



Consolidated Financial Performance
for the First Quarter of Fiscal Year Ending March 31, 2019
(Based on IFRS)

(Amounts less than ¥1 million are omitted)

1. Financial results for the first quarter of FYE2019 (April 1, 2018 – June 30, 2018)

(1) Operating results

(Percentages indicate year-on-year change)

	Revenue		Core operating income		Operating income		Net income		Net income attributable to owners of the parent		Total comprehensive income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
First quarter of FYE2019	158,662	5.2	13,934	(0.7)	14,778	3.1	10,159	28.6	9,684	27.2	16,890	93.6
First quarter of FYE2018	150,861	13.1	14,037	15.8	14,337	16.3	7,898	14.6	7,611	17.4	8,725	—

(Reference) Income before income taxes

First quarter of FYE2019: ¥14,223 million [4.4%]

First quarter of FYE2018: ¥13,624 million [16.4%]

Core operating income is calculated as operating income excluding certain gains and expenses attributable to non-recurring factors (non-recurring items).

	Basic earnings per share (yen)	Diluted net income per share (yen)
First quarter of FYE2019	22.38	—
First quarter of FYE2018	17.59	—

(2) Financial position

	Total assets (¥ million)	Total equity (¥ million)	Equity attributable to owners of the parent (¥ million)	Equity attributable to owners of the parent ratio (%)
First quarter of FYE2019 (June 30, 2018)	942,953	423,374	397,766	42.2
FYE2018 (March 31, 2018)	931,047	412,072	386,457	41.5

2. Dividends

	Annual Dividend				
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	Term end	Total
	Yen	Yen	Yen	Yen	Yen
FYE2018	—	11.00	—	12.00	23.00
FYE2019	—				
FYE2019 (est.)		12.00	—	12.00	24.00

Note: No revisions have been made to recently announced forecasts.

3. Forecasts for business operations for FYE2019 full term (April 1, 2018 – March 31, 2019)

(Percentages indicate year-on-year change)

	Revenue		Core operating income		Operating income		Net income		Net income attributable to owners of the parent		Basic earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(Yen)
First-half	328,000	7.3	30,500	4.1	31,200	5.4	19,000	3.5	18,000	1.9	41.59
Full term	670,000	3.7	64,000	6.6	64,500	7.7	42,000	(17.2)	40,000	(18.2)	92.43

Note: No revisions have been made to recently announced forecasts.

(Reference) Income before income taxes

First half of FYE2019: ¥29,000 million [4.8%]

FYE2019 full term: ¥60,000 million [7.3%]

4. Explanation concerning the appropriate use of forecasts for business operations and other notable matters

This report contains business forecasts and other forward-looking statements that are based on information currently available to the Company and certain assumptions judged to be reasonable by management. The Company gives no assurances that business forecasts will be attained. Moreover, actual results may differ materially from business forecasts due to various factors.

5. General information relating to the first quarter results

In the first quarter of the fiscal year under review (from April 1, 2018 to June 30, 2018), in the TNSC Group's business environment, the production activities in both domestic and overseas manufacturing industries were generally good, and shipments of air separation gases (oxygen, nitrogen, and argon) were solid. In the electronics-related field, sales of smartphones worldwide displayed a tendency to slow down, but overall the demand for semiconductors continued to expand.

Against this backdrop, the Taiyo Nippon Sanso Group (TNSC Group) achieved the following results for the first quarter of the fiscal year under review. Revenue on a consolidated basis increased 5.2% year on year to ¥158,662 million, core operating income decreased 0.7% to ¥13,934 million, operating income increased 3.1% to ¥14,778 million, and net income attributable to owners of the parent increased by 27.2% to ¥9,684 million.

Core operating income is calculated as operating income excluding certain gains and expenses attributable to non-recurring factors (non-recurring items).

A breakdown of business performance by reportable segment is as follows.

Segment income represents core operating income.

From the first quarter of the fiscal year under review, the TNSC Group changed its reportable segments. Therefore, to facilitate the year-on-year comparisons shown below, the figures for the first quarter of the preceding fiscal year have been reclassified based on the changes to the reportable segments.

Gas Business in Japan

In the industrial gas-related business, revenue from air separation gases, a core product, performed solidly for use primarily in the key industries of steel and chemicals. In addition, revenue from on-site business increased since a new on-site plant started operations in October 2017. Meanwhile, revenue from equipment and plants decreased.

In the electronics-related field, revenue from electronic materials gases slightly decreased.

In the energy-related field, revenue from liquid petroleum gas (LPG) increased year on year due to a higher sales price following an increase in the import price.

As a result, in the Gas Business in Japan, revenue increased 5.1% year on year to ¥82,697 million, while

segment income decreased 17.7% to ¥6,137 million.

Gas Business in the United States

In the industrial gas-related business, revenue from bulk gas and hard goods increased following a firm performance in the manufacturing sector. Shipments of carbon dioxide gas also increased due to completion of a new gas production facility in January 2018.

In the electronics-related field, revenue from electronic materials gases declined year on year.

As a result, in the Gas Business in the United States, revenue increased 6.5% year on year to ¥44,512 million, and segment income decreased 0.2% to ¥3,118 million.

Gas Business in Asia & Oceania

In the industrial gas-related field, in China sales increased due to favorable shipments of air separation gases. In Singapore and Malaysia, revenue from air separation gases and hard goods increased due to the recovery of the energy sector. In Australia, shipments of LPG were favorable and sales increased.

In the electronics-related field, revenue from electronics-related equipment and installation decreased in Taiwan.

As a result, in the Gas Business in Asia & Oceania, revenue increased 5.3% year on year to ¥25,121 million, and segment income rose 64.1 % to ¥3,317 million.

Thermos Business

In the Thermos Business, revenue decreased year on year due to decreased sales of vacuum insulated portable mugs, a core product, in Japan.

As a result, in Thermos Business, revenue decreased 3.2% year on year to ¥6,332 million, while segment income decreased 15.9% to ¥1,708 million.

6. Change in accounting policy

From the first quarter of the fiscal year under review, the TNSC Group applies IFRS 15, “Revenue from contracts with customers” (issued in May 2014) and “Clarifications to IFRS 15” (issued in April 2016) (hereinafter collectively referred to as “IFRS 15”).

In accordance with the adoption of IFRS 15, the TNSC Group recognizes revenue, based on the following 5-step model, in an amount that reflects the consideration to which the Group expects to be entitled in exchange for goods or services transferred to customers.

Step 1: Identify the contract with the customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the performance obligations are satisfied

The TNSC Group conducts gas businesses in Japan and overseas, mainly for customers in the steel, chemical, and electronics industries, and has built production and sales structures for its main products in Japan, the United States, and Asia & Oceania. In addition, the TNSC Group conducts the manufacture and sales business of housewares such as stainless steel vacuum bottles.

Regarding product sales in these businesses, because a customer acquires control over a product at the time the product is delivered, TNSC judges that its business obligations have been satisfied and recognizes its revenue, at the time the product is delivered.

Revenue is measured from the price promised in the contract with the customer, after deducting such amounts as discounts, rebates and returns.

The amount of the price in the sales contract of a product is generally collected within one year from the time when control over the product is transferred to a customer, and does not include the important element of the interest.

The impact of the adoption of IFRS 15 on the condensed consolidated financial statements of the TNSC Group was negligible.

When IFRS 15 was adopted, a method, which was recognized as a transitional measure, was used to recognize the cumulative effect of adopting this standard on the date of starting the adoption. However, the cumulative financial impact on the date of starting the adoption of this standard was negligible.

7. Segment information

The TNSC Group conducts gas businesses in Japan and overseas, mainly for customers in the steel, chemical, and electronics industries, and has built production and sales structures for its main products in Japan, the United States, and Asia & Oceania. In addition, the TNSC Group conducts the manufacture and sales business of housewares such as stainless steel vacuum bottles. Therefore, the Company has established the following four reportable segments: Gas Business in Japan, Gas Business in the United States, Gas Business in Asia & Oceania, and Thermos Business.

Changes to reportable segments

To display the results of the Thermos Business more clearly, from the first quarter of the fiscal year under review the TNSC Group has changed the four existing reportable segments of Gas Business in Japan, Gas Business in the United States, Gas Business in Asia & Oceania, and Thermos & Other Businesses, to the four segments of Gas Business in Japan, Gas Business in the United States, Gas Business in Asia & Oceania, and Thermos Business. To facilitate the year-on-year comparisons, the figures for the first quarter of the preceding fiscal year have been reclassified based on the changes to the reportable segments.

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

Business segment	Main products and services
Gas Business in Japan	Oxygen, nitrogen, argon, carbon dioxide, helium, hydrogen, acetylene, gas-related equipment, specialty gases (electronic materials gases, pure gases, etc.), electronics-related equipment and installation, semiconductor manufacturing equipment, cutting and welding equipment, welding materials, plants and machinery, liquid petroleum gas (LPG) and related equipment, medical-use gases (oxygen, nitrous oxide, etc.), medical equipment, stable isotopes
Gas Business in the United States	
Gas Business in Asia & Oceania	
Thermos Business	Housewares

The accounting methods adopted for the reported operating segments are the same as the methods adopted to prepare the consolidated financial statements for the preceding fiscal year. Revenue from inter-segment transactions and transfers is based primarily on prevailing market prices.

(1) Figures of revenue and income (loss) by reportable segment

First Quarter, FYE2018 (April 1, 2017 – June 30, 2017)

	(¥ million)						
	Gas Business in Japan	Gas Business in the United States	Gas Business in Asia & Oceania	Thermos Business	Total	Adjustments (Note 1)	Amounts on the Consolidated Statements of Income
Revenue							
(1) Revenue to external customers	78,684	41,776	23,857	6,543	150,861	—	150,861
(2) Revenue from inter-segment transactions and transfers	2,656	2,207	416	5	5,286	(5,286)	—
Total	81,341	43,983	24,273	6,549	156,148	(5,286)	150,861
Segment income (Note 2)	7,459	3,124	2,020	2,032	14,638	(600)	14,037

Notes:

1. The ¥600 million negative adjustment for segment income is comprised of ¥269 million of intersegment eliminations and companywide expenses of ¥331 million that were not allocated to any particular reportable segment. These companywide expenses related principally to basic research expenses that were not allocated to a particular reportable segment.
2. Segment income represents core operating income, which is calculated as operating income excluding certain gains or losses attributable to non-recurring factors (non-recurring items).

First Quarter, FYE2019 (April 1, 2018 – June 30, 2018)

(¥ million)

	Gas Business in Japan	Gas Business in the United States	Gas Business in Asia & Oceania	Thermos Business	Total	Adjustments (Note 1)	Amounts on the Consolidated Statements of Income
Revenue							
(1) Revenue to external customers	82,697	44,512	25,121	6,332	158,662	—	158,662
(2) Revenue from inter-segment transactions and transfers	1,758	3,024	901	5	5,691	(5,691)	—
Total	84,455	47,536	26,023	6,338	164,354	(5,691)	158,662
Segment income (Note 2)	6,137	3,118	3,317	1,708	14,282	(347)	13,934

Notes:

1. The ¥347 million negative adjustment for segment income is comprised of ¥27 million of intersegment eliminations and companywide expenses of ¥374 million that were not allocated to any particular reportable segment. These companywide expenses related principally to basic research expenses that were not allocated to a particular reportable segment.
2. Segment income represents core operating income, which is calculated as operating income excluding certain gains or losses attributable to non-recurring factors (non-recurring items).

(2) Reconciliation of segment income with income before income taxes

(¥ million)

	First quarter of FYE2018 (April 1, 2017 to June 30, 2017)	First quarter of FYE2019 (April 1, 2018 to June 30, 2018)
Segment income	14,037	13,934
Gain on sales of noncurrent assets	299	947
Other	—	(104)
Operating income	14,337	14,778
Financial revenue	642	747
Financial expenses	(1,355)	(1,301)
Income before income taxes	13,624	14,223

8. Subsequent Events

Acquisition (100% Ownership) of the Corporations Running the European Businesses of the US Company Praxair, Inc.

Taiyo Nippon Sanso Corporation executed the share purchase agreement with Praxair, Inc. (“Praxair”) pursuant to which the Company will acquire the shares of the corporations running the European businesses of Praxair on July 5, 2018 (Japan time).

On June 1, 2017, Praxair reached an agreement with German company Linde Aktiengesellschaft (“Linde AG”) to merge by establishing a newly formed Irish holding company, Linde Public Limited Company. The competition law authorities in the relevant countries are reviewing that merger, and the European Commission is requesting that Praxair sell a part of its European businesses to a third party. We have now executed the share purchase agreement in order to acquire the shares of the corporations running such businesses via a European subsidiary to be newly established. The execution of the above-mentioned transaction is conditioned on the ultimate Linde-Praxair being consummated which requires Praxair and Linde AG obtaining approval from the competition authorities for the merger in the relevant countries and our company obtaining approval from the European Commission and the other relevant competition authorities for executing the acquisition.

(1) Purpose of acquisition

We are aiming at “one trillion yen in sales, a 10% operating margin ratio, 10% or more ROCE, 50% or more overseas sales” as our long-term management vision in order to make ourselves more globally competitive and to firmly establish our place in the industry reorganization environment. We regard this acquisition as a means to make a large advancement toward realizing such vision and an attractive opportunity with strategic significance at the same time.

The industrial gas market in Europe is the second largest behind the North American market, and its competition environment is stable. This acquisition will accelerate our global expansion by obtaining businesses with a certain share in the market in which we have not had previous participation. Further, we will be able to acquire profitable businesses with a certain scale and network (e.g., manufacturing base) as well as talented personnel including the current top management and business platform. Based on such business foundation, we are planning to provide our products, such as environmental responsive products, and to reinforce our groupwide functions, such as enhancement of our marketing to global firms.

(2) Summary of target businesses

The industrial gas business of Praxair’s European territories in Germany, Spain, Portugal, Italy, Norway, Denmark, Sweden, the Netherlands and Belgium, the carbon dioxide gas business in the United Kingdom, Ireland, the Netherlands and France and the helium-related businesses.

(3) Date of share acquisition

November 2018 (planned)

(4) Equity interest ratio with voting rights to be acquired

100.0%

(5) Consideration

We plan to pay 5,000 million euros (approx. 643.8 billion yen) as the acquisition price.

Notes:

1. Acquisition price will be adjusted by cash and debt balance and working capital variance etc. at the closing of the transaction.
2. The conversion to Japanese yen uses a rate of 1 euro = 128.76 yen (as of July 4).