



TAIYO NIPPON SANSO
The Gas Professionals

Supplementary Materials for Consolidated Business Performance for FYE2019

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TAIYO NIPPON SANSO Corporation

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1-1. Overview of business performance

| (Billions of yen) | FYE2018 Results Margin | FYE2019 Results Margin | YoY Change | FYE2019 Forecast (Announced Feb 5) Margin |
|---|------------------------------|------------------------------|------------------------|--|
| Revenue | 646.2 | 740.3 | +94.1 +14.6% | 735.0 |
| Core operating income | 60.0 9.3% | 65.8 8.9% | +5.8 +9.6% | 66.5 9.0% |
| Non-recurring profit and loss | -0.1 | 1.0 | +1.1 | 0.5 |
| Operating income | 59.8 9.3% | 66.8 9.0% | +7.0 +11.7% | 67.0 9.1% |
| Finance costs | -3.9 | -4.7 | -0.8 | -5.5 |
| Income before income taxes | 55.8 | 62.0 | +6.2 | 615.0 |
| Income tax expenses | -5.1 | -18.3 | +13.2 | -18.5 |
| Net income | 50.7 | 43.7 | -7.0 | 43.0 |
| (Attribution of net income) | | | | |
| Net income attributable to owners of the parent | 48.9 7.6% | 41.2 5.6% | -7.7 -15.6% | 41.0 5.6% |
| Net income for the year attributable to non-controlling interests | 1.8 | 24.0 | +0.6 | 2.0 |

- Exchange rates: (US\$→¥): FYE2018 rate \$1=¥110.70, FYE2019 rate \$1=¥111.07, (EUR→¥) FYE2019 rate €1=¥125.70
- In the FYE2019 results, European business acquisition-related expenses (advisory fees, etc.) of ¥2.7 billion have been recorded in core operating income.
- In the FYE2018 results, the reversal of deferred tax liabilities at a subsidiary based in the U.S., accompanying a reduction of the federal corporate income tax rate under the U.S. Tax Cuts and Jobs Act, resulted in a decrease of ¥12.2 billion in income taxes.



1-1. Overview of business performance

【Revenue】

| (Billions of yen) | FYE2018 Results | FYE2019 Results | % Change | FYE2019 Forecast (Announced Feb. 5) |
|----------------------------------|-----------------|-----------------|----------|--|
| Gas Business in Japan* | 345.0 | 363.9 | +5.5% | 365.0 |
| Gas Business in the U.S. | 172.6 | 187.3 | +8.5% | 185.0 |
| Gas Business in Europe | - | 55.1 | - | 52.0 |
| Gas Business in Asia and Oceania | 103.1 | 106.1 | +2.9% | 104.0 |
| Thermos Business* | 25.3 | 27.8 | +9.6% | 29.0 |
| Revenue Total | 646.2 | 740.3 | +14.6% | 735.0 |

【Operating income】

| (Billions of yen) | FYE2018 Results | FYE2019 Results | % Change | FYE2019 Forecast (Announced Feb. 5) |
|----------------------------------|-----------------|-----------------|----------|--|
| Gas Business in Japan* | 31.3 | 29.8 | -5.0% | 29.6 |
| Gas Business in the U.S. | 13.5 | 15.6 | +15.3% | 14.6 |
| Gas Business in Europe | - | 6.5 | - | 6.3 |
| Gas Business in Asia and Oceania | 9.2 | 9.1 | -0.9% | 11.0 |
| Thermos Business* | 7.7 | 9.1 | +18.6% | 9.5 |
| Eliminations or Corporate** | -1.8 | -4.5 | - | -4.5 |
| Core operating income Total | 60.0 | 65.8 | +9.6% | 66.5 |
| Non-recurring profit and loss | -0.1 | 1.0 | - | 0.5 |
| Operating income | 59.8 | 66.8 | +11.7% | 67.0 |

* 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.

**In the FYE2019 results, European business acquisition-related expenses (advisory fees, etc.) of ¥2.7 billion have been recorded in core operating income.

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

| (Billions of yen) | | | FYE2018 Results | FYE2019 Results | % Change |
|-----------------------|----------------|----------------------------|--------------------|--------------------|--------------|
| Revenue | Industrial Gas | Bulk gases | 80.2 | 80.5 | +0.4% |
| | | On-site gases | 56.7 | 69.0 | +21.8% |
| | | Packaged gases | 11.4 | 11.4 | +0.2% |
| | | Hard goods | 23.6 | 26.8 | +13.3% |
| | | Plants and Equipments | 43.3 | 45.0 | +4.0% |
| | | Medical | 23.5 | 26.7 | +13.4% |
| | | Total | 239.0 | 259.7 | +8.7% |
| | Electronics | Gases | 48.2 | 46.2 | -4.0% |
| | | Equipment and Installation | 26.0 | 26.4 | +1.4% |
| | | Total | 74.3 | 72.7 | -2.1% |
| | Energy | LP gas | 28.8 | 28.4 | -1.3% |
| | | Related Equipment | 2.9 | 3.0 | +3.6% |
| | | Total | 31.7 | 31.4 | -0.9% |
| Revenue Total | | | 345.0 | 363.9 | +5.5% |
| Segment income | | | 31.3 | 29.8 | -5.0% |

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 to lower electronic materials gas revenue

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

| (Billions of yen) | | | FYE2018 Results | FYE2019 Results | % Change |
|-----------------------|----------------------|----------------------------|--------------------|--------------------|---------------|
| Revenue | Industrial Gas | Bulk gases | 68.9 | 76.4 | +10.9% |
| | | On-site gases | 8.8 | 10.7 | +21.8% |
| | | Packaged gases | 50.8 | 51.9 | +2.1% |
| | | Hard goods | 32.9 | 36.1 | +9.8% |
| | | Total | 161.5 | 175.2 | +8.5% |
| | Electronics | Gases | 7.2 | 7.0 | -3.1% |
| | | Equipment and Installation | 3.8 | 4.9 | +30.3% |
| | | Total | 11.0 | 12.0 | +8.5% |
| | Revenue Total | | | 172.6 | 187.3 |
| Segment income | | | 13.5 | 15.6 | +15.3% |

※Impact of yen appreciation on currency translations
Revenue decreased by ¥0.6 billion and segment income by ¥0.04billion

Reasons for changes in revenue

- Bulk gas: Favorable shipments of air separation gases
- On-site: Start of operation at new project, contribution from acquisition of HyCO business
- Hard goods: Favorable sales to the construction and energy industries

Reason for change in segment income

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



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

| (Billions of yen) | | | FYE2019 Results |
|-----------------------|----------------------|----------------------|--------------------|
| Revenue | Industrial Gas | Bulk gases | 26.5 |
| | | On-site gases | 9.4 |
| | | Packaged gases | 10.1 |
| | | Hard goods | 0.9 |
| | | Plants and Equipment | 3.8 |
| | | Total | 50.8 |
| | Electronics | Gases | 4.2 |
| | | Total | 4.2 |
| | Revenue Total | | |
| Segment income | | | 6.5 |

- The FYE2019 results represent business performance for the four-month period from December 2018 to March 2019 of the European business acquired from U.S. company Praxair, Inc.
- The FYE2019 results include the following amounts based on purchase price allocation: a ¥0.7 billion increase in cost of sales due to market price valuation of inventories (FYE2019 only), and expenses of ¥3.2 billion due to an increase in depreciation and amortization expenses on property, plant and equipment and intangible assets.



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

| (Billions of yen) | | | FYE2018 Results | FYE2019 Results | % Change |
|-----------------------|----------------|----------------------------|--------------------|--------------------|--------------|
| Revenue | Industrial Gas | Bulk gases | 38.1 | 40.8 | +7.1% |
| | | On-site gases | 2.9 | 3.0 | +2.4% |
| | | Packaged gases | 5.5 | 5.2 | -4.2% |
| | | Hard goods | 5.5 | 4.9 | -10.4% |
| | | Plants and Equipment | 13.6 | 15.9 | +16.6% |
| | | Total | 65.8 | 70.1 | +6.4% |
| | Electronics | Gases | 31.0 | 29.3 | -5.3% |
| | | Equipment and Installation | 6.2 | 6.6 | +6.4% |
| | | Total | 37.2 | 36.0 | -3.3% |
| Revenue Total | | | 103.1 | 106.1 | +2.9% |
| Segment income | | | 9.2 | 9.1 | -0.9% |

※Impact of yen appreciation on currency translations
Revenue decreased by ¥2.1 billion and segment income by ¥0.2 billion

Reasons for changes in revenue

- ◆ Industrial gas-related business
 - Favorable sales of bulk gases in China, Vietnam, and the Philippines
 - Australia: Sales of LPG and related equipment were favorable
- ◆ Electronics materials gas
 - Strong shipments of electronic materials gases in East Asia, despite a decline in revenues due to the impact of changes in accounting treatment in Taiwan

Reason for change in segment income

- ◆ Industrial gas-related business
 - Higher segment income due to increased revenue from bulk gases
 - Decreased segment income due to an increase in purchase prices for LPG in Australia
 - Impairment loss of ¥1.3 billion in the natural gas liquefaction business*1 at Leeden NOX
- ◆ Electronics materials gas
 - Increased segment income due to higher revenue from electronic materials gases

*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) | | | FYE2018 Results | FYE2019 Results | % Change |
|-----------------------|----------------------|-------|--------------------|--------------------|---------------|
| Revenue | Thermos | Japan | 21.3 | 22.0 | +3.3% |
| | | Asia | 4.0 | 5.7 | +43.2% |
| | Revenue Total | | 25.3 | 27.8 | +9.6% |
| Segment income | | | 7.7 | 9.1 | +18.6% |

※Impact of yen appreciation on currency translations
Revenue increased by ¥0.01 billion and segment income by ¥0.01 billion

Reasons for changes in revenue

- Japan: Favorable sales led by sports bottles.
Contribution from the launch of a new cookware product (frying pan).
- Overseas: Favorable sales in South Korea

Reason for change in segment income

- Japan: Increased earnings due to higher revenue
- 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 FYE2020

| (Billions of yen) | FYE2019 Results Margin | FYE2020 Forecast Margin | YoY Change % Change |
|---|------------------------------|-------------------------------|-------------------------|
| Revenue | 740.3 | 890.0 | +149.7 +20.2% |
| Core operating income | 65.8 8.9% | 95.0 10.7% | +29.2 +44.3% |
| Non-recurring profit and loss | 1.0 | 7.0 | +6.0 |
| Operating income | 66.8 9.0% | 102.0 11.5% | +35.2 +52.6% |
| Finance costs | -4.7 | -15.5 | -10.8 |
| Income before income taxes | 62.0 | 86.5 | +24.5 |
| Income tax expenses | -18.3 | -27.0 | +8.7 |
| Net income | 43.7 | 59.5 | +15.8 |
| (Attribution of net income) | | | |
| Net income attributable to owners of the parent | 41.2 5.6% | 57.0 6.4% | +15.8 +38.0% |
| Net income for the year attributable to non-controlling interests | 2.4 | 2.5 | +0.1 |

Assumed exchange rate for FYE2020: (US\$→¥): \$1=¥110, (EUR→¥): €1=¥125

In FYE2020, the Company plans to record non-recurring profit of ¥7.0 billion on the sale of its assets as part of efforts to improve asset efficiency.



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2-2. Full-Year Forecasts for FYE2020 by Segment

【Revenue】

| (Billions of yen) | FYE2019 Results | FYE2020 Forecast | % Change |
|----------------------------------|-----------------|------------------|----------|
| Gas Business in Japan | 363.9 | 375.0 | +3.0% |
| Gas Business in U.S. | 187.3 | 201.0 | +7.3% |
| Gas Business in Europe | 55.1 | 173.0 | +214.0% |
| Gas Business in Asia and Oceania | 106.1 | 111.0 | +4.6% |
| Thermos Business | 27.8 | 30.0 | +7.9% |
| Revenue Total | 740.3 | 890.0 | +20.2% |

【Operating income】

| (Billions of yen) | FYE2019 Results | FYE2020 Forecast | % Change |
|----------------------------------|-----------------|------------------|----------|
| Gas Business in Japan | 29.8 | 30.6 | +2.7% |
| Gas Business in U.S. | 15.6 | 19.0 | +21.5% |
| Gas Business in Europe | 6.5 | 26.5 | +303.5% |
| Gas Business in Asia and Oceania | 9.1 | 11.5 | +25.7% |
| Thermos Business | 9.1 | 9.4 | +2.3% |
| Eliminations or Corporate* | -4.5 | -2.0 | — |
| Core operating income Total | 65.8 | 95.0 | +44.3% |
| Non-recurring profit and loss | 1.0 | 7.0 | — |
| Operating income | 66.8 | 102.0 | +52.6% |

* In the FYE2019 results, European business acquisition-related expenses (advisory fees, etc.) of ¥2.7 billion have been recorded in core operating income.

(Reference Materials)



Non-recurring Income and Expense Items

| (Billions of yen) | FYE2018 Results | FYE2019 Results | YoY change |
|--------------------------------------|-----------------|-----------------|-------------|
| Core operating income | 60.0 | 65.8 | +5.8 |
| Non-recurring profit and loss | -0.1 | 1.0 | +1.1 |
| Operating income | 59.8 | 66.8 | +7.0 |

【Non-recurring Income and Expense Items】

| FYE2018 Results | | FYE2019 Results | |
|--|-----------------------------|--------------------------------|-----------------------------|
| Item | Amount (Billions of yen) | Item | Amount (Billions of yen) |
| Gain on sales of domestic land | 1.2 | Gain on sales of domestic land | 1.3 |
| Restructuring-related expenses for the alfi business (Thermos) | -1.0 | Other | -0.3 |
| Expenses for the consolidation of affiliates' sites | -0.2 | | |
| Expenses for the integration of Australian subsidiaries | -0.1 | | |
| Other | -0.0 | | |
| Total | -0.1 | Total | 1.0 |



Condensed Consolidated Statements of Cash Flows

| (Billions of yen) | | FYE2018 Results | FYE2019 Results | YoY Change |
|---|-------------------------------|--------------------|--------------------|---------------|
| | Income before income taxes | 55.8 | 62.0 | +6.2 |
| | Depreciation and amortization | 43.2 | 56.1 | +12.9 |
| | Changes in working capital | -6.9 | -2.4 | +4.5 |
| | Others | -9.0 | -17.0 | -+8.0 |
| (1) Cash flows from operating activities | | 83.1 | 98.6 | +15.5 |
| | Capital expenditures | -58.2 | -74.1 | -15.9 |
| | Investments and loans | -1.1 | -691.1 | -690.0 |
| | Others (asset sales, etc.) | 7.3 | 10.3 | +3.0 |
| (2) Cash flows from investing activities | | -52.0 | -754.9 | -702.9 |
| Free cash flow (1+2) | | 31.1 | -656.2 | -687.3 |
| Net interest-bearing liabilities | | 274.9 | 941.1 | +666.2 |
| Adjusted net D/E ratio | | - | 1.54 | - |

- Net interest-bearing liabilities: interest-bearing liabilities - cash and cash equivalents*
*Under IFRS, time deposits with maturities longer than three months are not included in cash and cash equivalents. However, these time deposits are reflected in the calculation of net interest-bearing liabilities disclosed by the Company.
- Adjusted net D/E ratio: $(\text{Net interest-bearing debt} - \text{equity-type debt}) / (\text{equity attributable to owners of parent} + \text{equity-type debt})$
- Equity-type debt: the amount of debt procured by hybrid finance that has been recognized as equity credit by rating agencies (50% of the procured amount).
- 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.



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Condensed Consolidated Statements of Financial Position

| (Billions of yen) | FYE2018 Results | FYE2019 Results | YoY Change | | FY2018 Results | FY2019 Results | YoY Change |
|---------------------------------|--------------------|--------------------|------------|--|-------------------|-------------------|------------|
| Cash and cash equivalents | 47.8 | 59.6 | +11.8 | Interest-bearing liabilities | 326.9 | 1,005.4 | +678.5 |
| Trade receivables | 164.2 | 197.9 | +33.7 | Trade payables | 79.4 | 105.9 | +26.5 |
| Inventories | 51.4 | 66.2 | +14.8 | Others | 112.5 | 223.7 | +111.2 |
| Others | 14.7 | 23.2 | +8.5 | Total liabilities | 518.9 | 1,335.1 | +816.2 |
| Total current assets | 278.3 | 347.1 | +68.8 | Share capital and capital surplus, etc. | 395.5 | 429.5 | +34.0 |
| Property, plant and equipment | 391.9 | 639.3 | +247.4 | Other components of equity | -9.1 | -22.9 | -13.8 |
| Goodwill | 119.2 | 437.7 | +318.5 | Equity attributable to owners of parent | 386.4 | 406.6 | +20.2 |
| Intangible assets | 44.9 | 253.8 | +208.9 | Non-controlling interests | 25.6 | 29.2 | +3.6 |
| Others | 96.6 | 92.9 | -3.7 | Total equity | 412.0 | 435.8 | +23.8 |
| Total non-current assets | 652.7 | 1,423.8 | +771.1 | Total liabilities and equity | 931.0 | 1,771.0 | +840.0 |
| Total assets | 931.0 | 1,771.0 | +840.0 | | | | |



Key Performance Indicators (Consolidated)

| | FYE2018 Results | FYE2019 Results | FYE2020 Forecast |
|--|--------------------|--------------------|---------------------|
| Basic earnings per share (Yen) | 113.04 | 95.42 | 131.71 |
| Overseas sales ratio | 43.3% | 47.9% | 55.0% |
| ROE | 13.3% | 10.4% | 13.4% |
| ROCE | 8.4% | 6.2% | 6.6% |
| Annual dividends per share (Yen) | 23 | 25 | 26 |
| Dividend payout ratio | 20.3% | 26.2% | 19.7% |
| Capital expenditures (construction base)(Millions of yen) | 62,569 | 76,657 | 102,300 |
| Investments and loans* (Millions of yen) | 1,130 | 691,126 | — |
| Depreciation and amortization (Millions of yen) | 43,266 | 56,111 | 83,000 |
| Balance of interest-bearing liabilities (Millions of yen) | 326,959 | 1,005,402 | 983,700 |
| Net interest-bearing liabilities (Millions of yen) | 274,968 | 941,117 | 918,100 |

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

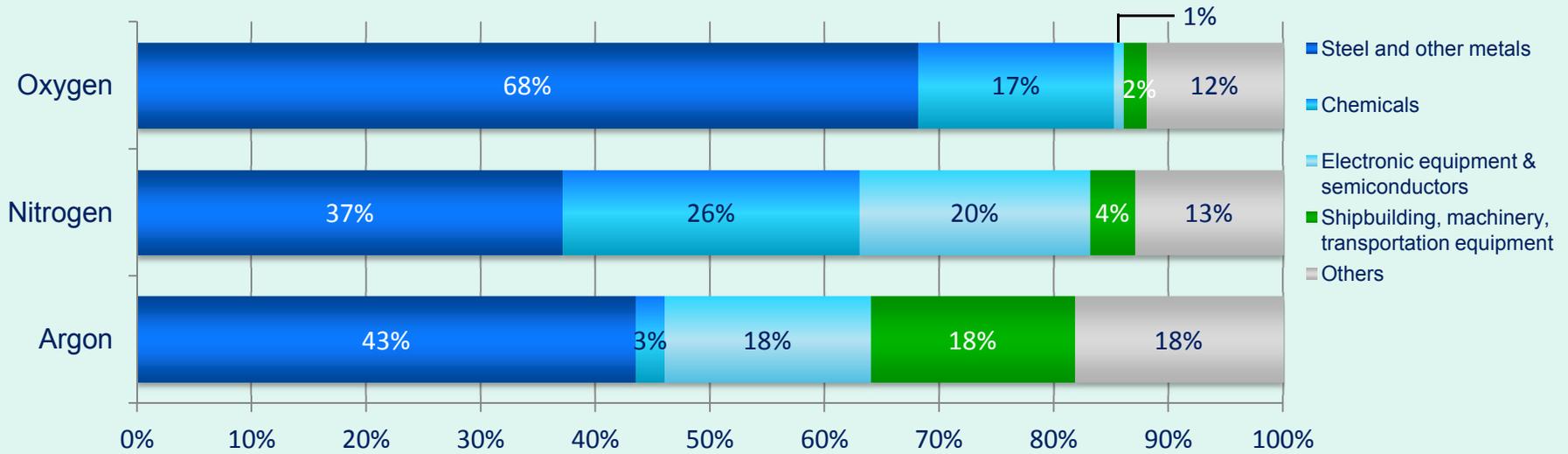
- With regard to FYE2018 full-year results, excluding the effects of the significant decrease in income taxes resulting from the reduction of the federal corporate income tax rate under the Tax Cuts and Jobs Act in the U.S., basic earnings per share would be ¥84.87, ROE 10.1%, ROCE 8.5% and the dividend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



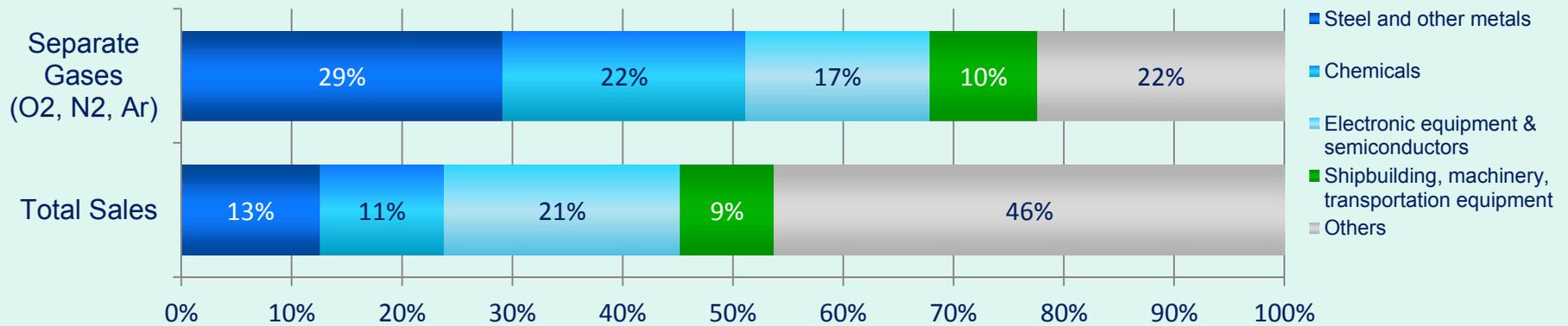
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Sales Mix by Industry

【Sales Volume Mix by Industry】

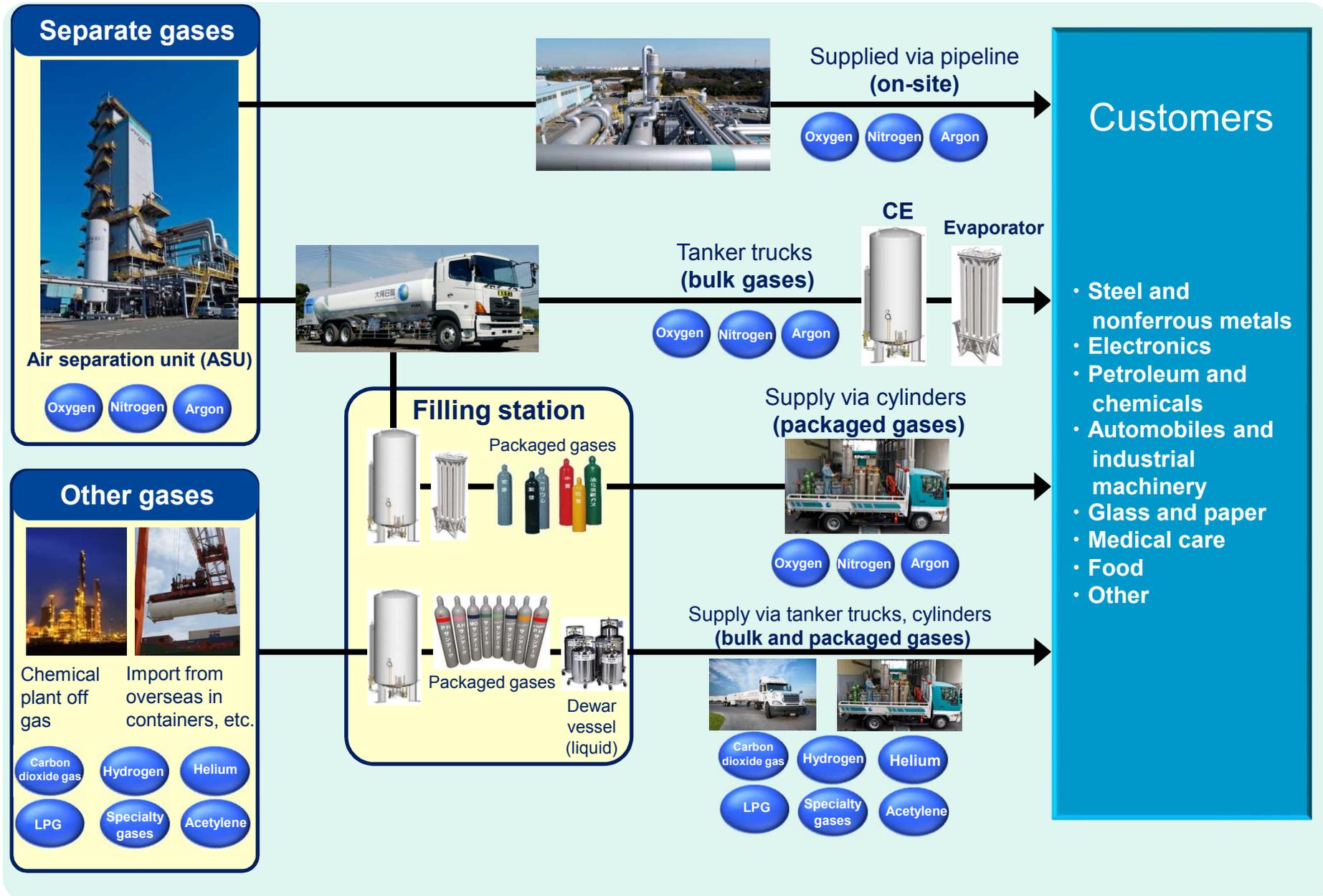


【Net Sales Mix by Industry】



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

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.

