Emerging onto a Still Wider Stage

Consolidated Business Performance for the Full-Year of the FYE2019

May 23, 2019

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The Gas Professionals

Contents

Business Performance for the Full Year of FYE2019

Ortus Stage 2

Overview of business performance

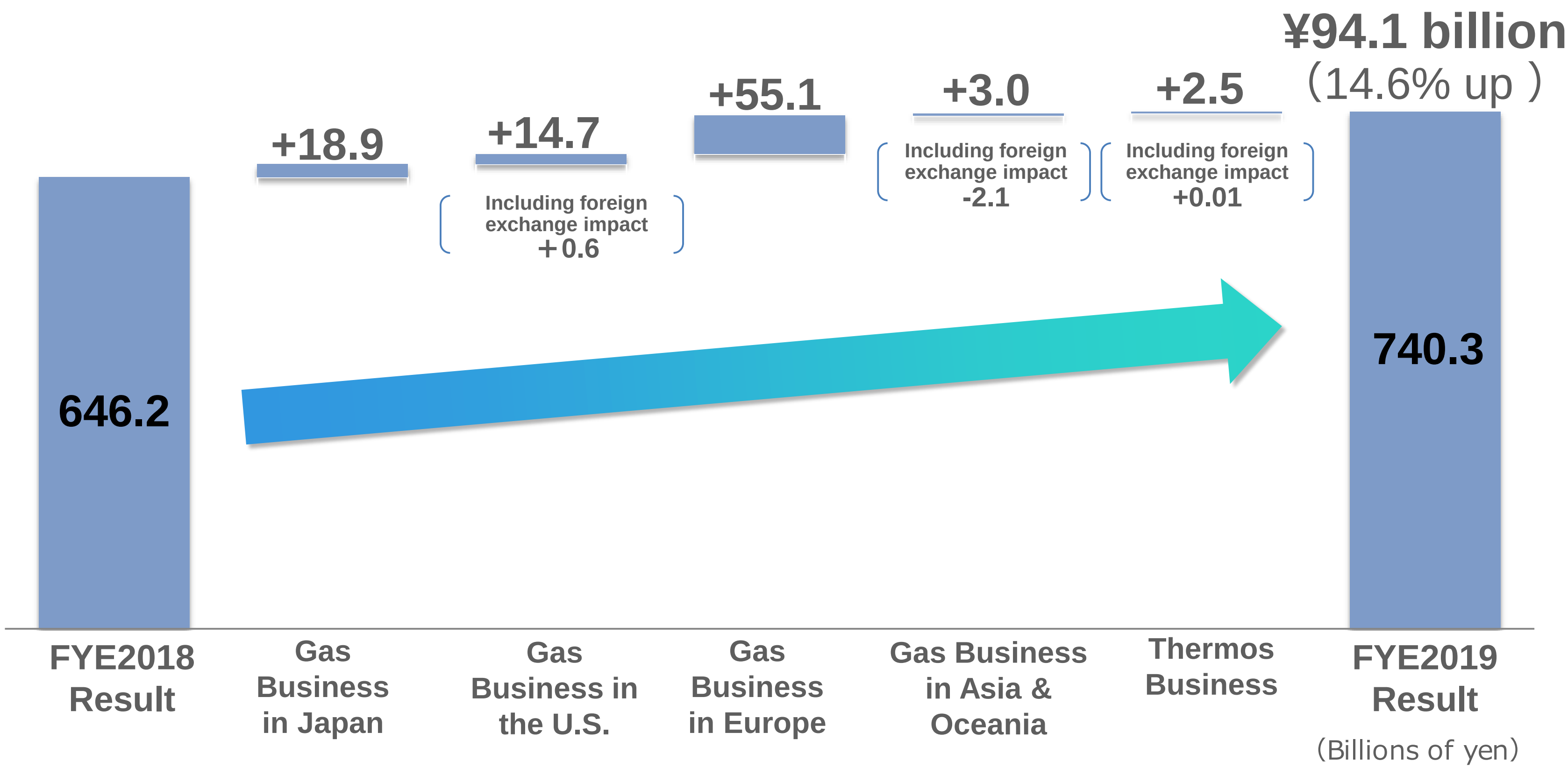
(Billions of yen)

	FYE2018 Results (Margin)	FYE2019 Results (Margin)	YoY Change	FYE2019 Forecast (Announced on Feb.5) (Margin)
Revenue	646.2	**740.3**	+94.1 +14.6%	735.0
Core operating income	60.0 9.3%	**65.8** **8.9%**	+5.8 +9.6%	66.5 9.0%
Non-recurring profit and loss	-0.1	1.0	+1.1	0.5
Operating income	59.8 9.3%	**66.8** **9.0%**	+7.0 +11.7%	67.0 9.1%
Net income attributable to owners of the parent	48.9 7.6%	**41.2** **5.6%**	-7.7 -15.6%	41.0 5.6%
Income tax decrease (Exceptional item)	-12.2 (Reversal of deferred tax liabilities in the U.S.)	0.0	+12.2	
Net income attributable to owners of the parent (excluding impact of income tax increase)	*36.7*	***41.2***	*+4.5*	

- Foreign currency translations (US$→¥) FYE2018 full-year rate: US$1=¥110.70, FYE2019 full-year rate: US$1=¥111.07, (€→¥) FYE2019 full-year rate: €1=¥125.70, (AU$→¥) FYE2018 full-year rate: AU$1=¥85.78, FYE2019 full-year rate: AU$1=¥80.77
- 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.
- In the FYE2018 results, the reversal of deferred tax liabilities at a subsidiary based in the United States, accompanying a reduction in the federal income tax rate under the U.S. Tax Cuts and Jobs Act, resulted in a decrease of ¥12.2 billion in income taxes.

Overview of Business Performance: Reasons for Changes in Revenue

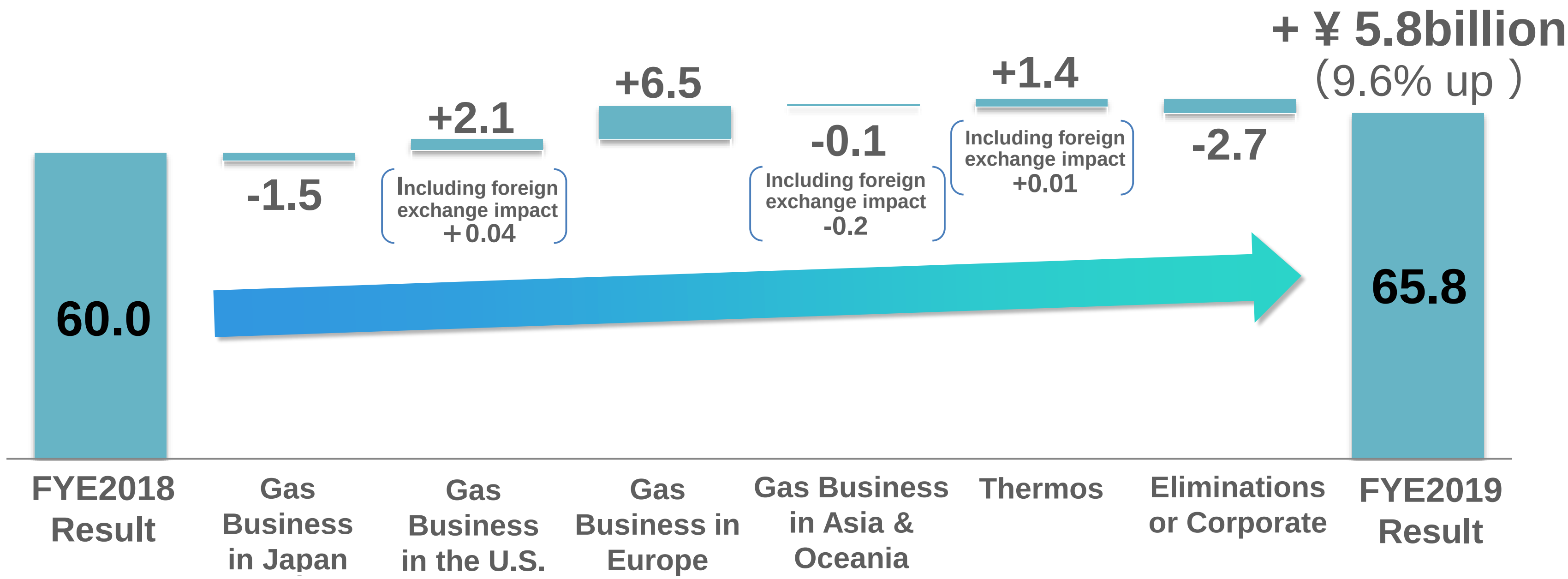
- Revenue increased substantially, supported by the positive impact of the acquisition of IMI Co., Ltd. to strengthen the medical business in Japan, along with a positive contribution from the European business of Praxair, Inc. of the United States, the acquisition of which was completed in December 2018.



	Gas Business in Japan	Gas Business in the U.S.	Gas Business in Europe	Gas Business in Asia & Oceania	Thermos Business
FYE2019 Result	363.9	187.3	55.1	106.1	27.8
FYE2018 Result	345.0	172.6	–	103.1	25.3

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

- Earnings rose substantially owing to a strong showing by the Gas Business in the United States and the acquisition of the European business of Praxair, Inc., although earnings declined in the Gas Business in Japan due to the impact of rising costs for electric power and a shortage of carbon dioxide gas sources.



(Billions of yen)

	Gas Business in Japan	Gas Business in the U.S.	Gas Business in Europe	Gas Business in Asia & Oceania	Thermos	Eliminations or Corporate
FYE2019 Result	29.8	15.6	6.5	9.1	9.1	-4.5*
FYE2018 Result	31.3	13.5	–	9.2	7.7	-1.8

*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 FYE2019

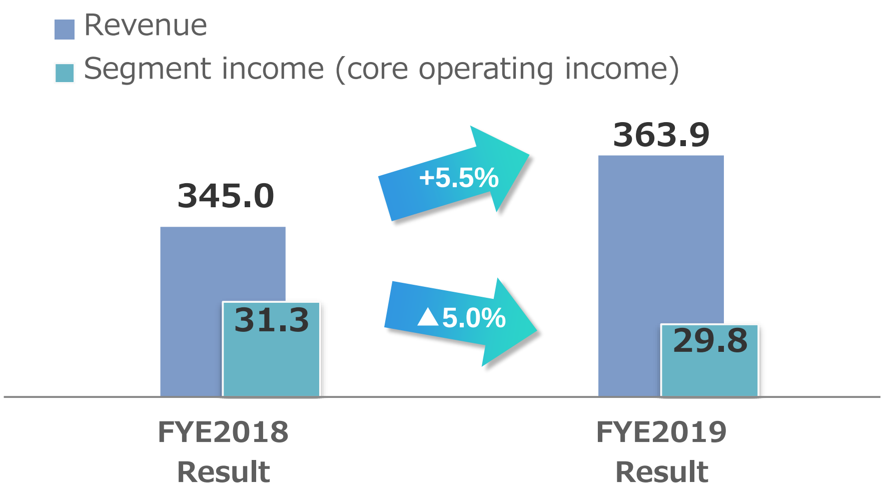
Business Performance by Segment

Ortus Stage 2

Business Performance by Segment：Gas Business in Japan

Gas Business in Japan

(Billions of yen)	FYE2018 Result	FYE2019 Result	YoY Change
Revenue	**345.0**	**363.9**	**+18.9**
Segment income (core operating income)	**31.3**	**29.8**	**-1.5**



Reasons for changes in revenue and segment income (YoY)

Positive factors

- Increased revenue in the on-site business due to a year-round contribution from the opening of JFE SANSO CENTER Kurashiki Plant
- Increased revenue and segment income from hard goods owing to favorable sales of laser cutting equipment (for metal processing)
- Increased revenue and segment income in the medical business from the effects of the acquisition of IMI Co., Ltd., a medical equipment sales company

Negative factors

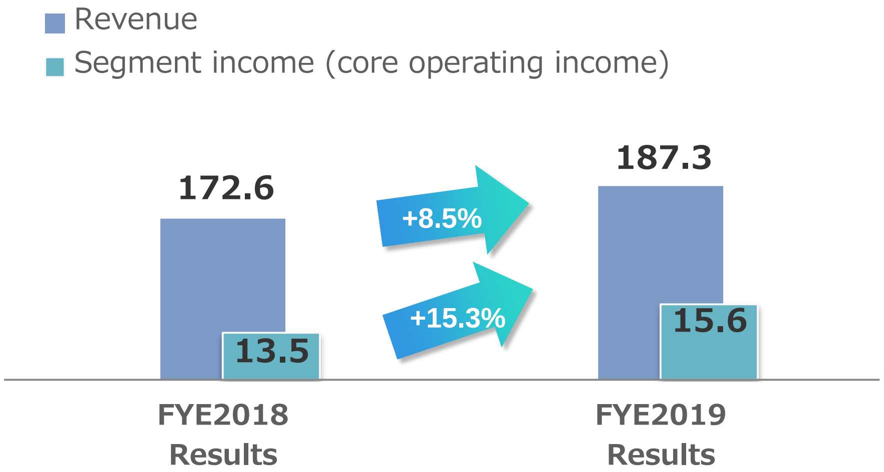
- Decreased segment income reflecting higher production costs for air separation gases due to rising fuel prices
- Decreased segment income reflecting increased costs due to a shortage of carbon dioxide gas sources
- Decreased revenue and segment income due to soft shipments of electronic materials gases for certain product fields

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

Gas Business in the U.S.

(Billions of yen)	FYE2018 Result	FYE2019 Result	YoY Change
Revenue	172.6	187.3	+14.7
Segment income (core operating income)	13.5	15.6	+2.1

- Impact of foreign currency translation: positive impacts of ¥0.6billion on revenue and ¥0.04 billion on core operating income



Reasons for changes in revenue and segment income (YoY)

Positive factors

- Increased revenue and segment income from bulk and hard goods due to steady operations in the manufacturing sector within the United States (steel, construction, energy)
- Increased revenue and segment income in the on-site business, due to the start of operation of new projects such as projects for chemicals manufacturers
- Increased revenue and segment income due to the contribution of the HyCO business acquired from Linde AG of Germany

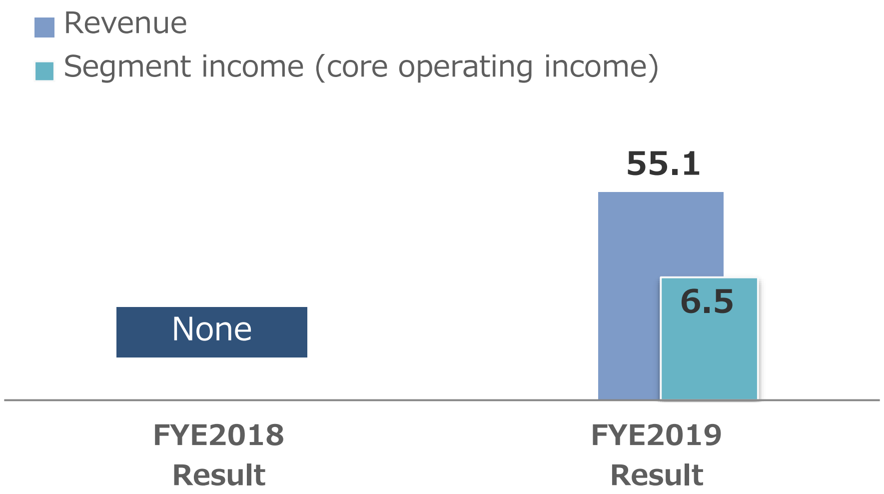
Negative factors

- None

Business Performance by Segment : Gas Business in Europe

Gas Business in Europe

(Billions of yen)	FYE2018 Result	FYE2019 Result	YoY Change
Revenue	―	55.1	+55.1
Segment income (core operating income)	―	6.5	+6.5



・ The FYE2019 result represent business performance for the four-month period from December 2018 to March 2019 of the European business acquired from U.S. company Praxair, Inc.

* One-off expenses incurred in FYE2019:
Recorded a ¥0.7 billion increase in cost of sales due to market price valuation of inventories (FYE2019 only) based on purchase price allocation

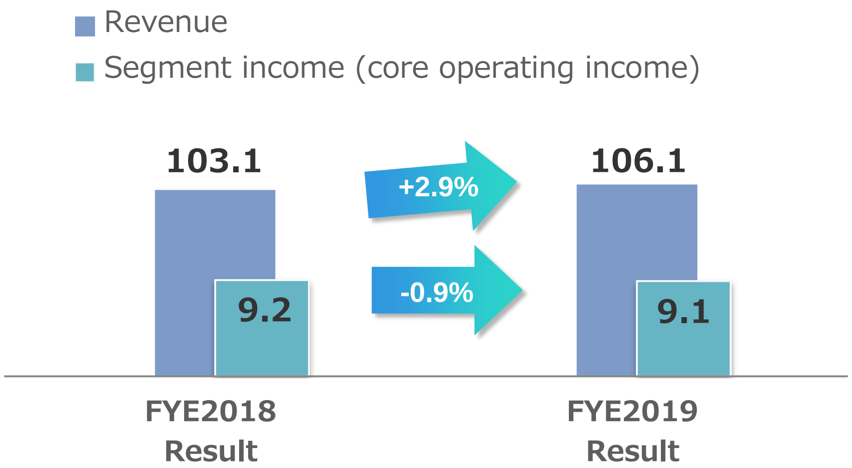
* Expenses that will continue to be incurred in and after FYE2019:
Recorded expenses of ¥3.2 billion due to an increase in depreciation and amortization expenses on property, plant and equipment and intangible assets (FYE2019 Q3, Q4) based on purchase price allocation

Business Performance by Segment: Gas Business in Asia and Oceania

Gas Business in Asia & Oceania

(Billions of yen)	FYE2018 Result	FYE2019 Result	YoY Change
Revenue	103.1	106.1	+3.0
Segment income (core operating income)	9.2	9.1	-0.1

- Impact of foreign currency translation: negative impacts of ¥2.1 billion on revenue and ¥0.2 billion on core operating income



Reasons for changes in revenue and segment income (YoY)

Positive factors

- Increased revenue and segment income due to a solid showing by the industrial gas business in China
- Increased revenue and segment income atop favorable shipments centered on bulk gases in Vietnam and the Philippines. Results in Singapore also rebounded.
- Higher revenue due to favorable sales of LPG and related equipment in Australia.
- Increased revenue and segment income due to favorable shipments of electronic materials gases in East Asia, despite a decline in revenue due to the impact of a change in accounting treatment in Taiwan.

Negative factors

- Lower segment income as very little progress was made on passing higher purchasing prices for LPG in Australia on to sales prices.
- Decreased segment income due to the recording of impairment losses on assets of ¥1.3 billion in Singapore*

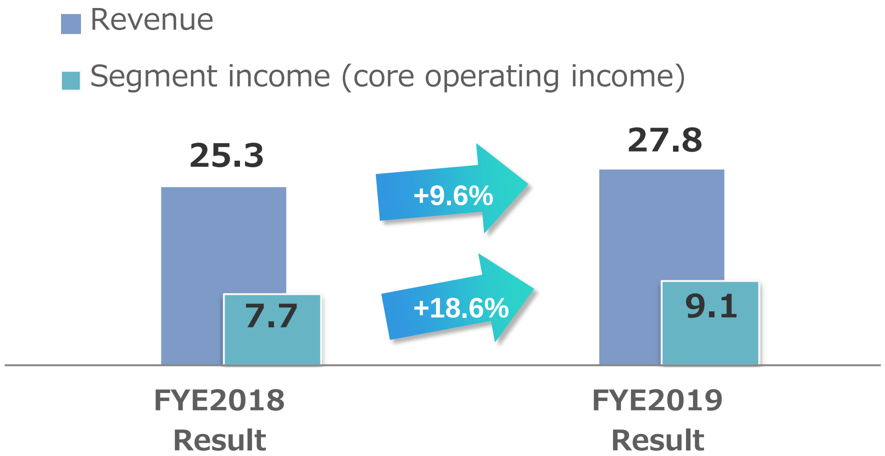
* In the natural gas liquefaction business under way in Indonesia (a business to provide services to liquefy and transport natural gas for power generation), the Company recorded impairment losses on assets related to this business due to a decline in future profitability following drastic changes in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

Business Performance by Segment : Thermos Business

Thermos business

(Billions of yen)	FYE2018 Result	FYE2019 Result	YoY Change
Revenue	25.3	27.8	+2.5
Segment income (core operating income)	7.7	9.1	+1.4

- Impact of currency translations: positive impacts of ¥0.01 billion on revenue and ¥0.01 billion on core operating income



Reasons for changes in revenue and segment income (YoY)

Positive factors

- Increased revenue and segment income in Japan atop favorable sales led by sports bottles. The launch of frying pans also had the effect of contributing positively to results.
- Higher revenue and segment income in South Korea, due to favorable sales as a result of stronger sales channels.
- Increased revenue and segment income owing to stable operations of production plants in the Philippines and Malaysia.
- Higher earnings at overseas group companies accounted for by the equity method, centered on China-related business

Negative factors

- Contraction in demand from inbound tourists.

Overview of the Full-Year Forecast for FYE2020

Overview of the Full-Year Forecast

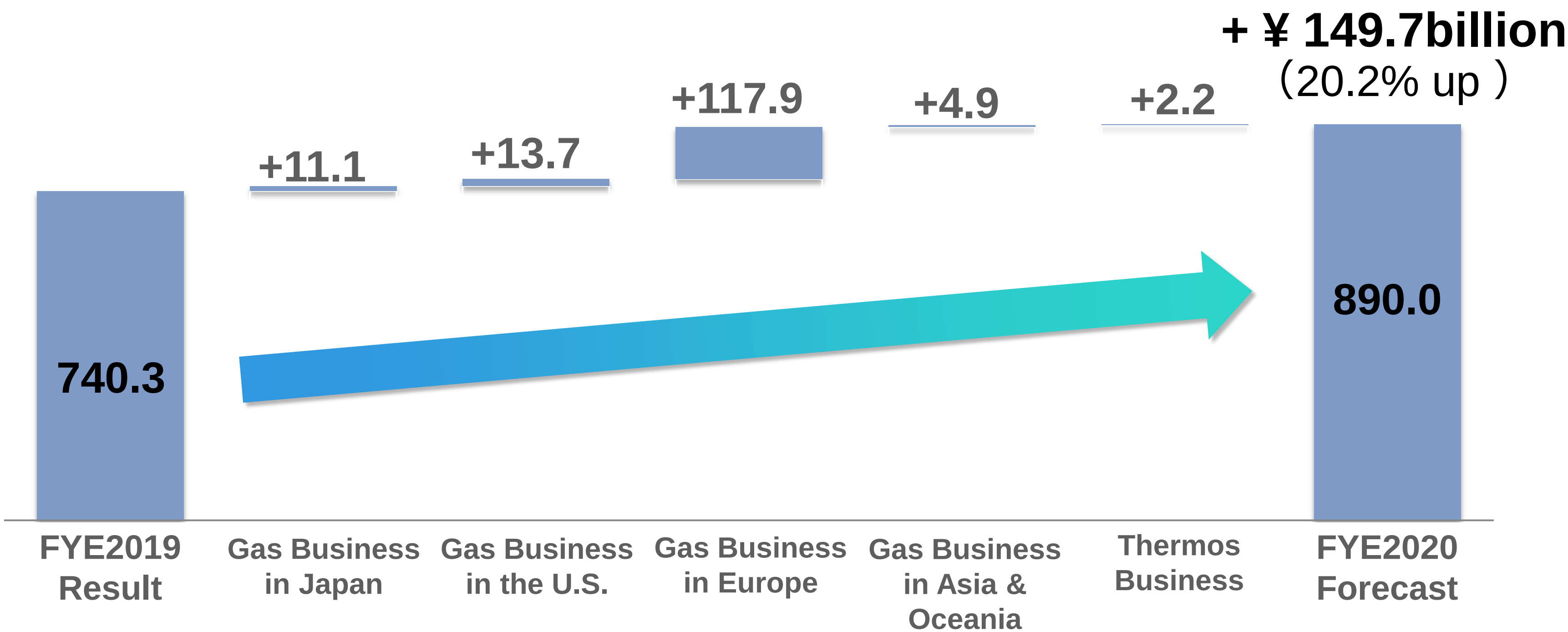
(Billions of yen)

	FYE2019 Results	Margin	FYE2020 Forecast	Margin	YoY Change	
Revenue	740.3		890.0		+149.7	+20.2%
Core operating income	65.8	8.9%	95.0	10.7%	+29.2	+44.3%
Non-recurring profit and loss	1.0		7.0		+6.0	
Operating income	66.8	9.0%	102.0	11.5%	+35.2	+52.6%
Net income attributable to owners of the parent	41.2	5.6%	57.0	6.4%	+15.8	+38.0%

- Assumed exchange rate for FYE2020: (US$→¥): $1=¥110, (EUR→¥): €1=¥125
- In FYE2020, the Company plans to record non-recurring profit of ¥7.0 billion on the sale of its assets as part of efforts to improve asset efficiency.

Full-Year Forecast : Reasons for Changes in Revenue

- The Company targets substantial revenue growth through on-site projects that will successively start operations in the United States and the contribution of the HyCO business acquired from Linde in February 2019, as well as the year-round contribution of the Gas Business in Europe, which was acquired in December 2018.

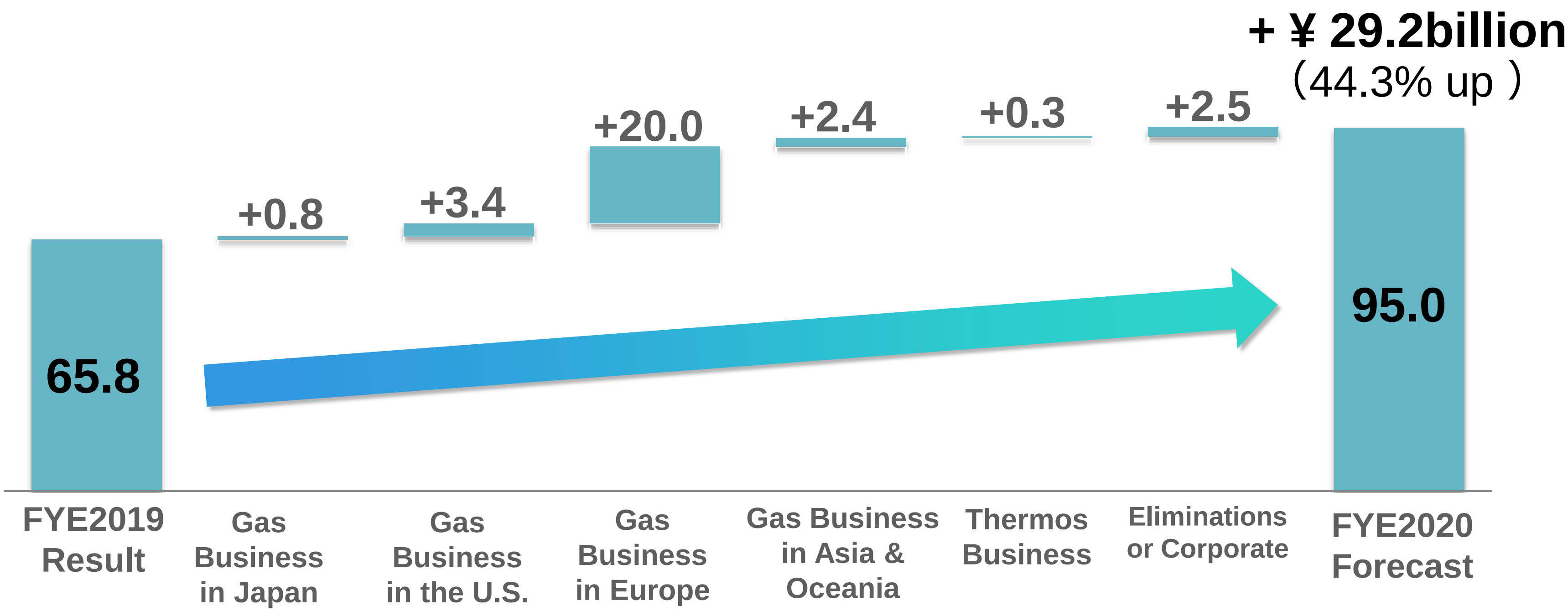


（Billions of yen）

FYE2020 Forecast	375.0	201.0	173.0	111.0	30.0
FYE2019Result	363.9	187.3	55.1	106.1	27.8

Full-Year Forecast : Reasons for Change in Core Operating Income

- In Japan, the Company will strive to improve the profitability of the carbon dioxide business. The Company seeks to capture economic growth in East Asia and Southeast Asia, in addition to generating higher earnings on higher revenue in the Gas Business in the United States and the Gas Business in Europe.



(Billions of yen)

FYE2020 Forecast	30.6	19.0	26.5	11.5	9.4	-2.0
FYE2019Result	29.8	15.6	6.5	9.1	9.1	-4.5

Overview of the Full-Year Forecast by Segment for FYE2020

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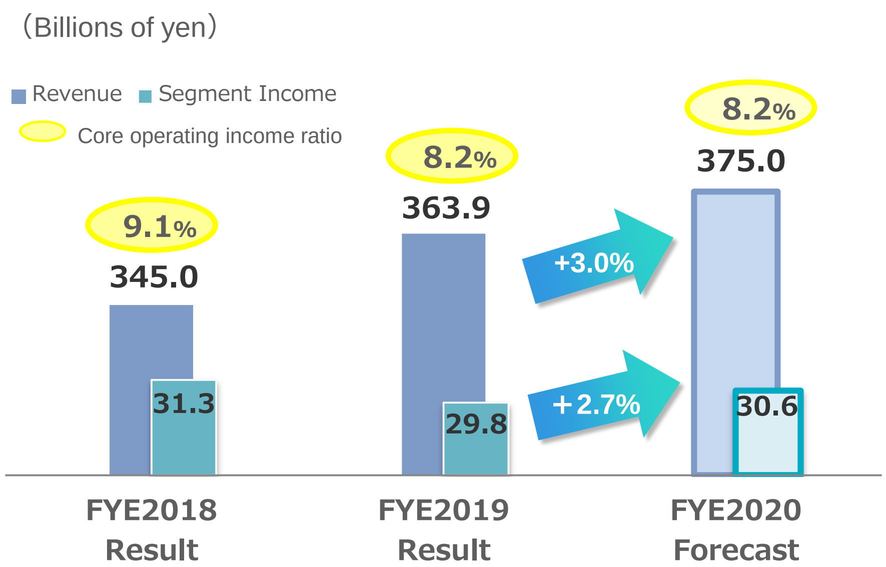
Business Performance Forecast by Segment: Gas Business in Japan

External conditions

- The Japanese manufacturing sector is expected to make firm investments in improving quality and productivity and conserving labor, despite some uncertainty mainly due to the impact of trade friction between the U.S. and China, and the consumption tax hike in Japan.
- The Japanese electronics industry is in an inventory adjustment phase, but it is expected to track a recovery path from the second half of FYE2020.
- Following on from the previous fiscal year, gas production costs are expected to continue increasing due to rising fuel prices.



Initiatives to achieve the target during the current period

- **Industrial Gas**
  - Continue to expand gas and peripheral businesses by bringing together the Group's business foundation under the Total TNSC concept
  - Measures to revise prices of air separation gases

Total TNSC

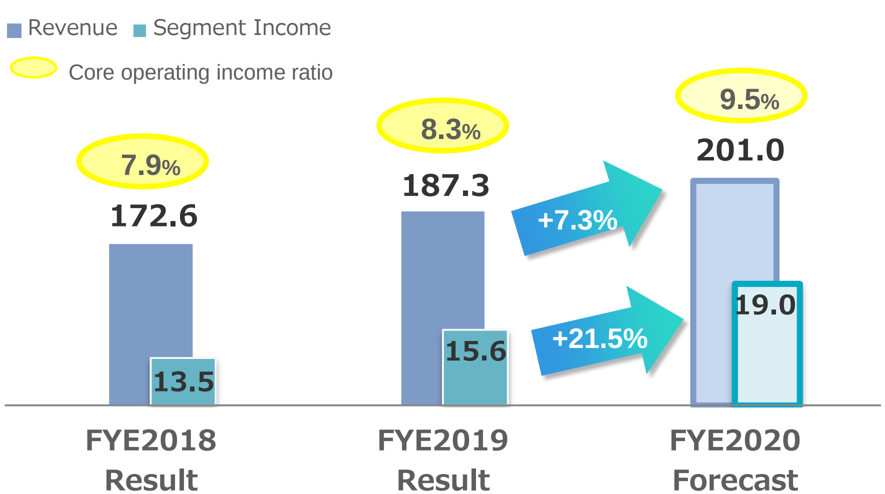
- **Electronics**
  - Expand transactions with major customers
  - Expand sales promotions according to market conditions through new products (high-purity gas refining equipment)
- **Medical**
  - Grow the medical equipment business by fostering collaboration within the TNSC Group
- **Measures to reduce production and logistics costs**
  - Push ahead with cost reductions by improving the shipment ratio from highly efficient plants
  - Rationalize logistics by utilizing information and communications technology

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

External conditions

- The United States economy is forecast to remain firm.
- Progress on infrastructure investment based on economic policies is expected.

(Billions of yen)



Initiatives to achieve the target during the current period

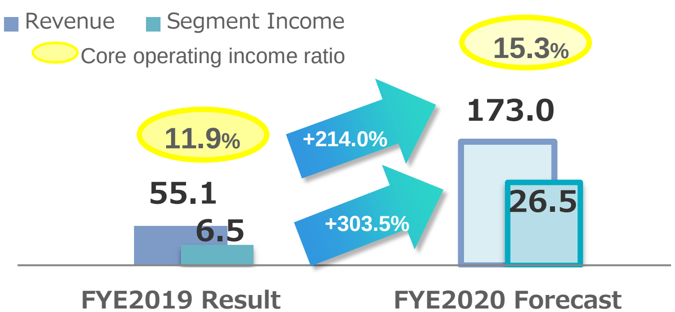
- **Industrial Gas**
  - Increase earnings through the stable operation of new on-site projects and growth in sales of highly competitive bulk gas products accompanying production
  - Promote growth in sales of carbon dioxide gas, for which demand is expected to increase for food processing and refrigerated storage (utilize increases in production capacity)
  - Steadily incorporate increased demand (bulk gases, hard goods, packaged gas) due to economic growth
  - Smoothly transfer the HyCO business acquired from Linde to Matheson
- **Electronics**
  - Deepen relationships with strategic customers under the Total Electronics framework

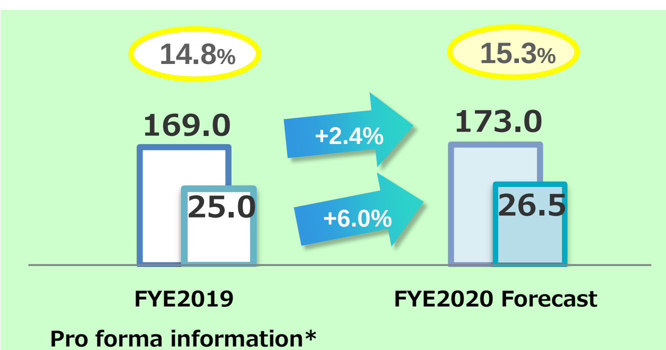
Business Performance Forecast by Segment: Gas Business in Europe

External conditions

- The European economy is showing signs of an overall slowdown, including a downward revision to the economic growth rate forecast for Germany. However, the European economy offers prospects for growth in new demand, in addition to firm existing demand, depending on the region where business is undertaken and the users.

(Billions of yen)





Initiatives to achieve the target during the current period

- **Industrial Gas**
  - Capture growth in demand for on-site, bulk, and packaged gases in Spain, Germany, and the Benelux countries
  - Drive growth in the coolant gas business in Italy
  - Strive to pass rising costs for electric power and personnel on to sales prices
  - Capture growing demand for carbon dioxide gas
- **Generate acquisition synergies**
  - Pursue synergies within the Group through the expansion of the electronics business and gas applications and by deepening relationships with existing customers with whom the Group has business ties in other regions

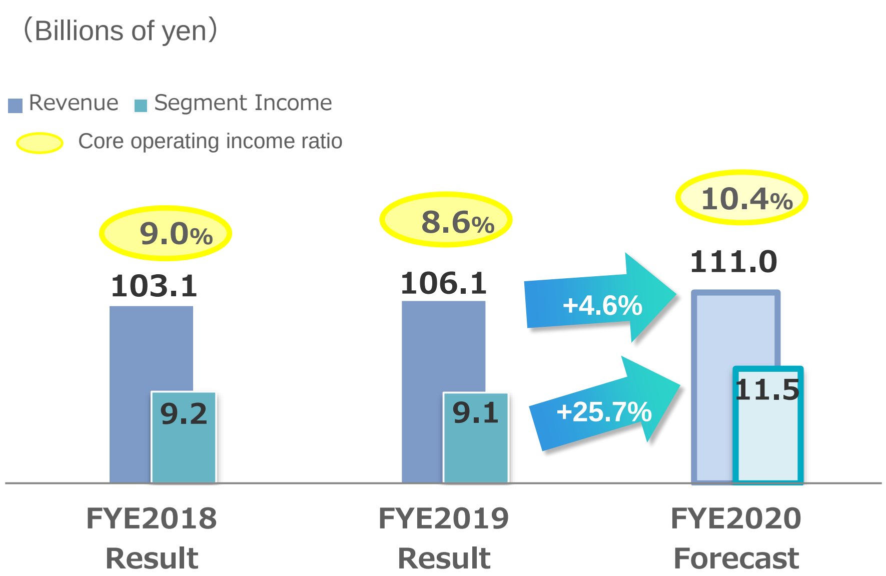
Total Electronics

*The figures above represent the business performance of 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.To facilitate comparisons with FYE2020, core operating income reflects an annualized amount of ¥9.5 billion as an increase in depreciation and amortization expenses on property, plant and equipment and intangible assets due to purchase price allocation (PPA), while excluding a ¥0.7 billion increase in cost of sales due to market price valuation of inventories due to PPA.

Business Performance Forecast by Segment: Gas Business in Asia & Oceania

External conditions

- East Asia (China, Taiwan, South Korea): Production adjustments are expected to continue through 2019 in the semiconductor industry.
- Southeast Asia: The economy is expected to trend firmly as ASEAN countries continue to conduct infrastructure investment and attract foreign companies into the region.
- Australia: Main industries including construction, food, and energy are expected to perform solidly.



Initiatives to achieve the target during the current period

- **Industrial Gas**
  - ・China: Capture demand for bulk gases for the chemicals industry, where production is firm.
  - ・Vietnam: Expand business through the start of operation of a new on-site project
  - ・Philippines: Expand earnings centered on the electronic components industry
  - ・Australia: Capture further demand for nitrogen gas (energy industry) and carbon dioxide gas (food)
- **Electronics**
  - ・ Step up efforts to deepen relationships with existing customers by promoting a unified Group strategy (demand, quality, cost) for strategic customers

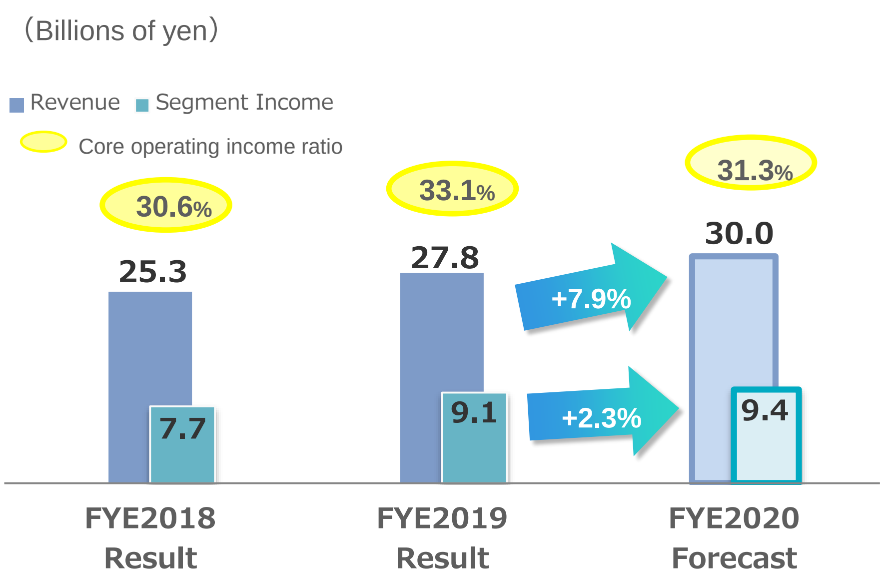
Total Electronics

Business Performance Forecast by Segment: Thermos Business

THERMOS

External conditions

- Japan: Demand from inbound tourists does not offer prospects for growth.
- Overseas: Softening internal demand in China and intensified competition in North America are expected.



Initiatives to achieve the target during the current period

- Japan
  - Enhance and expand the product lineup of kitchenware
  - Launch new products for the home
  - Seek to capture loyal customers by increasing the number of directly operated brick-and-mortar shops and using the Thermos e-commerce website
- Overseas
  - South Korea: Strive to expand new sales channels and increase sales of products for kids, and lunch jars
  - Southeast Asia: Promote the expansion of sales channels
- Production structures
  - Prevent sales opportunity loss through stable operations of production plants in the Philippines, Malaysia and China

Overview of the Full-Year Forecast for FYE2020

Condensed Consolidated Statements of Cash Flows

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Condensed Consolidated Statements of Cash Flows

(Billions of yen)

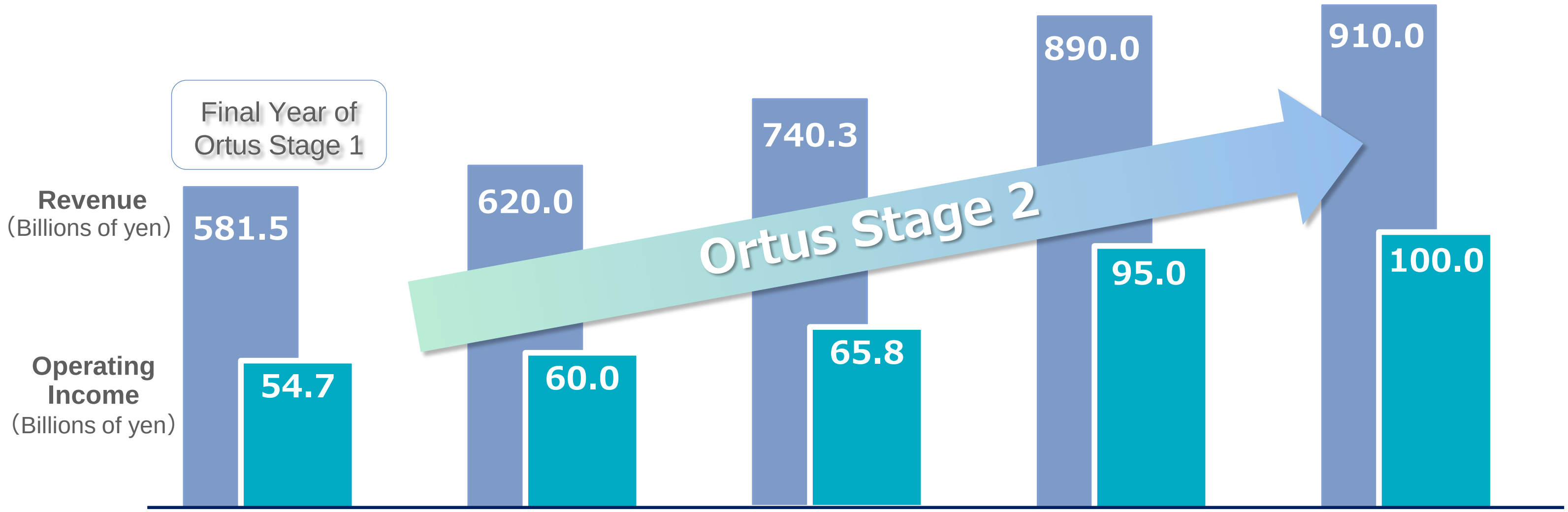
		FYE2019 Result	FYE2020 Forecast	YoY Change
	Profit before income taxes	62.0	86.5	+24.5
	Depreciation and amortization	56.1	83.0	+26.9
	Changes in working capital	-2.4	-3.5	-1.1
	Other	-17.0	-35.5	-18.5
Cash flows from operating activities		98.6	130.5	+31.9
	Capital expenditures	-74.1	-103.4	-29.3
	Investment and loans	-691.1	–	+691.1
	Other (sale of assets, etc.)	10.3	8.0	-2.3
Cash flows from investing activities		-754.9	-95.4	+659.5
Free cash flows		-656.2	35.1	+691.3
Net interest-bearing debt		941.1	918.1	-23.0
Adjusted net D/E ratio		1.54x	1.38x	-0.16 pt.

- Net interest-bearing debt: Interest-bearing debt – cash and cash equivalents*
  *Under IFRS, time deposits with maturities longer than three months are not included in cash and cash equivalents.
  However, these time deposits are reflected in the calculation of net interest-bearing debt disclosed by the Company.
- 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.

State of Progress on Medium-Term Management Plan Ortus Stage 2

Ortus Stage 2

State of Progress on Ortus Stage 2



	FYE2017 Actual (IFRS)	FYE2018 Actual (IFRS)	**FYE2019 Actual (IFRS)**	FYE2020 Target (IFRS)	FYE2021 Planned (IFRS)
Revenue	581.5	646.2	**740.3**	890.0	910.0
Core operating income	54.7	60.0	**65.8**	95.0	100.0
Core operating income ratio	9.4%	9.3%	**8.9%**	10.7%	11.0%
Overseas revenue ratio	40.8%	43.3%	**47.9%**	55.0%	55.0%
ROCE*1	8.4%	8.4%	**6.2%**	6.6%	7.1%
Adjusted net D/E ratio*2	–	–	**1.54 x**	1.38 x	1.27 x

* 1 ROCE (Return on capital employed) = Core operating income* /(Outstanding Interest-bearing Debt + Equity attributable to owners of parent)
  * The figure for core operating income is calculated as operating income excluding certain gains and expenses attributable to non-recurring factors (non-recurring items**).
  ** Non-recurring items apply to structural reform costs (business contraction, withdrawal, extraordinary severance payments), loss caused by natural disaster or major accident and other matters (including disposal of idle assets).

*2 The adjusted net D/E ratio refers to the net D/E ratio adjusted to reflect hybrid finance that has been recognized as equity credit by rating agencies.

Shareholder returns

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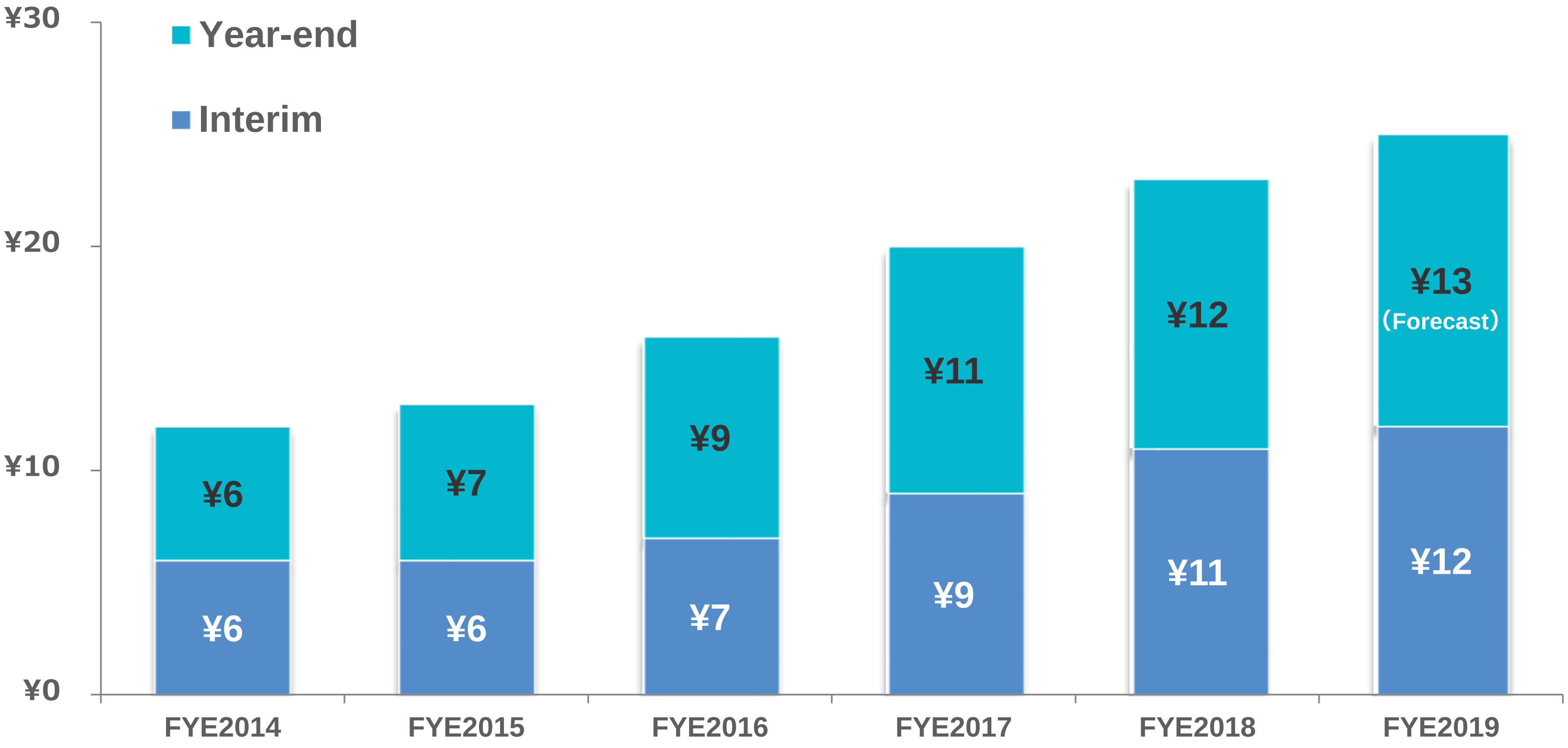
Shareholder returns

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



Thank you

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Reminders

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- 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).
- We wish to remind you, therefore, that the actual business performance may differ from the forecasts and outlooks made at this time. Please refrain from making investment judgments based solely on this information.