



NIPPON SAN SO HOLDINGS

FYE2021 Full-term Earnings Presentation

(Fiscal year ended March 31, 2021)

May 20, 2021
Tokyo (Japan)

The Gas Professionals

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● Financial information

NSHD’s financial statements are prepared in accordance with international Financial Reporting Standards (“IFRS”).

Agenda

1. Introduction _____
2. FYE2021 Overview _____
3. FYE2022 Business Plan _____
4. Q&A Session



Representative Director,
President CEO

Yujiro Ichihara



Executive Officer,
Group Finance &
Accounting Office, and CFO

Alan Draper



Member of the Board,
Executive Vice President

Toshihiko Hamada

1. Introduction

2. FYE2021 Overview

3. FYE2022 Business Plan

4. Q&A Session

1. Introduction



Representative Director,
President CEO

Yujiro Ichihara

1. Introduction

2. **FYE2021 Overview**

3. FYE2022 Business Plan

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2. FYE2021 Overview



Executive Officer,
Group Finance &
Accounting Office, and CFO
Alan Draper

Review of Mid-term management plan “Ortus Stage 2”

(Four years plan from April 2017 to March 2021)

Mid-term management plan “Ortus^{*1} Stage 2” focused on four key strategies:

Structural reform

Globalization

Innovation

M&A

Our main efforts, strong focus, and achievements were made in the following areas:

1. Increased globalization and expansion through the acquisition of the European business and the US HyCO^{*2} business
2. Commissioned five on-site projects in the U.S.
3. Strengthened the electronics specialty gases business sector in East Asia
4. Enhanced and expanded supply base in the Asia & Oceania region.
5. Transitioned to holdings company structure which fosters improved communication, faster decision making and mobilization

The COVID-19 pandemic in Q1 FYE 2021 caused most of our manufacturing customers to significantly reduce production activities which in turn reduced their industrial gas requirements and our sales. The subsequent quarters had a strong recovery until profit returned in Q3 FYE 2021 to pre-crisis levels.

*1 Ortus : "Beginning, Birth" in Latin

*2 HyCO Business: A business that supplies Hydrogen(H₂) and Carbon monoxide(CO) on-site to petroleum refining and petrochemical manufacturers.

Review of Mid-term management plan “Ortus Stage 2”

	FYE2017 full-term	FYE2018 full-term (the 1st FY)	FYE2019 full-term (the 2nd FY)	FYE2020 full-term (the 3rd FY)	FYE2021 full-term (the Final FY)	FYE2021 (planned) (Announced on Feb. 2019)
(Unit : ¥ bn.)						
Revenue	581.5	646.2	740.3	850.2	818.2	910.0
Core Operating Income^{*1}	54.7	60.0	65.8	90.3	87.2	100.0
Core OI margin	9.4%	9.3%	8.9%	10.6%	10.7%	11.0%
Overseas revenue ratio	40.8%	43.3%	47.9%	55.5%	56.1%	55.0%
ROCE ^{*2}	8.4%	8.4%	6.2%	6.4%	6.1%	7.1%
Adjusted net D/E ratio ^{*3}	—	—	1.54	1.45	1.15	1.27
Annual dividends per share (¥)	20	23	25	28	30	—

< Future Issues >

- 1 . Utilize and leverage our group’s comprehensive strengths across regions
- 2 . Pursuing Growth and Profitability in the mature industrial gas market (mainly Japan and Europe)
- 3 . Implementation of M&A and capital investment in the growing industrial gas market (the U.S., Asia and Oceania)
- 4 . Aggressive sales activities related to electronic materials and gas for electronics, and R&D of advanced technologies
- 5 . Implement business measures that contribute to the realization of a sustainability society (Decarbonization, resolution of food issues, etc.)

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

Nonrecurring items are costs of structural reform (cost for withdrawal or downsizing business operations and special retirement allowances), losses caused by disasters or serious accidents, and other gains and expenses (such as disposal of idling assets).

*2 ROCE(Return on Capital Employed) : A profitability indicator which is calculated as Core operating income / (outstanding interest-bearing debt + equity attributable to owners of parent)

*3 Adjusted net D/E ratio : Please refer to Appendix_P.27.

Summary: Progress toward Financial targets

FYE2021 Business performance in diligent manner during COVID-19



Stable production and supply of essential industrial gases and medical equipment



In Europe and the U.S., where demand for industrial gases experienced a sharp and sudden reduction, cost controls, cost reduction, and productivity actions were implemented to compensate for some of the volume reduction.



In Thermos Business, although demand related to outdoor products, which are our mainstay products, fell significantly, we expanded sales to stimulate new demand for household products (tumblers and fried bread) by capturing the lifestyles of people who changed due to restrictions on out-of-home work and telecommuting.

Initiatives for Group development of comprehensive strengths



Creating synergies by sharing the strengths and advantages of each region globally through the transition to a holding company structure.



Actively deploy best practices in other regions globally, such as Productivity, which is ahead of the European business



Develop electronics-related businesses (electronic materials gas, related equipment and construction) through a unified group strategy, including sales, logistics, and planning, through a strong global business network

Steadily promoting financial soundness



Reduce interest-bearing debt and steadily return profits to shareholders*¹ after steadily managing working capital based on cash generated against the backdrop of business expansion



Reduce interest-bearing debt as planned in line with the target set in February 2019 of "falling below the adjusted net D/E ratio*² 1.0 times by the fiscal year ending March 2023"

*1 steadily return profits to shareholders : Please refer to P.7

*2 Adjusted net D/E ratio: 50% of the amount raised through hybrid financing (¥250 bn.) is accepted as "capital" by rating agencies, so this is an indicator of safety (financial soundness) calculated by taking this portion into account. Please refer to Appendix_P.27.

Summary of Consolidated financial results (FYE2021 Full-term)

	FYE2020 Full-term	FYE2021 Full-term	YoY		FYE2021 Forecast
			Difference	% Change	
(Unit : ¥ bn.)					(Announced on Feb. 2)
Revenue	850.2	818.2	-32.0	-3.8%	802.0
Core Operating Income	90.3	87.2	-3.1	-3.4%	83.0
Core OI margin	10.6%	10.7%			10.3%
Non-recurring profit and loss	3.5	1.5	-2.0		1.6
Operating Income (IFRS)	93.9	88.8	-5.1	-5.4%	84.6
OI margin	11.0%	10.9%			10.5%
Income before income taxes	79.1	77.7	-1.4	-1.8%	72.9
Net income attributable to owners of the parent	53.3	55.2	+1.9	+3.5%	48.1
NI margin	6.3%	6.7%			6.0%
EPS (¥)	123.26	127.59	+4.33		111.15
Forex					
USD (¥)	108.95	105.94	-3.01		105
EUR (¥)	120.85	124.07	+3.22		123

* Total Forex impact for FYE2021 full-term : Negative impacts of ¥0.75 bn. on revenue and Positive impacts of ¥0.1 bn. on core operating income.

Segment Revenue (FYE2021 Full-term)

	FYE2020	FYE2021		YoY			FYE2021
	full-term	full-term	Composition ratio	Difference	% Change	Forex impact	forecast
(Unit: ¥ bn.)							(Announced on Feb. 2)
Gas business in Japan	356.1	338.9	41.4%	-17.2	-4.8%	-	330.9
Gas business in the U.S.	198.8	189.9	23.2%	-8.9	-4.5%	-5.4	186.5
Gas business in Europe	165.5	160.0	19.6%	-5.5	-3.3%	+4.4	157.7
Gas business in A&O*	104.5	105.3	12.9%	+0.8	+0.7%	+0.3	102.3
Thermos business	25.1	23.9	2.9%	-1.2	-4.6%	-0.0	24.6
Consolidated total	850.2	818.2	100.0%	-32.0	-3.8%	-0.7	802.0

* A&O: Asia and Oceania.

Segment Income*1 (FYE2021 Full-term)

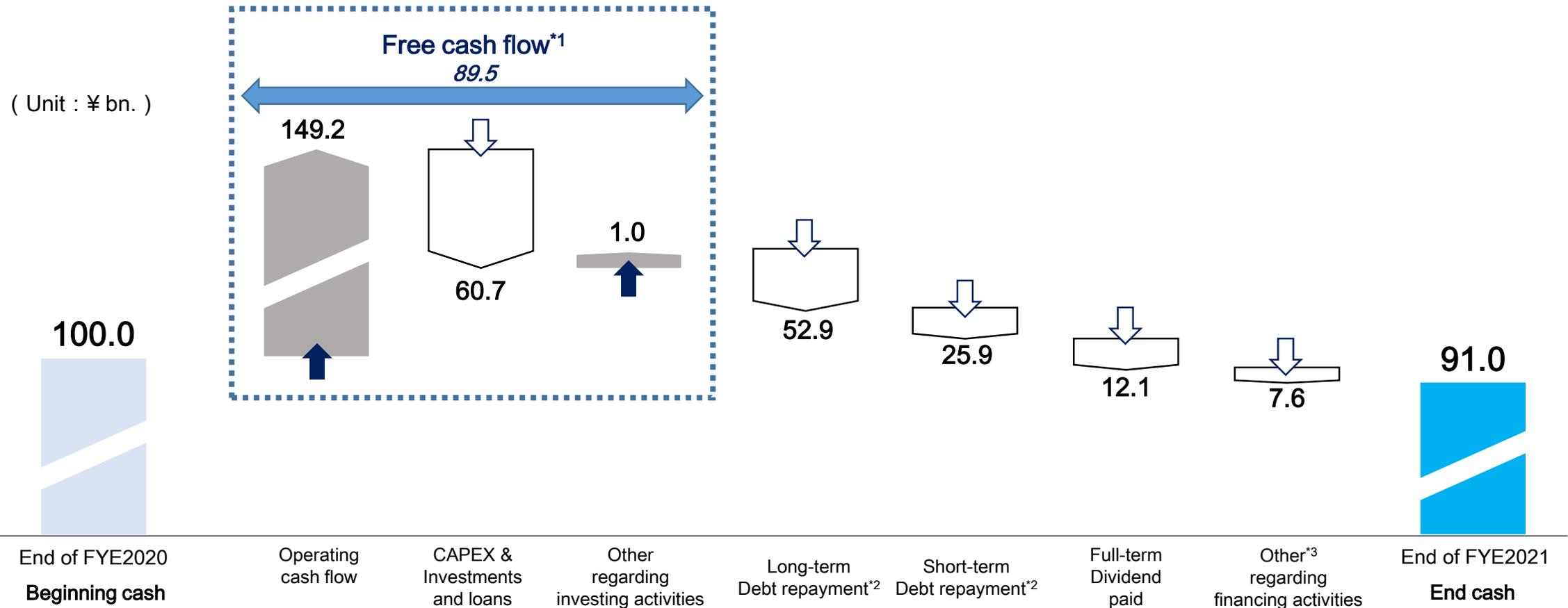
	FYE2020	FYE2021		YoY			FYE2021
	full-term	full-term	Composition ratio	Difference	% Change	Forex impact	forecast
(Unit: ¥ bn.)							(Announced on Feb. 2)
Gas business in Japan	28.7	29.1	33.4%	+0.4	+1.3%	–	27.2
OI margin	8.1%	8.6%					8.2%
Gas business in the U.S.	22.2	23.4	26.9%	+1.2	+5.4%	-0.6	21.4
OI margin	11.2%	12.3%					11.5%
Gas business in Europe	24.8	21.2	24.3%	-3.6	-14.5%	+0.6	21.0
OI margin	15.0%	13.3%					13.3%
Gas business in A&O	9.9	9.4	10.9%	-0.5	-4.6%	+0.0	9.5
OI margin	9.5%	9.0%					9.3%
Thermos business	7.2	5.2	6.0%	-2.0	-27.6%	-0.0	5.7
OI margin	28.8%	21.8%					23.2%
Eliminations or Corporate*2	-2.6	-1.3	-1.5%	+1.3	–	–	-1.8
Consolidated total	90.3	87.2	100.0%	-3.1	-3.4%	+0.1	83.0
Core OI margin	10.6%	10.7%					10.3%

*1 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 Eliminations or Corporate : Includes elimination of inter-segment transactions and corporate expenses (basic research expenses), etc. not allocated to each reportable segment.

Cash flow (FYE2021 Full-term)

Despite the pandemic, our company generated sufficient free cash flow to distribute dividends and ensure debt reduction.



*1 Free cash flow : Items reconstructed from consolidated statements of cash flows prepared in accordance with IFRS. Please refer to Appendix_P.26.

*2 Long-term Debt and Short-term Debt repayment : Represents cash paid.

*3 Other : Indicates items such as Forex impact on cash lease obligations, acquisition of investments, net proceeds from short term borrowings.

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3. FYE2022 Business Plan



Member of the Board,
Executive Vice President

Toshihiko Hamada

Summary: Business environment awareness (Assumptions for forecast)

Following the transition to a holding company structure, we were able to proactively incorporate business expansion and growth in each region. There are differences in the economic environment in each region, and we will incorporate growth according to the circumstances of each region.

Uncertain economic environment



Although our business activities have been affected in various ways by the pandemic, there has been no serious impact on our business performance to date.



However, recognizing that the environment is not conducive to making concrete and feasible plans based on a medium-to long-term perspective, we will postpone the formulation of our medium-term management plan for one year and position it as “one year of foundation development and preparation” that will lead to the next leap.

Economic recovery in the COVID-19 disaster



Even if the spread of the COVID-19 infection and other factors in the countries and regions in which we operate negatively impact our business, our group's mission as an industrial gas supplier remains unchanged to provide a stable supply of gas needed by all industries.



Since January 2020, demand in the Industrial Gases business has declined significantly compared with the previous fiscal year amid a decline in production operations at major customers. However, we expect demand in all global regions to continue recovering toward the FYE2022.

Driving force for strong growth expected



In the electronics business (electronic material gases, related equipment and construction) for semiconductors, we expect steady growth in Japan and East Asia following the FYE2021.



We will gain momentum for economic recovery in Europe, the U.S. and elsewhere in the region. Plants operating in Europe this fiscal year (two plants)



In recent years, on-site projects (five projects) that began operations in the U.S. are expected to improve utilization rates while the user's operating environment is returning.

Summary of Consolidated financial forecast (FYE2022 full-term forecast)

	FYE2021 actual full-term	FYE2022 forecast full-term	YoY	
			Difference	% Change
(Unit : ¥ bn.)				
Revenue	818.2	865.0	+46.8	+5.7%
Core Operating Income	87.2	96.0	+8.8	+10.0%
Core OI margin	10.7%	11.1%		
Non-recurring profit and loss	1.5	0.5	-1.0	
Operating Income (IFRS)	88.8	96.5	+7.7	+8.6%
OI margin	10.9%	11.2%		
Income before income taxes	77.7	86.0	+8.3	+10.7%
Net income attributable to owners of the parent	55.2	58.2	+3.0	+5.4%
NI margin	6.7%	6.7%		
EPS (¥)	127.59	134.49	+6.90	
ROCE	6.1%	6.7%		
Adjusted net D/E ratio	1.15	1.01		
Forex				
USD (¥)	105.94	105.00	-0.94	
EUR (¥)	124.07	125.00	+0.93	

Results forecast by segment [Reclassified*] (FYE2022 full-term forecast)

(Unit: ¥ bn.)

		FYE2021 actual	FYE2022 forecast		YoY		
		full-term	full-term	Composition ratio	Difference	% Change	Forex impact
Gas business in Japan	Revenue	341.9	360.0	41.6%	+18.1	+5.3%	
	Segment OI	29.8	31.1	32.4%	+1.3	+4.1%	
	OI margin	8.7%	8.6%				
Gas business in the U.S.	Revenue	189.9	198.0	22.9%	+8.1	+4.2%	-1.6
	Segment OI	23.1	23.6	24.6%	+0.5	+2.0%	-0.2
	OI margin	12.2%	11.9%				
Gas business in Europe	Revenue	160.0	173.0	20.0%	+13.0	+8.1%	+1.1
	Segment OI	21.0	24.8	25.8%	+3.8	+18.0%	+0.1
	OI margin	13.1%	14.3%				
Gas business in A&O	Revenue	102.0	106.0	12.3%	+4.0	+3.9%	
	Segment OI	8.9	10.2	10.6%	+1.3	+14.3%	
	OI margin	8.7%	9.6%				
Thermos business	Revenue	23.9	28.0	3.2%	+4.1	+16.8%	
	Segment OI	5.1	7.4	7.7%	+2.3	+43.2%	
	OI margin	21.6%	26.4%				
Adjustment	Revenue	0.2	-	-	-	-	
	Segment OI	-0.8	-1.1	-1.1%	-0.3	-	
Consolidated total	Revenue	818.2	865.0	100.0%	+46.8	+5.7%	-0.4
	Segment OI	87.2	96.0	100.0%	+8.8	+10.0%	+0.0
	OI margin	10.7%	11.1%				

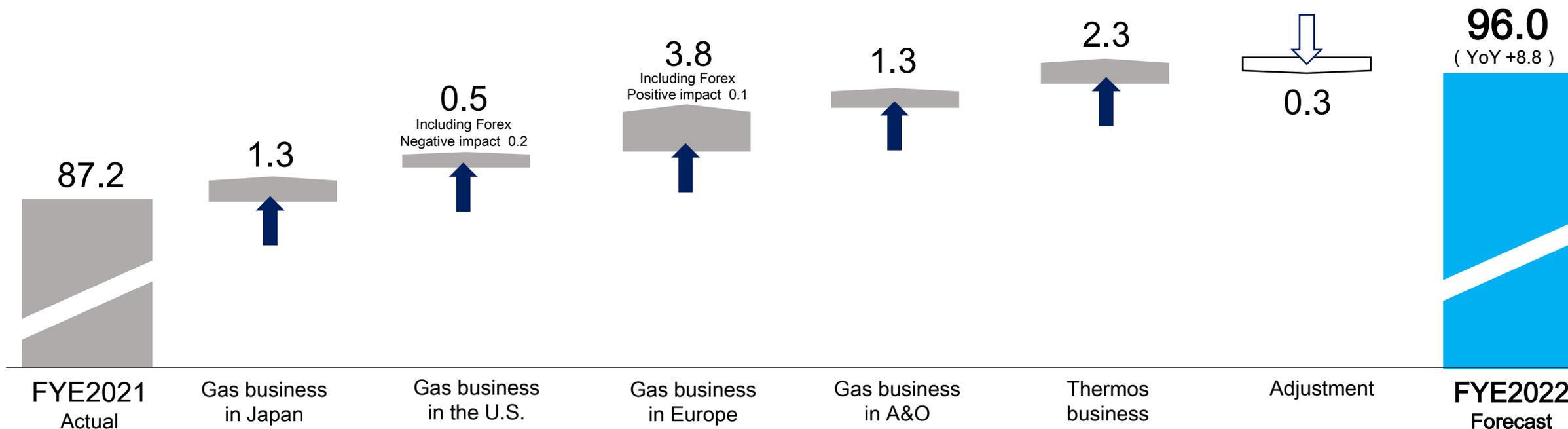
* Reclassified : As a result of the reclassification of segment classifications in FYE2022, figure for FYE2021 has been restated using the new segment aggregation standards.



Segment operating income (FYE2021 full-term forecast)

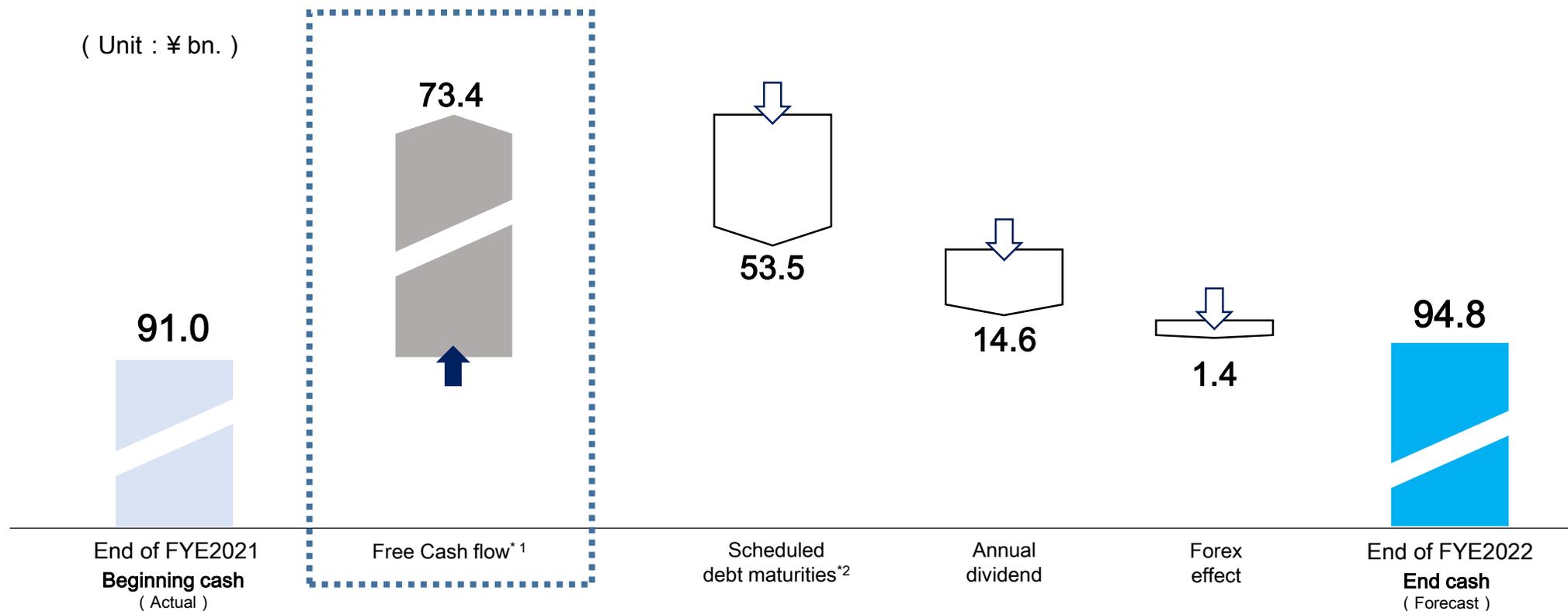
•The duration period for COVID-19 is difficult to predict, given the uncertainty of the vaccine rollout and administration of the immunization process. However, in the Industrial Gases, Electronics Businesses, and Thermos Businesses in each global region, we are adapting to the respective business environments to achieve strong growth. We will implement action plans, employ capital through investments and acquisition, and make it a year that will lead to the next medium-term management plan.

•IFRS Core Operating income forecast by segment (Unit : ¥ bn.)



Cash flow (FYE2022 full-term forecast)

Utilize strong and resilient cash flows to reduce debt, invest in the future, and provide shareholder dividends



*1 Free cash flow : Cash flows from operating activities + (Announced) Divesture Proceeds – CAPEX. Please refer to Appendix_P.26.

*2 Scheduled debt maturities : Indicates cash paid (including Repayments of lease obligations)

Capital allocation policy for FYE2022

We will generate cash through efficient operations, adapting to changes in the business environment, and initiating productivity and cost management actions. We will allocate capital to provide maximum value to our customers and shareholders, keeping in mind the balance of financial soundness, growth investment, and shareholder returns.

Financial soundness

Early decrease of leverage



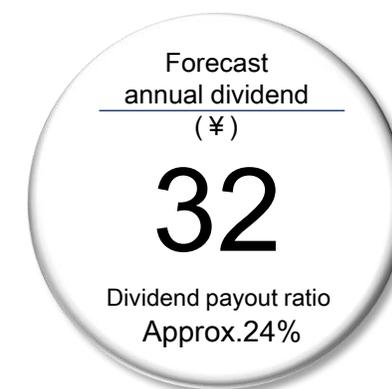
Growth investment

Investment for Growth driver



Shareholder Returns

Stable & business performance-linked



Business strategies to realize a Carbon neutral society

●Expected corporate value

In response to the global trend toward a Carbon neutral society

Contributing to the realization of Carbon neutrality by 2050

●Major issues for our group (areas in which our group is actively involved)

Greenhouse Gas (GHG) emissions generated by our business activities

- The majority of our Group's greenhouse gas emissions are accounted for by electricity consumed by industrial gas production facilities, including emissions from the transportation of vehicles supplied with bulk and packaged supplies.
- DX will be used to reduce power consumption and improve transport efficiency.

Shift power consumption to more renewable resources to become more Green*1

Efficiency improvement in production and logistics

GHG emissions generated by customers' manufacturing activities

- Customers' greenhouse gas emissions can be expected to contribute to control and reduction through the effective use of our gas utilization technologies and industrial gases.
- We can expect to use DX to solve customer problems and improve productivity with our gas utilization technology.

Further pursuit in Combustion efficiency

Promotion of initiatives in CCUS*2

Industrial Reform of Next-Generation Energy

In order to reduce greenhouse gas emissions from the use of existing energy sources such as coal, oil, and natural gas, there is a need to reform industries toward the spread of next-generation energy.

Global HyCO team is actively working on new initiatives and opportunities

Taking inventory regarding in-house carbon neutral related technologies

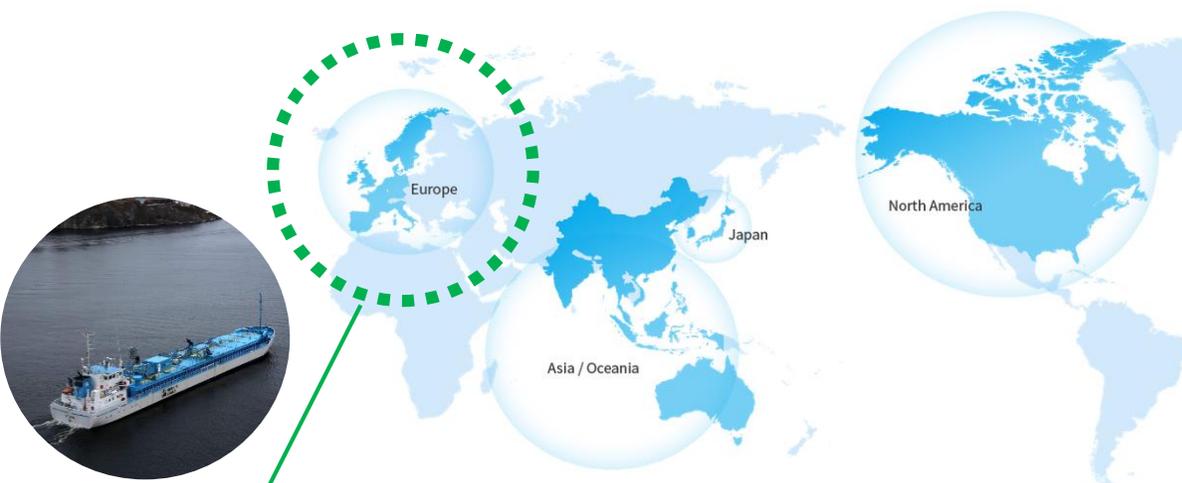
*1 more Green: A method to utilize a mechanism to trade the environmental added value of electricity generated by renewable energy through a review of contracts and a system in which a certificate issuing company obtains certification from a third-party certification organization, etc.

*2 CCUS : Carbon dioxide Capture, Utilization and Storage.

Business opportunities for realizing a Carbon neutral society

●Evaluation of business potential in each global region

Efforts to realize a carbon-free society are linked to industrial structure, economic policies such as governments and political and economic alliances in each country. Therefore, our business expectations differ in each global region.



European operating companies



In line with the European Green Deal, the European New Industrial Strategy, and the New Recycling-Oriented Economic Action Program *1, efforts and momentum to de-carbon in Europe are accelerating.

Our Group views this trend as a new opportunity, and has established a project to share the characteristics and strengths of each pole in this field with each other and pursue business possibilities.

For example, we are responding to the demands of society by combining technologies, knowledge, and experience within the Group to meet the needs of society, such as the possibility of further utilizing hydrogen, such as additives, fuels, and energy when making steel, and the need for proposals to solve carbon de-carbon issues at customers.

●Our group's solutions that we expect to contribute to a Carbon neutral society

Our Contribution Technology [Gas Application & Gas Engineering]

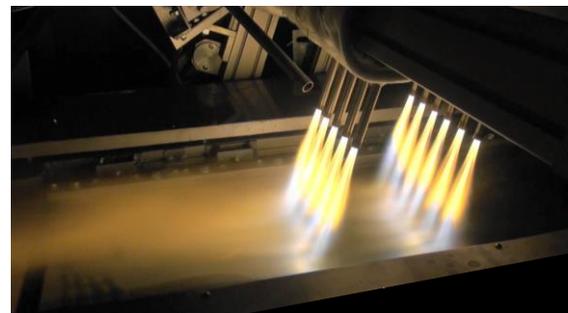
Joint project to develop renewable energy offshore H₂ production and supply infrastructure [in Japan]



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Ammonia(NH₃) mixture burner [in Japan]

Ammonia combustion technology contributes to CO₂ emission reduction in industrial furnaces



HyCO business (H₂ production and supply) [in the U.S.]



*1 (Reference) A European Green Deal (European Commission website) : https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

Source(in Japanese) : JETRO Outline of European Green Deal and Rules Formulation and Corporate Activities of the European Union and Member Countries Concerning Recycling-Oriented Plastics Strategies (March 2020)] <https://www.jetro.go.jp/world/reports/2020/01/a4731e6fb00a9859.html>

Closing remarks



Member of the Board,
Executive Vice President

Toshihiko Hamada

Q&A Session



Representative Director,
President CEO

Yujiro Ichihara



Member of the Board,
Executive Vice President

Toshihiko Hamada



Member of the Board,
Representative Director
and President of Taiyo
Nippon Sanso Corporation

Kenji Nagata



President, Thermos K.K.

Keiichiro Chujo



Executive Officer,
Group Corporate Planning
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Tsutomu Moroishi



Executive Officer,
Group Technological
Affairs & Environment
Office, and CSO

Takeshi Miki



Executive Officer,
Group Finance &
Accounting Office, and CFO

Alan Draper

The Gas Professionals

Appendix

Free cash flow and Debt situation

(Unit : ¥ bn.)	FYE2020	FYE2021	YoY		FYE2022	Forecast's YoY	
	full-term	full-term	Difference	% change	full-term forecast	Difference	% change
Income before income taxes	79.1	77.7	-1.4	-1.8%	86.0	+8.3	+10.7%
Depreciation and amortization	83.7	86.3	+2.6		87.0	+0.7	
Changes in working capital	3.1	0.5	-2.6		-4.8	-5.3	
Others	-16.0	-15.3	+0.7		-14.3	+1.0	
Cash flows from operating activities	150.0	149.2	-0.8	-0.6%	153.8	+4.6	+3.1%
Capital expenditures	-72.8	-60.0	+12.8		-77.3	-17.3	
Investments and loans	-0.5	-0.7	-0.2		-	-	
Others (asset sales, etc.)	10.7	1.1	-9.6		-3.0	-4.1	
Cash flows from investing activities	-62.6	-59.6	+3.0	-4.7%	-80.4	-20.8	+34.7%
Free cash flow	87.4	89.5	+2.1	+2.4%	73.4	-16.1	-18.0%
(Debt situation)							
Net interest-bearing liabilities	898.3	858.1	-40.2		785.8	-72.3 *	
(Of which, hybrid financing amount)	250.0	250.0	+0.0		250.0	+0.0	
Adjusted net D/E ratio	1.45	1.15	-0.30		1.01	-0.14	

* This amount includes a decrease of ¥17.5 bn. due to the effect of foreign currency translation.

Debt/Equity Ratio (Our finance soundness indicator)

Net D/E ratio

(General net D/E ratio)

End of FYE2021

1.67

$$\frac{\text{Net interest-bearing debt}}{\text{Total equity attributable to owners of parent}}$$

Adjusted net D/E ratio

(Our indicators that have been disclosed)

End of FYE2021

1.15

$$\frac{\text{Net interest-bearing debt} - \text{Equity-type debt}^*}{\text{Total equity attributable to owners of parent} + \text{Equity-type debt}^*}$$

Financial management net D/E ratio

(Our internal financial discipline indicator)

End of FYE2021

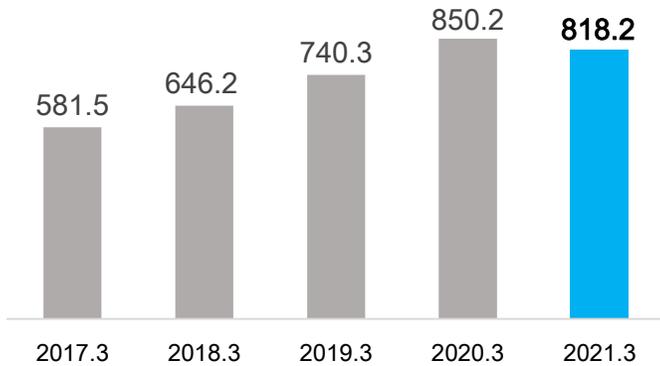
1.09

$$\frac{\text{Net interest-bearing debt} - \text{Lease obligations} - \text{Equity-type debt}^*}{\text{Total equity attributable to owners of parent} - \text{Other components of equity} + \text{Equity-type debt}^*}$$

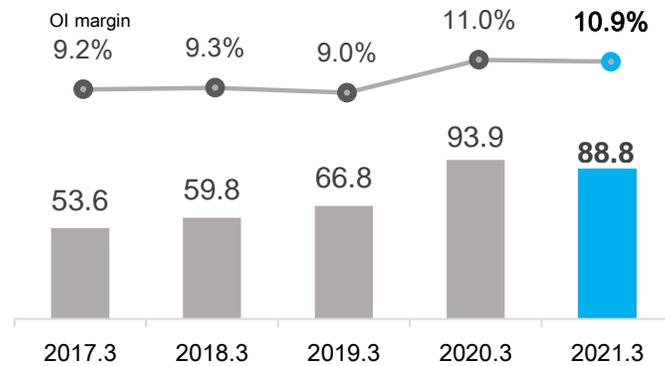
* Equity-type debt : Our internal name of amount which is 50% of the amount raised through hybrid financing (¥250 bn.) is accepted as "capital" by rating agencies.

Business performance over the past five years

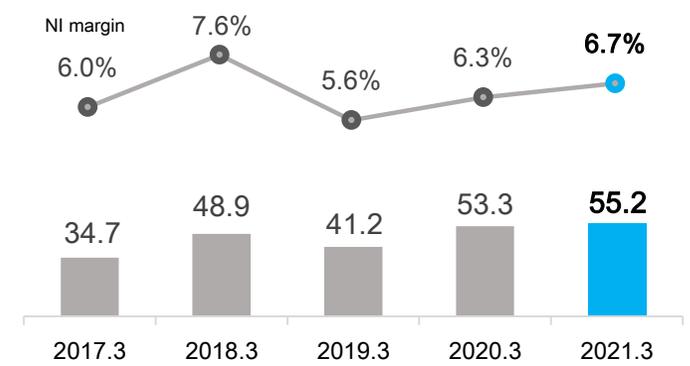
Revenue (¥ bn.)



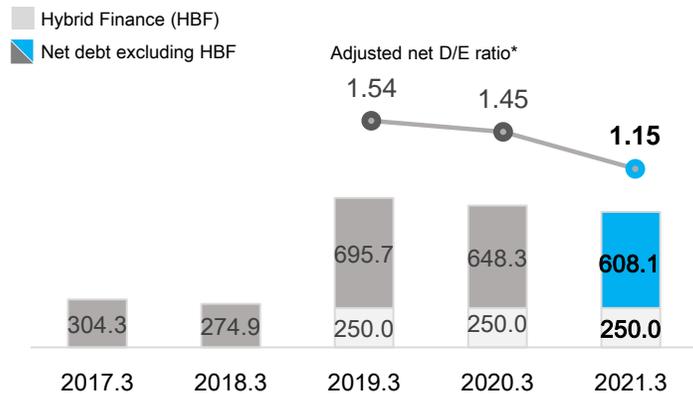
Operating income (IFRS) (¥ bn.)



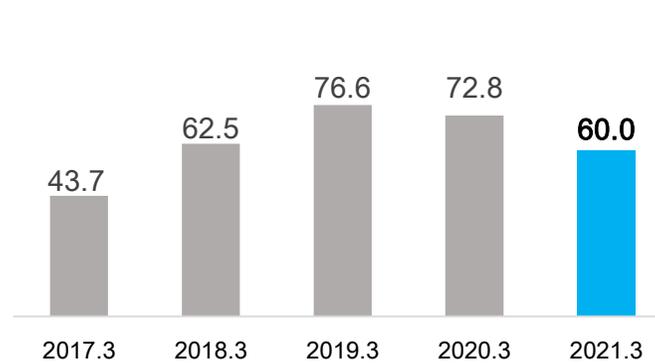
Profit attributable to owners of the parent (¥ bn.)



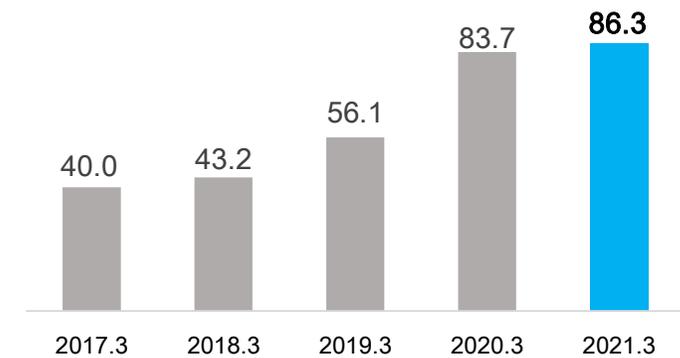
Net interest-bearing debts (¥ bn.)



Capital expenditures (¥ bn.)



Depreciation and amortization (¥ bn.)

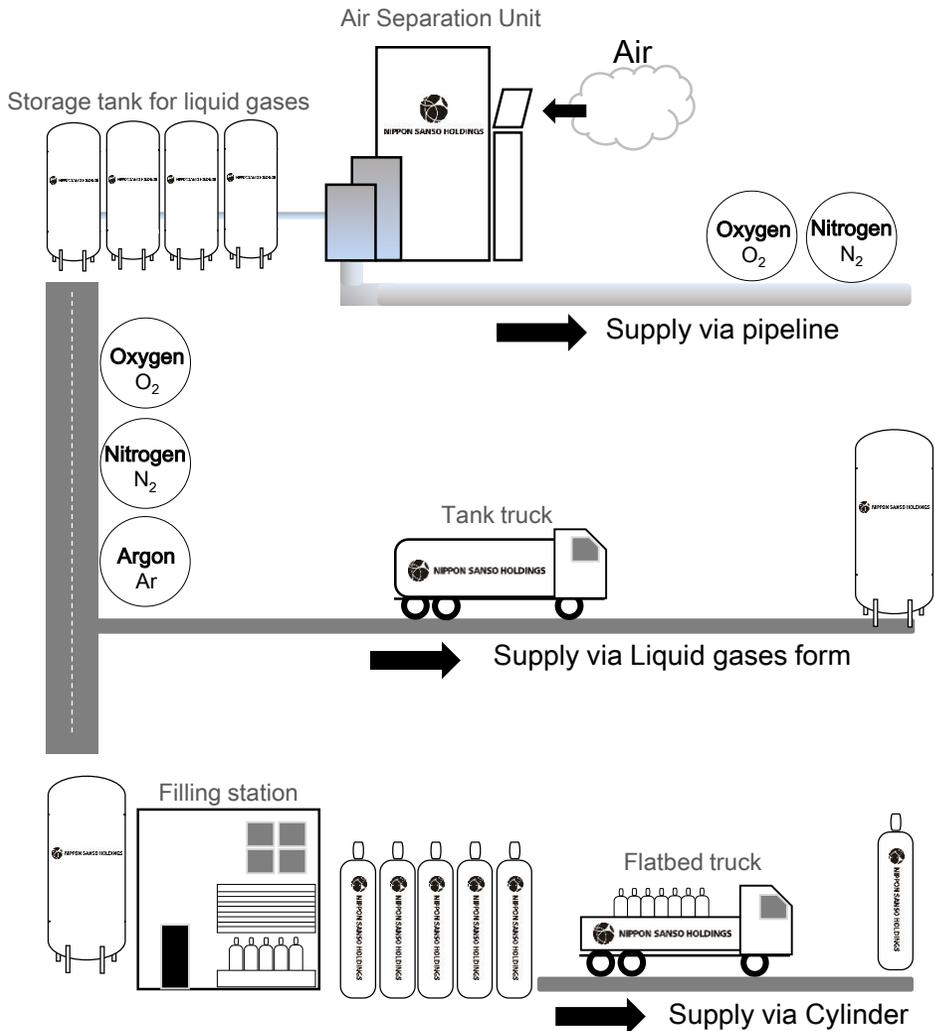


*Adjusted Net D/E Ratio: an indicator of safety (financial soundness) calculated in consideration of this part due to 50% of the amount raised by HBF is permitted as "Equity" by rating agencies.

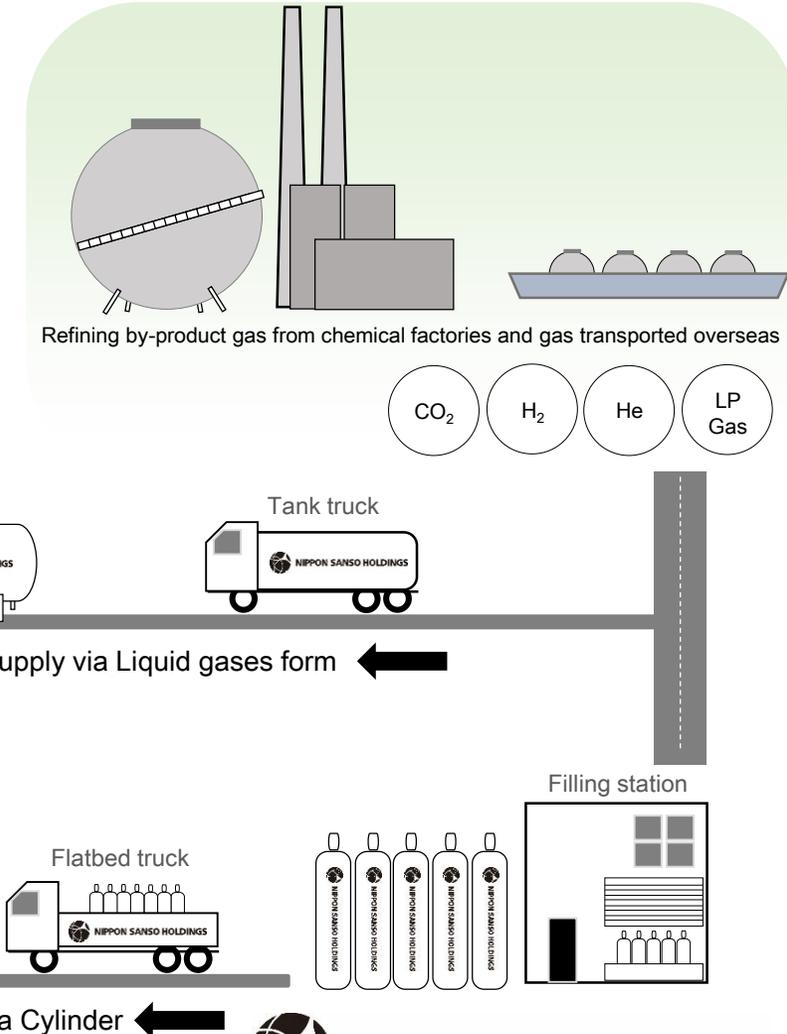
*It's recorded on a construction basis until FYE2019 and on a cash basis from FYE2020 onwards.

Representative Industrial Gases supply mode

Air Separation Gases



Other Gases



On-site

Major supply destination (Sector)

Steel Petrochemical Refinery

We've established production plants in the vicinity of the customer.
A form of direct connection and constant supply of pipes.
(Large-scale supply)

Bulk

Major supply destination (Sector)

**Automobile Shipbuilding Manufacturing
Construction Pharmaceutical Glass/Paper
machinery Medical Food/
LCP Solar cell beverage
Semiconductor**

We've installed a storage tank for liquefied gas in the customer's premises. A form of supply according to the method of use of gas.
(Medium-scale supply)

Packaged

Major supply destination (Sector)

**Homecare Advanced Sanitation
Engineering medicine Construction/
development R&D Installation**

We deliver filling containers (cylinders) to customers.
A form of supply according to the method of use of gas.
(Small-scale supply)



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Thermos delivers when it matters.

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Upcoming IR events

Annual Shareholder meeting June 18, 2021

Q1 FYE2022 Earnings Call July 30, 2021

www.nipponsanso-hd.co.jp/en/

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NIPPON SANSO HOLDINGS

The Gas Professionals

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