May 14, 2008

Business Performance for the Fiscal 2007

(on a consolidated basis)

1. Outline of business operations for fiscal 2007 (April 1, 2007 to March 31, 2008)

(1) Operating results (on a consolidated basis)

(Amounts less than ¥1 million are omitted.)

	Sales		Operating profit		Recurring profit		Net income	
	(¥ million)	(YoY change)	(¥ million)	(YoY change)	(¥ million)	(YoY change)	(¥ million)	(YoY change)
FY2007	507,718	10.7%	38,783	6.3%	38,510	3.9%	21,930	9.1%
FY2006	458,587	15.4%	36,488	36.2%	37,067	36.7%	20,094	39.1%

	Earnings per share (Yen)	ROE	ROA	Operating margin
FY2007	54.48	10.8%	7.0%	7.6%
FY2006	49.93	10.6%	7.3%	8.0%

Notes:

Equity in gains of affiliated companies

FY2007: ¥1,305 million

FY2006: ¥1,300 million

Operating Results and Financial Position

(1) Operating Results

1. Overview

During the reporting term, ending March 2008, the Japanese economy continued its steady expansion, but signs became apparent toward the end of the term that the end of this growth was at hand. This is because of fears that the U.S. financial crisis -- and the resultant instability of the world economy -- would soon come to impact exports, corporate earnings, and other aspects of Japan's real economy. Overseas, meanwhile, the slowdown of the U.S. economy became more undeniable. This led to a corresponding slowdown in exports from China, which had been posting continuous and rapid growth for several years. Overall future prospects became darker toward the end of the reporting term.

Regarding the TNSC Group's principal customer segments, steelmakers enjoyed another year of good business thanks to continued strong demand from automakers and shipbuilders for high-end steel products. The chemical industry's prospects were darkened somewhat by rising naphtha prices, stemming from the rise in crude oil prices, but demand for high-performance resins by makers of motor vehicles and consumer appliances remained firm. The chemicals manufacturers thus finished the year with a gradual growth trend. In the electronics industry, growth in demand for memory chips and flat panel displays (FPD) for digital consumer appliances allowed the manufacturers to post good business performances.

In these circumstances, the TNSC Group continued to pursue the principal goals under its 1st medium-term plan which started in fiscal 2006 (dubbed Global 5000: Stage 1) of an expansion in business scale and a further improvement in management efficiency. The medium-term plan is aimed primarily at transforming TNSC into the first Japan-originated major manufacturer (by world standards) of industrial gases. During the reporting term, TNSC made active use of M&A, and implemented capital investments predicated on a projected future demand increase laying the groundwork for future business expansion.

In the reporting period, which was the second year under the present medium-term management plan, we established the subsidiary Sakai Gas Center Co., Ltd. to supply nitrogen and other gases to the companies of the “Manufacturing complex for the 21st-century” under construction in Sakai City, Osaka Prefecture (main plant operator to be Sharp Corporation). In Kyushu, jointly with Nippon Steel Corporation, we set up Yahata Kyodo Ekisan K.K. as a maker and supplier of industrial gases.

Other developments during the term included the construction in July of the No. 3 air separation plant on the premises of National Oxygen Private Limited in Singapore, and the start-up in February 2008 of the No. 2 air separation plant at Ingasco, Inc. in the Philippines. These initiatives are part of TNSC’s overall preparations to cope with an expected increase in demand for industrial gases in Southeast Asia as a result of the projected growing influx into the region of major semiconductor manufacturers.

In China, where demand is growing fast, we signed an investment agreement with the Dalian Changxing Island Harbor Industrial Zone Administrative Committee. This has allowed us to secure a base for the exclusive supply of industrial gases to companies that are expected to move into the zone, including major firms in the shipbuilding and petrochemical industries.

With a leading U.S. manufacturer, we set up a joint venture for the production of helium, which is in short supply in the U.S. market. This move constitutes one step further toward the Group’s goal of positioning itself as a leading helium producer, and thereby ensuring a reliable long-term supply of helium to customers in Japan.

During the reporting term we also established Nippon Ekitan Corporation – the largest producer of carbon dioxide in Japan; integrated our gas operations in the three Shikoku prefectures of Tokushima, Kagawa, and Kochi into a single company under the name of

Shikoku Taiyo Nippon Sanso Co., Ltd.; and amalgamated two sales companies operating mainly in the Kinki region into the single company Saan-Tech Corporation. All these moves were made with the aim of creating a more efficient Groupwide operating system.

As a result of the above, the Group experienced firm sales in its mainstay gas operations, both in Japan and overseas. Good growth was also recorded in equipment sales, while new companies acquired during the previous term in the United States, including Linweld Inc. and the helium business of the former BOC Group plc, made a contribution to business performance for the reporting term. Sales for the term on a consolidated basis came to ¥507,718 million, an increase of 10.7% over the previous year.

At the earnings level, changes in the taxation regulations caused an increase in the amounts recorded as depreciation expenses by Group companies located in Japan, and increases were also seen in transportation costs. However, the cost to sales ratio declined thanks to a higher capacity utilization rate for gas production facilities, and the Group concentrated efforts on pushing through increases in selling prices to offset the higher prices of unprocessed gases purchased from other companies. As a result, operating profit came to ¥38,783 million (up 6.3% year-on-year), and recurring profit came to ¥38,510 million (up 3.9%).

Extraordinary profits were recognized on the sale of property, plant & equipment, and from other sources, while extraordinary losses were recognized, mainly in the form of the costs of liquidation of affiliated companies. As a result, net income from the reporting term was ¥21,930 million, an increase of 9.1% over the previous term.

The targets laid down under the current medium-term plan (i.e. sales of ¥450,000 million and net income of ¥20,000 million for achievement in fiscal 2008) were achieved in fiscal 2006, two years ahead of schedule. In fiscal 2007, the reporting term, we reached our medium-to-long-term target of ¥500,000 million in sales on a consolidated basis, and the Group is now ready to embark on a new growth phase.

2. Breakdown of Performance by Division

The Gas Business

In our mainstay business -- the production and supply of oxygen, nitrogen, and argon – sales volume was firm thank to brisk business activity by users, and the value of sales was also strong, exceeding the previous year's level thanks mainly to the expansion of our U.S. operations.

Both sales volume and sales value in oxygen operations surpassed the previous year's levels, thanks to increased demand from the steelmaking and shipbuilding industries. Similar growth in both volume and value was recorded by sales of nitrogen. This was the result of increased on-site supply to electronics manufacturers, who have been implementing continued brisk capital investment, as well as growth in demand for liquefied nitrogen from users involved in chemicals, steelmaking, food processing, and many other industries. Argon sales (both volume and value) also posted year-on-year growth thanks to increased demand, principally from silicon wafer manufacturers, who were boosting their production capacity, as well as from stainless steel smelters and for use in welding.

In the field of other industrial gases, sales of carbon dioxide held firm in both volume and value on shipments to shipbuilders and automakers, while helium also held firm on the strength of shipments to manufacturers of consumer electronics and optical fibers. M&A operations carried out in the United States in fiscal 2006 succeeded in expanding the Group's business scale there, leading to major year-on-year growth in both sales volume and value. Sales of specialty gases also posted sharp year-on-year gains thanks to good sales to the electronics industry, particularly makers of semiconductors and LCDs, who had invested heavily in production capacity expansion in the previous term and maintained high capacity utilization ratios during the term. Strong demand from China and Taiwan was also a factor.

As a result, sales of the Gas Business (excluding intra-Group transactions) posted a year-on-year increase of 10.8% to ¥338,347 million, while operating profit rose 14.6% to ¥30,945 million.

Machinery and Equipment Business

Sales of electronic equipment posted good results for the term under review, thanks to brisk investment in production capacity strengthening by the Group's main customers – makers of semiconductors and LCDs. We received a large number of inquiries for compound semiconductor manufacturing equipment, based on forecasts of higher demand in the near future, but sales declined on a year-on-year comparison owing to the non-repetition of the large-scale orders delivered toward the end of the previous business term.

In cutting and welding equipment, we enjoyed higher sales both in Japan and overseas. Sales were particularly good in laser cutting equipment and NC cutters, thanks to high capacity utilization rates in the steel, shipbuilding, and construction machinery industries. As a result of this factor, plus the contribution made by the U.S. company Linweld Inc., which was acquired in the previous term, sales of cutting and welding equipment as a whole recorded a sharp year-on-year increase.

Sales of air separation plants held firm as a result of continued capital investment by domestic electronics and steel makers, as well as strong demand from South Korea and Taiwan.

As a result of the foregoing, sales of machinery and equipment (excluding intra-Group transactions) rose 10.8% year-on-year, to ¥151,717 million, while operating profit was down 10.5% at ¥10,400 million.

Housewares Business and Others

Sales of the TNSC Group's housewares products, which are manufactured and sold primarily by Thermos K.K., posted a substantial growth over the previous year. This was largely due to good sales of sports-use insulated flasks -- courtesy of the good weather – plus firm sales of personal-use small insulated flasks, and of thermal cookers.

As a result, sales of the Housewares Business (excluding intra-Group transactions) registered a year-on-year increase of 8.6% to ¥17,653 million, while operating profit was up 6.1% at ¥1,932 million.

Forecasts for Fiscal 2008

Looking at the near-term prospects for the Japanese economy, negative factors such as the likely slowdown of the U.S. economy, the appreciation of the yen, weak share prices, and rising prices of raw materials appear to be multiplying at a fast pace.

The business environment of the TNSC Group shows a mixed picture. On the one hand, the production volumes of the steel, chemicals, and electronics industries are still high. On the other hand, prices of raw materials and fuels continue to rise, and the yen's appreciation is expected to adversely affect Japan's export business. Optimism is thus unwarranted, and the Group will push steadily forward with further measures to ensure adequate earnings under the current medium-term plan.

The table below shows our business performance forecasts for fiscal 2008, the current term, on a consolidated basis. As a result of the unification of accounting procedures at all our overseas subsidiaries, expenses for the amortization of goodwill posted by these subsidiaries in the amount of ¥1,300 million, and an increase in depreciation expenses of ¥2,500 million in line with a change in the useful life of equipment (in line with amendments to Japanese tax regulations) have been taken into account in the calculation of operating expenses. As a consequence, profits at all levels are predicted to record year-on-year declines.

(¥ billions; %)

	Net Sales	Operating Profit	Recurring Profit	Net Income
FY2008	527.0	38.4	37.5	21.0
FY2007	507.7	38.7	38.5	21.9
Year-on-year change (%)	3.8	(1.0)	(2.6)	(4.2)

Notes:
1. Year-on-year percentage declines are shown in parentheses.
2. These forecasts are made on the assumption of an average exchange rate of ¥105 per U.S. dollar.

Segment information

a. Results by operating segment

Fiscal 2006 (April 1, 2006 to March 31, 2007)

(Millions of yen)

	Gas Business	Machinery and Equipment Business	Housewares Business and Others	Total	Eliminations or Corporate	Consolidated
I. Sales and Operating Profit						
Sales						
(1) Sales to customers	305,442	136,896	16,248	458,587	-	458,587
(2) Sales from inter-segment transactions and transfers	99	12,299	182	12,581	(12,581)	-
Total	305,542	149,196	16,430	471,169	(12,581)	458,587
Operating Expenses	278,545	137,581	14,608	430,735	(8,635)	422,099
Operating Profit	26,996	11,615	1,822	40,434	(3,945)	36,488
II. Assets, Depreciation, Impairment and Capital Expenditures						
Assets	378,606	72,182	19,101	469,890	77,900	547,791
Depreciation	18,607	1,695	612	20,915	294	21,210
Impairment loss	-	-	-	-	813	813
Capital Expenditures	32,941	1,800	1,426	36,168	(277)	35,891

Fiscal 2007 (April 1, 2007 to March 31, 2008)

(Millions of yen)

	Gas Business	Machinery and Equipment Business	Housewares Business and Others	Total	Eliminations or Corporate	Consolidated
I. Sales and Operating Profit Sales (1) Sales to customers	338,347	151,717	17,653	507,718	-	507,718
(2) Sales from inter-segment transactions and transfers	19	11,720	150	11,890	(11,890)	-
Total	338,366	163,438	17,804	519,608	(11,890)	507,718
Operating Expenses	307,421	153,037	15,871	476,331	(7,396)	468,934
Operating Profit	30,945	10,400	1,932	43,277	(4,494)	38,783
II. Assets, Depreciation, Impairment and Capital Expenditures						
Assets	394,125	75,178	19,322	488,626	58,611	547,237
Depreciation	22,507	2,121	647	25,276	230	25,506
Impairment loss	-	-	-	-	49	49
Capital Expenditures	33,312	2,081	826	36,220	40	36,260