May 11, 2016
Taiyo Nippon Sanso Corporation

Consolidated Financial Performance for Fiscal Year Ended 2016 (Based on Japan GAAP)

1. Financial results for the FYE2016 (April 1, 2015 – March 31, 2016)

(1) Operating results

(Amounts less than ¥1 million are omitted)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	(¥ million)	YoY Change	(¥ million)	YoY Change	(¥ million)	YoY Change	(¥ million)	YoY Change
FYE2016	641,516	14.7	43,362	22.8	43,169	25.9	25,845	24.5
FYE2015	559,373	7.0	35,297	12.1	34,282	12.2	20,764	2.8

Note: Comprehensive income
FYE2016: ¥3,024 million [(94.3)%]
FYE2015: ¥52,965 million [13.9%]

	Earnings per share (Yen)	Diluted earnings per share (Yen)	ROE	ROA	Operating Margin
FYE2016	59.72	-	8.2%	5.5%	6.8%
FYE2015	47.98	-	7.0%	4.5%	6.3%

Reference: Equity in earnings of affiliates
FYE2016: ¥2,626 million
FYE2015: ¥2,500 million

(2) Financial position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
FYE2016 (March 31, 2016)	783,248	337,974	40.0	724.33
FYE2015 (March 31, 2015)	782,357	341,207	40.5	733.04

Note: Equity
As of March 31, 2016: ¥313,465 million
As of March 31, 2015: ¥317,244 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents at term-end
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
FYE2016	81,555	(82,130)	(1,825)	49,279
FYE2015	58,615	(30,583)	(33,866)	51,547

2. Dividends

	Annual Dividend					Total amount of dividends	Payout ratio (consolidated)	Ratio of dividends to net assets
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Term end	Total			
	Yen	Yen	Yen	Yen	Yen	(¥ million)	%	%
FYE2015	—	6.00	—	7.00	13.00	5,628	27.1	1.9
FYE2016	—	7.00	—	9.00	16.00	6,926	26.8	2.2
FYE2017 (est.)	—	9.00	—	9.00	18.00		26.0	

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

(%: YoY)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Basic profit for the year per share
	(¥ million)	YoY Change	(¥ million)	YoY Change	(¥ million)	YoY Change	(¥ million)	YoY Change	(Yen)
First-half	293,000	-	24,200	-	22,600	-	14,700	-	33.97
Full term	610,000	-	52,000	-	48,700	-	30,000	-	69.32

Note: The Company will voluntarily adopt International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 31, 2017. Accordingly, the consolidated business forecasts have been calculated based on IFRS. As a result, the difference between these forecasts and the actual results for the fiscal year ended March 31, 2016 based on Japanese GAAP have not been disclosed.

4. Business performance

(1) Analysis of business results

(i) Overview

In the fiscal year under review (from April 1, 2015, to March 31, 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, a rebound in the economy centered on internal demand remains on track against the backdrop of an improving labor market, even though there are concerns about the impact of the dollar's appreciation and economies in other parts of the world slowing. In Japan, although capital investment by companies began to improve slightly, there is growing uncertainty about the economy, due to the strong yen and the trend of falling share prices, in addition to persistently sluggish growth in personal consumption.

Against this backdrop, Taiyo Nippon Sanso Group (TNSC Group) achieved the following results for fiscal year under review. Net sales on a consolidated basis increased 14.7% year on year to ¥641,516 million, operating income rose 22.8% to ¥43,362 million, ordinary income increased 25.9% to ¥43,169 million, and net income attributable to owners of the parent increased by 24.5% to ¥25,845 million.

Effective from the fiscal year ended March 31, 2016, the end date of the accounting period of certain overseas consolidated subsidiaries was changed from December 31 to March 31, to align it with the Company's consolidated accounting period. Accordingly, the business results for these subsidiaries as regards the fiscal year ended March 31, 2016 reflect the results for a 15-month consolidated period from January 2015 to March 2016. As a result of this change in the accounting period, net sales for the fiscal year under review increased to ¥51,374 million, operating income to ¥2,976 million, and ordinary income to ¥2,522 million.

From the fiscal year under review, the Company has applied the provisions set forth in Article 39 of the Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), changing the presentation wording from "net income" to "net income attributable to owners of the parent."

(ii) Breakdown of business performance by operational segment

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

Starting from the fiscal year under review, the reportable segment Gas Business in Asia was renamed the Gas Business in Asia & Oceania, and Other Businesses was renamed the Thermos & Other Businesses. This was only a change in the reportable segment name with no impact on the segment information.

Gas Business in Japan

In the industrial gas-related business, sales of 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, electronics, and chemicals, despite strong demand from the shipbuilding and transportation equipment-related industries.

Sales of gas equipment centered on hydrogen refueling stations grew substantially. In the electronics-related field, sales of electronic materials gases were lower year on year, tracking falling demand from the LCD panel and semiconductor-related industries. An order received for several large projects drove a substantial increase in sales of equipment and installation work in the electronics industry. In the energy-related field, sales of 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, net sales decreased 3.6% year on year to ¥332,247 million, while operating income rose 10.0% to ¥27,539 million, partly reflecting cost reductions in line with falling oil prices.

Gas Business in the United States

In the industrial gas-related business, sales of packaged gas and hard goods decreased. In the electronics-related field, shipments and exports of electronic materials gases to major customers within the United States were strong. In addition, as a result of foreign exchange translation gains and the change of the business year of Matheson Tri-Gas, Inc. resulting in a 15-month consolidated period, sales increased significantly year on year.

As a result, in the Gas Business in the United States, net sales increased 44.0% year on year to ¥188,566 million, while operating income rose 17.6% to ¥6,812 million.

Gas Business in Asia & Oceania

In the industrial gas-related business, sales rose year on year in Vietnam and the Philippines. Apart from that, Air Products Industry Co., Ltd. in Thailand and Renegade Gas Pty Ltd in Australia were consolidated as subsidiaries of the Company in May and July 2015, respectively. In the electronics-related field, sales of electronic materials gases and equipment grew substantially, supported by continuing strong demand in Taiwan, China, and South Korea.
Moreover, Singaporean subsidiary Leeden National Oxygen Ltd. has changed its business year, resulting in a 15-month consolidated period.

As a result of the above, in the Gas Business in Asia & Oceania, net sales increased 50.3% year on year to ¥93,174 million, and operating income rose by 80.7% to ¥4,461 million.

Thermos & Other Businesses

In the Thermos & Other Businesses, sales remained strong, particularly of new products, and increased substantially year on year.

As a result, in Thermos & Other Businesses, net sales increased 26.5% year on year to ¥27,528 million, and operating income rose 74.3% to ¥5,993 million.

(iii) Prospects for FYE2017

In the Gas Business in Japan, with no prospects for growth in demand for gas, the Company will continue to make efforts to secure earnings by such measures as cost reductions, and to promote measures related to structural reforms, such as strengthening marketing capabilities and supply chains. In the Gas Business in the United States, the Company will take steps to restore the earnings capacity of the industrial gas business and maintain the profitability of the electronics business, and aims to expand its on-site and other businesses. In the Gas Business in Asia & Oceania, the Company bought Renegade Gas Pty Ltd of Australia in July 2015, which will contribute to increased earnings. In addition, in the Thermos & Other Businesses, inbound demand is moving beyond its peak, and the Company will make efforts to secure earnings, such as introducing new products, while building a stable supply system by launching a Philippines factory and other measures.

Details of forecasts for the fiscal year ending March 31, 2017 are shown below. For the purposes of these forecasts, the average exchange rate of the Japanese yen against the U.S. dollar in fiscal 2017 is assumed to be ¥110/$1.

The Company will voluntarily adopt International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 31, 2017. Accordingly, the consolidated business forecasts for the fiscal year ending March 31, 2017 have been calculated based on IFRS.

(Billions of yen)

	Net sales	Operating profit	Profit before tax	Profit for the year attributable to owners of the parent
FYE2017 (April 1, 2016－March 31, 2017)	6,100	520	487	300

(2) Basic Company policy on profit allocation, and dividend payments for the reporting term and the next term

The Company has adopted a policy of allocating sufficient earnings to internal reserves for the expansion and strengthening of its corporate capabilities, and will endeavor to make shareholder returns in line with a dividend policy linked to consolidated performance and based on sustained payment of a stable dividend.

Based on this policy, the Company plans to pay a year-end dividend of ¥9 per share to shareholders for the fiscal year ended March 31, 2016, an increase of ¥2 over the previous fiscal year. As a result, including the interim dividend per share of ¥7, the Company plans to pay an annual dividend per share of ¥16. For the fiscal year ending March 31, 2017, the management of the Company plans to pay an annual dividend of ¥18 per share, similarly consisting of term-end and interim payments of ¥9 each.

(3) Other

TNSC (Australia) Pty Ltd was established on July 16, 2015. As a result of an increase in capital on July 31, 2015, its capital exceeded 10% of that of the Company. Accordingly, TNSC (Australia) Pty Ltd became a specified subsidiary of the Company.

5. Basic principles regarding adoption of financial reporting standards

TNSC Group plans to voluntarily adopt International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 31, 2017.

The Taiyo Nippon Sanso Group has positioned the globalization of its business as a key management strategy in the Medium-Term Business Plan, Ortus Stage 1. Against this backdrop, the Group decided to voluntarily adopt IFRS with the goals of improving the international comparability of its financial statements in capital markets and of unifying accounting procedures within the Group.

6. Segment information

(1) Overview of reporting segments

The Company’s reportable segments are those units of the Company for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about resources to be allocated to the segments and evaluate the segments’ performance.

The Company 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. 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.

Starting from the fiscal year under review, the reportable segment, Gas Business in Asia, was renamed the Gas Business in Asia & Oceania and the reportable segment, Other Businesses, was renamed the Thermos & Other Businesses. This was only a change in the reportable segment name with no impact on the segment information. Moreover, to facilitate the year-on-year comparisons, the figures for the preceding fiscal year are stated under the names of the reportable segments after the change.

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

Business segment	Main products
Gas Business in Japan Gas Business in the United States Gas Business in Asia & Oceania	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
Thermos & Other Businesses	Housewares, real-estate rental

(2) Figures of sales, earnings or losses, assets, liabilities and others by reportable segment

FYE2015 (April 1, 2014 – March 31, 2015)

(¥ million)

	Reportable segment					Adjust-ments (Note)	Amounts on the Consolidated Statements of Income
	Gas Business in Japan	Gas Business in the United States	Gas Business in Asia & Oceania	Thermos & Other Businesses	Total		
Sales (1) Sales to external customers	344,635	130,983	61,995	21,758	559,373	-	559,373
(2) Sales from inter-segment transactions and transfers	6,267	6,645	1,190	656	14,759	(14,759)	-
Total	350,902	137,629	63,186	22,414	574,132	(14,759)	559,373
Segment earnings [Operating income]	25,045	5,795	2,468	3,437	36,747	(1,449)	35,297
Other depreciation	17,451	13,405	4,112	688	35,658	(89)	35,568

Note:

1. The ¥1,449 million negative adjustment for segment earnings is comprised of ¥72 million of intersegment eliminations and companywide expenses of ¥1,377 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. The Company has not allocated assets to any business segment.

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

(¥ million)

	Reportable segment					Adjust-ments (Note)	Amounts on the Consolidated Statements of Income
	Gas Business in Japan	Gas Business in the United States	Gas Business in Asia & Oceania	Thermos & Other Businesses	Total		
Sales (1) Sales to external customers	332,247	188,566	93,174	27,528	641,516	-	641,516
(2) Sales from inter-segment transactions and transfers	7,792	8,185	3,615	632	20,226	(20,226)	-
Total	340,039	196,751	96,789	28,160	661,742	(20,226)	641,516
Segment earnings [Operating income]	27,539	6,812	4,461	5,993	44,807	(1,445)	43,362
Other depreciation	16,619	21,148	6,503	708	44,979	(115)	44,864

Note:

1. The ¥1,445 million negative adjustment for segment earnings is comprised of ¥58 million of intersegment eliminations and companywide expenses of ¥1,503 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. The Company has not allocated assets to any business segment.
3. The accounting period of some overseas consolidated subsidiaries was changed, and the business results for these subsidiaries have been consolidated for a 15-month period.