



TAIYO NIPPON SANSO
The Gas Professionals

Supplementary Materials for Consolidated Business Performance for the First Half of FYE2019

October 31, 2018
TAIYO NIPPON SANSO Corporation

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1-1. Overview of business performance

(Billions of yen)	FYE2018 Q2 Results Margin	FYE2019 Q2 Results Margin	YoY Change	FYE2019 Q2 Forecast (Announced May 9) Margin
Revenue	305.7	329.4	+23.7 +7.8%	328.0
Core operating income	29.3 9.6%	28.1 8.5%	-1.2 -4.0%	30.5 9.3%
Non-recurring profit and loss	0.2	0.8	+0.6	0.7
Operating income	29.6 9.7%	28.9 8.8%	-0.7 -2.2%	31.2 9.5%
Finance costs	-1.9	-1.8	+1.0	
Income before income taxes	27.6	27.0	-0.6	
Income tax expenses	-9.3	-8.3	-1.0	
Net income	18.3	18.7	+0.4	19.0
(Attribution of net income)				
Net income attributable to owners of the parent	17.6 5.8%	17.6 5.4%	+0.0 +0.0%	18.0 5.5%
※Eliminations or Corporate : Net income attributable to non-controlling interests	0.6	1.0	+0.4	

- Impact of foreign currency translations (US\$→¥): FYE2018 Q2 rate: \$1=¥111.29 FYE2019 Q2 rate: \$1=¥110.71
→Impact of currency gains led to decreases of ¥1.0 billion in revenue and ¥0.1 billion in core operating income
- European business acquisition-related expenses (advisory fees, etc.) of ¥1.3 billion have been recorded for the first half of the fiscal year.



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1-1. Overview of business performance

【Revenue】

(Billions of yen)	FYE2018 Q2 Results	FYE2019 Q2 Results	% Change
Gas Business in Japan*	158.7	171.9	+8.3%
Gas Business in the U.S.	84.3	91.4	+8.4%
Gas Business in Asia and Oceania	49.5	52.3	+5.7%
Thermos Business*	13.0	13.5	+4.1%
Revenue Total	305.7	329.4	+7.8%

【Operating income】

(Billions of yen)	FYE2018 Q2 Results	FYE2019 Q2 Results	% Change
Gas Business in Japan*	14.6	12.7	-13.6%
Gas Business in the U.S.	6.4	6.8	+7.4%
Gas Business in Asia and Oceania	4.8	6.3	+31.3%
Thermos Business*	4.2	4.5	+4.9%
Eliminations or Corporate※	-0.9	-2.3	—
Core operating income Total	29.3	28.1	-4.0%
Non-recurring profit and loss	0.2	0.8	—
Operating income Total	29.6	28.9	-2.2%

※Eliminations or Corporate : European business acquisition-related expenses (advisory fees, etc.) of ¥1.3 billion have been recorded for the first half of the fiscal year.

* From FYE2019, businesses other than the Thermos business that had previously been classified under the “Thermos and Other Businesses” segment have been transferred to the “Gas Business in Japan.”.The columns in the above table have been adjusted to reflect the transfer in order to use the same basis of comparison.

1-2. Business Performance by Segment: Gas Business in Japan

(Billions of yen)			FYE2018	FYE2019	% Change
			Q2 Results	Q2 Results	
Revenue	Industrial Gas	Bulk gases	39.9	40.4	+1.2%
		On-site gases	24.5	35.3	+44.0%
		Packaged gases	5.4	5.4	-1.3%
		Hard goods	10.9	12.1	+11.2%
		Plants and Equipments	19.0	19.1	+0.1%
		Medical	10.5	10.6	+0.9%
		Total	110.5	123.1	+11.4%
	Electronics	Gases	24.1	23.1	-4.3%
		Equipment and Installation	10.8	11.4	+5.2%
		Total	35.0	34.5	-1.4%
	Energy	LP gas	11.7	13.0	+10.4%
		Related Equipment	1.3	1.2	-7.5%
		Total	13.1	14.3	+8.6%
Revenue Total			158.7	171.9	+8.3%
Segment income			14.6	12.7	-13.6%

Reasons for changes in revenue

- On-site: JFE SANSO CENTER Kurashiki Factory contributed to revenue
- Hard goods: Favorable sales of laser cutting machine for metal processing
- Electronics gas: Weaker shipments for some product areas

Reason for change in segment income

- Higher costs due to rising crude oil prices
- Higher costs mainly due to a lack of a raw material gas for carbon dioxide gas
- Electronics gas: Decreased shipments for some product areas

1-2. Business Performance by Segment: Gas Business in the U.S.

(Billions of yen)			FYE2018 Q2 Results	FYE2019 Q2 Results	% Change
Revenue	Industrial Gas	Bulk gases	35.5	39.9	+12.2%
		On-site gases	4.4	4.7	+5.8%
		Packaged gases	22.4	22.9	+2.3%
		Hard goods	16.1	17.7	+9.8%
		Total	78.6	85.3	+8.5%
	Electronics	Gases	3.9	3.4	-13.1%
		Equipment and Installation	1.8	2.7	+50.4%
		Total	5.7	6.1	+6.9%
	Revenue Total			84.3	91.4
Segment income			6.4	6.8	+7.4%

※Impact of yen appreciation on currency translations
Revenue decreased by ¥0.4 billion and segment income by ¥0.0 billion

Reasons for changes in revenue

- Bulk gas: Increased shipments of air separation gases, and increased shipments carbon dioxide gas by reinforcement of production capacity
- Hard goods: Favorable sales for construction and energy industry
- Electronics equipment: Increased sales for semiconductor related equipment

Reason for change in segment income

- Industrial gas-related business: Generally favorable
Higher segment income due to increased revenue from bulk gas, packaged gas and hard goods



1-2. Business Performance by Segment: Gas Business in Asia and Oceania

(Billions of yen)			FYE2018 Q2 Results	FYE2019 Q2 Results	% Change
Revenue	Industrial Gas	Bulk gases	17.4	21.0	+20.9%
		On-site gases	1.4	1.5	+6.5%
		Packaged gases	2.6	2.6	-0.8%
		Hard goods	2.3	2.5	+7.2%
		Plants and Equipment	6.3	7.8	+24.3%
		Total	30.2	35.6	+17.9%
	Electronics	Gases	15.6	14.5	-7.2%
		Equipment and Installation	3.6	2.2	-39.7%
		Total	19.3	16.7	-13.4%
	Revenue Total			49.5	52.3
Segment income			4.8	6.3	+31.3%

※Impact of yen appreciation on currency translations
Revenue decreased by ¥0.7 billion and segment income by ¥0.1 billion

Reasons for changes in revenue

- ◆ Industrial gas-related business
 - Leeden NOX: Favorable sales safety goods
 - Higher revenue for industrial gases in China and Philippine
- ◆ Electronics-related business
 - Taiwan: Revenue from electronics-related equipment and installation decreased

Reason for change in segment income

- ◆ Industrial gas-related business
 - Increased segment income due to higher revenue from Leeden NOX
 - Increased segment income from China and Philippine
- ◆ Electronics-related business
 - Profits were flat although decreased revenue

1-2. Business Performance by Segment: Thermos Business

(Billions of yen)			FYE2018 Q2 Results	FYE2019 Q2 Results	% Change
Revenue	Thermos	Japan	11.3	11.3	-0.4%
		Asia	1.6	2.2	+34.7%
	Revenue Total		13.0	13.5	+4.1%
Segment income			4.2	4.5	+4.9%

※Impact of yen appreciation on currency translations
Revenue increased by ¥0.0 billion and segment income by ¥0.0 billion

Reasons for changes in revenue

- Japan: Sales of mainstay products of vacuum insulated portable mugs and Sports bottles recovered during the 2nd quarter
- Overseas: Sales in South Korea were firm

Reason for change in segment income

- Japan: Segment income increased due to recover in sales volume
- Overseas: Business performance recovered by Group companies accounted for by the equity method



2-1. Full-Year Forecasts for FYE2019

(Billions of yen)	FYE2018 Results Margin	FYE2019 Forecast (Announced May9) Margin	YoY Change % Change
Revenue	646.2	670.0	+23.8 +3.7%
Core operating income	60.0 9.3%	64.0 9.6%	+4.0 +6.6%
Non-recurring profit and loss	-0.1	0.5	+0.6
Operating income	59.8 9.3%	64.5 9.6%	+4.7 +7.7%
Finance costs	-3.9	-4.5	-0.6
Income before income taxes	55.8	60.0	+4.2
Income tax expenses	-5.1	-18.0	+12.9
Net income	50.7	42.0	-8.7
(Attribution of net income)			
Net income attributable to owners of the parent	48.9 7.6%	40.0 6.0%	-8.9 -18.2%
Net income for the year attributable to non-controlling interests	1.8	2.0	0.2

Assumed exchange rate (US\$→¥): \$1=¥110 *FYE2018 rate: \$1=¥110.70

In FYE2018, income tax expenses decreased by ¥12.2 billion due to the reversal of deferred tax liabilities at a subsidiary based in the U.S.



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2-2. Full-Year Forecasts for FYE2019 by Segment

【Revenue】

(Billions of yen)	FYE2018 Results	FYE2019 Forecast (Announced Oct. 31)	% Change	FYE2019 Forecast (Announced May 9)
Gas Business in Japan*	345.0	355.0	+2.9%	360.0
Gas Business in U.S.	172.6	181.0	+4.8%	175.0
Gas Business in Asia and Oceania	103.1	107.0	+3.7%	107.0
Thermos Business*	25.3	27.0	+6.5%	28.0
Revenue Total	646.2	670.0	+3.7%	670.0

【Operating income】

(Billions of yen)	FYE2018 Results	FYE2019 Forecast (Announced Oct. 31)	% Change	FYE2019 Forecast (Announced May 9)
Gas Business in Japan*	31.3	30.3	-3.4%	31.8
Gas Business in U.S.	13.5	14.4	+6.2%	14.0
Gas Business in Asia and Oceania	9.2	12.1	+31.0%	10.7
Thermos Business*	7.7	9.0	+16.1%	9.3
Eliminations or Corporate	-1.8	-1.8	—	-1.8
Core operating income Total	60.0	64.0	+6.6%	64.0
Non-recurring profit and loss	-0.1	0.5	—	0.5
Operating income Total	59.8	64.5	+7.7%	64.5

* From FYE2019, businesses other than the Thermos business that had previously been classified under the “Thermos and Other Businesses” segment have been transferred to the “Gas Business in Japan” segment.
The columns in the above table have been adjusted to reflect the transfer in order to use the same basis of comparison.

(Reference Materials)



Non-recurring Income and Expense Items

(Billions of yen)	FYE2018 Q2 Results	FYE2019 Q2 Results	YoY change
Core operating income	29.3	28.1	-1.2
Non-recurring profit and loss	0.2	0.8	+0.6
Operating income	29.6	28.9	-0.7

【Non-recurring Income and Expense Items】

FYE2018 Q2 Results		FYE2019 Q2 Results	
Item	Amount (Billions of yen)	Item	Amount (Billions of yen)
Gain on sales of domestic land	0.2	Gain on sales of domestic land	+0.9
		Other	-0.1
Total	0.2	Total	0.8



Key Performance Indicators (Consolidated)

	FYE2018 Q2 Results	FYE2019 Q2 Results	FYE2018 Results	FYE2019 Forecast
Basic earnings per share (Yen)	40.83	40.85	113.04	92.43
Overseas sales ratio	44.4%	44.4%	43.3%	–
ROE	–	–	13.3%	9.6%
ROCE	–	–	8.4%	8.5%
Annual dividends per share (Yen)	–	–	23	24
Dividend payout ratio	–	–	20.3%	26.0%
Capital expenditures (construction base)(Millions of yen)	27,282	34,730	62,569	79,000
Investments and loans (Millions of yen)	2,890	5,168	4,556	–
Depreciation and amortization (Millions of yen)	21,443	22,923	43,266	47,000
Balance of interest-bearing liabilities (Millions of yen)	348,608	343,549	326,959	350,000
Net interest-bearing liabilities (Millions of yen)	300,620	288,580	274,968	300,000

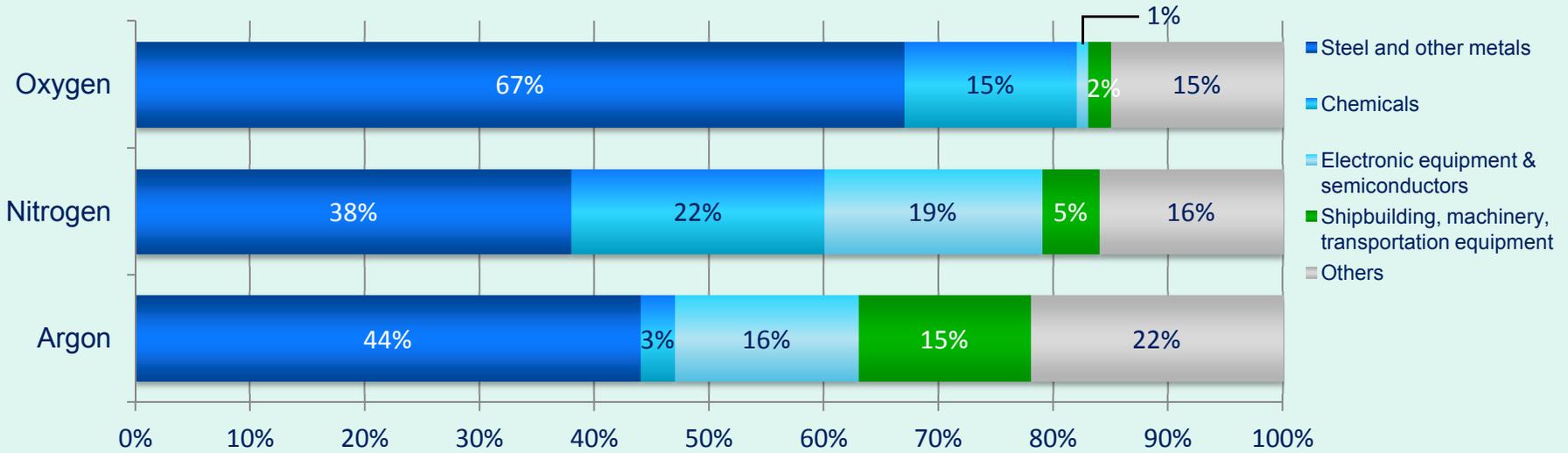
- With regard to FYE2018 full-year results, excluding the effects of the significant decrease in income taxes resulting from the reduction of the federal corporate income tax rate under the Tax Cuts and Jobs Act in the U.S., basic earnings per share would be ¥84.87, ROE 10.1%, ROCE 8.5% and the dividend payout ratio 27.1%.



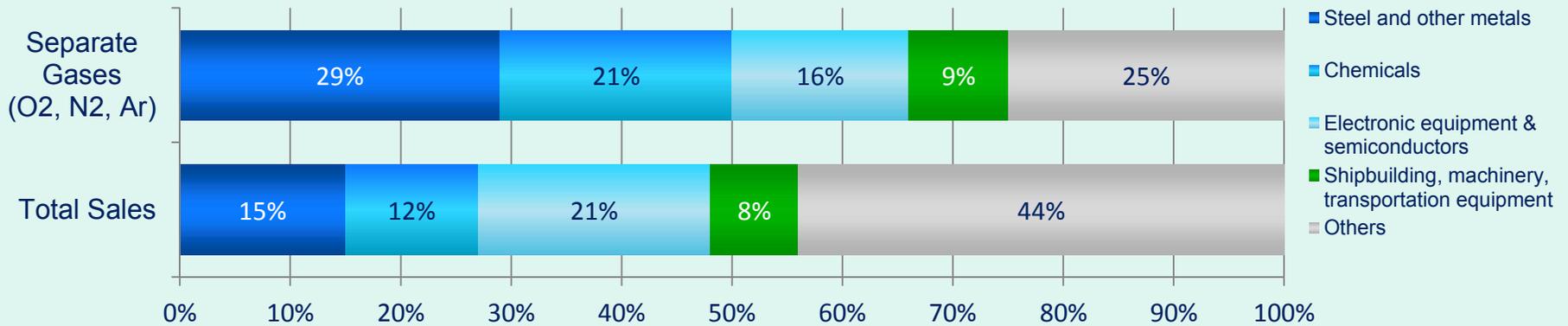
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Sales Mix by Industry

【Sales Volume Mix by Industry】

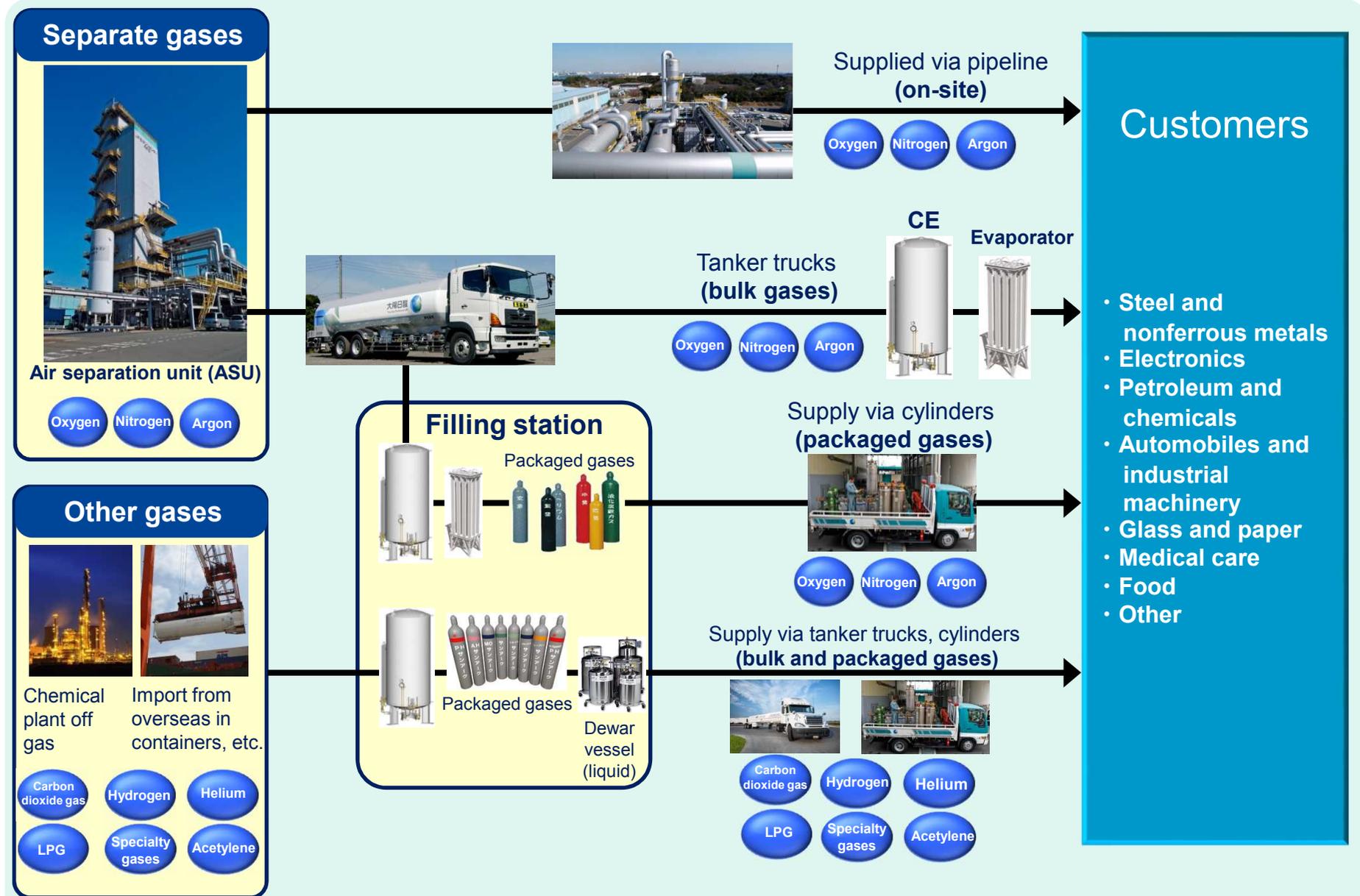


【Net Sales Mix by Industry】



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TNSC's Gas Supply Structure



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