



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

(Amounts less than ¥1 million are omitted)

1. Financial results for the first quarter of FYE2020 (April 1, 2019 – June 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 quarter of FYE2020	210,329	32.6	21,722	55.9	21,089	42.7	12,765	25.6	12,221	26.2	(6,737)	—
First quarter of FYE2019	158,662	5.2	13,934	(0.7)	14,778	3.1	10,159	28.6	9,684	27.2	16,890	93.6

(Reference) Income before income taxes

First quarter of FYE2020: ¥18,264 million [28.4%]

First quarter of FYE2019: ¥14,223 million [4.4%]

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 quarter of FYE2020	28.24	—
First quarter of FYE2019	22.38	—

(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 quarter of FYE2020 (June 30, 2019)	1,774,359	428,311	398,313	22.4
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	—				
FYE2020 (est.)		13.00	—	13.00	26.00

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

3. Forecasts for business operations for FYE2020 full term (April 1, 2019 – 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)
First-half	435,000	32.0	46,000	63.4	46,000	58.8	26,700	42.6	25,500	44.2	58.92
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.

(Reference) Income before income taxes

First half of FYE2020: ¥39,000 million [44.1%]

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.”

5. General information relating to the first quarter results

The business environment surrounding the Taiyo Nippon Sanso Group (TNSC Group) in the first quarter of the fiscal year under review (from April 1, 2019 to June 30, 2019) saw slightly soft production activities in key industries in Japan, while production activities in manufacturing industries in the U.S. and Europe 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 in Japan were mostly on par with the previous fiscal year.

Against this backdrop, the TNSC Group achieved the following results for the first quarter of the fiscal year under review. Revenue on a consolidated basis increased 32.6% year on year to ¥210,329 million, core operating income rose 55.9% to ¥21,722 million, operating income increased 42.7% to ¥21,089 million, and net income attributable to owners of the parent rose 26.2% to ¥12,221 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 and transportation equipment. In the medical-related business, there was a contribution to earnings from the medical equipment sales company, IMI Co., Ltd., acquired in October 2018. In the electronics-related field, revenue from electronic materials gases were mostly on par with the previous fiscal year.

As a result, in the Gas Business in Japan, revenue increased 1.4% year on year to ¥83,818 million, while segment income decreased 7.6% to ¥5,669 million.

Gas Business in the United States

In the industrial gas-related business, revenue increased primarily from bulk gas and hard goods following a steady performance 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 business¹, which was acquired in February 2019. In the electronics-related field, revenue from equipment and installation decreased substantially.

As a result, in the Gas Business in the United States, revenue increased 11.6% year on year to ¥49,697 million, and segment income rose 69.7% to ¥5,292 million.

Gas Business in Europe

Revenue from the European business amounted to ¥44,064 million and segment income from this business was ¥6,926 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 rose only slightly in Southeast Asia despite solid sales centered on bulk gas. In Australia, sales of LPG were brisk. In the electronics-related business, revenue increased due to a large increase in revenue from equipment and installation. However, shipments of electronic materials gases in Taiwan declined year on year.

As a result of the above, in the Gas Business in Asia & Oceania, revenue increased 4.1% year on year to ¥26,159 million, while segment income decreased 21.5% to ¥2,602 million.

Thermos Business

In the Thermos Business, revenue was up year on year, mainly due to solid sales of vacuum insulated portable mugs in Japan.

As a result, in the Thermos Business, revenue increased 4.1% year on year to ¥6,589 million and segment income rose 12.6% to ¥1,923 million.

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

The Company has not revised its forecasts for business operations announced on May 13, 2019.

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 day starting the application of IFRS 16.

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.

¹ 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.

8. Segment information

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 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. 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 Quarter, FYE2019 (April 1, 2018 – June 30, 2018)

(¥ million)

	Business 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								
(1) Revenue to external customers	82,697	44,512	—	25,121	6,332	158,662	—	158,662
(2) Revenue from inter-segment transactions and transfers	1,758	3,024	—	901	5	5,691	(5,691)	—
Total	84,455	47,536	—	26,023	6,338	164,354	(5,691)	158,662
Segment income (Note 2)	6,137	3,118	—	3,317	1,708	14,282	(347)	13,934

Notes:

- The ¥347 million negative adjustment for segment income is comprised of intersegment eliminations of ¥27 million and companywide expenses of ¥374 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.
- 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 Quarter, FYE2020 (April 1, 2019 – June 30, 2019)

(¥ million)

	Business 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								
(1) Revenue to external customers	83,818	49,697	44,064	26,159	6,589	210,329	—	210,329
(2) Revenue from inter-segment transactions and transfers	2,775	4,338	—	612	4	7,730	(7,730)	—
Total	86,593	54,035	44,064	26,772	6,593	218,059	(7,730)	210,329
Segment income (Note 2)	5,669	5,292	6,926	2,602	1,923	22,414	(692)	21,722

Notes:

1. The ¥692 million negative adjustment for segment income is comprised of ¥229 million of intersegment eliminations and companywide expenses of ¥462 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 quarter of FYE2019 (April 1, 2018 to June 30, 2018)	First quarter of FYE2020 (April 1, 2019 to June 30, 2019)
Segment income	13,934	21,722
Gain on sales of noncurrent assets	947	160
Impairment loss	—	(315)
Other	(104)	(478)
Operating income	14,778	21,089
Financial revenue	747	789
Financial expenses	(1,301)	(3,615)
Income before income taxes	14,223	18,264