



TAIYO NIPPON SANSO
The Gas Professionals

Supplementary Materials for Consolidated Business Performance for FYE2020

May 12, 2020
TAIYO NIPPON SANSO Corporation

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1-1. Overview of business performance

(Billions of yen)	FYE2019 Results Margin	FYE2020 Results Margin	YoY Change	FYE2020 Forecast (Announced Feb. 5) Margin
Revenue	740.3	850.2	+109.9 +14.8%	855.0
Core operating income	65.8 8.9%	90.3 10.6%	+24.5 +37.2%	91.5 10.7%
Non-recurring profit and loss	1.0	3.5	+2.5	3.5
Operating income	66.8 9.0%	93.9 11.0%	+27.1 +40.5%	95.0 11.1%
Finance costs	-4.7	-14.7	-10.0	-14.5
Income before income taxes	62.0	79.1	+17.1	80.5
Income tax expenses	-18.3	-24.0	+5.7	-24.5
Net income	43.7	55.0	+11.3	56.0
(Attribution of net income)				
Net income attributable to owners of the parent	41.2 5.6%	53.3 6.3%	+12.1 +29.2%	54.0 6.3%
Net income attributable to non-controlling interests	2.4	1.6	-0.8	2.0

- Foreign currency translations (average rate during the period)

Unit : JPY	USD	EUR	AUD
FYE2019	111.07	125.70	80.77
FYE2020	108.95	120.85	73.81

- In FYE2019, European business acquisition-related expenses (advisory fees, etc.) of ¥2.7 billion had been recorded.

1-1. Overview of business performance

【Revenue】

(Billions of yen)	FYE2019 Results	FYE2020 Results	% Change	FYE2020 Forecast (Announced Feb. 5)
Gas Business in Japan	363.9	356.1	-2.1%	360.0
Gas Business in the U.S.	187.3	198.8	+6.2%	199.0
Gas Business in Europe	55.1	165.5	-	164.0
Gas Business in Asia and Oceania	106.1	104.5	-1.5%	105.0
Thermos Business	27.8	25.1	-9.6%	27.0
Revenue Total	740.3	850.2	+14.8%	855.0

【Operating income】

(Billions of yen)	FYE2019 Results	FYE2020 Results	% Change	FYE2020 Forecast (Announced Feb. 5)
Gas Business in Japan	29.8	28.7	-3.6%	27.8
Gas Business in the U.S.	15.6	22.2	+42.4%	22.0
Gas Business in Europe	6.5	24.8	-	25.0
Gas Business in Asia and Oceania	9.1	9.9	+8.8%	10.7
Thermos Business	9.1	7.2	-21.4%	8.2
Eliminations or Corporate*	-4.5	-2.6	-	-2.2
Core operating income Total	65.8	90.3	+37.2%	91.5
Non-recurring profit and loss	1.0	3.5	-	3.5
Operating income Total	66.8	93.9	+40.5%	95.0

* Eliminations or Corporate : European business acquisition-related expenses (advisory fees, etc.) of ¥2.7 billion had been recorded in the FYE2019 results.

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

(Billions of yen)				FYE2019 Results	FYE2020 Results	% Change
Revenue	Gases	Packaged	Air separation gases, other	15.5	15.5	+0.0%
			Packaged subtotal	15.5	15.5	+0.0%
		Bulk	Air separation gases	50.5	48.1	-4.6%
			Carbon dioxide	23.3	22.7	-2.7%
			Helium	4.4	4.6	+3.8%
			Other gases	9.9	10.0	+0.4%
			Bulk subtotal	88.3	85.5	-3.1%
		On-site	Air separation gases	75.0	71.1	-5.2%
			Other gases	6.9	6.4	-7.0%
			On-site subtotal	81.9	77.5	-5.4%
	LP gas			33.5	29.0	-13.3%
	Specialty gases			25.7	26.4	+2.5%
	Subtotal			245.1	234.2	-4.5%
	Equipment and installation, other	Gas-related and plant, other		71.3	77.7	+9.0%
		Electronics-related		20.6	19.5	-5.3%
		Welding and cutting-related		26.8	24.6	-8.2%
		Subtotal		118.7	121.9	+2.6%
Revenue Total				363.9	356.1	-2.1%
Segment income				29.8	28.7	-3.6%

Reasons for changes in revenue

- Bulk & On-site (Air separation gases): Revenue decreased primarily in the key industries of steel, non-ferrous metals, metal processing, transportation equipment and chemicals)
- Gas-related and plant, other (Medical): Contribution from acquisition of IMI Co., Ltd., a medical equipment sales company

Reason for change in segment income

- Bulk & On-site (Air separation gases): Lower earnings from decreased revenue
- Contribution from acquisition of IMI Co., Ltd, a medical equipment sales company
- Expenses: Higher costs due to personnel expenses, etc.

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

(Billions of yen)				FYE2019 Results	FYE2020 Results	% Change
Revenue	Gases	Packaged	Air separation gases, other	46.5	46.5	+0.0%
			Packaged subtotal	46.5	46.5	+0.0%
		Bulk	Air separation gases	35.7	36.5	+2.4%
			Carbon dioxide	23.9	25.5	+6.4%
			Helium	5.8	5.9	+2.5%
			Other gases	10.9	11.1	+1.7%
		Bulk subtotal	76.4	79.1	+3.6%	
		On-site	Air separation gases	8.0	9.8	+22.9%
			Other gases	2.6	13.3	–
			On-site subtotal	10.7	23.2	+116.2%
	LP gas			5.3	4.4	-16.4%
	Specialty gases			7.0	6.3	-10.3%
	Subtotal			146.1	159.7	+9.3%
	Equipment and installation, other	Electronics-related	4.9	4.9	-0.4%	
		Welding and cutting-related	36.1	34.1	-5.7%	
		Subtotal	41.1	39.1	-5.0%	
	Revenue Total				187.3	198.8
Segment income				15.6	22.2	+42.4%

*Impact of foreign currency translation: Negative impacts of ¥3.57 billion on revenue and ¥0.30 billion on segment income

Reasons for changes in revenue

- Bulk: Favorable shipments centered around air separation gases. Carbon dioxide gas shipments increased with the start of operations at a new plant
- On-site: Start of operation of new projects, contribution from acquisition of HyCO business

Reason for change in segment income

- Industrial gas-related business was generally favorable, centered on air separation gases.
- Bulk: Production and logistics costs increased
- Contribution from acquisition of HyCO business

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

(Billions of yen)				FYE2019 Results	FYE2020 Results
Revenue	Gases	Packaged	Air separation gases, other	10.1	30.8
			Packaged subtotal	10.1	30.8
		Bulk	Air separation gases	13.6	39.3
			Carbon dioxide	8.2	26.5
			Helium	2.2	8.3
			Other gases	3.8	11.7
			Bulk subtotal	27.9	85.9
		On-site	Air separation gases	8.0	22.3
			Other gases	1.3	3.7
			On-site subtotal	9.4	26.0
	Specialty gases			2.8	8.2
	Subtotal			50.3	151.1
	Equipment and installation, other	Gas-related and plant, other		3.8	11.4
		Welding and cutting-related		0.9	2.9
Subtotal		4.7	14.3		
Revenue Total				55.1	165.5
Segment income				6.5	24.8

*Impact of foreign currency translation: Negative impacts of ¥2.12 billion on revenue and ¥0.25 billion on segment income

- Results from the European gas business acquired from Praxair, Inc. in December 2018 began presenting as The Gas Business in Europe (Results for FYE2019 were for fourth months from December 2018 to March 2019)
- Revenue increased 1.4% year on year to ¥163.4 billion for the Gas Business in Europe from April 1, 2018 to March 31, 2019, assuming the acquisition date of the European business was April 1, 2018.
(The rate of €1=¥120.85 applicable for the FYE2020 has been used for conversions to yen)
- In the industrial gas-related business, revenue decreased year on year in the on-site business in Spain, but increased mainly bulk gas in Germany, the Benelux countries and northern Europe. Revenue decreased year on year in Spain and Italy in March 2020 due to the spread of COVID-19.

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

(Billions of yen)				FYE2019 Results	FYE2020 Results	% Change
Revenue	Gases	Packaged	Air separation gases, other	3.9	3.5	-8.1%
			Packaged subtotal	3.9	3.5	-8.1%
		Bulk	Air separation gases	18.4	15.8	-14.2%
			Carbon dioxide	1.6	1.9	+12.6%
			Helium	4.8	5.7	+18.9%
			Other gases	2.9	2.7	-6.7%
			Bulk subtotal	27.9	26.2	-6.1%
		On-site	Air separation gases	3.6	3.7	+2.1%
			On-site subtotal	3.6	3.7	+2.1%
		LP gas			14.1	14.1
	Specialty gases			28.9	27.4	-5.3%
	Subtotal			78.5	75.0	-4.4%
	Equipment and installation, other	Gas-related and plant, other		17.8	17.4	-2.2%
		Electronics-related		4.8	6.8	+42.2%
		Welding and cutting-related		4.9	5.2	+4.5%
Subtotal		27.5	29.4	+6.7%		
Revenue Total				106.1	104.5	-1.5%
Segment income				9.1	9.9	+8.8%

*Impact of foreign currency translation: Negative impacts of ¥3.91 billion on revenue and ¥0.41 billion on segment income

Reasons for changes in revenue

- Bulk (Air separation gases): Revenue decreased significantly, mainly in China
- LPG: Sales in Australia were favorable
- Specialty gases: Shipments of electronic materials gases on a par year on year
- Electronics-related equipment and installation: Revenue in Taiwan rose substantially

Reason for change in segment income

- Profitability improved in the LP gas business in Australia
- Decreased due to lower profits for electronics materials gas
- Impairment loss of ¥1.3 billion in the natural gas liquefaction business*1 at Leeden NOX recorded in 4Q FYE2019

*1 In the natural gas liquefaction business*2 under way in Indonesia, the Company recorded impairment losses on assets contributed to this business due to a decline in future profitability following drastic changes in the market environment surrounding raw material and fuel.

*2 A business in which the Company is commissioned by an Indonesian electric power utility to liquefy natural gas for power generation and transport the gas to outlying islands in Indonesia.



1-2. Business Performance by Segment: Thermos Business

(Billions of yen)		FYE2019 Results	FYE2020 Results	% Change
Revenue	Japan	22.0	21.8	-0.9%
	Overseas	5.7	3.2	-43.1%
	Revenue Total	27.8	25.1	-9.6%
Segment income		9.1	7.2	-21.4%

*Impact of foreign currency translation: Negative impacts of ¥0.30 billion on revenue and ¥0.10 billion on segment income

Reasons for changes in revenue

- Japan: Sales volume of key products were down due to unseasonable weather (cool summer, warm winter) and spread of COVID-19. Frying pan sales increased
- Overseas: Significant change in the sales environment in South Korea. Operating rate at production plants slumped due to spread of COVID-19.

Reason for change in segment income

- Japan: Decreased earnings due to lower revenue
- Overseas: Decreased earnings due to lower revenue in South Korea. Decreased due to lower operation rate at production plants. Sales slowed at group companies accounted for by the equity method

2-1. Full-Year Forecasts for FYE2021

(Billions of yen)	FYE2020 Results Margin	FYE2021 Forecast Margin	YoY Change % Change
Revenue	850.2	830.0	-20.2 -2.4%
Core operating income	90.3 10.6%	82.0 9.9%	-8.3 -9.2%
Non-recurring profit and loss	3.5	0.0	-3.5
Operating income	93.9 11.0%	82.0 9.9%	-11.9 -12.7%
Finance costs	-14.7	-14.5	+0.2
Income before income taxes	79.1	67.5	-11.6
Income tax expenses	-24.0	-21.5	-2.5
Net income	55.0	46.0	-9.0
(Attribution of net income)			
Net income attributable to owners of the parent	53.3 6.3%	44.0 5.3%	-9.3 -17.5%
Net income for the year attributable to non-controlling interests	1.6	2.0	+0.4

Foreign currency translations (average rate during the period)

Unit : JPY	USD	EUR
FYE2021 est.	108	120
FYE2020 actual	108.95	120.85



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(Reference Materials)

Breakdown for revenue disclosure categories for each segment

The breakdown for revenue disclosure categories for each segment is listed in the below chart.

Revenue disclosure category	Breakdown
Gases	Industrial gases such as oxygen, nitrogen, and argon, LP gases, specialty gases
Packaged	Gas filling containers (cylinders) are delivered to the customer, and the gas is supplied according to method of use
Air separation gases, other	All gases including air separation gases (oxygen, nitrogen, argon that are created by separation from the atmosphere)
Bulk	A storage tank for liquified gas is installed within the customer's facility, and the gas is supplied according to method of use
Air separation gases	Oxygen, nitrogen, argon
Carbon dioxide	Carbon dioxide gas, dry ice
Helium	Helium gas
Other gases	Other gases such as hydrogen
On-site	A gas production facility is established in an area adjacent to the customer, and the gas is constantly supplied using a directly connected pipe
Air separation gases	Oxygen, nitrogen, argon
Other gases	Other gases such as hydrogen and carbon monoxide
LP gas	Propane gas, butane gas
Specialty gases	Gases for electronic materials that are used in the manufacture of semiconductors or LCD panels, standard gas, high-purity gas
Equipment and installation, other	Ancillary equipment for gas usage, refining equipment to raise gas purity level, construction for equipment installation, and other equipment
Gas-related and plant, other	Gas-related supply facilities and gas abatement equipment, air separation units, and other equipment
Electronics-related	Construction for equipment and pipe installation toward electronics, refining equipment for removing impurities, and other equipment
Welding and cutting-related	Equipment, apparatuses, welding rods and other items (hard goods) used in metal processing including gas welding and cutting

Non-recurring Income and Expense Items

(Billions of yen)	FYE2019 Results	FYE2020 Results	YoY change
Core operating income	65.8	90.3	+24.5
Non-recurring profit and loss	1.0	3.5	+2.5
Operating income	66.8	93.9	+27.1

【Non-recurring Income and Expense Items】

FYE2019 Results		FYE2020 Results	
Item	Amount (Billions of yen)	Item	Amount (Billions of yen)
Gain on sales of domestic land	1.3	Gain on sales of domestic land, etc.	6.5
Other	-0.3	Restructuring-related expenses for the alfi business (Thermos)	-0.5
		Impairment loss associated with the disposal of affiliated companies, etc.	-2.4
Total	1.0	Total	3.5

Condensed Consolidated Statements of Cash Flows

(Billions of yen)		FYE2019 Results	FYE2020 Results	YoY change
	Income before income taxes	62.0	79.1	+17.1
	Depreciation and amortization	56.1	83.7	+27.6
	Changes in working capital	-2.4	3.1	+5.5
	Others	-17.0	-16.0	+1.0
(1) Cash flows from operating activities		98.6	150.0	+51.4
	Capital expenditures	-74.1	-72.8	+1.3
	Investments and loans	-691.1	-0.7	+690.4
	Others (asset sales, etc.)	10.3	10.9	+0.6
(2) Cash flows from investing activities		-754.9	-62.6	+692.3
Free cash flow (1+2)		-656.2	87.4	+743.6
Net interest-bearing liabilities		945.7	898.3	-47.4
Adjusted net D/E ratio		1.54	1.45	-0.09

- Net interest-bearing liabilities: interest-bearing liabilities - cash and cash equivalents
- Adjusted net D/E ratio: $(\text{Net interest-bearing debt} - \text{equity-type debt}^{*1}) / (\text{equity attributable to owners of parent} + \text{equity-type debt}^{*1})$
 *1 Equity-type debt: the amount of debt procured by Hybrid finance*2 that has been recognized as equity credit by rating agencies (50% of the procured amount).
 *2 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.

Condensed Consolidated Statements of Financial Position

(Billions of yen)	FYE2019 Results	FYE2020 Results	YoY Change		FYE2019 Results	FYE2020 Results	YoY Change
Cash and cash equivalents	59.6	100.0	+40.4	Interest-bearing liabilities	1,005.4	998.3	-7.1
Trade receivables	197.9	179.2	-18.7	Trade payables	105.9	93.8	-12.1
Inventories	66.2	65.8	-0.4	Others	223.7	218.7	-5.0
Others	23.2	22.1	-1.1	Total liabilities	1,335.1	1,311.0	-24.1
Total current assets	347.1	367.3	+20.2	Share capital and capital surplus, etc	429.5	472.7	+43.2
Property, plant and equipment*	639.3	655.1	+15.8	Other components of equity	-22.9	-63.4	-40.5
Goodwill	437.7	419.2	-18.5	Equity attributable to owners of parent	406.6	409.3	+2.7
Intangible assets	253.8	232.0	-21.8	Non-controlling interests	29.2	31.3	+2.1
Others	92.9	77.8	-15.1	Total equity	435.8	440.6	+4.8
Total non-current assets	1,423.8	1,384.4	-39.4	Total liabilities and equity	1,771.0	1,751.7	-19.3
Total assets	1,771.0	1,751.7	-19.3				

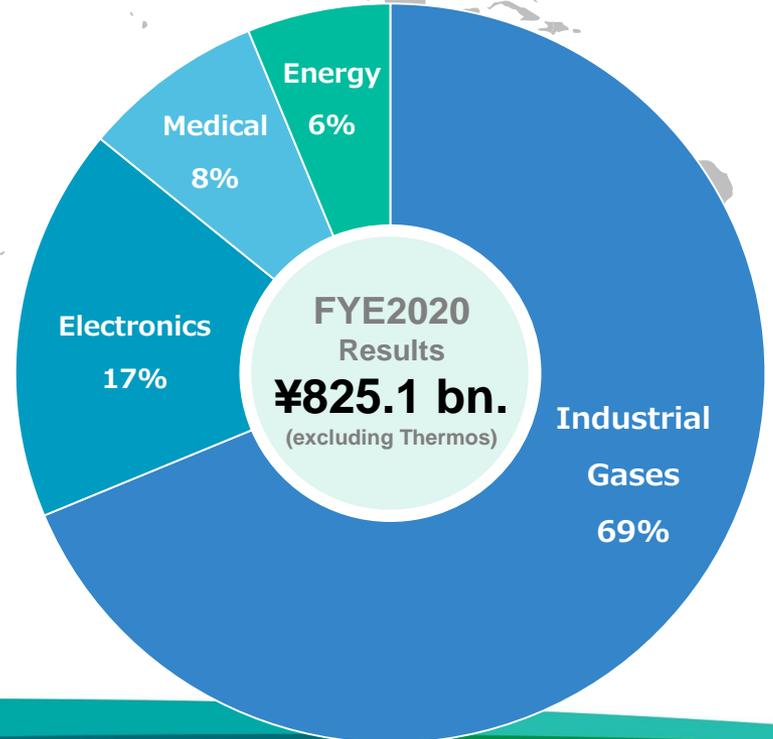
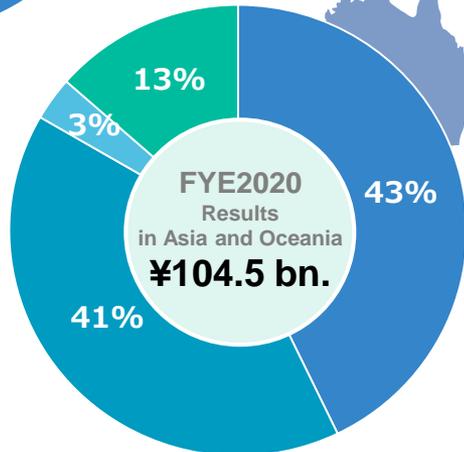
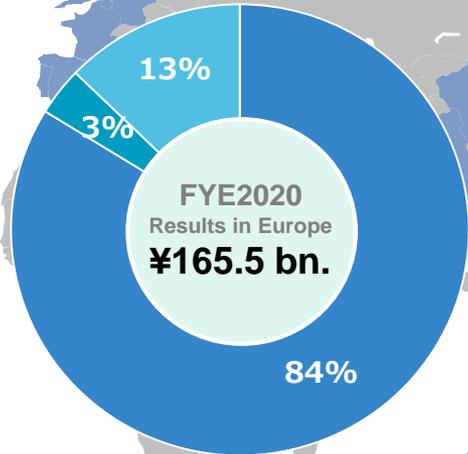
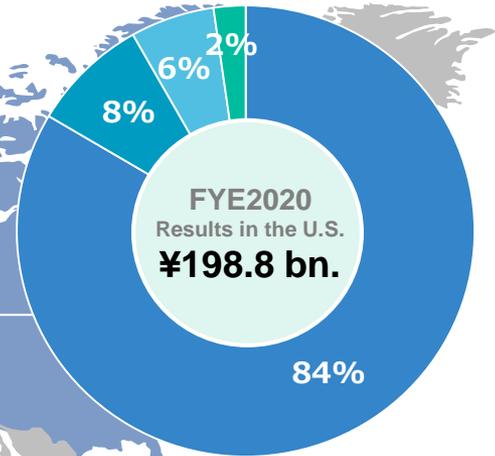
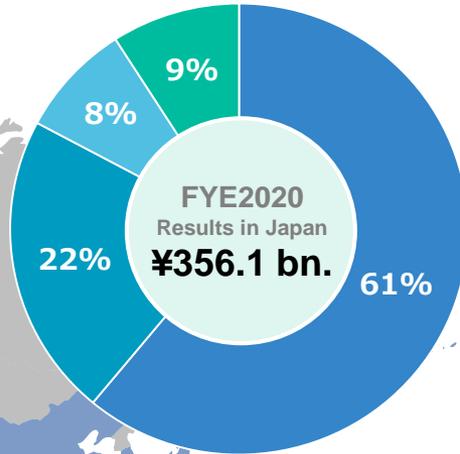
* As a result of the application of IFRS 16, the carrying amount of the TNSC Group's lease-related assets increased by ¥34.1 billion and lease liabilities simultaneously increased by ¥34.6 billion on the day starting the application of IFRS 16.

Key Performance Indicators (Consolidated)

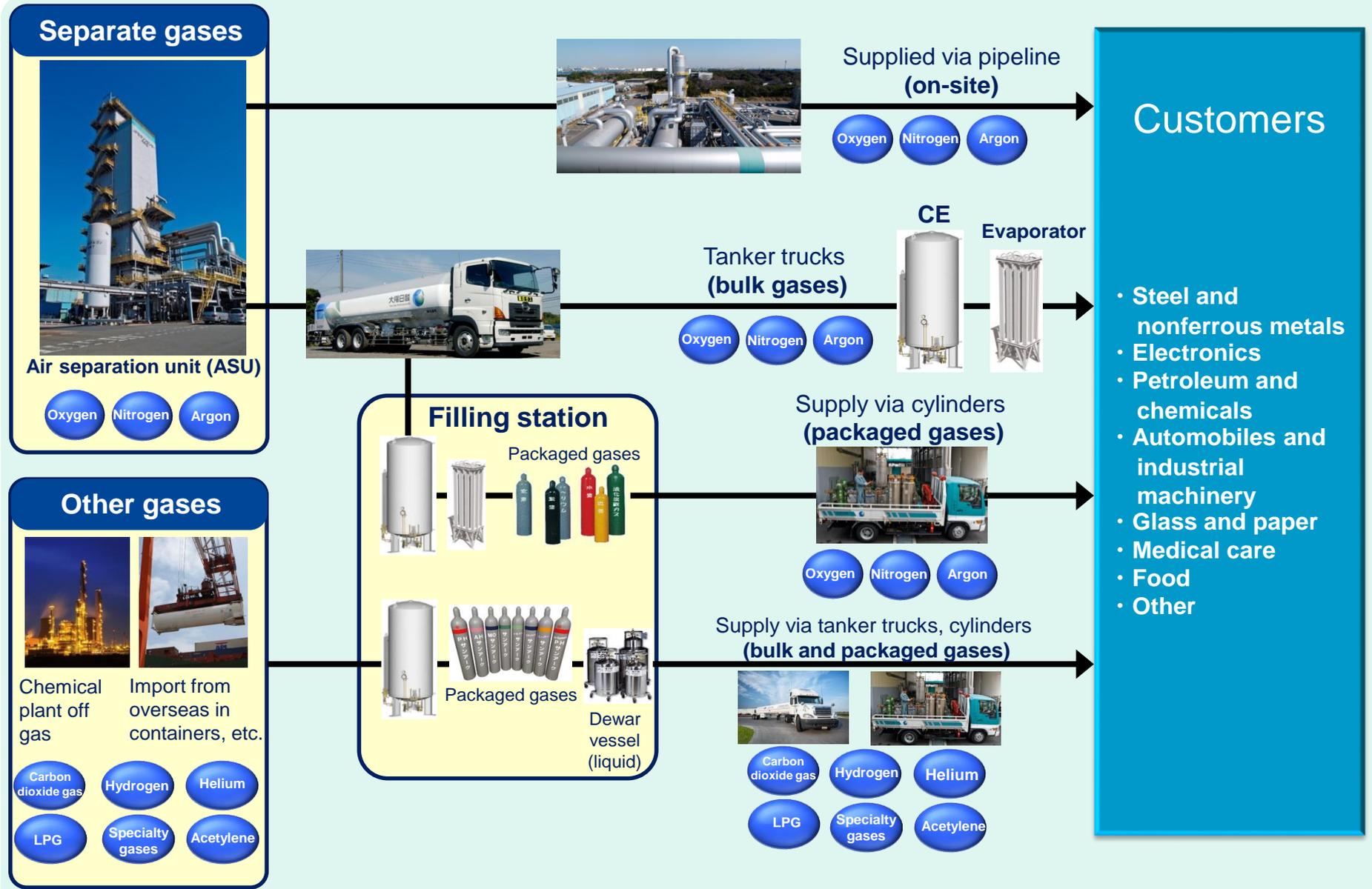
	FYE2019 Results	FYE2020 Results	FYE2021 Forecast
Basic earnings per share (Yen)	95.42	123.26	101.67
Overseas sales ratio	47.9%	55.5%	-
ROE	10.4%	13.1%	10.4%
ROCE	6.2%	6.4%	5.8%
Annual dividends per share (Yen)	25	28	28
Dividend payout ratio	26.2%	22.7%	27.5%
Capital expenditures (fund basis)(Millions of yen)	74,152	72,810	94,100
Investments and loans* (Millions of yen)	691,126	733	-
Depreciation and amortization (Millions of yen)	56,111	83,798	86,000
Balance of interest-bearing liabilities (Millions of yen)	1,005,402	998,389	970,400
Net interest-bearing liabilities (Millions of yen)	945,782	898,384	881,800

* Investment and loans shown above represent investment and loans under cash flows from investing activities (purchase of investment securities, purchase of shares of subsidiaries, and payments for acquisition of businesses).

Sales mix by business (exc. Thermos business)



TNSC's Gas Supply Structure



Disclaimer

- These materials are not intended for purposes of disclosure for securities transactions, and it is impossible to guarantee that the information contained in this presentation is accurate and complete.
- This presentation and report contain forward-looking statements (estimates and forecasts) regarding the future plans, strategies, activities and performance of Taiyo Nippon Sanso Corporation. Forward-looking statements reflect management's assumptions and beliefs based on information available as of the time of writing. Actual results reflect a variety of risk and uncertainties. These risks and uncertainties include, but are not limited to, changes in general economic and specific market conditions, currency exchange rate fluctuations, tax systems, and regulations.
- Accordingly, actual results may differ from forecasts issued at this time. With this in mind, please refrain from relying solely on these materials when making investment decisions.