



TAIYO NIPPON SANSO
The Gas Professionals

Supplementary Materials for Consolidated Business Performance for the First Three Quarters of FYE2020

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TAIYO NIPPON SANSO Corporation

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1-1. Overview of business performance

(Billions of yen)	FYE2019 Q3 results Margin	FYE2020 Q3 results Margin	YoY Change
Revenue	518.0	633.4	+115.4 +22.3%
Core operating income	43.8 8.5%	68.2 10.8%	+24.4 +55.6%
Non-recurring profit and loss	0.8	3.6	+2.8
Operating income	44.6 8.6%	71.8 11.4%	+27.2 +60.9%
Finance costs	-2.4	-10.9	-8.5
Income before income taxes	42.2	60.9	+18.7
Income tax expenses	-13.1	-18.3	+5.2
Net income	29.0	42.5	+13.5
(Attribution of net income)			
Net income attributable to owners of the parent	27.2 5.3%	41.3 6.5%	+14.1 +51.9%
Net income attributable to non-controlling interests	1.7	1.1	-0.6

Foreign currency translations (US\$→¥): FYE2019 Q3 rate: \$1=¥111.33 FYE2020 Q3 rate: \$1=¥108.89
(€→¥): FYE2020 Q3 rate: €1=¥127.00 FYE2020 Q3 rate: €1=¥121.12

In FYE2019 Q3, European business acquisition-related expenses (advisory fees, etc.) of ¥2.7 billion had been recorded.

1-1. Overview of business performance

【Revenue】

(Billions of yen)	FYE2019 Q3 results	FYE2020 Q3 results	% Change
Gas Business in Japan	265.9	260.2	-2.2%
Gas Business in the U.S.	138.8	148.8	+7.2%
Gas Business in Europe	12.6	125.3	-
Gas Business in Asia and Oceania	78.8	79.1	+0.3%
Thermos Business	21.6	19.8	-8.1%
Revenue Total	518.0	633.4	+22.3%

【Operating income】

(Billions of yen)	FYE2019 Q3 results	FYE2020 Q3 results	% Change
Gas Business in Japan	21.3	19.9	-6.4%
Gas Business in the U.S.	10.5	16.7	+59.4%
Gas Business in Europe	0.5	19.2	-
Gas Business in Asia and Oceania	8.5	8.1	-4.8%
Thermos Business	7.2	6.0	-15.9%
Eliminations or Corporate*	-4.3	-1.9	-
Core operating income Total	43.8	68.2	+55.6%
Non-recurring profit and loss	0.8	3.6	-
Operating income Total	44.6	71.8	+60.9%

* Eliminations or Corporate : European business acquisition-related expenses (advisory fees, etc.) of ¥2.7 billion had been recorded for the first three quarters of FYE2019.

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

(Billions of yen)				FYE2019 Q3 results	FYE2020 Q3 results	% Change	
Revenue	Gases	Packaged	Air separation gases, other	11.4	11.4	+0.1%	
			Packaged subtotal	11.4	11.4	+0.1%	
		Bulk	Air separation gases	38.1	36.4	-4.4%	
			Carbon dioxide	18.3	17.8	-2.6%	
			Helium	3.3	3.4	+2.0%	
			Other gases	7.6	7.5	-0.9%	
			Bulk subtotal	67.4	65.2	-3.2%	
			On-site	Air separation gases	56.8	53.7	-5.5%
		Other gases		5.3	4.8	-8.1%	
		On-site subtotal		62.1	58.5	-5.8%	
		LP gas			24.3	20.3	-16.5%
		Specialty gases			19.7	19.7	-0.2%
		Subtotal			185.1	175.3	-5.3%
	Equipment and installation, other	Gas-related and plant, other		48.5	55.3	+14.1%	
		Electronics-related		12.6	11.1	-11.7%	
		Welding and cutting-related		19.6	18.3	-6.5%	
		Subtotal		80.7	84.8	+5.0%	
Revenue Total			265.9	260.2	-2.2%		
Segment income				21.3	19.9	-6.4%	

Reasons for changes in revenue

- Bulk & On-site (Air separation gases): Revenue decreased primarily in the key industries of steel, non-ferrous metals, metal processing, and chemicals
- Gas-related and plant, other (Medical): Contribution from acquisition of IMI Co., Ltd, a medical equipment sales company

Reason for change in segment income

- Higher costs due to rising fuel prices
- Bulk & On-site (Air separation gases): Lower earnings from decreased revenue
- Contribution from acquisition of IMI Co., Ltd, a medical equipment sales company
- Expenses: Higher costs due to personnel expenses, etc.



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

(Billions of yen)				FYE2019 Q3 results	FYE2020 Q3 results	% Change	
Revenue	Gases	Packaged	Air separation gases, other	34.4	36.1	+4.9%	
			Packaged subtotal	34.4	36.1	+4.9%	
		Bulk	Air separation gases	27.4	27.7	+1.0%	
			Carbon dioxide	18.5	19.3	+4.5%	
			Helium	4.5	4.3	-4.3%	
			Other gases	7.3	6.6	-8.5%	
			Bulk subtotal	57.9	58.2	+0.5%	
		On-site	Air separation gases	5.9	7.1	+19.2%	
			Other gases	1.1	9.9	—	
			On-site subtotal	7.1	17.0	+139.6%	
		LP gas			3.3	2.8	-14.2%
		Specialty gases			5.2	4.9	-6.9%
		Subtotal			108.1	119.3	+10.3%
	Equipment and installation, other	Electronics-related		3.8	3.5	-7.5%	
		Welding and cutting-related		26.8	25.9	-3.2%	
		Subtotal		30.6	29.5	-3.7%	
Revenue Total				138.8	148.8	+7.2%	
Segment income				10.5	16.7	+59.4%	

*Impact of foreign currency translation: Negative impacts of ¥3.01 billion on revenue and ¥0.23 billion on segment income

Reasons for changes in revenue

- Bulk: Firm shipments centered around air separation gases. Carbon dioxide gas shipments increased with the start of operations at new plants
- On-site: Start of operation at new projects. Contribution from acquisition of HyCO business

Reason for change in segment income

- Industrial gas-related business was generally firm, centered on air separation gases
- Cost increase due to manufacturing costs, etc., in the carbon dioxide gas business
- Contribution from acquisition of HyCO business



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

(Billions of yen)				FYE2019 Q3 results	FYE2020 Q3 results
Revenue	Gases	Packaged	Air separation gases, other	2.0	23.5
			Packaged subtotal	2.0	23.5
		Bulk	Air separation gases	3.0	29.4
			Carbon dioxide	1.9	20.5
			Helium	0.3	6.3
			Other gases	1.0	8.8
			Bulk subtotal	6.4	65.2
		On-site	Air separation gases	1.9	16.4
			Other gases	0.3	2.8
			On-site subtotal	2.3	19.3
		Specialty gases			0.6
	Subtotal			11.4	114.2
	Equipment and installation, other	Gas-related and plant, other		0.9	8.6
		Welding and cutting-related		0.2	2.3
		Subtotal		1.2	11.0
Revenue Total			12.6	125.3	
Segment income				0.5	19.2

*Impact of foreign currency translation: Negative impacts of ¥0.58 billion on revenue and ¥0.02 billion on segment income

- The European business acquired from Praxair, Inc. of the United States in December 2018 has been disclosed in this segment.
(The FYE2019 3Q results are the business performance of the European business in December 2018.)
- The revenue increased 2.1% year on year from ¥122.7 billion as compared to the business performance of the Gas Business in Europe from April 1, 2018 to December 31, 2018, assuming the acquisition date of the European business acquired from U.S. company Praxair, Inc. was April 1, 2018.

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

(Billions of yen)				FYE2019 Q3 results	FYE2020 Q3 results	% Change	
Revenue	Gases	Packaged	Air separation gases, other	2.9	2.7	-7.0%	
			Packaged subtotal	2.9	2.7	-7.0%	
		Bulk	Air separation gases	13.9	12.3	-11.0%	
			Carbon dioxide	1.3	1.3	+4.5%	
			Helium	3.0	4.1	+32.9%	
			Other gases	2.3	2.0	-11.1%	
			Bulk subtotal	20.6	19.9	-3.5%	
		On-site	Air separation gases	2.7	2.7	+1.9%	
			On-site subtotal	2.7	2.7	+1.9%	
		LP gas			11.2	11.2	-0.4%
		Specialty gases			22.0	20.5	-6.6%
		Subtotal			59.6	57.2	-4.0%
	Equipment and installation, other	Gas-related and plant, other		12.8	12.8	-0.5%	
		Electronics-related		2.6	5.2	+99.3%	
		Welding and cutting-related		3.7	3.7	+2.2%	
		Subtotal		19.2	21.8	+13.7%	
Revenue Total				78.8	79.1	+0.3%	
Segment income				8.5	8.1	-4.8%	

*Impact of foreign currency translation: Negative impacts of ¥2.90 billion on revenue and ¥0.37 billion on segment income

Reasons for changes in revenue

- Bulk (Air separation gases): Revenue decreased significantly, mainly in China
- LP gas: Firm sales in Australia
- Specialty gases: Lower shipments of electronic materials gases
- Electronics-related equipment and installation: Revenue in Taiwan rose substantially

Reason for change in segment income

- Profitability improved in the LP gas business in Australia
- Earnings declined due to lower electronic materials gas revenue



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1-2. Business Performance by Segment: Thermos Business

(Billions of yen)		FYE2019 Q3 results	FYE2020 Q3 results	% Change
Revenue	Japan	16.9	17.2	+1.5%
	Overseas	4.6	2.6	-43.2%
	Revenue Total	21.6	19.8	-8.1%
Segment income		7.2	6.0	-15.9%

*Impact of foreign currency translation: Negative impacts of ¥0.23 billion on revenue and ¥0.08 billion on segment income

Reasons for changes in revenue

- Japan: Sales of vacuum insulated mobile mugs were on par with the previous fiscal year. Sales of sports bottles and heat-retaining lunch boxes were sluggish
- Overseas: Change in sales environment in South Korea. Decline in capacity utilization of production plants in Malaysia and the Philippines

Reason for change in segment income

- Japan: Earnings decreased due to lower revenues caused by unseasonable weather with a cool summer and warm winter
- Overseas: Earnings decreased due to a decline in capacity utilization of production plants. Lackluster sales at equity-method affiliates

2-1. Full-Year Forecasts for FYE2020

(Billions of yen)	FYE2019 Results Margin	FYE2020 Forecast (Announced Feb. 5) Margin	YoY Change % Change	FYE2020 Forecast (Announced May.13) Margin
Revenue	740.3	855.0	+114.7 +15.5%	890.0
Core operating income	65.8 8.9%	91.5 10.7%	+25.7 +39.0%	95.0 10.7%
Non-recurring profit and loss	1.0	3.5	+2.5	7.0
Operating income	66.8 9.0%	95.0 11.1%	+28.2 +42.1%	102.0 11.5%
Finance costs	-4.7	-14.5	-9.8	-15.5
Income before income taxes	62.0	80.5	+18.5	86.5
Income tax expenses	-18.3	-24.5	+6.2	-27.0
Net income	43.7	56.0	+12.3	59.5
(Attribution of net income)				
Net income attributable to owners of the parent	41.2 5.6%	54.0 6.3%	+12.8 +30.8%	57.0 6.4%
Net income for the year attributable to non-controlling interests	2.4	2.0	-0.4	2.5



Assumed exchange rate for FYE2020: (US\$→¥): \$1=¥108.50, (EUR→¥): €1=¥120.00

*Actual exchange rates for FYE2019 : (US\$→¥): \$1=¥111.07, (EUR→¥): €1=¥125.70



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

【Revenue】

(Billions of yen)	FYE2019 Results	FYE2020 Forecast (Announced Feb. 5)	% Change	FYE2020 Forecast (Announced Oct. 31)
Gas Business in Japan	363.9	360.0	-1.1%	375.0
Gas Business in U.S.	187.3	199.0	+6.2%	207.0
Gas Business in Europe ^{*1}	55.1	164.0	+197.6%	168.0
Gas Business in Asia and Oceania	106.1	105.0	-1.1%	110.0
Thermos Business	27.8	27.0	-2.9%	30.0
Revenue Total	740.3	855.0	+15.5%	890.0

【Operating income】

(Billions of yen)	FYE2019 Results	FYE2020 Forecast (Announced Feb. 5)	% Change	FYE2020 Forecast (Announced Oct. 31)
Gas Business in Japan	29.8	27.8	-6.7%	29.1
Gas Business in U.S.	15.6	22.0	+40.7%	22.0
Gas Business in Europe ^{*1}	6.5	25.0	+280.7%	25.5
Gas Business in Asia and Oceania	9.1	10.7	+16.9%	11.0
Thermos Business	9.1	8.2	-10.8%	9.4
Eliminations or Corporate ^{*2}	-4.5	-2.2	—	-2.0
Core operating income Total	65.8	91.5	+39.0%	95.0
Non-recurring profit and loss	1.0	3.5	—	7.0
Operating income Total	66.8	95.0	+42.1%	102.0

^{*1} 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.

^{*2} In FYE2019 results, European business acquisition-related expenses (advisory fees, etc.) of ¥2.7 billion had been recorded in core operating income.

(Reference Materials)

Breakdown for revenue disclosure categories for each segment

The breakdown for revenue disclosure categories for each segment is listed in the below chart.

Revenue disclosure category	Breakdown
Gases	Industrial gases such as oxygen, nitrogen, and argon, LP gases, specialty gases
Packaged	Gas filling containers (cylinders) are delivered to the customer, and the gas is supplied according to method of use
Air separation gases, other	All gases including air separation gases (oxygen, nitrogen, argon that are created by separation from the atmosphere)
Bulk	A storage tank for liquified gas is installed within the customer's facility, and the gas is supplied according to method of use
Air separation gases	Oxygen, nitrogen, argon
Carbon dioxide	Carbon dioxide gas, dry ice
Helium	Helium gas
Other gases	Other gases such as hydrogen
On-site	A gas production facility is established in an area adjacent to the customer, and the gas is constantly supplied using a directly connected pipe
Air separation gases	Oxygen, nitrogen, argon
Other gases	Other gases such as hydrogen and carbon monoxide
LP gas	Propane gas, butane gas
Specialty gases	Gases for electronic materials that are used in the manufacture of semiconductors or LCD panels, standard gas, high-purity gas
Equipment and installation, other	Ancillary equipment for gas usage, refining equipment to raise gas purity level, construction for equipment installation, and other equipment
Gas-related and plant, other	Gas-related supply facilities and gas abatement equipment, air separation units, and other equipment
Electronics-related	Construction for equipment and pipe installation toward electronics, refining equipment for removing impurities, and other equipment
Welding and cutting-related	Equipment, apparatuses, welding rods and other items (hard goods) used in metal processing including gas welding and cutting

Non-recurring Income and Expense Items

(Billions of yen)	FYE2019 Q3 results	FYE2020 Q3 results	YoY change
Core operating income	43.8	68.2	+24.4
Non-recurring profit and loss	0.8	3.6	+2.8
Operating income	44.6	71.8	+27.2

【Non-recurring Income and Expense Items】

FYE2019 Q3 results		FYE2020 Q3 results	
Item	Amount (Billions of yen)	Item	Amount (Billions of yen)
Gain on sales of domestic land	0.9	Gain on sales of domestic land, etc.	6.5
Other	-0.1	Restructuring-related expenses for the alfi business (Thermos)	-0.5
		Impairment loss associated with the disposal of affiliated companies, etc.	-2.3
Total	0.8	Total	3.6

Condensed Consolidated Statements of Cash Flows

(Billions of yen)		FYE2019 Q3 results	FYE2020 Q3 results	YoY change
	Income before income taxes	42.2	60.9	+18.7
	Depreciation and amortization	36.8	63.0	+26.2
	Changes in working capital	2.3	-8.2	-10.5
	Others	-22.2	-18.4	+3.8
(1) Cash flows from operating activities		59.1	97.2	+38.1
	Capital expenditures	-53.5	-54.3	-0.8
	Investments and loans	-645.8	-0.5	+645.3
	Others (asset sales, etc.)	3.6	9.8	+6.2
(2) Cash flows from investing activities		-695.7	-45.1	+650.6
Free cash flow (1+2)		-636.5	52.1	+688.6
Net interest-bearing liabilities		932.1	942.6	+10.5
Adjusted net D/E ratio		—	1.48	—

Net interest-bearing liabilities: interest-bearing liabilities - cash and cash equivalents

Adjusted net D/E ratio: $(\text{Net interest-bearing debt} - \text{equity-type debt}^{*1}) / (\text{equity attributable to owners of parent} + \text{equity-type debt}^{*1})$
^{*1} Equity-type debt: the amount of debt procured by Hybrid finance^{*2} that has been recognized as equity credit by rating agencies (50% of the procured amount).

^{*2} 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.

Condensed Consolidated Statements of Financial Position

(Billions of yen)		FYE2019 Results	FYE2020 Q3 results	YoY Change		FYE2019 Results	FYE2020 Q3 results	YoY Change	
	Cash and cash equivalents	59.6	73.7	+14.1		Interest-bearing liabilities	1,005.4	1,016.4	+11.0
	Trade receivables	197.9	184.5	-13.4		Trade payables	105.9	93.1	-12.8
	Inventories	66.2	73.5	+7.3		Others	223.7	218.1	-5.6
	Others	23.2	26.6	+3.4	Total liabilities	1,335.1	1,327.7	-7.4	
Total current assets		347.1	358.5	+11.4		Share capital and capital surplus, etc	429.5	464.1	+34.6
	Property, plant and equipment*	639.3	664.7	+25.4		Other components of equity	-22.9	-37.3	-14.4
	Goodwill	437.7	434.4	-3.3	Equity attributable to owners of parent	406.6	426.7	+20.1	
	Intangible assets	253.8	242.2	-11.6	Non-controlling interests	29.2	31.2	+2.0	
	Others	92.9	85.6	-7.3	Total equity	435.8	457.9	+22.1	
Total non-current assets		1,423.8	1,427.1	+3.3	Total liabilities and equity	1,771.0	1,785.7	+14.7	
Total assets		1,771.0	1,785.7	+14.7					

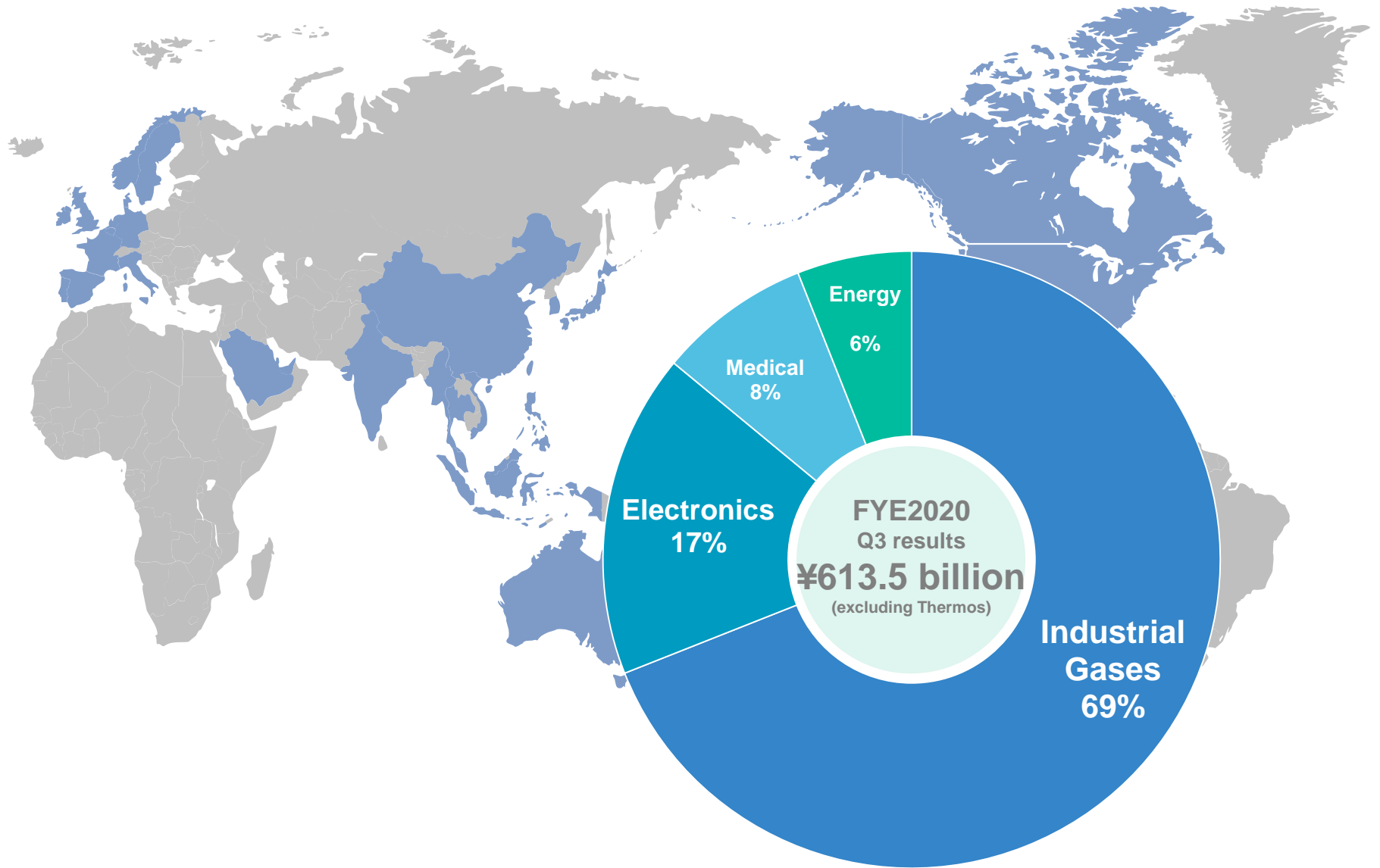
* As a result of the application of IFRS 16, the carrying amount of the TNSC Group's lease-related assets increased by ¥34.1 billion and lease liabilities simultaneously increased by ¥34.6 billion on the day starting the application of IFRS 16.

Key Performance Indicators (Consolidated)

	FYE2019 Q3 results	FYE2020 Q3 results	FYE2019 Results	FYE2020 Forecast
Basic earnings per share (Yen)	62.93	95.57	95.42	124.78
Overseas sales ratio	45.4%	56.2%	47.9%	55.0%
ROE	—	—	10.4%	12.9%
ROCE	—	—	6.2%	6.5%
Annual dividends per share (Yen)	—	—	25	28
Dividend payout ratio	—	—	26.2%	22.4%
Capital expenditures (fund basis)(Millions of yen)	53,527	54,389	74,152	77,600
Investments and loans* (Millions of yen)	645,865	548	691,126	—
Depreciation and amortization (Millions of yen)	36,881	63,073	56,111	85,000
Balance of interest-bearing liabilities (Millions of yen)	1,011,415	1,016,408	1,005,402	991,900
Net interest-bearing liabilities (Millions of yen)	932,167	942,616	945,782	914,400

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

Sales mix by business



TNSC's Gas Supply Structure

Separate gases



Air separation unit (ASU)

Oxygen Nitrogen Argon

Other gases



Chemical plant off gas
Import from overseas in containers, etc.

Carbon dioxide gas Hydrogen Helium
LPG Specialty gases Acetylene



Supplied via pipeline
(on-site)

Oxygen Nitrogen Argon



Tanker trucks
(bulk gases)

Oxygen Nitrogen Argon

CE

Evaporator



Supply via cylinders
(packaged gases)



Oxygen Nitrogen Argon

Supply via tanker trucks, cylinders
(bulk and packaged gases)



Carbon dioxide gas Hydrogen Helium
LPG Specialty gases Acetylene

Customers

- Steel and nonferrous metals
- Electronics
- Petroleum and chemicals
- Automobiles and industrial machinery
- Glass and paper
- Medical care
- Food
- Other

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.