

A world map composed of a grid of small dots, transitioning from light blue at the top to a darker blue at the bottom.

# Emerging onto a Still Wider Stage

## Consolidated Business Performance for the Full-Year of the FYE2020

May 21, 2020



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The Gas Professionals

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# Business Performance for the Full Year of FYE2020

## Overview



Ortus Stage 2

# Overview of business performance

(Billions of yen)

	FYE2019 Result Margin	FYE2020 Result Margin	YoY Change	FYE2020 Forecast (Announced on Feb.5) Margin
<b>Revenue</b>	740.3	850.2	+109.9 +14.8%	855.0
<b>Core operating income</b>	65.8 8.9%	90.3 10.6%	+24.5 +37.2%	91.5 10.7%
Non-recurring profit and loss	1.0	3.5	+2.5	3.5
<b>Operating income</b>	66.8 9.0%	93.9 11.0%	+27.1 +40.5%	95.0 11.1%
<b>Net income attributable to owners of the parent</b>	41.2 5.6%	53.3 6.3%	+12.1 +29.2%	54.0 6.3%

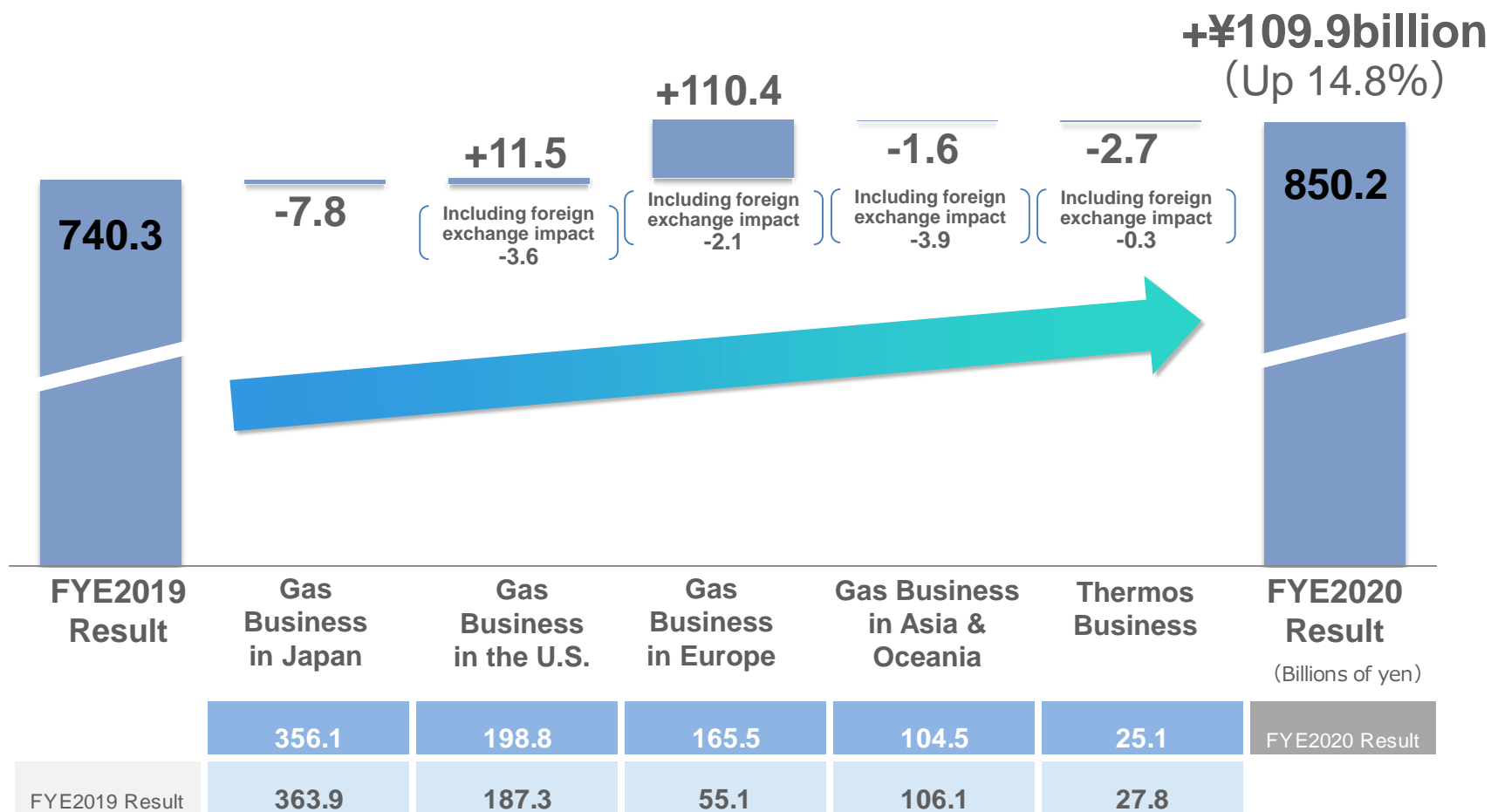
- Foreign currency translations (average rate during the period)

(Yen)	USD (US\$)	EUR (€)	AUD (AU\$)
FYE2019	111.07	125.70	80.77
FYE2020	108.95	120.85	73.81

- In its FYE2019 results, the Company has recorded advisory costs of ¥2.7 billion on core operating income in connection with the acquisition of European businesses.

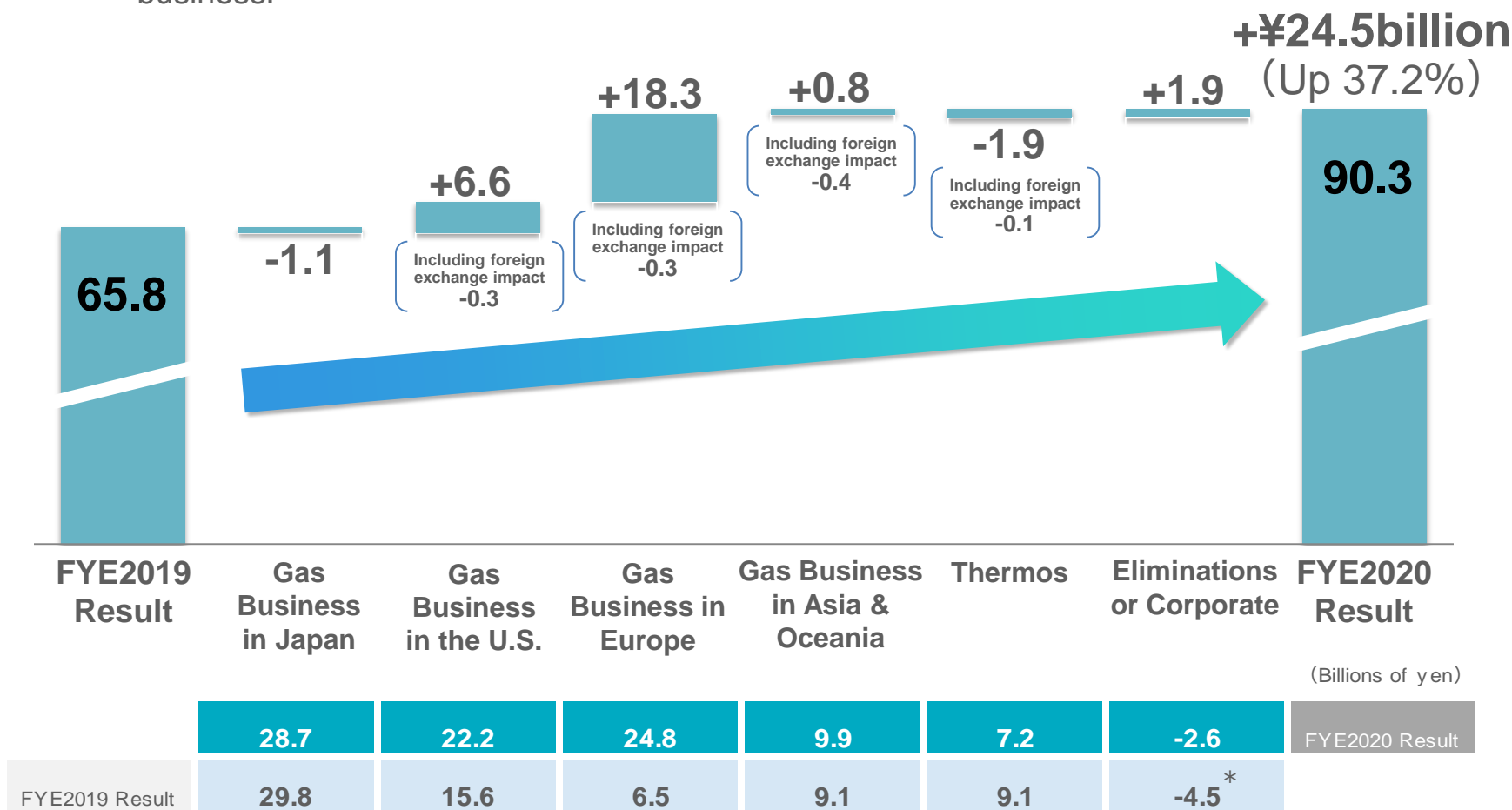
## Overview of Business Performance: Reasons for Changes in Revenue

- Revenue expanded significantly due to contributions made by the purchase of Praxair, Inc.'s European operations in the previous fiscal year and Linde AG's U.S. HyCo business. These contributions were partly offset by a decrease in revenue in the Thermos Business, in addition to a decline in demand for bulk gases in Japan and Asia.



# Overview of business performance: Reasons for Change in Core Operating Income

- Earnings rose substantially due to a solid performance by the gas business in the U.S. and the full-year contribution of earnings from the European businesses and the U.S. HyCO business. These positive factors were partly countered by a decline in earnings due to decreased revenue in the bulk gas business in Japan and lower earnings in the Thermos business.



\*In its FYE2019 results, the Company has recorded advisory costs of ¥2.7 billion on core operating income in connection with the acquisition of European businesses.



# Business Performance for the Full Year of FYE2020

## Business Performance by Segment



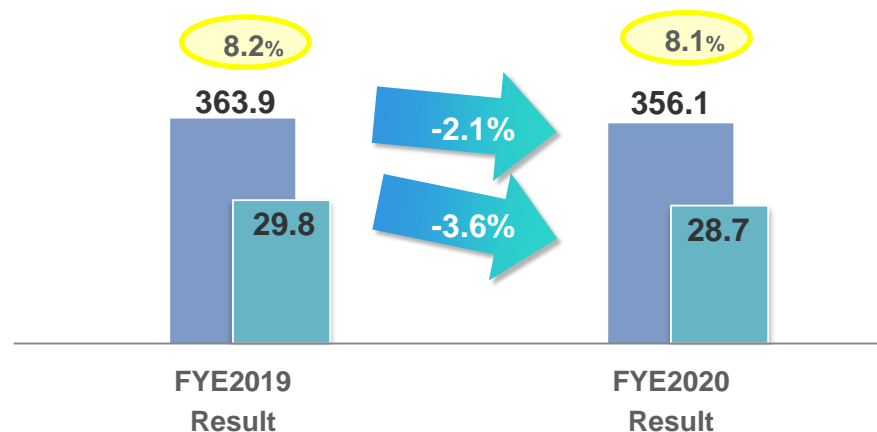
# Business Performance by Segment : Gas Business in Japan

## Gas Business in Japan

(Billions of yen)

	FYE2019 Result	FYE2020 Result	YoY Change
Revenue	363.9	356.1	-7.8
Segment income (core operating income)	29.8	28.7	-1.1

■ Revenue  
■ Segment income  
○ Segment profit margin



### Reasons for changes in revenue

- Bulk & On-site (Air separation gases):  
Earnings decreased, primarily in key industries
- Gas-related and plant, other (Medical):  
Contribution from acquisition of IMI Co., Ltd., a medical equipment sales company

### Reasons for changes in segment income

- Bulk & On-site (Air separation gases):  
Lower earnings from decreased revenue
- Contribution from acquisition of IMI Co., Ltd., a medical equipment sales company



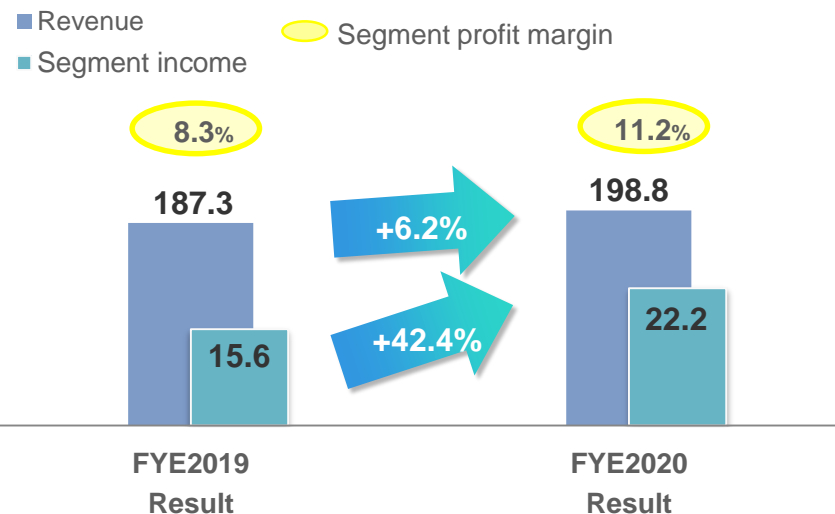
# Business Performance by Segment : Gas Business in the U.S.

## Gas Business in the U.S.

(Billions of yen)

	FYE2019 Result	FYE2020 Result	YoY Change
Revenue	187.3	198.8	+11.5
Segment income (core operating income)	15.6	22.2	+6.6

\*Impact of foreign currency translation: negative impacts of ¥3.57 billion on revenue and ¥0.30 billion on segment income.



### Reasons for changes in revenue

- Bulk: Firm shipments centered around air separation gases. Shipments of carbon dioxide gas increased due to the start of operation of a new plant.
- On-site: Start of operation of new projects, contribution from acquisition of HyCO business

### Reasons for changes in segment income

- Industrial gas-related business was generally firm, centered on air separation gases.
- Production and logistics costs for bulk gases increased
- Contribution from acquisition of HyCO business

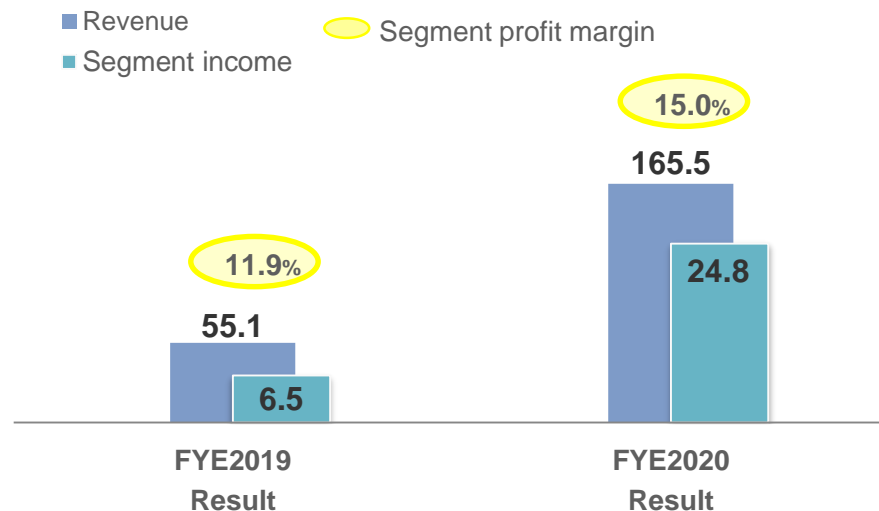
# Business Performance by Segment : Gas Business in Europe

## Gas Business in Europe

(Billions of yen)

	FYE2019 Result	FYE2020 Result	YoY Change
Revenue	55.1	165.5	+110.4
Segment income (core operating income)	6.5	24.8	+18.3

\*Impact of foreign currency translation: negative impacts of ¥2.12 billion on revenue and ¥0.25 billion on segment income.



- Revenue increased 1.4% year on year to ¥163.4 billion for the Gas Business in Europe from April 1, 2018 to March 31, 2019, assuming the acquisition date of the European business acquired from U.S. company Praxair, Inc. was April 1, 2018. The actual acquisition was completed in December 2018.  
(The rate of €1=¥120.85 applicable for FYE2020 results has been used for conversions to yen)
- Looking at year-on-year changes in revenue by key region (on a local currency basis), Iberia (Spain/Portugal) was down 2%, Italy was down 1%, Germany rose 2%, Benelux (Belgium/Netherlands) increased 5% and Scandinavia (Norway/Sweden) grew by 1%.
- Revenue in Spain, Italy and certain other countries decreased in March compared with the same month a year earlier due to the spread of coronavirus disease 2019 (COVID-19).

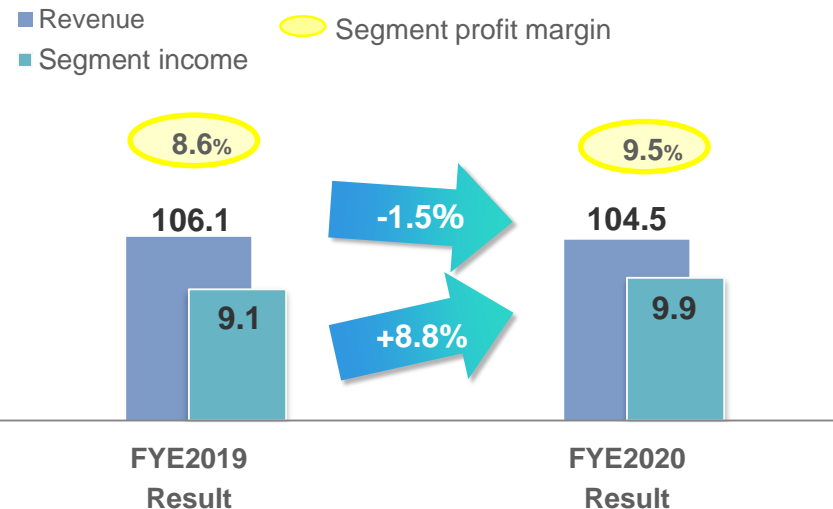
# Business Performance by Segment : Gas Business in Asia and Oceania

## Gas Business in Asia and Oceania

(Billions of yen)

	FYE2019 Result	FYE2020 Result	YoY Change
Revenue	106.1	104.5	-1.6
Segment income (core operating income)	9.1 <sup>*</sup>	9.9	+0.8

\*Impact of foreign currency translation: negative impacts of ¥3.91 billion on revenue and ¥0.41 billion on segment income.



### Reasons for changes in revenue

- Bulk (Air separation gases): Revenue decreased significantly, mainly in China
- LP gas: Firm sales in Australia
- Specialty gases: Lower shipments of electronic materials gases due to deterioration in the market condition.
- Electronics-related equipment and installation: Revenue in Taiwan rose substantially

### Reasons for changes in segment income

- Profitability improved in the LP gas business in Australia
- Earnings declined due to lower electronic materials gas revenue.

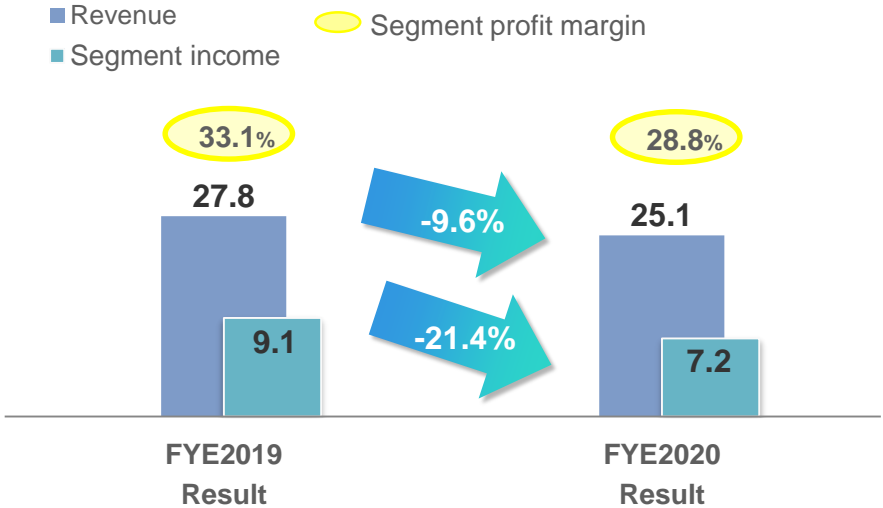
\* In the natural gas liquefaction business under way in Indonesia (a business to provide services to liquefy and transport natural gas for power generation), the Company recorded impairment losses of ¥1.3 billion on assets related to this business due to a decline in future profitability following drastic changes in the market environment surrounding raw material and fuel.

# Business Performance by Segment : Thermos Business

## Thermos Business

(Billions of yen)

	FYE2019 Result	FYE2020 Result	YoY Change
Revenue	27.8	25.1	-2.7
Segment income (core operating income)	9.1	7.2	-1.9



\*Impact of foreign currency translation: negative impacts of ¥0.30 billion on revenue and ¥0.10 billion on segment income.

### Reasons for changes in revenue

- Japan: Sales volume of key products were down due to unseasonable weather (cool summer, warm winter) and spread of COVID-19. Frying pan sales increased
- Overseas: Significant change in the sales environment in South Korea. Operating rate at production plants slumped

### Reasons for changes in segment income

- Japan: Decreased earnings due to lower revenue
- Overseas: Decreased earnings due to lower revenue in South Korea. Decreased due to lower operation rate at production plants. Sales slowed at group companies accounted for by the equity method (exc. some regions).



# Full-Year Forecasts for FYE2021

## Overview



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# Assumptions for Business Forecasts

## Basic approach

- In terms of the outlook, the Company assumes that the current deterioration in global economic conditions caused by the spread of COVID-19 will persist until the first quarter (April-June). In the second quarter (July-September), economic conditions should start to recover in stages. From the third quarter onward, the Company assumes that economic conditions will return to almost normal.

The exchange rate assumptions for business forecasts are US\$1=¥108 and €1=¥120.

## Main reasons for changes in earnings

- Revenue from industrial gases and hard goods are expected to decrease by around 15% year on year in the first quarter, decline by around 10% year on year in the second quarter, and stay mostly unchanged year on year from the third quarter onward. The impact on core operating income is calculated based on the profit margin in each region.
- The direct impact on the operations of electronics-related customers is not very large at this time. Based on this, the Company forecasts higher earnings from higher revenue in Japan and certain other markets, as initially expected.
- In the Thermos business, the Company expects business performance to be impacted by the spread of COVID-19, particularly in the first quarter, mainly in Japan, China and South Korea.
- In other areas, a correction in the prices of items such as bulk gases in Japan and cost reductions in production and logistics operations are expected to push up earnings. Meanwhile, the absence of a one-time gain recorded in the U.S. in the previous fiscal year is expected to push down earnings.

# Full-Year Forecast

(Billions of yen)

	FYE2020 Result Margin	FYE2021 Forecast Margin	YoY Change
<b>Revenue</b>	<b>850.2</b>	<b>830.0</b>	<b>-20.2</b> -2.4%
<b>Core operating income</b>	<b>90.3</b> 10.6%	<b>82.0</b> 9.9%	<b>-8.3</b> -9.2%
Non-recurring profit and loss	<b>3.5</b>	<b>0.0</b>	<b>-3.5</b>
<b>Operating income</b>	<b>93.9</b> 11.0%	<b>82.0</b> 9.9%	<b>-11.9</b> -12.7%
<b>Net income attributable to owners of the parent</b>	<b>53.3</b> 6.3%	<b>44.0</b> 5.3%	<b>-9.3</b> -17.5%

Assumed exchange rate for FYE2021: (US\$→¥): \$1=¥108, (EUR→¥): €1=¥120

In FYE2020, the Company recorded non-recurring profit on the sales of its assets as part of efforts to improve asset efficiency.



# Full-Year Forecasts for FYE2021

## Condensed Consolidated Statements of Cash Flows



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# Condensed Consolidated Statements of Cash Flows

(Billions of yen)

	FYE2020 Results	FYE2021 Forecast	YoY Change
<b>Profit before income taxes</b>	79.1	67.5	-11.6
<b>Depreciation and amortization</b>	83.7	86.0	+2.3
<b>Changes in working capital</b>	3.1	-1.3	-4.4
<b>Other</b>	-16.0	-18.7	-2.7
<b>Cash flows from operating activities</b>	150.0	133.5	-16.5
<b>Capital expenditures</b>	-72.8	-94.1	-21.3
<b>Investment and loans</b>	-0.7	–	+0.7
<b>Other (sale of assets, etc.)</b>	10.9	–	-10.9
<b>Cash flows from investing activities</b>	-62.6	-94.1	-31.5
<b>Free cash flows</b>	87.4	39.4	-48.0
<b>Net interest-bearing debt*</b>	898.3	881.8	-16.5
<b>Adjusted net D/E ratio</b>	1.45x	1.34x	-0.11pt.

- Net interest-bearing liabilities: Interest-bearing debt – cash and cash equivalents
- Adjusted net D/E ratio: (Net Interest-bearing debt – equity-type debt) / (equity attributable to owners of the parent + equity-type debt)
- Equity-type debt: The amount of debt procured by hybrid finance that has been recognized as equity credit by rating agencies. (50% of the procured amount)
- Hybrid finance: A form of debt financing that has features resembling equity, such as voluntary deferral of interest, extremely long-term redemption periods and subordination during liquidation or bankruptcy procedures.



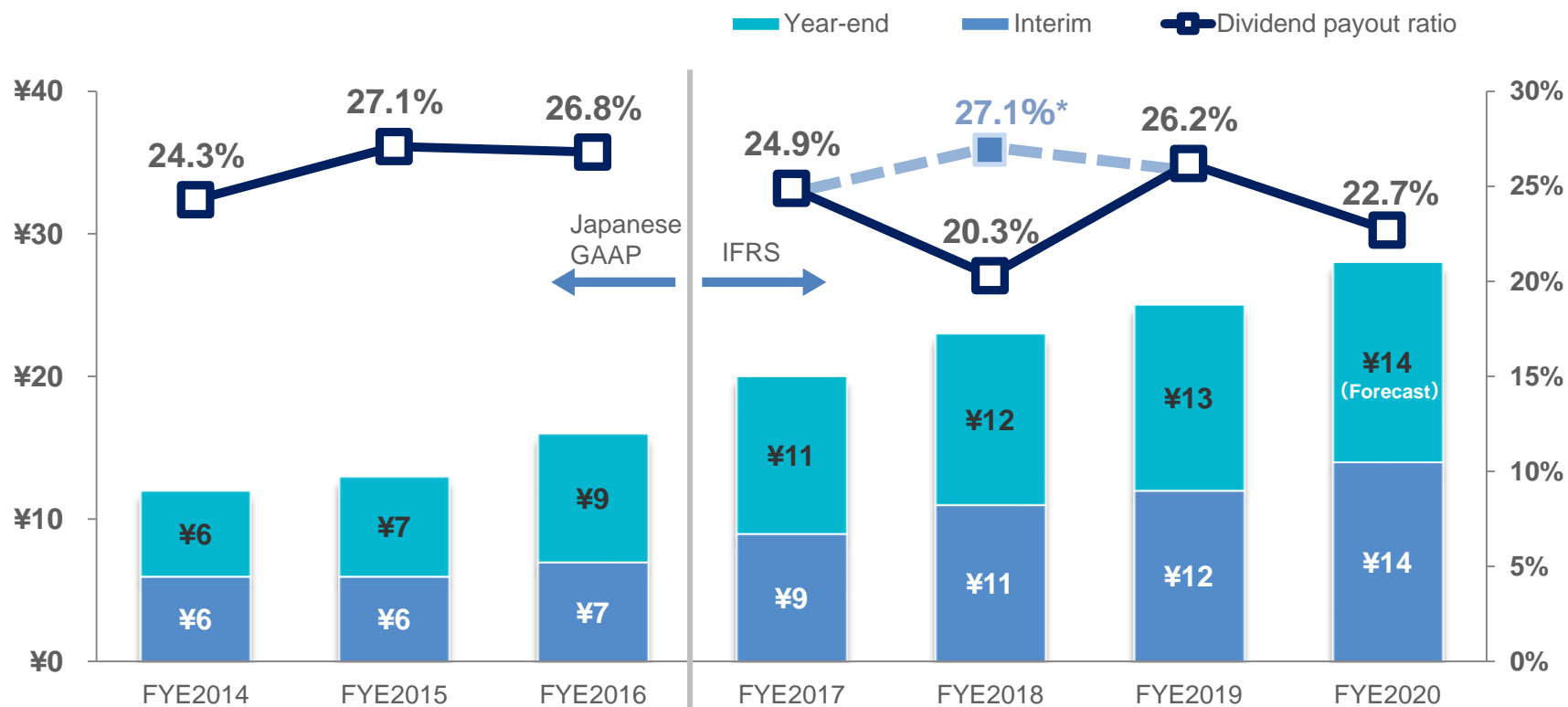
# Shareholder returns



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# Shareholder Returns

Implement a dividend policy linked to business performance, while maintaining a stable dividend.



Net income per share (yen)	FYE2014	FYE2015	FYE2016	FYE2017	FYE2018	FYE2019	FYE2020
	49.42	47.98	59.72	80.28	113.04	95.42	123.26

\*Large-scale corporate income tax reductions arose from a reform of the U.S. tax system that resulted in a lowering of the federal corporate tax rate during FYE2018. Excluding the effects of the above, the dividend payout ratio was 27.1%.



# Close-up on Business Initiatives



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The graphic features a stylized globe of the Earth centered within a circular ring. The ring is divided into three segments: a teal segment at the top, a blue segment on the left, and a green segment on the right. The globe is set against a background of overlapping, curved shapes in various shades of blue and teal, creating a sense of depth and movement.



# Close-up on Business Initiatives

## Gas Business in Japan



Ortus Stage 2

# Close-up on Key Measures in Electronics



## Strategic Direction

- Structural Reform—a key strategy in the Ortus Stage 2 medium-term management plan  
Total TNSC: Seek to maximize group power by augmenting collaboration
- Expand business in gas and peripheral areas (equipment business, etc.)
- Remain customer-oriented at all times and implement a total gas business

### Highlights of specific achievements (Deepening ties with an electronics customer)



On-site supply

Specialty gas supply

Equipment and installation work, etc.

Name of company (Supply base)	Iwate Kurosawajiri Gas Center Corporation [Kitakami City, Iwate Prefecture]
Supply destination	Semiconductor memory manufacture
Major facilities	Three air separation units (ASUs) for joint production of oxygen and nitrogen 12 backup tanks, 34 evaporators
Established	November 2018
Capital	¥ 50 million

# (Reference) About IGSS

- In order to appropriately address the adoption of smart factories\* by users, the Company has developed an Intelligent Gas Supplying System (IGSS) together with users by maximizing the gas handling know-how it has accumulated over the years.

## System components

The Company has developed a supply system that supports users by enabling them to use a tablet to carry out integrated management of a full range of operations related to gas supply, so that they can use gas simply, safely and steadily.



Example of a system component  
(Labor-saving measure: automated cylinder transport system)



- Robots automatically transport gas cylinders weighing more than 50 kg per cylinder.
- Robots identify and map the surrounding space, and then transport and load gas cylinders into operator-designated spaces (containment units).

\*A smart factory generally refers to a factory that continuously and progressively realizes business process transformation and improvements in quality and productivity through such means as the use of digital data.

# Business Measures Introduction

## Gas Business in Overseas (in the U.S. / Asia and Oceania)



Ortus Stage 2

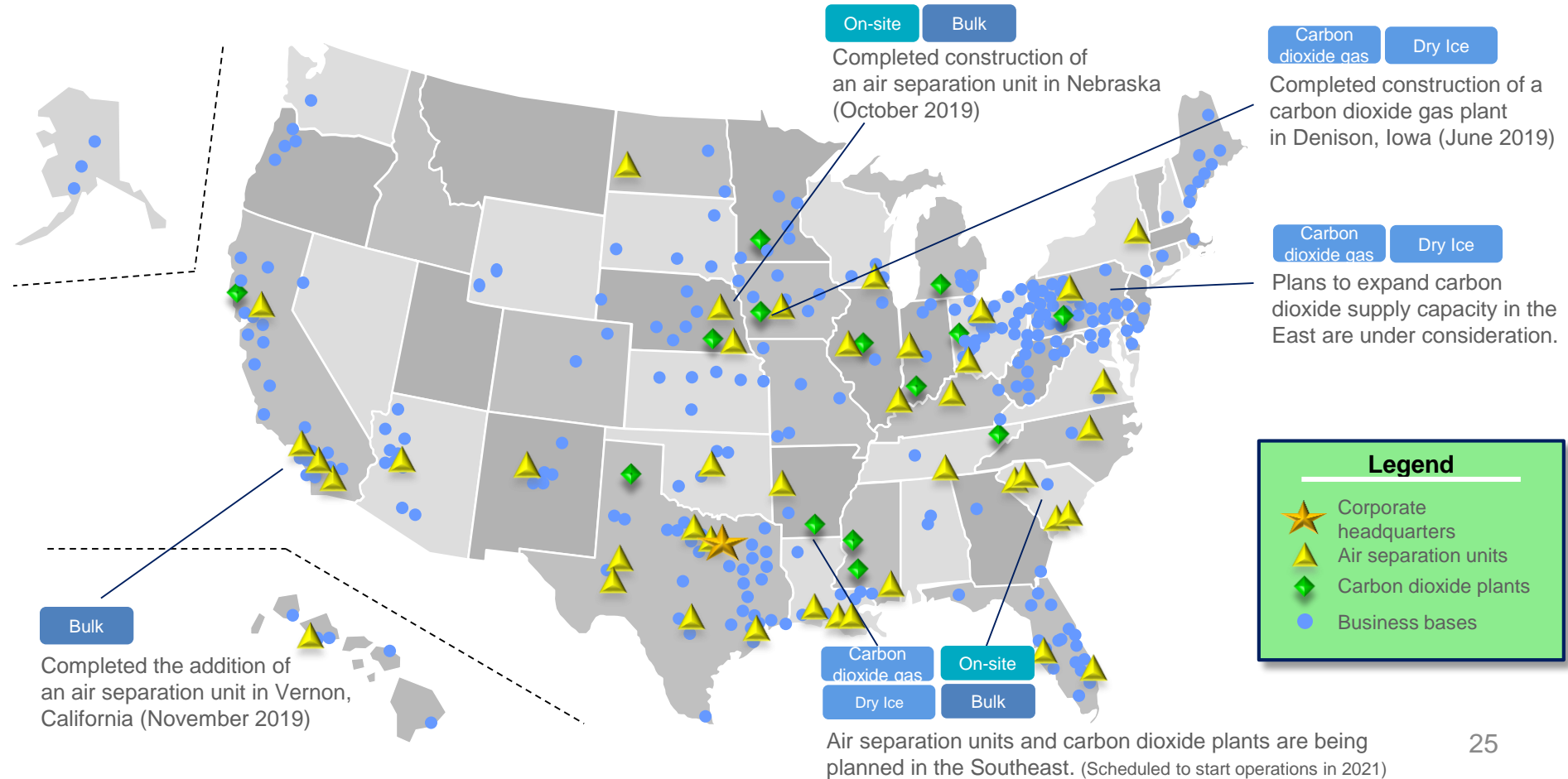


# Gas Business in the U.S.: Major Capital Investment Projects

- Seek to increase the Company's presence further by leveraging its industrial gas production network throughout the U.S.

## Action Plan

- Operations of 2 air separation units and 1 carbon dioxide plant started in the previous fiscal year. Continuously expand production capacity in the bulk gas and carbon dioxide businesses.
- Improve profitability by expanding sales from new plants and managing prices.

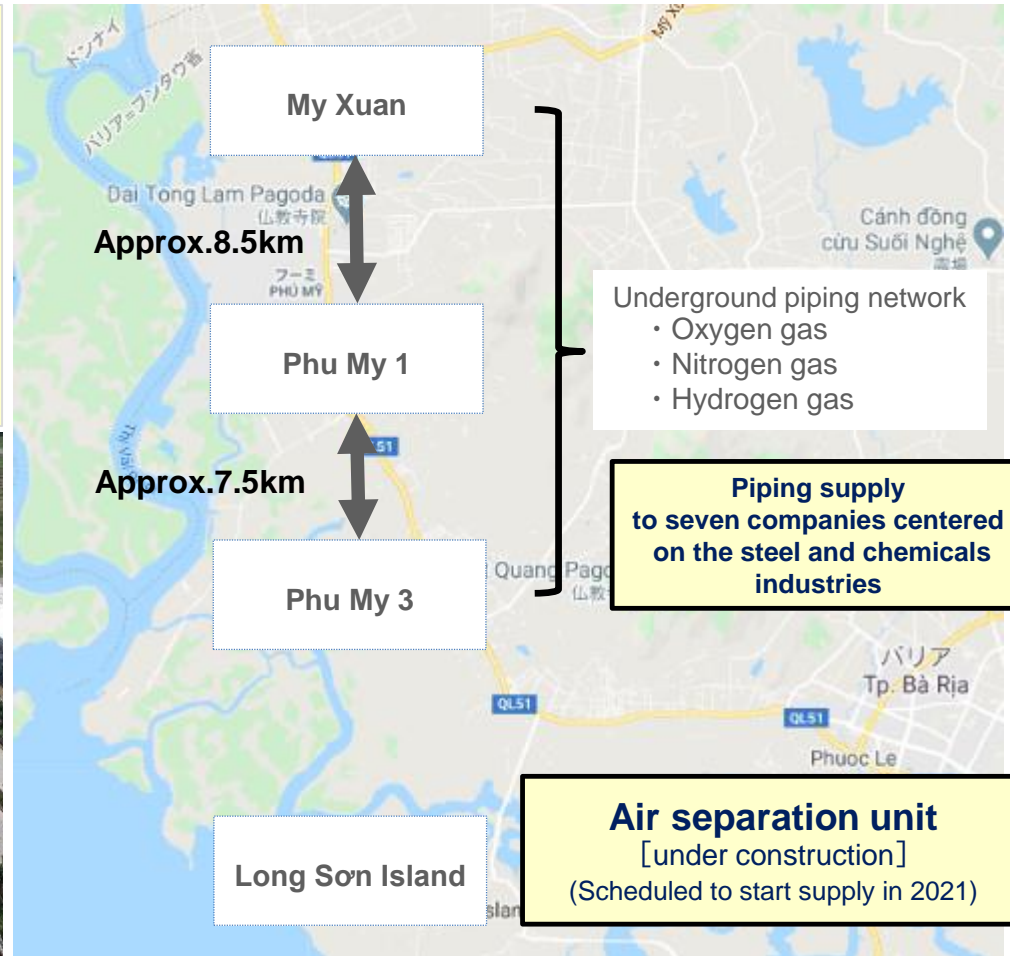


# Business in Southeast Asia: Expand the piping business in Vietnam

- The third air separation unit was completed and an underground piping network spanning 20 km (including branch pipes) was laid in Ba Ria-Vung Tau Province in Vietnam's southern region.
- Build a robust backup system, with a fourth air separation unit starting operation in 2021.



Phu My 3 air separation unit installed in an industrial park  
(Completed September 2019)





# Business Measures Introduction

## Thermos Business



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# Awareness of Business Environment and Response Measures

THERMOS

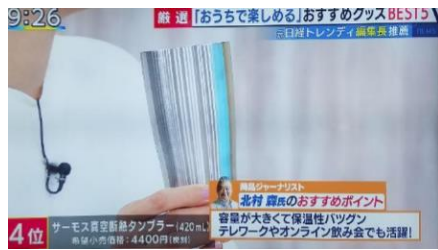


Changes in the environment

- **Sharp decrease in inbound tourism demand**
  - Sales of vacuum insulated portable mugs and soup jars decreased primarily at discount home electronics retailers and tax-free/duty-free shops due to a sharp decrease in inbound tourists visiting Japan.
- **Stay-at-home requests and temporary school closures due to declaration of a state of emergency**
  - Decrease in leisure demand (vacuum insulated portable mugs, picnic lunch boxes)
  - Sluggish sales of products for the new academic year (vacuum insulated kids' beverage bottles and lunch boxes)
  - Sluggish growth in peak-season sales due to the cancellation of school team activities and sports day events (sports-use vacuum insulated beverage bottles)
- **Focus on stay-at-home consumption**
  - With the increase in telework and children staying indoors, items that help people live comfortably in their homes are gaining attention.

## Active roll-out of sales promotion approaches

### Media exposure



### Information shared on official social media accounts



### E-commerce promotions



### THERMOS MEMBERS



### In-store campaigns



# Specific sales promotion approaches

THERMOS



Stimulate demand for the period after the reopening of schools

Respond to fees for plastic shopping bags from July

## (In-store promotions)

Expand sales of sports-use vacuum insulated beverage bottles



## (Items to protect against heat stroke)

Propose uses for products based on new concepts



バッグに入れて持ち運べるコンパクトサイズ



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レッド (R)



ネイビー (NVY)



ライトブルー (LB)



ネイビー (NVY)



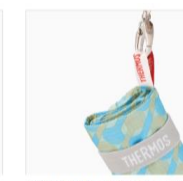
コンビニのお弁当・お買い物に  
マチが広く、コンビニ弁当をフットに入れることができます。



ためてコンパクト！バッグに入れやすい



畳かけOK



フックやカラビナにかけられるループ付き

## Measures to expand sales centered on new autumn products

### Vacuum insulated portable mugs



### Vacuum insulated soup jars



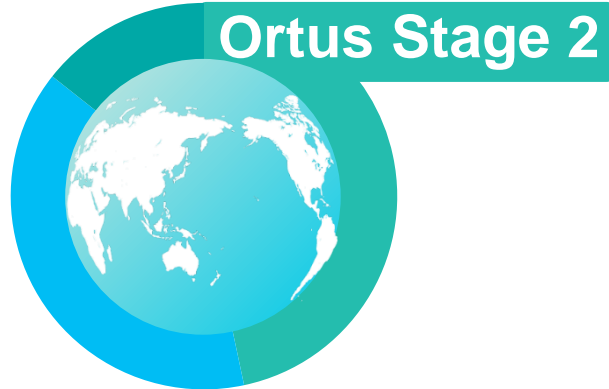
### Frying pans / Shuttle Chef



### Tumblers / Tabletop pots



# Thank you



# Reminders

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- The information contained here is not disclosure information for securities trading. The accuracy and completeness of this information are not guaranteed.
- The briefing session and this material describe future plans and strategies, as well as forecasts and outlooks of business performance. These plans and strategies, as well as forecasts and outlooks, are made by Taiyo Nippon Sanso based on its judgments and estimations made in accordance with the information available at present. Actual performance will be subject to changes caused by a variety of risks and uncertainties (such as economic trends, market demand, exchange rates, taxation systems and various other systems and institutions, but not limited to them).
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