

Full-year Financial Results for Fiscal Year Ended March 31, 2021
Q&A Summary of Conference Call for Analysts and Institutional Investors

Date:	Wednesday, May 12, 2021 19:00 - 20:00 (Explanation: 30 minutes, Q&A: 30 minutes)
Format of the meeting:	Conference call
Presenters:	Masato Machida: Representative Director Executive Vice President, Corporate Management Officer Kikue Inoue : Executive Officer, Manager of Public & Investor Relations

■ **Industrial gas business**

Q: What factors are behind the operating profit of 20.9 billion yen, which surpassed the initially planned 19.9 billion yen by 1 billion yen?

A: The following three factors mainly contributed to the increase in operating profit over the plan:

- Increase in large engineering projects in the equipment and construction sector,
- Steady performance of the industrial gas business in India, and
- Recovery of on-site gas supply services associated with the resumed operation of some halted blast furnaces in the 4th quarter.

Q: Could you tell us more information about the industrial gas business's performance plan for the fiscal year ending March 31, 2022?

A: Although a state of emergency has been declared again, we expect that demand for the business as a whole will not decline as sharply as in the previous year.

We assume the economy will be fully recovered by the second half, when there will have been progress in vaccination.

The main positive factors impacting performance are:

- Increase in sales of tanker truck and cylinder gas supply services focusing on regional business companies,
- Increase in sales of nitrogen gas supply services for electronics applications, and continued strong sales of equipment,
- Increase in demand for carbon dioxide gas, and the improved supply-demand balance, and
- Recovery of on-site gas supply services for blast furnaces due to buoyant crude steel production.

On the other hand, negative factors influencing performance are:

- In the industrial gas business in India, there is an expected decrease in industrial demand in the merchant business, while demand for medical oxygen is expected to increase.
- The dissipation of the large engineering project recorded in the first half of the fiscal year ended March 31, 2021, and
- Increase in electricity costs.

Q: What percent of the industrial gas business is for electronics applications in both the results of the previous fiscal year and the projection for the current fiscal year?

A: Electronics applications-related results (including Group companies such as Nihon Dennetsu and Japan Pionics) are about 16% of the revenue and 20% of the operating profit of the entire industrial gas segment.

An increase in sales of nitrogen gas for electronics applications and continued strong sales of equipment are expected to contribute to profits and this is factored into the plan for the fiscal year ending March 31, 2022.

Q: I wanted to ask about the construction of large nitrogen gas supply facilities for semiconductor manufactures described on page 26 of the results presentation materials. Does this mean the facilities invested in during the preceding fiscal year, or new projects to be acquired?

A: Both.

We will construct additional gas plants in accordance with users' investments for the increase of production. If new semiconductor plants successively come online, related sectors such as special chemicals and equipment and construction will also expand.

■Industrial gas business in India

Q: What impact is the COVID-19 pandemic having on the industrial gas business in India?

A: We have increased the production of medical oxygen to 260 ton per day, 1.5 time the conventional volume, and continuing on-site supply services for steel manufacturers. Also, the gas for shipment to existing industrial users has been diverted for hospital use.

We believe this situation will continue for some time, so the impact on the merchant business is uncertain. We assume that the on-site supply services for blast furnaces will not be affected significantly.

Q: Are the earnings from the 1.5 times increase in the production of medical oxygen in India included in the current performance plan?

A: In the merchant business, it is expected that demand for medical oxygen will increase, while shipment for industrial use will be severely affected. The impact on profit and loss in the merchant business is now being investigated.

■ Agriculture and food products business

Q: Please tell us more information about the agriculture and food products business plan for the fiscal year ending March 31, 2022.

A: Mainly, we have assumed the following five positive factors affecting performance.

- Recovery of the demand for beverages,
- Increase in demand for products for home delivery and mail order, and recovery of demand for commercial-use products for hotels and restaurants in the ham/delicatessen business,
- Increase in sales of cooked and processed products in the farm products and food processing business,
- Recovery of sales of existing stores and opening of new stores in the fruit and vegetable retail business.

■ Other businesses

Q: Please tell us more information about the performance plan for the other businesses for the fiscal year ending March 31, 2022.

A: Major positive factors impacting performance will be the new woody biomass power plant that has begun operations and the recovery of high-power uninterrupted power supply systems (UPS). The latter is expected to begin recovering from the second half of the fiscal year in view of the situations in Asia and Europe.

The aerosol business has had robust orders for contract manufacturing of infection control products (hand sanitizers) since the previous year, and is likely to see the recovery of other businesses. At the same time, we assume that the information electronics materials business will maintain its steady sales for electronics applications.

■ **Performance plan for the fiscal year ending March 31, 2022**

Q: Comparing the plan for the second half of the fiscal year ending March 31, 2022 with that for the same period of the previous year, it is projected that revenue will increase by about 40.0 billion yen, and operating profit by about 1.0 billion yen. What are the factors behind these figures?

A: In the first half of the previous fiscal year ended March 31, 2021, the numbers of outpatients and operations decreased due to COVID-19, so the volume of services provided via SPD (Supply, Processing and Distribution management for hospitals) declined in the medical service business. We expect that these circumstances will improve as there is progress in vaccination in the current fiscal year, resulting in an increase in revenue. The performance plan reflects the fact that the profitability of the medical service business is not so high.

■ **Tax reform in India**

Q: Please tell us more information about the tax reform in India.

A: Around the end of the previous fiscal year, tax laws were reformed in India, and consequently, the amortization of goodwill is no longer permitted. This tax law applies retroactively from April 2020. The Company's subsidiary in India is continuing to consult with the audit firm in India regarding how this change should be addressed in the accounting.

There may be an impact of about 4.7 billion yen on profit and profit attributable to owners of the parent that, simply put, was calculated by multiplying the total amount of goodwill by the tax rate. Manual processing of the books is still necessary. It will not affect substantial businesses and cash flows, and so the amount of dividends will not be revised from the forecast.

End of Q&A summary