



Consolidated Financial Performance
for the First Three Quarters of Fiscal Year Ending March 31, 2020
(Based on IFRS)

(Amounts less than ¥1 million are omitted)

1. Financial results for the first three quarters of FYE2020 (April 1, 2019 to December 31, 2019)

(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 three quarters of FYE2020	633,435	22.3	68,251	55.6	71,896	60.9	42,547	46.6	41,358	51.9	28,511	47.5
First three quarters of FYE2019	518,030	9.9	43,871	(4.0)	44,693	(3.4)	29,018	(29.6)	27,234	(31.9)	19,330	(63.4)

(Reference) Income before income taxes

First three quarters of FYE2020: ¥60,915 million [44.3%]

First three quarters of FYE2019: ¥42,200 million [(3.3)%]

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	Diluted earnings per share
	(yen)	(yen)
First three quarters of FYE2020	95.57	—
First three quarters of FYE2019	62.93	—

(2) Financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Equity attributable to owners of the parent ratio
	(¥ million)	(¥ million)	(¥ million)	(%)
First three quarters of FYE2020 (December 31, 2019)	1,785,701	457,977	426,738	23.9
FYE2019 (March 31, 2019)	1,771,015	435,854	406,602	23.0

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)
FYE2019	—	12.00	—	13.00	25.00
FYE2020	—	14.00			
FYE2020 (est.)			—	14.00	28.00

Note: Revisions of the latest forecasts of dividends: No

3. Forecasts for business operations for FYE2020 full term (April 1, 2019 to March 31, 2020)

(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)
Full term	855,000	15.5	91,500	39.0	95,000	42.1	56,000	28.1	54,000	30.8	124.78

Note: Revisions of the latest forecasts of consolidated operating performance: Yes

(Reference) Income before income taxes

FYE2020 full term: ¥80,500 million [29.7%]

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. For details on the assumptions of the forecasts and related matters, please see page 3, “6. Explanation concerning predictive information such as forecasts for business operations.”

5. General information relating to the three quarters results

The business environment surrounding the Taiyo Nippon Sanso Group (TNSC Group) in the first three quarters of the fiscal year under review (from April 1, 2019 to December 31, 2019) saw a softening of production activities in key industries in Japan, while Europe also experienced a slump in production activities in key industries. On the other hand, production activities in manufacturing industries in the U.S. were solid, and shipments of air separation gases (oxygen, nitrogen, and argon) were on par with the previous fiscal year. In the electronics-related field, shipments of electronic materials gases were on par with the previous fiscal year in Japan, but decreased overseas.

Against this backdrop, the TNSC Group achieved the following results for the first three quarters of the fiscal year under review. Revenue on a consolidated basis increased 22.3% year on year to ¥633,435 million, core operating income rose 55.6% to ¥68,251 million, operating income increased 60.9% to ¥71,896 million, and net income attributable to owners of the parent rose 51.9% to ¥41,358 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.

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, 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 2.2% year on year to ¥260.257 million, while segment income decreased 6.4% to ¥19,972 million.

Gas Business in the United States

In the industrial gas-related business, revenue increased primarily from bulk gas following steady production in the manufacturing sector. In the on-site business, the start of operation of 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*, which was acquired in February 2019. In equipment and installation, revenue from the electronics-related field decreased.

As a result, in the Gas Business in the United States, revenue increased 7.2% year on year to ¥148,840 million, and segment income rose 59.4% to ¥16,779 million.

* HyCO stands for hydrogen (H₂) 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 H₂ and CO to oil refining and petrochemical industries through a pipeline.

Gas Business in Europe

Revenue from the European business amounted to ¥125,307 million and segment income from this business was ¥19,212 million. The European business acquired from Praxair, Inc. of the United States in December 2018 has been disclosed in this segment since the first three quarters of the previous fiscal year.

Gas Business in Asia & Oceania

In the industrial gas-related business, revenue from bulk gas declined sharply, primarily in China, and was soft across the Asian region overall. Liquid petroleum gas (LPG) saw firm shipments in Australia. In the electronics-related business, revenue increased due to a large increase in revenue from equipment and installation. However, shipments of electronic materials gases declined year on year.

As a result of the above, in the Gas Business in Asia & Oceania, revenue increased 0.3% year on year to ¥79,161 million, while segment income decreased 4.8% to ¥8,148 million.

Thermos Business

In the Thermos Business, sales of vacuum insulated portable mugs in Japan were solid, while sales of sports-use vacuum bottles and heat-retaining lunch boxes declined year on year, affected by unseasonable weather with a cool summer and a warm winter. Also, the shipment volume of overseas distributors decreased.

As a result, in the Thermos Business, revenue decreased 8.1% year on year to ¥19,869 million and segment income declined 15.9% to ¥6,060 million.

6. Explanation concerning predictive information such as forecasts for business operations

The company has revised its full-year consolidated earnings forecast. Please see the press release titled “Notice Regarding Earnings Forecast Revisions” issued on February 5, 2020.

7. Notes to the condensed 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.

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.

8. Segment information

The TNSC Group's reportable segments are components of the TNSC Group about which separate financial information is available and which are evaluated regularly by the Board of Directors in deciding how to allocate management resources and in assessing performance. Business segments are not aggregated for financial reporting purposes.

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 five reportable segments are shown in the table below.

Reportable 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. 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 three quarters of FYE2019 (April 1, 2018 to December 31, 2018)

(¥ million)

	Reportable segment						Adjustments (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	Total		
Revenue								
Revenue to external customers	265,989	138,856	12,687	78,887	21,609	518,030	—	518,030
Revenue from inter-segment transactions and transfers	6,498	10,090	—	3,004	31	19,625	(19,625)	—
Total	272,488	148,946	12,687	81,892	21,641	537,655	(19,625)	518,030
Segment income (Note 2)	21,331	10,526	560	8,559	7,205	48,183	(4,312)	43,871

Notes:

- The ¥4,312 million negative adjustment for segment income is comprised of intersegment eliminations of ¥345 million, companywide expenses of ¥1,203 million that were not allocated to any particular reportable segment, as well as the expenses of ¥2,762 million to acquire the European business. These companywide expenses related principally to basic research expenses that were not allocated to a particular reportable segment.
- 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 three quarters of FYE2020 (April 1, 2019 to December 31, 2019)

(¥ million)

	Reportable segment						Adjustments (Note 1)	Amounts on the consolidated statements of income
	Gas Business in Japan	Gas Business in the United States	Gas Business in Europe	GasBusiness in Asia & Oceania	Thermos Business	Total		
Revenue								
Revenue to external customers	260,257	148,840	125,307	79,161	19,869	633,435	—	633,435
Revenue from inter-segment transactions and transfers	7,447	11,970	82	2,319	20	21,840	(21,840)	—
Total	267,704	160,811	125,390	81,480	19,889	655,276	(21,840)	633,435
Segment income (Note 2)	19,972	16,779	19,212	8,148	6,060	70,173	(1,922)	68,251

Notes:

1. The ¥1,922 million negative adjustment for segment income is comprised of intersegment eliminations of ¥465 million and companywide expenses of ¥1,457 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 three quarters of FYE2019 (April 1, 2018 to December 31, 2018)	First three quarters of FYE2020 (April 1, 2019 to December 31, 2019)
Segment income	43,871	68,251
Gain on sales of noncurrent assets	948	6,490
Impairment loss	—	(1,927)
Other	(125)	(917)
Operating income	44,693	71,896
Financial revenue	1,823	1,021
Financial expenses	(4,317)	(12,002)
Income before income taxes	42,200	60,915