



TAIYO NIPPON SANSO
The Gas Professionals

Supplementary Materials for Consolidated Business Performance for the First Three Quarters of FYE2019

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TAIYO NIPPON SANSO Corporation

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1-1. Overview of business performance

(Billions of yen)	FYE2018 Q3 Results Margin	FYE2019 Q3 Results Margin	YoY Change
Revenue	471.4	518.0	+46.6 +9.9%
Core operating income	45.7 9.7%	43.8 8.5%	-1.9 -4.0%
Non-recurring profit and loss	0.5	0.8	+0.3
Operating income	46.2 9.8%	44.6 8.6%	-1.6 -3.4%
Finance costs	-2.6	-2.4	+2.0
Income before income taxes	43.6	42.2	-1.4
Income tax expenses	-2.4	-13.1	-10.7
Net income	41.2	29.0	-12.2
(Attribution of net income)			
Net income attributable to owners of the parent	39.9 8.5%	27.2 5.3%	-12.7 -31.9%
Net income attributable to non-controlling interests	1.2	1.7	+0.5

(US\$→¥) : FYE2018 Q3 rate: \$1=¥111.77 FYE2019 Q3 rate: \$1=¥111.33 (EUR→¥) FYE2019 Q3 rate: €1=¥127.00
 →Impact of currency gains led to decreases of ¥2.1 billion in revenue and ¥0.2 billion in core operating income

- European business acquisition-related expenses (advisory fees, etc.) of ¥2.8 billion have been recorded for the First Three Quarters of FYE2019.
- In FYE2018 Q3, income tax expenses decreased by ¥11.7 billion due to the reversal of deferred tax liabilities at a subsidiary based in the U.S.



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1-1. Overview of business performance

【Revenue】

(Billions of yen)	FYE2018 Q3 Results	FYE2019 Q3 Results	% Change
Gas Business in Japan ^{*1}	248.3	265.9	+7.1%
Gas Business in the U.S.	128.5	138.8	+8.0%
Gas Business in the Europe ^{*2}	-	12.6	-
Gas Business in Asia and Oceania	74.8	78.8	+5.4%
Thermos Business ^{*1}	19.6	21.6	+9.9%
Revenue Total	471.4	518.0	+9.9%

【Operating income】

(Billions of yen)	FYE2018 Q3 Results	FYE2019 Q3 Results	% Change
Gas Business in Japan ^{*1}	23.5	21.3	-9.4%
Gas Business in the U.S.	10.0	10.5	+5.0%
Gas Business in the Europe ^{*2}	-	0.5	-
Gas Business in Asia and Oceania	7.2	8.5	+17.7%
Thermos Business ^{*1}	6.4	7.2	+12.4%
Eliminations or Corporate*	-1.5	-4.3	-
Core operating income Total	45.7	43.8	-4.0%
Non-recurring profit and loss	0.5	0.8	-
Operating income Total	46.2	44.6	-3.4%

* In its FYE2019 Q3 results, expenses related to the acquisition of the European business (advisory costs, etc.) of ¥2.8 billion have been included under “Eliminations or Corporate.”

^{*1} From FYE2019, businesses other than the Thermos business that had previously been classified under the “Thermos and Other Businesses” segment have been transferred to the “Gas Business in Japan.” The columns in the above table have been adjusted to reflect the transfer in order to use the same basis of comparison.

^{*2} From the FYE2019 Q3, the business performance of the European business acquired from U.S. company Praxair, Inc. will be presented as the new segment,

“Gas Business in Europe.”

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

(Billions of yen)			FYE2018 Q3 Results	FYE2019 Q3 Results	% Change
Revenue	Industrial Gas	Bulk gases	61.1	61.4	+0.6%
		On-site gases	40.4	52.4	+29.6%
		Packaged gases	8.5	8.5	-0.1%
		Hard goods	17.3	19.6	+13.1%
		Plants and Equipments	29.2	30.4	+4.3%
		Medical	16.1	18.0	+11.3%
		Total	172.8	190.5	+10.2%
	Electronics	Gases	36.7	35.2	-3.9%
		Equipment and Installation	16.8	17.2	+2.2%
		Total	53.5	52.4	-2.0%
	Energy	LP gas	19.8	20.7	+4.6%
		Related Equipment	2.1	2.2	+2.7%
		Total	21.9	22.9	+4.4%
Revenue Total			248.3	265.9	+7.1%
Segment income			23.5	21.3	-9.4%

Reasons for changes in revenue

- On-site: JFE SANSO CENTER Kurashiki Factory contributed to revenue
- Hard goods: Favorable sales of laser cutting machine for metal processing
- Medical: Contribution from acquisition of IMI Co., Ltd.
- Electronics-related: Electronic materials gas shipments declined

Reason for change in segment income

- Higher costs due to rising fuel prices
- Higher costs mainly due to a lack of a raw material gas for carbon dioxide gas
- Medical: Contribution from acquisition of IMI Co., Ltd.
- Electronics-related: Earnings declined due decline in electronic materials gas revenue

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

(Billions of yen)			FYE2018 Q3 Results	FYE2019 Q3 Results	% Change	
Revenue	Industrial Gas	Bulk gases	52.1	57.9	+11.1%	
		On-site gases	6.6	7.1	+7.7%	
		Packaged gases	37.1	37.8	+1.9%	
		Hard goods	24.1	26.8	+11.1%	
		Total	120.0	129.7	+8.0%	
	Electronics	Gases	5.6	5.2	-6.2%	
		Equipment and Installation	2.8	3.8	+34.5%	
		Total	8.5	9.1	+7.6%	
	Revenue Total			128.5	138.8	+8.0%
	Segment income			10.0	10.5	+5.0%

※Impact of yen appreciation on currency translations
Revenue decreased by ¥0.5 billion and segment income by ¥0.0 billion

Reasons for changes in revenue

- Bulk gas: Favorable shipments of air separation gases
- On-site: Start of operation at new project
- Hard goods: Favorable sales for the construction and energy industry

Reason for change in segment income

- Industrial gas-related business: Generally favorable Growth in earnings due to higher revenues in bulk, on-site, and packaged gases, and hard goods



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

(Billions of yen)	FYE2019 Q3 Results
Revenue Total	12.6
Segment income	0.5

- The FYE2019 3Q results are the business performance of the European business acquired from U.S. company Praxair, Inc. in December 2018.
- The FYE2019 3Q results include the following amounts based on provisional values for purchase price allocation: ¥0.8 billion increase to cost of sales due to market price evaluation of inventories (FYE2019 Q3 only), and ¥0.8 billion in expenses as an increase in depreciation and amortization expenses on property, plant and equipment and intangible assets.

*From FYE2019 3Q, the business performance of the European business acquired from U.S. company Praxair, Inc. will be presented in “Gas Business in Europe.”



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

(Billions of yen)			FYE2018 Q3 Results	FYE2019 Q3 Results	% Change
Revenue	Industrial Gas	Bulk gases	26.6	30.9	+16.3%
		On-site gases	2.1	2.3	+5.8%
		Packaged gases	4.1	4.0	-1.9%
		Hard goods	4.0	3.7	-8.6%
		Plants and Equipment	9.1	11.3	+23.8%
		Total	46.1	52.3	+13.5%
	Electronics	Gases	23.7	22.3	-5.9%
		Equipment and Installation	4.9	4.1	-15.8%
		Total	28.6	26.4	-7.6%
	Revenue Total			74.8	78.8
Segment income			7.2	8.5	+17.7%

※Impact of yen appreciation on currency translations
Revenue decreased by ¥1.6 billion and segment income by ¥0.2 billion

Reasons for changes in revenue

- ◆ Industrial gas-related business
 - Favorable sales of safety goods at Leeden NOX
 - Australia: Sales of LPG and related equipment were favorable
- ◆ Electronics materials gas
 - Strong shipments of electronic materials gases, despite a decline in revenues due to the impact of changes in accounting treatment

Reason for change in segment income

- ◆ Industrial gas-related business
 - Higher segment income due to increased revenue at Leeden NOX
 - Increased segment income from China and Philippine
- ◆ Electronics materials gas
 - Increased segment income due to higher revenue from electronic-materials gases

1-2. Business Performance by Segment: Thermos Business

(Billions of yen)			FYE2018 Q3 Results	FYE2019 Q3 Results	% Change
Revenue	Thermos	Japan	16.7	16.9	+1.7%
		Asia	2.9	4.6	+57.0%
	Revenue Total		19.6	21.6	+9.9%
Segment income			6.4	7.2	+12.4%

※Impact of yen appreciation on currency translations
Revenue increased by ¥0.0 billion and segment income by ¥0.0 billion

Reasons for changes in revenue

- Japan: Recovery in sales of portable mugs and sport bottles due to sales promotion
- Overseas: Favorable sales in South Korea

Reason for change in segment income

- Japan: Recovery from Q2 onward due to sales promotion
- Overseas: Increased earnings due to higher revenue in South Korea, earnings growth at group companies accounted for by the equity-method



2-1. Full-Year Forecasts for FYE2019

(Billions of yen)	FYE2018 Results Margin	FYE2019 Forecast (Announced Feb. 5) Margin	YoY Change % Change	FYE2019 Forecast (Announced May. 9) Margin
Revenue	646.2	735.0	+88.8 +13.7%	670.0
Core operating income	60.0 9.3%	66.5 9.0%	+6.5 +10.8%	64.0 9.6%
Non-recurring profit and loss	-0.1	0.5	+0.6	0.5
Operating income	59.8 9.3%	67.0 9.1%	+7.2 +11.9%	64.5 9.6%
Finance costs	-3.9	-5.5	-1.6	-4.5
Income before income taxes	55.8	61.5	+5.7	60.0
Income tax expenses	-5.1	-18.5	+13.4	-18.0
Net income	50.7	43.0	-7.7	42.0
(Attribution of net income)				
Net income attributable to owners of the parent	48.9 7.6%	41.0 5.6%	-7.9 -16.2%	40.0 6.0%
Net income for the year attributable to non-controlling interests	1.8	2.0	+0.2	2.0

● Assumed exchange rate (US\$→¥): \$1=¥110 (EUR→¥): €1=¥125 *FYE2018 rate: \$1=¥110.70

● In FYE2018, income tax expenses decreased by ¥12.2 billion due to the reversal of deferred tax liabilities at a subsidiary based in the U.S.



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2-2. Full-Year Forecasts for FYE2019 by Segment

【Revenue】

(Billions of yen)	FYE2018 Results	FYE2019 Forecast (Announced Feb. 5)	% Change	FYE2019 Forecast (Announced Oct. 31)
Gas Business in Japan* ¹	345.0	365.0	+5.8%	355.0
Gas Business in U.S.	172.6	185.0	+7.2%	181.0
Gas Business in Europe	-	52.0	-	-
Gas Business in Asia and Oceania	103.1	104.0	+0.8%	107.0
Thermos Business* ¹	25.3	29.0	+14.4%	27.0
Revenue Total	646.2	735.0	+13.7%	670.0

【Operating income】

(Billions of yen)	FYE2018 Results	FYE2019 Forecast (Announced Feb. 5)	% Change	FYE2019 Forecast (Announced Oct. 31)
Gas Business in Japan* ¹	31.3	29.6	-5.7%	30.3
Gas Business in U.S.	13.5	14.6	+7.7%	14.4
Gas Business in Europe	-	6.3	-	-
Gas Business in Asia and Oceania	9.2	11.0	+19.1%	12.1
Thermos Business* ¹	7.7	9.5	+22.6%	9.0
Eliminations or Corporate*	-1.8	-4.5	-	-1.8
Core operating income Total	60.0	66.5	+10.8%	64.0
Non-recurring profit and loss	-0.1	0.5	-	0.5
Operating income Total	59.8	67.0	+11.9%	64.5

* FYE2019 forecast for "Eliminations or Corporate" includes ¥2.8 billion in acquisition-related expenses for the European business (advisory costs, etc.)

¹ From FYE2019, businesses other than the Thermos business that had previously been classified under the "Thermos and Other Businesses" segment have been transferred to the "Gas Business in Japan" segment.

The columns in the above table have been adjusted to reflect the transfer in order to use the same basis of comparison.

(Reference Materials)



Non-recurring Income and Expense Items

(Billions of yen)	FYE2018 Q3 Results	FYE2019 Q3 Results	YoY change
Core operating income	45.7	43.8	-1.9
Non-recurring profit and loss	0.5	0.8	+0.3
Operating income	46.2	44.6	-1.6

【Non-recurring Income and Expense Items】

FYE2018 Q3 Results		FYE2019 Q3 Results	
Item	Amount (Billions of yen)	Item	Amount (Billions of yen)
Gain on sales of domestic land	1.0	Gain on sales of domestic land	+0.9
Share of loss of associates and joint ventures accounted for using the equity method of THERMOS K. K.	-0.5	Other	-0.1
Total	0.5	Total	0.8



Key Performance Indicators (Consolidated)

	FYE2018 Q3 Results	FYE2019 Q3 Results	FYE2018 Results	FYE2019 Forecast
Basic earnings per share (Yen)	92.38	62.93	113.04	94.74
Overseas sales ratio	43.8%	45.4%	43.3%	47.2%
ROE	—	—	13.3%	10.4%
ROCE	—	—	8.4%	6.3%
Annual dividends per share (Yen)	—	—	23	24
Dividend payout ratio	—	—	20.3%	25.3%
Capital expenditures (construction base)(Millions of yen)	43,065	52,579	62,569	72,000
Investments and loans (Millions of yen)	2,930	649,437	4,556	—
Depreciation and amortization (Millions of yen)	32,252	36,881	43,266	56,000
Balance of interest-bearing liabilities (Millions of yen)	348,516	1,011,415	326,959	1,010,000
Net interest-bearing liabilities (Millions of yen)	299,657	927,750	274,968	961,000

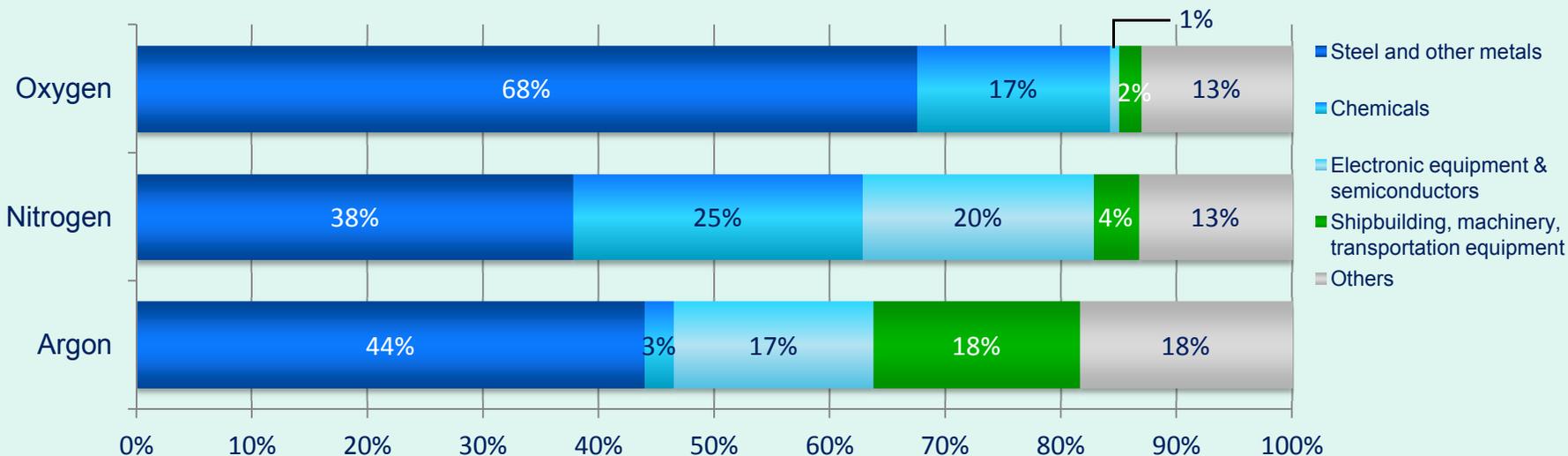
- With regard to FYE2018 full-year results, excluding the effects of the significant decrease in income taxes resulting from the reduction of the federal corporate income tax rate under the Tax Cuts and Jobs Act in the U.S., basic earnings per share would be ¥84.87, ROE 10.1%, ROCE 8.5% and the dividend payout ratio 27.1%.



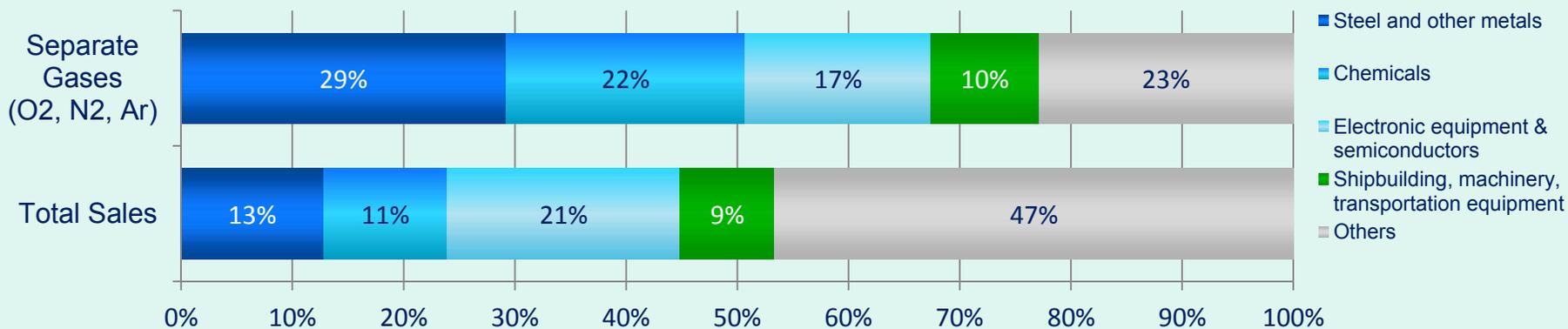
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Sales Mix by Industry

【Sales Volume Mix by Industry】



【Net Sales Mix by Industry】

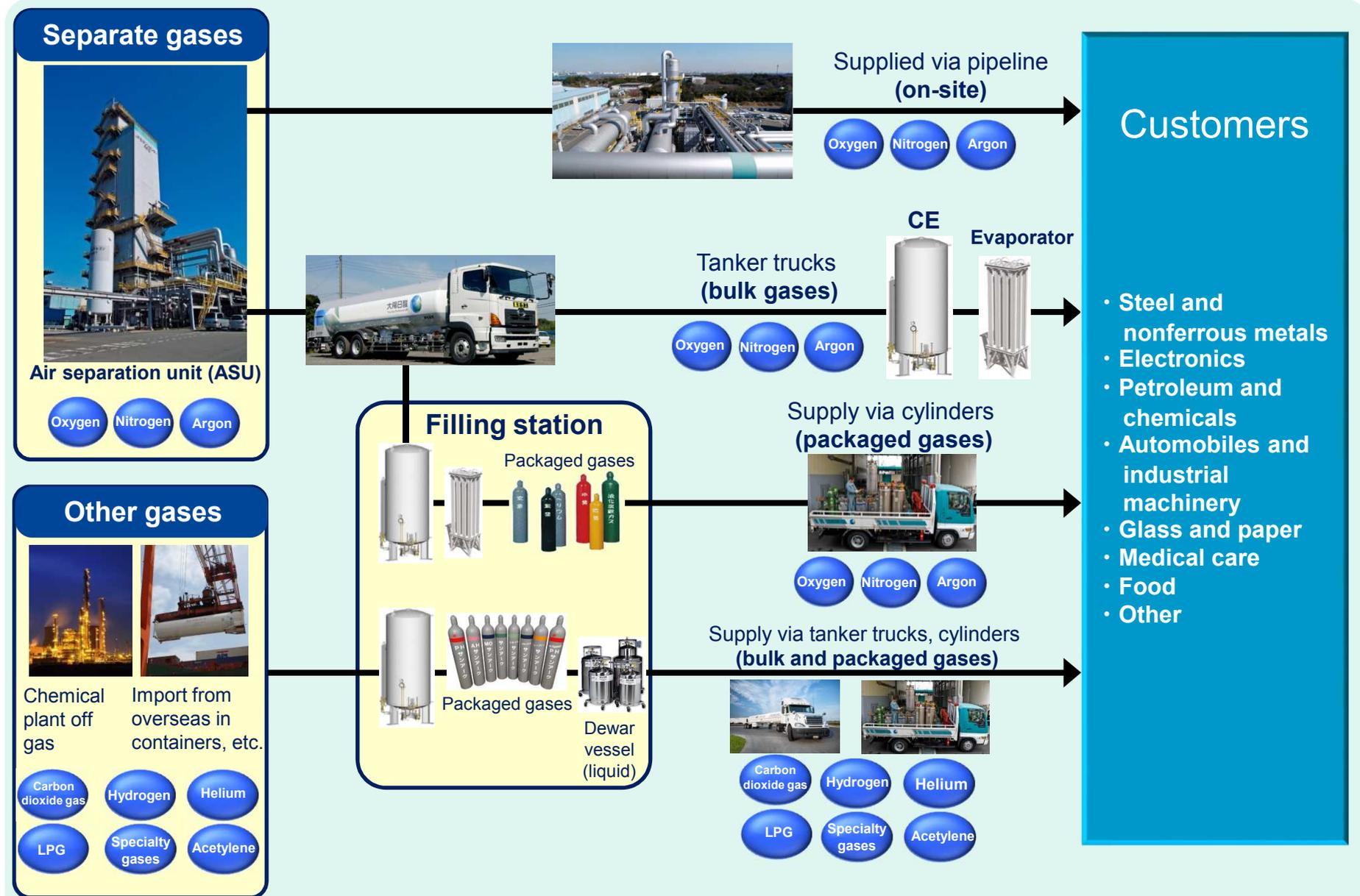


* The scope of data collection excludes the Gas Business in Europe segment.



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TNSC's Gas Supply Structure



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