



# Emerging onto a Still Wider Stage

## Consolidated Business Performance for the Full-Year of the FYE2018

May 16, 2018



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The Gas Professionals

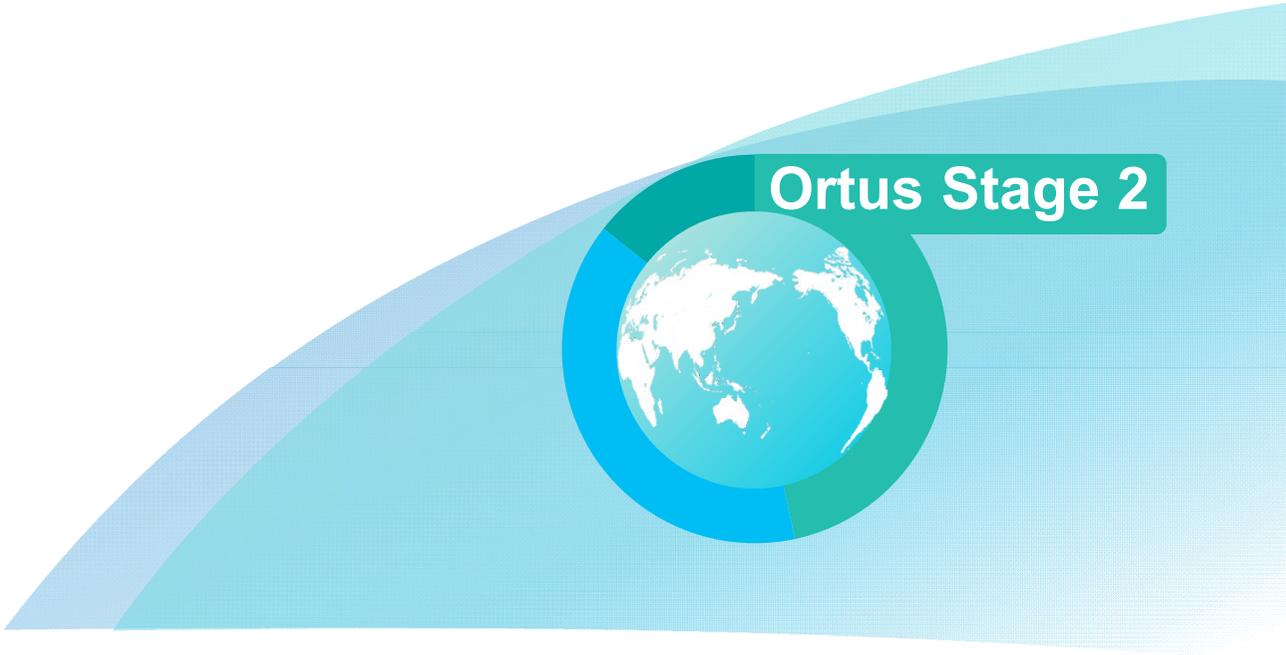
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# Business Performance for the Full Year of FYE2018



Ortus Stage 2

# Overview of business performance

(Billions of yen)

	FYE2017 Results (IFRS)	FYE2018 Results (IFRS)	YoY Change	FYE2018 Forecast (IFRS) (Announced Target) Margin
<b>Revenue</b>	<b>581.5</b>	<b>646.2</b>	<b>+64.7</b> 11.1%	<b>635.0</b>
<b>Core operating income</b>	<b>54.7</b> 9.4%	<b>60.0</b> 9.3%	<b>+5.3</b> +9.7%	<b>60.0</b> 9.4%
Non-recurring profit and loss	-1.0	-0.1	+0.9	0.0
<b>Operating income</b>	<b>53.6</b> 9.2%	<b>59.8</b> 9.3%	<b>+6.2</b> +11.5%	<b>60.0</b> 9.4%
<b>Net income attributable to owners of the parent</b>	<b>34.7</b> 6.0%	<b>48.9</b> 7.6%	<b>+14.2</b> +40.8%	<b>48.0</b> 7.6%
Income tax decrease (Exceptional item)	-1.1 (Reversal of deferred tax liabilities in the U.S.)	-12.2 (U.S. corporate tax reduction)	-11.1	
<b>Net income attributable to owners of the parent (excluding impact of</b>	<b>33.6</b> 5.8%	<b>36.7</b> 5.7%	<b>+3.1</b> +9.2%	

- Impact of foreign currency translations (US\$→¥):  
 FYE2017 full-year rate: US\$1=¥108.72, FYE2018 full-year rate: US\$1=¥110.70  
 → Currency translations had a positive impact of ¥6.8 billion on revenue and ¥0.6 billion on core operating income

# Business performance by segment

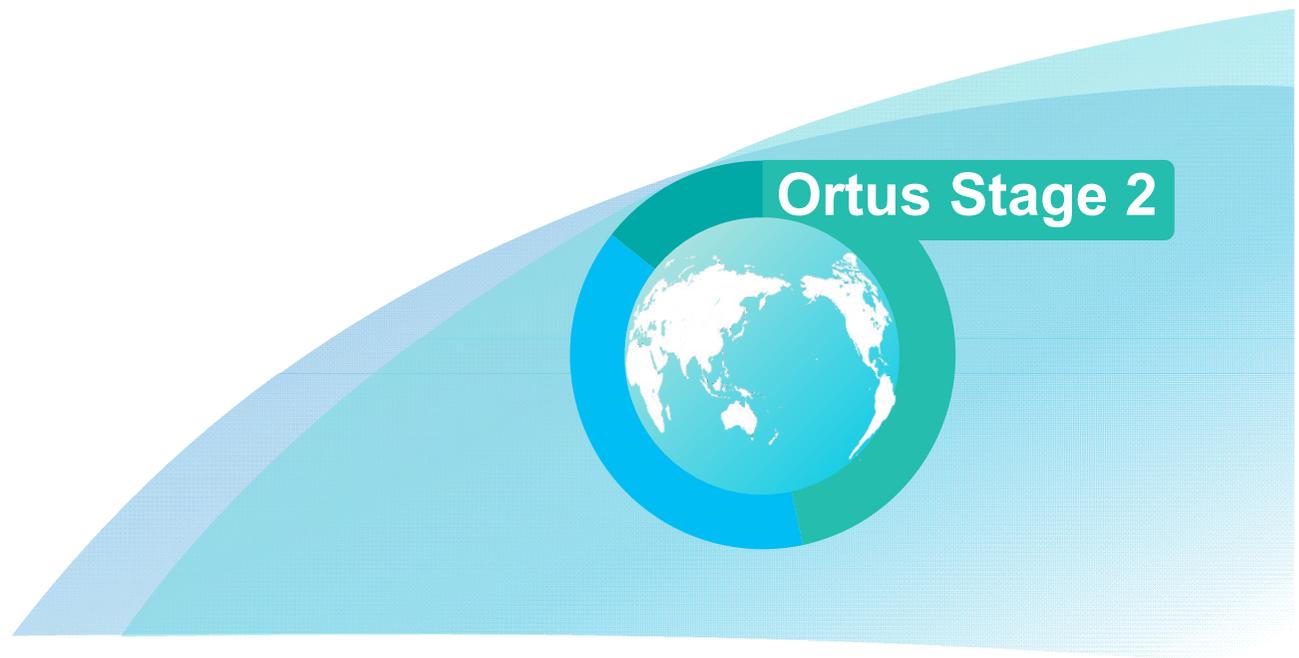
(Billions of yen)

		FYE2017 Results (IFRS)	FYE2018 Results (IFRS)	YoY Change	Factor
Gas Business in Japan	Revenue	321.4	342.4	21 +6.5%	<ul style="list-style-type: none"> <li>&gt; JFE SANSO CENTER Kurashiki Plant started operation</li> <li>&gt; Electronics-related business: Favorable sales of electronic materials gases</li> <li>&gt; LP gas: Higher sales price following an increase in the import price</li> </ul>
	Segment income	29.4	30.7	+1.3 +4.4%	<ul style="list-style-type: none"> <li>&gt; Increased costs in line with rising crude oil prices</li> <li>&gt; Electronics-related business: Sales of electronic materials gases trended favorably</li> </ul>
Gas Business in the U.S.	Revenue	147.2	172.6	+25.4 +17.2%	<ul style="list-style-type: none"> <li>&gt; Recognition of business acquired from Air Liquide contributed ¥13.8 bn</li> <li>&gt; Higher revenue mainly from bulk gases, packaged gases and hard goods</li> <li>&gt; Impact of foreign currency translation: +¥2.7 bn</li> </ul>
	Segment income	12.0	13.5	+1.5 +12.3%	<ul style="list-style-type: none"> <li>&gt; Business acquired from Air Liquide contributed to increased segment income</li> <li>&gt; Increased segment income mainly due to higher revenue from bulk gases, packaged gases and hard goods</li> <li>&gt; Impact of foreign currency translation: +¥0.2 bn</li> </ul>
Gas Business in Asia and Oceania	Revenue	85.8	103.1	+17.3 +20.1%	<ul style="list-style-type: none"> <li>&gt; Impact of consolidating Supagas Holdings Pty Ltd (Australia): +¥9.1 bn</li> <li>&gt; China, Taiwan, South Korea: Solid sales of electronic materials gases</li> <li>&gt; Impact of foreign currency translation: +¥3.8 bn</li> </ul>
	Segment income	5.1	9.2	+4.1 +78.8%	<ul style="list-style-type: none"> <li>&gt; Impact of consolidating Supagas Holdings Pty Ltd (Australia): +¥1.6 billion</li> <li>&gt; China, Taiwan, South Korea: Increased profit due to increased sales of electronic materials gases</li> <li>&gt; Impact of foreign currency translation: +¥0.3 bn</li> </ul>
Thermos and Other businesses	Revenue	27.0	27.9	+0.9 +3.5%	<ul style="list-style-type: none"> <li>&gt; Japan: Solid sales centered on vacuum insulated portable mugs and tumblers</li> <li>&gt; Overseas: Increased revenue from expanded sales channels in South Korea</li> <li>&gt; Impact of foreign currency translation: +¥0.3 bn</li> </ul>
	Segment income	10.0	8.3	-1.7 -16.5%	<ul style="list-style-type: none"> <li>&gt; Japan: Segment income decreased due to increased expenses (primarily advertising expenses)</li> <li>&gt; Overseas: Sluggish business performance by Group companies accounted for by the equity method</li> <li>&gt; Impact of foreign currency translation: +¥0.1 bn</li> </ul>

※ Segment income: Numerical value calculated by subtracting losses (nonrecurring items) produced by nonrecurring factors from operating income.

# Full-Year Forecasts for FYE2019

## Overview



# Forecasts for the Full Year

(Billions of yen)

	FYE2018 Results (IFRS) Margin	FYE2019 Results (IFRS) Margin	YoY Change
<b>Revenue</b>	<b>646.2</b>	<b>670.0</b>	<b>+23.8</b> 3.7%
<b>Core operating income</b>	<b>60.0</b> 9.3%	<b>64.0</b> 9.6%	<b>+4.0</b> +6.6%
Non-recurring profit and loss	-0.1	0.5	+0.6
<b>Operating income</b>	<b>59.8</b> 9.3%	<b>64.5</b> 9.6%	<b>+4.7</b> +7.7%
<b>Net income attributable to owners of the parent</b>	<b>48.9</b> 7.6%	<b>40.0</b> 6.0%	<b>-8.9</b> -18.2%
<b>Income tax decrease (Exceptional item)</b>	-12.2 (U.S. corporate tax reduction)	0 (Not scheduled)	+12.2
<b>Net income attributable to owners of the parent (excluding impact of income tax increase)</b>	<b>36.7</b> 5.7%	<b>40.0</b> 6.0%	<b>+3.3</b> +8.9%

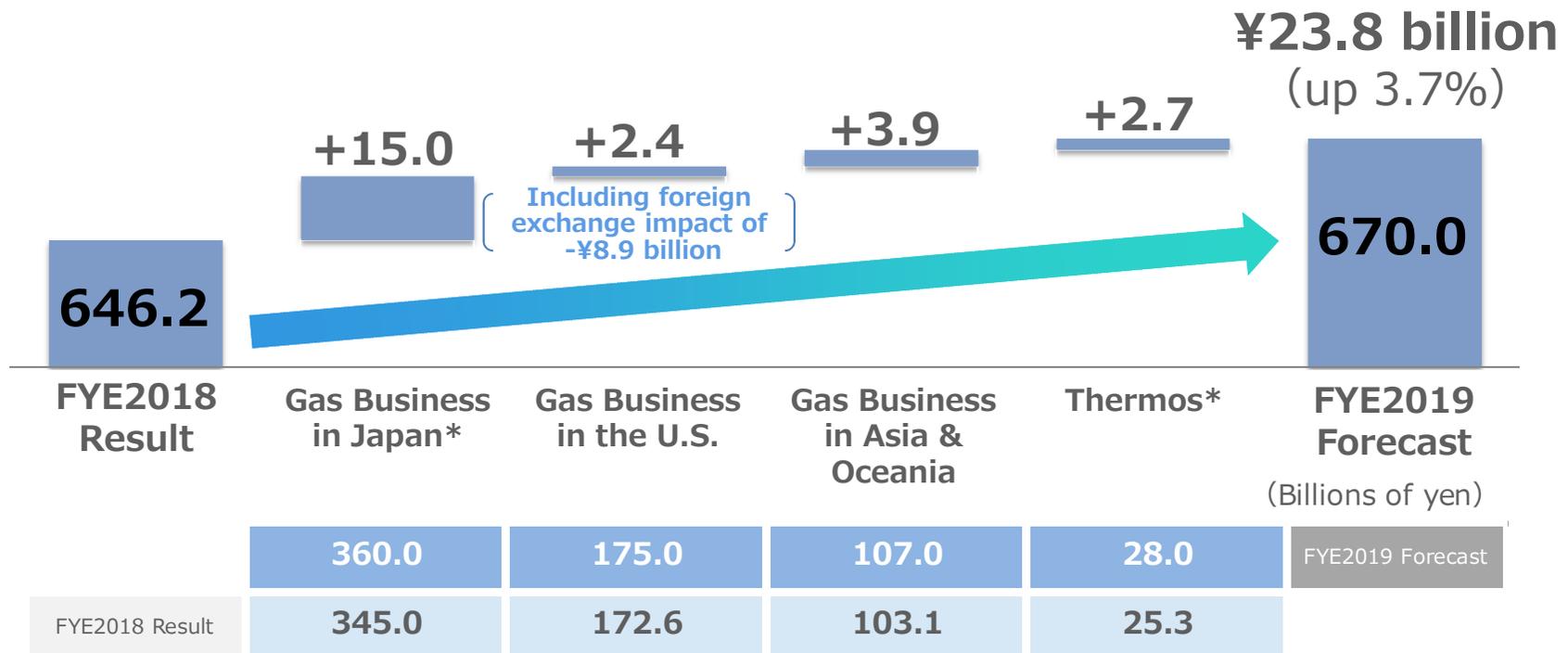
Assumed exchange rate (US\$→¥): US\$1=¥105, \* FYE2018 rate: US\$1=¥110.70

## Full-Year Forecasts: Reasons for Changes in Net Sales



### Growth scenario

Firm No. 1 position in Japan, further expand business and raise operational density in North America, Asia and other overseas growth markets.



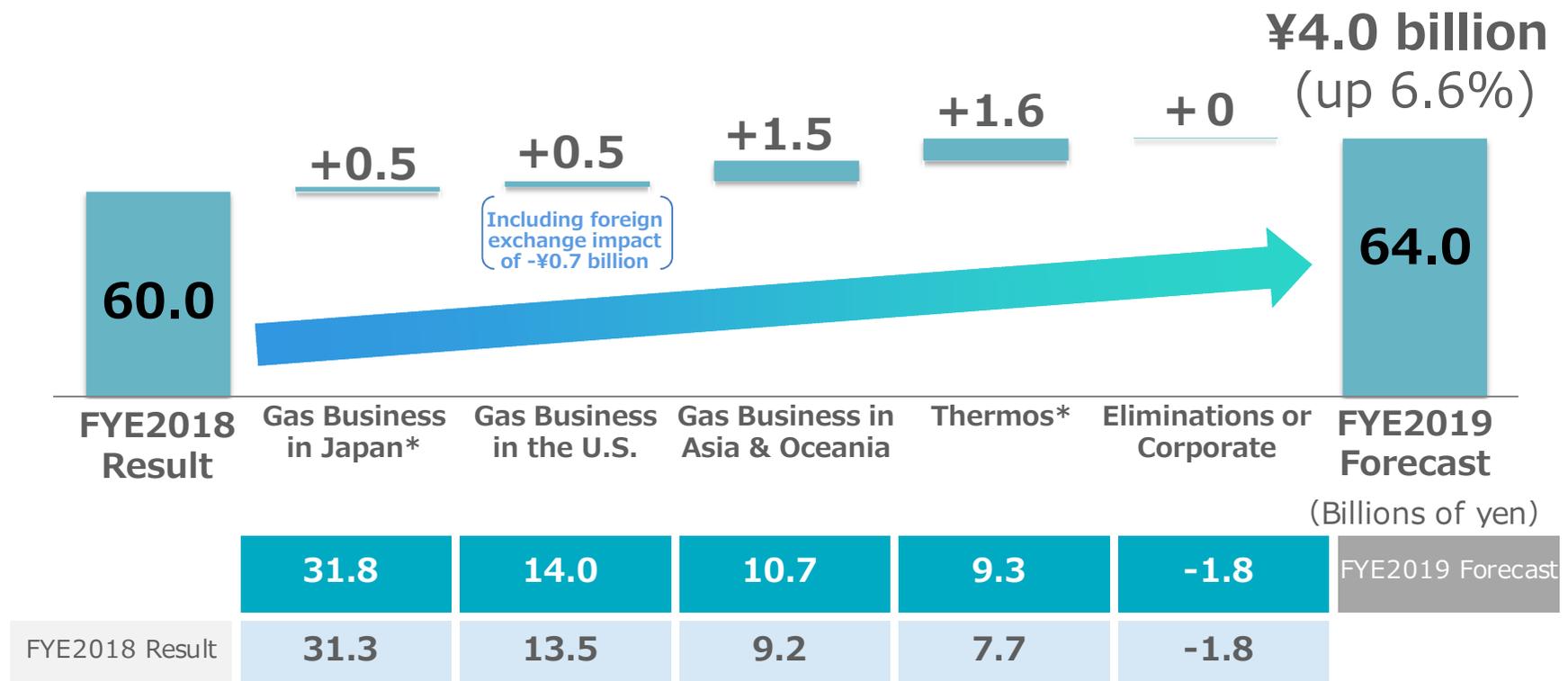
Aim for steady improvement in performance to achieve Ortus Stage 2 quantitative target of ¥800 billion

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

## Full-Year Forecasts: Reasons for Change in Core Operating Income

### Growth scenario

Firm No. 1 position in Japan, further expand business and raise operational density in North America, Asia and other overseas growth markets.

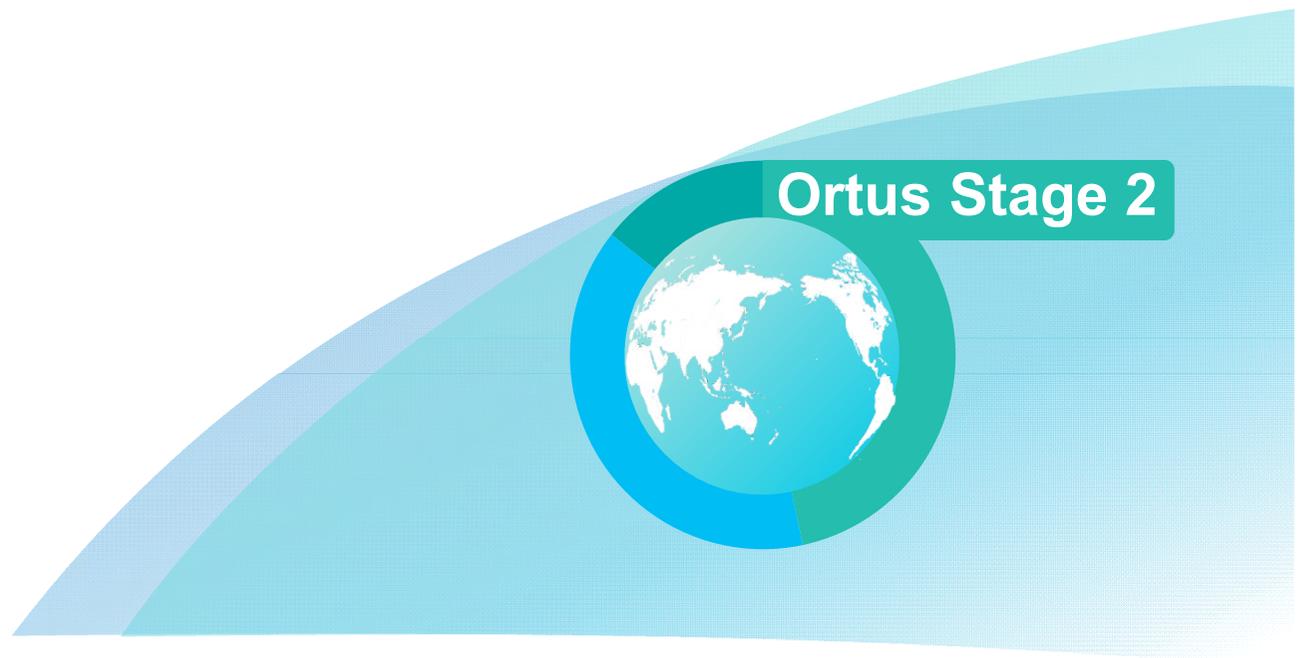


Expand business in Japan and overseas and improve earning capabilities by promoting structural reforms to achieve Ortus Stage 2 quantitative target of ¥76.0 billion

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

**Full-Year Forecasts for FYE2019**

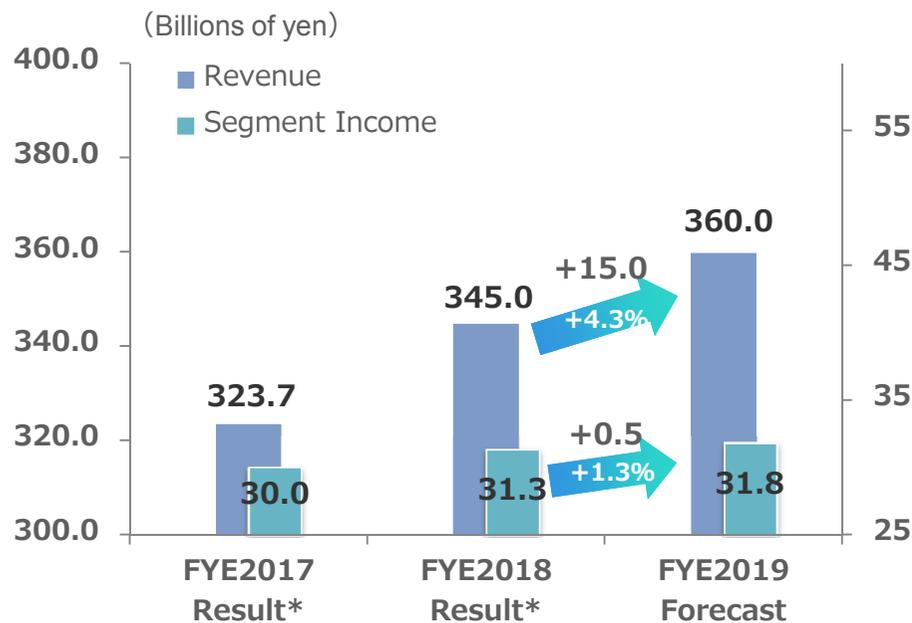
# **Gas Business in Japan**



# Gas Business in Japan

## External conditions

- Japanese manufacturing operations including steel, chemicals, transportation equipment and construction machinery are generally good and gradual growth is expected
- The semiconductor industry is expected to maintain its strong performance, but fears of a slowdown in some product sectors remain
- Increased costs are expected in line with rising crude oil prices



\* From FYE2019, businesses other than the Thermos business that had previously been classified under "Thermos and Other Businesses" have been transferred to the "Gas Business in Japan" segment. The above graph has been adjusted to account for applicable conversions and enable a comparison of standards.

### ■ Amount transferred

FYE2017: ¥2.3 billion in net sales and ¥0.6 billion in core operating income  
 FYE2018: ¥2.6 billion in net sales and ¥0.6 billion in core operating income

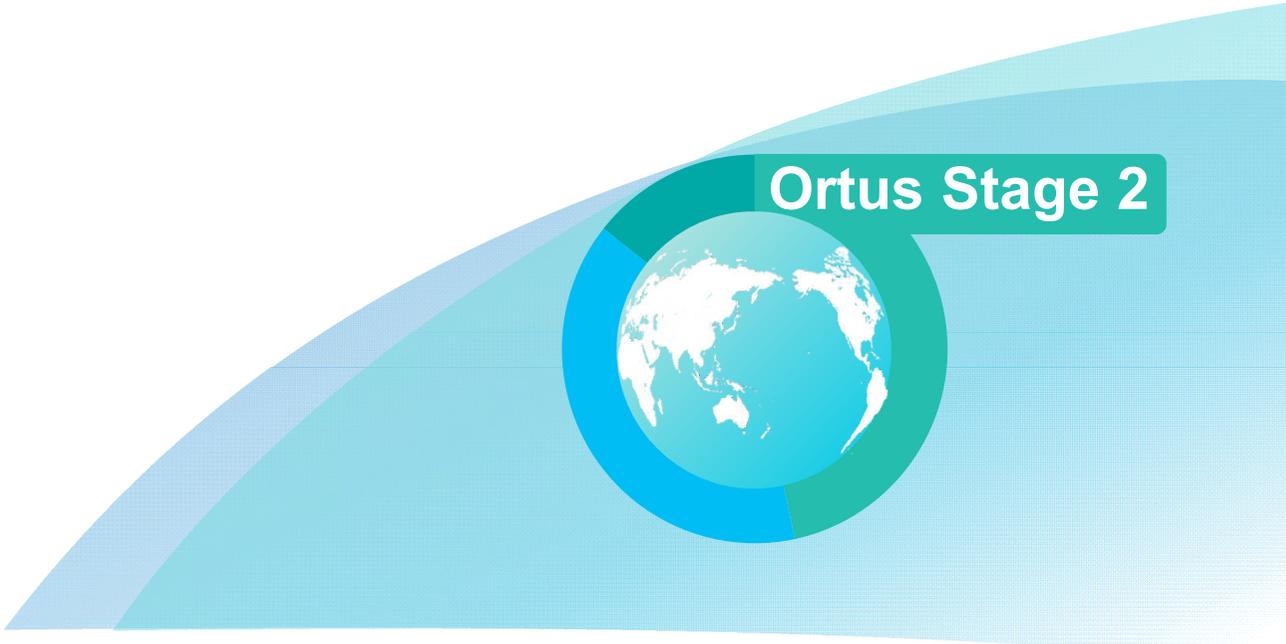
## Initiatives to achieve the target during the current period

- Industrial Gas
  - Expand the customer base (expand earnings in bulk gases, hard goods and gas-related equipment) through Group synergies (Concept of "Total TNSC")
  - Expand the carbon dioxide gas business (promote price revision, utilize the Mizushima New Plant)
  - Expand on-site earnings through a year-round contribution from JFE SANSO CENTER Kurashiki Plant
  - Expand medical growth areas (Home medical care, respiratory care products, bio and Stable Isotope)
- Electronics
  - Securely capture increased demand from existing customers (LCD, semiconductors)
- Energy
  - Capture fuel conversion demand (oil → LPG)
  - Expand consumer commercial rights through M&A



# Full-Year Forecasts for FYE2019

## Gas Business in the U.S.

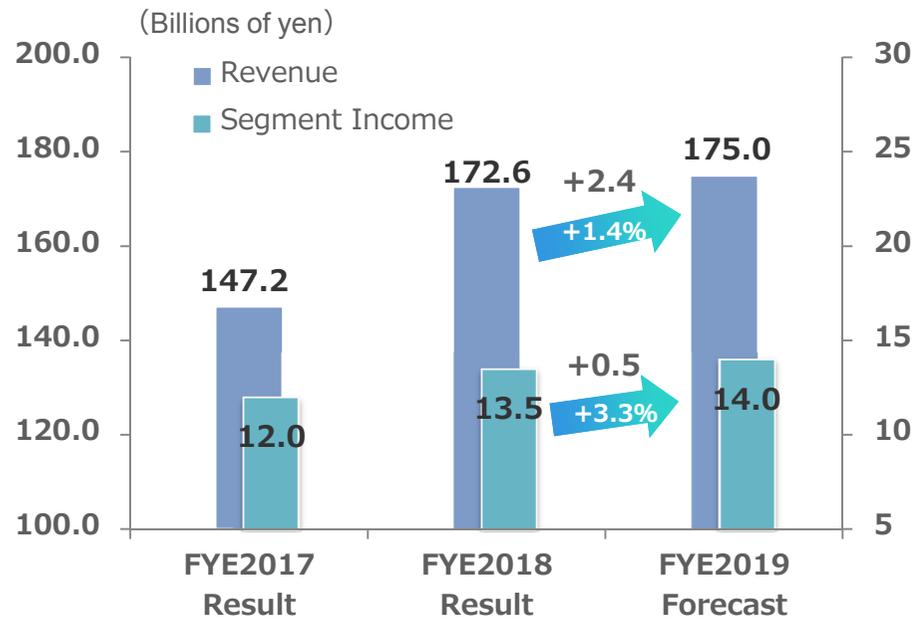


Ortus Stage 2

# Gas Business in the U.S.

## External conditions

- Production expansion is expected throughout the entire manufacturing industry (tax system revisions, labor market improvements)
- Infrastructure investment is expected
- Business opportunities increase due to expanded electronics trade transactions
- Anticipated exchange rate of US\$1=¥105, higher yen than the previous year's forecast



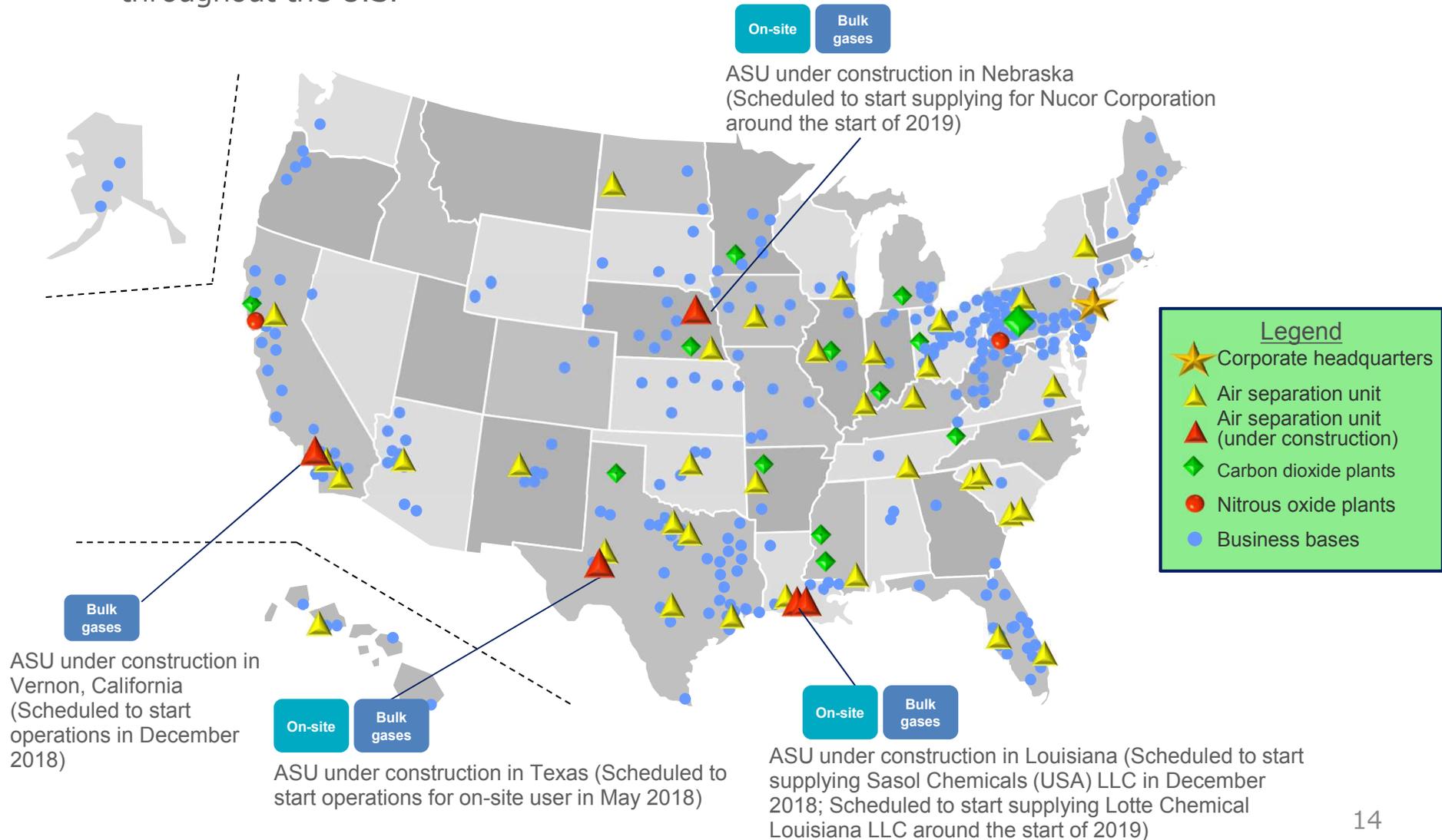
- Anticipated impact of currency translations: decreases of ¥8.9 billion in net sales and ¥0.7 billion in core operating income

## Initiatives to achieve the target during the current period

- Industrial Gas
  - A series of new on-site operations starting will lead to growth in sales and profits and expansion in highly competitive bulk gas products accompanying production
  - Expand earnings through effective utilization (new expansion, reduced distribution costs) of the new carbon dioxide plant (in Pennsylvania)
  - Steadily incorporate increased demand (bulk gases, hard goods, packaged gas) due to economic growth
- Electronics
  - Expand electronic materials gases by strengthening sales capabilities for strategic customers
  - Deepen relationships with existing customers by improving quality and promoting stable supply

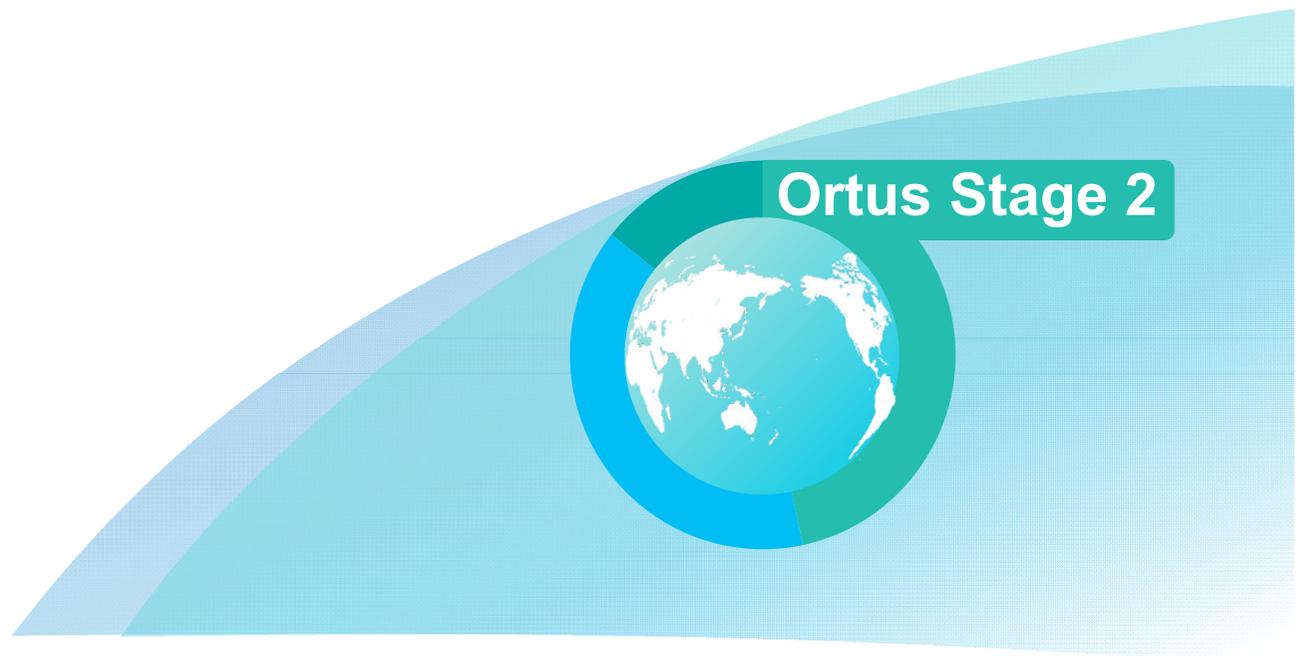
# Gas Business in the U.S.: New on-site operations start

- Launch on-site operations in two places in Louisiana and one each in Texas and Nebraska, aim to secure more on-site projects by leveraging the industrial gas product network throughout the U.S.



**Full-Year Forecasts for FYE2019**

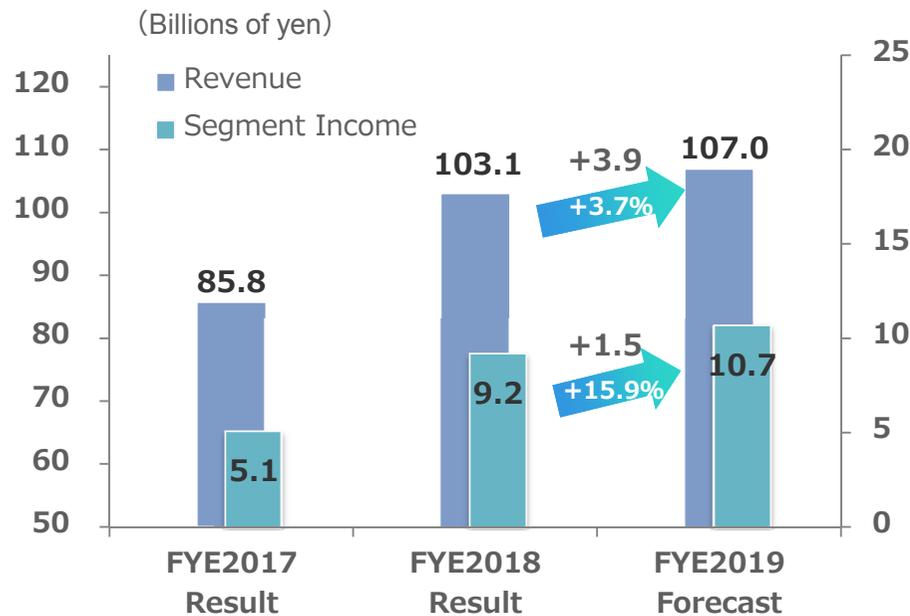
# **Gas Business in Asia & Oceania**



# Gas Business in Asia & Oceania

## External conditions

- East Asia (China, Taiwan, South Korea): Semiconductor manufacturers are reinforcing facilities
- Southeast Asia: Production activities are brisk in all areas, including steel, automotive components and electronic components
- Australia: Solid in main industries including infrastructure, food, medical care and oil and gas



## Initiatives to achieve the target during the current period

- Industrial Gas
  - Philippines: Expanding earnings centered on electronic components
  - Vietnam: Expand sales through the start of operations of the new plant in northern Vietnam
  - Singapore: Expand sales of hard goods (expand sales channels, roll out overseas)
  - Australia: Capture nationwide demand
  - India: Expand sales of bulk gases due to stable plant operations, expand helium sales
- Electronics
  - Promote a unified Group strategy (demand, quality, cost) for strategic customers
  - Steadily incorporate expected increase in demand (NAND/Logic)
  - Pursue sales expansion resulting from the impact of reinforced facilities (South Korea/China)

# Gas Business in Asia & Oceania:

Expand business by realigning Australian operating companies

- Two Australian operating companies were realigned in April 2018 and the new **Supagas Pty Limited** emerged

## New Supagas



- Business overview
  - Net sales: ¥21.0 billion
  - Core operating income: ¥3.4 billion (FYE2018 results)
  - Share of Australian market: Approx. 10% (TNSC estimate)
  - Handled commercial materials: Propane gas and related equipment, air separation gases, carbon dioxide gas, helium
- Aim of the business realignment
  - Capture demand through a nationwide rollout of dealers and distributors
  - Promote supplementation and completion of commercial materials (LP gas-related equipment, carbon dioxide, helium)
  - Rationalizing corporate functions



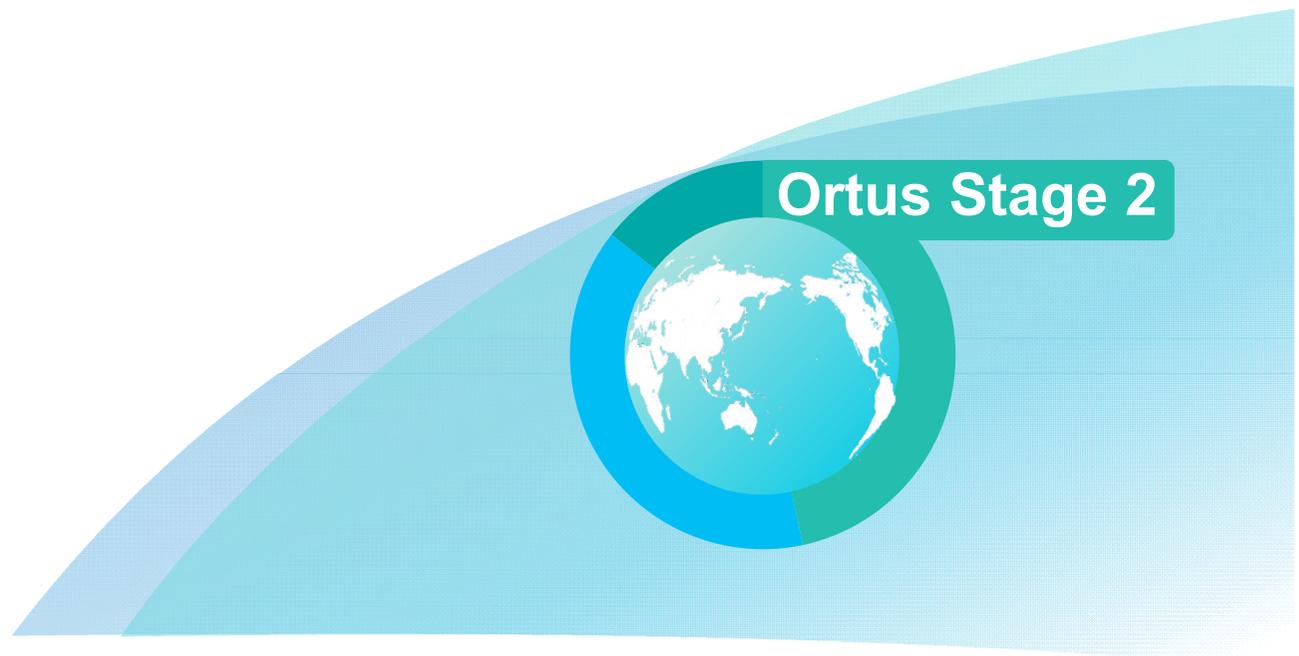
## Newly established liquefied carbon dioxide production plant

- Start operations in November 2018 (scheduled)
- Newly establish a liquefied carbon dioxide gas production plant in Nowra, New South Wales
- Install production facilities for dry ice in Sydney, Brisbane
- Expand sales in food and beverages, where growing demand is expected

Expand earnings by leveraging the production and sales network located throughout Australia

Full-Year Forecasts for FYE2019

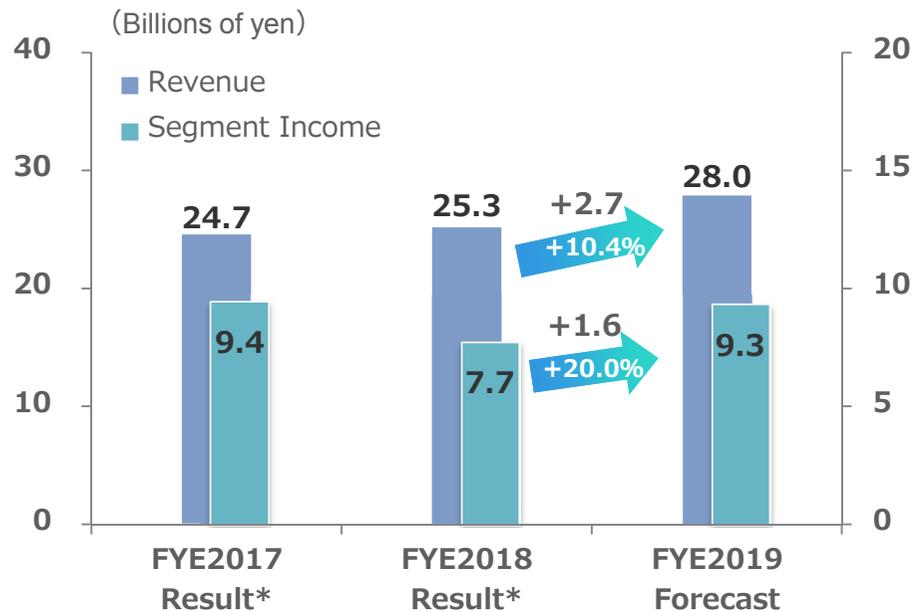
Thermos Business



## Thermos Business

### External conditions

- Demand for vacuum insulated bottles is solid in Japan and demand among inbound tourists has a firm foundation
- Firm demand in the U.S., impact of industry reorganization remains in Europe
- Demanded expected to grow in East and Southeast Asia



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■ Amount transferred

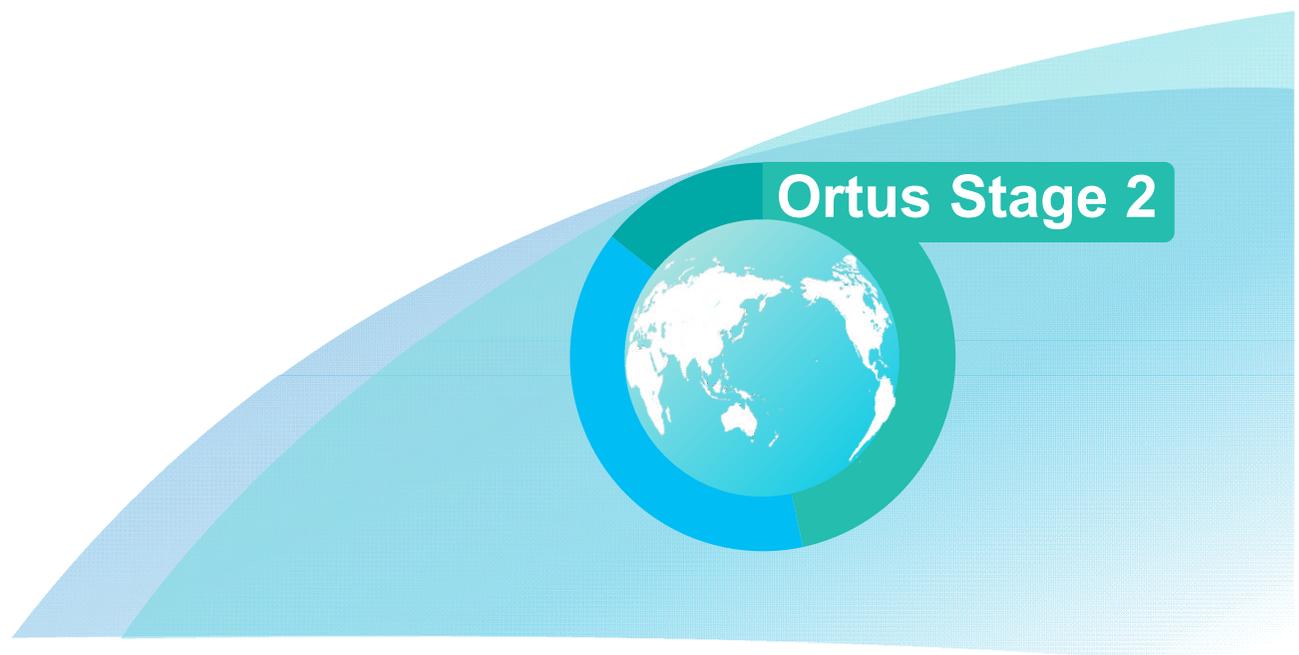
FYE2017: ¥2.3 billion in net sales and ¥0.6 billion in core operating income  
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### Initiatives to achieve the target during the current period

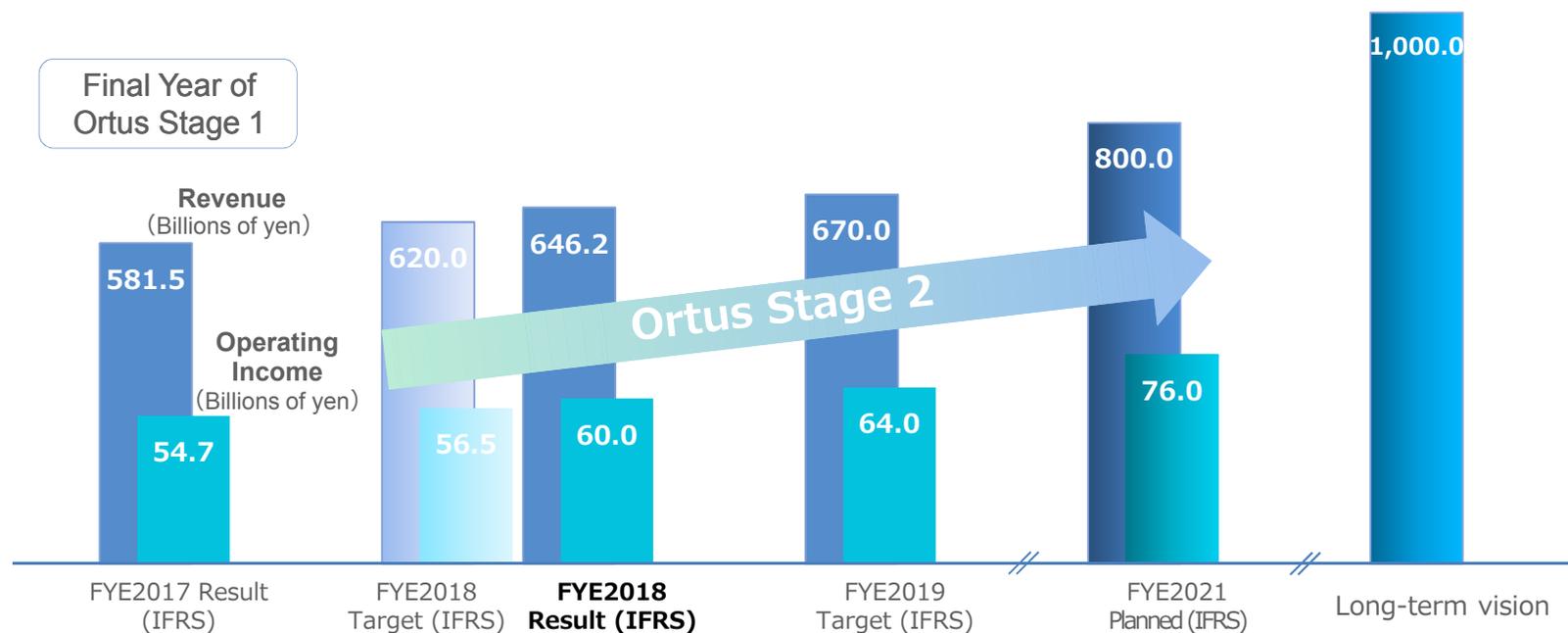
- Japan
  - Expand sales through introduction of new products (insulated mugs) and product lineup expansion (kitchenware)
- Overseas
  - South Korea: Expand product categories, expand earnings by broadening sales channels
  - North America: Inventory adjustment completed in previous year, business to rebound in current year
  - Europe: Improve earnings by realigning the alfi GmbH business (expand sales of Thermos products, strengthen marketing, cut costs)
- Production structures
  - Eliminate sales opportunity loss through stable operations of production plants in the Philippines, Malaysia and China, and strengthen supply to Europe

**Full-Year Forecasts for FYE2019**

**State of Progress of Ortus Stage 2**



# State of Progress of Ortus Stage 2



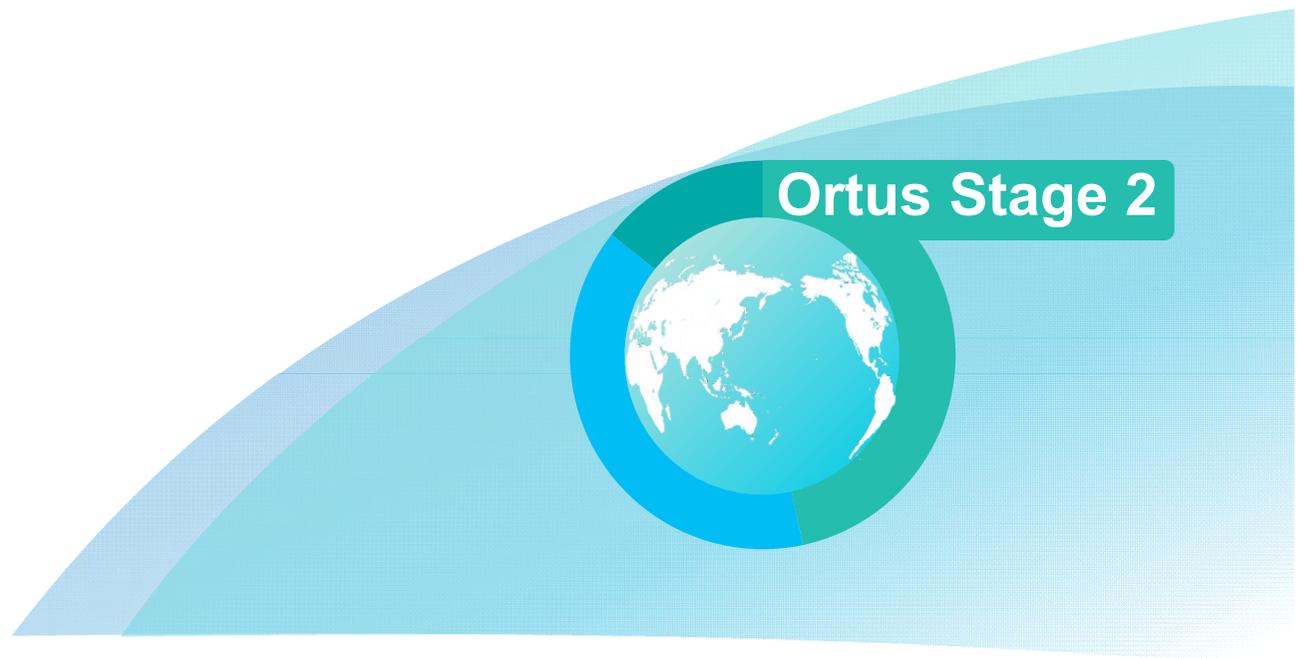
Revenue	581.5	620.0	<b>646.2</b>	670.0	800.0
Core operating income	54.7	56.5	<b>60.0</b>	64.0	76.0
Core operating income	9.4%	9.1%	<b>9.3%</b>	9.6%	9.5%
Overseas sales ratio	40.8%	—	<b>43.3%</b>	—	45.0%
ROCE <sup>*</sup>	8.4%	7.9%	<b>8.4%</b>	8.5%	9.0%

\* ROCE (Return on capital employed) = Core operating income / (Outstanding Interest-bearing Debt + Equity attributable to owners of parent)

\* The figure for core operating income is calculated as operating income excluding certain gains and expenses attributable to non-recurring factors (non-recurring items).

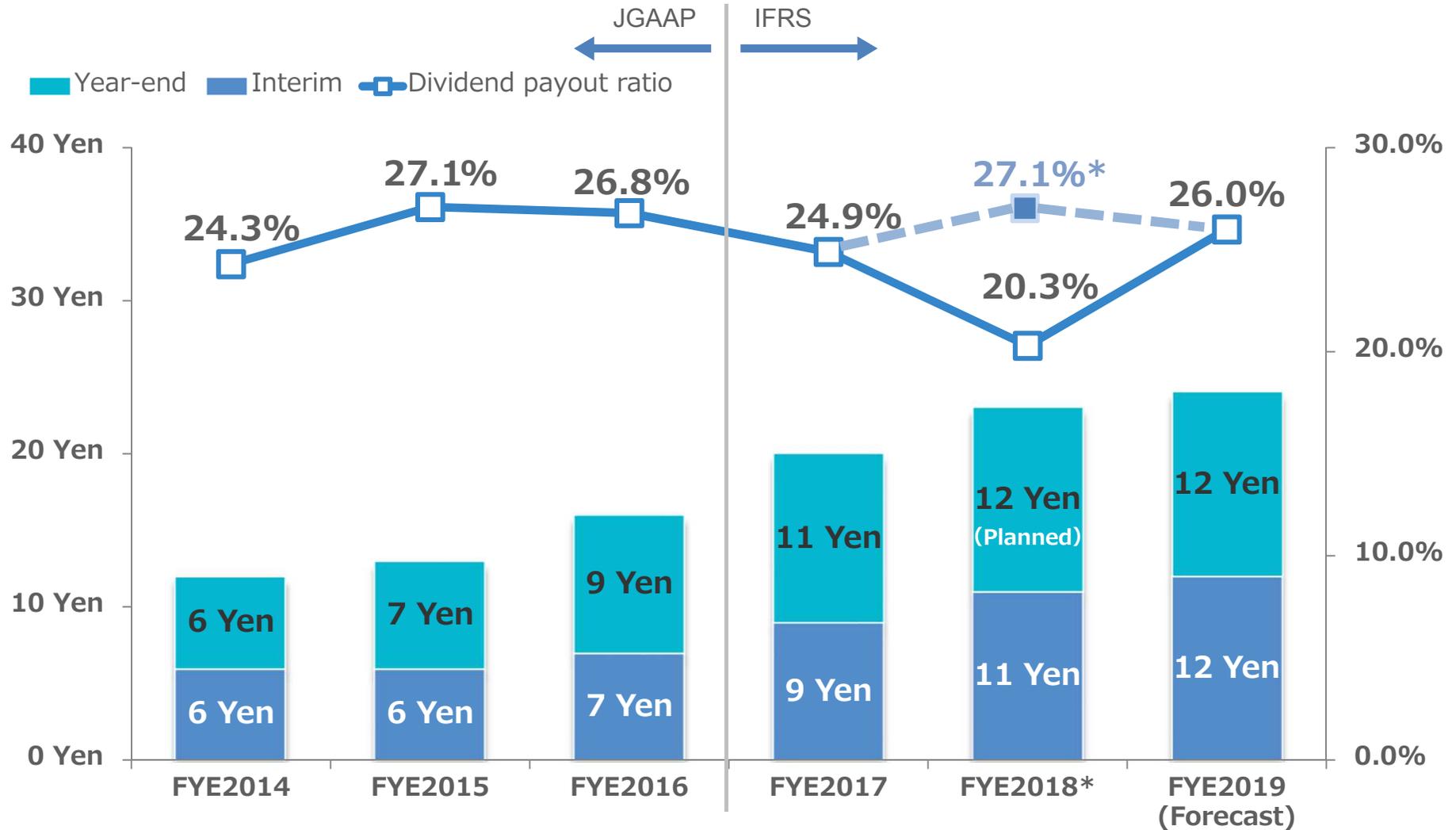
\* Non-recurring items apply to structural reform costs (business contraction, withdrawal, extraordinary severance payments), loss caused by natural disaster or major accident and other matters (including disposal of idle assets).

# Shareholder returns



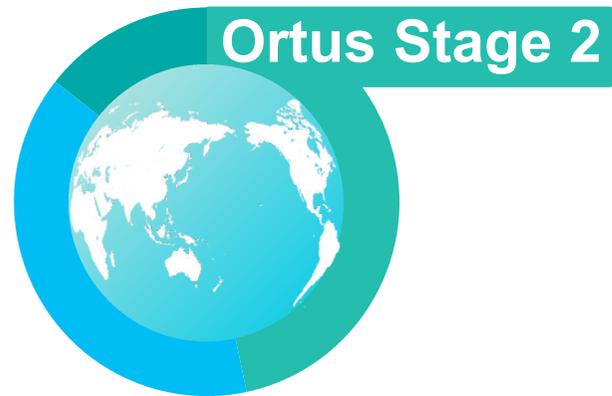
# Shareholder returns

The Company maintains a stable dividend and is improving a dividend policy tied to performance



\* Large-scale corporate income tax deductions arose from a reform of the U.S. tax system that resulted in a lowering of the federal corporate tax rate during FYE2018. Excluding the effects of the above, the dividend payout ratio was 27.1%.

**Thank you**



## Reminders

- The information contained here is not disclosure information for securities trading. The accuracy and completeness of this information are not guaranteed.
- The briefing session and this material describe future plans and strategies, as well as forecasts and outlooks of business performance. These plans and strategies, as well as forecasts and outlooks, are made by Taiyo Nippon Sanso based on its judgments and estimations made in accordance with the information available at present. Actual performance will be subject to changes caused by a variety of risks and uncertainties (such as economic trends, market demand, exchange rates, taxation systems and various other systems and institutions, but not limited to them).
- We wish to remind you, therefore, that the actual business performance may differ from the forecasts and outlooks made at this time. Please refrain from making investment judgments based solely on this information.