

September 28, 2012
Taiyo Nippon Sanso Corporation

Notice Concerning the Posting of Extraordinary Losses as a result of the termination of joint activities for the manufacturing of specialty gas

At the Board meeting held on September 28, 2012, Taiyo Nippon Sanso Corporation (“Taiyo Nippon Sanso“ or “the Company”) resolved to terminate the joint activities with Evonik Degussa Japan (“EDJ”) for the manufacturing of monosilane gas. As a result of the termination of the joint activities, the Company will post extraordinary losses to its consolidated statements of income for the second quarter of fiscal year 2013.

1. The Posting of Extraordinary Losses

1) Background and Details

In April 2009, Taiyo Nippon Sanso entered into an agreement for collaboration with EDJ to produce monosilane gas. The Company’s objective of this collaboration was to capture the growing global demand of monosilane gas and to expand its business in the markets of liquid crystal display (LCD), solar cells, and semiconductor devices. The joint activities were projected to realize high quality production, cost competitiveness, and a reliable supply chain of monosilane gas. As part of the joint activities, a manufacturing plant was constructed in Yokkaichi city, Mie Pref. and the products were started shipping in September 2011.

During the time the joint activities were being established and the Yokkaichi plant was being constructed, the US financial crisis accelerated and soon thereafter spread to a global economic downturn which resulted in the continual decrease in demand from all of the Electronics related markets. Furthermore, both power supply concerns after the Great East Japan Earthquake and the excessive appreciation of Japanese Yen compounded the situation to further shrink the production of thin-film silicon solar cells and LCD, both of which were expected to increase in demand in Japan. These unfavorable circumstances caused a dramatic decrease to the original plan of the joint activities for both the production and sale of monosilane gas.

Faced with the global recession, Taiyo Nippon Sanso has made great efforts to attempt to accomplish the reductions in manufacturing costs and expenses, and has worked tirelessly to expand the sales in China and other Asian markets. However, market conditions have not improved due to the stagnant demand in the global market and the drop of selling price caused by the oversupply. The Company has now recognized that the business of producing and selling monosilane gas will not recover for some time and that it is forced to terminate the joint activities for manufacturing monosilane gas.

2) Outline of Extraordinary Losses

Taiyo Nippon Sanso and EDJ have agreed to terminate the agreement of joint activities, effective on September 30, 2012, for the production and sale of monosilane gas and, as a result, the Company will post the following extraordinary losses to its consolidated statements of income for the second quarter of fiscal year 2013.

A) Penalty for the early termination of the agreement of joint activities	Approx.	JPY 19.8 billion
B) Losses for the liquidation of the joint venture (operation for refinery and quality control) and other related costs	Approx.	JPY 3.5 billion
Total	Approx.	JPY 23.3 billion

2. Reduction of Executive Compensation

In response to the financial impact from the extraordinary losses, the Company will reduce the executive compensation for those board of directors who are newly assigned today.

1) Details of Executive Compensation Reduction

Chairman, President	20% of Compensation
Executive Vice President, Senior Managing Directors	15% of Compensation
Executive Advisor, Vice Chairman, Managing Directors, Executive Directors	10% of Compensation

2) Period of Reduction

The reduction in executive compensation shall continue for one year starting in October 2012.

3. Revised Forecast

The extraordinary losses are reflected in the financial results forecasts announced today, which is located in the document titled “Notice of Revision to the Consolidated Financial Forecasts, and Announcement of the Non-consolidated Financial Results”.

4. Cash dividends of fiscal year 2013

The Company is not changing its projection of cash dividends (JPY6.00 semi-annually) for the fiscal year 2013 as previously announced on May 9, 2012.