TAIYO NIPPON SANSO
The Gas Professionals

May 12, 2020
Taiyo Nippon Sanso Corporation

Consolidated Financial Performance for Fiscal Year 2020 (Based on IFRS)

(Amounts less than ¥1 million are omitted)

1. Financial Results for the FYE2020 (April 1, 2019 – March 31, 2020)

(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)	%
FYE2020	850,239	14.8	90,337	37.2	93,921	40.5	55,038	25.9	53,340	29.2	12,025	(59.6)
FYE2019	740,341	14.6	65,819	9.6	66,863	11.7	43,709	(13.9)	41,291	(15.6)	29,745	(31.8)

(Reference) Income before income taxes FYE2020: ¥79,133 million (27.5%) FYE2019: ¥62,083 million (11.1%)
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)	Return on equity attributable to owners of the parent (%)	Income before income taxes to total assets ratio (%)	Core operating income to revenue ratio (%)
FYE2020	123.26	—	13.1	4.5	10.6
FYE2019	95.42	—	10.4	4.6	8.9

(Reference) Share of profit (loss) of associates and joint ventures accounted for using the equity method
FYE2020: ¥3,533 million FYE2019: ¥3,836 million

(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 (%)	Equity attributable to owners of the parent per share (yen)
FYE2020 (March 31, 2020)	1,751,732	440,693	409,344	23.4	945.91
FYE2019 (March 31, 2019)	1,771,015	435,854	406,602	23.0	939.56

(3) Consolidated cash flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Balance of cash and cash equivalents at term-end (¥ million)
FYE2020	150,084	(62,629)	(46,242)	100,005
FYE2019	98,685	(754,969)	664,925	59,620

2. Dividends

	Annual Dividend					Total amount of dividends	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of the parent (consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Term end	Total			
	Yen	Yen	Yen	Yen	Yen	¥ million	%	%
FYE2019	—	12.00	—	13.00	25.00	10,882	26.2	2.7
FYE2020	—	14.00	—	14.00	28.00	12,121	22.7	3.0
FYE2021 (est.)	—	14.00	—	14.00	28.00		27.5	

3. Forecasts for Business Operations for FYE2021 Full Term (April 1, 2020 – March 31, 2021)

(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 (yen)
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(Yen)
Full term	830,000	(2.4)	82,000	(9.2)	82,000	(12.7)	46,000	(16.4)	44,000	(17.5)	101.67

(Reference) Income before income taxes FYE2021 full term: ¥67,500 million [(14.7%)]

***Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting from changes in the scope of consolidation during the period under review): Yes

Excluded: 1 (Company name: Rivoira S.r.l.)

(Note) On March 20, 2020, Rivoira S.r.l. underwent an absorption merger with Nippon Gases Italia Holding S.R.L., a subsidiary of Taiyo Nippon Sanso Corporation, and was dissolved in the merger. As a result, when the absorption merger became effective, Nippon Gases Italia Holding S.R.L. changed its company name to Rivoria S.r.l.

(2) Changes in accounting principles, accounting estimates and restatements

a. Changes in accounting policies due to the requirements of IFRS: Yes
b. Changes in accounting policies other than the above: None
c. Changes in accounting estimates: None

(Note) For details, please refer to page 7, "Change in accounting policy" under "6. Notes to the Consolidated Financial Statements."

(3) Number of issued shares (common share)

a. Number of issued shares at end of period (including treasury shares):
As of FYE2020 433,092,837 shares
As of FYE2019 433,092,837 shares

b. Number of treasury shares at end of period:
As of FYE2020 339,139 shares
As of FYE2019 335,852 shares

c. Average number of shares during the period:
FYE 2020 432,755,426 shares
FYE 2019 432,758,655 shares

(Reference) Non-consolidated Business Results

Non-consolidated Business Results for FYE2020 full term (April 1, 2019 to March 31, 2020)

(1) Non-consolidated business results (Percentages indicate year-on-year change)

	Sales		Operating income		Ordinary income		Net income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
FYE2020	216,006	0.6	15,636	(6.1)	15,019	(26.3)	17,066	(4.9)
FYE2019	214,628	0.3	16,656	(5.9)	20,385	(17.8)	17,952	(16.8)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
FYE2020	39.42	—
FYE2019	41.47	—

(2) Non-consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent ratio	Net assets per share
	(¥ million)	(¥ million)	%	(¥ million)
FYE2020	1,137,024	267,929	23.6	618.90
FYE2019	1,147,490	264,601	23.1	611.21

(Reference) Shareholders' equity FYE2020: ¥267,929 million FYE2019: ¥264,601 million

***** Financial statements are not subject to audit by a certified public accountant or audit corporation

***** 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. For details on the assumptions of the forecasts and related matters, please see page 6, "(3) Future Outlook," in "4. Overview of the Business Results for the Fiscal Year Under Review."

The Company plans to hold a briefing of results for institutional investors and analysts on Thursday, May 21, 2020. Results materials handed out at that briefing will be posted on the Company website in a prompt manner following the briefing.

4. Overview of Business Results for the Fiscal Year Under Review

(1) Overview

The business environment surrounding the Taiyo Nippon Sanso Group (TNSC Group) in the fiscal year under review (from April 1, 2019 to March 31, 2020) felt the impact of factors such as trade friction between China and the United States, while in Japan manufacturing activities weakened mainly in related industries. In the electronics-related field, shipments of electronic materials gases in Japan remained on a par with the previous fiscal year, but performance decreased overseas. In the United States, meanwhile, there is a sound base in the manufacturing sector and shipments of separate gases (oxygen, nitrogen and argon) were on a par with the previous fiscal year.

However, the impact of the COVID-19 pandemic on a global scale showed in the Gas Business in Europe and Thermos Business from the latter half of the fourth quarter of the fiscal year under review.

Against this backdrop, the TNSC Group achieved the following results for the fiscal year under review. Revenue on a consolidated basis increased 14.8% year on year to ¥850,239 million, core operating income rose 37.2% to ¥90,337 million, operating income increased 40.5% to ¥93,921 million, and net income attributable to owners of the parent increased 29.2% to ¥53,340 million.

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

(2) Overview of business performance by reportable segment

A breakdown of business performance by reportable segment is as follows.
Segment income represents core operating income.

Gas Business in Japan

In the industrial gas-related business, revenue from air separation gases, a core product, decreased year on year for use primarily in the key industries of steel, non-ferrous metals, metal processing, transportation equipment and chemicals. In the electronics related field, revenue from electronic materials gases was mostly on par with the previous fiscal year. In equipment and installation, there was a contribution to earnings from the medical equipment sales company, IMI Co., Ltd., acquired in October 2018.

As a result, in the Gas Business in Japan, revenue decreased 2.1% year on year to ¥356,145 million, while segment income decreased 3.6% to ¥28,737 million.

Gas Business in the United States

In the industrial-gas related business, revenue mainly from bulk gas increased following a steady performance in the manufacturing sector. In the on-site business, the start of operation at new projects for a chemicals manufacturer and other customers contributed to revenue. In addition, revenue rose partly due to a contribution from the HyCO* business acquired in February 2019. In the electronics-related field, revenue from equipment and installation decreased.

As a result, in the Gas Business in the United States, revenue increased 6.2% year on year to ¥198,869 million, and segment income rose 42.4% to ¥22,263 million.

* HyCO stands for hydrogen (H_2) and carbon monoxide (CO), which are separated from natural and other gases through a technology called Steam Methane Reforming (SMR). The HyCO business provides large-scale supply of H_2 and CO to oil refining and petrochemical industries through a pipeline.

Gas Business in Europe

Revenue increased year on year mainly in bulk gas in Germany, the Benelux countries and northern Europe, despite a decrease in Spain in the on-site business. Revenue decreased year on year in Spain and Italy in March due to the spread of COVID-19.

As a result, in the Gas Business in Europe, revenue was ¥165,564 million and segment income was ¥24,854 million. The European business acquired from Praxair, Inc. of the United States in December 2018, has been presented in this segment from the third quarter of the previous fiscal year.

Gas Business in Asia & Oceania

In the industrial gas-related business, revenue from bulk gas decreased mainly due to decreases in China and reduced revenue in the Philippines and Thailand. In Australia, sales of LPG were solid. In the electronics-related business, revenue increased due to a significant increase in equipment and installation despite a decrease year on year in shipments of electronic materials gases.

As a result, in the Gas Business in Asia & Oceania, revenue decreased 1.5% year on year to ¥104,541 million, while segment income increased 8.8% to ¥9,952 million.

Thermos Businesses

In the Thermos Business, revenue decreased year on year due to sluggish sales of the mainstay sports-use vacuum bottles and heat-retaining lunch boxes in Japan because of unseasonable weather with a prolonged rainy season and a warm winter, and despite the contribution to revenue made by frying pans, a new product launched in the previous fiscal year. Overseas, shipments decreased year on year due to the impact of such issues as worsening relations between Japan and South Korea, demonstrations in Hong Kong and business slowdown due to U.S.-China trade friction. In addition, as well as halting operations at overseas production plants in the latter half of the fourth quarter of the fiscal year under review due to the COVID-19 pandemic, inbound tourism demand contracted in Japan and sales volumes declined.

As a result, in the Thermos Business, revenue decreased 9.6% year on year to ¥25,118 million, and segment income fell 21.4% to ¥7,224 million.

(3) Future Outlook

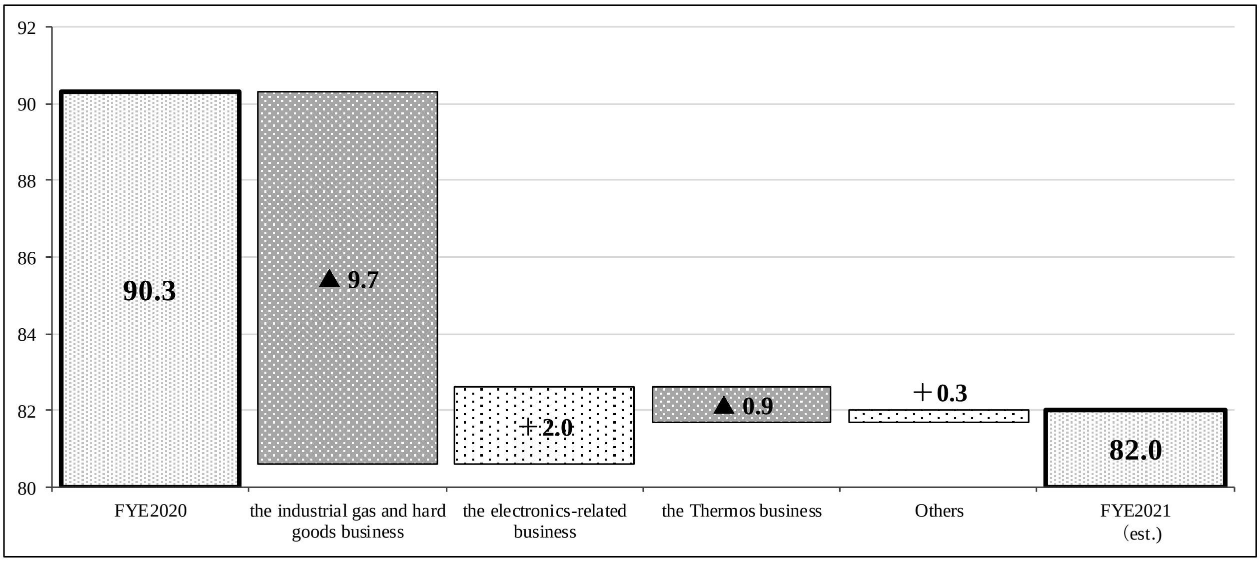
The consolidated earnings forecast for the fiscal year ending March 31, 2021 is as per the table below. The outlook going forward is a worsening of the global economy due to the COVID-19 pandemic with the assumption being that current conditions will continue in the first quarter of the fiscal year ending March 31, 2021, incremental recovery will move ahead in the second quarter and business will essentially return to normal from the third quarter onward. This earnings forecast is being made at a time when the timing of convergence of risks arising from the spread of COVID-19 remains unknown, and projections include the risk of reduced revenue and the like, based on current circumstances, but there is a possibility that the situation regarding the spread of the virus changes significantly. In the event of a revision becoming necessary, the Company will disclose such information promptly. The assumed exchange rates for the earnings forecast for the U.S. dollar and euro are US$1 = ¥108 and €1 = ¥120, respectively.

When calculating for the earnings forecast, the main reasons for change are assumed as follows for comparison with the fiscal year ended March 31, 2020.

- Revenue in industrial gas and hard goods is expected to fall by approximately 15% year on year in the first quarter of the fiscal year ending March 31, 2021, decrease by approximately 10% year on year in the second quarter, and be on a par with the previous year from the third quarter onward, with the impact on core operating income calculated by taking into consideration the profit margin in each region.
- Currently, there has not been a significant impact on operations by customers in the electronics-related business, so there is expected to be favorable growth due to higher revenue in Japan and other markets as initially forecast.
- In the Thermos Business, the COVID-19 pandemic is expected to have an impact on results, focusing on the first quarter of the fiscal year ending March 31, 2021, mainly in Japan, China and South Korea.

	Revenue	Core operating income	Operating income	Net income	Net income attributable to owners of the parent
FYE2021 (¥ billion)	830.0	82.0	82.0	46.0	44.0
FYE2020 (¥ billion)	850.2	90.3	93.9	55.0	53.3
Change (%)	(2.4)	(9.2)	(12.7)	(16.4)	(17.5)

【Calculating for the earnings forecast in FYE2021(￥billion)】



(4) Basic Policy on Profit Distribution and Dividends for FYE2020 and FYE2021

The Company's basic policy is to continuously maintain a stable dividend, while remaining mindful of the need to retain internal reserve to enhance and strengthen the business structure. The Company will strive to return profits to shareholders through a dividend policy linked to consolidated business performance.

In accordance with this policy, the Company plans to set the year-end dividend for the fiscal year under review at ¥14 per share. Therefore, the Company plans to pay an annual dividend of ¥28 per share, including an interim dividend of ¥14 per share. For the fiscal year ending March 31, 2021, the Company plans to pay an annual dividend of ¥28 per share, including an interim dividend of ¥14 per share.

5. Basic Policy on the Selection of Accounting Standards

From the fiscal year ended March 31, 2017, the TNSC Group has adopted International Financial Reporting Standards (IFRS) primarily for the purpose of improving the international comparability of financial statements in the capital markets and to unify accounting procedures within the TNSC Group.

6. Notes to the Consolidated Financial Statements

(Note regarding going concern assumption)

Not applicable.

(Change in accounting policy)

The main accounting standards and interpretations applied by the TNSC Group from the first quarter of the fiscal year under review are as follows:

Standards and interpretations		Outline of new standards or revisions
IFRS 16	Leases	IFRS 16 sets forth revisions to accounting procedures and disclosure methods for the treatment of leases. Under a single lessee accounting model and for all leases with a term of more than 12 months undertaken as lessee, IFRS 16 primarily requires lessees, in principle, to reflect in the financial statements their assets representing their right to use leased assets and liabilities representing their obligations to make lease payments.

As a result of the application of IFRS 16, the carrying amount of the TNSC Group's lease-related assets increased by ¥34.1 billion and lease liabilities simultaneously increased by ¥34.6 billion on the date of initial application of this standard. Furthermore, right-of-use assets become property, plant and equipment and lease liabilities are displayed in other financial liabilities (non-current and current)

Upon applying IFRS 16, the TNSC Group has adopted the method where the cumulative effect of applying this standard is recognized at the date of initial application, which is allowed as a transitional measure. There was no cumulative effect at the date of initial application of this standard.

(Segment information)

(1) Outline of reportable segments

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, Europe, 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 five reportable segments: Gas Business in Japan, Gas Business in the United States, Gas Business in Europe, Gas Business in Asia & Oceania, and Thermos Business.

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 Europe	
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.

(2) Figures of revenue and income (loss) by reportable segment
FYE2019 (April 1, 2018 – March 31, 2019)

(¥ million)

	Business segment					Total	Adjust-ments (Note 1)	Amounts on the Consolidated Statements of Income
	Gas Business in Japan	Gas Business in the United States	Gas Business in Europe	Gas Business in Asia & Oceania	Thermos Business			
Revenue								
Revenue to external customers	363,951	187,323	55,101	106,164	27,800	740,341	—	740,341
Revenue from inter-segment transactions and transfers	8,177	14,426	—	3,813	37	26,454	(26,454)	—
Total	372,129	201,749	55,101	109,977	27,837	766,795	(26,454)	740,341
Segment income (Note 2)	29,808	15,634	6,567	9,149	9,189	70,350	(4,531)	65,819
Other items								
Depreciation and amortization	18,077	21,710	8,855	6,257	1,090	55,992	118	56,111
Impairment loss	97	—	—	1,340	—	1,438	—	1,438
Share of profit (loss) of associates and joint ventures accounted for using the equity method	52	(121)	(6)	(10)	3,923	3,835	0	3,836

Notes:

1. The ¥4,531 million negative adjustment for segment income is comprised of ¥237 million of intersegment eliminations and companywide expenses of ¥1,598 million that were not allocated to any particular reportable segment, as well as the expenses of ¥2,695 million to acquire the European business. 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).

FYE2020 (April 1, 2019 – March 31, 2020)

(¥ million)

	Business segment					Total	Adjust-ments (Note 1)	Amounts on the Consolidated Statements of Income
	Gas Business in Japan	Gas Business in the United States	Gas Business in Europe	Gas Business in Asia & Oceania	Thermos Business			
Revenue								
Revenue to external customers	356,145	198,869	165,564	104,541	25,118	850,239	—	850,239
Revenue from inter-segment transactions and transfers	10,272	17,480	166	3,088	24	31,032	(31,032)	—
Total	366,418	216,350	165,731	107,629	25,143	881,272	(31,032)	850,239
Segment income (Note 2)	28,737	22,263	24,854	9,952	7,224	93,032	(2,695)	90,337
Other items								
Depreciation and amortization	18,924	28,749	27,732	6,732	1,226	83,365	433	83,798
Impairment loss	38	—	—	—	—	38	—	38
Share of profit (loss) of associates and joint ventures accounted for using the equity method	280	(123)	(23)	63	3,372	3,569	(0)	3,569

Notes:

1. The ¥2,695 million negative adjustment for segment income is comprised of ¥853 million of intersegment eliminations and companywide expenses of ¥1,841 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).

Reconciliation of segment income with income before income taxes is shown in the table below.

	FYE2019 (April 1, 2018 to March 31, 2019)	FYE2020 (April 1, 2019 to March 31, 2020)
Segment income	65,819	90,337
Gain on sales of noncurrent assets	1,336	6,490
Share of profit (loss) of associates and joint ventures accounted for using the equity method	—	(35)
Impairment loss	(20)	(1910)
Other	(272)	(960)
Operating income	66,863	93,921
Financial revenue	2,294	1,150
Financial expenses	(7,074)	(15,938)
Income before income taxes	62,083	79,133

Per-Share Information

Basic earnings per share and the basis for share appraisal are as follows.

	FYE2019 (April 1, 2018 to March 31, 2019)	FYE2020 (April 1, 2019 to March 31, 2020)
Net income attributable to owners of the parent company (¥ million)	41,291	53,340
Average number of shares (thousand shares)	432,758	432,755
Weighted average number of shares (¥)	95.42	123.26

Note: Diluted earnings per share are not listed as there are no dilutive shares.

Important subsequent events

Not applicable.