



Consolidated Financial Performance for Fiscal Year 2017 (Based on IFRS)

(Amounts less than ¥1 million are omitted)

1. Financial results for the FYE2017 (April 1, 2016 – March 31, 2017)

(1) Operating results

(Percentages indicate year-on-year change)

	Revenue		Core operating income		Operating income		Net income		Net income attributable to owners of the parent		Total comprehensive income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
FYE2017	581,586	(2.2)	54,736	15.3	53,664	9.7	36,212	18.7	34,740	19.7	41,807	587.2
FYE2016	594,421	—	47,456	—	48,925	—	30,506	—	29,030	—	6,083	—

(Reference) Income before income taxes FYE2017: ¥50,176 million (7.7%) FYE2016: ¥46,575 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)	Return on equity attributable to owners of the parent (%)	Income before income taxes to total assets ratio (%)	Core operating income to revenue ratio (%)
FYE2017	80.28	—	10.3	5.9	9.4
FYE2016	67.08	—	9.1	5.9	8.0

(Reference) Share of profit (loss) of associates and joint ventures accounted for using the equity method
FYE2017: ¥2,397 million FYE2016: ¥2,526 million

(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 (%)	Equity attributable to owners of the parent per share (yen)
FYE2017 (March 31, 2017)	924,281	376,862	351,576	38.0	812.40
FYE2016 (March 31, 2016)	787,505	344,866	320,457	40.7	740.48

(3) Consolidated cash flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Balance of cash and cash equivalents at term-end (¥ million)
FYE2017	74,596	(147,082)	80,777	52,857
FYE2016	73,347	(74,252)	(2,385)	49,216

2. Dividends

	Annual Dividend					Total amount of dividends	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of the parent (consolidated)
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	Term end	Total			
	Yen	Yen	Yen	Yen	Yen	¥ million	%	%
FYE2016	—	7.00	—	9.00	16.00	6,926	23.9	2.2
FYE2017	—	9.00	—	11.00	20.00	8,658	24.9	2.6
FYE2018 (est.)	—	11.00	—	11.00	22.00		27.6	

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

(Percentages indicate year-on-year change)

	Revenue		Core operating income		Operating income		Net income		Net income attributable to owners of the parent		Basic earnings per share (yen)
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(Yen)
First half of FYE2018	300,000	11.6	26,800	4.1	27,300	5.2	16,700	(3.6)	15,900	(3.5)	36.74
Full term	620,000	6.6	56,500	3.2	57,000	6.2	36,500	0.8	34,500	(0.7)	79.72

(Reference) Income before income taxes First half of FYE2018: ¥25,100 million (2.3%) FYE2018 full term: ¥52,500 million (4.6%)

* 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 fiscal year under review. In addition, the consolidated financial statements for 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.

4. Overview of Business Results for the Fiscal Year Under Review

(1) Overview

In the fiscal year under review (from April 1, 2016 to March 31, 2017), the global economy saw signs of improvement in the Chinese economy, underpinned by infrastructure investment led by the Chinese government. In the United States, the economy expanded at a gradual pace, supported by firm corporate business conditions and an improving employment picture. The Japanese economy saw a return to stability in the stock markets, along with showing signs of improving corporate earnings. With employment and income levels continuing to improve, economic conditions have been trending firmly.

Against this backdrop, the Taiyo Nippon Sanso Group (TNSC Group) achieved the following results for the fiscal year under review. Revenue on a consolidated basis decreased 2.2% year on year to ¥581,586 million, core operating income rose 15.3% to ¥54,736 million, operating income increased 9.7% to ¥53,664 million, and net income attributable to owners of the parent increased by 19.7% to ¥34,740 million.

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

The Taiyo Nippon Sanso Group has adopted International Financial Reporting Standards (IFRS) from the fiscal year under review. In addition, the consolidated financial statements for the previous fiscal year are presented based on IFRS.

(2) Overview of Business Performance by Reportable Segment

A breakdown of business performance by reportable segment is as follows. Segment income represents core operating income.

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 the unit sales prices of separated gases supplied directly via pipeline to the key industries of steel and chemicals.

In the gas-related equipment business, revenue declined sharply year on year due to the absence of the strong sales of hydrogen stations recorded in the previous fiscal year. However, revenue from air separation units increased steadily due to growth in demand.

In the electronics-related field, revenue rose significantly year on year due to increased demand for electronic materials gases.

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 2.0% year on year to ¥321,416 million, while segment income rose 5.7% to ¥29,450 million.

Gas Business in the United States

In the industrial gas-related business, revenue from bulk gas rose substantially, due partly to increased shipments of carbon dioxide gas, in addition to the consolidation of a business acquired from Air Liquide Group as a subsidiary since September 2016, despite a decline in revenue from hard goods.

In the electronics-related field, revenue from electronic materials gases decreased.

In addition, as a result of the yen's continued appreciation, there was a decrease of ¥14.2 billion in revenue due to the impact of foreign exchange translation.

As a result, in the Gas Business in the United States, revenue decreased 1.5% year on year to ¥147,274 million, and segment income rose 30.7% to ¥12,074 million.

Gas Business in Asia & Oceania

In the industrial gas-related field, revenue trended favorably in the Philippines and Vietnam, but declined in Singapore and Malaysia. 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, along with the consolidation of Supagas Holdings Pty Ltd in Australia as a subsidiary of the Company in December 2016, contributed significantly to revenue growth.

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

In addition, as a result of the yen's continued appreciation, there was a decrease of ¥9.1 billion in revenue due to the impact of foreign exchange translation.

As a result of the above, in the Gas Business in Asia & Oceania, revenue decreased 3.9% year on year to ¥85,875 million, and segment income rose 71.6% to ¥5,165 million, mainly reflecting the absence of impairment losses on gas production facilities in Singapore recorded in the previous fiscal year.

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 1.9% year on year to ¥27,018 million, while segment income increased 11.3% to ¥10,017 million.

5. Segment information

The TNSC Group conducts gas businesses in Japan and overseas, mainly for customers in the steel, chemical, and electronics industries, and 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 United States, 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

FYE2016 (April 1, 2015 – March 31, 2016)

	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							
Revenue to external customers	327,952	149,553	89,375	27,541	594,421	—	594,421
Revenue from inter-segment transactions and transfers	7,805	6,660	3,615	1,166	19,247	(19,247)	—
Total	335,758	156,213	92,990	28,707	613,669	(19,247)	594,421
Segment income (Note 2)	27,850	9,241	3,009	9,001	49,102	(1,646)	47,456
Other items							
Depreciation and amortization	15,865	16,872	6,364	708	39,812	(115)	39,696
Impairment loss	—	—	1,386	—	1,386	—	1,386
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(22)	(177)	(106)	2,831	2,525	0	2,526

Notes:

1. The ¥1,646 million negative adjustment for segment income is comprised of ¥56 million of intersegment eliminations and companywide expenses of ¥1,703 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).

FYE2017 (April 1, 2016 – March 31, 2017)

(¥ 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							
Revenue to external customers	321,416	147,274	85,875	27,018	581,586	—	581,586
Revenue from inter-segment transactions and transfers	8,160	8,473	1,081	1,349	19,065	(19,065)	—
Total	329,576	155,748	86,957	28,368	600,651	(19,065)	581,586
Segment income (Note 2)	29,450	12,074	5,165	10,017	56,707	(1,970)	54,736
Other items							
Depreciation and amortization	15,627	17,557	5,964	942	40,091	(43)	40,048
Impairment loss	4	—	85	—	89	—	89
Share of profit (loss) of associates and joint ventures accounted for using the equity method	104	(178)	4	4,412	4,341	(0)	4,341

Notes:

1. The ¥1,970 million negative adjustment for segment income is comprised of ¥357 million of intersegment eliminations and companywide expenses of ¥1,613 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)		
	FYE2016 (April 1, 2015 to March 31, 2016)	FYE2017 (April 1, 2016 to March 31, 2017)
Segment income	47,456	54,736
Gain on step acquisition	—	1,012
Gain on sales of noncurrent assets	1,813	—
Share of profit (loss) of associates and joint ventures accounted for using the equity method	—	(1,943)
Impairment loss	(344)	(141)
Operating income	48,925	53,664
Financial revenue	1,316	1,429
Financial expenses	(3,665)	(4,918)
Income before income taxes	46,575	50,176