



[Q&A Summary]
Consolidated Business Performance for the Full-Year of the FYE2020
May 21, 2020

Q: Industrial gas is a utility (necessary for various activities) for its users, so stable supply is crucial. If the production and logistics departments are doing anything special in particular regarding constant supply despite COVID-19, please tell us about it.

A: We not only supply general users, but also supply oxygen for medical treatment, so we have devised various steps to realize sustainable operations. For example, plant operators are working shifts, people are avoiding direct contact wherever possible and working while social distancing. Delivery employees such as truck drivers are responding by avoiding direct contact with customers, checking their temperature daily and striving in other ways to avoid spreading COVID-19 and taking steps to conduct stable supply.

Q: The COVID-19 pandemic has created a harsh economic climate globally. Please tell us your thoughts about investment activities and initiatives for a sound financial state in the future, taking into account how equity could be lost due to the risk of impairment of goodwill or the impact of a strong yen trend on foreign currency translation adjustments.

A: TNSC made major acquisitions in the European and U.S. HyCO businesses in the fiscal year ended March 2019, and our investment activities have not stalled since then. We plan to continue positive investment in the future with a design for the growth of the Group. The forecast capital expenditure amount for the fiscal year ending March 31, 2021 is a sum that is the result of taking into account the business environment confronting us, customers' circumstances and scrutinizing investment projects with some cuts. At this point of time there has been no impairment of goodwill. Regarding initiatives aimed at financial well-being, we are responding with thoughts toward balancing with the investment plan regarding the size of operating cash flow and schedule for repaying interest-bearing liabilities.

Q: An electronics-related company has appeared that is considering an investment in a new manufacturing base in the United States. I believe one of TNSC's strengths is the electronics materials gases domain. How should we think in regard to the opportunities to capture new orders for equipment or response capabilities related to new investment opportunities such as these?

A: TNSC is always exploring business expansion from many and varied angles. We have more than 50 years' experience in using the onsite method for gas supply in Japan and have already started on-site supply in the United States, so we have results. We are thinking of positive responses for all sorts of growth opportunities.

Q: Please tell us the forecast for medium- to long-term growth in the Thermos Business, taking into account the COVID-19 pandemic in addition to the current business environment.

A: We see a challenging time for the domestic Thermos Business in the first quarter of the fiscal year ending March 31, 2021, but with an end to the State of Emergency and schools reopening, it will lead to the high period of demand in summer like most years and we believe we can recover. From the second quarter onward, we want to aim for a recovery in demand by launching new products.

To continue, as a medium- to long-term measure, we believe this so-called self-restraint we have been asked to carry out, which is things like restrictions on going outdoors, will not shrink the business even though the current environment is harsh, and we can always expect constant demand as it is a household item. On top of that, sales channels are going to change (for example, greater emphasis will be placed on online sales and other channels without store fronts), so we believe it is important to formulate measures while focusing on that point.

Q: Policies to improve the Group's collective capabilities following acquisition of the European Business were given during the recent Consolidated Business Performance for the First Half briefing. One again, please tell us some specific initiatives.

A: Allow me to introduce the four main initiatives. Firstly, in the electronics-related business. Up until now, our European domain (Nippon Gases Europe) had supplied TNSC products through a contracted third party, but we have started again with direct transactions. Next is the gas application-related business. Then, we will roll out through Europe the gas application technologies in areas such as combustion and freezing that we have cultivated in the Japanese domestic market. Then we will deploy the European productivity improvement activities in Asia. We will disseminate production and logistics cost reduction activity models systemized in Europe and increase profitability. Finally, there is the medical equipment-related business. We will ensure scale merit through such means as joint purchases between Japan and Europe. We expect these initiatives will bring a certain degree of success in the fiscal year ending March 31, 2021.

Q: In Japan, a steel blast furnace manufacturer in one of our main related industries has started making moves toward restructuring its production base. TNSC apparently has a deep relationship with this steel blast furnace manufacturer, running a joint venture operating company to supply oxygen. How will this restructuring have an impact on TNSC in the short-, medium- and long-terms?

A: Our on-site supply to steel manufacturers is in the form of a joint business so will have limited impact on profits in the short-term. Then, there are apparently some users with concerns about argon supply in a large-scale on-site plant for steelmakers that concurrently produce bulk air separation gas, but at the moment TNSC is not aware of any impact. However, regarding the long-term impact, we will need to have some thoughts about anticipation while focusing on trends in environmental changes.

Q: Progress has been made on initiatives for cost reduction activities in production and logistics that are a key issue in the Medium-Term Management Plan Ortus Stage 2. Would you please once again summarize these initiatives from the standpoint of location and timing?

A: We have achieved results in Japan, with reductions in production costs through the method of operating large-scale air separation units. Specifically, this involved building a system using various types of sensor specifications for optimal operation to save energy from that powering the unit when it is working. We have strived to reduce logistics costs through everyday initiatives such as receiving orders online, automating receipt of orders and an automated order issuing system using remote control monitoring of storage tanks. We are of the understanding that overseas development for the reduction of production costs is an issue that we must address going forward.