY change	(¥ million)	YoY change	(Yen)
FY2012 (first half)	239,000	0.7%	15,000	(16.8)%	14,000	(21.5)%	7,400	(27.6)%	18.51
FY2012 (full term)	493,000	1.9%	35,000	(1.3)%	32,000	(6.3)%	17,700	39.0%	44.28

3. Outline of Business Performance and Financial Results (consolidated basis)

Business performance for FY2011

(1) Overview

During the reporting term (ended March 31, 2011), despite a generally favorable first half that included brisk export demand backed by economic growth in Asia, especially China and India, as well as the effects of government measures to promote purchases of automobiles, consumer electronics and other products, the Japanese economy experienced a deepening economic slowdown beginning from the autumn of last year. This was primarily due to the end of economic stimulus measures and a decline in exports due to the continuing appreciation of the yen following the loosening of monetary policies in various countries.

Looking at the Group's operating environment, demand for industrial gases in North America was held to a modest increase. Demand for gases in Japan was strong due to continued stable operations in the Company's main user industries such as electronics, steel and chemicals, backed by brisk demand for semiconductors, LCD panels, high-grade steel for automobiles, petroleum-based and other products in China and other Asian countries.

The Taiyo Nippon Sanso Group suffered a temporary crisis in its ability to supply gas products, particularly in the Tohoku (northeast) region. The effects of the Tohoku earthquake and tsunami that struck Japan on March 11 caused extensive damage to the Group's Sendai Sanso Center (Sendai, Miyagi Prefecture) and Pacific Gas Center (Hachinohe, Aomori Prefecture). Further, the operation of production bases in the Tohoku and North Kanto regions was suspended due to power outages, and production facilities were shut down due to scheduled power outages following the earthquake and nuclear power plant accident. Moreover, restrictions were placed on the transportation of products because of road damage and tight supplies of gasoline and light oil.

Under these circumstances, the Group—with the cooperation and understanding of customers, freight transport companies, and other relevant parties—worked hard and focused its efforts on stable product supply, with a priority on medical use oxygen for maintaining health and saving human lives and nitrogen gas for ensuring process safety at customer's manufacturing facilities.

As a result, sales rose 11.6% year on year, to ¥483,620 million. On the earnings front, as a result of ongoing Group efforts to reduce costs and streamline operations through improved distribution efficiency of liquefied gas and better procurement management of equipment and materials, operating income came to ¥35,468 million, up 28.7% year on year, and ordinary income was ¥34,167 million, up 26.3%. However, because a provision was recorded to cover costs incurred due to the enforcement of the Anti-Monopoly Act, disaster-related costs and others, net income declined 19.1% year on year, to ¥12,736 million.

On a non-consolidated basis, sales were up 7.8% year on year, to ¥242,320 million, while operating income surged 43.5%, to ¥20,543 million, ordinary income jumped 50.9%, to ¥23,985 million. Net income, on the other hand, slipped 20.9%, to ¥8,381 million due to posting of various provisions.

(2) Breakdown of business performance by operational segment

Industrial Gases Business

Demand for piped gaseous oxygen and nitrogen from steel and chemical companies, the primary users of these piped gases, increased substantially, while demand for liquefied oxygen and nitrogen from small- and medium-sized users in Japan and abroad remained strong. Gas sector sales exceeded those of the previous fiscal year thanks to steady demand for argon for use in stainless steel smelting and welding and the benefits gained from mergers and acquisitions in North America.

Sales of cutting and welding equipment and materials surpassed those of the previous fiscal year due to economic recovery in North America and a moderate pick up in demand from the automotive, shipbuilding and construction industries in Japan.

Thanks to generally favorable sales of machinery and equipment such as cryogenic air separation plants mainly for large-scale construction projects, sales for related equipment and engineering greatly exceeded those of the previous fiscal year.

As a result, sales for the Industrial Gases Business rose 10.6% year on year, to ¥288,644 million, and operating income surged 34.2%, to ¥24,128 million.

Electronics Business

Demand from the electronics industry, our primary customer, was firm, especially in China and other Asian countries. Reflecting this trend, sales of mainstay electronics-related gases was well-above that of the previous fiscal year. Contributing to this increase was steady demand from LCD panel manufacturers including the Green Front Sakai factory complex, as well as from semiconductor-related industries. Further support came from rebounding demand from South Korean and Taiwanese semiconductor and LCD panel manufacturers and steady demand for argon for use in silicon single crystals.

Electronics related equipment and installation projects progressed largely according to plan, with record shipments of compound semiconductor manufacturing equipment (metal organic chemical vapor desposition, MOCVD) used for LED chips and power devices. Accordingly, sales in this sector were beyond those of the previous fiscal year.

As a result, sales for the Electronics Business increased 14.3% year on year, to ¥126,495 million, and operating income climbed 28.4%, to ¥8,453 million.

Energy Business

With the purchase price of LP gas rising due to skyrocketing import prices, despite a slight decrease in consumer demand, sales of LP gas were substantially above those of the previous fiscal year due to a pick up in industrial demand.

As a result, sales for the Energy Business increased 16.4% year on year, to ¥37,643 million, while operating income rose 10.7%, to ¥1,400 million.

Other Businesses

In the Medical Business, sales surpassed those of the previous fiscal year on the back of continued strong demand for medical use oxygen and oxygen concentrators for home use. In the Thermos Business, earnings were above those of the previous fiscal year thanks to the steady growth of shipments of mainstay sports-use vacuum flasks and portable mugs due to the summer heat wave and a sales promotion during the fall.

As a result, sales for other business rose 4.9% year on year, to ¥30,836 million, and operating income slipped 8.0%, to ¥3,041 million.

(3) Prospects for FY 2012

Under present global economic conditions, the forecast is for growth in Asian countries including China to continue and the U.S. market to remain strong. A slowdown of economic growth is expected in Japan due to the impact of the Tohoku earthquake and tsunami, so the future overall remains uncertain.

Against this backdrop, the TNS Group will make stable product supply a top priority and take steps to further improve earnings by implementing key strategies including the focusing of its business resources on growing markets and regions.

Because of the Tohoku earthquake and tsunami, conditions from here on are likely to change from moment to moment. As for future prospects, we made the following forecasts in light of what can be assumed at this juncture, and may have to revise our earnings forecast if needed.

(Billions of yen)

	Net sales	Operating income	Ordinary income	Net income
FY2012	493.0	35.0	32.0	17.7
FY2011	483.6	35.4	34.1	12.7
YoY change (%)	1.9	(1.3)	(6.3)	39.0

Note: For the purposes of these forecasts, the average exchange rate of the Japanese yen against the U.S. dollar in FY2012 is assumed to be ¥85/$1

4. Segment information

(1) Results by operating segment

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) 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-use gases (oxygen, nitrous oxide, etc), 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

(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.

(2) Results by geographical segment

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

(Millions of yen)

	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) Countries and regions are segmented by their geographical proximity.

(2) 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.

(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.

(3) Segment Information

FY2011 (April 1, 2010 to March 31, 2011)

①. Segment Reporting

The Company is now required to regularly review 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 Gases Business, Electronics Business, Energy Business, and Other Businesses, reflecting a basic breakdown of our businesses by product and service category, and end-user market, each category being a business division. The Industrial Gases Business 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 Gases Business as their core customers are similar in nature. The Electronics Business engages in the manufacture and marketing of gases and related equipment for electronics companies in Japan and overseas. The Energy Business segment markets LP gas within Japan. The Other Businesses segment includes the Medical Business (marketing of medical-use gas), Thermos Business (manufacture and marketing of housewares) and others.

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

②. The Method for Calculating Figures of Sales, Earnings, or Losses, Assets, Liabilities and Others

The accounting procedures for the reporting business segments are the same as contained in "Basis of Presenting 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 Segement

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

(Millions of yen)

	Reporting Segments					Adjustment	Total (consolidated)
	Industrial Gases	Electronics	Energy	Others	Total		
Sales							
(1) Sales to external customers	261,003	110,636	32,344	29,406	433,390	-	433,390
(2) Sales from inter-segment transactions and transfers	1,024	106	1,358	2,670	5,160	(5,160)	-
Total	262,027	110,742	33,703	32,077	438,551	(5,160)	433,390
Operating income	17,981	6,583	1,265	3,306	29,136	(1,580)	27,556
Other depreciation	18,018	9,466	548	1,550	29,584	559	30,143

Notes
1. The ¥1,580 million negative adjustment for segment earnings comprises ¥196 million of inter-segment eliminations and companywide expenses of ¥1,383 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 TNSC has not allocated assets to any business segment.

FY2011 (April 1, 2010 – March 31, 2011)

(Millions of yen)

	Reporting Segments					Adjustment	Total (consolidated)
	Industrial Gases	Electronics	Energy	Others	Total		
Sales							
(1) Sales to external customers	288,644	126,495	37,643	30,836	483,620	-	483,620
(2) Sales from inter-segment transactions and transfers	1,724	102	1,848	2,768	6,442	(6,442)	-
Total	290,368	126,597	39,491	33,604	490,062	(6,442)	483,620
Operating income	24,128	8,453	1,400	3,041	37,024	(1,555)	35,468
Other depreciation	19,594	9,607	837	1,628	31,668	499	32,167

Notes
1. The ¥1,555 million negative adjustment for segment earnings comprises ¥186 million of inter-segment eliminations and companywide expenses of ¥1,369 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 TNSC has not allocated assets to any business segment.

(Additional Information)
FY2011 (April 1, 2010 to March 31, 2011)
Beginning from the fiscal year under review, the Company and its consolidated subsidiaries began applying "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information " (ASBJ Statement No. 17, March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008).