



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

(Amounts less than ¥1 million are omitted)

1. Financial results for the first half of FYE2020 (April 1, 2019 to September 30, 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 half of FYE2020 | 422,881 | 28.4 | 45,479 | 61.6 | 46,749 | 61.4 | 28,724 | 53.4 | 27,740 | 56.9 | (8,922) | — |
| First half of FYE2019 | 329,426 | 7.8 | 28,145 | (4.0) | 28,967 | (2.2) | 18,722 | 2.0 | 17,677 | 0.0 | 36,147 | 42.0 |

(Reference) Income before income taxes

First half of FYE2020: ¥40,831 million [50.8%]

First half of FYE2019: ¥27,073 million [(2.2)%]

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) |
|-----------------------|--------------------------------|------------------------------------|
| First half of FYE2020 | 64.10 | — |
| First half of FYE2019 | 40.85 | — |

(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 (%) |
|--|--------------------------|--------------------------|---|---|
| First half of FYE2020 (September 30, 2019) | 1,732,168 | 425,947 | 395,847 | 22.9 |
| 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: Yes

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 | 890,000 | 20.2 | 95,000 | 44.3 | 102,000 | 52.6 | 59,500 | 36.1 | 57,000 | 38.0 | 131.71 |

Note: No revisions have been made to recently announced forecasts for business operations.

(Reference) Income before income taxes

FYE2020 full term: ¥86,500 million [39.3%]

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.”

(How to obtain details of quarterly business performance briefings)

TNSC plans to hold the following briefing for investors.

Friday, November 15, 2019: Business performance briefing for institutional investors and analysts

5. General information relating to the first half results

The business environment surrounding the Taiyo Nippon Sanso Group (TNSC Group) in the first half of the fiscal year under review (from April 1, 2019 to September 30, 2019) saw slightly soft production activities in key industries in Japan and Europe, while production activities in manufacturing industries in the U.S. were solid, and shipments of air separation gases (oxygen, nitrogen, and argon) were generally firm. In the electronics-related field, deliveries of electronic materials gases were mostly 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 half of the fiscal year under review. Revenue on a consolidated basis increased 28.4% year on year to ¥422,881 million, core operating income rose 61.6% to ¥45,479 million, operating income increased 61.4% to ¥46,749 million, and net income attributable to owners of the parent rose 56.9% to ¥27,740 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, and metal processing. In the electronics-related field, revenue from electronic materials gases were 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 increased 1.2% year on year to ¥174,015 million, while segment income decreased 3.0% to ¥12,319 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 substantially.

As a result, in the Gas Business in the United States, revenue increased 8.2% year on year to ¥98,953 million, and segment income rose 70.3% to ¥11,744 million.

Gas Business in Europe

Revenue from the European business amounted to ¥85,283 million and segment income from this business was ¥13,218 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 decreased slightly. 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 decreased 1.5% year on year to ¥51,582 million, while segment income decreased 15.4% to ¥5,376 million.

Thermos Business

In the Thermos Business, sales of vacuum insulated portable mugs in Japan were solid, while sales of sports-use vacuum bottles declined year on year. Also, the shipment volume of overseas distributors decreased.

As a result, in the Thermos Business, revenue decreased 3.8% year on year to ¥13,046 million and segment income declined 8.1% to ¥4,137 million.

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

The Company has not revised its previous forecasts for business operations for the full term of the fiscal year ending March 31, 2020, which were announced on May 13, 2019.

The Company has revised its previous forecasts for the interim dividend and year-end dividend. For details, please see the press release titled “Notice Regarding Revisions to Dividends of Surplus (Interim Dividend) and Dividend Forecasts” issued today (October 31, 2019).

* 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.

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 half of FYE2019 (April 1, 2018 to September 30, 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 | 171,989 | 91,488 | — | 52,383 | 13,564 | 329,426 | — | 329,426 |
| Revenue from inter-segment transactions and transfers | 3,494 | 6,506 | — | 2,094 | 11 | 12,107 | (12,107) | — |
| Total | 175,484 | 97,995 | — | 54,478 | 13,576 | 341,534 | (12,107) | 329,426 |
| Segment income (Note 2) | 12,700 | 6,897 | — | 6,358 | 4,503 | 30,460 | (2,314) | 28,145 |

Notes:

1. The ¥2,314 million negative adjustment for segment income is comprised of intersegment eliminations of ¥98 million, companywide expenses of ¥884 million that were not allocated to any particular reportable segment, as well as the expenses of ¥1,331 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).

First half of FYE2020 (April 1, 2019 to September 30, 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 | Gas Business in Asia & Oceania | Thermos Business | Total | | |
| Revenue | | | | | | | | |
| Revenue to external customers | 174,015 | 98,953 | 85,283 | 51,582 | 13,046 | 422,881 | — | 422,881 |
| Revenue from inter-segment transactions and transfers | 4,984 | 8,021 | — | 1,362 | 11 | 14,379 | (14,379) | — |
| Total | 178,999 | 106,975 | 85,283 | 52,944 | 13,057 | 437,261 | (14,379) | 422,881 |
| Segment income (Note 2) | 12,319 | 11,744 | 13,218 | 5,376 | 4,137 | 46,796 | (1,316) | 45,479 |

Notes:

1. The ¥1,316 million negative adjustment for segment income is comprised of ¥336 million of intersegment eliminations and companywide expenses of ¥980 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 half of FYE2019 (April 1, 2018 to September 30, 2018) | First half of FYE2020 (April 1, 2019 to September 30, 2019) |
| Segment income | 28,145 | 45,479 |
| Gain on sales of noncurrent assets | 948 | 2,059 |
| Impairment loss | — | (311) |
| Other | (125) | (479) |
| Operating income | 28,967 | 46,749 |
| Financial revenue | 890 | 1,268 |
| Financial expenses | (2,784) | (7,185) |
| Income before income taxes | 27,073 | 40,831 |