



TAIYO NIPPON SANSO
The Gas Professionals

Supplementary Materials for Consolidated Business Performance for FYE2018

May 9, 2018
TAIYO NIPPON SANSO Corporation

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1-1. Overview of business performance

(Billions of yen)	FYE2017 Margin	FYE2018 Margin	YoY Change	FYE2018 Forecast (Announced Jan.30) Margin
Revenue	581.5	646.2	+64.7 +11.1%	635.0
Core operating income	54.7 9.4%	60.0 9.3%	+5.3 +9.7%	60.0 9.4%
Non-recurring profit and loss	-1.0	-0.1	+0.9	0.0
Operating income	53.6 9.2%	59.8 9.3%	+6.2 +11.5%	60.0 9.4%
Finance costs	-3.4	-3.9	-0.5	-4.0
Income before income taxes	50.1	55.8	+5.7	56.0
Income tax expenses	13.9	5.1	-8.8	6.0
Net income	36.2	50.7	+14.5	50.0
(Attribution of net income)				
Net income attributable to owners of the parent	34.7 6.0%	48.9 7.6%	+14.2 +40.8%	48.0 7.6%
Net income attributable to non-controlling interests	1.4	1.8	+0.4	2.0

- Impact of foreign currency translations (US\$→¥): FYE2017 rate: \$1=¥108.72 FYE2018 rate: \$1=¥110.70
→Impact of currency gains led to increases of ¥6.8 billion in revenue and ¥0.6 billion in core operating income

- The reversal of deferred tax liabilities at a subsidiary based in the U.S., accompanying a reduction of the federal corporate income tax rate in U.S. tax reform legislation, resulted in a significant decrease in income taxes shown in the consolidated statements of profit or loss. (Income taxes decreased ¥12.2 billion in FYE2018)



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1-1. Overview of business performance

【Revenue】

(Billions of yen)	FYE2017 Results	FYE2018 Results	% Change	FYE2018 Forecast (Announced Feb.5)
Gas Business in Japan	321.4	342.4	+6.5%	341.0
Gas Business in the U.S.	147.2	172.6	+17.2%	169.0
Gas Business in Asia and Oceania	85.8	103.1	+20.1%	98.0
Thermos and Other businesses	27.0	27.9	+3.5%	27.0
Revenue Total	581.5	646.2	+11.1%	635.0

【Operating income】

(Billions of yen)	FYE2017 Results	FYE2018 Results	% Change	FYE2018 Forecast (Announced Feb.5)
Gas Business in Japan	29.4	30.7	+4.4%	30.0
Gas Business in the U.S.	12.0	13.5	+12.3%	13.5
Gas Business in Asia and Oceania	5.1	9.2	+78.8%	9.5
Thermos and Other businesses	10.0	8.3	-16.5%	9.0
Eliminations or Corporate	-1.9	-1.8	—	-2.0
Core operating income Total	54.7	60.0	+9.7%	60.0
Non-recurring profit and loss	-1.0	-0.1	—	0.0
Operating income Total	53.6	59.8	+11.5%	60.0

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

(Billions of yen)			FYE2017	FYE2018	% Change
Revenue	Industrial Gas	Bulk gases	76.3	80.2	+5.0%
		On-site gases	46.4	56.7	+22.3%
		Packaged gases	11.7	11.4	-2.1%
		Hard goods	23.2	23.6	+1.5%
		Plants and Equipments	41.7	40.7	-2.4%
		Medical	23.4	23.5	+0.5%
		Total	223.0	236.4	+6.0%
	Electronics	Gases	46.5	48.2	+3.5%
		Equipment and Installation	24.6	26.0	+6.1%
		Total	71.1	74.3	+4.4%
	Energy	LP gas	24.2	28.8	+18.7%
		Related Equipment	2.9	2.9	+0.0%
		Total	27.2	31.7	+16.6%
Revenue Total		321.4	342.4	+6.5%	
Segment income			29.4	30.7	+4.4%

Reasons for changes in revenue

- JFE SANSO CENTER Kurashiki Factory started operation
- Revisions to carbon dioxide gas prices (recognized mainly in bulk gases)
- Electronics-related: Electronic materials gases trended favorably
- LP gas: Higher sales price following an increase in the import price

Reason for change in segment income

- Higher costs in line with rising crude oil prices
- Electronics-related: Electronic materials gases trended favorably

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

(Billions of yen)			FYE2017	FYE2018	% Change
Revenue	Industrial Gas	Bulk gases	54.9	68.9	+25.5%
		On-site gases	6.1	8.8	+43.5%
		Packaged gases	47.2	50.8	+7.7%
		Hard goods	28.4	32.9	+16.0%
		Total	136.6	161.5	+18.2%
	Electronics	Gases	8.4	7.2	-14.1%
		Equipment and Installation	2.1	3.8	+79.0%
		Total	10.5	11.0	+4.7%
	Revenue Total		147.2	172.6	+17.2%
Segment income			12.0	13.5	+12.3%

※Impact of yen appreciation on currency translations
Revenue increased by ¥2.7 billion and segment income by ¥0.2 billion

Reasons for changes in revenue

- Recognition of business acquired from Air Liquide contributed ¥13.8 billion
- Higher revenue mainly from bulk gases (primarily increased shipments of carbon dioxide gas), packaged gases, and hard goods

Reason for change in segment income

- Business acquired from Air Liquide contributed to increased segment income
- Increased segment income mainly due to higher revenue from bulk gases (primarily increased shipments of carbon dioxide gas), packaged gases and hard goods



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

(Billions of yen)			FYE2017	FYE2018	% Change
Revenue	Industrial Gas	Bulk gases	27.0	38.1	+40.9%
		On-site gases	2.6	2.9	+11.0%
		Packaged gases	4.7	5.5	+16.0%
		Hard goods	5.8	5.5	-4.5%
		Plants and Equipment	11.5	13.6	+18.1%
		Total	51.9	65.8	+26.9%
	Electronics	Gases	26.7	31.0	+22.1%
		Equipment and Installation	7.2	6.2	-13.4%
		Total	33.9	37.2	+14.0%
	Revenue Total		85.8	103.1	+20.1%
Segment income		5.1	9.2	+78.8%	

※Impact of yen appreciation on currency translations
Revenue increased by ¥3.8 billion and segment income by ¥0.3 billion

Reasons for changes in revenue

- ◆ Industrial gas-related business
 - Contribution from the acquisition of Supagas Holdings Pty Ltd (Australia): ¥9.1 billion
 - China and Thailand: Favorable performance by industrial gases
- ◆ Electronics-related business
 - China, Taiwan, South Korea : Favorable sales of electronic materials gases

Reason for change in segment income

- ◆ Industrial gas-related business
 - Contribution from the acquisition of Supagas Holdings Pty Ltd (Australia): ¥1.6 billion
 - Segment income increased in line with higher revenue from industrial gases in China and Thailand
- ◆ Electronics-related business
 - China, Taiwan, South Korea: Favorable sales of electronic materials gases

1-2. Business Performance by Segment: Thermos and Other businesses

(Billions of yen)			FYE2017	FYE2018	% Change
Revenue	Thermos	Japan	20.7	21.3	+3.0%
		Asia	3.9	4.0	+1.2%
		Total	24.6	25.3	-0.7%
	Other		2.3	2.5	+11.5%
	Revenue Total		27.0	27.9	+3.5%
Segment income			10.0	8.3	-16.5%

※Impact of yen appreciation on currency translations
Revenue increased by ¥0.3 billion and segment income by ¥0.1 billion

Reasons for changes in revenue

- ◆ Thermos Business
 - Japan: Solid sales centered on vacuum insulated portable mugs and tumblers
 - Overseas: Increased revenue from expanded sales channels in South Korea

Reason for change in segment income

- ◆ Thermos Business
 - Japan: Segment income decreased due to increased expenses (primarily advertising expenses)
 - Overseas: Sluggish business performance by Group companies accounted for by the equity method



2-1. Full-Year Forecasts for FYE2019

(Billions of yen)	FYE2018 Results Margin	FYE2019 Forecast Margin	YoY Change % Change
Revenue	646.2	670.0	+23.8 +3.7%
Core operating income	60 9.3%	64.0 9.6%	+4.0 +6.6%
Non-recurring profit and loss	-0.1	0.5	+0.6
Operating income	59.8 9.3%	64.5 9.6%	+4.7 +7.7%
Finance costs	-3.9	-4.5	-0.6
Income before income taxes	55.8	60.0	+4.2
Income tax expenses	5.1	18.0	+12.9
Net income	50.7	42.0	-8.7
(Attribution of net income)			
Net income attributable to owners of the parent	48.9 7.6%	40.0 6.0%	-8.9 -18.2%
Net income for the year attributable to non-controlling interests	1.8	2.0	0.2

Assumed exchange rate (US\$→¥): \$1=¥105 *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	% Change
Gas Business in Japan*	345.0	360.0	+4.3%
Gas Business in U.S.	172.6	175.0	+1.4%
Gas Business in Asia and Oceania	103.1	107.0	+3.7%
Thermos Business*	25.3	28.0	+10.4%
Revenue Total	646.2	670.0	+3.7%

【Operating income】

(Billions of yen)	FYE2018 Results	FYE2019 Forecast	% Change
Gas Business in Japan*	31.8	31.8	+1.3%
Gas Business in U.S.	13.5	14.0	+3.3%
Gas Business in Asia and Oceania	9.2	10.7	+15.9%
Thermos Business*	7.7	9.3	+20.0%
Eliminations or Corporate	-1.8	-1.8	—
Core operating income Total	60.0	64.0	+6.6%
Non-recurring profit and loss	-0.1	0.5	—
Operating income Total	59.8	64.5	+7.7%

* 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. Data in the “FYE2018 Results” column of the above table have been adjusted to reflect the transfer, in order to use the same basis of comparison. (Amount transferred: Revenue of ¥2.6 billion, core operating income of ¥0.6 billion)

(Reference Materials)



Non-recurring Income and Expense Items

(Billions of yen)	FYE2017 results	FYE2018 results	YoY change
Core operating income	54.7	60.0	+5.3
Non-recurring profit and loss	-1.0	-0.1	+0.9
Operating income	53.6	59.8	+6.2

【Non-recurring Income and Expense Items】

FYE2017 results		FYE2018 Results	
Item	Amount (Billions of yen)	Item	Amount (Billions of yen)
Gain on sales of domestic land	0.8	Gain on sales of domestic land	1.2
Gain on sales of Asian land	0.2	Restructuring-related expenses for the alfi business (Thermos)	-1.0
Impairment loss on equity method investment book value (U.S.)	-1.9	Expenses for the consolidation of affiliates' sites	-0.2
Impairment loss on domestic idling land	-0.1	Expenses for the integration of Australian subsidiaries	-0.1
Other	-0.0	Other	-0.0
Total	-1.0	Total	-0.1



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Key Performance Indicators (Consolidated)

	FYE2017 Results	FYE2018 Results	FYE2019 Forecast
Basic earnings per share (Yen)	80.28	111.13	92.43
ROE	10.3%	13.3%	9.6%
ROCE	8.4%	8.4%	8.5%
Annual dividends per share (Yen)	20	23	24
Dividend payout ratio	24.9%	20.3%	26.0%
Capital expenditures (construction base)(Millions of yen)	43,796	62,569	79,000
Investments and loans (Millions of yen)	102,034	4,556	—
Depreciation and amortization (Millions of yen)	40,048	43,266	47,000
Balance of interest-bearing liabilities (Millions of yen)	359,528	326,959	339,000
Net interest-bearing liabilities (Millions of yen)	304,308	274,968	289,000

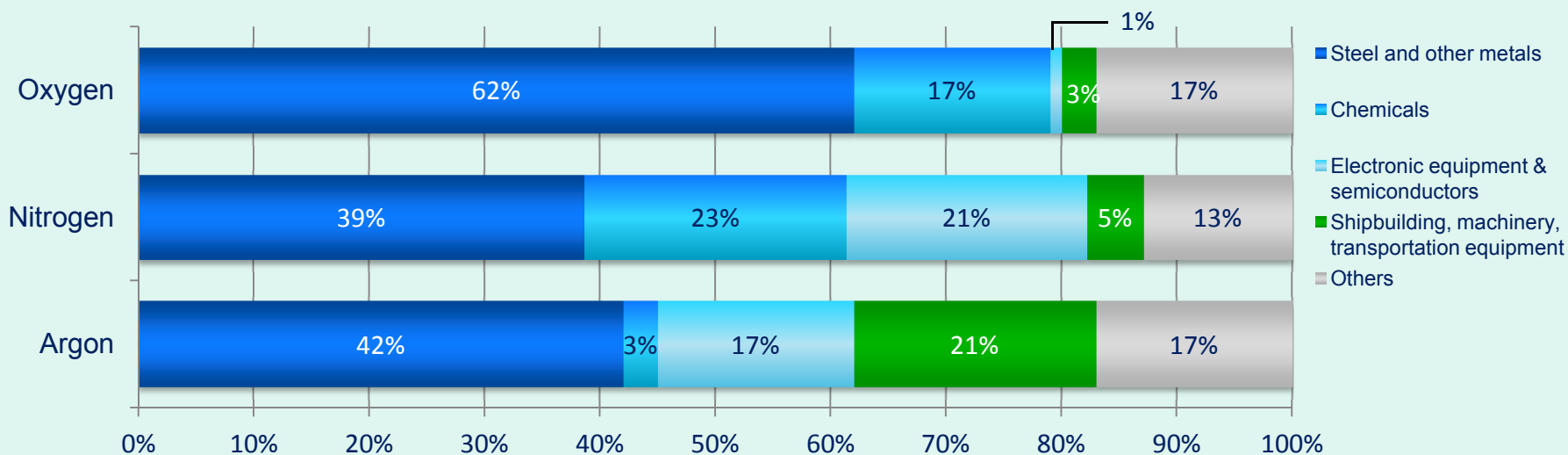
- Excluding the effects of the significant decrease in income taxes resulting from the reduction of the federal corporate income tax rate under the Tax Cuts and Jobs Act in the U.S., basic earnings per share would be ¥84.87, ROE 10.1%, ROCE 8.5% and the dividend payout ratio 27.1%.



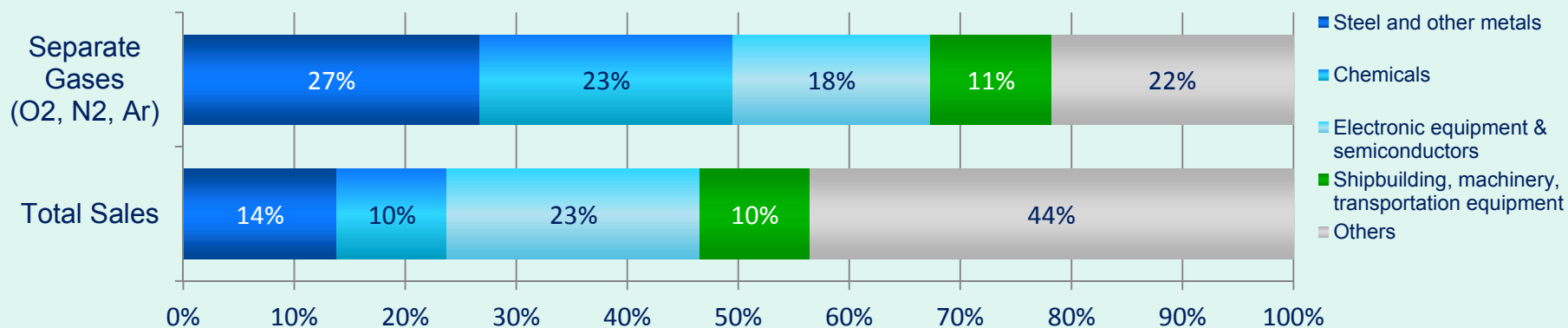
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Sales Mix by Industry

【Sales Volume Mix by Industry】

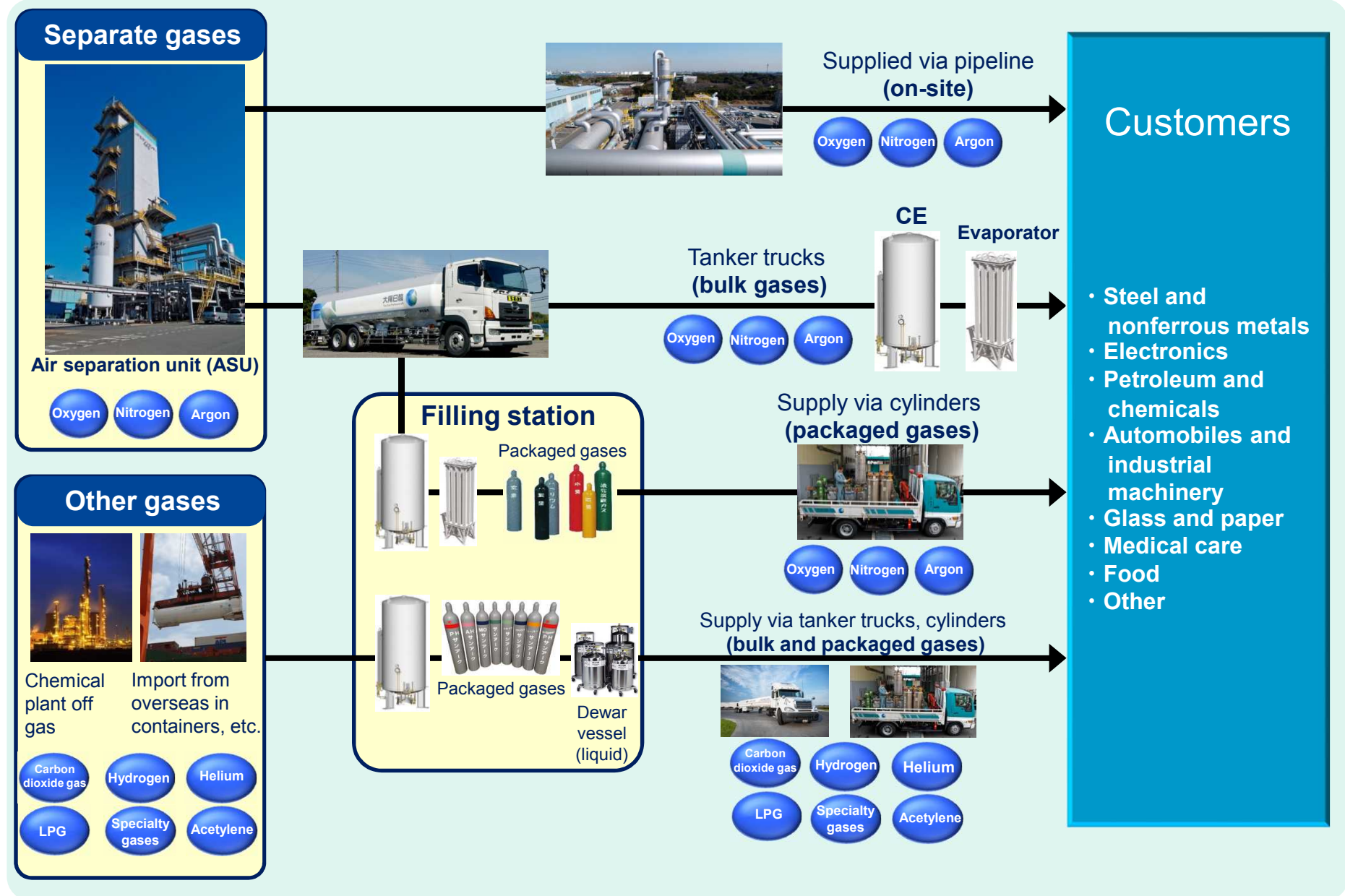


【Net Sales Mix by Industry】



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TNSC's Gas Supply Structure



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