



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

(Amounts less than ¥1 million are omitted)

1. Financial results for the first half of FYE2017 (April 1, 2016 – September 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 half of FYE2017	268,782	(5.5)	25,945	6.5	24,534	4.2	17,327	9.8	16,469	9.6	(5,426)	—
First half of FYE2016	284,355	—	24,363	—	23,540	—	15,784	—	15,029	—	7,485	—

Note: Core operating income

First half of FYE2017: ¥ 25,750 million [14.2%]

First half of FYE2016: ¥ 22,550 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 half of FYE2017	38.06	—
First half of FYE2016	34.73	—

(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 half of FYE2017 (September 30, 2016)	818,641	333,470	310,322	37.9
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	—	9.00	—	—	—
FYE2017 (est.)	—	—	—	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)
Full term	570,000	(4.1)	52,000	6.3	48,700	4.6	30,000	3.3	69.32

Notes: Revisions have been made to recently announced forecasts.

Please see the press release titled “Notice Regarding Earnings Forecast Revisions” issued today (November 2, 2016) for details on revisions to consolidated earnings forecasts.

Core operating income for FYE2017: ¥52,000 million [9.6%]

Changes from 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 half results

In the first half of the fiscal year under review (from April 1, 2016 to September 30, 2016), the global economy continued to see excessive investment and economic deceleration trends in China, with the impact of these trends spreading to other neighboring countries in Asia. In the United States, the economy grew steadily, supported by a recovery in the labor market and growth in 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 other factors, the Japanese economy has been trading water following a trend of improvement.

Against this backdrop, the Taiyo Nippon Sanso Group (TNSC Group) achieved the following results for the first half of the fiscal year under review. Revenue on a consolidated basis decreased 5.5% year on year to ¥268,782 million, operating income increased 6.5% to ¥25,945 million, and net income attributable to owners of the parent increased by 9.6% to ¥16,469 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 condensed consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for 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 sales of products to the key industries of steel and chemicals.

In the electronics-related field, revenue from equipment and installation work, including semiconductor manufacturing equipment, increased year on year, mainly owing to steady growth in 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 2.0% year on year to ¥152,435 million, while segment income rose 13.5% to ¥14,190 million.

Gas Business in the United States

In the industrial gas-related business, sales of bulk gas were favorable, supported partly by the positive impact of M&A activity, in addition to increased shipments of carbon dioxide gas, but sales of hard goods decreased significantly.

In the electronics-related field, shipments of electronic materials gases increased. 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 15.6% year on year to ¥65,134 million, and segment income rose 1.9% to ¥4,743 million.

Gas Business in Asia & Oceania

In the industrial gas-related field, sales trended favorably in the Philippines, but declined sharply 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, 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. 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 of the above, in the Gas Business in Asia & Oceania, revenue decreased 0.1% year on year to ¥37,757 million, and segment income rose by 16.8% to ¥2,578 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 2.3% year on year to ¥13,455 million, while segment income increased 24.0% to ¥5,060 million.

6. Explanation concerning Predictive Information such as Consolidated Earnings Forecasts

The Company has revised its consolidated earnings forecasts for the full term of fiscal year 2017, ending March 31, 2017. For details, please see the press release titled "Notice Regarding Earnings Forecast Revisions" issued today (November 2, 2016).

7. Segment information

The 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 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

First Half, FYE2016 (April 1, 2015 – September 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	155,617	77,185	37,782	13,771	284,355	—	284,355
(2) Revenue from inter-segment transactions and transfers	3,804	3,238	1,150	575	8,769	(8,769)	—
Total	159,421	80,423	38,933	14,346	293,125	(8,769)	284,355
Segment income (Note 2)	12,498	4,654	2,207	4,081	23,441	(891)	22,550

Notes:

1. The ¥891 million negative adjustment for segment income is comprised of ¥55 million of intersegment eliminations and companywide expenses of ¥836 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 Half, FYE2017 (April 1, 2016 – September 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	152,435	65,134	37,757	13,455	268,782	—	268,782
(2) Revenue from inter-segment transactions and transfers	3,292	3,700	454	630	8,078	(8,078)	—
Total	155,727	68,835	38,211	14,086	276,860	(8,078)	268,782
Segment income (Note 2)	14,190	4,743	2,578	5,060	26,573	(823)	25,750

Notes:

1. The ¥823 million negative adjustment for segment income is comprised of ¥47 million of intersegment eliminations and companywide expenses of ¥776 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).

Reconciliation of segment income with income before income taxes is as follows.

(¥ million)		
	First Half of FYE2016 (April 1, 2015 to September 30, 2015)	First Half of FYE2017 (April 1, 2016 to September 30, 2016)
Segment income	22,550	25,750
Gain on step acquisition	1,813	—
Gain on sales of noncurrent assets	—	195
Operating income	24,363	25,945
Financial revenue	888	808
Financial expenses	(1,711)	(2,220)
Income before income taxes	23,540	24,534