



Consolidated Financial Performance
for the First Half of Fiscal Year Ending March 31, 2019
(Based on IFRS)

(Amounts less than ¥1 million are omitted)

1. Financial results for the First Half of FYE2019 (April 1, 2018 – September 30, 2018)

(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 half of FYE2019	329,426	7.8	28,145	(4.0)	28,967	(2.2)	18,722	2.0	17,677	0.0	36,147	42.0
First half of FYE2018	305,714	13.7	29,305	13.8	29,604	14.1	18,359	6.0	17,671	7.3	25,461	—

(Reference) Income before income taxes

First half of FYE2019: ¥27,073 million [(2.2)%]

First half of FYE2018: ¥27,681 million [12.8%]

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 half of FYE2019	40.85	—
First half of FYE2018	40.83	—

(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 FYE2019 (September 30, 2018)	977,997	442,589	416,487	42.6
FYE2018 (March 31, 2018)	931,047	412,072	386,457	41.5

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
FYE2018	—	11.00	—	12.00	23.00
FYE2019	—	12.00			
FYE2019 (est.)			—	12.00	24.00

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

3. Forecasts for business operations for FYE2019 full term (April 1, 2018 – March 31, 2019)

(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
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(Yen)
Full term	670,000	3.7	64,000	6.6	64,500	7.7	42,000	(17.2)	40,000	(18.2)	92.43

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

(Reference) Income before income taxes

FYE2019 full term: ¥60,000 million [7.3%]

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 half results

In the first half of the fiscal year under review (from April 1, 2018 to September 30, 2018), in the TNSC Group's business environment, the production activities in both domestic and overseas manufacturing industries were good, and shipments of air separation gases (oxygen, nitrogen, and argon) were steady. In the electronics-related field, deliveries in some product fields displayed a tendency to slow down in Japan, but overseas the demand for semiconductors was strong.

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 increased 7.8% year on year to ¥329,426 million, core operating income decreased 4.0% to ¥28,145 million, operating income decreased 2.2% to ¥28,967 million, and net income attributable to owners of the parent increased by 0.0% to ¥17,677 million.

On July 5, 2018, TNSC concluded a share purchase agreement with Praxair, Inc. of the United States to acquire the shares of the company engaged in its European business, and is moving ahead with preparing to close that transaction. As a result, acquisition-related expenses (advisory fees, etc.) of ¥1,331 million have been recorded under selling, general and administrative expenses for the first half of the fiscal year under review.

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.

From the first quarter of the fiscal year under review, the TNSC Group changed its reportable segments. Therefore, to facilitate the year-on-year comparisons shown below, the figures for the corresponding period of the preceding fiscal year have been reclassified based on the changes to the reportable segments.

Gas Business in Japan

In the industrial gas-related business, revenue from air separation gases, a core product, performed steadily 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. Hard goods significantly expanded revenue, mainly due to metal processing.

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

In the energy-related field, revenue from liquid petroleum gas (LPG) increased 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 8.3% year on year to ¥171,989 million, while segment income decreased 13.6% to ¥12,700 million.

Gas Business in the United States

In the industrial gas-related business, revenue from bulk gas and hard goods increased significantly following a steady performance in the manufacturing sector. Shipments of carbon dioxide gas also increased due to bolstered production capabilities.

In the electronics-related field, revenue from electronic materials gases declined year on year.

As a result, in the Gas Business in the United States, revenue increased 8.4% year on year to ¥91,488 million, and segment income rose 7.4% to ¥6,897 million.

Gas Business in Asia & Oceania

In the industrial gas-related field, in China sales increased due to favorable shipments of air separation gases. In Singapore and Malaysia, revenue from air separation gases and hard goods increased due to the recovery of the energy sector. In Australia, shipments of LPG grew and sales increased.

In the electronics-related field, revenue from electronics-related equipment and installation decreased in Taiwan.

As a result of the above, in the Gas Business in Asia & Oceania, revenue increased 5.7% year on year to ¥52,383 million, and segment income rose 31.3% to ¥6,358 million.

Thermos Business

In the Thermos Business, revenue increased year on year due to recovered sales of vacuum insulated portable mugs and sports-use vacuum bottles in Japan.

As a result, in the Thermos Business, revenue increased 4.1% year on year to ¥13,564 million, and segment income increased 4.9% to ¥4,503 million.

6. Change in accounting policy

From the first quarter of the fiscal year under review, the TNSC Group applies IFRS 15, “Revenue from contracts with customers” (issued in May 2014) and “Clarifications to IFRS 15” (issued in April 2016) (hereinafter collectively referred to as “IFRS 15”).

In accordance with the adoption of IFRS 15, the TNSC Group recognizes revenue, based on the following 5-step model, in an amount that reflects the consideration to which the Group expects to be entitled in exchange for goods or services transferred to customers.

Step 1: Identify the contract with the customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the performance obligations are satisfied

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 conducts the manufacture and sales business of housewares such as stainless steel vacuum bottles.

Regarding product sales in these businesses, because a customer acquires control over a product at the time the product is delivered, TNSC judges that its business obligations have been satisfied and recognizes its revenue, at the time the product is delivered.

Revenue is measured from the price promised in the contract with the customer, after deducting such amounts as discounts, rebates and returns.

The amount of the price in the sales contract of a product is generally collected within one year from the time when control over the product is transferred to a customer, and does not include the important element of the interest.

The impact of the adoption of IFRS 15 on the condensed consolidated financial statements of the TNSC Group was negligible.

When IFRS 15 was adopted, a method, which was recognized as a transitional measure, was used to recognize the cumulative effect of adopting this standard on the date of starting the adoption. However, the cumulative financial impact on the date of starting the adoption of this standard was negligible.

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 conducts the manufacture and sales business of housewares such as stainless steel vacuum bottles. 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 Business.

Changes to reportable segments

To display the results of the Thermos Business more clearly, from the first quarter of the fiscal year under review the TNSC Group has changed the four existing reportable segments of Gas Business in Japan, Gas Business in the United States, Gas Business in Asia & Oceania, and Thermos & Other Businesses, to the four segments of Gas Business in Japan, Gas Business in the United States, Gas Business in Asia & Oceania, and Thermos Business. To facilitate the year-on-year comparisons, the figures for the first quarter of the preceding fiscal year have been reclassified based on the changes to the reportable segments.

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 Business	Housewares

The accounting methods adopted for the reported operating segments are the same as the methods adopted to prepare the consolidated financial statements for the preceding fiscal year. 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, FYE2018 (April 1, 2017 – September 30, 2017)

(¥ million)

	Gas Business in Japan	Gas Business in the United States	Gas Business in Asia & Oceania	Thermos Business	Total	Adjustments (Note 1)	Amounts on the Consolidated Statements of Income
Revenue							
(1) Revenue to external customers	158,760	84,378	49,546	13,029	305,714	—	305,714
(2) Revenue from inter-segment transactions and transfers	6,340	5,012	963	12	12,329	(12,329)	—
Total	165,100	89,390	50,510	13,041	318,043	(12,329)	305,714
Segment income (Note 2)	14,694	6,421	4,842	4,291	30,249	(944)	29,305

Notes:

1. The ¥944 million negative adjustment for segment income is comprised of ¥263 million of intersegment eliminations and companywide expenses of ¥681 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, FYE2019 (April 1, 2018 – September 30, 2018)

(¥ million)

	Gas Business in Japan	Gas Business in the United States	Gas Business in Asia & Oceania	Thermos Business	Total	Adjustments (Note 1)	Amounts on the Consolidated Statements of Income
Revenue							
(1) Revenue to external customers	171,989	91,488	52,383	13,564	329,426	—	329,426
(2) Revenue from inter-segment transactions and transfers	3,494	6,506	2,094	11	12,107	(12,107)	—
Total	175,484	97,995	54,478	13,576	341,534	(12,107)	329,426
Segment income (Note 2)	12,700	6,897	6,358	4,503	30,460	(2,314)	28,145

Notes:

1. The ¥2,314 million negative adjustment for segment income is comprised of ¥98 million of intersegment eliminations and companywide expenses of ¥884 million that were not allocated to any particular reportable segment, as well as the expenses of ¥1,331 million to acquire the European business. 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 Half of FYE2018 (April 1, 2017 to September 30, 2017)	First Half of FYE2019 (April 1, 2018 to September 30, 2018)
Segment income	29,305	28,145
Gain on sales of noncurrent assets	299	948
Other	—	(125)
Operating income	29,604	28,967
Financial revenue	754	890
Financial expenses	(2,677)	(2,784)
Income before income taxes	27,681	27,073