



**NIPPON SANSO HOLDINGS**

**NIPPON SANSO Holdings Corporation**

1H Financial Results Briefing for the Fiscal Year Ending March 2021 Telephone Conference

October 30, 2020

# Presentation

**Umehara:** We will start NIPPON SANSO Holdings Corporation's first half Financial Results Briefing for the Fiscal Year Ending March 2021 Telephone Conference. My name is Umehara, General Manager at the Investor Relations Department of NIPPON SANSO Holdings. Nice to meet you. We'll move on to the briefing as soon as possible. Today's explanation will proceed in accordance with the consolidated results supplementary materials posted on our website. If you have a copy at hand, please refer to that material.

Looking first at the business environment, COVID-19 is spreading even more in many countries compared to the last time we talked in July. Against this backdrop, there hasn't been any major disruption to the Group's production and supply of industrial gases so far. However, as I mentioned last time, the spread of COVID-19 has had an impact on our Group by way of economic stagnation in the markets in which we operate and a decline in production activities.

I understand that some of you have already seen the figures but, that said, we feel that the impact has been lessened in the second quarter compared to the first quarter.

## 1-1. Overview of business performance

(Billions of yen)	FYE2020 1H results Margin	FYE2021 1H results Margin	YoY Change % Change	FYE2021 Forecast (Announced May 12) Margin
Revenue	422.8	384.5	-38.3 -9.1%	830.0
Core operating income	45.4 10.8%	36.7 9.6%	-8.7 -19.2%	82.0 9.8%
Non-recurring profit and loss	1.2	-0.0	-1.2	—
Operating income	46.7 11.1%	36.6 9.5%	-10.1 -21.6%	82.0 9.8%
Finance costs	-5.9	-5.8	+0.1	-14.5
Income before income taxes	40.8	30.8	-10.0	67.5
Income tax expenses	-12.1	-9.2	+2.9	-21.5
Net income	28.7	21.5	-7.2	46.0
(Attribution of net income)				
Net income attributable to owners of the parent	27.7 6.6%	21.0 5.5%	-6.7 -24.3%	44.0 5.3%
Net income attributable to non-controlling interests	0.9	0.5	-0.4	2.0

◆ Impact of foreign currency translations (average rate during the period)

Unit: JPY	USD	EUR	AUD
FYE2020 1H	108.57	120.91	74.75
FYE2021 1H	106.32	121.66	73.91



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I will explain the financial overview on page three.

Revenue was JPY384.5 billion, down JPY38.3 billion, or 9.1%, YoY. The effect of exchange rates is JPY2.4 billion YoY. Excluding this effect, revenue would have decreased by JPY35.9 billion. With regard to the impact of exchange rates, there was the impact of the yen's appreciation against the US dollar and the Australian dollar: about JPY2.1 billion in US dollars and JPY130 million in Australian dollars. Regarding the euro, the depreciation of the yen had a positive impact of JPY500 million.

Next, the core operating income was JPY36.7 billion, down JPY8.7 billion, or 19.2%, YoY. The impact of foreign currency translation here was a negative JPY200 million, and excluding this impact, there would be a decrease of JPY8.5 billion.

Non-recurring items accounted for less than minus JPY100 million in the second quarter of the fiscal year under review. Therefore, operating income including this non-recurring profit and loss was JPY36.6 billion, down JPY10.1 billion, or 21.6%, YoY.

Financial gain/loss was negative JPY5.8 billion, a decrease of JPY100 million YoY.

Quarterly net income attributable to owners of the parent was JPY21 billion, down JPY6.7 billion from the previous fiscal year. Net income declined by 24.3%, a substantial decrease in both overall sales and profits.

## 1-2. Business Performance by Segment: Gas Business in Japan

(Billions of yen)			FY2022 9/ results	FY2021 1H results	Difference	% Change
Revenue	Gases	Packaged				
		Air separation gases, other	7.3	6.4	-0.9	-12.1%
		Packaged subtotal	7.3	6.4	-0.9	-12.1%
		Bulk				
		Air separation gases	24.3	22.1	-2.2	-9.4%
		Carbon dioxide	11.9	11.1	-0.8	-6.8%
		Helium	2.1	2.5	+0.4	+18.8%
		Other gases	5.0	4.2	-0.8	-15.5%
		Bulk subtotal	43.3	40.0	-3.3	-8.0%
		On-site				
	Air separation gases	36.8	32.1	-4.7	-12.8%	
	Other gases	3.3	3.2	-0.1	-5.4%	
	On-site subtotal	40.2	35.3	-4.9	-12.2%	
	LP gas	13.4	10.5	-2.9	-21.4%	
	Specialty gases	12.7	12.0	-0.7	-5.5%	
Subtotal	117.3	105.2	-12.0	-10.3%		
Equipment and installation, other	Gas-related and plant, other	26.9	22.1	-4.8	-17.9%	
	Electronics-related	7.1	8.0	+0.9	+12.7%	
	Welding and cutting-related	12.5	10.6	-1.9	-15.3%	
	Subtotal	46.5	40.7	-5.8	-12.5%	
<b>Revenue Total</b>			<b>174.0</b>	<b>157.1</b>	<b>-16.9</b>	<b>-9.7%</b>
<b>Segment income</b>			<b>12.3</b>	<b>11.4</b>	<b>-0.9</b>	<b>-6.8%</b>

### Reasons for changes in revenue

- Bulk & On-site (Air separation gases): Demand decreased sharply across the manufacturing sector as a whole.
- Equipment and installation, other (Electronics-related): Sales of Equipment and installation for semiconductor manufacturers increased.

### Reason for change in segment income

- In bulk gases, earnings decreased mainly due to a decrease in revenue from air separation gases.
- Lower costs due to falling fuel prices.
- In Electronics related, earnings increased due to an increase in revenue from Equipment and installation.
- Temporary income of prior-year amounts from non-operating transactions.

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Next, I will explain the status of each segment. First of all, regarding the Gas Business in Japan, please refer to page five of the material.

Revenue was JPY157.1 billion, down JPY16.9 billion, or 9.7%, YoY.

Factors behind the change: Revenue from packaged gas was down by JPY900 million, while that from bulk was down by JPY3.5 billion. Demand in the domestic manufacturing industry was generally weak in areas such as steel, non-ferrous metals, transportation equipment, metalworking, and chemicals, although there were signs of recovery. Demand declined in oxygen, nitrogen, argon, and carbon dioxide.

On-Site revenue was down JPY 4.9 billion, as demand for steel, specialty steel, non-ferrous metals, chemicals, and other products declined.

LP Gas revenue decreased by JPY2.9 billion. Revenue declined due to a decline in sales prices linked to import prices, as well as a decline in sales volumes.

In Specialty Gases, operating income increased by JPY200 million. Demand for memory and CMOS sensors was solid, but demand related to applications such as electronics, large LCDs, and solar panels was weak.

In Gas-Related equipment and Plants, revenue decreased by JPY4.8 billion, partly due to the absence of large-scale projects recorded in the previous fiscal year. In the Electronics-Related Business, construction for semiconductors was solid, and sales of MOCVD equipment were also high. Accordingly, revenue increased by JPY1.8 billion. In the Welding and Cutting-Related Business, overall market conditions were weak, resulting in a decrease in revenue of JPY1.9 billion.

Segment income declined JPY900 million, or 6.8%, from the previous fiscal year, to JPY11.4 billion.

Factors contributing to the change included lower electricity and fuel-adjustment costs, which resulted in an increase of JPY300 million compared with the previous fiscal year. However, despite the impact of price revisions on packaged and bulk products, a significant drop in demand in the domestic manufacturing industry and an increase in production costs resulted in a negative JPY1 billion decrease in profit.

In Carbon Dioxide Gases, sales to restaurants declined, but profitability of dry ice improved, so income was flat YoY.

On-Site profit was down JPY600 million, reflecting lower sales to steel mills following the previous fiscal year and lower sales to special steel manufacturers.

In LP Gas, income declined due to lower demand and falling import prices, but profits were flat, at the same level as the previous fiscal year.

In Specialty Gases, demand for memory applications showed solid performance. Meanwhile, demand for LCDs, solar power systems, and electronics-related products was declining, resulting in an increase of only JPY100 million in profit.

In the Gas-Related equipment and Plant Business, although there was some special demand related to health care, profits decreased by JPY300 million due to the absence of earnings from a large-scale plant for industrial gases posted in the previous fiscal year. Profit from Electronics-Related Equipment and Construction increased by JPY400 million. In the Welding and Cutting-Related Business, profit decreased by JPY300 million due to the decrease in revenue.

Some one-time revenue is also posted in this second quarter, which, together with the decrease in expenses, resulted in an increase in profit by about JPY500 million.

That's all about the business in Japan.

## 1-2. Business Performance by Segment: Gas Business in the U.S.

(Billion of yen)			FY2020 1H results	FY2021 1H results	Difference	% Change
Revenue	Packaged	Air separation gases, other	22.2	20.1	-2.1	-12.2%
		Packaged subtotal	22.2	20.1	-2.1	-12.2%
		Bulk	Air separation gases	16.6	16.5	-2.1
	Carbon dioxide		12.8	11.8	-1.0	-8.0%
	Helium		2.6	3.5	+0.9	+32.5%
	Other gases		5.0	3.7	+0.7	+15.0%
	Bulk subtotal		39.1	37.7	-1.4	-3.8%
	On-site	Air separation gases	4.4	4.6	+0.2	+6.6%
		Other gases	7.0	5.6	-1.4	-18.9%
		On-site subtotal	11.4	10.2	-1.1	-9.4%
		LP gas	1.5	1.5	-0.2	-11.2%
	Specialty gases		3.2	3.2	-0.0	-0.7%
	Subtotal		76.7	72.9	-3.8	-7.3%
	Equipment and installation, other	Electronics-related	2.3	3.0	+0.7	+31.5%
Welding and cutting-related		17.9	15.2	-2.7	-14.9%	
Subtotal		20.2	18.2	-2.0	-9.6%	
Revenue Total		98.9	91.2	-7.7	-7.8%	
Segment income		11.7	9.6	-2.1	-18.0%	

\*Impact of foreign currency translation: Negative impacts of ¥2.13 billion on revenue and ¥0.25 billion on segment income

### Reasons for changes in revenue

- Packaged & Bulk: Demand decreased sharply across the manufacturing sector as a whole.
- Helium: Revenue increased due to pricing effects.
- On-site: Revenue decreased due to low levels of operation.
- Welding and cutting-related: Revenue decreased due to a soft demand for automobile and construction industry.

### Reason for change in segment income

- In bulk gases, earnings decreased mainly due to a decline in revenue from air separation gases.
- Earnings decreased due to a decline in revenue from packaged gases and welding and cutting-related business.
- Temporary income and removal of prior-year amounts from non-operating transactions.
- Rationalization.

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Next, I would like to talk about the Gas Business in the U.S. on page six.

The revenue of the Gas Business in the U.S. was JPY91.2 billion, down by JPY7.7 billion, or 7.8%, YoY. The impact of foreign exchange rates was a negative JPY2.1 billion and, excluding this impact, there will be a decrease in revenue of JPY5.6 billion.

The revenue by product in consolidated results supplementary materials includes the impact of foreign exchange rates. I will give you the amounts of increase or decrease YoY by product excluding the impact of foreign exchange rates.

Packaged Gas was down JPY2.6 billion, Bulk was down JPY600 million, On-Site was down JPY800 million, LP Gas was down JPY100 million, Specialty Gases were flat; in Equipment and Installation, Electronics-Related sales were up JPY800 million, and Welding and Cutting-Related sales were down JPY2.3 billion.

In Packaged Gas, demand for automobile transportation equipment and metal processing declined sharply following the first quarter.

The breakdown of the JPY600 million decline in bulk: negative JPY1.6 billion for air separation gases, negative JPY700 million for carbon dioxide gas and dry ice, but both gases are on a recovery trend from the first to second quarter. Helium was affected by the price revision, resulting in a positive JPY900 million. For other gases including hydrogen, revenue increased by JPY800 million.

On-Site revenue was down JPY800 million from the previous fiscal year level, due to a general decline in demand for gases, including separation and HyCO (note: on-site supplying of hydrogen and carbon monoxide).

Specialty Gases for electronics remained flat YoY. Revenue from equipment and installation for electronics increased by JPY700 million.

Welding and Cutting-Related revenue fell sharply by JPY2.3 billion due to a decrease in Automobile and Construction-Related demand.

Next is Segment income, which was JPY9.6 billion, down JPY2.1 billion, or 18%, YoY. The impact of foreign exchange rates was negative JPY200 million and, excluding the impact of these changes, there will be a negative JPY1.9 billion decrease.

Regarding the breakdown of the previous fiscal year comparisons, first of all, JPY1.3 billion was recorded as a one-time income in the second quarter of last year, so its absence has had an impact.

Looking at the breakdown of bulk and packaging, although demand is recovering through the second quarter, the economic slowdown caused by COVID-19 in the first quarter has had a major impact. As a result, profits from Separate Gas declined by JPY600 million, from Packaging-Related Products including hard goods, by JPY900 million, and from carbon dioxide by JPY100 million. Meanwhile, helium prices have been revised, resulting in an increase of JPY400 million. On-Site: Profit decreased by JPY200 million. Equipment-Related Business saw a decrease of JPY100 million in electronics applications.

We are also carrying out strong cost-cutting measures, which had a positive impact of JPY400 million on revenue. In addition, there were one-time items in the current fiscal year, and one-off profits of about JPY600 million have been posted.

## 1-2. Business Performance by Segment: Gas Business in Europe

(Billions of yen)			FY2020 1H results	FY2021 1H results	Difference	% Change
Revenue	Gases	Packaged				
		Air separation gases, other	21.2	17.9	-3.3	-15.6%
		Packaged subtotal	21.2	17.9	-3.3	-15.6%
		Bulk				
		Air separation gases	19.4	17.2	-2.2	-11.2%
		Carbon dioxide	13.0	11.9	-1.1	-11.4%
	Helium	4.0	3.9	-0.1	-12.3%	
	Other gases	3.4	3.3	-0.1	-2.9%	
	Bulk subtotal	36.9	35.7	-1.2	-13.7%	
	On-site					
	Air separation gases	11.4	9.5	-1.9	-16.4%	
	Other gases	1.6	1.7	0.1	8.3%	
	On-site subtotal	13.2	11.2	-2.0	-15.2%	
Specialty gases	3.3	3.1	-0.2	-6.2%		
Subtotal	77.9	68.1	-9.8	-12.6%		
Equipment and installation, other	Gas-related and plant, other	8.8	8.2	-0.6	-6.9%	
	in editing and cutting-related	1.5	1.3	-0.2	-13.3%	
	Subtotal	7.3	6.6	-0.7	-9.3%	
Revenue Total			85.2	74.9	-10.4	-12.3%
Segment income			13.2	8.6	-4.6	-34.6%

\*Impact of foreign currency translation: Positive impacts of ¥0.52 billion on revenue and ¥0.09 billion on segment income

\*The financial information presented under FYE2020 Q2 results differs from the information previously disclosed in FYE2020 Q2 because product aggregation categories were revised in the term under review.

### Reasons for changes in revenue

- Packaged: Lower revenue centered on air separation gases, in addition to soft sales mainly in the refrigerant gas business (next-generation refrigerant gas) in Italy.
- Bulk & On-site: Demand decreased sharply across the manufacturing sector as a whole. (large impact on business results due to the spread of COVID-19)

### Reason for change in segment income

- Earnings decreased due to a large decline in revenue across Bulk, Packaged and all other areas generally.
- Earnings decreased due to soft sales in the refrigerant gas business (next-generation refrigerant gas).
- In bulk gases, earnings increased due to pricing effects.

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Next, I would like to explain the performance of our business in Europe. Please see page seven.

The Gas Business in Europe has been affected by the spread of COVID-19 from an early stage, particularly in Spain and Italy, which are also the central markets for our European Gas Business. In the European business, revenue was JPY74.8 billion, down by JPY10.4 billion, or 12.3%, YoY. The impact of foreign exchange rates was a positive JPY500 million and, excluding this impact, there was a negative JPY9.9 billion decrease in revenue.

Revenue by product in the consolidated results supplementary materials includes the impact of the exchange rate, so I will share the changes YoY for each product excluding the impact of the exchange rate.

Packaged Gas: down by JPY3.3 billion; Bulk: down by JPY4.5 billion; On-Site: down by JPY2.1 billion; Specialty Gases: down by JPY200 million. Equipment and Installation: down by JPY600 million for Gas-Related equipment and JPY200 million for Welding and Cutting-Related products.

Included in the Packaged Gas category is the Refrigerant Business in Italy, which is affected by sluggish demand for transition to next-generation CFC alternatives.

In Bulk Gas, overall demand declined, broken down into JPY2.3 billion for separating gas, negative JPY1.6 billion for carbon dioxide, and negative JPY500 million for helium.

Nevertheless, as in the US, there are signs of a recovery from the first to the second quarter.

We are also seeing recovery in the second quarter for On-Site Business, but it was negative JPY2.1 billion mainly due to a decrease in steel-related demand. Specialty Gases were down by JPY200 million mainly due to a decrease in demand for electronics for automotive applications. Plant and Gas-Related equipment was negative JPY600 million. Welding and Cutting-Related products were negative JPY200 million.

Segment income was JPY8.6 billion, down by JPY4.6 billion YoY. It declined sharply by 34.6%. The impact of foreign exchange rates is positive JPY100 million, so there is a decrease of JPY4.7 billion excluding the impact of foreign exchange rates.

Although this includes the impact of electricity costs and the effects of price revisions, the major factor behind the decline in profits was the decline in sales volume due to a decrease in demand in the industry as a whole due to the spread of COVID-19.

## 1-2. Business Performance by Segment: Gas Business in Asia and Oceania

(Billions of yen)			FY2020 1H results	FY2021 1H results	Difference	% Change	
Revenue	Gases	Packaged	Air separation gases, other	1.9	1.6	-0.2	-8.9%
		Packaged subtotal	1.9	1.6	-0.2	-8.9%	
		Bulk	Air separation gases	9.4	7.0	-1.4	-16.1%
			Carbon dioxide	0.8	0.7	-0.1	-7.9%
			Helium	2.7	2.6	-0.1	-6.1%
			Other gases	1.3	1.2	-0.1	-7.5%
			Bulk subtotal	13.4	11.7	-1.7	-12.6%
		On-site	Air separation gases	1.9	1.6	-0.2	-8.2%
			On-site subtotal	1.9	1.6	-0.2	-8.2%
		LP gas	7.9	7.6	-0.2	-4.5%	
	Specialty gases	13.1	13.4	+0.3	+17.2%		
	Subtotal	38.2	38.1	-0.1	-0.3%		
	Equipment and installation, other	Gas-related and plant, other	8.1	6.9	-1.2	-14.5%	
		Electronics-related	2.8	3.0	+0.2	+7.7%	
		Welding and cutting-related	2.2	2.1	-0.2	-10.2%	
		Subtotal	12.2	12.1	-1.2	-8.0%	
Revenue Total			51.3	50.2	-1.3	-2.6%	
Segment income			3.2	3.6	+0.2	+5.5%	

\*Impact of foreign currency translation: Negative impacts of ¥0.76 billion on revenue and ¥0.06 billion on segment income

Reasons for changes in revenue	Reason for change in segment income
<ul style="list-style-type: none"> <li>• Bulk: In the Philippines, shipment volume decreased, as demand fell sharply in response to the impact of city lockdowns. Revenue similarly decreased in other regions as well.</li> <li>• Specialty gases: Shipments were favorable in China and Taiwan.</li> </ul>	<ul style="list-style-type: none"> <li>• Earnings increased due to an increase in revenue from specialty gases in China and Taiwan.</li> <li>• Profitability improved in the LP gas business in Australia.</li> <li>• Earnings decreased due to a decrease in revenue in South East Asia as a whole.</li> </ul>

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I will move on to the Gas business in Asia and Oceania. Please see page eight.

The Gas Business in Asia and Oceania was also generally affected by COVID-19 in the first quarter, but the industrial gas field is showing a recovery trend. Demand for electronics in eastern Asia has remained solid, unaffected by COVID-19.

Revenue was JPY50.2 billion, down by JPY1.3 billion, or 2.6%, YoY. The impact of foreign exchange rates was a negative JPY800 million, and excluding this impact, there will be a JPY500 million decrease in revenue.

Similarly, in the revenue by product in consolidated results supplementary materials, the impact of the exchange rate is also included, so I will share the changes YoY by product excluding the impact of the exchange rate.

Packaged Gas was down by JPY100 million, and Bulk was down by JPY1.4 billion. On-Site is down by JPY100 million. LP Gas was down by JPY200 million. Specialty Gas: up by JPY2.4 billion. Negative JPY1 billion for Gas-Related equipment and Plants and others. Electronic Equipment and Construction increased by JPY100 million. Welding and Cutting-Related revenue was down by JPY200 million.

Breakdown of Bulk down by JPY1.4 billion: for Separate Gas, demand declined in Thailand, the Philippines, Australia, Vietnam, and other countries, resulting in a JPY1.2 billion decrease in revenue. Carbon dioxide was also down by JPY100 million. Helium was flat, helped by a recovery trend in sales in India.

Revenue from LP Gas decreased by JPY200 million, mainly due to a decline in CP prices in Australia, which is reflected to the sales price.

Demand for Specialty Gases is rising in response to solid performance in the semiconductor market.



By region, revenue increased by JPY2 billion in China and JPY300 million in Singapore. Revenue in Taiwan also increased by JPY600 million. Revenue in South Korea decreased by JPY300 million. Other revenues were down JPY200 million.

In Gas-Related equipment and Plants, revenue decreased by JPY1 billion, due in part to sluggish business for fire protection equipment in Singapore, Malaysia, and Leeden NOX, while spot-construction projects were conducted in South Korea.

In Electronics-Related Equipment and Installation, revenue increased by JPY100 million, with construction work in Taiwan based on the percentage-of-completion method. In Welding and Cutting, construction activity in Singapore was suspended due to the impact of COVID-19 resulting in a negative JPY200 million.

Next, segment income was JPY5.6 billion, up by JPY300 million, or 5.5%, YoY. The impact of foreign exchange rates was a negative JPY100 million, so when the impact is excluded, income increased by JPY400 million.

Looking at the contents in each country, in Leeden NOX and Singapore, there was a decrease of JPY200 million in profit due to the decrease in revenue. Profit was down JPY200 million in the Philippines and JPY100 million in Thailand. Industrial Gases in Vietnam, India, and China have remained almost unchanged. For Supagas in Australia, profit was up by JPY200 million. Despite the impact of the decline in the purchase price of LP Gas, it has maintained its contribution to profits.

In the Electronics-Related Business, sales of Specialty Gases were on a recovery trend, increasing by JPY700 million. This item also includes equipment and installation work.

## 1-2. Business Performance by Segment: Thermos Business

(Billions of yen)		FY2020 1H RESULTS	FY2021 1H RESULTS	Difference	% Change
Revenue	Japan	11.4	9.6	-1.8	-15.8%
	Overseas	1.6	1.4	-0.2	-11.5%
	Revenue Total	13.0	11.0	-2.0	-15.4%
Segment Income		4.1	2.1	-2.0	-48.9%

\*Impact of foreign currency translation: Negative impacts of ¥0.05 billion on revenue and ¥0.01 billion on segment income

<p style="text-align: center;"><b>Reasons for changes in revenue</b></p> <ul style="list-style-type: none"> <li>1 Japan: Sales opportunities were lost due to restrictions on movement and voluntary suspension of business activities at retail stores during Q1 period, resulting in a decrease in shipment volume. Meanwhile, stay-at-home demand supported firm sales of frying pans and tumblers.</li> <li>2 Overseas: Revenue decreased due to a decline in shipment volume in various regions.</li> </ul>	<p style="text-align: center;"><b>Reason for change in segment income</b></p> <ul style="list-style-type: none"> <li>1 Japan: Earnings from the main products such as portable mugs decreased due to a substantial decline in revenue, as the Group was unable to capitalize on sales opportunities associated with periods of high demand such as the leisure season.</li> <li>2 Overseas: In addition to adjustments to operation levels at production plants, sales slowed at group companies accounted for by the equity.</li> </ul>
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Next, I will talk about the Thermos Business on page nine. Revenue was JPY11 billion, down by JPY2 billion, or 15.4%, YoY. There was virtually no impact from foreign exchange rates.

In Japan, revenue decreased by JPY1.8 billion. Due to COVID-19, our mainstay products, sports bottles, and portable mugs have lost demand for Japanese Golden Week, and inbound demand for overseas souvenirs has also evaporated. On the other hand, demand for frying pans, tumblers, and other products used in households has been increasing and, in this category, performance has remained robust.

Overseas, in addition to changes in the sales environment due to the issue of Japan–Korea relations, the spread of COVID-19 also coincided, and production plants in Malaysia and the Philippines were shut down due to lockdowns. Although it is recovering, we are also affected by this.

Shipments by Group companies in Japan, Europe, North America, China, and Asian markets were also weak, resulting in a decrease in revenue of JPY200 million.

Segment income was JPY2.1 billion, a decrease of JPY2 billion, or 48.9%, compared with the previous fiscal year. There is virtually no impact from foreign exchange rates.

In Japan, the decrease in revenue resulted in a negative JPY600 million decrease in profit. Overseas, including production adjustments at factories, posted a decrease of JPY400 million.

Equity in earnings of affiliates accounted for by the equity method decreased by JPY1 billion.

That’s all about the Results for the first half of the Fiscal Year Ending March 2021.

## 2-1. Full-Year Forecasts for FYE2021

(Billions of yen)	FYE2020 Results Margin	FYE2021 Forecasts Margin	YoY Change % Change
<b>Revenue</b>	850.2	830.0	-20.2 -2.4%
<b>Core operating income</b>	90.3 10.6%	82.0 9.8%	-8.3 -9.2%
Non-recurring profit and loss	3.5	—	-3.5
<b>Operating income</b>	93.9 11.0%	82.0 9.8%	-11.9 -12.7%
Finance costs	-14.7	-14.5	+0.2
<b>Income before income taxes</b>	79.1	67.5	-11.6
Income tax expenses	-24.0	-21.5	-2.5
<b>Net income</b>	55.0	46.0	-9.0
(Attribution of net income)			
<b>Net income attributable to owners of the parent</b>	53.3 6.3%	44.0 5.3%	-9.3 -17.3%
Net income for the year attributable to non-controlling interests	1.6	2.0	+0.4

• The Company has not revised its forecasts for segment announced on May12, 2020.

• Foreign currency translations (average rate during the period)

Unit : JPY	USD	EUR
FYE2021 est.	108	120
FYE2020 actual	108.95	120.85

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Finally, I would like to explain the full-year forecasts for the fiscal year ending March 2021. First, please refer to page 10 for our full-year forecast of consolidated results.

Regarding our understanding of the environment, while the situation varies from country to country, economic activities are being resumed. On the other hand, COVID-19 is continuing to spread in countries around the world, and we do not have any visibility into when this crisis will be resolved.

Against this backdrop, we have not changed our outlook from the full-year outlook announced in the consolidated summary released on May 12. Revenue is JPY830 billion, a decrease of JPY20.2 billion, or 2.4%, YoY.

Exchange rates are calculated at JPY108 to the US dollar and JPY120 to the euro.

Core operating income is JPY82 billion, down by JPY8.3 billion, or 9.2%, YoY. As in last time, nonrecurring profit and loss is not planned to be recorded in this second half.

Operating income is JPY82 billion, a decrease of JPY11.9 billion, or 12.7%, YoY.

## 2-2. Full-Year Forecasts for FYE2021 by Segment

### 【Revenue】

(Billions of yen)	FYE2020 Results	FYE2021 Forecasts	Difference	% Change
Gas Business in Japan	356.1	356.0	-0.1	-0.0%
Gas Business in U.S.	198.8	192.0	-6.8	-3.5%
Gas Business in Europe	165.5	153.0	-12.5	-7.6%
Gas Business in Asia and Oceania	104.5	103.0	-1.5	-1.5%
Thermos Business	25.1	26.0	+0.9	+3.6%
Revenue Total	850.2	830.0	-20.2	-2.4%

### 【Operating Income】

(Billions of yen)	FYE2020 Results	FYE2021 Forecasts	Difference	% Change
Gas Business in Japan	26.7	31.2	+2.5	+8.6%
Gas Business in U.S.	22.2	16.3	-5.9	-26.6%
Gas Business in Europe	24.8	19.8	-5.0	-20.3%
Gas Business in Asia and Oceania	9.9	10.3	+0.4	+3.5%
Thermos Business	7.2	6.3	-0.9	-12.6%
Eliminations or Corporate	-2.6	-1.9	+0.7	-
Core operating income Total	90.3	82.0	-8.3	-9.2%
Non-recurring profit and loss	3.5	—	-3.5	-
Operating income Total	93.9	82.0	-11.9	-12.7%

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The Company has not revised its forecasts for segment announced on July 30, 2020.



The operating income forecasts for each segment are shown on the next page, 11, and are unchanged from those disclosed on July 30.

By business segment, for the Gas Business in Japan, revenue is JPY356 billion and core operating income is JPY31.2 billion. Revenue in the Gas Business in the U.S. is JPY192 billion, while operating income is JPY16.3 billion. In the Gas Business in Europe, revenue and core operating income are JPY153 billion and JPY19.8 billion, respectively. For the Gas Business in Asia and Oceania, revenue is JPY103 billion, and core operating income is JPY10.3 billion. In the Thermos Business, revenue and core operating income are set at JPY26 billion and JPY6.3 billion, respectively. Corporate elimination is negative JPY1.9 billion, and the total core operating income is JPY82 billion.

There are no changes to the KPIs based on the current earnings forecasts from the previously announced data as of May 12. I'd like to close my presentation.

## Question & Answer

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**Moderator:** Mr. Umehara, thank you very much. Now, we would like to move on to the question-and-answer session, but before we start, I have two requests. We would like to answer your questions one at a time, so we appreciate your cooperation.

Also, when you are asking your question, please tell us your name and the company you work at.

**Enomoto (Bank of America Merrill Lynch Japan Securities Co., Ltd.):** I'm Enomoto.

**Umehara:** Hello, nice to meet you.

**Enomoto:** Nice to meet you. I have three questions. First, you have not changed the Company's plan this time, but I assume there are different views of strength and weakness by segment, so can you share the situation for segment against the plan?

Also if possible, I think you had assumed in the initial plan that Industrial Gases will be almost flat YoY from the second half onward, but what is the outcome compared to that?

**Umehara:** Okay. In terms of the progress we have made against the previous forecasts, while you might be aware as we already have figures up to the second quarter, but the forecast for the Gas Business in Japan seem to be somewhat high. On the other hand, we recognize that the US forecast is slightly low given our current performance. For other regions, the outcome has been largely within the range of expectations.

However, when considering what will happen in the future, how the current situation of COVID-19 affects the economy is difficult to forecast, whether it is good or bad. Therefore, we have not made any changes to our targets this time.

**Enomoto:** As for the Industrial Gases and hard goods in the initial forecast, you had said that the forecast is flat from the third quarter, but that's not actually the case, right?

**Umehara:** That's right. Looking at actual results, we have not yet reached the situation where we expect recovery from the third quarter, and there are some areas that have turned out different from the environment we originally envisaged. I have been persistently saying this in the presentation, but there isn't much visibility into how the situation will gradually recover, in relation to the initial plan.

**Enomoto:** My second question concerns the Gas Business in the U.S. . A considerable rebound has been apparent in the second quarter. Excluding probably one-time events, I think that YoY profits may be positive. I'd like to confirm if that understanding is correct, and why the recovery has been so strong, and rival manufacturers have announced price increases. Please tell us about the price situation.

**Umehara:** Regarding the US, although there are certainly temporary factors, the figures are turning out to be very good. There are various factors behind this, and as you mentioned that our competitors are announcing price revisions, we have not released any releases but are taking action to revise prices in a manner that follows them, in the US.

Additionally, for example, the global wholesale sales of helium have been increasing. As for bulk, the recovery after bottoming out from the impact of COVID-19 is faster than in other areas as a result.

However, it is quite difficult to expect what will happen going forward, and there is no particular fact that we have not changed our business performance because we recognize that something will suddenly deteriorate. In that sense, your understanding is appropriate.

**Enomoto:** Lastly, I would like to know about the Gas Business in Europe. If possible, I would like to ask you to explain how sales are growing in each market.

**Umehara:** As for revenue, Spain is the most vulnerable; Spain, Italy, and Germany. There has been about a 7% to 8% decline in Spain. In Italy, it is also down about 7%. It's down 9% in Germany. Benelux is about the same level as the previous year. Scandinavia was down by 8%.

What I have just mentioned is the YoY comparison between just the second quarters of July through September.

**Enomoto:** So I think Spain and Italy were originally down 20% in the first quarter, but even after hearing that refrigerants were bad, business seems to be recovering considerably. Please tell us the contents of that.

**Umehara:** We are certainly seeing an impact on the Refrigerant Business in Italy, but there are, of course, other businesses for general industrial gas, and we also have a strong focus on the business in the medical field. As for negative impact, refrigerants are being impacted, but you can recognize that other areas are seeing a recovery in similar fashion.

**Enomoto:** How about Spain?

**Umehara:** We have a large On-Site Business in Spain, so I think the key point is how things will recover there. But the trend had been falling for some time from late last year, and COVID-19 came on top of that, so the situation has been sluggish. However, we are recently seeing signs of slight recovery. We can't tell what will happen in the future, but performance in Spain may change a little bit on the situation.

**Enomoto:** I see. Thank you very much.

**Moderator:** Mr. Enomoto, thank you for your questions. Is there anyone else? Please.

**Sakaguchi (Daiwa Securities Co. Ltd.) :** Thanks. I have two questions. The first is about Specialty Gases in Asia. I think the situation is very strong, but I would like to know whether there has been anything like inventory accumulation in China, et cetera, and also about the outlook for the third quarter and beyond.

**Umehara:** Indeed, there were concerns about the buildup of inventories, but if we look at the flow, we are not seeing any extreme movements. Such movements can happen due to various changes in the operating environment, but our understanding at this point in time is that we are steadily growing with solid performance.

Going forward, the situation can be affected in various ways including political issues, but our approach is to set strategies so that our users will keep using our gas no matter what happens, and we will make preparations to this end.

**Sakaguchi:** By preparations to be used no matter what, do you mean that you will disperse production areas so gas can be supplied regardless of local policies?

**Umehara:** Well, of course, unlike so-called general industrial gases, these products are made in plants and are possible to be transported for exports and imports. So we will market our products while maintaining a balance of production and taking into account the nature of these products, and keeping a firm understanding of users and where what is produced, and working together to follow their trends as a supplier.

**Sakaguchi:** I see. Thank you very much. My second question is about price and energy. You mentioned earlier that you finally revised prices in the US. I would like to hear about the state of price revisions in other regions, and whether energy costs have declined, especially since October.

**Umehara:** Yes. There was certainly such a move in the US. Since price revisions have been made for some time, the effects of price revisions previously made in Europe are beginning to appear. With the increase in volume, the effects of price revisions will increase, so I hope that we will be able to actualize this by capturing demand where it increases quickly.

In addition, we have also revised prices in Japan last year, and the impact of this is still small and not very clear yet due to the still small volume, but as the volume increases, this will be materialize into profit that we are expecting. So I think it will depend on the volume.

In terms of costs, if the fuel adjustment costs of electricity decrease, our costs will also decrease. Looking at trends in the areas of LNG, oil, and crude oil, we think that the domestic market is on a downward trend for the past six months or so. So, although we don't think the situation allows us to mention specific quantitative figures, we are in a position to enjoy the benefits of that part.

With regard to other areas, the original unit price for electricity is not as high as that of Japan, so of course, there is the benefit of lower electricity prices, but we recognize that it will not have as much impact as in Japan.

**Sakaguchi:** Thanks. In addition, if the price of electricity falls, is there any downward pressure on your prices?

**Umehara:** That's a matter of contracts, so while I do not think that all such contracts are unaffected by the increase or decrease of electricity prices, I think it is a case-by-case matter.

**Sakaguchi:** I understood very well. Thank you very much.

**Moderator:** Mr. Sakaguchi, thank you for your questions. Now, let us move on to the next question. We would appreciate your questions.

**Kono (Nomura Securities Co., Ltd.) :** This is Kono from Nomura Securities. Thank you very much.

**Umehara:** Thank you very much.

**Kono:** The second quarter's profits seem to have improved considerably. However, although revenue has not returned to the level of the second quarter of the previous year, profits have returned to nearly the same level. I would like to ask about the changes in the core operating income by breaking down the factors.

I would like to hear about this in terms of changes from the first quarter to the second. Core operating income was JPY14.1 billion in the first quarter and JPY22.7 billion in the second. I think it improved by about JPY8.6 billion. Could you break down the factors behind the recovery by sales volume, changes in product prices, input costs, electricity, and other factors contributing to improvement in terms of costs?

**Umehara:** Yes. The situation is slightly different for each segment, so it is quite difficult to answer, but the decrease in volume is making it difficult to generate profit as we continue to incur fixed costs of the plants. The situation is different from country to country, so I can't provide an answer right now on the relation between the quantity and unit price. I am sorry.

**Kono:** I feel that while sales were pushed down by more than JPY10 billion compared to the previous year, the return of operating income to almost the same level as the previous year is helped by the cost side. Is that understanding correct, and how long it is going to last? There was another question on whether it will be

reflected in product prices, but I would like to ask how much you will keep being helped by the cost side and whether will it remain in the second half of the fiscal year.

**Umehara:** Well, in terms of costs, I think that the impact of the unit price of electricity is about to start showing in Japan as well. On the other hand, with regard to price revisions, I think they will show as profits as we increase the volume to some extent. In that sense, we are certainly raising prices in the US at present, and we hope to proceed in a good direction in terms of both sales and costs. Without volume, we will not be able to enjoy that profit.

**Kono:** Okay. Another question.

**Umehara:** I'm sorry. Regarding the domestic market, we are working on raising prices, revising prices, and the fuel adjustment cost is becoming lower, and we are also working to reduce costs. This is also the impact of COVID-19, but expenses are also declining in some areas.

Another thing I mentioned about the On-Site Business is that domestic sales for the steel were decreasing significantly. Here, revenue is down significantly, but we have established joint ventures with steelmakers as function-sharing companies, and we do not take large profits from them in the first place, so in this sense, the negative impact on profits has been somewhat eased in terms of domestic sales.

**Kono:** Understood. I would like to ask one more question. I understand that lock-downs are being enforced again in Europe now, so is there a risk that activities will stop in user industries and factories like in April? I think each government is aiming to pursue a direction in which both the measures for COVID-19 and economic and production activities can continue. What are your thoughts on the risk of such a situation occurring in April?

**Umehara:** Regarding that point, we don't think the situation allows us to predict what is going to happen in this context. In particular, Japan, Europe, the US, and Asia have different environments, and measures will change accordingly, so we are steadily advancing our business while currently in a situation where we cannot clearly state what is the right way going forward.

**Kono:** Okay. Thank you very much. This is all.

**Moderator:** Mr. Kono, thank you for your questions. Now, let us move on to the next question. Please.

**Azuma (Jefferies Japan Limited) :** This is Azuma from Jefferies.

**Umehara:** Hello. Thank you very much.

**Azuma:** Regarding Thermos, I guess the poor performance was unavoidable in the first half of the year, but is it recovering when you look at it monthly?

**Umehara:** That's right. April and May were the bottom, and results were outstandingly good in June in a reactionary way from up to April. After that, the situation has been settling down, but home demand has increased, and it seems that the demand for leisure for outside activities remained slow this summer.

**Azuma:** I guess you mean that the recovery in June was due to pent-up demand, but how about from here on? Should we assume that there will be no similar or very strong return from here if this kind of situation continues?

**Umehara:** Well, since the environment is changing, popular products are changing as well, and we also think that the rising sales of portable mugs and frying pans are due to rising brand recognition. Of course, there is also the functional aspect of sports bottles.

In terms of how Thermos will grow in the future, we think one direction is to keep growing under the Thermos brand. Of course, I do not think that sports bottles will not sell in the present situation, but I think that we are increasingly being prepared to successfully respond in the new environment.

**Azuma:** Second, I think that Specialty Gases in Asia fared quite well. What are your thoughts on the sustainability of this performance from here on, including next year?

**Umehara:** Considering the waves and cycle of semiconductors, I think that we will have to follow or move accordingly with the trends.

Against this backdrop, the question of how semiconductor manufacturers will change in the future relates to how much we will be able to work in line with their expectations in terms of specification, production, and supply. Currently, it is difficult to predict the changes that are about to take place, but as mentioned earlier, we are not facing any major negative factors right now, so we should keep thoroughly focused on capturing the users.

**Azuma:** I see. Thank you very much.

**Moderator:** Mr. Azuma, thank you for your questions. We are sorry to inform you that since we are out of time, we would like to stop accepting questions.

With this, we will close the first half Financial Results Briefing for the Fiscal Year Ending March 2021 Telephone Conference. Thank you very much for participating and for asking many questions.

**Umehara:** Thank you very much.

[END]



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## **Reminder**

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