



Consolidated Financial Performance
for the First Three Quarters of Fiscal Year Ending March 31, 2018
(Based on IFRS)

(Amounts less than ¥1 million are omitted)

1. Financial results for the First Three Quarters of FYE 2018 (April 1, 2017 – December 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)	%
First three quarters of FYE2018	471,460	13.4	45,705	11.8	46,268	12.6	41,223	51.2	39,977	53.6	52,787	66.6
First three quarters of FYE2017	415,881	(3.8)	40,885	11.3	41,076	6.6	27,263	7.8	26,034	8.2	31,680	85.5

(Reference) Income before income taxes

First three quarters of FYE2018: ¥43,653 million [11.9%]

First three quarters of FYE2017: ¥39,027 million [4.8%]

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 net income per share (yen)
First three quarters of FYE2018	92.38	—
First three quarters of FYE2017	60.16	—

(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 FYE2018 (December 31, 2017)	960,534	418,192	393,151	40.9
FYE2017 (March 31, 2017)	924,281	376,862	351,576	38.0

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
FYE2017	—	9.00	—	11.00	20.00
FYE2018	—	11.00	—		
FYE2018 (est.)				11.00	22.00

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

3. Forecasts for business operations for FYE2018 full term (April 1, 2017 – March 31, 2018)

(Percentages indicate year-on-year change)

	Revenue		Core operating income		Operating income		Net income attributable to owners of the parent		Basic earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(Yen)
Full term	635,000	9.2	60,000	9.6	60,000	11.8	48,000	38.2	110.92

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

(Reference) Income before income taxes

FYE2018 full term: ¥56,000 million [11.6%]

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

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, 2017 to December 31, 2017), the global economy saw the Chinese economy being underpinned by infrastructure investment led by the Chinese government, despite concerns about the need to curtail speculative real estate investment in the country together with the strengthening of environmental regulations, resulting in only a moderate deceleration. In the United States, the economy continued its moderate expansion, supported by improving employment and income levels. Moreover, corporate earnings are expected to be boosted by the significant tax reduction that was enacted in December 2017. In Japan, with an increase in exports primarily in the electronics and semiconductor-related sectors, there has been an upswing in production activity and moderate improvement in corporate earnings. Overall, economic conditions have been following a gradual recovery path.

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 increased 13.4 % year on year to ¥471,460 million, core operating income rose 11.8% to ¥45,705 million, operating income increased 12.6 % to ¥46,268 million, and net income attributable to owners of the parent increased by 53.6 % to ¥39,977 million.

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

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, performed solidly for use primarily in the key industries of steel and chemicals. In addition, revenue from on-site business increased since a new on-site plant started operations in October 2017. In addition, revenue from equipment and plants decreased, reflecting the absence of a large air separation unit project recorded in the previous fiscal year.

In the electronics-related field, revenue from electronic materials gases trended favorably due to increased demand from the liquid crystal display (LCD) and semiconductor-related industries.

In the energy-related field, revenue from liquid petroleum gas (LPG) jumped substantially year on year due to a higher sales price following an increase in the import price.

As a result, in the Gas Business in Japan, revenue increased 6.7% year on year to ¥246,382 million, while segment income rose 4.1% to ¥23,004 million.

Gas Business in the United States

In the industrial gas-related business, there was a large contribution to revenue from the consolidation of a business acquired from Air Liquide Group since September 2016. In the existing business, revenue from bulk gas rose, due partly to increased shipments of carbon dioxide gas.

As a result, in the Gas Business in the United States, revenue increased 21.6% year on year to ¥128,549 million, and segment income rose 23.2% to ¥10,021 million.

Gas Business in Asia & Oceania

In the industrial gas-related field, demand for hard goods was lackluster in Singapore and Malaysia and revenue declined. However, the consolidation of Supagas Holdings Pty Ltd in Australia as a subsidiary of the Company in December 2016 contributed to business results.

In the electronics-related field, revenue from electronic materials gases and electronics-related equipment and installation increased significantly year on year, due to growth in demand in China, South Korea and Taiwan.

As a result of the above, in the Gas Business in Asia & Oceania, revenue increased 27.5% year on year to ¥74,858 million, and segment income rose 72.9% to ¥7,274 million.

Thermos & Other Businesses

In the Thermos & Other Businesses, revenue increased steadily due to solid sales of vacuum insulated portable mugs and tumblers in Japan.

As a result, in Thermos & Other Businesses, revenue increased 5.9% year on year to ¥21,670 million, while segment income decreased 12.2% to ¥6,943 million.

6. 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

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, 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).

First Three Quarters, FYE2018 (April 1, 2017 – December 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							
(1) Revenue to external customers	246,382	128,549	74,858	21,670	471,460	—	471,460
(2) Revenue from inter-segment transactions and transfers	8,667	8,299	1,516	995	19,479	(19,479)	—
Total	255,050	136,848	76,374	22,666	490,939	(19,479)	471,460
Segment income (Note 2)	23,004	10,021	7,274	6,943	47,244	(1,539)	45,705

Notes:

1. The ¥1,539 million negative adjustment for segment income is comprised of ¥463 million of intersegment eliminations and companywide expenses of ¥1,075 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 quarters of FYE2017 (April 1, 2016 to December 31, 2016)	First three quarters of FYE2018 (April 1, 2017 to December 31, 2017)
Segment income	40,885	45,705
Gain on sales of noncurrent assets	191	1,020
Share of income (loss) of associates and joint ventures accounted for using the equity method	—	(457)
Operating income	41,076	46,268
Financial revenue	1,226	1,173
Financial expenses	(3,276)	(3,788)
Income before income taxes	39,027	43,653

(Additional information)

In the United States, the Tax Cuts and Jobs Act was enacted on December 22, 2017, and the federal corporate income tax rate after January 1, 2018 has been reduced. Accordingly, deferred tax assets and deferred tax liabilities as of the end of the third quarter of the consolidated fiscal year under review are calculated using an effective tax rate based on a revised tax rate that corresponds to the consolidated fiscal year in which the temporary differences are expected to be eliminated.

As a result, during the first three quarters of the fiscal year under review, income taxes decreased by ¥11,736 million.