



Consolidated Financial Performance
for the First Quarter of Fiscal Year Ending March 31, 2017
(Based on IFRS)

(Amounts less than ¥1 million are omitted)

1. Financial results for the first quarter of FYE2017 (April 1, 2016 – June 30, 2016)

(1) Operating results

(Percentages indicate year-on-year change)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent		Total comprehensive income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
First quarter of FYE2017	133,436	(5.2)	12,328	(5.5)	11,703	(8.8)	6,894	(13.5)	6,481	(15.2)	(10,922)	—
First quarter of FYE2016	140,746	—	13,040	—	12,837	—	7,971	—	7,645	—	11,055	—

Note: Core operating income

First quarter of FYE2017: ¥12,126 million [8.0%]

First quarter of FYE2016: ¥11,227 million [—%]

Core operating income is calculated as operating income excluding certain gains and expenses attributable to non-recurring factors (non-recurring items).

	Basic earnings per share (yen)	Diluted earnings per share (yen)
First quarter of FYE2017	14.98	—
First quarter of FYE2016	17.67	—

(2) Financial position

	Total assets (¥ million)	Total equity (¥ million)	Equity attributable to owners of the parent (¥ million)	Equity attributable to owners of the parent ratio (%)
First quarter of FYE2017 (June 30, 2016)	752,624	328,434	305,054	40.5
FYE2016 (March 31, 2016)	787,505	344,866	320,457	40.7

2. Dividends

	Annual Dividend				
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	Term end	Total
	Yen	Yen	Yen	Yen	Yen
FYE2016	—	7.00	—	9.00	16.00
FYE2017	—				
FYE2017 (est.)		9.00	—	9.00	18.00

Note: No revisions have been made to recently announced forecasts.

3. Forecasts for business operations for FYE2017 full term (April 1, 2016 – March 31, 2017)

(Percentages indicate year-on-year change)

	Revenue		Operating income		Income before income taxes		Net income attributable to owners of the parent		Basic earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(Yen)
First-half	293,000	3.0	24,200	(0.7)	22,600	(4.0)	14,700	(2.2)	33.97
Full term	610,000	2.6	52,000	6.3	48,700	4.6	30,000	3.3	69.32

Notes: No revisions have been made to recently announced forecasts.

Core operating income First half of FYE2017: ¥24,200 million [7.3%] FYE2017: ¥52,000 million [9.6%]

Changes from the previous fiscal year and the same period of the previous fiscal year are calculated using actual results for the fiscal year ended March 31, 2016 prepared on an IFRS basis.

4. Explanation concerning the appropriate use of forecasts for business operations and other notable matters

The Taiyo Nippon Sanso Group has adopted International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 31, 2017. In addition, the consolidated financial statements for the same period of the previous fiscal year and the previous fiscal year are presented based on IFRS.

This report contains business forecasts and other forward-looking statements that are based on information currently available to the Company and certain assumptions judged to be reasonable by management. The Company gives no assurances that business forecasts will be attained. Moreover, actual results may differ materially from business forecasts due to various factors.

5. General information relating to the first quarter results

In the first quarter of the fiscal year under review (from April 1, 2016, to June 30, 2016), in the global economy, China's economic slowdown became more pronounced with uncertainties spreading to other neighboring countries in Asia. Meanwhile in the United States, the economy grew steadily, supported by firm personal consumption, even though there were concerns about the impact of economies in other parts of the world slowing. In Japan, although employment and income levels continue to improve, personal consumption showed sluggish growth. Compounded by the yen's appreciation since the beginning of the year and an uncertain outlook for the stock market, the Japanese economy has been treading water following a trend of improvement.

Against this backdrop, Taiyo Nippon Sanso Group (TNSC Group) achieved the following results for the first quarter of the fiscal year under review. Revenue on a consolidated basis decreased 5.2% year on year to ¥133,436 million, operating income decreased 5.5% to ¥12,328 million, and net income attributable to owners of the parent decreased by 15.2% to ¥6,481 million.

The Taiyo Nippon Sanso Group has adopted International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 31, 2017. In addition, the consolidated financial statements for the same period of the previous fiscal year and the previous fiscal year are presented based on IFRS.

A breakdown of business performance by reportable segment is as follows.

Segment income represents core operating income, which is calculated as operating income excluding certain gains or losses attributable to non-recurring factors (non-recurring items).

Gas Business in Japan

In the industrial gas-related business, revenue from air separation gases (oxygen, nitrogen and argon), a core

product, declined year on year, mainly reflecting a decline in demand from the key industries of steel, and chemicals. However, gas equipment and air separation units posted revenue growth.

In the electronics-related field, revenue from equipment and installation work, including semiconductor manufacturing equipment, increased year on year, mainly owing to strong sales.

In the energy-related field, revenue from liquid petroleum gas (LPG) dropped substantially year on year due to a fall in the import price.

As a result, in the Gas Business in Japan, revenue decreased 3.3% year on year to ¥74,153 million, while segment income rose 2.2% to ¥6,072 million.

Gas Business in the United States

In the industrial gas-related business, shipments of bulk gas, primarily carbon dioxide gas, were strong, but sales of hard goods decreased significantly. In the electronics-related field, shipments of electronic materials gases increased slightly.

In addition, as a result of the yen's continued appreciation, there was a significant decrease in revenue due to the impact of foreign exchange translation.

As a result, in the Gas Business in the United States, revenue decreased 14.9% year on year to ¥32,505 million, and segment income declined 17.1% to ¥2,032 million.

Gas Business in Asia & Oceania

In the industrial gas-related business, sales trended favorably in the Philippines. Apart from that, the consolidation of Air Products Industry Co., Ltd. in Thailand and Renegade Gas Pty Ltd in Australia as subsidiaries of the Company in May and July 2015, respectively, contributed significantly to revenue growth.

In the electronics-related field, revenue from electronic materials gases and equipment in Taiwan, China, and South Korea was mostly unchanged year on year.

As a result of the above, in the Gas Business in Asia & Oceania, revenue increased 5.5% year on year to ¥19,369 million, and segment income rose by 31.8% to ¥1,250 million.

THERMOS & Other Businesses

In the THERMOS & Other Businesses, although demand from inbound tourists visiting Japan settled down, sales of new products were strong. Consequently, revenue was mostly unchanged year on year.

As a result, in THERMOS & Other Businesses, revenue decreased 1.1% year on year to ¥7,408 million, and segment income rose 24.0% to ¥2,928 million.

6. Segment information

TNSC Group conducts gas businesses in Japan and overseas, mainly for customers in the steel, chemical, and electronics industries, and it has built production and sales structures for its main products in Japan, the United States, and Asia & Oceania. In addition, the TNSC Group manufactures and sells housewares such as stainless steel vacuum bottles, and conducts real-estate rental and other businesses. Therefore, the Company has established the following four reportable segments: Gas Business in Japan, Gas Business in the US, Gas Business in Asia & Oceania, and THERMOS & Other Businesses.

The principal products and services included in the four segments are shown in the table below.

Business segment	Main products and services
Gas Business in Japan	Oxygen, nitrogen, argon, carbon dioxide, helium, hydrogen, acetylene, gas-related equipment, specialty gases (electronic materials gases, pure gases, etc.), electronics-related equipment and installation, semiconductor manufacturing equipment, cutting and welding equipment, welding materials, plants and machinery, liquid petroleum gas (LPG) and related equipment, medical-use gases (oxygen, nitrous oxide, etc.), medical equipment, stable isotopes
Gas Business in the United States	
Gas Business in Asia & Oceania	
THERMOS & Other Businesses	Housewares, real-estate rental

The accounting methods adopted for the reported operating segments are the same as the methods adopted to prepare the consolidated financial statements. Revenue from inter-segment transactions and transfers is based primarily on prevailing market prices.

(1) Figures of revenue and income (loss) by reportable segment

First Quarter, FYE2016 (April 1, 2014 – June 30, 2015)

(¥ million)

	Gas Business in Japan	Gas Business in the United States	Gas Business in Asia & Oceania	THERMOS & Other Businesses	Total	Adjustments (Note 1)	Amounts on the Consolidated Statements of Income
Revenue							
(1) Revenue to external customers	76,713	38,183	18,356	7,494	140,746	—	140,746
(2) Revenue from inter-segment transactions and transfers	1,982	1,853	728	289	4,854	(4,854)	—
Total	78,695	40,036	19,084	7,783	145,600	(4,854)	140,746
Segment income (Note 2)	5,940	2,451	948	2,362	11,703	(475)	11,227

Notes:

1. The ¥475 million negative adjustment for segment income is comprised of ¥41 million of intersegment eliminations and companywide expenses of ¥434 million that were not allocated to any particular reportable segment. These companywide expenses related principally to basic research expenses that were not allocated to a particular reportable segment.
2. Segment income represents core operating income, which is calculated as operating income excluding certain gains or losses attributable to non-recurring factors (non-recurring items).

First Quarter, FYE2017 (April 1, 2016 – June 30, 2016)

(¥ million)

	Gas Business in Japan	Gas Business in the United States	Gas Business in Asia & Oceania	THERMOS & Other Businesses	Total	Adjustments (Note 1)	Amounts on the Consolidated Statements of Income
Revenue							
(1) Revenue to external customers	74,153	32,505	19,369	7,408	133,436	—	133,436
(2) Revenue from inter-segment transactions and transfers	1,513	1,889	104	331	3,838	(3,838)	—
Total	75,667	34,394	19,473	7,739	137,274	(3,838)	133,436
Segment income (Note 2)	6,072	2,032	1,250	2,928	12,284	(158)	12,126

Notes:

1. The ¥158 million negative adjustment for segment income is comprised of ¥243 million of intersegment eliminations and companywide expenses of ¥401 million that were not allocated to any particular reportable segment. These companywide expenses related principally to basic research expenses that were not allocated to a particular reportable segment.
2. Segment income represents core operating income, which is calculated as operating income excluding certain gains or losses attributable to non-recurring factors (non-recurring items).

(2) Reconciliation of segment income with income before income taxes

	(¥ million)	
	First Quarter of FYE2016 (April 1, 2015 to June 30, 2015)	First Quarter of FYE2017 (April 1, 2016 to June 30, 2016)
Segment income	11,227	12,126
Gain on step acquisition	1,813	—
Gain on sales of noncurrent assets	—	201
Operating income	13,040	12,328
Financial revenue	743	641
Financial expenses	(947)	(1,266)
Income before income taxes	12,837	11,703