



**Consolidated Financial Performance
for the First Three Quarters of Fiscal Year 2017
(Based on IFRS)**

(Amounts less than ¥1 million are omitted)

1. Financial results for the first three quarters (April 1, 2016 – December 31, 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 three quarters of FYE2017	415,881	(3.8)	41,076	6.6	39,027	4.8	27,263	7.8	26,034	8.2	31,680	85.5
First three quarters of FYE2016	432,157	—	38,546	—	37,245	—	25,278	—	24,067	—	17,074	—

Note: Core operating income

First three quarters of FYE2017: ¥ 40,885 million [11.3%]

First three quarters of FYE2016: ¥ 36,732 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 three quarters of FYE2017	60.16	—
First three quarters of FYE2016	55.61	—

(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 three quarters of FYE2017 (December 31, 2016)	940,104	367,405	342,882	36.5
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	—	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	580,000	(2.4)	55,000	12.4	51,700	11.0	33,000	13.7	76.25

Notes: Revisions have been made to recently announced forecasts.

Please see the press release titled “Notice Regarding Earnings Forecast Revisions” issued today (February 7, 2017) for details on revisions to consolidated earnings forecasts.

Core operating income for FYE2017: ¥54,000 million [13.8%]

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

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 three quarters results

In the first three quarters of the fiscal year under review (from April 1, 2016 to December 31, 2016), the global economy continued to see excessive investment and economic deceleration trends in China, with the impact of these trends spreading to neighboring countries in Asia. In the United States, the economy staged a gradual recovery, supported by higher stock prices and a stronger dollar led by expectations for various policies of the new administration as personal consumption grew steadily. In response to the impact of these developments in the United States, the Japanese economy saw a return to stability in the stock markets and foreign exchange market, 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 first three quarters of the fiscal year under review. Revenue on a consolidated basis decreased 3.8% year on year to ¥415,881 million, operating income increased 6.6% to ¥41,076 million, and net income attributable to owners of the parent increased by 8.2% to ¥26,034 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 gas-related equipment business, revenue declined year on year due to the absence of the strong sales of hydrogen stations recorded in the previous fiscal year, but in the air separation units business there was a large increase in revenue due to growth in demand.

In the electronics-related field, revenue increased 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 2.7% year on year to ¥230,987 million, while segment income rose 7.9% to ¥22,103 million.

Gas Business in the United States

In the industrial gas-related business, sales of bulk gas rose substantially, due partly to 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 sales of hard goods. In the electronics-related field, shipments of electronic materials gases decreased.

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 7.0% year on year to ¥105,729 million, and segment income rose 13.2% to ¥8,136 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 2.5% year on year to ¥58,704 million, and segment income rose by 6.2% to ¥4,206 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 1.9% year on year to ¥20,458 million, while segment income increased 23.0% to ¥7,905 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 (February 7, 2017).

7. 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

First Three Quarters, FYE2016 (April 1, 2015 – December 31, 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	237,432	113,693	60,184	20,846	432,157	—	432,157
(2) Revenue from inter-segment transactions and transfers	5,519	5,222	1,743	870	13,356	(13,356)	—
Total	242,952	118,915	61,928	21,716	445,513	(13,356)	432,157
Segment income (Note 2)	20,475	7,185	3,960	6,426	38,047	(1,314)	36,732

Notes:

1. The ¥1,314 million negative adjustment for segment income is comprised of ¥86 million of intersegment eliminations and companywide expenses of ¥1,228 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 Three Quarter, FYE2017 (April 1, 2016 – December 31, 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	230,987	105,729	58,704	20,458	415,881	—	415,881
(2) Revenue from inter-segment transactions and transfers	5,385	6,005	844	956	13,192	(13,192)	—
Total	236,373	111,735	59,549	21,414	429,073	(13,192)	415,881
Segment income (Note 2)	22,103	8,136	4,206	7,905	42,352	(1,466)	40,885

Notes:

1. The ¥1,466 million negative adjustment for segment income is comprised of ¥309 million of intersegment eliminations and companywide expenses of ¥1,157 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 Three Quarter of FYE2016 (April 1, 2015 to December 31, 2015)	First Three Quarter of FYE2017 (April 1, 2016 to December 31, 2016)
Segment income	36,732	40,885
Gain on step acquisition	1,813	—
Gain on sales of noncurrent assets	—	191
Operating income	38,546	41,076
Financial revenue	1,311	1,226
Financial expenses	(2,612)	(3, 276)
Income before income taxes	37,245	39,027