February 5, 2019
Taiyo Nippon Sanso Corporation

Consolidated Financial Performance for the First Three Quarters of Fiscal Year Ending March 31, 2019 (Based on IFRS)

(Amounts less than ¥1 million are omitted)

1. Financial results for the First Three Quarters of FYE 2019 (April 1, 2018 – December 31, 2018)

(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 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)
First three quarters of FYE2018	471,460	13.4	45,705	11.8	46,268	12.6	41,223	51.2	39,977	53.6	52,787	66.6

(Reference) Income before income taxes
First three quarters of FYE2019: ¥42,200 million [(3.3)%]
First three quarters of FYE2018: ¥43,653 million [11.9%]
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 three quarters of FYE2019	62.93	—
First three quarters of FYE2018	92.38	—

(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 three quarters of FYE2019 (December 31, 2018)	1,759,620	424,304	396,508	22.5
FYE2018 (March 31, 2018)	931,047	412,072	386,457	41.5

2. Dividends

	Annual Dividend				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Term end	Total
	Yen	Yen	Yen	Yen	Yen
FYE2018	—	11.00	—	12.00	23.00
FYE2019	—	12.00	—		
FYE2019 (est.)				12.00	24.00

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

3. Forecasts for business operations for FYE2019 full term (April 1, 2018 – March 31, 2019)

(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	735,000	13.7	66,500	10.8	67,000	11.9	43,000	(15.3)	41,000	(16.2)	94.74

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

(Reference) Income before income taxes

FYE2019 full term: ¥61,500 million [10.0%]

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.

5. General information relating to the first three quarters results

In the first three quarters of the fiscal year under review (from April 1, 2018 to December 31, 2018), in the TNSC Group's business environment, the production activities in both domestic and overseas manufacturing industries were strong, and shipments of air separation gases (oxygen, nitrogen, and argon) were steady. In the electronics-related field, deliveries in some product fields displayed a tendency to slow down in Japan.

Against this backdrop, the Taiyo Nippon Sanso Group (TNSC Group) achieved the following results for the first three quarters of the fiscal year under review. Revenue on a consolidated basis increased 9.9% year on year to ¥518,030 million, core operating income decreased 4.0% to ¥43,871 million, operating income decreased 3.4% to ¥44,693 million, and net income attributable to owners of the parent decreased by 31.9% to ¥27,234 million.

The Company completed the acquisition of the European business of Praxair, Inc. of the United States on December 3, 2018. The adjusted amount of consolidated segment income for the first three quarters of the fiscal year under review includes ¥2,762 million in acquisition-related expenses for the European business (advisory costs, etc.).

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.

From the first quarter of the fiscal year under review, the TNSC Group changed its reportable segments. Therefore, to facilitate the year-on-year comparisons shown below, the figures for the corresponding period of the preceding fiscal year have been reclassified based on the changes to the reportable segments. Moreover, from the third quarter of the fiscal year under review, the Gas Business in Europe has been added as a reportable segment, and the results of the European business acquired from Praxair, Inc. of the United States have been presented in this segment.

Gas Business in Japan

In the industrial gas-related business, revenue from air separation gases, a core product, performed steadily for use primarily in the key industries of steel and chemicals. In addition, revenue from on-site business increased since a new on-site plant started operations in October 2017. Hard goods significantly expanded revenue, mainly due to metal processing. In the medical 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, revenues from electronic materials gases declined.

As a result, in the Gas Business in Japan, revenue increased 7.1% year on year to ¥265,989 million, while segment income decreased 9.4% to ¥21,331 million.

Gas Business in the United States

In the industrial gas-related business, revenue from bulk gas and hard goods increased significantly following a steady performance in the manufacturing sector. In the on-site business, the start of operation at a new project contributed to revenue. In the electronics-related field, revenue from electronic materials gases declined.

As a result, in the Gas Business in the United States, revenue increased 8.0% year on year to ¥138,856 million, and segment income rose 5.0% to ¥10,526 million.

Gas Business in Europe

The European business acquired from Praxair Inc. in the United States comprises the industrial gas business in Germany, Spain, Portugal, Italy, Norway, Denmark, Sweden, the Netherlands and Belgium, the carbon dioxide gas business in the United Kingdom, Ireland, the Netherlands and France, and the helium-related businesses.

In the Gas Business in Europe, revenue was ¥12,687 million and segment income was ¥560 million.

Gas Business in Asia & Oceania

In the industrial gas-related field, revenue from hard goods, primarily the energy sector, increased in Singapore and Malaysia. In Australia, sales of LPG and related equipment were brisk. In the electronics-related field, revenue declined due to the impact of a change in accounting treatment in Taiwan, however, shipments of electronic materials gases were strong.

As a result of the above, in the Gas Business in Asia & Oceania, revenue increased 5.4% year on year to ¥78,887 million, and segment income rose 17.7% to ¥8,559 million.

Thermos Business

In the Thermos Business, revenue increased year on year due to recovered sales of vacuum insulated portable mugs and sports-use vacuum bottles in Japan. Overseas, sales were favorable in South Korea.

As a result, in the Thermos Business, revenue increased 9.9% year on year to ¥21,609 million, and segment income increased 12.4% to ¥7,205 million.

6. Other

TNSC concluded a share purchase agreement with Praxair, Inc. of the United States (hereinafter "Praxair") on July 5, 2018 for acquiring the shares of the corporations running a part of Praxair's European business. In accordance with the contract, on December 3, 2018, TNSC acquired the business through its subsidiaries acquired or established in Europe, TNSC Euro-Holding S. L. U. (renamed Nippon Gases Euro-Holding S.L.U on December 19, 2018) and TNSC Germany GmbH, etc.

As a result, the net assets of Nippon Gases Euro-Holding S.L.U. and TNSC Germany GmbH have reached an amount that corresponds to 30% or more of the Company's net assets. Moreover, the capital stocks of Praxair NV, Rivoira S.p.A., and Rivoira Gas S.r.l. have reached an amount that corresponds to 10% or more of the Company's capital stock. Accordingly, these companies now qualify as specified subsidiaries of the Company.

7. Change in accounting policy

From the first quarter of the fiscal year under review, the TNSC Group applies IFRS 15, "Revenue from contracts with customers" (issued in May 2014) and "Clarifications to IFRS 15" (issued in April 2016) (hereinafter collectively referred to as "IFRS 15").

In accordance with the adoption of IFRS 15, the TNSC Group recognizes revenue, based on the following 5-step model, in an amount that reflects the consideration to which the Group expects to be entitled in exchange for goods or services transferred to customers.

Step 1: Identify the contract with the customer
Step 2: Identify performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the performance obligations are satisfied

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.

Regarding product sales in these businesses, because a customer acquires control over a product at the time the product is delivered, TNSC judges that its business obligations have been satisfied and recognizes its revenue, at the time the product is delivered.

Revenue is measured from the price promised in the contract with the customer, after deducting such amounts as discounts, rebates and returns.

The amount of the price in the sales contract of a product is generally collected within one year from the time when control over the product is transferred to a customer, and does not include the important element of the interest.

The impact of the adoption of IFRS 15 on the condensed consolidated financial statements of the TNSC Group was negligible.

When IFRS 15 was adopted, a method, which was recognized as a transitional measure, was used to recognize the cumulative effect of adopting this standard on the date of starting the adoption. However, the cumulative financial impact on the date of starting the adoption of this standard was negligible.

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.

Changes to reportable segments

To display the results of the Thermos Business more clearly, from the first quarter of the fiscal year under review the TNSC Group has changed the four existing reportable segments of Gas Business in Japan, Gas Business in the United States, Gas Business in Asia & Oceania, and Thermos & Other Businesses, to the four segments of Gas Business in Japan, Gas Business in the United States, Gas Business in Asia & Oceania, and Thermos Business.

Furthermore, from the third quarter of the fiscal year under review, Gas Business in Europe has been added as a new reportable segment due to the acquisition of the European business of Praxair, Inc. of the United States.

To facilitate the year-on-year comparisons, the figures for the first three quarters of the preceding fiscal year have been reclassified based on the changes to the reportable segments.

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 for the preceding fiscal year. 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, FYE2018 (April 1, 2017 – December 31, 2017)

(¥ 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	248,396	128,549	—	74,858	19,656	471,460	—	471,460
(2) Revenue from inter-segment transactions and transfers	8,699	8,299	—	1,516	21	18,536	(18,536)	—
Total	257,095	136,848	—	76,374	19,677	489,997	(18,536)	471,460
Segment income (Note 2)	23,542	10,021	—	7,274	6,409	47,247	(1,542)	45,705

Notes:

1. The ¥1,542 million negative adjustment for segment income is comprised of ¥467 million of intersegment eliminations and companywide expenses of ¥1,075 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).

First Three Quarters, FYE2019 (April 1, 2018 – December 31, 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	265,989	138,856	12,687	78,887	21,609	518,030	—	518,030
(2) 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:

1. The ¥4,312 million negative adjustment for segment income is comprised of ¥345 million of intersegment eliminations and 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.
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 FYE2018 (April 1, 2017 to December 31, 2017)	First three quarters of FYE2019 (April 1, 2018 to December 31, 2018)
Segment income	45,705	43,871
Gain on sales of noncurrent assets	1,020	948
Share of income (loss) of associates and joint ventures accounted for using the equity method	(457)	—
Other	—	(125)
Operating income	46,268	44,693
Financial revenue	1,173	1,823
Financial expenses	(3,788)	(4,317)
Income before income taxes	43,653	42,200

9. **Issuance conditions for hybrid bonds (public subordinated bonds)**

On January 29, 2019, the Company issued Deferrable Interest and Callable Unsecured Subordinated Bonds. An overview of the bonds is shown below.

<table>
<tr><th></th><th>1st Series Deferrable Interest and Callable Unsecured Subordinated Bonds</th><th>2nd Series Deferrable Interest and Callable Unsecured Subordinated Bonds</th></tr>
<tr><td>(1) Amount of issue</td><td>¥100.0 billion</td><td>¥8.0 billion</td></tr>
<tr><td>(2) Initial interest rate</td><td>1.41% per annum (Note 1)</td><td>1.87% per annum (Note 2)</td></tr>
<tr><td>(3) Payment date</td><td>January 29, 2019</td><td>January 29, 2019</td></tr>
<tr><td>(4) Maturity date</td><td>January 29, 2054</td><td>January 29, 2059</td></tr>
<tr><td>(5) Early redemption</td><td>Early redemption is possible at TNSC’s discretion on each interest payment date from January 29, 2024 or upon the occurrence and continuation of a tax event or an equity credit change event on or after the payment date.</td><td>Early redemption is possible at TNSC’s discretion on each interest payment date from January 29, 2029 or upon the occurrence and continuation of a tax event or an equity credit change event on or after the payment date.</td></tr>
<tr><td rowspan="2">(6) Replacement restrictions</td><td>In the case of early redemption, etc., of the subordinated bonds, TNSC does not intend to conduct early redemption, etc., unless it raises funds through the issuance of replacement securities, etc., within the 12-month period preceding the date of early redemption, etc. (However, this restriction will not apply if the date of early redemption, etc., falls on or after January 29, 2024 and TNSC meets both of the requirements of (i) and (ii) below.)</td><td rowspan="2">Note 3</td></tr>
<tr><td>As of the end of the fiscal year immediately preceding the date of early redemption, etc., or at the end of any quarter of that fiscal year,
(i) TNSC’s adjusted consolidated net debt to shareholders’ equity ratio is 1.00x or lower.
(ii) The amount of consolidated shareholders’ equity has increased by ¥100.0 billion or more compared with the amount of consolidated shareholders’ equity as of the end of the second quarter of the fiscal year ending March 31, 2019.</td></tr>
<tr><td>(7) Optional suspension of interest payment</td><td colspan="2">TNSC may defer all or part of interest payments at its discretion.</td></tr>
<tr><td>(8) Subordination</td><td colspan="2">In terms of the order of repayment, the subordinated bonds are subordinate to TNSC’s ordinary debt but have a higher priority than its ordinary shares.</td></tr>
<tr><td>(9) Method of issue</td><td colspan="2">Public issue in Japan</td></tr>
<tr><td>(10) Use of funds</td><td colspan="2">Repayment of borrowings</td></tr>
</table>

Notes

1. A fixed interest rate from the day following January 29, 2019 to January 29, 2024 and a variable interest rate from the day following January 29, 2024 (with a step-up in the interest rate scheduled for January 30, 2024).
2. A fixed interest rate from the day following January 29, 2019 to January 29, 2029 and a variable interest rate from the day following January 29, 2029 (with a step-up in the interest rate scheduled for January 30, 2029).
3. If the 2nd Series Deferrable Interest and Callable Unsecured Subordinated Bonds are redeemed early, TNSC expects to raise funds through the issuance of replacement securities, etc., within the 12-month period preceding the date of early redemption, etc.
   However, if the date of the early redemption, etc., falls on or after January 29, 2029, TNSC may forgo the issuance of such replacement securities, etc., provided that TNSC meets both of the following requirements (i) and (ii):
   (i) TNSC’s adjusted consolidated net debt to shareholders’ equity ratio is 1.00x or lower.
   (ii) The amount of consolidated shareholders’ equity has increased by an amount greater than or equal to the amount of funds raised from hybrid securities through March 2019, compared with the amount of consolidated shareholders’ equity at the end of the second quarter of the fiscal year ending March 31, 2019.