NIPPON SANSO

Nippon Sanso Holdings Corporation

INTEGRATED REPORT 2026

Evolving for the Future

By redoubling efforts to demonstrate the innovative mindset that is in our DNA and a core element of the Group Philosophy as well as to increase our technological capabilities, we will evolve into a corporate group that can precisely adapt to environmental changes and address the challenges of the future.

Launched in April 2026, our new medium-term management plan, Next Innovation 2030, encapsulates this goal with the slogan "Evolving for the Future." The plan's priority strategies are to Enhance the Profitability of the Industrial Gas Business, Accelerate the Expansion of the Electronics Business, and Create Future Growth Drivers. Accordingly, over the next four years we will steadily increase operating income and develop new growth drivers.

The Gas Professionals

Group Philosophy

Proactive. Innovative. Collaborative. Making life better through gas technology.

Group Vision

We aim to create social value through innovative gas solutions that increase industrial productivity, enhance human well-being and contribute to a more sustainable future.

History of Our Innovation

Evolution Driven by Innovation

A glance at our history reveals the critical role that innovation has always played in our development. Since its founding, the NSHD Group has anticipated emerging trends in society and gone beyond traditional boundaries to take on ambitious initiatives. Amid significant changes in market conditions and social issues, we have consistently focused on future demand and boldly created new value.

Founding

1935
Completed the first Japanese-built air separation unit

1960s
Entered the frozen food business

1970s
Began production of semi-conductor material gases (AsH_3, PH_3)

1978
Commercialized the world's first stainless steel vacuum-insulated bottle

1980s
Developed high-efficiency, high-purity nitrogen on-site plants that supported the semiconductor industry

1980s
Accelerated the overseas expansion of industrial gas operations from Japan

1983
Developed the world's first metal organic chemical vapor deposition (MOCVD) equipment for manufac-turing compound semi-conductors used in next-generation devices

2000s
Began manufacturing and supplying rare stable iso-topes as Japan's largest manufacturer of stable isotopes

NSHD's Innovative Mindset

What Is the NSHD Group's Innovative Mindset?

Yuya Ayako
Engineer (Process), Engineering Dept., Project Solution Management Div., Plant Engineering Center
Nippon Sanso Corporation

NEVER SETTLE
I strive to make today better than yesterday and tomorrow better than today by continually pursuing better ways of working.

Patricia Treviño
Digital Marketing
Nippon Sanso Matheson, Inc.

Innovation means having the curiosity to question how things have always been done and the determination to make them better.
To me, innovation isn't always about creating something entirely new—it's about continuously improving the way we work so we can better serve our customers, support our teams, and create lasting value.

Kazuma Tsuboi
R&D Unit, Yamanashi Technology Solution Center, Gas Application Technology Dept.
Nippon Sanso Corporation

Form broad hypotheses, test them thoroughly, and make incisive decisions
I believe in developing a broad range of bold hypotheses and then testing them thoroughly. I analyze the resulting data in depth and use my intuition and experience to make incisive decisions before moving on to the next stage of exploration.

Miku Takeda
Marketing Dept., Product Planning Section
THERMOS K.K.

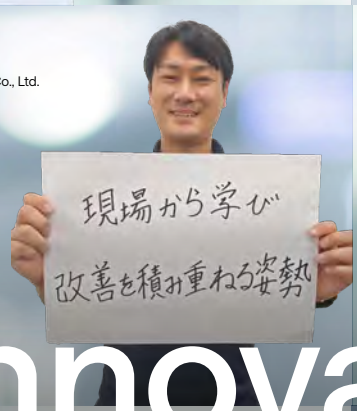
Never overlook even the smallest dissatisfaction

Lisa, Toon Hui Teng
Corporate Planning
Nippon Sanso Singapore Ltd.

Open to Change, Turning Ideas into Action.
An innovative mindset means embracing new ideas, adapting to change, and transforming practical ideas into meaningful actions that improve processes, solve problems, and create value for the organization.

Munehiro Ishida
Production Engineering
Thermos (China) Housewares Co., Ltd.

Learn from the front lines and pursue continuous improvement
I value new discoveries and insights gained on the production floor and use them to steadily drive improvements.

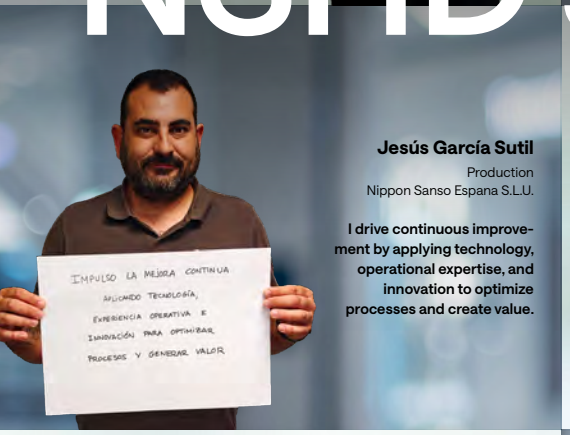


Martina Piccolo
Digitalization
Nippon Sanso Euro-Holding, S.L.U.

Change the perspective, create opportunities.

Juan Carlos Carrillo Sevilla
Marketing
Nippon Sanso Espana S.L.U.

You must be curious and try new things.
It has never been easier to perform the same tasks with new tools. We must be willing to invest time in trying, making mistakes, correcting them, and improving.



Jesús García Sutil
Production
Nippon Sanso Espana S.L.U.

I drive continuous improvement by applying technology, operational expertise, and innovation to optimize processes and create value.

Yuzuki Watanabe
Corporate Planning
Group Corporate Management Office
Nippon Sanso Holdings Corporation

Turning change into an opportunity for growth
I want to embrace change and turn the challenges of a global environment and uncharted territory into opportunities for growth.

Jae Kim
Electronics Initiatives
Nippon Sanso Matheson Korea, Co., Ltd.

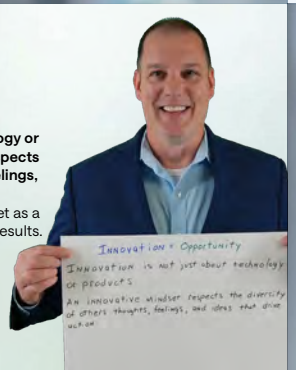
Challenge the status quo: start with "Why?", execute with "What if?"
An innovative mindset turns curiosity into action: questioning today with "why" and shaping tomorrow with "what if."

Sachiko Abe
Innovation Unit, Stable Isotope Div., Sales & Marketing Dept.
Nippon Sanso Corporation

Discover unseen possibilities and shape the future through co-creation
New possibilities emerge when different technologies, businesses, and people come together. I aim to create value that will shape the future through co-creation that brings together diverse knowledge and expertise.

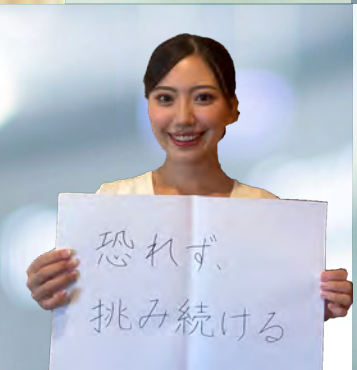
Ron Kastawa
Learning and Development
Nippon Sanso Matheson, Inc.

Innovation = Opportunity
Innovation is not just about technology or products. An innovative mindset respects the diversity of others' thoughts, feelings, and ideas that drive action.
Having a collective innovative mindset as a team accelerates performance and results. One sheet of paper is ripped easily, many stacked together cannot be torn. Listening and asking many questions to understand perspectives is a great start.



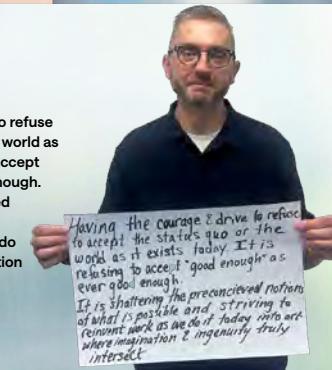
Aika Mine
Innovation Unit, Innovation Div., Sales & Marketing Dept., R&D Product Group
Nippon Sanso Corporation

Never fear—keep taking on challenges
I enjoy tackling anything and connecting that effort to value, together as a team.



Brian M. Smith
eCommerce
Nippon Sanso Matheson, Inc.

Having the courage and drive to refuse to accept the status quo or the world as it exists today. It is refusing to accept "good enough" as ever good enough. It is shattering the preconceived notions of what is possible and striving to reinvent work as we do it today into art where imagination and ingenuity truly intersect.



Mathew Jacob
Packaged Gas Operations
Nippon Sanso Matheson, Inc.

An innovative mindset means to view every challenge as an opportunity to find a more creative solution without any fear of failure.

Introduction to the Integrated Report

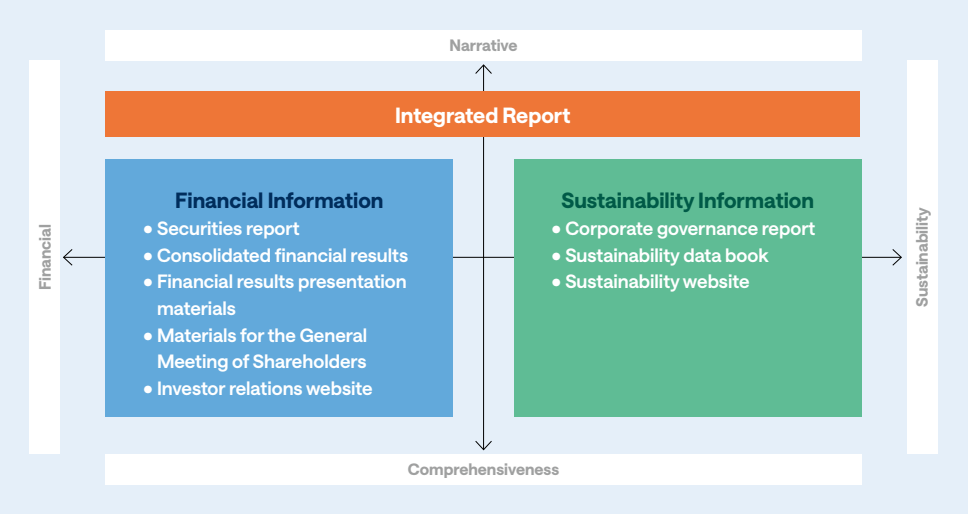
Koichiro Kubo
Executive Officer
Group Finance and Accounting Office, and CFO

Thank you for reading the Nippon Sanso Holdings integrated report. We have prepared this report with the aim of clearly communicating our past and present with all stakeholders—specially the value we have created since our founding—as well as our future, namely our potential to continue creating value going forward.

The 2026 integrated report presents the growth story that we are realizing under the leadership of our new President CEO. In telling this story, we focus on key strategies outlined in the medium-term management plan Next Innovation 2030, which began in April 2026, as well as initiatives aimed at evolving our management foundation to support these strategies. In addition, to clarify how the strategies and initiatives enhance our corporate value, we have begun including a corporate value calculation formula in our explanations.

We hope this integrated report will serve as a communication tool that further deepens dialogue with our stakeholders and enables us to create value together.

Disclosure System



Feedback on Last Year's Report and Features Incorporated into the 2026 Integrated Report as a Consequence

Based on feedback received through meetings with eight institutional investors following the release of last year's report, we have added the following features to the 2026 integrated report.

Understanding how the Group's strategies and initiatives will increase corporate value is challenging.

We have used a corporate value calculation formula to clearly explain the connection between our strategies and initiatives and the enhancement of corporate value. ▶P.06

Giving the reader a greater understanding and a more concrete sense of the Group's businesses would be helpful.

With reference to the Integrated Reporting Framework, we have prepared a value creation model that is based on the information presented in our medium-term management plan.

Further, to give a better sense of our innovative mindset—the source of our value—we have included a section featuring comments from 16 Group employees on what the innovative mindset means to them.

Editorial Policy

Publication
September 2026

Reporting Boundary
Reporting organizations: Nippon Sanso Holdings Corporation and its Group companies
Reporting period: From April 1, 2025, to March 31, 2026
(Certain details on activities after March 2026 included)

Expression Standard
- Formal names (e.g., Nippon Sanso Holdings Corporation): Used primarily in the formal titles of corporate officers, executive officers, and employees
- Truncated formal names (e.g., Nippon Sanso Holdings): In principle, used as the basic way of expressing company names
- Acronyms (e.g., NSHD): Used as a simple expression to allow the reader to identify a particular company in the context (e.g., in dialogue)
- Generic expressions (e.g., the Company, the Group): Capitalized to describe Nippon Sanso Holdings Corporation or the Nippon Sanso Holdings Group, and used with lowercase (e.g., the company, the group) when describing segment operating companies

Guidelines Referenced
Integrated Reporting Framework, IFRS Foundation
Guidance for Collaborative Value Creation, the Ministry of Economy, Trade and Industry

Forward-Looking Statements
Forward-looking statements about the NSHD Group's plans, strategies, and performance included in this integrated report are based on judgments made using information currently available to the Group. Actual results may differ due to a range of factors, such as the economic environment and market trends.

Corporate Value Calculation Formula

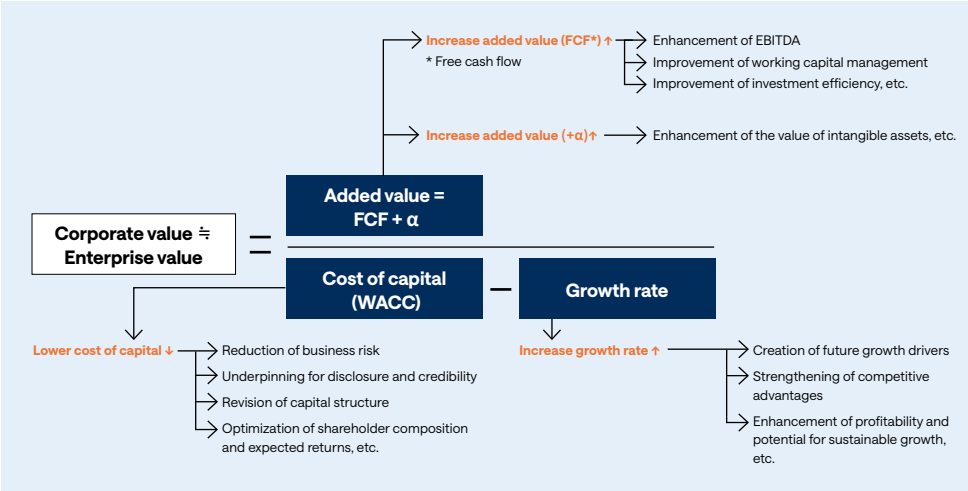
Introduction of the Corporate Value Calculation Formula

To clearly illustrate how our strategies and initiatives contribute to enhancing corporate value, we introduced a corporate value calculation formula.

In developing this formula, discussions were held under the leadership of the CFO, who heads the Integrated Report Production Committee, based on a logic tree he prepared. These discussions focused on the following questions.

(1) What are the components of the corporate value calculation formula?

(2) How do the Group's strategies and initiatives affect, or how are they expected to affect, these components?



Discussion Results

(1) Our definition of the corporate value calculation formula: Enhancement of corporate value = Maximization of value added ÷ (Reduction of cost of capital − Improvement of growth rate)

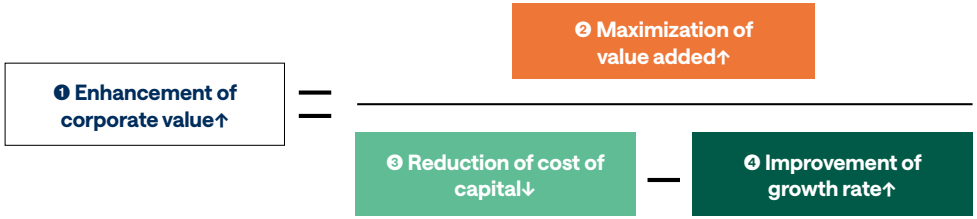
Note: In the discounted cash flow method, which is the basis of corporate valuation, corporate value is considered to be the present value of future cash flows. Further, assuming that a company grows stably over the long term, using the Gordon Growth Model this relationship can be expressed as corporate value = cash flows ÷ (cost of capital − growth rate). We have focused on value added, which is the source of cash flows, and established the formula corporate value = value added ÷ (cost of capital − growth rate). This formula reflects our belief that three factors are critical for enhancing corporate value: (1) increasing value added, (2) reducing the cost of capital, and (3) increasing the sustainable growth rate.

(2) Because individual strategies and initiatives often influence multiple components of the corporate value calculation formula, we use a barometer-style presentation to illustrate their impact on each component. Impact levels were determined through interviews with the managers responsible for each strategy and initiative.

Reading the Barometer

Impact: High	Impact: Medium	Impact: Low
3	2	1

Corporate Value Calculation Formula



❶ Enhancement of corporate value↑

We define corporate value as the sum of financial value, such as market capitalization, and non-financial value that may be reflected in financial value in the future, including human capital, technology development capabilities, and brand value. We believe that working toward the realization of the calculation formula's components will enhance corporate value.

❷ Maximization of value added↑

"Maximization of value added" means not only enhancing profitability through business activities but also strengthening the foundation of sustained value creation by optimizing the business portfolio, improving capital efficiency and working capital management, and enhancing non-financial value and the management base.

❸ Reduction of cost of capital↓

"Reduction of cost of capital" refers to the establishment of financial and non-financial structures that enable the Group's sustainable value creation, while reducing perceived risk and enhancing trust in the Group through transparent disclosure.

❹ Improvement of growth rate↑

"Improvement of growth rate" signifies the achievement of sustainable value creation by strengthening existing businesses, developing businesses in new fields, and creating future growth drivers.

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50	10 Sustainability Programs			
54	TCFD Reporting	1	3	1
55	TNFD Reporting	1	3	1
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57	Valuing People (Human Rights Initiatives)	1	3	1
58	Creation of Human Capital Value	2	3	2
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Note: As the degree of impact on the corporate value calculation formula differs by program, details of the 10 sustainability programs are provided on the relevant pages of this report.

Evolution of the Management Foundation

		Maximization of value added	Reduction of cost of capital	Improvement of growth rate
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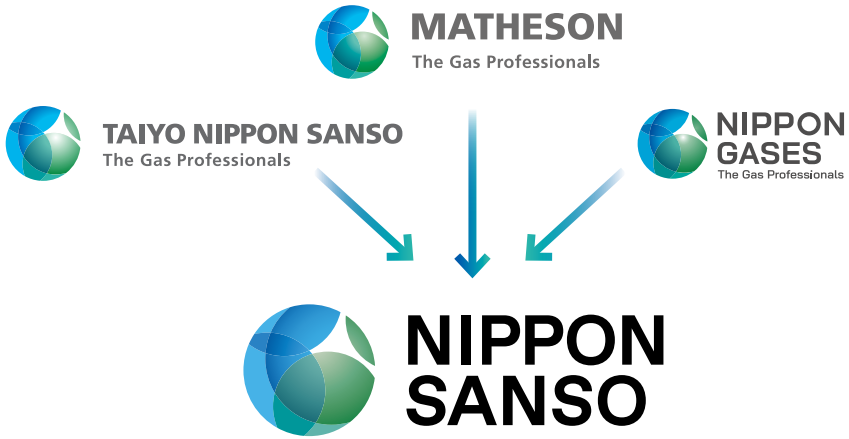
Branding

The Start of "Nippon Sanso"

**No one owns the air.
But the imagination it takes to turn air
into value can help shape an era.**

**Rooted in that invisible resource,
we have supported industry, made people's lives
more safe and secure, and opened paths
toward a future we create together.
Our story began with air, but supplying
industrial gases has just been one part of it.**

**At its heart, it has been a story of finding value
in what no one can see.
That has always been our mission—
and it remains our mission today.**



Having grown through M&A and business expansion, the NSHD Group operates in more than 30 countries and regions and has established a global position as the world's fourth-largest industrial gas supplier. As our business scale and geographic reach continue to expand, our brand has become one of the Group's important management foundations. While leveraging the strengths cultivated in each region and operating company, it is increasingly important that we communicate consistent value and messaging as a group.

With the unification under the Nippon Sanso brand as a catalyst, we will further promote the sharing of our Group Philosophy and Vision, bring together the strengths of each region and operating company, and deliver consistent value and messaging to stakeholders around the world.

By strengthening our brand as an important intangible asset of the Group, we will raise recognition and trust and reinforce our competitiveness, thereby contributing to the sustainable enhancement of corporate value.

01.

This section tells our growth story by including messages from senior executives, an explanation of our distinctive value creation model, an overview of businesses, and a summary of the new medium-term management plan, Next Innovation 2030.

Value Creation Roadmap

CEO Message

As the new President CEO, I am determined to use the launch of our latest medium-term management plan as an opportunity to instill a "Proactive. Innovative. Collaborative." mindset in all Group employees and thereby unlock the full power of the Nippon Sanso brand.

Tadaharu Watanabe
President CEO

Value Creation Roadmap

CEO Message

The Essence of a Company Built to Last

To implement the new medium-term management plan, we need a shared mindset.

About 30 years ago, I read *Built to Last: Successful Habits of Visionary Companies*, written by the American business consultant Jim Collins. This well-known book affected me profoundly. In summary, it focuses on the fact that some century-old companies still have a strong presence today, while others are shadows of their former selves. Through case studies taken from a range of industries, the book analyzes the essence of companies that maintain a strong presence over the long term.

Now that I have become President CEO of Nippon Sanso Holdings Corporation, I find myself reflecting on the emphasis the book places on the significance of a company's core ideology. The book points out that century-old companies—which have generally survived by overcoming at least two, and in some cases three, waves of change—are, without exception, characterized by unique core ideologies that permeate every aspect of their organizations.

The NSHD Group Philosophy is "Proactive. Innovative. Collaborative. Making life better through gas technology." On a daily basis, I feel that Group employees exhibit a very innovative mindset. On the other hand, whether our philosophy has truly been internalized by all employees in the four global regions of Japan, the United States, Europe, and Asia and Oceania was the subject of numerous discussions when we were formulating the new medium-term management plan, Next Innovation 2030. Another component of our core ideology that requires similar examination is our Group Vision, which calls on us to "enhance human well-being and contribute to a more sustainable future."

The Group generates approximately 70% of operating income overseas. Our M&A activity is also primarily conducted outside Japan. Therefore, we must create an environment where new colleagues with different nationalities and backgrounds understand the Group Philosophy and incorporate it into their day-to-day decision-making. However, as one might expect, our philosophy and vision cannot be instilled in employees overnight.

This is why I intend to visit as many operating companies as possible to further align their plans with the new medium-term management plan. At the same time, I will endeavor to further understanding of our "Proactive. Innovative. Collaborative." corporate philosophy. I believe that the most important factor in executing the new plan is whether we can foster a shared mindset. In fact, I have just completed visits to several countries, including Vietnam, Thailand, and South Korea, where I finalized alignment of plans with senior executives. In the industrial gases field, we have competitive advantages in certain regions and market segments, allowing us to capture a certain amount of demand from existing customers. However, a "Proactive. Innovative. Collaborative." mindset is crucial for the acquisition of new customers, the development of new applications, forays into new business fields, and the improvement of operational efficiency. If the NSHD Group is to continue growing into the future, it must instill this corporate philosophy in the senior executives and employees of all Group companies.

In 1910, the Group was founded, making it a century-old corporate group of the kind analyzed by Collins. Although we have been the market leader in Japan's industrial gases field since our foundation, 100 years ago the competition was still very close, with many strong companies vying for dominance. We prevailed in that competitive environment and have since become the leading industrial gases manufacturer in Japan and the fourth-largest in the world. I believe this success is attributable to our predecessors, who from the earliest days took on ambitious initiatives such as forays into overseas markets and participation in the electronics field. By inheriting and continuing this enterprising spirit, the Group has built its current position and laid the foundation for business growth.

In this sense, while having a talented workforce is certainly an important precondition, I believe that a company can only align employees' efforts toward a shared goal and realize the power of an entire organization when a corporate philosophy and vision have become deeply ingrained within it. The best outcomes are achieved when the efforts of individual employees to hone their skills align with a company's goals and interests. Companies that can create such an environment prosper and continue to grow over the long term.

The Purpose of Branding Initiatives

Our primary objective is to ensure that every employee thoroughly understands our philosophy and vision.

In the new medium-term management plan, we have set out a commitment to the full-fledged advancement of branding. In Japan, securing the best talent is becoming increasingly difficult. One factor contributing to this difficulty was a lack of consistency in the use of "Nippon Sanso" and "Taiyo Nippon Sanso" in Group company names. Therefore, we decided to step up branding efforts to clearly show that NSHD and its subsidiaries all belong to the same group.

NIPPON SANSO

Unifying company names globally under the Nippon Sanso brand

For example, amid numerous M&A conducted around the world, companies acquired by Matheson in the United States adopted the Matheson name. Consequently, some employees may even have been unaware of the existence of NSHD. Additionally, since it was established through a spin-off from Praxair, Inc., our European business wanted to underscore that it is part of a large corporate group to help the business compete with gas majors. Similarly, Asian Group companies had long expressed a desire to incorporate the Nippon Sanso brand. Given the significant growth our global business has achieved, we decided that this is an opportune moment to strengthen our branding. The primary goal of our branding initiative is to ensure that every single employee fully understands our philosophy and vision. The promotion of employee well-being and the enhancement of engagement between employees and the Group will further increase labor productivity and corporate value. Meanwhile, another goal of our branding efforts is to ensure that external stakeholders have an accurate understanding of NSHD as a company.

The Group's current ranking as the world's fourth-largest

Value Creation Roadmap

CEO Message

industrial gases manufacturer means that those unfamiliar with the industrial gases industry are likely to be unaware of the Group's existence. Therefore, our priority is to make our existence better known. Beyond that, we want stakeholders to be impressed by the fact that, in addition to our global market position, we possess outstanding technologies and solutions in specific fields such as electronics.

In 2025, I met a senior executive responsible for the supply chain operations of a major European semiconductor company who was unaware that the Group has particular competence in the electronics field and is able to provide semiconductor equipment installation services and semiconductor material gases. Under these circumstances, such companies are of course unlikely to reach out to us for help. However, if awareness spreads that Nippon Sanso has definite strengths in this field, we are more likely to be approached by customers with whom we have had no prior contact. I believe that greater market awareness of our name and unique characteristics and strengths will lead to a steady increase in business opportunities.

The Vision Behind the New Plan

Looking ahead to where we want to be in 10 years, we have incorporated the actions needed to get there.

I would now like to focus on the NSHD Group's current position and discuss the vision behind our new medium-term management plan, Next Innovation 2030, which was launched in FYE2027.

I expect the market for our core industrial gas business to continue growing as long as there are no major structural changes in the industry. If the Group's businesses catering to traditional customers in the electronics, medical, and steel industries grow, the Group is likely to achieve steady growth. While this is the overall picture, there will be variations in performance depending on the region and market segment as well as annual fluctuations due to the economic environment.

Despite the aforementioned stability, we must always maintain a sense of urgency and an innovative mindset. Finding the best ways to foster these attributes is a major task. The mindsets of employees vary by region. Nonetheless, without rushing, I want to advance sustained, long-term measures aimed at transforming mindsets in line with our corporate philosophy.

Further, I have very high expectations for digital transformation (DX) and AI as well as new robotics technologies that incorporate them. During the previous medium-term management plan, we were able

01 Enhance the Profitability of the Industrial Gas Business

02 Accelerate the Expansion of the Electronics Business

03 Create Future Growth Drivers

Three Key Strategies

&

Evolution of the Management Foundation

Key Themes

Human Capital Value Creation | Branding | Sustainability | DX | Engineering | Technology & Business Development

Medium-Term Management Plan "Next Innovation 2030"

Value Creation Roadmap

CEO Message

to significantly improve profitability through price management and Operational Excellence. While we will continue to strengthen these initiatives during the new plan, we will also promote the use of DX, AI, and robotics as measures to further improve profit. The need to prepare for such changes is at the core of the thinking that led to the formulation of the new plan.

Innovation does not yield immediate results. This is precisely why we looked ahead to where we want to be in 10 years and incorporated the actions needed to get there into the new plan. We are likely to begin seeing the significant benefits of these actions during the next medium-term management plan.

At present, industrial gas-related businesses account for just under 80% of the Group's total revenue. We envision having a business portfolio 10 years from now in which new business fields based on the application of gas technologies account for about a quarter of our revenue.

In addition to the electronics business, we have a range of businesses that can grow revenue, such as 3D printing, biotechnology, and stable isotopes. While they may not seem particularly large, these businesses are new growth drivers rooted in industrial gases, and we have high expectations for their future revenue potential. For example, if the combined revenue from the electronics business and new businesses reaches ¥450 billion, this is by no means a small amount. If it can eventually achieve this level, the Group will be able to steadily realize not only growth in the industrial gas business but also additional growth. In fact, the innovation strategy and electronics strategy set out in the new plan include numerous initiatives focused on future growth.

A metal binder jetting 3D printer

Water-^{18}O (Water-^{18}O stable isotope)

I have been involved in new businesses and innovation for nearly 20 years. My primary responsibilities were product development, marketing, and business development. Going forward, NSHD will need to identify which businesses it can effectively introduce throughout the Group. Making such judgments aligns closely with the roles I have played in the past. This experience will enable me to lead and take an innovative approach to the analysis and advancement of diverse proposals.

The Benefits of a Center of Excellence

Stronger collaboration within the Group is essential not only for the achievement of the medium-term management plan but also for sustained growth.

Compared with businesses in other industries, the industrial gas business enjoys stable demand and revenue. If capital investment establishes a client base in a region, the risk of a sudden downturn in the business is relatively low.

However, this merely describes the present situation. Given the unpredictability of international affairs and the various potential risks that exist, I believe that the current stability of our cash flows makes this an optimal time to build a business portfolio resilient to future environmental changes. In other words, we should leverage industrial gas technologies to foster numerous future growth drivers.

In addition to such strategies, NSHD will be actively involved in technologies and products that require global rollouts, including those of the electronics business. Through the Center of Excellence (CoE), NSHD will collaborate with operating companies to expand businesses.

The CoE is a management model designed to fully capitalize on the strengths of the Group's operating companies. The basic idea is that, rather than centralizing all functions at the head office, we will allow operating companies with specific competence to lead certain projects as this is likely to generate greater value. These activities will encourage active interaction among Group companies, which will ultimately accelerate collaborative innovation within the Group—without having to expand the head office—and elevate our development to the next level. We also expect this initiative to strengthen our global capabilities and further advance the realization of our corporate philosophy.

Although we will no doubt encounter unexpected issues along the way, I believe that this ambitious initiative is well worth undertaking and that we can successfully get it on track by working in unison with management teams. With this in mind, we must maintain close communication with the leaders of operating companies and implement the CoE model while ensuring proper monitoring.

Advancing the sharing of the best operational practices

The Promotion of DX and AI, Trial and Error

I want to begin creating projects now that have the potential to become highly profitable during the next plan.

In today's unpredictable times, flexibility is essential. According to Charles Darwin, species that adapt flexibly to environmental changes survive natural selection. This concept resonates deeply with me, and I believe it applies equally to corporate management.

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Prime examples of such environmental changes include the acceleration of DX and the rapid advancement of AI. Naturally, we are closely monitoring these trends. The Group has launched various initiatives to explore potential applications for DX and AI. Personally, whenever I find the time, I exchange views with experts in these fields and attend lectures on them. If, by any chance, we were to fall significantly behind other companies in the advancement of DX or the utilization of AI, such delays in adaptation could threaten our existence, rather than just result in missed opportunities. That is why I want our initiatives to produce concrete benefits as soon as possible and to ensure they become thoroughly integrated into our operations.

While advances in AI have made tasks such as preparing documents and meeting minutes much more efficient, I feel that we have yet to find a clear answer as to exactly where and how to utilize AI so that it significantly affects our revenue. In line with the new plan, I intend to actively tackle this area by adopting a trial and error approach as I work with the Chief Information Officer (CIO).

Of course, our use of this approach will not be limited to DX and AI. The new medium-term management plan states that our intention is to "promote trial and error (business experimentation)." Our policy is to actively take on any challenge as long as the quality of the project is assured. Further, whenever an operating company in one of the four global regions produces a model initiative, we intend to introduce it Groupwide. NSHD is ready to support our operating companies in their introduction and advancement of such initiatives because projects with a low probability of success can be costly for an individual operating company.

It is important to create projects that have the potential to become highly profitable in five years, during the next medium-term management plan, even if the projects are small in scale. Naturally, there are many unknowns, but nothing ever begins unless we take on challenges.

By encouraging as many employees as possible to participate in these projects, take on challenges, and experience small successes, we will gradually increase our entire organization's capacity for innovation. Even if the business environment changes in the future, I am confident that our businesses will become more stable not only through pricing measures that pass on cost increases to sales prices and Operational Excellence initiatives but also through improvements in operational and production efficiency enabled by DX and AI and through the development of a broad business portfolio centered on industrial gases.

President CEO Tadaharu Watanabe at the graduation ceremony for an MBA he earned in the United States during a posting to the former Matheson Tri-Gas

The Development of Global Talent

The entire Group will transform into a place where diverse personnel can work dynamically.

Looking back on my own career, I spent approximately 70% of my first 20 years with the Group working overseas and gaining practical experience. This aspect of my career is likely both a strength and a weakness. I was assigned to positions in the United States twice and worked for about 15 years at the former Matheson Tri-Gas, Inc., which is now Nippon Sanso Matheson, Inc. The United States is known for being a melting pot. Encountering people from various cultural backgrounds made me acutely aware that everyone's way of thinking is completely different.

For example, in Japan, the phrase "different from others" tends to have negative connotations. In the United States, however, being different from others is often viewed positively and taken to mean that a person is unique. Further, quality control standards that would be unacceptable in Japan are sometimes considered acceptable overseas. Encountering such differences in values was a very useful learning experience for me.

In my view, "global talent" refers to people whose performance of day-to-day work is informed by a profound understanding of diverse values and cultural differences. Without such an

understanding, proceeding with in-depth work would be challenging, no matter how fluent one was in a foreign language.

Through M&A and other initiatives, people from various countries and regions have become part of the Group. We are a diverse, global corporate group that has fostered a culture of mutual respect for the autonomy and culture of others. I believe Japanese employees about to be assigned overseas as well as employees leaving their home countries to work in Japan or elsewhere must understand the profound significance of working in different cultures.

Under the new medium-term management plan, we aim to realize the creation of human capital value by establishing an environment where diverse personnel are empowered and promoted. With a vision to foster the next generation of executives, we will advance programs that develop human resources through measures such as the overseas assignment of personnel. However, I am also of the opinion that there is a balance between the supply and demand for personnel. In other words, we can share respective strengths by exchanging personnel between regions and operating companies that have strengths and those that require them.

In the past, the Group's operating company in Japan, Taiyo Nippon Sanso Corporation, now Nippon Sanso Corporation, posted a significant number of employees to overseas operating companies to support businesses or receive training. Beginning from FYE2027, however, we will send multiple employees from Europe to South Korea with the aim of facilitating the expansion of the European electronics business. Working at another Group operating company for a certain period enables personnel not only to acquire the host company's know-how but, also to share and embed the know-how of their home company and themselves within the host company.

Until now, the Group has transferred technologies and expertise related to gas applications and electronics from Japan to the other global regions. By broadening the scope of such activities to encompass expertise in diverse areas, including public relations, accounting, and other back-office functions, the entire Group will transform into a place where diverse personnel can work dynamically. In other words, we will create an environment that naturally fosters global talent. Moreover, the CoE, which we are advancing in line with the new management plan, is a form of globalization through business operations and a measure directly linked to the development of global talent.

The Position of the Thermos Business and Our Relationship with Mitsubishi Chemical Group

Our policy for the immediate future is to provide Thermos with the support that it needs to become an independent, self-reliant business.

Investors often ask about the significance of retaining the Thermos business within the Group and the relationship of the Group with its parent company, Mitsubishi Chemical Group Corporation. I would therefore like to address these questions.

The Thermos business was founded on a technology-driven concept: the application of the Group's core vacuum technology to create unbreakable vacuum-insulated bottles. The establishment of the business was part of our history of applying technologies fostered over many years to new markets. As it is a successful example of this approach, the Thermos business symbolizes the Group's innovative initiatives.

While very well known in Japan, the THERMOS brand has weak links with the Nippon Sanso brand, meaning there is an issue with respect to the utilization of the THERMOS brand. With this in mind, we will examine brand strategies that utilize the brand recognition of Thermos. Overseas, we cannot leverage the brand to the same extent as in Japan because awareness of the THERMOS brand varies significantly by country. Nonetheless, there may be scope for active utilization of the brand in the Japanese market.

From a long-term perspective, however, the NSHD Group must analyze whether it can continue to be the best owner for the Thermos business. Our policy for the immediate future is to provide Thermos with the support that it needs to become an independent, self-reliant business. Premised on the achievement of this goal, we intend to consider an optimal ownership structure, taking into consideration market conditions and the maturity of the business.

As for our relationship with Mitsubishi Chemical Group, our operations are conducted within a framework established by a previous agreement with Mitsubishi Chemical Group. Since we cannot unilaterally change this agreement, our basic policy is to maintain the current situation. Within this context, we place particular importance on the perspective of minority shareholders. In accordance with Japan's Corporate Governance Code, outside directors, who represent the interests of minority shareholders, have a majority on the Board of Directors. In this way, we ensure the independence and transparency of management decisions.

Thermos vacuum-insulated portable mugs

Conclusion: The Factors Determining the Success of the New Plan

We will create opportunities for global communication and dialogue not only among executives but also among employees.

When the new medium-term management plan ends in FYE2030, I want us to have established the basis for new improvements in revenue going forward. Specifically, our goal is to have further improved the profitability of the core industrial gas business. We also aim to have supplemented existing pricing measures and Operational Excellence initiatives by implementing projects to improve profitability through the promotion of DX and the utilization of AI.

Further, in the electronics field, which is an important growth driver, we are establishing a business foundation capable of

Value Creation Roadmap

CEO Message

providing one-stop gas solutions that are centered on the semiconductor material gas business and include the equipment installation and bulk gas businesses. While the electronics business has already realized such a foundation in Japan, we are now taking on the challenge of establishing a similar foundation in other global regions.

Of course, due to the competitive environment and various other factors, ultimately we may not be able to grow in all fields at the same rate. On the other hand, I want to avoid a situation where nothing changes because we fail to act, and we find ourselves having the same discussion again four years from now. With this in mind, we have adopted a strategy of forging ahead with new initiatives.

In this context, I personally have the impression that our electronics business in the United States has yet to reach its full growth potential. Further, I have high expectations for initiatives in the European electronics business, which we are advancing in accordance with a key strategy of the new plan. When viewing the global regions over the next 10 to 20 years, India is the market where it is most important for us to grow. As is illustrated by the example of China, countries with large populations inevitably tend to move toward domestic production of semiconductors. This tendency is precisely why the NSHD Group aims to build a leading position in India.

With the aim of establishing businesses that rank alongside the electronics business and drive further growth, we will develop the 3D printing, biotechnology, and stable isotopes businesses while nurturing the seeds of other new businesses.

From my viewpoint, the single most important factor determining the success of the new plan will be effective communication with the senior management teams of operating companies. The key to such communication lies in how closely we can engage in dialogue that is based on respect for each country's approach to day-to-day operations and which focuses on goals that should be common to the entire Group, namely, the implementation of the CoE concept, the cultivation of an innovative mindset, and the enhancement of safety and compliance—which is our first priority as it is a prerequisite for the continuation of our businesses.

With this in mind, beginning from the current fiscal year, I intend to establish a forum for discussions with the leaders of operating companies. Lasting either half a day or a full day, the forum will provide us with opportunities to share various challenges, deepen discussions, and build consensus. My aim is to set aside time for in-depth discussions at venues other than meetings of the Management Committee and the Board of Directors.

Also, communication among frontline employees tends to become superficial unless they know each other personally. For this reason, while due consideration must be given to costs, I want everyone to actively engage in face-to-face meetings as much as possible. If necessary, we could hold global meetings annually or biennially not only for senior executives but also for employees from various divisions and functions. For example, if R&D personnel and the personnel of other divisions that have few opportunities to assemble at large gatherings meet in person even once, then having frank, in-depth discussions would become easier during subsequent online meetings.

By taking maximum advantage of the entire Group's strength through my leadership in fostering active dialogue and collaboration among the globally competent employees of the four global regions and the Thermos business, I will work to ensure the success of the new medium-term management plan.

September 2026

CFO Message

As CFO, my goal is to maximize corporate value by combining discipline with boldness. I will actively invest capital when the timing is right to take risks.

Koichiro Kubo
Executive Officer
Group Finance and Accounting Office, and CFO

Value Creation Roadmap

CFO Message

Vision and Role as CFO

While leading decision-making with an entrepreneurial spirit, I will increase the probability of success in our drive toward growth.

Upon assuming the position of CFO, I formulated a CFO Vision, sharing it with all members of my organization and the CFO teams of our operating companies. This vision declares that the mission of the CFO is to "act with an entrepreneurial spirit and lead transformation to maximize the corporate value of the NSHD Group."

CFO Vision

Act with an entrepreneurial spirit and lead transformation to maximize the corporate value of the NSHD Group

1. Entrepreneurial Spirit
Make decisions and take action not simply as a manager but based on a strong sense of business ownership

2. Transformation
Continuously challenge existing practices to improve profitability, growth, and capital efficiency

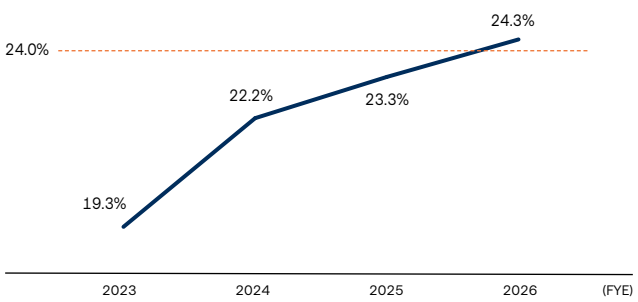
3. Groupwide Perspective
Make decisions aimed at optimizing not only individual companies and regions but also the value creation of the entire NSHD Group

While the role of the President CEO is to drive growth, the CFO must serve as a levelheaded partner who supports bold initiatives. By applying the brakes when necessary, the CFO increases the probability of success in the drive toward growth. I believe that the CFO's role is to manage budgets and costs while identifying business growth opportunities and undertaking the risk of capital investment only when returns are likely to exceed the cost of capital. Premised on this disciplined approach to decision-making, I aim to be a CFO who supports bold initiatives.

In supporting bold initiatives, I must take ownership of them by thinking through what needs to be done and then acting. This mindset is referred to as an "entrepreneurial spirit" in the CFO Vision. Ultimately, however, transformation driven by this mindset must be backed by objective numbers and discipline. In other words, my job as the CFO is to visualize transformation tasks and support decision-making from a global perspective that is focused on overall optimization. I must also focus on identifying optimal measures for maximizing the value of the entire Group.

When formulating the new medium-term management plan, Next Innovation 2030, new President CEO Tadaharu Watanabe and I were able to thoroughly discuss and integrate our respective visions of the Group's future. Looking back, the basis of this consensus was established during conversations we had in our 30s while working together in the United States. For example, at the time we agreed that a culture of trying out interesting ideas is one of the Group's strengths. We were also in agreement about the many seeds for innovation possessed by the Group as well as its abundant potential for making the most of them. Consequently, I believe that Mr. Watanabe and I had almost identical goals in mind when preparing the new plan. Simply put, we both wanted to create a plan that would produce innovation. I find it inspiring that two people who once discussed the Group's future while in the United States now work together as President CEO and CFO. I believe the source of my commitment to being a CFO who supports bold initiatives lies in those casual conversations I had with Mr. Watanabe more than a quarter of a century ago.

EBITDA Margin

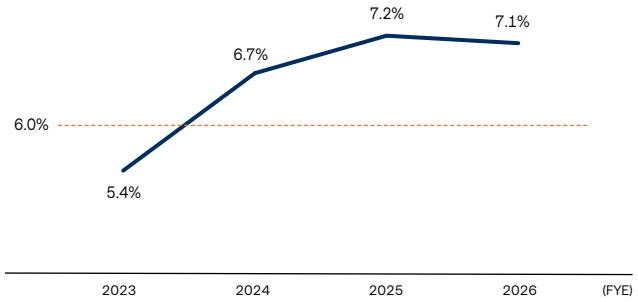


Evaluation of FYE2026 and the Previous Medium-Term Management Plan

We achieved significant progress by instilling the spirit of pricing and Operational Excellence initiatives.

Looking back on FYE2026 and the results of the previous medium-term management plan, an area where progress surpassed expectations was the improvement in profitability. Frankly, I believe that reaching our target of 24% or higher for the EBITDA margin was a major accomplishment. Moreover, improving profitability while increasing sales volume was both a qualitative and quantitative achievement. This achievement stemmed from the success of Groupwide pricing and Operational Excellence initiatives, even in the face of headwinds caused by rising raw material and energy prices. The spirit of these initiatives has been instilled in each region and business unit. In other words, our impressive business results were achieved thanks to the efforts of all 20,000 Group employees.

ROCE after Tax



Value Creation Roadmap

CFO Message

We also made progress in expanding the electronics business, demonstrating the advantages that we currently have in this field.

On the other hand, while return on capital employed (ROCE) after Tax, which is a measure of capital efficiency, is trending toward improvement, a significant gap still exists between our performance in this regard and that of global majors.

ROCE after Tax reflects the cumulative results of profitable investments in projects over many years. These require the appropriate allocation of resources to highly profitable projects, their completion as planned, and the continuous generation of the expected returns. As CFO, I must spearhead efforts to make improvements throughout the entire process that extends from decision-making on and monitoring of projects through to their subsequent recognition in profit and loss statements and the establishment of business operations.

Further, economic uncertainty has increased recently, raising the likelihood of unforeseen circumstances emerging. How to simultaneously strengthen our supply chain while improving our balance sheet is another key question that we must carefully consider going forward. For some time, investors have sought regional disclosure of ROCE after Tax. Our securities report discloses information such as a regional breakdown of the balance of non-current assets and segment information, which enable a certain level of analysis. However, rather than managing ROCE targets by region, we place greater emphasis on enhancing ROCE after Tax and maximizing corporate value for the Group as a whole through optimal capital allocation that takes into consideration the market characteristics and growth opportunities in each region.

Based on the aforementioned approach, in various contexts we have consistently communicated three overall guidelines: a compound annual growth rate (CAGR) of at least 3% in revenue, a rate of income growth double the rate of revenue growth, and an improvement in profit margins of at least 50 basis points per year.

While providing specific target figures for each region is challenging, businesses in our four global regions and the Thermos business are also pursuing these overall guidelines. Of course, since regional market characteristics and growth potential vary, some adjustments are necessary. Nonetheless, we have set targets and structured the new medium-term management plan based on the same overall guidelines.

Basic Policy on Cash Allocation

While giving first priority to growth investments, we will maintain financial soundness and enhance shareholder returns.

At this juncture in the discussion of our performance, I would like to use the corporate value calculation formula shown below. This approach will provide an explanation of how we intend to achieve the financial key performance indicator (KPI) targets of the new plan.

$$\text{Enhancement of corporate value}\uparrow = \frac{\text{Maximization of value added}\uparrow}{\text{Reduction of cost of capital}\downarrow - \text{Improvement of growth rate}\uparrow}$$

In our efforts to enhance value added, as CFO I focus most on business portfolio management with a clear awareness of the time horizon. Such management increases our medium- to long-term earning power, which is indicated by operating cash flows, particularly EBITDA.

For example, among the three key strategies set out in the new plan, we aim to expedite measures to Enhance the Profitability of the Industrial Gas Business as they will generate significant financial benefits. To this end, we will invest the largest amount of capital through the implementation of these measures, both in terms of investments for maintenance and for growth. The rationale behind this approach is that once the industrial gas business has established a foundation of stable cash flows, the Group will then be able to allocate management resources to the electronics business and innovation-related businesses. In particular, investments in innovation-related businesses will sow seeds for the future from a medium- to long-term perspective.

Further, our basic policy for cash allocation is to maximize

Value Creation Roadmap

CFO Message

corporate value in a balanced manner. In determining how best to achieve this balance, we must consider three key points.

First, we should realize the priority allocation of resources to growth investments. Given the favorable profitability of electronics and on-site projects, we need to consider capital expenditures as well as M&A-focused cash investments in such fields. This of course does not mean we will take on any project regardless. A fundamental prerequisite is that projects must promise returns above the cost of capital. While giving priority to growth investments, we will adhere to strict criteria. Namely, returns must clearly exceed the cost of capital, while projects must be within the scope of our risk profile.

The second point is the maintenance and improvement of financial soundness. Although a higher level of debt can be used as leverage that lowers the cost of capital, it goes without saying that management of the balance sheet to avoid excessive reliance on leverage is essential.

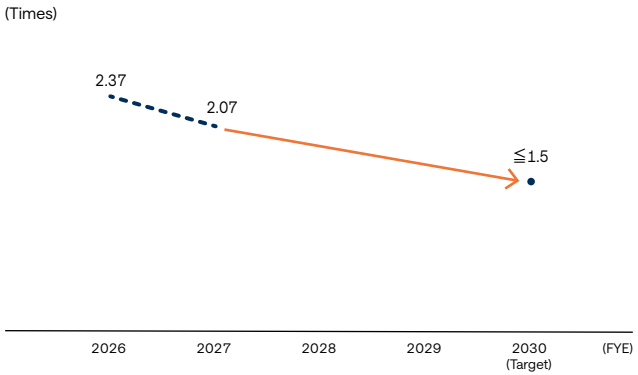
In the new plan, we have changed our leverage metric from the adjusted net D/E ratio to the net debt to EBITDA ratio. While the adjusted net D/E ratio is a static indicator that enables decisions based on balance sheet figures at a given point in time, the Group has steadily increased EBITDA thanks to active investment in growth and M&A. Given this active business model, using the net debt to EBITDA ratio as a measure of financial soundness makes more sense as the ratio reflects the Group's repayment capacity with greater accuracy.

We have set a net debt to EBITDA ratio of 1.5 times or lower as a target. Although in principle we will maintain the ratio at this level, we may temporarily adjust it. However, we will only do so if careful analysis indicates that investments are reasonable and enhance corporate value. We have previously undertaken large-scale M&A not originally anticipated in our medium-term management plans. If we determine that financial soundness will ultimately be restored following the slight deterioration stemming from an M&A, we may temporarily adjust our target level for net debt to EBITDA ratio.

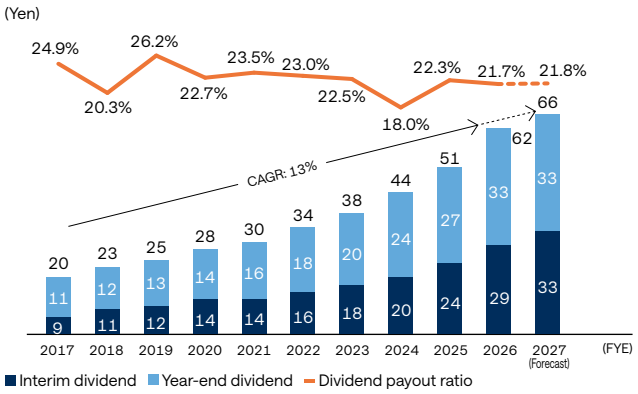
Finally, the third key point to consider when balancing cash allocation is the enhancement of shareholder returns. The source of the Group's value lies in profit growth and cash generation. Therefore, our basic policy is to maintain stable dividends while seeking a balance between shareholder returns and growth investments. We have established a dividend payout ratio of 20–30% as a long-term target.

To summarize our basic policy on cash allocation, we will give first priority to growth investments while maintaining financial

Net Debt to EBITDA Ratio



Dividend Growth Trend

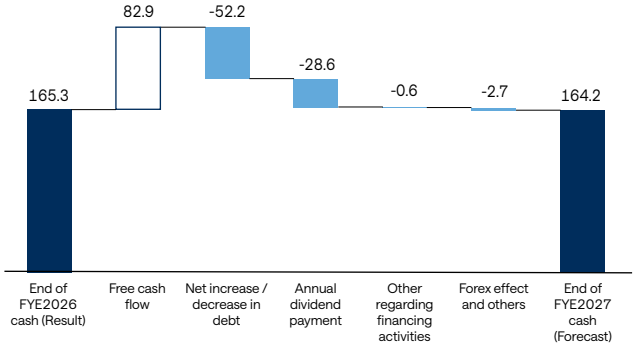


Value Creation Roadmap

CFO Message

Cash Flow Forecast

(Billions of yen)



soundness in line with debt repayment capacity. With these two key points as a premise, the realization of stable dividends will be a fundamental goal as we enhance shareholder returns.

Intangible Assets and Corporate Value

Branding will help us to stabilize sales and hire the best people.

I have long recognized the importance of intangible assets. People are our most important intangible assets along with technologies and R&D, which are sources of future competitiveness. I view investments in these areas not as short-term expenses but as critical upfront investments that help enhance corporate value over the medium to long term. Therefore, we will continue to allocate resources to these areas in a consistent and disciplined manner.

Investments of capital in tangible assets through such activities as capital expenditures and M&A as well as investments of capital that further human resources development, R&D, and other intangible assets are all aimed at enhancing corporate value. I believe that it is crucial to monitor intangible assets from the viewpoint of return on investment rather than from the perspective of the cost-effectiveness of personnel expenses or R&D expenses. Measuring such returns presents certain challenges. However, based on certain assumptions, we believe that it is possible to visualize the return on investment in intangible assets.

Brands are also important intangible assets. In April 2026, the Group sought to further unify its brand name by including "Nippon Sanso" in the names of most Group companies. The new medium-term management plan positions this branding initiative at the core of measures aimed at the Evolution of the Management Foundation.

Intangible assets such as brand trust and brand resonance will contribute to sales stability and improved price competitiveness, as well as positively affecting our ability to hire the best people. Further, these assets will help mitigate reputational risk and lower the cost of capital. Thus, we should not only increase the volume of cash flows but also increase the "quality" of cash flow allocation.

Growth Investments and M&A Strategy

Investments in electronics and innovation will support the initiatives of our next plan.

In the new medium-term management plan, we have earmarked ¥780 billion for investment over four years. This represents more than 13% of cumulative sales during the four-year period, which is a very ambitious level for the Group. Further, growth investments will account for half of total investment, demonstrating that our stance is even more aggressive than that of the previous plan.

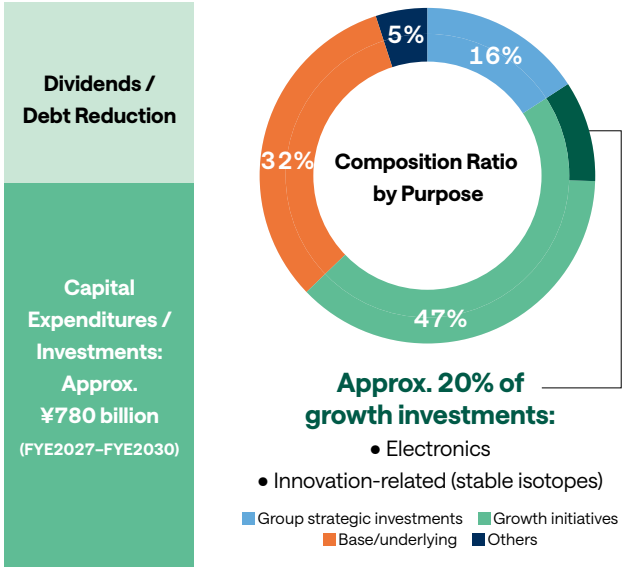
We have allocated approximately 20% of growth investments to the electronics business and innovation-related fields such as stable isotopes. I believe the figure of 20% sends a strong message to our stakeholders. Since investments will support not only the initiatives of our new plan but also those of our next plan, we will carefully analyze the priority level of promising projects and allocate management resources to them accordingly.

Similarly, we will make a change in our approach to M&A. Historically, the primary objective of the Group's M&A has been geographic expansion aimed at increasing business density in relation to industrial gases. Going forward, however, we plan to effectively utilize M&A to engage in attractive projects that align with our strategy, not only in electronics but also in healthcare, engineering, and other fields.

With respect to profitability, we will rigorously assess whether individual projects surpass a hurdle rate set above the cost of capital. The approach of using "returns above the cost of capital" as a criterion is extremely important. I believe it will enable us to achieve the goal of ROCE after Tax of at least 8%.

In the electronics field, although we have established a business model in Japan, the provision of similar services globally will not only require sufficient expertise but also a commitment to strategic M&A in new fields. The nature of the associated risks will also differ from those of the industrial gas business. Precisely for this reason, the potential for returns is significant. Therefore, we will proceed with M&A while carefully considering overall risk volatility.

Accompanied by even higher risks than those of the electronics



field, innovation-related businesses have the potential to yield substantial first-mover advantages. However, I believe that starting on a small scale is fine for such businesses. Our approach is to begin with capital alliances and consider the next steps once businesses have grown and matured.

Measures to Reduce the Cost of Capital

We will establish a Groupwide culture that is focused on capital efficiency.

To enhance corporate value, we must take measures to reduce the cost of capital, which serves as the denominator in the corporate value calculation formula ▶P. 19. Such measures are a fundamental component of business management and should be led by the CFO.

Currently, I have three strategies in mind: the reduction of cash flow volatility, the appropriate utilization of financial leverage, and the strengthening of investor relations activities aimed at clearly communicating our medium- to long-term growth story and capital policy.

With respect to the reduction of cash flow volatility, the Group is resilient to economic fluctuations due to the highly diverse client portfolio of the industrial gas business and the Group's balanced regional presence. Nonetheless, we must take into consideration geopolitical risks and other causes of volatility in the business environment.

In preparation for such volatility, operating companies should increase long-term stable contracts while focusing efforts on operational excellence to strengthen cost structures.

One of my key roles is to regularly monitor the development of our business portfolio. With the aim of preventing excessive volatility, I need to accurately assess and control the downside risks of large-scale capital investments and M&A.

As for my second strategy, the appropriate utilization of financial leverage is important as debt costs less than equity. To achieve such financial leverage, we must secure a range of flexible funding sources such as corporate bonds in accordance with the capital amounts required. At the same time, we have to control financial costs and manage financing risks, particularly to avoid the worst-case scenario of being unable to access refinancing when it is required.

In relation to the third strategy, the strengthening of investor relations activities, we continuously establish opportunities for dialogue with institutional investors and analysts and provide feedback from these discussions to the senior management team. It is also important to enhance our integrated reports, sustainability information, and governance disclosures to further stakeholders' understanding of our risk profile. In other words, by increasing understanding of the risks we face and the extent to which we are able to control them, we can lower the level of returns that shareholders expect, which in turn will help reduce the cost of capital.

Reducing the cost of capital is a goal that should be shared not only among those in the financial departments but in all settings, including meetings of the Management Committee and the Investment Committee, as well as one-on-one discussions with representatives of each regional business. My aim is to establish a Groupwide culture that is focused on capital efficiency by internally and externally issuing detailed explanations of investment decisions and capital policies that take the cost of capital into consideration and by fostering collaboration between the senior management team and individual business units.

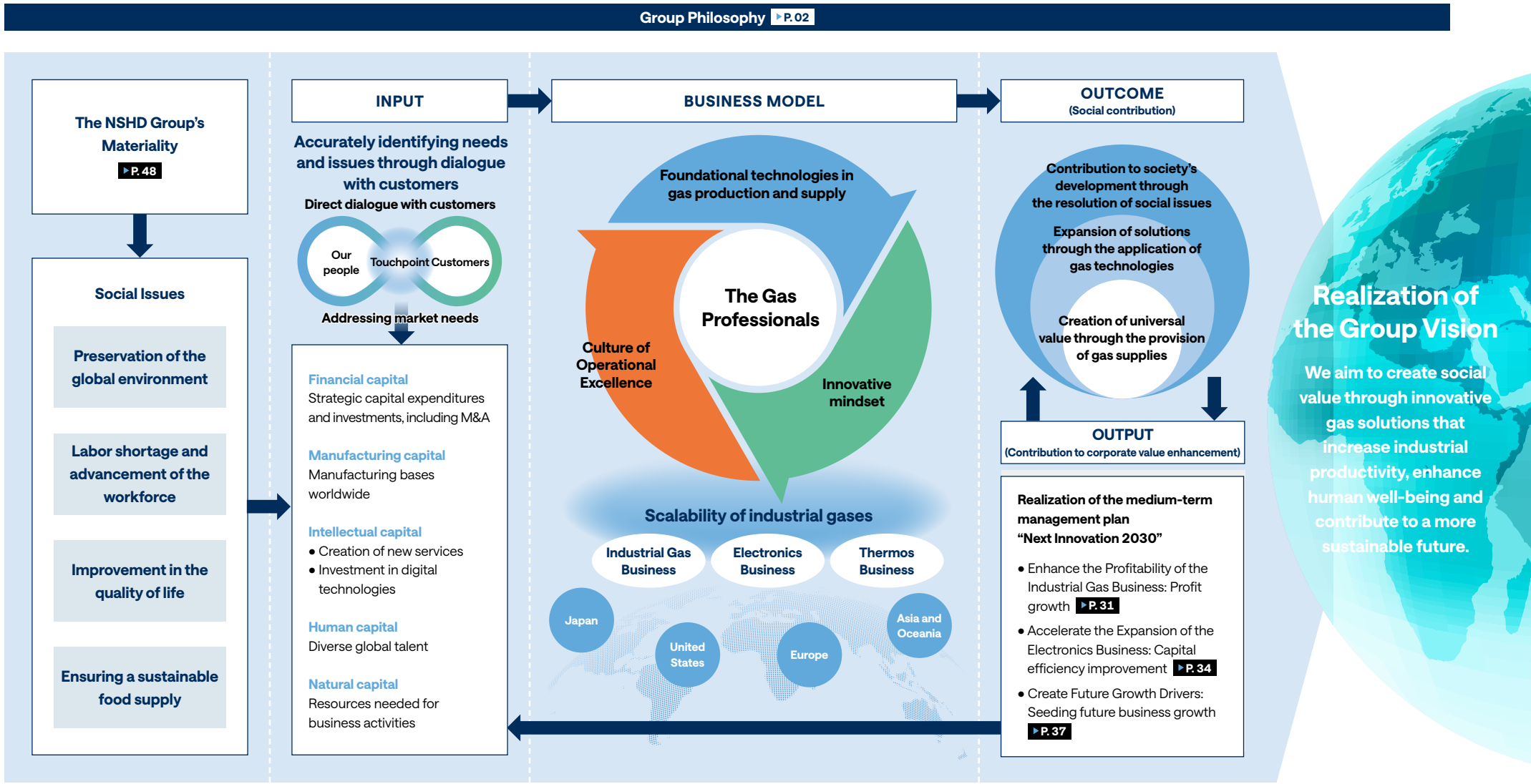
To achieve both the sustained enhancement of corporate value and stable, continuous returns for shareholders, we must always remain mindful of the cost of capital and business risks and carefully select projects that promise returns commensurate with growth investments.

From a medium- to long-term perspective, strategic growth investments are the very source of corporate value. I believe that returning the value generated by these investments to our shareholders is the fundamental role of a CFO. Since 2014, we have continuously increased dividends, a track record underscoring our steadfast commitment to shareholder returns. Going forward, we intend to continue paying stable dividends while giving due consideration to the balance between the maintenance of financial soundness and investment for growth.

Value Creation Roadmap

Our Value Creation Model

In accordance with its Group Philosophy, the NSHD Group has established a value creation model that both addresses social issues and enhances corporate value.



Value Creation Roadmap

Our Value Creation Model

INPUT

Financial capital
- Capital expenditures and investments:
  Up to **¥780 billion**
  (Four-year plan from FYE2027 through FYE2030)

Manufacturing capital
- Industrial gas and electronic material gas manufacturing bases: **In more than 30 countries and regions**
- Plant engineering bases:
  Plant Engineering Center and Polaris ▶P.43

Intellectual capital
- R&D expenses: **¥5,741 million** (FYE2026)
- Registered patents: **1,913** (As of March 31, 2026)
- Dedicated digital technology team:
  5 members (As of March 31, 2026)

Human capital
- Consolidated number of employees:
  20,411 (As of March 31, 2026)
- Percentage of overseas employees:
  64% (As of March 31, 2026)
- Training hours: **104,367*** (FYE2026)

Natural capital
- Energy consumption: **13,803 GWh** (FYE2026)
- Water withdrawal: **42,060 thousand m³** (FYE2026)

BUSINESS MODEL

By combining and further enhancing our innovative mindset, expertise in foundational technologies, and culture of Operational Excellence, we will evolve into a corporate group that appropriately adapts to environmental changes and addresses future challenges.

Sources of Value

Foundational technologies in gas production and supply

Based on expertise in gas production and supply technologies cultivated over many years, we utilize operational know-how and advanced equipment technologies such as air separation units to provide stable gas supplies that are safe and efficient and to realize optimal solutions that reflect client needs.

Innovative mindset

Supported by a corporate culture that values trial and error, we strengthen research and development and create client-focused solutions to advance existing businesses and foster future growth drivers.

Culture of Operational Excellence

Through a culture of Operational Excellence, which utilizes experience and best practices accumulated globally to continuously improve operations and productivity, we enhance cost competitiveness and the reliability of gas supplies, thereby increasing our profitability.

Scalability of industrial gases

We are building a foundation for sustained stable growth by both developing existing businesses and entering new fields through the exploitation of the scalability of industrial gases, which stems from their indispensability in a wide range of industries, such as the steel, semiconductor, healthcare, and food industries.

OUTCOME
(Social contribution)

Our business activities create social value through the application of gas technologies and the provision of stable gas supplies. We are helping realize a sustainable society by addressing priority issues, which include preservation of the global environment, labor shortage and advancement of the workforce, improvement in the quality of life, and ensuring a sustainable food supply.

OUTPUT
(Contribution to corporate value enhancement)

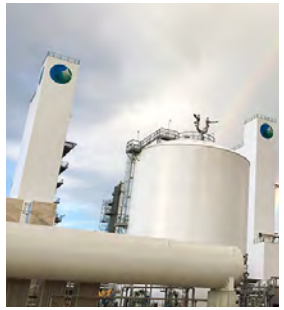
In line with the medium-term management plan Next Innovation 2030, we will sustain corporate value enhancement by evolving our management foundation in an integrated manner while moving forward with initiatives to Enhance the Profitability of the Industrial Gas Business over the short term, Accelerate the Expansion of the Electronics Business over the medium term, and Create Future Growth Drivers over the long term.

* Nippon Sanso Corporation, non-consolidated

Value Creation Roadmap

At a Glance

Business Domains



Industrial Gas Business

We manufacture and supply various gases that are essential for a wide range of industries, including the steel, chemicals, automotive, and food industries. We have continued to provide safe, reliable supplies for many years, contributing to improved customer productivity and reduced environmental impact. We are truly a pillar of industrial infrastructure.

We also operate a medical business, which supplies medical institutions with medical gases such as oxygen, nitrogen, and carbon dioxide (dry ice) as well as related medical equipment.

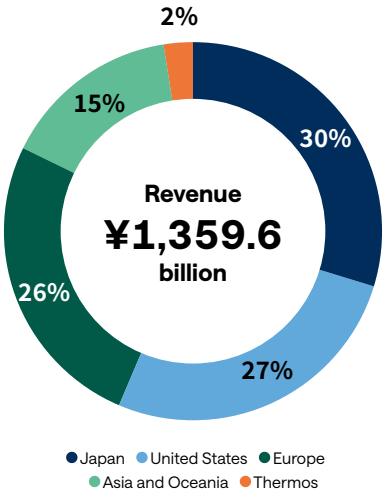
Electronics Business

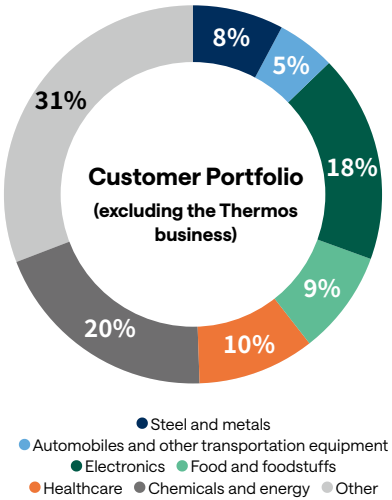
We provide high-purity gases used in semiconductor and display manufacturing processes, semiconductor material gases, and precision gas supply systems. The business has earned the trust of numerous customers by leveraging its advanced quality control and technological development capabilities to serve as a partner that supports leading-edge operations in the global electronics industry.

Thermos Business

We market products under the THERMOS brand, known as the pioneer of vacuum-insulated bottles. The business offers products with advanced heat and cold retention performance for use in a wide range of settings, including homes, outdoor activities, and business environments. Thus, we continue to contribute to the comfortable lifestyles of people around the world.

NSHD by the Numbers (FYE2026)





Core Operating Income

¥203.0 billion

Overseas Revenue Ratio

68.7%

Industrial Gases Global Market Share Ranking

4th

Countries and Regions of Operation

More than 30

Consolidated Number of Employees

20,411

Value Creation Roadmap

New Medium-Term Management Plan, Next Innovation 2030

Review of the Previous Medium-Term Management Plan, NS Vision 2026

Financial KPIs

The NSHD Group achieved all financial KPIs by strengthening Groupwide price management, steadily implementing productivity improvement measures, and executing a planned debt repayment strategy. We continuously improved both our profitability and financial foundation, even amid a challenging external environment characterized by supply chain disruptions and global inflation.

	FYE2023 (Results)	FYE2024 (Results)	FYE2025 (Results)	FYE2026 (Results)	FYE2026 (Targets)
Revenue	¥1,186.6 billion	¥1,255.0 billion	¥1,308.0 billion	¥1,359.6 billion	¥975 billion to ¥1,000 billion
Core operating income	¥123.1 billion	¥165.9 billion	¥189.1 billion	¥203.0 billion	¥125 billion to ¥135 billion
EBITDA margin	19.3%	22.2%	23.3%	24.3%	≥24%
Adjusted net D/E ratio	0.81 times	0.74 times	0.71 times	0.59 times	≤0.7 times
ROCE after Tax	5.4%	6.7%	7.2%	7.1%	≥6%

Non-Financial KPIs

Under the previous medium-term management plan, NS Vision 2026, we launched eight sustainability programs and established related KPI. Through Groupwide advancement of initiatives under these programs, we were able to lay the foundation for our sustainability. We believe that appropriate sustainability disclosures and stepped-up engagement with stakeholders have steadily improved external evaluations of our sustainability.

		FYE2023 (Results)	FYE2024 (Results)	FYE2025 (Results)	FYE2026 (Results)	FYE2026 (Targets)
E	Reduction rate of GHG emissions (Base year: FYE2019)	12.2%	14.5%	21.2%	19.5%	18%
	Contribution to GHG emissions reduction	7,308 > 5,868 thousand t-CO_2e	7,454 > 5,667 thousand t-CO_2e	8,104 > 5,258 thousand t-CO_2e	8,431 > 5,458 thousand t-CO_2e	Lower customer GHG emissions through environmental product offerings and applications > NSHD Group GHG emissions
S	Lost time injury rate	1.54	2.11	1.87	1.84	≤1.6
	Ratio of female managers	14.5%	15.4%	16.7%	18.5%	≥18%
	Ratio of female employees	19.9%	20.2%	20.8%	21.3%	≥22%
G	Rate of receiving compliance training	99.7%	99.4%	100%	100%	100%

Achievements in the Five Focused Fields and Strategies Under Next Innovation 2030

Sustainability Management

Achievements

We made steady progress in reducing greenhouse gas (GHG) emissions, increasing sales of environmentally friendly products, and strengthening compliance systems.

Strategy Going Forward

While further strengthening in-house management foundations through measures in areas such as compliance and safety, we will also focus on the business opportunities presented by sustainability and expand solutions businesses that address environmental and social issues.

Exploring New Business toward Carbon Neutrality

Achievements

We made progress in the exploration of new businesses, including hydrogen and the capture and use of CO_2.

Strategy Going Forward

We will streamline decision-making processes for technology and business development while strengthening our ability to develop global businesses.

Total Electronics

Achievements

Amid increasing demand for semiconductors, we strengthened our supply capabilities for electronic material gases and related services and realized business growth.

Strategy Going Forward

In addition to further enhancement of the quality assurance system, we will strengthen the provision of integrated value that includes equipment and engineering.

Operational Excellence

Achievements

Productivity enhancement measures and the sharing of best practices helped improve profitability.

Strategy Going Forward

We will promote the establishment of global common standards and the utilization of digital technologies.

DX Initiatives

Achievements

We made progress in improving operational efficiency and establishing a foundation for data utilization.

Strategy Going Forward

To realize value creation through DX, we will reform our business model. We will also focus on securing and developing personnel with expertise in digital technologies.

Value Creation Roadmap

New Medium-Term Management Plan, Next Innovation 2030

The Basic Strategies of Next Innovation 2030

The previous medium-term management plan was our first plan following the transition to a pure holding company structure. With a focus on building the foundation to support future growth, we have achieved results that generally exceeded our initial targets through the steady execution of our key strategies.

Building on the foundation established through these efforts, our Group is now moving toward the next stage of growth.

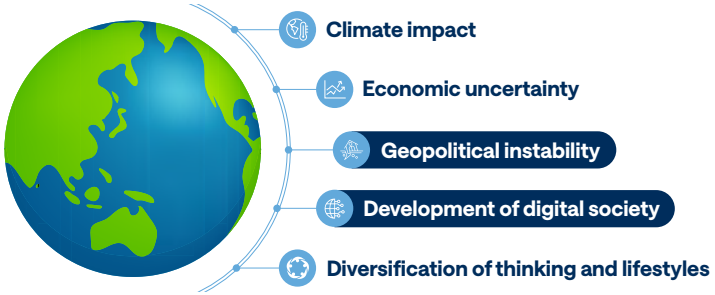
Leveraging our innovative mindset, a core element of our Group's DNA that is deeply connected to our corporate philosophy, and further enhancing our technological capabilities, we aim to evolve into a company able to respond effectively to environmental changes and address the challenges of the future.

Assessment of the Environment for Next Innovation 2030

The main components of the external environment that were identified in NS Vision 2026 have not significantly changed, retaining their importance and continuing to define the Group's business environment.

On the other hand, the rise in geopolitical risks has become a notable trend in recent years. Instability in the Middle East and other parts of the world has greatly increased supply chain risks that impact energy supplies and logistics.

Another major environmental change is the rapid advancement of digital technologies. While the progress of digitalization, including AI and data utilization, presents companies with new business opportunities, failure to take timely measures leads directly to the risk of diminished competitiveness. By proactively responding to the society-wide trend toward digitalization, the Group can capitalize on growth opportunities. Therefore, in accordance with the new plan, we will advance DX to strengthen our management foundation.

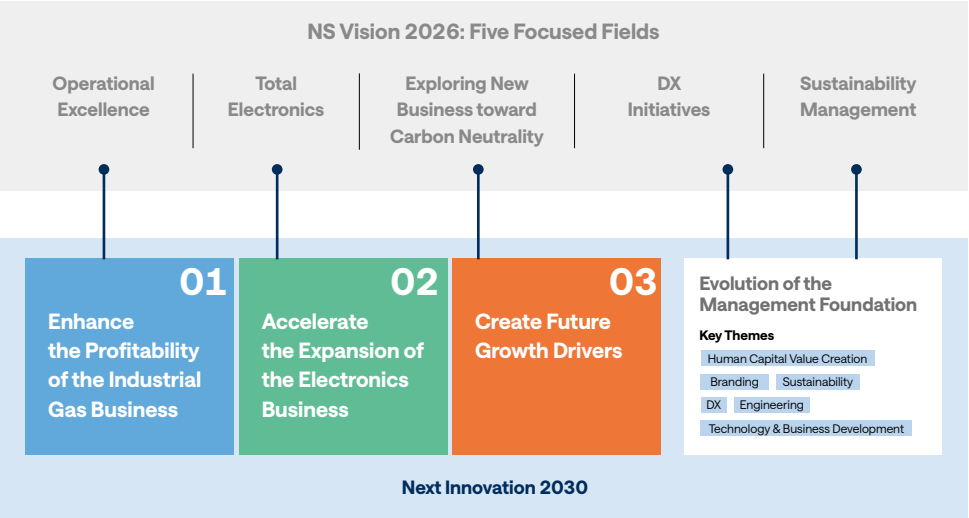


Carrying Forward and Restructuring the Key Strategies of NS Vision 2026

While maintaining the direction of the focused fields (key strategies) of the previous plan, NS Vision 2026, we will use an analysis of its achievements and challenges as the basis for formulating key strategies aimed at further growth.

The new plan is based on three key strategies. We have placed particular emphasis on these strategies due to the central importance of business expansion in the achievement of sustained growth. We will strengthen our business portfolio and expand our revenue base by working to Enhance the Profitability of the Industrial Gas Business, Accelerate the Expansion of the Electronics Business, and Create Future Growth Drivers.

At the same time, we are evolving our management foundation, which will support these key strategies. In addition to existing DX and sustainability initiatives, we will step up efforts in branding, engineering, and technology & business development to increase our global competitiveness even further.



Value Creation Roadmap

New Medium-Term Management Plan, Next Innovation 2030

Group KPI Targets (FYE2030)

Financial KPIs

Profitability

Revenue:
¥1,500–1,575 billion

Core operating income:
¥250–275 billion

Core operating income margin:
≥17.0%

EBITDA:
¥400–440 billion

EBITDA margin:

Consolidated	By segment
≥26.5%	≥19.0%

Financial Soundness

Net debt to EBITDA ratio:
≤1.5

Capital Efficiency

ROCE after Tax:
≥8.0%

(Assumed new medium-term management plan exchange rates: USD/JPY 150, EUR/JPY 175)

(Supplementary explanations)
- Revenue: Premised on a CAGR of 3–4%
- Core operating income: Aiming to grow at approximately twice the rate of revenue growth through steady improvement in profitability
- Core operating income margin: Targeting improvement of at least 50 basis points per year
- Net debt to EBITDA ratio: Adoption of the net debt to EBITDA ratio as a new metric given the reduction of interest-bearing debt in accordance with the previous plan and a sufficiently strengthened financial foundation

Sustainability KPIs

Environment

GHG emissions reduction rate (Base year: FYE2019):
9% (FYE2031) **21% (FYE2036)**

* (Reference) 32% (FYE2031), 42% (FYE2036) [before changes in the scope of consolidated subsidiaries and before reflecting the Asia hydrogen business]

Increase in GHG reduction contribution from environmentally contributing products and services (Base year: FYE2025):
30%

Increase in revenue from sustainable businesses (Base year: FYE2025):
30%

Reduction in water withdrawal per unit of production (Base year: FYE2025):
10%

Reduction in waste per unit of production (Base year: FYE2025):
10%

Safety

Lost time injury rate:
≤1.3

Human Resources

Ratio of female managers:
≥22% (FYE2031)

Ratio of female employees:
≥25% (FYE2031)

Sustainable engagement score:
≥83

Compliance

Compliance survey score:
≥80

(Supplementary explanations)
- In addition to the previous plan's eight sustainability programs, establishment of new Sustainable Business and Employee Engagement programs and related KPIs
- Increase in revenue from sustainable businesses: Endeavoring to help address environmental and social issues by providing resilient markets with products and services essential to daily life
- Sustainable engagement score: Encouraging the full utilization of employees' capabilities and organizational revitalization, which are an important foundation for the enhancement of corporate value over the medium to long term

Value Creation Roadmap

New Medium-Term Management Plan, Next Innovation 2030

Three Key Strategies

01 Enhance the Profitability of the Industrial Gas Business

▶P.31

We will advance the Groupwide introduction of best practices not only in production activities but also in business operations. In these areas, our European operating company is taking the lead and using its competence to introduce best practices Groupwide. Further, the continuation of measures aimed at increasing business density, such as footprint expansion measures, remains important. Accordingly, we will further strengthen our competitiveness by steadily advancing these measures. Also, respective operating companies will expand their resilient businesses.

02 Accelerate the Expansion of the Electronics Business

▶P.34

We will broaden our business portfolio by providing total gas solutions through the domestic and global development of three businesses: bulk gases, primarily on-site; semiconductor material gases; and equipment installation and construction. In addition, we view robust R&D capabilities as a mainstay of growth. For this reason, we will actively advance forward-looking investment in the development of leading-edge materials.

03 Create Future Growth Drivers

▶P.37

With the aims of further cultivating an innovative mindset and building a business portfolio resilient to environmental changes, we will utilize gases as the starting point for the development of new growth drivers that rank alongside the electronics business. The key strategy comprises three elements: expansion, development, and exploration. Expansion will entail growing existing businesses such as stable isotopes. In development and exploration initiatives, we will focus on global business development and marketing and the creation of new high-quality projects.

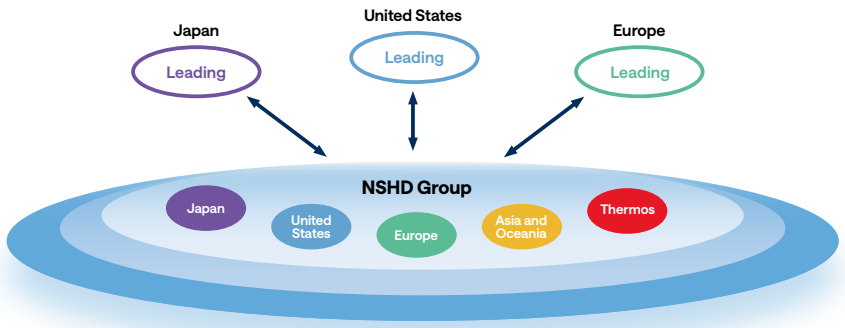
Establishment of the Center of Excellence

Purpose of the Center of Excellence

To efficiently and steadily advance the three key strategies set out in the new plan, a Center of Excellence (CoE) encompassing the entire Group has been established. The purpose of the CoE is to maximize synergies across the entire Group through the cross-organizational sharing and utilization of advantages and expertise that Group operating companies possess in their respective fields.

The CoE is focused on six priority areas, including electronics and Operational Excellence, with highly specialized bases playing a central role in each area. In these areas, operating companies primarily in Japan, the United States, and Europe provide leadership and support and promote the global sharing and introduction of best practices.

This system will consolidate the strengths of each region and operating company and globally integrate measures that are aimed at increasing competitiveness and enhancing the execution of strategies.



Evolution of the Management Foundation

Recognizing the need to evolve the management foundation supporting the three key strategies, we are building systems capable of adapting rapidly to changes in the social and market environment. Adapting appropriately to such environmental changes will help establish competitive advantages.

With this in mind, we will evolve our management foundation by focusing on six main areas: human capital value creation, branding, sustainability, DX, engineering, and technology & business development.

Key Themes

- Human Capital Value Creation ▶P.58
- Branding ▶P.08
- Sustainability ▶P.47
- DX ▶P.42
- Engineering ▶P.43
- Technology & Business Development ▶P.45

02.

Here, we set out and provide specific examples that reflect the three key strategies of the new medium-term management plan, Next Innovation 2030—Enhance the Profitability of the Industrial Gas Business, Accelerate the Expansion of the Electronics Business, and Create Future Growth Drivers—as well as the sustainability and human capital initiatives underpinning these strategies.

Value Creation Strategies

Relationship to the Corporate Value Calculation Formula

By driving expansion into high-value-added fields and new business creation, the strategies introduced in this section will contribute significantly to the "maximization of value added" and the "improvement of growth rate," components of the corporate value calculation formula ▸P. 06. Moreover, to some extent they will contribute to another formula component, the "reduction of cost of capital," by strengthening our business foundation and increasing supply chain resilience.

Value Creation Strategies

Enhance the Profitability of the Industrial Gas Business

Activities for Global Operational Excellence by the CORE Center of Excellence

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement in growth rate: 2

Message from the Leader of the CORE Center of Excellence (Europe)

By bringing together the insight and experience we have cultivated globally, and by continuing to pursue excellence, we will forge a future for the industrial gas business that is more profitable, more agile, and more sustainable.

Jose Maria Martinez Gallo
CORE Center of Excellence Leader
Nippon Sanso Euro-Holding S.L.U.

Strengthening profitability in the industrial gas business is more important than ever as our industry faces increasing cost pressures, rising customer expectations, and accelerating technological change. Sustainable profitability is not only a financial objective; it is the foundation that enables continued investment in safety, reliability, innovation, DX, and growth. By systematically improving productivity, optimizing our operations, and enhancing commercial excellence, we can create long-term value for our customers while ensuring that our business remains resilient and competitive in every market we serve.

As Europe assumes its role as the CORE Center of Excellence (Commercial Excellence, Operations Excellence, Resilience Excellence, and Execution Excellence), our responsibility extends beyond regional performance. We must act as a catalyst for transformation across the Group, promoting standardized practices, fostering collaboration between regions, and accelerating the deployment of proven solutions. Our mission is to connect people, processes, and technology, ensuring that successful initiatives can be replicated efficiently while respecting local market requirements. The CORE Center of Excellence must serve as both a source of expertise and a platform for knowledge sharing, capability building, and continuous improvement.

Operational Excellence and **Business Excellence** ▶P. 32 are key enablers of this strategy. Operational Excellence drives productivity, reliability, efficiency, and cost competitiveness through initiatives such as lean deployment, smart operations, value stream optimization, and process standardization. Business Excellence complements these efforts by strengthening commercial capabilities, improving customer engagement, and establishing robust frameworks for pricing, contract management, and customer value creation. Together, they create a fully integrated approach that improves profitability while enhancing the customer experience and supporting sustainable growth.

From my perspective, pricing, global account management, and contract management represent some of the most powerful levers available to improve business performance. Pricing must evolve from a transactional process into a strategic capability supported by analytics, governance, market intelligence, and customer value assessment. Contract management is equally critical because well-structured contracts protect profitability, improve risk management, support long-term customer retention, and ensure that commercial conditions remain aligned with changing market environments. Together, these disciplines contribute directly to profitable growth and stronger customer partnerships.

The successful sharing and deployment of best practices across regions requires several key factors: strong leadership commitment, clear governance, active communities of practice, robust digital collaboration platforms, and a structured deployment methodology. Equally important is the ability to adapt global solutions to local realities while maintaining the core principles that drive value. Success depends not only on identifying best practices but also on developing the capabilities, training, and change management processes necessary to scale them effectively throughout the organization.

For FYE2027, our focus will be on establishing a solid foundation for long-term success. This includes completing global assessments, launching pricing and contract management communities, advancing lean and smart operations initiatives, establishing common governance frameworks, building subject matter expert networks, strengthening KPI transparency, and accelerating the deployment of digital solutions that support both operational and commercial excellence. These efforts will provide the structure required to scale improvements across the Group in the years ahead.

Looking forward, our greatest challenge will be accelerating transformation while maintaining operational reliability and customer focus. At the same time, significant opportunities exist through digitalization, AI-enabled decision-making, advanced pricing capabilities, smarter contract management, enhanced customer engagement, and the replication of successful initiatives across regions. By working together as one global organization, leveraging our collective expertise, and maintaining a relentless focus on excellence, we can create a more profitable, agile, and sustainable future for our industrial gas business.

Value Creation Strategies

Enhance the Profitability of the Industrial Gas Business

Putting Operational Excellence / Business Excellence into Practice

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement in growth rate: 2

In a manner suited to its own market characteristics, each region is focused on the expansion of Operational Excellence and the development of Business Excellence set out in the current medium-term management plan, Next Innovation 2030. Here, we introduce initiatives on the front lines to strengthen earning power in Japan, the United States, Asia, and Oceania.

Japan

With customer-driven value creation as our focal point, we promote the fusion and integration of industrial gases and technology.

Ryosuke Kawai
General Manager, Corporate Planning/ICT, Corporate Planning
Nippon Sanso Corporation

Strengthening Profitability and Driving Sustainable Growth Through Customer-Centric Value Creation

In Japan, where significant market expansion is becoming increasingly difficult to achieve, strengthening the profitability of our industrial gas business remains a key strategic priority for delivering sustainable growth. We believe that long-term success depends not only on expanding our business but also on continuously enhancing the value we create for our customers and improving the quality of our earnings.

During the previous medium-term management plan, we focused on deepening customer management by addressing both the explicit and latent needs of our customers. Through this customer-centric approach, we maximized the value we provide and strengthened our earning power by ensuring that the value delivered was appropriately reflected in pricing. This disciplined focus on value creation has enabled us to build stronger customer relationships while improving business performance.

Under Nippon Sanso Corporation's current medium-term management plan, Next Stage 2030, we are accelerating these efforts while placing greater emphasis on achieving Operational Excellence. Key initiatives include expanding remote operations at gas production plants, automating cylinder filling processes, and optimizing our supply chain. In addition, within our plant manufacturing and engineering businesses, we are leveraging DX and AI technologies to improve the efficiency and quality of design, construction, and maintenance activities. At the same time, we are working to translate our enhanced customer management capabilities into improved commercial outcomes. By clearly demonstrating the value we provide, we are pursuing fair compensation commensurate with that value while also strengthening contractual frameworks and business conditions. We believe that sustainable profitability can only be achieved when customers recognize and benefit from the value we create together.

Looking ahead, we will continue to advance the integration of industrial gases with a wide range of technologies and solutions under the theme of "customer-centric value creation." Through these efforts, we are committed to creating sustainable growth, improving corporate value, and contributing to the long-term success of our customers and stakeholders alike.

United States

We aim to improve the earning power of the packaged gas business and achieve sustainable growth, thereby further enhancing corporate value.

Joe Porto
EVP, COO
Nippon Sanso Matheson, Inc.

Increasing the Profitability of Nippon Sanso Matheson's Packaged Gas Business

For FYE2027, Nippon Sanso Matheson has launched several commercial and operations programs to improve the profitability of its packaged gas business.

Commercially, we are focusing on customer loss reduction, price optimization, and growth initiatives. To minimize customer loss, Nippon Sanso Matheson is analyzing its product sources, boosting customer service levels, and securing longer-term sales agreements. Real-time pricing tools and geographic market data will optimize product prices to stay competitive and profitable locally.

To drive growth, we are aggressively filling sales roles to strengthen sales pipelines, launching contract management and negotiation training, and rolling out a new e-commerce platform to boost customer loyalty and purchases. Additionally, we are hiring specialized applications talent to bridge industry knowledge gaps while reinvesting in core traditional markets such as food, metals, and fabrication.

Operationally, Nippon Sanso Matheson is driving profitability through Operational Excellence and productivity programs. We are enhancing customer order fulfillment by ensuring the right product and quantity are delivered at the right time. Furthermore, we are launching new optimization initiatives, including cylinder handling and filling automation, plant Kaizen Events (with the Nippon Sanso in Europe CoE for Operational Excellence), and supply chain optimization.

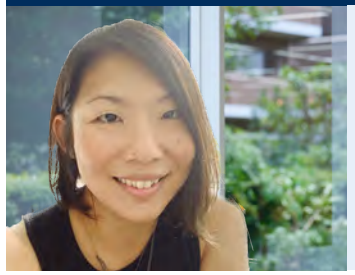
To continuously strengthen cost competitiveness, we are thoroughly managing expenses through The Right Way (TRW) program. By steadily executing these initiatives, we will improve the earning power of the packaged gas business and achieve sustainable growth, thereby further enhancing corporate value.

Value Creation Strategies

Enhance the Profitability of the Industrial Gas Business Putting Operational Excellence / Business Excellence into Practice

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement in growth rate: 2

Asia



By further strengthening collaboration within the region, we are building a highly competitive organization.

Charlotte Khoo
Senior Manager, Productivity
Southeast Asia, Korea, Taiwan & India
Nippon Sanso Holdings Singapore Pte. Ltd.

Advancing Operational Excellence in Asia and Oceania

Across the Asia and Oceania region, we are advancing operational excellence as a key driver of profitability under Next Innovation 2030. Our focus is on continuous improvement, the adoption of digital technologies, strong collaboration across Group companies, and talent development, all of which support the sustainable growth of our industrial gas business.

A cornerstone of our approach is the annual Productivity Bootcamp, where representatives from each Group company come together to share success stories, exchange best practices, and identify opportunities for collaboration. This collaborative platform accelerates the adoption of best practices across the region, fosters a culture of continuous improvement, and drives operational efficiencies across our businesses.

By expanding operational excellence beyond manufacturing activities and strengthening regional collaboration, we are creating a more agile and competitive organization. These initiatives not only improve productivity and cost efficiency but also enhance our ability to deliver sustainable value to customers and shareholders alike, contributing to the long-term profitability and resilience of Nippon Sanso Holdings.

By embracing operational excellence across the Asia and Oceania region and accelerating the sharing of best practices, we are systematically improving productivity, reducing costs, and optimizing assets. These efforts strengthen the profitability and resilience of our industrial gas business, supporting sustainable earnings growth and unlocking long-term value for our shareholders.

In the Asia and Oceania region, we will facilitate the sharing and horizontal deployment of best practices while enhancing profitability and the resilience of our business foundation. Through Operational Excellence, we will strengthen our competitive advantages with the objective of sustaining growth and improving corporate value.

Oceania

We aim to improve the quality of earnings by creating synergies between Coregas and Supagas and enhancing cost competitiveness.

Dominie Kelly
Productivity Manager
Supagas Pty Ltd

Toward Improving Profitability and Achieving Sustainable Growth

We are executing a focused profitability improvement program that combines productivity gains, disciplined pricing, stronger contract management, and targeted growth. Through these initiatives, we aim to sustainably increase corporate value and reinforce our earnings foundation.

Project TOMO is unlocking Coregas and Supagas synergies to reduce duplication, lower operating costs, and improve earnings quality, coupled with growth in food, healthcare, specialty gases, and bulk gas to expand in higher-value segments.

ERP enhancements are improving pricing transparency, enabling faster customer price adjustments, using targeted fuel surcharges to manage market volatility, and making asset write-ons more efficient to maximize rental revenue and returns.

Pricing initiatives, including changing to biannual from annual reviews, cost-plus pricing models, and low-margin customer remediation, are designed to protect and expand margins. LLM-supported contract review software and strengthened renewal processes will improve contract compliance, reduce margin leakage, and lift customer-level profitability.

Digitizing sales through Salesforce CRM and website upgrades will improve pipeline visibility, customer experience, retention, and revenue growth. Together, these initiatives support stronger margins, improved returns, and sustainable long-term value creation.

Value Creation Strategies

Accelerate the Expansion of the Electronics Business

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Message from the Head of Global Electronics

We will extend the best practices and product expertise built up in Asia and Japan to other regions, further strengthening our comprehensive capabilities as a global organization.

Todd Givens
Head of Global Electronics, Group Business Promotion
Nippon Sanso Holdings Corporation

The promotion of strengthening the electronics business is significant because electronics has become a core driver of competitiveness across industries, especially as products and services become more intelligent, connected, energy-efficient, and software-enabled. Demand is expanding not only in consumer devices but also in automotive systems, industrial equipment, infrastructure, communications, data centers, and environmental solutions.

In this context, companies that reinforce their electronics capabilities can improve profitability, create higher-value-added offerings, and secure a stronger position in growth markets. Recent strategies in the electronics industry also show that companies are prioritizing investment in digital technologies, semiconductors, supply resilience, and sustainability to respond to rapid market and technology shifts.

Under the previous medium-term management plan, we advanced strengthening measures centered on the electronic material gas business. Going forward, we will shift to deeper transformation, including concentrating on advanced growth fields, integrating digital and service-oriented value creation, reinforcing supply chain and operational resilience, and upgrading the organizational foundations that support innovation. These steps will allow the electronics business to move from being a strong business segment to becoming a central engine of future corporate growth.

Under the new plan, 20% of growth investments will be allocated to electronics and innovation-related areas. In addition to electronic material gas production, the target investments will include advanced materials, electronic material gas equipment and engineering, electronic material gas and chemical warehousing, and total gas and chemical management (TGCM)-related facilities, as well as additional R&D facilities.

Our vision is to become a "Global Total Gas Solution Provider" for the electronics industry by delivering full turnkey solutions that integrate electronic material gases and chemicals, bulk gases, equipment and construction, and engineering services. Rather than focusing on individual products, we aim to create new value for our customers and achieve sustainable growth by providing comprehensive solutions that support the entire semiconductor manufacturing value chain.

Nippon Sanso Holdings has launched a Groupwide, cross-functional CoE initiative this fiscal year. In the electronics business, seven subsegment groups have been established with Japan at the center, and they will contribute to driving global growth. Through this CoE framework, we are advancing key initiatives to enhance our electronics business. Specifically, we are working to unify and strengthen global branding for the cylinder business, standardize specifications in product quality management, and promote digitalization through the introduction of AI technology. We are also establishing a production system and developing next-generation products in anticipation of growing demand in the equipment business, strengthening our response to strategic customers in the electronic materials business, forming global business partnerships with other companies to strengthen our electronics business portfolio, and developing new products through collaboration with semiconductor manufacturing equipment makers.

Building on our strong presence in Asia, we will continue to expand our business in the United States, Europe, and India. There is a business base already established in these areas, and the focus will be to grow and apply best practices and products developed in Asia and Japan to other global regions.

Action Plan

- **01. Strengthening the semiconductor materials business**
- **02. Strengthening the gas supply equipment and construction business**
- **03. Expanding business areas**
- **04. Strengthening R&D and business development**

Roadmap

Phase 1: FYE2023–FYE2026

Previous medium-term management plan, NS Vision 2026

Startup phase

Become a global raw materials supplier

Phase 2: FYE2027–FYE2030

Next Innovation 2030

Phase of exploring and expanding new businesses

Become a "Global Total Gas Solution Provider"

Phase 3: FYE2031–FYE2036

Phase of accelerated growth and improved profitability

Become the leading company in the global electronics market

Value Creation Strategies

Accelerate the Expansion of the Electronics Business

Value Creation Examples

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Construction of the Advanced Electronics Materials Development Building at the Tsukuba Development Center

Advanced Electronics Materials Development Building as a Hub for Innovation

Rendering of the completed Advanced Electronics Materials Development Building

Under our medium-term management plan, we have positioned the expansion of the electronics business as a key strategy, and are constructing the Advanced Electronics Materials Development Building (hereinafter, the new building) to create innovative new products that address advances in semiconductor technology. The new building is scheduled for completion in March 2027. As semiconductor manufacturing processes evolve, the main materials in this business now include not only gases but also liquids and solids, and the range of atomic and chemical species used is becoming increasingly diverse. In the new building, we will develop new process materials and their handling equipment, and further strengthen our ability to provide solutions that address customer challenges.

Value Creation Through Co-Creation with Group Companies and Semiconductor Manufacturers

The new building will strengthen collaboration with the Group's development organizations in Japan, Europe, and the United States. By integrating knowledge and technologies from each region, we will further reinforce our global development framework and enhance both the speed and efficiency of development. NSHD will also promote open innovation with semiconductor device manufacturers and semiconductor production equipment manufacturers. By advancing initiatives that span from conception to mass production, we will accelerate development and commercialization, driving the creation of innovative new products.

Comment from Initiative Leader

Takashi Kameoka

General Manager,
Electronics Development Dept.,
Tsukuba Laboratory, R&D Unit
Nippon Sanso Corporation

The new building is currently under construction with plans to finish in March 2027. With the completion of the new building, NSHD will further advance the development of advanced materials to reinforce market competitiveness and enhance development execution capabilities. Specifically, plans call for establishing facilities and evaluation environments that can accommodate a wide range of process materials, and utilizing the new building as a core development base for providing total solutions. This will enable the Company to rapidly and seamlessly advance the development, evaluation, and validation of original materials and their handling equipment that meet the needs of the advanced semiconductor field, and to build a framework for global deployment.

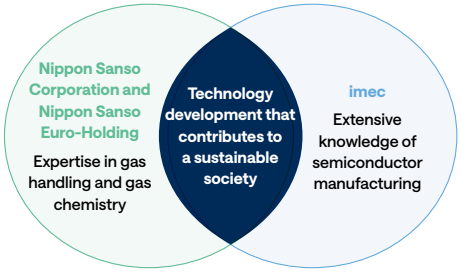
Collaboration with Global Consortiums

Accelerating Technology Development for Sustainable Semiconductor Manufacturing

The NSHD Group has decided to accelerate the development of gas technologies that enable reduction of environmental burden with the aim of realizing sustainable semiconductor manufacturing processes. As part of its sustainability initiatives under the new medium-term management plan, Next Innovation 2030, NSHD has set the goal of achieving carbon neutrality by 2050 through technological breakthroughs. Under this plan, our aim is to contribute to the reduction of global GHG emissions through the NSHD Group's environmentally friendly products and services, while also promoting the expansion of businesses that address environmental and social issues.

Value Creation Through Collaboration with imec

As part of these initiatives, NSHD aims to contribute to reducing environmental burden in semiconductor manufacturing processes by participating in the Sustainable Semiconductor Technologies and Systems (SSTS) program led by Interuniversity Microelectronics Centre (imec), one of the world's leading research institutions, and advancing joint development efforts. This initiative is being promoted through collaboration between Nippon Sanso Corporation, our operating company in Japan, and Nippon Sanso Euro-Holding S.L.U., our operating company in Europe. By combining both companies' expertise in gas handling and gas chemistry with imec's extensive knowledge of semiconductor manufacturing, the NSHD Group will promote the development of technologies that contribute to the realization of a sustainable society.



Comment from Initiative Leader

Hideharu Shimizu

Project Manager,
Electronics Development Dept.,
Tsukuba Laboratory, R&D Unit
Nippon Sanso Corporation

From the perspective of gas professionals, we are working on new gas engineering, process property evaluation, and by-product quantification to reduce GHG emissions in semiconductor processes. Through regular discussions with imec, we have gained their understanding and appreciation for Nippon Sanso Corporation's collaborative approach. In addition, imec has provided the NSHD Group with more opportunities to interact with companies from different industries related to semiconductors, which we believe is building momentum for cross-industry problem-solving. Through these technology development and collaboration initiatives, we will continue to contribute so that Nippon Sanso Corporation remains an essential presence for customers, society, and the planet into the future.

Value Creation Strategies

Accelerate the Expansion of the Electronics Business

Strategic Direction by Region

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

To expand the electronics business, NSHD is accelerating growth strategies that leverage the strengths of each region. In addition to strengthening competitiveness in existing markets, the NSHD Group will reinforce its foundation for global value creation and achieve sustainable growth by entering new regions and expanding its business portfolio.

Regional Strategies

Japan

- Global deployment of technology, HR, and educational systems cultivated in Japan
- As the core of the Group's electronics technology, spread "Made in Nippon Sanso Quality" worldwide and lead the way in achieving both growth and reliability

TOPIC

Driving Group Growth as the Foundation of Technology, Quality, and Talent

As a leading total solutions provider representing the NSHD Group, operations in Japan provide integrated offerings of gases, equipment, and engineering to reliably capture demand. In addition, we are advancing the development of advanced materials for next-generation CVD and ALD*1 at the Tsukuba Development Center, while our material gas and equipment manufacturing companies are expanding production capacity and strengthening their ability to meet global quality standards. Furthermore, under the new medium-term management plan, NSHD will pioneer a CoE for electronics with the aim of creating a core driver of business growth for the entire Group.

*1 CVD: Chemical Vapor Deposition, ALD: Atomic Layer Deposition. Film formation processes at the core of semiconductor manufacturing

United States

- Provide high-value-added integrated solutions for leading semiconductor manufacturers in North America
- Maximize customer value through a business model combining materials, equipment, and engineering

TOPIC

Establishing High-Value-Added Integrated Solutions in North America

NSHD is strengthening and enhancing the value of core products in the electronic materials segment, while further deepening collaboration with semiconductor customers and semiconductor production equipment manufacturers. We are expanding our lineup of strategic products centered on our mainstay hydrides (hydrogen compounds), and broadening our business domain through proposals that combine these products with our equipment and piping installation business. In addition, NSHD is working to improve quality and production efficiency through the use of DX and AI, while aiming for sustainable growth and enhanced corporate value through strategic partnerships.

Europe

- Advance the onshore production of electronic material gases to enhance supply stability
- Collaborate with European research institutions to create new technologies and services

TOPIC

Building a Foundation for Medium- to Long-Term Growth Through In-House Production of Electronic Material Gases, and New Technologies and Services

Oevel Plant in Belgium

Under the new medium-term management plan, we are strengthening the electronic materials segment with a focus on specialty gases. We are accelerating growth by vertically integrating the NSHD Group's mainstay products, specifically through onshoring at the Oevel Plant and by expanding bases. NSHD is also expanding solutions for greenfield projects*2 and downstream processes by offering integrated proposals that combine bulk gas with equipment and engineering, while reinforcing the business foundation through M&A. Furthermore, we aim to improve supply quality and operational efficiency by introducing DX and AI and upgrading core systems, with an eye on sustainable growth.

*2 Projects involving the construction of new factories or plants on land without existing facilities

Asia and Oceania

- Enhance capabilities to meet demand for electronic material gases and advanced applications, primarily in South Korea, Taiwan, and China
- Expand presence in growing markets in Southeast Asia and India, cultivating future growth drivers

TOPIC

Strengthening Supply Infrastructure and Developing Next-Generation Growth Markets

In East Asia, the NSHD Group is expanding its product lineup and production capacity at plants in South Korea and China, while enhancing the internal deployment of local products, including advanced materials, to grow the electronic materials business. At the same time, we are strengthening our quality and stable supply systems to meet the advanced requirements of leading semiconductor customers, including those in Taiwan. In Southeast Asia, we are enhancing logistics functions for electronic material gases and investing to build a comprehensive support framework.

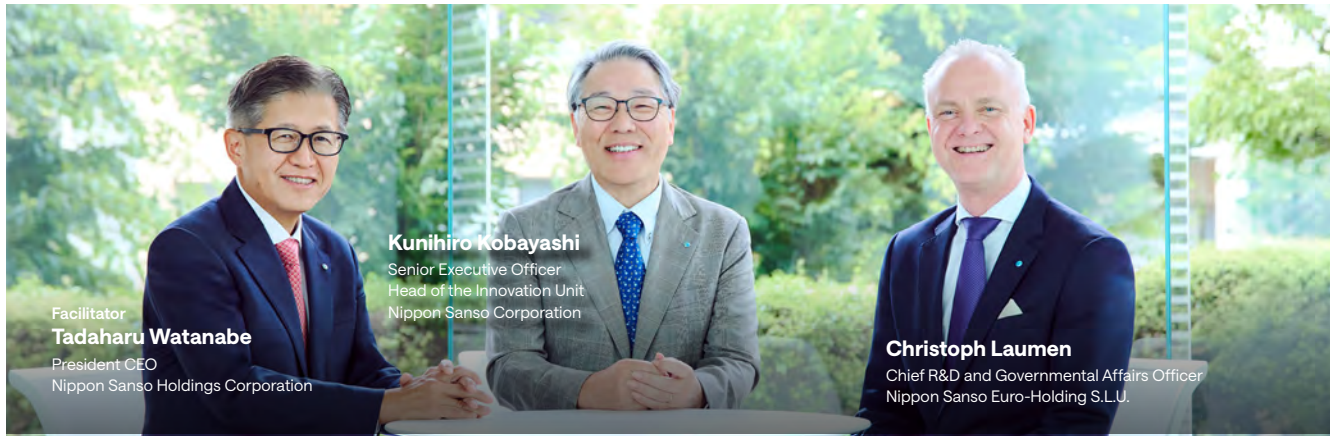
Taiwan Plant

Value Creation Strategies

Creating Future Growth Drivers
Roundtable Discussion: Unpacking Our Innovation and Mindset

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

As the title of our new medium-term management plan, Next Innovation 2030, suggests, the promotion of an innovative mindset is one of our core values. Focusing on how to instill this mindset among all employees in the Group's four global regions and create future growth drivers, Tadaharu Watanabe, President CEO; Kunihiro Kobayashi, Head of the Innovation Unit in Japan; and Christoph Laumen, Chief R&D and Governmental Affairs Officer in Europe, engaged in a frank discussion.



Launching the Globalization of Innovation in the Current Fiscal Year

Watanabe: Mr. Laumen, how would you describe the current status of innovation activities in Europe?

Laumen: We are on a three-step journey at the moment. Step one is to assess what type of activities are already going on and where. The best way to do this is to work closely with the departments that are engaged with particular customer segments, and together we have identified several growth segments, such as carbon neutrality, biotechnologies, electronics, and healthcare. In step two, we will conduct a gap analysis with teams of segment experts to understand what solutions the market will need over the coming few years. Based on the first two steps, in step three we will formulate a technology roadmap for the coming years, which we plan to finalize by the third quarter of 2026. The roadmap will include KPIs and define what success looks like. That is a very important point.

Watanabe: In Japan, we already have an R&D team as well as the business-related operations of the innovation team. So, Nippon Sanso Corporation is driving innovation Groupwide. Mr. Kobayashi, how would you describe the innovation situation in Japan?

Kobayashi: Five years ago, Nippon Sanso Corporation launched the Innovation Unit as a new division, which is tasked with creating new businesses and growing them. Until recently, our focus was on activities within Japan. Since April 1, 2026, however, we have been globalizing the technology innovation business in line with the new medium-term management plan. We will also launch the technology innovation business in Europe, the United States, and countries across Asia and Oceania, which will naturally increase the scale of the business.

Watanabe: In Japan, we have Mr. Kobayashi's team and the R&D team. Our programs are the most advanced. Sharing these programs among the four global regions and helping them adapt to the programs will generate benefits for all parties. It will be a win-win relationship.

Laumen: You are right. At the end of the day, we should reach the stage where Japan also benefits from initiatives that have been developed in the United States and Europe. If we share our roadmaps, we will avoid unnecessary replication of projects already underway elsewhere. Then, we can decide who should be filling the gaps. Therefore, above all we must share roadmap information and ensure full transparency. This approach will help all of us to come up with solutions that are more all-encompassing and global.

With this in mind, we are currently building a centralized database in Europe, into which we are inputting technologies developed to date and those currently under development, target markets, value created, client information, and the locations of reference clients. Once this is complete, the next step is to build such a database globally.

Watanabe: No matter which field we tackle, compatibility with the gas business is essential. Focusing our efforts on gas and gas technologies is important. From that perspective, what strengths does Europe have in relation to innovation from your point of view?

Laumen: The green transition is a major topic in Europe. The development of measures for industries in which decarbonization is particularly challenging is an important task and a field where we are building strengths. In the past, our motivation was to reduce fuel costs. But nowadays, reducing CO_2 footprints is becoming increasingly important.

Another strength is businesses related to sustainable food production and transportation, including fish farming, food processing, and the maintenance of entire cold chains. For example, the rapid growth of the home delivery market is driving up demand for dry ice. We are currently working on developing paper-based containers for dry ice-enabled delivery that are more environmentally friendly than plastics or Styrofoam.

Watanabe: In other words, you are not just supplying dry ice to the market but providing it as part of a complete solution.

Laumen: This should always be our approach. By positioning ourselves as a solutions provider, we can build stronger customer loyalty and increase our pricing options.

Value Creation Strategies

Creating Future Growth Drivers
Roundtable Discussion: Unpacking Our Innovation and Mindset

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Using Respective Strengths to Build a Complementary Relationship Between Japan and Europe

Watanabe: Mr. Kobayashi, what strengths do you think Japan has relative to other global regions?

Kobayashi: Unfortunately, even today, Japan's cultural milieu can make it challenging for people to build second careers after making a major mistake in business. At Nippon Sanso Corporation, however, the management team has established a medium-term management plan that calls on new, innovation-driven businesses to generate at least 20% of revenue. That is why the Company has a mindset focused on actively seeking out new businesses.

In addition to this mindset, distinctive technologies are another of our strengths. For example, MOCVD is one such technology. Stable isotopes, biotechnologies, and additive manufacturing are others. These are our unique, advanced technologies. Going forward, we will add new programs related to nuclear fusion, photoelectric fusion, and dissimilar metal joining. By combining core innovations with several other innovations, we aim to create new businesses that generate 20% of our total revenue.

Laumen: What is great is that we can already see a set of complementary strengths between Europe and Japan. The MOCVD market is now beginning to grow in Europe, and the Europe global region will certainly benefit in the electronics field. Stable isotopes are also beginning to be applied in the medical field for both diagnosis and therapy and could become a major market in Europe as well. We each have different strengths, and combining them together will be beneficial for both sides.

Watanabe: I think that makes perfect sense. Once we have the same situation in all four global regions, each region will benefit from the others, generate significant synergies, and then reap substantial profit.

We are currently discussing a goal to have non-core businesses, such as electronics, MOCVD, stable isotopes, and additive manufacturing, account for about 25% of the Group's overall portfolio in 10 years. While our core industrial gas business is relatively stable, having high-growth businesses make up about 25% of the portfolio would make it even more attractive and would also be beneficial for the cooperative relationship among the four global regions.

Kobayashi: In that sense, we have many ideas for next-generation innovations. As I mentioned earlier, if we could, for example, incorporate small fusion reactors into air separation units, we may be able to generate our own power. Further, photoelectric conversion is also an interesting field that promises to produce significant business opportunities in the future. In addition, biochemicals and additive manufacturing are fields that we should focus on going forward.

Laumen: We must not forget to revamp our own products, facilities, and assets. In other words, the integration of leading-edge technology with our assets is also an important area for innovation. For example, AI-enabled plant control, the introduction of robotics to plants, and fully automated filling plants are all key factors in increasing business value.

Watanabe: I want our European operations to develop business plans for utilizing robotics and other technologies, and I am asking China to do the same. After all, China is at the leading edge of robotics, particularly in the field of humanoid robots. I want each region to utilize its own resources and invest capital in innovation in a spirit of trial and error. If benefits for businesses emerge, then we can share them globally.

The key is to always keep an open mind. We do not necessarily have to develop everything in-house. There's potential to improve our operations by rationally utilizing various existing technologies and products available around the world.

Kobayashi: From the viewpoint of innovation, the United States is the most attractive market. The quickest way to grow in this market is through M&A with start-ups and small venture companies. However, since such M&A naturally involves risks, we must establish a clearly defined breakdown for the investment portfolio. For example, we should allocate 20% of total investment to new businesses, with half set aside for ventures where even complete failure is acceptable and the remaining half earmarked for investment in relatively safe innovations. We need to structure our investment portfolio based on this kind of thinking.

Laumen: That is the nature of innovation. Trial and error is the norm; there is no such thing as 100% success. An attitude that demands 100% success is incompatible with innovation.

Instilling an Innovative Mindset

Watanabe: One question concerns me. I think we agree that leaders in various countries have a wonderful mindset when it comes to innovation. They also say that trial and error is necessary. However, how do we instill this mindset throughout the entire organization?

Laumen: I believe there are two important prerequisites. The first is psychological safety—the assurance that it is okay to fail. Rather than providing incentives to blame people for failure, we need a system that incentivizes people to engage in learning processes. We should celebrate learning processes over the final outcomes. This changes people's mindset. To achieve this, we should use different KPIs. For example, we could use the number of proofs of concept or success rate. Collaboration among regions is also important. Giving all regions confidence that what they are doing is right and that this is also what the other regions are doing will help bring back an innovative mindset.

The second prerequisite is to give innovation time. For the entire organization, rather than just those in charge, to be innovative, we need to allocate time and money to the establishment of proofs of concepts. Google once allocated 10% of all employees' working hours to innovation. I have heard that while many employees initially did not know what to do, they eventually began participating in innovative projects of their own accord.

Value Creation Strategies

Creating Future Growth Drivers
Roundtable Discussion: Unpacking Our Innovation and Mindset

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Watanabe: What about the importance of recognition? We are currently discussing the establishment of an awards system, but a Groupwide innovation award could create a sense of unfairness. Japan, Europe, and the United States have deep enough pockets to realize innovation. For some Asian countries, on the other hand, investing US$2 million to US$3 million may be difficult.
Laumen: I think we could establish various categories, such as an innovation day, innovation awards, and adaptation awards. We could also host innovation day events together with suppliers and clients to raise the visibility of the initiatives NSHD is pursuing. If we implement innovation-related initiatives once a month, that in itself serves as a form of recognition and appreciation for frontline innovators. Experience-based rewards are also effective. For example, this could include innovation training sessions for the top innovators of the month. Such measures would foster further innovation-focused thinking.

Pooling Global Strengths to Maximize Return on Investment

Kobayashi: From my point of view, I do not think awards are strictly necessary. This is because, from an innovation perspective, NSHD as a whole should create a single team, not separate Japan and Europe teams.

Currently, if we export Japanese technology to Europe, we generate higher profits there than in Japan. In the electronics business, we have established transfer pricing rules to set appropriate prices for intra-Group transactions. If we were to build a unified management accounting system across the global regions as a single team, the generation of significant profit in Europe but low profit in Japan would not be considered unfair. This is the situation we should aim for in the unified management of global innovation. Even though there may be tax-related challenges, the fundamental idea is to establish a unified management accounting system for global innovation as a whole.
Laumen: I do not think it has to be a monetary award. Highlighting that a person has succeeded in innovation or contributed to the overall success of a project would be enough. In other words, I mean some form of recognition, like an employee of the month award, would work. If we held an award event once a year, rotating the host among locations in Japan, Europe, the United States, and Asia and Oceania, this would also provide an opportunity for people to learn about different markets, which would be worth more than just money.
Watanabe: Am I right in thinking that the unified management accounting system you mentioned earlier would include innovation divisions?
Kobayashi: Yes, it would. Further, the scope of the unified management accounting system would not be limited to the technology innovation business. I believe that the global integration or "totalization" of three businesses—innovation, electronics, and engineering—is an extremely important strategy for NSHD.
Watanabe: An important point for the global innovation team to consider is that even if an assessment conducted solely in the European market currently shows a return of only US$1 million on a US$2 million investment, the inclusion of Japan, the United States, and Asia and Oceania could potentially yield a return of US$4 million. This is an obvious benefit of integration.
Laumen: You are absolutely right. That is precisely why, once we have prepared the roadmaps, the four global regions need to come together to discuss which options offer the best cost-effectiveness and what should be given priority. It is not just about profitability; strategic criteria and the competitive environment are also crucial. After all, the funds available for innovation and R&D on a global scale are limited.

Another point that I would like to improve is the fact that in Europe, even when ideas are submitted, it has sometimes been unclear why they have not been implemented. The speed of implementation is also an important indicator.
Watanabe: I understand that. However, what I often tell our employees is that while providing ideas is great, I do not know how to invest in them. So, I ask employees to present ideas in a form that is ready for investment. I want them to propose plans that are to some extent actionable.
Laumen: That is true. That is a challenging aspect of the process. However, perhaps we also need an internal structure to pick up ideas and shape them into something actionable. I do not think the person who comes up with an idea always has to handle every step of the process.
Watanabe: That is right. This might be something the management team needs to consider as well. I would like us to foster a corporate culture where we do not overlook good ideas and instead nurture them into growth drivers through the energy and focus of everyone involved.

Value Creation Strategies

Creating Future Growth Drivers

Expansion, Development, and Exploration—Creating the Next Growth Drivers

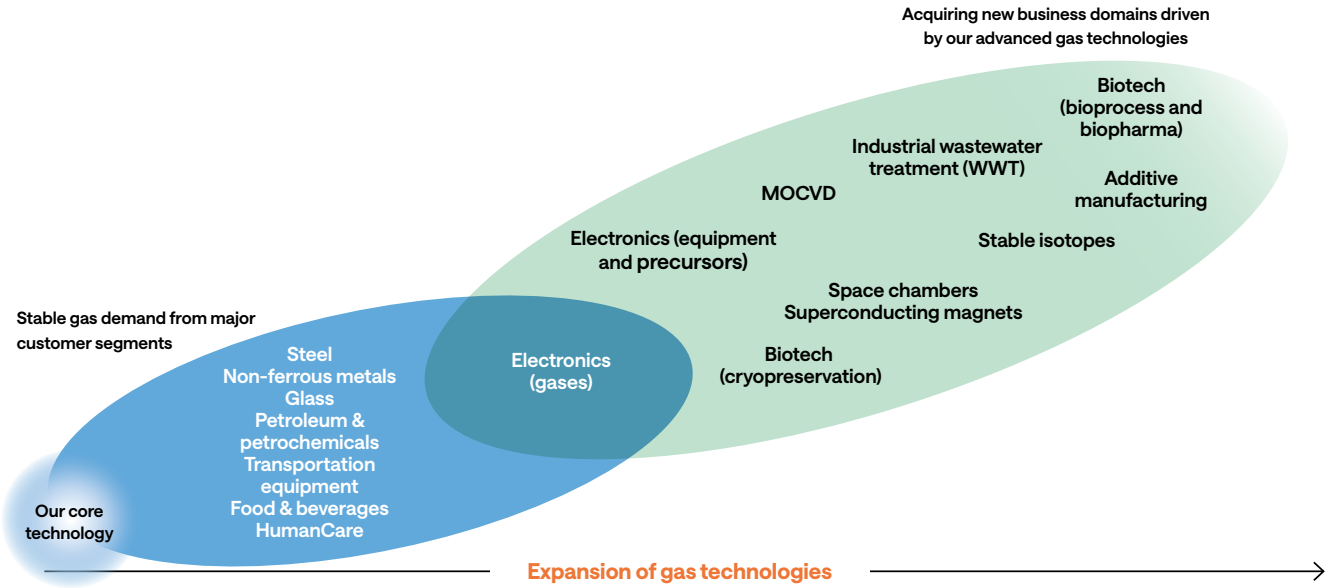
Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

The Key Role of Innovation by the Four Regions Through the CoE

The NSHD Group is exploring future growth drivers and utilizing its gas technologies as the basis for the establishment of new growth fields. We are developing businesses that meet the needs of a wide range of clients by capitalizing on the versatility of industrial gases and by applying our world-first innovative technologies, including MOCVD, stable isotopes, biomanufacturing and additive manufacturing technologies.

To build a business portfolio resilient to market changes, we have identified "Expansion," "Development," and "Exploration" as the pillars of our growth strategy. While realizing further expansion of existing strengths, we will advance the development of new mainstays. At the same time, we will continuously pursue the exploration of projects in promising new fields by globally investing in business development and marketing. Through intensified cultivation of an innovative mindset across the entire organization and the advancement of initiatives that combine multiple innovations, we aim to generate at least 20% of our sales revenue through new business. Moreover, through the Innovation CoE, which connects our four global regions of Japan, the United States, Europe, and Asia and Oceania, we will create powerful synergies across the organization, benefiting each region while driving sustainable profitability.

Business Development Leveraging the Versatility of Industrial Gases



Expansion

Focusing on high-growth areas

MOCVD Technology

Due to the electrification of automobiles and increasing investment in AI and data centers, compound semiconductor markets are expected to grow over the medium to long term. In these growth markets, we are rolling out products by leveraging our proprietary technologies for thin film deposition and process development, which cover everything from R&D applications through to mass production applications. Going forward, as well as developing technologies that increase the competitiveness of mass production equipment and enable the introduction of large-diameter mass production equipment, we will take on the challenge of developing thin film deposition technologies aimed at creating new markets. These include next-generation optical devices that support photoelectric fusion technology; microLED, which promises to become a next-generation display technology; high-efficiency solar cells for space applications; and next-generation electronic devices that utilize new materials. Such thin film deposition technologies will also contribute to the realization of a highly information-driven, decarbonized society. Further, we will enhance our market presence and corporate value by collaborating with research institutions and companies to facilitate entire processes from research and development through to mass production and by offering one-stop solutions that combine equipment, gases, and peripheral systems—primarily in the European and North American markets—where investment is brisk.

MOCVD equipment

Value Creation Strategies

Creating Future Growth Drivers
Expansion, Development, and Exploration—Creating the Next Growth Drivers

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Expansion

Stable Isotopes Technology

Stable isotopes are attracting attention as new materials, with applied research and development progressing in various fields. Over many years, we have accumulated competence in cryogenic separation technology and utilized this strength to build a competitive advantage in the isotope separation of light elements such as nitrogen and oxygen. By leveraging this technological foundation, we are creating new business opportunities in the stable isotopes market, which is likely to expand in the future. In the field of oxygen isotopes, we are already the world's largest supplier of Water-^{18}O, a raw material for positron emission tomography (PET) diagnostic reagents. Anticipating increased demand for this material due to an increase in targeted diseases, such as Alzheimer's disease and heart disease, we plan to construct a new, more efficient plant. Further, we are collaborating with partner companies to strengthen our domestic and international supply capabilities for deuterium, demand for which is growing in the semiconductor field. Ultimately, our goal is to develop these operations into a core business. We are also advancing the development of deuterium for applications in the energy field, such as nuclear fusion and nitride fuel. Through the creation of new businesses that utilize our differentiated technologies, we will sustain growth and enhance corporate value.

The SI Innovation Center

Development

• Establishing new revenue foundations
• Expanding niche domains where we hold competitive advantages

Additive Manufacturing Technology

The NSHD Group has identified additive manufacturing as a growth field where it can Create Future Growth Drivers. Metal 3D printer-enabled additive manufacturing incorporates 3D design and other new technologies and has significant compatibilities with our core gas application technologies for welding, heat treatment, and gas purification, which we have developed over many years.

We will utilize the advantages of our core technologies to develop not only an equipment or hardware sales business for metal 3D printers and related products but also solutions and services that collaboratively address various challenges faced by our clients, such as how best to improve quality, shorten delivery times, reduce material waste, and implement laborsaving measures.

By continuing to directly offer ultra-high-performance products and components that only metal 3D printers can manufacture to clients in industrial fields such as aerospace, defense, semiconductors, automotive manufacturing, and data centers, we will create new value, contribute to the transformation of manufacturing, and pursue sustainable business development.

Enabling defect-free welding and printing with RotoTIG, powered by proprietary technology and the world's first center-wire-fed TIG welding torch

RAMLAB collaborative robot system combines 3D shape scanning and automated weld path generation for intelligent welding and printing automation

Exploration

Seeking out new business areas that could become seeds for future ventures

Our exploration activities will entail globally participating in research programs and taking on the challenge of fostering next-generation innovations. In the biomanufacturing field, where we already have competitive advantages, we will expand our focus to explore innovations in the biomedicine field.

Biomanufacturing Field

Against the backdrop of decarbonization and a shift toward in-house production in supply chains, the market based on biomanufacturing applications is rapidly extending beyond pharmaceuticals to encompass food, functional materials, and chemicals. In particular, production processes utilizing precision fermentation and cell culture are flagships of the transition from a petroleum-based chemical industry to a bioindustry that utilizes microorganisms and cells. For this reason, these processes are a field where we should explore medium- to long-term growth opportunities.

Given the aforementioned transition, we will simultaneously advance the development of culture technologies and core technologies for gas supply and freezing with the aim of evolving into a provider of solutions that support biomanufacturing. Going forward, we aim to provide solutions that only an industrial gas manufacturer can deliver, including the development of culture processes that use CO_2 as a feedstock and the enhancement of productivity for bio-derived products to which oxygen has been added.

BIONET Bioreactor

Value Creation Strategies

DX

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement of growth rate: 2

Message from the CIO

We will strengthen our technology foundation by advancing four strategic priorities and deploying globally unified platforms across the Group.

Cesar Callejo
Executive Officer, Chief Information Officer (CIO), and Executive General Manager, Group IT Strategy Office
Nippon Sanso Holdings Corporation

Under the previous medium-term management plan, DX was primarily focused on consolidating digital initiatives across the NSHD Group and increasing their visibility. With the launch of our new medium-term management plan, Next Innovation 2030, we are moving decisively to the next stage by advancing technology and DX on a global scale, positioning technology as a strategic enabler of business value, growth, productivity, operational excellence, and long-term competitiveness.

The recent establishment of the Group IT Strategy Office marks an important step in strengthening the Group's digital capabilities, enhancing competitiveness, enabling greater collaboration, and improving capital allocation through increased standardization and consolidation.

Accordingly, the strategy for the next medium-term management plan is structured around four strategic priorities. The first priority is AI, which we view as a strategic capability with the potential to generate material business value when deployed responsibly. Our focus is on high-impact use cases that can improve productivity, enhance decision-making, reduce costs, strengthen customer experience, and accelerate speed to market, all within a robust governance and control framework. This will enable a shift from fragmented experimentation to industrialized, scalable AI capabilities embedded in core business processes. Central to this agenda is the establishment of a unified global data & AI platform, to be deployed progressively across regions, providing a secure, governed, and scalable foundation for AI-enabled decision-making and advanced analytics.

Closely linked to AI is our focus on data as a strategic asset. Through the implementation of this unified global data & AI platform, we will reduce data fragmentation, improve consistency across systems, and strengthen management confidence in the data underpinning operational, financial, and strategic decisions. This foundation will become increasingly critical as we scale advanced analytics and AI-enabled processes across the Group. This integrated approach positions NSHD to differentiate through disciplined governance, reusable AI capabilities, and clear alignment with business value creation. We expect AI-enabled process improvements to deliver measurable gains in operational efficiency and speed to market within the first two years of deployment.

Human capital is a critical enabler of this agenda. We will make targeted investments in workforce capabilities through structured training, capability-building programs, and leadership digital fluency initiatives to ensure that senior leaders champion adoption and that the organization builds the talent, mindset, and culture required to deliver transformation at scale.

The second priority is digital collaboration, enabled through the implementation of a global digital collaboration platform designed to strengthen collaboration capabilities, increase employee productivity, and support a more connected and engaged organization. Beyond collaboration, this platform will provide a secure and scalable digital foundation for future capabilities. It will enable innovation at scale and establish a structured, repeatable model to support sustainable growth and long-term value creation across the enterprise.

The third priority is governance, supported by the implementation of an IT Project Management Office (PMO). The PMO will be instrumental in enabling NSHD's DX by bringing global and cross-regional initiatives into a single, transparent view, while also increasing visibility over regional initiatives. This will strengthen alignment across the Group, improve coordination where initiatives can be connected and scaled, reduce duplication, and enhance investment effectiveness. By establishing common governance principles and aligning execution with the global IT strategy, the PMO will support more informed decision-making and enable leadership to steer transformation with greater clarity, discipline, and confidence.

The fourth priority is information security. It remains a fundamental pillar of both the Group IT Strategy Office and the broader enterprise risk management agenda. Its importance continues to increase in line with the accelerating pace of technological change and the evolving threat environment.

A strong security foundation directly supports competitiveness by protecting operational resilience, preserving customer trust, and minimizing disruption from cyber incidents. At the same time, it provides the governance and control environment required for the safe adoption of emerging technologies, including AI.

Taken together, these four strategic priorities will shape the roadmap as we build the foundational capabilities required in AI and data, digital collaboration, governance, and information security, while strengthening the underlying technology base through a global digital collaboration platform and a global data & AI platform model.

Technology Roadmap (Several Initiatives Already Underway)

Phase 1: FYE2027
- Global digital collaboration platform
- Global data & AI platform

Phase 2: FYE2028–FYE2029
- Global intranet
- Regional data & AI platforms
- Global Security Operations Center

Phase 3: FYE2029–FYE2030
- Global HR system

Value Creation Strategies

Engineering

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 2

Message from the Executive Responsible for a Key Engineering Project

The aim is to realize truly global engineering that helps sustain the growth of operating companies and enhance the entire Group's corporate value.

Kimitaka Koga
Executive Officer, Executive Project Manager of Global ASU Engineering Enhancing Project, Group Business Promotion Office
Nippon Sanso Holdings Corporation

In line with the new medium-term management plan, Next Innovation 2030, the Global ASU Engineering Enhancing Project (GAP) is tasked with optimizing operations through the establishment of a system that organically integrates air separation unit (ASU) engineering functions. This system will enable the Group to increase its overall competitiveness and ASU manufacturing capacity.

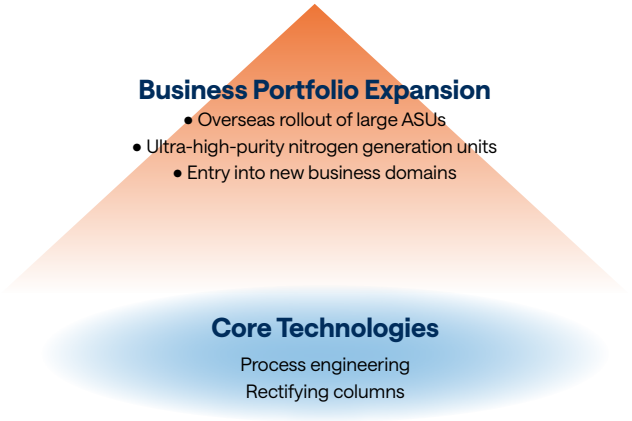
At the center of global collaboration is a Steering Committee, which comprises GAP and the engineering leaders of the four global regions of Japan, the United States, Europe, and Asia and Oceania. In addition to increasing mutual cooperation, we will utilize this system to expand global procurement capabilities and establish a platform designed to enable the sharing of procurement data and various other information. These efforts will strengthen the basic functions and organizational capabilities needed to accelerate and enhance initiatives in our four global regions.

The Group will increase its technical capabilities even further through such measures as enhancing global support functions by increasing the number of GAP personnel and intensifying technical exchanges between Plant Engineering Center of Nippon Sanso Corporation and Polaris S.r.l., which was acquired by Nippon Sanso Euro-Holding S.L.U. in November 2024 and has strengths in small- and medium-sized ASUs and nitrogen generator units. In conjunction with these efforts, we will strengthen our on-site execution capabilities by enhancing and expanding local engineering, procurement, and construction capabilities and by forming strategic alliances with external partners. Leveraging our organizational strength as the foundation, our technical capabilities and on-site execution capabilities are linked through the core technologies of ASU engineering, namely, process engineering and rectifying column fabrication technology. Through utilization of these capabilities in tandem, the Group will increase production capacity for ASUs and increase their competitiveness, thereby accelerating to expand the Group's overall business portfolio.

Specifically, GAP is strengthening its ability to pursue and secure new gas supply opportunities by establishing a structure that enables the rapid deployment of plants aligned with the regional strategies.

GAP aims to realize truly global engineering that drives the sustainable growth of each regional Group company and contributes to enhancing the corporate value of the Group as a whole. As a core organization within the management foundation supporting the key strategies of our Group, GAP is strengthening the global promotion organization, expanding its worldwide manufacturing network, and enhancing its global procurement capabilities.

An Overview of Our Strategies



Technical Capabilities

- Concentrating internal engineering resources on core technologies
- **Strengthening technical capabilities through collaboration between Nippon Sanso Corporation's Plant Engineering Center and Polaris** ▸P. 44
- Leveraging external engineering firms
- Enhancing global support functions

Organizational Capabilities

- Strengthening global collaboration among ASU engineering functions
- Expanding global procurement capabilities

On-Site Execution Capabilities

- Expanding and strengthening local engineering, procurement, and construction capabilities
- Establishing strategic partnerships with external partners
- Promoting modularization and skid-based design
- Outsourcing fabrication of non-core components

Foundational Technologies
Air separation, cryogenics, and vacuum; gas handling; and gas utilization

Value Creation Strategies

Engineering

Technical Exchange Between PEC and Polaris

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 2

Products made by Polaris, which has earned high marks from customers for delivery responsiveness and engineering quality, play a key role in advancing our small- and medium-sized on-site strategy. Through technical exchange with Plant Engineering Center (PEC), we are further improving engineering quality and strengthening the NSHD Group's overall competitiveness.

Details of Technical Exchange

- Sharing perspectives on selecting air separation processes according to product specifications
- Providing engineering considerations for components such as rectifying columns
- Sharing risk factors based on past engineering and operational experience
- Sharing technical knowledge on engineering standards for various components

Features of PEC

PEC is at the center of the NSHD Group's engineering expertise and has advanced ASU engineering technology backed by many years of experience.

Features of Polaris

Polaris demonstrates engineering and manufacturing responsiveness by leveraging flexibility and agility, and delivers strong lead-time competitiveness in the small- and medium-sized on-site ASU market.

Contribution to Corporate Value

- **Contribution to earnings:** Cost reduction and enhanced competitive advantage through improved engineering accuracy
- **Differentiation from competitors:** On-site proposal capabilities that combine short lead times and high-quality engineering
- **Group synergy:** Integration of PEC's deep technical expertise with Polaris' agility and manufacturing capabilities
- **Response to expanding markets:** Accelerating global deployment of small- and medium-sized ASUs beyond Europe
- **Reputation enhancement:** High customer evaluations further elevate the NSHD Group brand

Future Direction

- Expand the scope of technical exchange (including less experienced engineers)
- Share cost information to optimize engineering and procurement
- Deepen strategic consideration for selecting alternative vendors

PEC

Continuing to Share Knowledge and Foster Dialogue to Further Enhance the NSHD Group's Overall Engineering Capabilities

PEC has leveraged its elemental technologies accumulated over many years to engineer and manufacture ASUs ranging from small- and medium-sized to large-scale ASUs. Meanwhile, Polaris is a relatively young company that engineers and manufactures various plants, leveraging its flexibility and agility to deploy small- and medium-sized ASUs by utilizing existing engineering cases and expertise.

In light of these characteristics of both companies, in this initiative, PEC provides insight and advice on ASU engineering technology, and also shares expertise on selecting air separation processes and designing component equipment. This initiative is being carried out based on designs that leverage the strengths of each company, while respecting the independence of their engineering methodologies and concepts.

Through this initiative, we also gain opportunities to encounter different engineering concepts and approaches to equipment selection, which helps clarify our thinking on engineering and provides a foundation for future initiatives.

Hideyuki Hashimoto
Senior General Manager, Project Solution Management Division
Plant Engineering Center (PEC)
Nippon Sanso Corporation

Polaris

Aiming for Further Growth Through the NSHD Group's Small- and Medium-Sized On-Site Strategy

The technical exchange with PEC affords Polaris major opportunities to improve its competitiveness and engineering reliability. In-depth discussions on topics such as engineering criteria for rectifying columns and adsorber optimization have enabled us to reassess, on a sound technical basis, the design margins that we had previously set with a certain degree of leeway. These initiatives are giving us greater confidence in our engineering designs.

As a young company, Polaris has relied on agility and flexibility as its strengths rather than an extensive track record. However, through exchanges with PEC, Polaris is backing this agility with expertise grounded in experience. We are already applying the benefits of these exchanges to projects currently underway, including a medium-sized ASU project for Nippon Sanso Norge.

Going forward, we will expand into adjacent technologies such as Vacuum Pressure Swing Adsorption (VPSA) oxygen generators, and share knowledge with a broader range of members, including younger engineers, to help strengthen the Group's overall engineering capabilities. We will further deepen our collaboration with PEC and continue to grow as a key driver supporting the NSHD Group's small- and medium-sized on-site strategy.

Mario Masetto
Managing Director
Polaris S.r.l.

Value Creation Strategies

Technology & Business Development

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Message from the General Manager of the Development Planning Department

The advancement and broadening of our technological capabilities to create new products and technologies that meet client needs will benefit the fields of electronics, carbon neutrality, and sustainability.

Yoshiyuki Hagihara
General Manager, Development Planning Department,
Group Business Promotion Office
Nippon Sanso Holdings Corporation

On a Groupwide basis, we are advancing our development resources and using them more efficiently by sharing and combining technologies and client solutions fostered in Japan, the United States, Europe, and Asia and Oceania to roll out products and services that reflect the characteristics of their respective markets. Efforts to maintain and strengthen the development capabilities of global regions in line with their characteristics will be led by our R&D hubs in Tsukuba and Yamanashi Prefecture, Japan. The advancement and broadening of our technological capabilities to create new products and technologies that meet client needs will benefit the fields of electronics, carbon neutrality, and sustainability.

Electronics: With the aim of helping advance digitalization and the electronics industry, we are globally strengthening our ability to supply electronic material gases and related equipment and our ability to develop technologies for these products. We are helping to increase diborane production capacity globally by introducing high-purity diborane manufacturing technology developed in Japan to NSHD Group companies in South Korea and China. Diborane is an essential material gas in the manufacture of a wide range of semiconductors, including logic, memory, and discrete semiconductors. Demand for this gas is growing as semiconductor manufacturers ramp up their manufacturing capacity. Augmentation of our diborane production capacity will help us expand businesses in the electronics field, where further growth is likely.

The Group's electronics R&D hub, the Nippon Sanso Tsukuba Development Center, has begun construction on the Advanced Electronics Materials Development Building. By utilizing this new facility for collaboration with Group companies, the Group will increase the pace of technology development. In addition, the facility will drive the creation of innovative products by enhancing the feasibility of projects through the promotion of open innovation.

Carbon Neutrality: With a view to realizing a decarbonized society, we are moving forward with development of oxygen combustion technology as well as gas separation and purification technology. In its global regions, the Group is sharing and introducing technologies developed in Japan, such as hydrogen and ammonia combustion technology, CO_2 capture and purification technology, and ammonia cracking and hydrogen purification technology. In addition, the Group is strengthening its solutions proposal capabilities by using an initiative for the introduction of oxygen combustion technology to Europe as an example that other global regions can follow. Further, in respective global regions we are verifying and introducing Innova-Jet® Swing, which is a proprietary oscillating combustion technology developed in Japan, as well as carbon-free combustion technology. Through global information sharing and technological collaboration, we aim to expand our markets in each region.

Sustainability: The establishment of a sustainable food supply chain is a common challenge in every global region. Shareable technology platforms include aquaculture technology (oxygen dissolution), liquid nitrogen-type food-freezing equipment, and modified atmosphere packaging technology for extending the shelf life of processed foods. However, effective quantities of data are essential for the development of these technologies. Therefore, through information sharing among our global regions, we are encouraging technological development and helping to reduce food wastage.

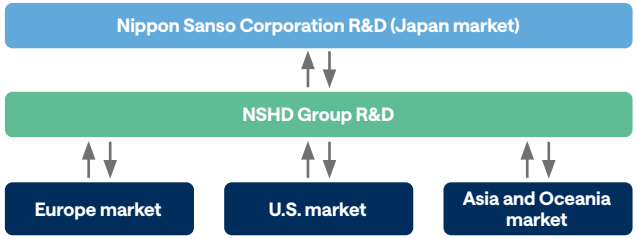
Action Plan

Foster an Innovative Mindset and a Technology-Driven Culture Across the NSHD Group

- Strengthen and share development sites and capabilities owned by each operating company
- Develop programs to drive transformation of our business portfolio (Examples: the low-carbon intensity HYCO business* and new gas applications)

* A large-scale supply business delivering hydrogen and carbon monoxide, separated from natural gas and other sources, through pipeline networks

Promotion Structure



Value Creation Strategies

Technology & Business Development

Intellectual Property Strategy

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

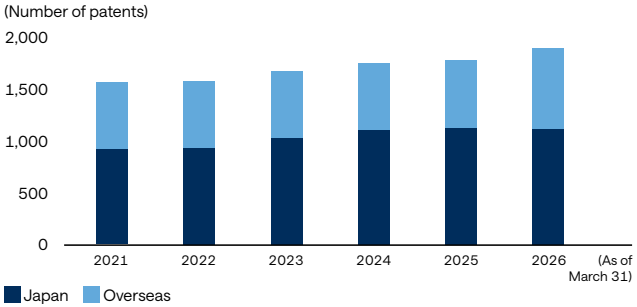
Yoko Okada
General Manager, Group Sustainability Management Office (Intellectual Property)
Nippon Sanso Holdings Corporation
General Manager, Intellectual Property, Technological Affairs Unit
Nippon Sanso Corporation

Intellectual Property Is a Management Asset That Transforms Technology into Competitive Advantages and Enhances Corporate Value

The NSHD Group builds value in the form of intellectual property through the development of technologies, and by protecting and utilizing this intellectual property, drives growth in its global businesses. Intangible assets such as gas technologies cultivated over more than 115 years, relationships of trust with customers, and operational know-how are the source of our Group's competitiveness. Intellectual property protects these strengths and also supports global business development and the expansion of growth fields, making it an important management asset that leads to the creation of new value.

As a result of accelerating the acquisition of rights globally, the number of patents owned by the Group reached a record high, and the acquisition of rights overseas has also grown (see figure below). We are focusing on the creation of intellectual property aligned with our business strategies, centered on growth areas such as electronics and carbon neutrality. By steadily building on these activities, we will elevate intellectual property into a management asset that generates value.

Trends in the Number of Patents Held by the Group



Four Roles of Intellectual Property in Contributing to Corporate Value (As of March 31, 2026)

Protect	Expand	Convert to Value
1,913 patents	**+19%**	**2x**
Number of patents owned	Number of patent applications filed overseas	Technology utilization income
Protect profitability from competition	**Growth areas and overseas development**	**Turn intellectual property into earnings**

Support Protect brands with intellectual property

Protect: Safeguarding Sources of Profitability from Competitors

In the industrial gas business, profitability depends on technology and know-how in areas such as long-term contracts, on-site supply, and the handling of high-purity gases. We systematically secure rights for core differentiating technologies such as cryogenic separation, gas purification and supply systems, and combustion technologies, thereby protecting the sources of our profit margins.

In addition, we actively monitor competitors' patents, provide information to patent offices, and file patent oppositions and request invalidation trials to secure our freedom to operate and maintain sustainable competitive advantages.

Expand: Supporting Expansion into Growth Areas and Global Business Development

The NSHD Group has built a patent portfolio with an eye on future growth fields. We promote the creation of intellectual property aligned with our business strategies in next-generation fields such as additive manufacturing, CO_2 capture, hydrogen, and biotechnology, in addition to the electronics field that supports semiconductor-related materials and processes, and the medical field including stable isotopes and diagnostic applications.

These activities to create intellectual property are reflected in the number of patents owned by the NSHD Group. In addition, the number of our foreign patent applications has increased by around 19% year on year, and the number of patents we hold overseas has also grown significantly. We deploy technologies and intellectual property created in Japan to overseas operating companies and deploy them according to the business and market needs of each region, thereby creating opportunities for global growth.

Convert to Value: Linking Intellectual Property to Business Growth and Revenue Generation

The NSHD Group believes that the value of intellectual property is realized only when we implement the technologies we create in our businesses, deploy them in Japan and overseas, and link them to customer value and earnings. For example, by transferring technologies developed in Japan to overseas Group companies, we accelerate business development and expand earnings opportunities through equipment adoption and licensing agreements. As a result of these efforts, income from technology utilization approximately doubled year on year.

A distinctive feature of our intellectual property strategy is that it goes beyond mere rights protection to sharing technologies and intellectual property among our operating companies around the world, thereby maximizing their value. We aim to strengthen competitiveness and enhance corporate value by leveraging intellectual property.

Support: Protecting Brands with Intellectual Property and Supporting Global Management

The NSHD Group regards not only technology and know-how but also brands as important management assets. We are reinforcing the protection of intellectual property by acquiring and organizing trademark rights in line with the unification of our corporate brand logo globally. By unifying our global brand, we maintain brand consistency, enhance trust among customers and investors, and support the enhancement of corporate value.

Intellectual property plays an important role in establishing technological competitiveness and also as a foundation that supports global management. We will continue to address social issues and achieve sustainable enhancement of corporate value through intellectual property.

NIPPON SANSO NIPPON SANSO

Global brand logo

Value Creation Strategies

Sustainability

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement of growth rate: 2

Message from the CSO

We will increase profitability, capital efficiency, and corporate value over the medium to long term by engraining and advancing sustainability initiatives.

Takeshi Miki
Senior Executive Officer, Group Sustainability Management Office, and Chief Sustainability Officer (CSO)
Nippon Sanso Holdings Corporation

In 2021, we revised our sustainability-related materiality and identified 24 priority issues, including three that are prerequisites for corporate existence: respect for human rights, safety and security, and corporate ethics. Under our previous medium-term management plan, NS Vision 2026, we began addressing these priority issues by advancing measures focused on eight newly established sustainability programs and KPIs. This initiative reflects a recognition of the critical importance of environmental, social, and governance (ESG) issues in corporate management as well as our fundamental commitment to simultaneously increasing economic, social, and environmental value.

In recent years, external evaluations of our sustainability have steadily improved thanks to the progress and appropriate disclosure of initiatives to set out policies, strengthen governance, and establish the sustainability programs and targets outlined in NS Vision 2026.

Launched in April 2026, the new medium-term management plan, Next Innovation 2030, focuses not only on sustainability-related risk management but also on the opportunities presented by sustainability and introduces two new programs. The first of these is the Sustainable Business Program, which will complement existing carbon neutrality-focused efforts by furthering social and environmental contributions through rollouts of NSHD Group products for resilient markets, namely, the supply of gases for aquaculture and food preservation, medical gases and equipment, and healthcare. Meanwhile, our second new program, the Employee Engagement Program, is aimed at increasing labor productivity by enhancing and strengthening human capital through improvements in employee well-being and engagement.

Further, we will step up efforts to promote biodiversity measures through the adoption of the recommendations of the Taskforce on Nature-related Financial Disclosures, ensure human rights due diligence, and manage suppliers in line with the Responsible Business Alliance (RBA) Code of Conduct.

Integrated advancement of sustainability initiatives will interlink the strengthening of our management foundation, the provision of value to markets and clients, and the enhancement of human capital, thereby building a structure that generates synergies and virtuous cycles. In accordance with the Group Vision and the traditional Japanese "*Sampo-yoshi*" business philosophy of benefiting the seller, the buyer, and society to ensure sustainability, we will enhance human well-being and contribute to a more sustainable future, and increase profitability, capital efficiency, and corporate value over the medium to long term by advancing and engraining sustainability initiatives.

Laying the Foundations for Sustainability Management

Group Philosophy | Group Vision

▼

Code of Conduct | 12 Policies
List of Policies: ▶ Please see here.

▼

Materiality

▼

Business Activities
Medium-term management plan, Next Innovation 2030

Review of the Previous Medium-Term Management Plan, NS Vision 2026

- Continued sustainability programs begun during the previous medium-term management plan
- Strengthened engagement with stakeholders and improved external evaluations
- Helped to raise awareness of sustainability within the Group

▼

Strategies of the New Medium-Term Management Plan, Next Innovation 2030

- Expand environment- and society-oriented businesses, particularly in resilient markets
- Enhance employee well-being and engagement to further develop our human capital
- Further strengthen our internal management foundation, including compliance and safety measures

Value Creation Strategies

Sustainability

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement in growth rate: 2

Our Basic Approach

As Nippon Sanso Holdings, We Live by the Creed of "*Sampo-Yoshi*" (Good for the Seller, Good for the Buyer, and Good for Society).

With this creed as the starting point for enhancing corporate value, we clarify the material issues facing the Company and set out the "Three Gears" as its basic approach for raising the quality of these metrics. Through our sustainability programs, we link together the business foundation that supports sustainable growth, human capital as the source of value creation, and the market through which we capture business opportunities and help resolve social issues, thereby pursuing the maximization of value added, the reduction of the cost of capital, and improvement of the growth rate from a sustainability perspective. Through these initiatives, we create synergies and a virtuous cycle as we work to enhance corporate value over the medium to long term and realize a sustainable society.

Relationship Between Materiality and Sustainability Programs

Materiality (24 items)

● The global environment related ● Social systems related ● The Company and its organizational structure related

Preconditions for the Enterprise Existence (3 items)

- Respect for Human Rights (UNGC*)
- Safety & Security (SFP)
- Corporate Ethics (CEP)

Importance to stakeholders

Importance to stakeholders	High (4 items)	Very high (8 items)	Extremely high (9 items)
Extremely high (8 items)		● Strengthening communication with stakeholders ▶P.77 3 7 Sustainable supply chain (SBP/QRP) ● Contribution to regional and industrial development as social infrastructure 8 Diversity and inclusion (TDP)	6 7 Product and service safety and quality (SFP/QRP) 2 3 Providing products and services that contribute to resolving environmental and social issues (CNP II/SBP) 1 Climate change mitigation and adaptation (CNP I/TCFD) ● Effective use of resources and prevention of pollution (ZWP/SWP)
Very high (9 items)	4 Conservation of water resources (SWP) ● Coexistence with local communities ▶P.56	7 Pursuit of customer satisfaction (QRP) ● Technology and R&D capabilities that support the creation of customer value and social value ▶P.45 ● Promotion of initiatives for digital innovation ▶P.42 9 Employee and family health (EEP)	● Strengthening information security measures ▶P.76 ● Improvement of productivity and promotion of production optimization ▶P.31 8 Development and maintenance of human resources (TDP)
High (4 items)	● Conservation of biodiversity (TNFD) ▶P.55 ● Protection and effective utilization of intellectual property ▶P.46		9 Improvement of employee engagement (EEP) 3 Provision of comfortable and prosperous lifestyles (SBP)

Importance to NSHD

* United Nations Global Compact

Note: The figures in the table correspond to the respective sustainability programs on ▶P.49 .

Value Creation Strategies

Sustainability

For details on the 10 sustainability programs: ▶ Please see here.

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement in growth rate: 2

10 Sustainability Programs

Human Capital | Market | Management Foundation

Related gear	Program	Overview		KPI	
MF	1 **Carbon Neutral Program I**	Reduce our Group's GHG emissions	▶ P. 50	**GHG emissions**	FYE2031: 9% reduction FYE2036: 21% reduction (Base year: FYE2019) (Reference) 32% reduction*1 42% reduction*1
M	2 **Carbon Neutral Program II**	Reduce customers' GHG emissions through environmentally friendly products and services	▶ P. 50	**GHG reduction contribution (Category 1)**	FYE2030: 30% increase (Base year: FYE2025)
M	3 **Sustainable Business Program**	Expand businesses that resolve environmental and social issues	▶ P. 51	**Sustainable business sales**	FYE2030: 30% increase (Base year: FYE2025)
MF	4 **Sustainable Water Program**	Effective use of water resources and reduction of water-related risks	▶ P. 52	**Water withdrawal intensity*2**	FYE2030: 10% reduction (Base year: FYE2025)
MF	5 **Zero Waste Program**	Reduction of industrial waste and effective use of resources	▶ P. 52	**Waste intensity*3**	FYE2030: 10% reduction (Base year: FYE2025)
MF	6 **Safety First Program**	Thorough safety management	▶ P. 53	**Lost time injury rate*4**	FYE2030: 1.3 or below
MF	7 **Quality Reliability Program**	Increasing quality and reliability	▶ P. 52	**Set for each operating company and business division**	
H	8 **Talent Diversity Program**	Secure and develop diverse talent	▶ P. 59	**Ratio of female managers**	FYE2031: 22% or more
				Ratio of female employees	FYE2031: 25% or more
H	9 **Employee Engagement Program**	Enhance employee well-being and engagement	▶ P. 60	**Sustainable engagement score**	FYE2030: 83 or higher
MF	10 **Compliance Enhancement Program**	Zero serious compliance violation	▶ P. 75	**Compliance survey score**	FYE2030: 80 or higher

*1 This estimate shows the amount of GHG emission reduction calculated under the same assumptions ((1) and (2) below) to ensure comparability with the previous medium-term management plan.
(1) Includes affiliated companies that were changed to joint operations during the implementation period of the previous medium-term management plan (2) Excludes large-scale hydrogen projects in Asia
*2 Water intake / Net sales *3 Waste generated / Net sales *4 Number of lost time accidents per million work hours

Value Creation Strategies

Sustainability

10 Sustainability Programs

1 Carbon Neutral Program I

Maximization of value added: 1
Reduction of cost of capital: 3
Improvement in growth rate: 1

Reduce our Group's GHG emissions

Our Group promotes Carbon Neutral Program I as an initiative aimed at achieving carbon neutrality by 2050. Under NS Vision 2026, we referred to FYE2019 as the base year and set targets for an 18% reduction by FYE2026 and a 32% reduction by FYE2031. Our GHG emission reduction reached 19.5% in FYE2026, achieving the first target (see the graph below on the left).

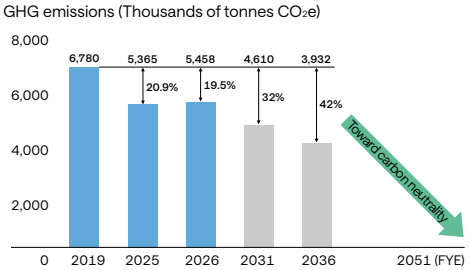
Under the new medium-term management plan, Next Innovation 2030, we set new targets of a 9% reduction by FYE2031 and a 21% reduction by FYE2036 (see the graph below on the right). For these new targets, we reviewed GHG emissions from the base year in light of factors such as the shift to joint operations by a subsidiary responsible for on-site supply to specific customers in Japan, and also factored in the impact of the hydrogen business starting up in the Asia region.

Scope 2 accounts for a large share of the Company's GHG emissions, and we expect a further reduction in GHG emissions as electric power continues to move toward a carbon-free footprint. We are also promoting energy-saving measures, such as replacing air separation units, improving energy efficiency, and expanding the use of renewable energy. Through these initiatives, we will enhance the effectiveness of our GHG emission reductions and aim to achieve carbon neutrality over the medium to long term.

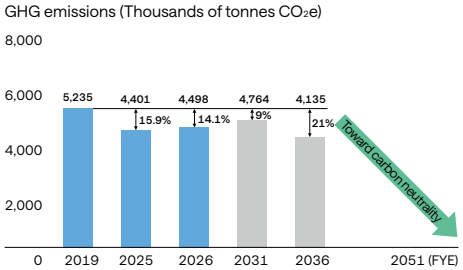
Roadmap for Achieving KPIs

NSHD's GHG Reduction Targets and Results*1

Previous Medium-Term Management Plan Basis*2



New Medium-Term Management Plan Basis



*1 From FYE2026, Coregas and Japan's production plants have been added. In line with this, figures for previous fiscal years have also been retroactively restated.
*2 This estimate shows the amount of GHG emission reduction calculated under the same assumptions ((1) and (2) below) to ensure comparability with the previous medium-term management plan.
(1) Includes affiliated companies that were changed to joint operations during the implementation period of the previous medium-term management plan
(2) Excludes large-scale hydrogen projects in Asia
Note: Both graphs calculated using FYE2019 as the base year

2 Carbon Neutral Program II

Maximization of value added: 3
Reduction of cost of capital: 1
Improvement in growth rate: 2

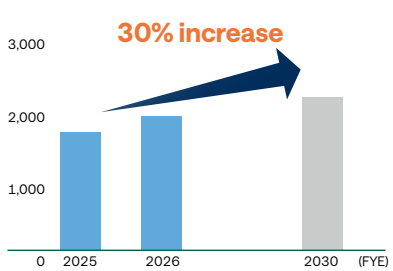
Reduce customers' GHG emissions through environmentally friendly products and services

The NSHD Group contributes to reducing customers' GHG emissions through the provision of products and services.

Under the previous medium-term management plan, NS Vision 2026, we worked on Carbon Neutral Program II, which set a target through FYE2026 for the emissions avoided, owing to the environmentally friendly products and services the Group provides, to equal or exceed the Group's total GHG emissions. The emissions avoided in FYE2026 amounted to 8,431 thousand t-CO_2e, significantly exceeding the Group's total GHG emissions of 5,458 thousand t-CO_2e, thereby achieving the target.

Roadmap for Achieving KPI

GHG Reduction Contribution (Category 1)



Under the new medium-term management plan, Next Innovation 2030, we calculate emissions avoided based on the Guidance on Avoided Emissions issued by the World Business Council for Sustainable Development (WBCSD), classifying products and services that have obtained third-party verification as Category 1 and other products and services as Category 2. Under Next Innovation 2030, we set a target of expanding Category 1 emissions avoided by 30% by FYE2030, using FYE2025 as the base year. In FYE2026, Category 1 emissions avoided expanded 13.8% year on year, driven by an increase in recovery volumes in the SF_6 recovery service and the rollout of MG Shield® in Asia, marking a solid start toward achieving the target. We will continue to enhance our environmentally friendly products and services and contribute to reducing GHG emissions for customers in a wide range of fields.

Category 1: Emissions Avoided Based on WBCSD Guidance (Thousand t-CO_2e)

	Reduction contribution	Products that contribute to reduction
FYE2026	1,917	(1) SF_6 recovery service, (2) MG Shield®, (3) new refrigerants, (4) Shuttle Chef®, (5) Ar welding, (6) biomass-derived CO_2
FYE2025	1,684	

Category 2: Other Emissions Avoided

	Reduction contribution	Products that contribute to reduction
FYE2026	6,514	(1) Oxygen-enriched combustion in blast furnaces, (2) oxygen-enriched combustion in electric arc furnaces, (3) combustion-type exhaust gas abatement system, (4) nitrogen gas supply system for laser processing (PSA), (5) hydrogen stations, (6) SCOPE-JET®
FYE2025	6,420	

Value Creation Strategies

Sustainability 10 Sustainability Programs

Special Feature: Expanding NSHD's Unique Sustainable Businesses

Maximization of value added: 3
Reduction of cost of capital: 1
Improvement in growth rate: 2

3 Sustainable Business Program

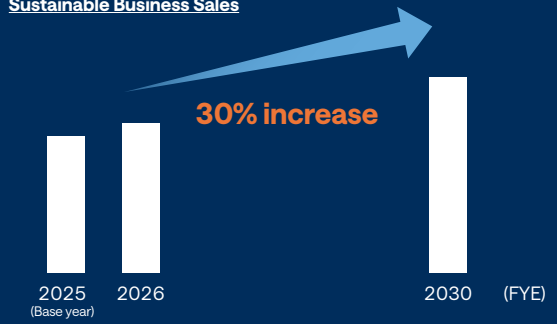
Expand businesses that resolve environmental and social issues

Beyond Carbon Neutral Program II, our business contribution to carbon neutrality, the NSHD Group promotes a broad range of social and environmental contributions through resilient markets that support people's lives, such as food and medical care.

Under the new medium-term management plan, we created the Sustainable Business Program and set KPIs for these fields.

Roadmap for Achieving KPI

Sustainable Business Sales



Introduction to Sustainable Businesses

(1) Food and Beverages

Helping to Reduce Food Loss by Extending Shelf Life and Reducing Wasted Food

- Reduction of food waste and extension of shelf life through gas control and frozen storage
- Contribute to the reduction of food loss by proposing gases tailored to customers' products, using MAP* and other technologies

* Modified atmosphere packaging (MAP): A technology for replacing the air inside a package with specific gases to suppress food oxidation and microbial growth, making it possible to maintain quality

Contributing to Sustainable Aquatic Resources

- Contribute to the conservation of aquatic resources by supporting aquaculture businesses with oxygen gas and other products

Contributing to Reuse of Water Through Wastewater Treatment

- Contribute to reduction of environmental burden and recycling of water resources through wastewater treatment using gas-related technologies

(2) Medical and Healthcare

Treatment and Healthcare (from Hospitals to Home Medical Care)

- Provide products and services that meet diverse needs from hospitals to home medical care
- Broaden overseas development to Europe and elsewhere, reinforce base of at-home healthcare services

Contributing to High-Precision Diagnostics by Supplying Stable Isotopes

- Provide Water-^{18}O as the starting material for PET diagnostic agents used in cancer and Alzheimer's diagnosis

(3) Lifestyle

Contributing to Environmental Protection and the Effective Use of Resources and Energy

- Offer Thermos products (insulated stainless steel bottles) to the lifestyle market, which help reduce disposable containers and curb resource and energy consumption through their cooling and heat retention performance

TOPICS

(1) Aquaculture Business (Norway)

The NSHD Group will construct a new air separation unit to meet growing demand from the aquaculture industry in Norway. This project will help establish a stable supply structure for aquaculture and for industrial, food, and medical gases in southwestern Norway, contributing to the revitalization of the regional economy.

Plans call for the new plant to use renewable energy, contributing to the region's green transition as it moves toward a carbon-free footprint.

(2) Water-^{18}O

As the world's largest supplier of Water-^{18}O, we have expanded our shipping destinations to more than 50 countries. To contribute to improving quality of life for people around the world, we began construction of a new plant to strengthen our stable supply structure.

(3) Medical Oxygen Gas (Spain)

The NSHD Group acquired Esteve Teijin Healthcare, S.L. (now Nippon Sanso Homecare Espana, S.L.U.), which operates a home healthcare services business in Spain.

In addition to further strengthening our business foundation in Spain and raising our presence in the home healthcare and respiratory markets, we will expand our service network to provide home-care that stays closer to patients than ever before.

Value Creation Strategies

Sustainability
10 Sustainability Programs

4 Sustainable Water Program

Maximization of value added: 1
Reduction of cost of capital: 3
Improvement in growth rate: 1

Effective use of water resources and reduction of water-related risks

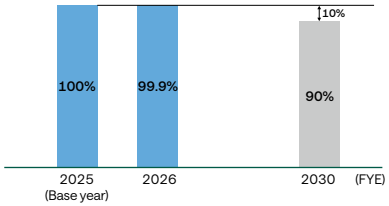
Our Group uses water resources mainly as cooling water for air separation units and other equipment, and we position the conservation of water resources as one of our key management issues. To improve water use efficiency and build a business structure resilient to water risks, we set a target of reducing water intake intensity by 10% by FYE2030, using FYE2025 as the base year. We have set new KPIs to achieve this target and will manage progress through regular monitoring.

In addition, for sites located in regions classified as high risk or above in the Aqueduct*1 water stress assessment, we will formulate water management plans and work to reduce water consumption and secure stable water resources.

*1 A water risk assessment tool developed by the World Resources Institute (WRI)

Roadmap for Achieving KPI

Reduction Target and Actual*2 of Water Withdrawal Intensity*3



*2 With respect to water withdrawal, from FYE2026, Coregas and Japan's production plants have been added. In line with this, figures for the base year have also been retroactively restated.
*3 Water withdrawal/net sales

5 Zero Waste Program

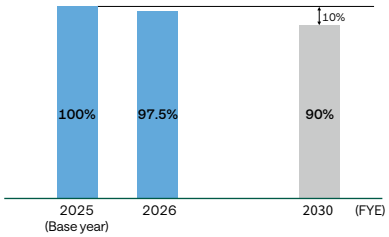
Maximization of value added: 1
Reduction of cost of capital: 3
Improvement in growth rate: 1

Reduction of industrial waste and effective use of resources

Our Group positions the effective use of resources as one of our key management issues. We set a target of reducing industrial waste generation intensity by 10% by FYE2030, using FYE2025 as the base year. Specifically, we set out to optimize resource use by improving production efficiency, while also working to ensure thorough waste separation and to expand sales of recyclables such as scrap metal. We also reduce landfill disposal volumes by promoting recycling and further advance resource circulation. Through these initiatives, we contribute to the realization of a closed-loop economy and aim to sustainably enhance our corporate value.

Roadmap for Achieving KPI

Reduction Target and Actual*4 of Waste Intensity*5



*4 With respect to waste generated, from FYE2026, Coregas, the LCO_2 plant in the United States, and the acetylene plant in Asia have been added. In line with this, figures for the base year have also been retroactively restated.
*5 Waste generated/net sales

6 Safety First Program

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement in growth rate: 2

Thorough safety management

Based on the belief that safety forms the foundation of our corporate existence, our Group positions safety as our highest priority and aims to be the global leader in safety within the industrial gases industry.

Under the global slogan "Go Anzen Ni!" (safety first), we comprehensively address risks across all business activities, including occupational accidents, facility accidents, and product transport vehicle accidents, aiming as one Group to achieve zero accidents.

6 For details on the Safety First Program, please see ▶P.53 .

7 Quality Reliability Program

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement in growth rate: 2

Increasing quality and reliability

Our Group fosters and instills a corporate culture that places importance on quality, and we strive to improve the quality and reliability of the products and services we provide. In terms of education, we conduct quality ethics and compliance training for employees, and in terms of management, we promote product safety reviews and quality audits. For global collaboration, we have established a quality committee (SSG-QC) comprising manufacturers of electronic material gases in Japan, the United States, Europe, and Asia, which shares common KPIs and information on the progress of individual projects, as well as discusses the quality issues each company faces. In addition to improving quality, we also encourage the introduction of automation technologies aimed at streamlining operations and reducing workloads, and through these activities we work to enhance customer satisfaction.

For sustainability programs 8 through 10, please refer to the following.

8 Talent Diversity Program (securing and developing diverse human resources) ▶P.59
9 Employee Engagement Program (improving employee well-being and engagement) ▶P.60
10 Compliance Enhancement Program (zero serious compliance violations) ▶P.75

Value Creation Strategies

Sustainability 10 Sustainability Programs

Details of 6 Safety First Program Initiatives

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement in growth rate: 2

Fostering a Safety Culture and Pursuing Zero Accidents

Aiming to be a global leader in safety, the NSHD Group conducts its business activities with the highest priority on ensuring the safety of all stakeholders, including employees, partner companies, customers, and local communities. We share the principle that safety forms the foundation of corporate existence across the entire Group and, in keeping with the spirit that "selling gas is selling safety," we strive to maintain safe and stable supplies. Under the new medium-term management plan, we have adopted "Go Anzen Ni!" (safety first) as our global slogan, and we address risks across all of our business activities in a comprehensive manner, including occupational accidents, facility accidents, and product transport vehicle accidents. With zero accidents as our ultimate goal, we promote the fostering of a safety culture and the continuous improvement of safety standards.

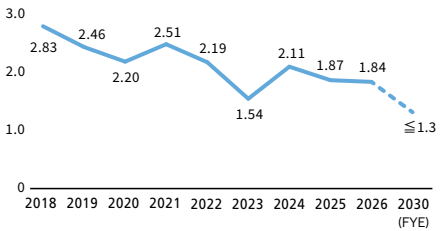
Prevention of Occupational Accidents

To prevent occupational accidents, we provide the hazard simulation training at the Technical Academy and other facilities. As a result of these initiatives, the lost time injury rate shows a trend of improvement over the medium to long term. Going forward, we will further enhance education aimed at increasing sensitivity to danger and advance our safety activities through the analysis and application of accident and occupational injury data, targeting a lost time injury rate of 1.3 or lower in FYE2030.

Roadmap for Achieving KPI

Lost Time Injury Rate*

* Number of lost time accidents per million work hours



Strengthening Safety Capabilities Through AI

The NSHD Group is also working to advance smart safety management by utilizing DX and AI. We use AI to analyze past accident and occupational injury data, which helps us identify accident causes and latent risk factors, and apply the results when considering measures to prevent recurrence and implementing preventive activities. We also use AI in formulating and periodically revising internal technical standards, advancing the development and alignment of our technical standards framework. Through these initiatives, we utilize AI as a means of supporting human knowledge and decision-making, working to advance safety management and further strengthen our safety capabilities.

Former President CEO Toshihiko Hamada experiencing VR-based safety education

Prevention of Facility Accidents

To address the risk of accidents at gas production facilities and other sites, we continuously carry out facility inspection and maintenance activities and address facility aging, working to ensure safety and reliability. In addition, each operating company conducts safety and environmental audits of plant operation and management, and we also carry out global exchanges in which auditors from each region participate in audits in other regions.

Mutual exchanges among regional audits to enhance the global technical audit framework

Prevention of Product Transport Vehicle Accidents

To prevent product transport vehicle accidents, we continuously enhance safety education for drivers, provide individual guidance tailored to driving aptitude and accident tendencies, and analyze the factors behind accidents. We also promote the use of various devices and systems that support safety checks around vehicles and operation management, thereby reducing transport risks from both hardware and software perspectives. As a result of these initiatives, the product transport vehicle accident rate halved during the previous medium-term management plan period. We will continue accident prevention activities from the perspectives of education, equipment, and operation management, and work to further improve our safety standards.

Future Initiatives

We will continue to promote the analysis and application of accident and occupational injury data, safety education rooted in the workplace, and the sharing of knowledge and best practices across the Group. We will also work to prevent the recurrence of accidents and forestall them before they occur by advancing smart safety management through DX, AI, and other tools and by making continuous safety investments. The Group will further foster a safety culture and continuously improve its safety standards, build a sustainable business foundation that underpins safe and stable supplies, and continue its efforts to achieve zero accidents.

Value Creation Strategies

Sustainability

TCFD Reporting

For details on our TCFD-based disclosures, including governance, strategy, risk management, and metrics and targets, please refer to the report below. Details of the scenario analysis described in Strategy are also available.

Report in Line with the Recommendations of the TCFD: ▶Please see here.

Maximization of value added:	1
Reduction of cost of capital:	3
Improvement in growth rate:	1

In November 2019, NSHD endorsed the Task Force on Climate-related Financial Disclosures (TCFD)* and has since been working to enhance its information disclosures. NSHD will continue to augment these disclosures based on the TCFD recommendations and sustainability disclosure standards (SSBJ, CSRD, etc.) of each country.

* The TCFD announced its final recommendations report in June 2017, which recommends that all companies and other organizations disclose information about governance, strategy, risk management, and metrics and targets regarding climate change-related risks and opportunities.

Strategy

We recognize negative impacts with significant financial implications as risks and positive impacts as opportunities. We have identified climate-related opportunities and risks, taking into account time frames for the short term (through 2025), medium term (2025–2030), and long term (2030–2050), under both the transition scenario (below 2°C scenario) and physical climate scenario (4°C scenario). These opportunities and risks were then evaluated in the gas business by region using a matrix based on the likelihood and magnitude of potential impact.

We have summarized the Group's opportunities and risks, analyzed their potential impacts across procurement, operations, and products/services, and present our integrated findings and responses below. This evaluation was conducted in 2022.

Type		Factor	Business impact	Financial impact: Short to medium term	Financial impact: Medium to long term
Transition	Policy regulations	Introduction of carbon pricing	Risk: Decrease in profits due to increased tax burden Opportunity: Acquire business opportunities by differentiating through early response		○
Transition	Technology	Replacement to low-carbon alternative products/ Progress in energy saving	Risk: Decrease in sales of existing products due to screening of low-carbon products Opportunity: Increase profit margin by energy saving Opportunity: Increase in demand for existing products that contribute to low carbonization Opportunity: Increase in business opportunities through environmental product offerings and applications that contribute to low carbonization	○	○
Transition	Markets	Changes in market needs/ Changes in customers' business activities	Risk: Decrease in sales due to changes in the manufacturing process of existing customers in the steel and chemical sectors Risk: Decrease in sales due to new entrants utilizing by-product O_2 gas as demand for water electrolysis process expands Opportunity: Increase in demand for blue and green H_2 Opportunity: Increase in demand for green fuels Opportunity: Increase in demand for CO_2 capture for CCUS		○
Transition	Reputation	Industry criticism	Risk: Investor valuation decline for GHG-emitting companies Opportunity: Continue stable funding by demonstrating contribution to GHG reductions		○
Physical	Acute	Intensification of disasters/ Frequent typhoons/Heavy rain/Droughts	Risk: Plant shutdowns due to disasters caused by abnormal weather Risk: Increase in premiums paid		○
Physical	Chronic	Sea level rise/ Rise in average temperatures	Risk: Narrowing of profit margin due to increase in running costs of air separation units caused by rising temperatures Opportunity: Increasing demand for medical products to treat diseases		○

Response/Actions by NSHD Group

Expand low-carbon and carbon-free solutions
- Increase introduction of renewable energy by power purchase agreement and green power certificates
- Promote the introduction of carbon-free (H_2, NH_3) combustion technology
- Expand the use of oxygen combustion
- Acquire demand for medium-scale CO_2 capture in response to CCUS
- Expansion of H_2 supply business by HYCO business
- Promote the development of environmental product offerings and applications that contribute to low carbonization
- Increase sales of environmental product offerings and applications that contribute to low carbonization

Increase efficiency and conserve energy in our own operations
- Promote energy saving by improving productivity through the introduction of DX technology, etc. (Introduction of SAITEKI, optimization of delivery)
- Replacement of aging air separation units to reduce running costs

Address risks in social infrastructure
- Promotion of disaster countermeasures
- Provision of medical oxygen, etc.
- Use of insurance
- Disclosure of quantitative data on GHG reduction contributions through integrated reports, etc.
- Promote disclosure of non-financial information

As a result of the evaluation, the following four opportunities and risks were deemed to be "large" or "medium," and we conducted a quantitative calculation of the financial impacts on the Company's business for each of them. This calculation was made in 2024.

Category	Risk/Opportunity	Scenario	Calculation details	Calculation result
Business risk	(1) Decrease in profits due to increased tax burden	1.5°C	Amount of financial impact on the NSHD Group in 2030 due to carbon pricing	¥59.4–92.5 billion
Business risk	(2) Decrease in sales due to changes in the manufacturing process of existing customers in the steel and chemical sectors—Outlook for changes in manufacturing process of the steel sector	Under 2°C	Net sales of oxygen for furnaces of the NSHD Group and its affiliates in 2050	¥30.0 billion (half of the 2023 sales of ¥60.0 billion)
Business risk	(3) Plant shutdowns due to disasters caused by abnormal weather	4°C	Amount of damage to NSHD Group production sites in the event of a 100-year flood by 2050	¥36.0 billion (¥18.0 billion taking into account disaster insurance policies)
Business opportunity	(4) Increase in demand for blue and green H_2	1.5°C	Market scale for blue and green H_2 in 2030 and 2050	¥13–41 trillion (2030) ¥60–218 trillion (2050)

Metrics and Targets

In the medium-term management plan, we will set out indicators and targets to be used for assessing and managing risks and opportunities, then use them to evaluate our progress. Moreover, in order to further promote responses to climate change, Nippon Sanso Holdings introduced internal carbon pricing, one of seven cross-industry metrics, in April 2024 to be used as an indicator when making investment decisions.

Initiatives	Disclosed details
We disclose Scope 1, Scope 2, and Scope 3 GHG emissions.	• Sustainability data ▶P. 94 • Third-party assurance report ▶P. 100
We disclose sustainability KPIs in the medium-term management plan.	• 10 sustainability programs / Sustainability KPIs ▶P. 49
Introduction of internal carbon pricing for Scope 1 and Scope 2 (shadow pricing) [From April 2024]	Operating price (NSHD integrated): US$85/t-$CO_2$

Metric	Type of internal carbon pricing	Target GHG emissions	Price
Internal carbon price	Shadow price	Scope 1 and Scope 2	US$85/t-$CO_2$e

Value Creation Strategies

Sustainability

TNFD Reporting

Taskforce on Nature-related Financial Disclosures

Maximization of value added: 1
Reduction of cost of capital: 3
Improvement in growth rate: 1

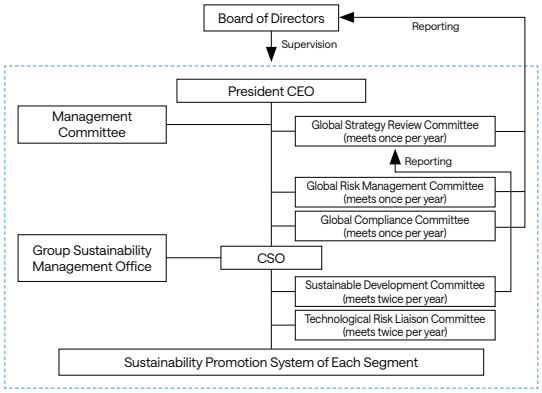
In August 2024, the NSHD Group endorsed the initiatives of the Taskforce on Nature-related Financial Disclosures (TNFD), joined the TNFD Forum, and registered as a TNFD Adopter. Going forward, referring to the framework advocated by the TNFD and the LEAP approach,*1 we will progressively identify and disclose nature-related dependencies, impacts, risks and opportunities, and aim for nature-positive management.

*1 LEAP approach: A comprehensive approach formulated by the TNFD to identify and assess nature-related issues. It consists of four phases: locate (discover touchpoints with nature), evaluate (diagnose dependencies on and impacts to nature), assess (evaluate risks and opportunities), and prepare (respond to risks and opportunities and prepare to report on material issues).

Governance

- Within the Group, the Board of Directors deliberates on and establishes various policies related to sustainability, and oversees the Group's initiatives.
- Under the supervision of the Chief Sustainability Officer (CSO), the Group promotes sustainability activities as a whole, including the deliberation and formulation of strategies and risks related to biodiversity.
- In assessing and responding to nature-related dependencies and impacts as well as risks and opportunities, we have established an environmental policy and a human rights policy covering indigenous peoples, local communities, affected stakeholders, and other stakeholders, and we carry out engagement activities.

Governance Structure for Sustainability



Various Policies

Environmental Policy | Global Policy on Respecting Human Rights, Contributing to Society, Employment, Labor, and Health | Procurement Policy

Examples of the Group's Biodiversity Initiatives

- Coral conservation: Participation in the Okinawa Institute of Science and Technology Graduate University (OIST) Coral Project and Team Chura Sango, and sales of original bottles to support the OIST Coral Project ▶Please see here.
- Raptor conservation: Sales of original bottles to support raptor conservation activities

Risk and Impact Management

We have established a risk management structure across the entire Group that also covers biodiversity.

Relevant meetings/ committees	Processes for risk identification, assessment, and management
• Global Strategy Review Committee • Global Risk Management Committee • Global Compliance Committee • Technological Risk Liaison Committee	• Each Group company has established a risk management structure to detect long-term risks early, prevent them from materializing, and respond swiftly if they do materialize. • We determine the significance of a risk by multiplying the frequency of occurrence by the degree of financial or strategic impact. • The Global Strategy Review Committee, chaired by the President CEO and held once a year, assesses financial or strategic impacts on the business. • The Global Risk Management Committee, chaired by the President CEO and held once a year, identifies and assesses risks in terms of both recognizing changes in the business environment and the enhancement or impairment of corporate value, and selects material risks. • The Global Compliance Committee, chaired by the Group Chief Compliance Officer (GCCO), identifies and assesses significant compliance-related risks and reflects them in the measures of each region. • For matters decided by the Global Strategy Review Committee, the Technological Risk Liaison Committee held between the Company and each operating company determines specific countermeasures and deploys them globally.

Strategy

The NSHD Group's plants use water for cooling air separation units and other purposes, and therefore depend to a considerable extent on water resources. For this reason, the Company has set a reduction target for water intake intensity in its medium-term management plan.

In addition, using Aqueduct, the water risk assessment tool developed by the WRI, we surveyed water stress at 129 of our production plants, and will proceed with the formulation of water management plans at sites located in extremely high risk and high risk areas.

Water Stress Level Survey Results: ▶Please see here.

Metrics and Targets

Within our 10 sustainability programs, we have established the following action plan and KPIs as the Sustainable Water Program. ▶P.52

Action Plan Develop water management plans for facilities located in Aqueduct-designated extremely high risk and high risk areas (baseline water stress)

KPI FYE2030: Water intake intensity*2: 10% reduction (compared with FYE2025)
*2 (Water intake: Thousand m^3/net sales)

Going forward, referring to the LEAP approach recommended by the TNFD, we will organize our nature-related dependencies and impacts, assess risks and opportunities, and formulate strategies.

Value Creation Strategies

Sustainability

Social Contribution

Maximization of value added: 1
Reduction of cost of capital: 2
Improvement in growth rate: 1

NSHD promotes a variety of social contribution activities aimed at realizing a better future for people, society, and the planet, including initiatives related to safety and health, environmental conservation, training the next generation, disaster relief, and local communities.

Promoting social contribution activities based on the Group Vision

Group Vision

We aim to create social value through innovative gas solutions that increase industrial productivity, enhance human well-being and contribute to a more sustainable future.

Examples of Initiatives

Environmental Conservation

Japan

Coral Conservation Activities

- NSHD participates as a special partner in the OIST Coral Project of the Okinawa Institute of Science and Technology Graduate University, which works to conserve coral in Okinawa and around the world.
- Thermos sells original design mugs exclusively in Okinawa to support this project and donates a portion of the sales revenue.
- Nippon Sanso participates in Team Chura Sango, which conducts coral reef conservation activities in Onna Village, Okinawa Prefecture, taking part in coral seedling cultivation, observation, and planting.

OIST Coral Project logo

Group photo from the coral seedling planting program

Coral planting

Global

Tree-planting activities are carried out in Europe, Asia, and other regions worldwide.

Thailand

Nippon Sanso Thailand cooperates with activities of the Royal Forest Department aimed at preventing floods and storing water for use during the dry season.

Participants in Royal Forest Department activities

Safety and Health

Japan

Thermos donates its own frying pans and vacuum-insulated cooking pots to children's cafeterias.

Europe

Employees in five northern European countries of Nippon Sanso in Europe take part in a campaign for cancer research, prevention, and patient support, and the company also runs a matching gift program that contributes an amount equal to the donations collected.

United States

Nippon Sanso Matheson donates to an organization that distributes care bags to people undergoing chemotherapy.

Australia

Coregas works with international organizations, hospitals, and stadiums to establish a fail-safe oxygen supply system and provide oxygen free of charge so that patients fighting intractable diseases can attend artists' concerts.

Philippines

Nippon Sanso Ingasco carries out medical support activities such as dispatching doctors to areas with limited access to medical care and distributing medicines.

Training the Next Generation

Japan

Nippon Sanso Corporation holds science experiment classes for children at local elementary schools.

Science experiment class for children

Vietnam

Nippon Sanso Vietnam sponsors a scholarship program in Dong Nai Province and provides scholarships to junior high school and high school students who achieve outstanding academic results.

Scholarship award ceremony

Local Communities

Germany

Nippon Sanso in Europe has become a team partner of a professional ice hockey team in Germany and has concluded a sponsorship agreement with a Japanese player on the team.

Australia

Supagas endorses activities that provide local residents with opportunities to take part in sports and sponsors a local basketball club.

Value Creation Strategies

Sustainability

Valuing People (Human Rights Initiatives)

Maximization of value added: 1
Reduction of cost of capital: 3
Improvement in growth rate: 1

Respect for Human Rights

Our Basic Approach

Our Group positions respect for human rights as a prerequisite for its existence as a corporation and has established various policies accordingly.

- We have formulated the Global Policy on Respecting Human Rights, Contributing to Society, Employment, Labor, and Health. Under the policy, we engage on issues including respect for the dignity and rights of individuals, awareness of human rights and education, privacy protection, prevention of human rights infringement, and human rights due diligence.
- We conduct procurement with an awareness of human rights and occupational safety and health, in accordance with our Procurement Policy and Procurement Guidelines.
- We have stipulated the Occupational Safety and Health / Industrial Safety and Disaster Prevention Policy, and are working to ensure the safety of employees, subcontractors, and external stakeholders based on the principles of "selling gas is selling safety" and "safety comes first."
- Under our Product Safety and Quality Policy, we follow the principles of product stewardship to identify the dangers and hazards posed by our products through risk assessments, and strive to mitigate them.

Education and Awareness-Raising Regarding Human Rights

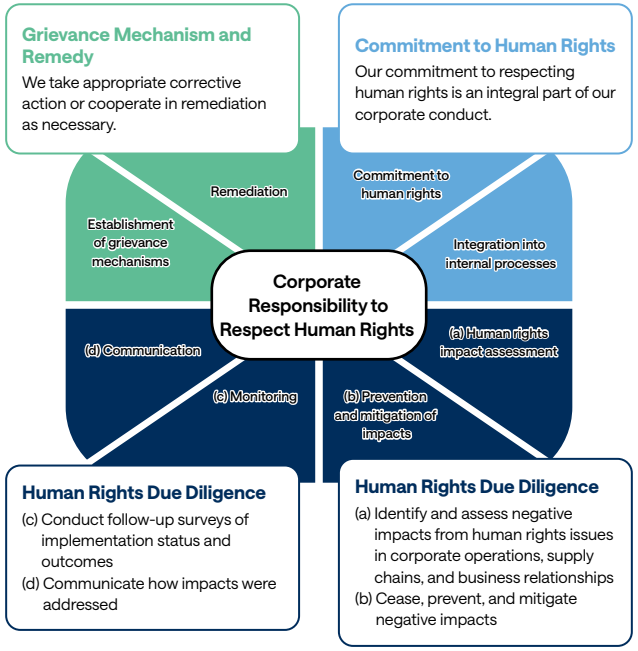
We conduct training on business and human rights as well as training on unconscious bias for the Company's officers.

Human Rights Due Diligence Initiatives

To further strengthen its efforts to respect human rights, a human rights due diligence project team was established at NSHD. Led by this team, we have begun work to identify the salient human rights issues in our business activities.

In this initiative, we assess each human rights issue from the perspectives of severity and likelihood of occurrence, in line with the OECD Due Diligence Guidance and the UN Guiding Principles on Business and Human Rights Reporting Framework. Working with external experts, we organized our value chain and stakeholders and conducted desktop research on related human rights issues. At present, we are working to enhance our assessments through on-site visit surveys that take into account past incidents and business characteristics.

Going forward, we will set priorities for the material human rights issues we have identified and implement and monitor measures to prevent and mitigate risks, thereby steadily advancing our efforts to respect human rights.



Supply Chain Management

Our Basic Approach

Based on its Procurement Policy and Purchasing Management Standards, the NSHD Group conducts procurement activities that give consideration not only to quality, price, and delivery but also to ESG factors. The Purchasing Management Standards, which we put into practice in April 2025, stipulate that we select appropriate suppliers through evaluations based on the RBA* Code of Conduct, and request improvements as necessary. In addition, we share our Procurement Guidelines with suppliers and ask them to understand and comply with our approach and requirements regarding ESG. Furthermore, we revise our policies, guidelines, and standards on a regular basis in order to respond to societal demands and changes in the business environment. Going forward, we will continue to work with suppliers to build a sustainable supply chain and enhance corporate value.

* Responsible Business Alliance: An industry association that promotes responsible business activities in global supply chains, including those for electronic devices

Safety Initiatives

The NSHD Group is advancing various initiatives aimed at creating safer workplaces ▶P. 53.

Initiatives Regarding the United Nations Global Compact

NSHD is a signatory to the United Nations Global Compact (UNGC), and has been registered as a participating company since January 2022. For more details on the UNGC, please refer to our corporate website.

Participation in Initiatives: ▶Please see here.

Value Creation Strategies

Creation of Human Capital Value

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement in growth rate: 2

Message from the Head of the HR Division

A virtuous cycle of Opportunities, Fairness, and Well-being will enhance employee engagement and the value of our human capital.

Yasukazu Takada
Head of the HR Division
Nippon Sanso Holdings Corporation

Creating an environment where diverse talent can thrive and be appointed based on their capabilities

- Opportunities: A place for growth / A place for growth and challenge
- Fairness: Fair evaluation and opportunity
- Well-being: Working with peace of mind and vitality

Befitting a corporate group with "The Gas Professionals" as its slogan, we believe that the growth and empowerment of diverse personnel who combine expertise with a commitment to safety and quality create new value and are the source of our sustained growth and competitiveness. Our new medium-term management plan, Next Innovation 2030, identifies enhancing employee engagement and strengthening the pipeline of diverse leaders and future executive candidates as important initiatives in human capital management. We will advance these initiatives in tandem with other management strategies.

With NSHD as its holding company, the Group operates the industrial gas business and the Thermos business in four global regions: Japan, the United States, Europe, and Asia and Oceania. The former business has a local production for local consumption model whereby most gases are manufactured for and supplied to nearby clients. Consequently, flexible decision-making suited to each region's market, clients, and regulatory environment is critical. With this in mind, we have increased regional autonomy and dynamism by developing human capital management that is led by regional operating companies' human resources departments, which are well-versed in local culture, laws, and labor markets.

On the other hand, entirely entrusting matters to the self-contained operations of each region risks lessening the scope for making truly Groupwide use of comprehensive capabilities and for developing personnel who can lead businesses and strategies worldwide. Therefore, the Group has also adopted a network-enabled human resources strategy in which the holding company sets out common issues that should be addressed on a Groupwide basis—such as the development of global talent and the enhancement of diversity and engagement—and advances related initiatives in collaboration with regional operating companies. Thus, a feature of the Group's human capital management is the simultaneous use of regional strengths and Groupwide collaboration.

Based on the aforementioned approach to human capital management, we have identified Opportunities—Grow Locally, Collaborate Globally; Fairness—Fair Treatment for Every Effort; and Well-being—Thrive Together as the three core forms of value comprising the employee value proposition set out in the new medium-term management plan. These three forms of value reflect the Group's distinctive characteristics and encapsulate elements such as growth opportunities, fair evaluation and compensation, health and safety, and employee-friendly workplaces.

With respect to Opportunities, we continuously increase the expertise of employees in areas such as technology, safety, sales, management, and languages by providing opportunities to grow and pursue ambitious goals in Japan and overseas and by offering training programs and global job rotations. The opportunities we provide are also aimed at fostering employees who have an innovative mindset and take on challenges without fear of failure. To cultivate professional expertise and pride, the Group will share each region's insights and best practices. As for Fairness, we clarify evaluation criteria and expected roles, making the links between evaluations, promotions, and compensation as transparent as possible. At the same time, we conduct training on unconscious bias mitigation to improve our evaluation, assignment, and promotion processes so that no one is disadvantaged based on their gender, nationality, work style, or life events. In this way, we will continue to establish and develop systems in which ambition, effort, and achievement are treated fairly, regardless of personal attributes. Meanwhile, Well-being initiatives are enhancing employee engagement by creating workplace environments where personnel can work with peace of mind and enthusiasm. Specifically, we are utilizing digital tools and streamlining business processes to reduce workloads, enhancing safety equipment and training, providing mental health support, preventing harassment, enabling flexible work styles, and establishing systems that facilitate a work–life balance.

In other words, a virtuous cycle of Opportunities, Fairness, and Well-being will empower personnel to work with a real sense of growth, satisfaction, and security, thereby enhancing employee engagement and the value of our human capital. This enhanced human capital will improve productivity, quality, and innovativeness, enabling us to vigorously advance Next Innovation 2030 initiatives aimed at Evolution of the Management Foundation as well as the plan's key strategies: Enhance the Profitability of the Industrial Gas Business, Accelerate the Expansion of the Electronics Business, and Create Future Growth Drivers.

Going forward, the HR Division will continue working with regional operating companies to combine region-based human capital management with a Groupwide, network-enabled human resources strategy. We will strategically invest in human capital and create environments where diverse personnel confidently demonstrate their talents and continue growing. Ultimately, these initiatives will contribute to the sustained enhancement of the NSHD Group's corporate value and growth.

Value Creation Strategies

Creation of Human Capital Value

Strengthening Global Competitiveness Through Securing and Developing Diverse Talent

Fairness

Ensuring Diverse Talent

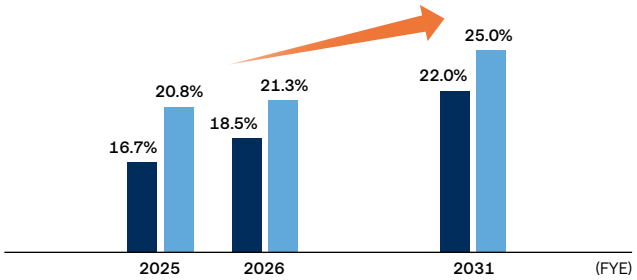
⑧ Talent Diversity Program

The NSHD Group's Talent Diversity Program aims to reinforce our global competitiveness and innovate our corporate culture through securing and developing diverse talent. The promotion of diversity and inclusion (D&I) is positioned as an important management issue that leads to the creation of new value through the fusion of different values and experiences.

In particular, we regard the promotion of women's active participation as one of our important themes, and have set KPIs for the "ratio of female managers of over 22%" and "ratio of female employees of over 25%" (both targets for FYE2031), alongside the continuous monitoring and strengthening of related initiatives.

Roadmap for Achieving KPIs

In FYE2026, the ratio of female managers was 18.5% and the ratio of female employees was 21.3%, showing steady progress toward our targets. Starting with the promotion of women's active participation, we are deploying measures based on shared values in order to establish diversity as part of our organizational culture. At the same time, we will promote the development of an environment in which diverse talent can thrive through talent exchange that transcends regions and the development of global human capital.



■ Ratio of female managers ■ Ratio of female employees

Promotion of D&I Across the Group

We have advanced distinctive D&I activities in each region. To connect these activities across the entire Group and generate greater value, we have newly formulated a common D&I slogan for the entire Group, Respect Every Voice, Value Every Difference (REVVED). REVVED, formed from the first letter of each word, also means revitalization and acceleration in English. In addition, we are undertaking initiatives such as distributing a video message featuring employees from regions around the world to deepen understanding of and empathy for the slogan across the Group.

Under this D&I slogan, we will provide society with the value of unique industrial gases based on diverse perspectives from across the Group.

Our Aspirations for REVVED

Hisae Yamamoto
Human Resources
Planning & Development
D&I Promoter
Nippon Sanso Holdings Corporation

Respecting each individual's voice and turning our diverse differences into value is what we believe in. Let's put the REVVED mindset into practice in our daily work, turn each person's differences into strength, and nurture together a culture that creates new value and innovation.

D&I Activities by Region

Japan: Strengthening the development of women leaders; Promoting women's active participation

United States: Strengthening leadership: HR and WAM! co-host diverse leadership training program

Europe: D&I Month: PRIDE IN EVERY VOICE

Asia and Oceania: International Women's Day 2026: Beyond a Day

Thermos: Training for employees and managers to support career

VOICE

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement in growth rate: 2

Karen Gilgenbach
Senior Vice President, Marketing
Nippon Sanso Matheson, Inc.

United States
At Nippon Sanso Matheson, the human resources department and the employee resource group Women At Matheson (WAM!) collaborated to launch a new mentorship program. Over a period of six weeks, employees pair up and hold dialogues every two weeks to support career development and self-growth. In addition, activities to promote D&I are expanding through a variety of programs and events.

For details on the D&I activities of each region, please refer to the following.
See our D&I Activities Spreading Around the World: ▶ Please see here.

Opportunities

Development of Diverse Talent

Creation of Global Leadership Success Profile

The NSHD Group has established the Global Leadership Success Profile (GLSP) to promote the visualization and systematic development of global leaders. We have clarified the desired competencies through discussions among NSHD executives and the human resources managers of major Group companies. Going forward, based on this GLSP, we will advance the integration and utilization of talent information across the Group to enhance strategic talent management and the grooming of successors.

Results
Drive sustainable results through excellence and innovation

Mindset
Evolve with integrity, resilience, and long-term perspective

People
Connect, collaborate, and grow people together

Value Creation Strategies

Creation of Human Capital Value

Increasing Corporate Value by Improving Well-Being and Engagement

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement in growth rate: 2

Well-being

9 Employee Engagement Program

Since FYE2023, as a tool to measure employee engagement, the NSHD Group has conducted employee engagement surveys of all Group employees in order to assess the degree to which employees are empowered to fulfill their potential and how well the Group Philosophy and Vision are understood and embraced.

The survey focuses on how well employees are cultivating a mindset for working with a sense of purpose within the organization, grounded in an understanding of the Company's philosophy and goals. It assesses, for example, whether employees resonate with the Company's vision and proactively engage in their work with the intention of contributing, and whether they are in a state of physical, mental, and social well-being.

We newly established the Employee Engagement Program to regularly monitor these survey results and link them to enhancements in corporate value. This program is an important initiative that promotes the fulfillment of potential and the revitalization of the organization through improved employee engagement, thereby enhancing corporate value over the medium to long term. We have set a sustainable engagement score of 83 or higher (by FYE2030) as a KPI target.

What Is the Sustainable Engagement Score?

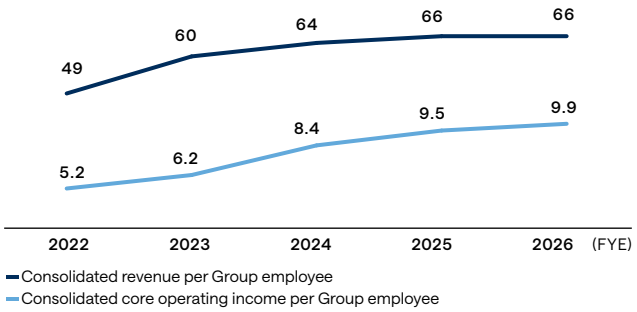
FYE2023	FYE2024	FYE2025	FYE2026	FYE2030: KPI
78	80	81	**80**	**83** or higher

Sustainable engagement is an indicator that integrates three elements: Engaged (attachment to and empathy with the Company), Enabled (a comfortable working environment), and Energized (physical and mental health and vitality). Research by Willis Towers Watson, the provider of our employee engagement survey, shows that companies with high levels of sustainable engagement outperform those with low engagement. Within the NSHD Group as well, when we look at consolidated revenue and consolidated core operating income per Group employee, we can confirm that both have progressed steadily compared with FYE2023, when the sustainable engagement score was 78 points.

NSHD's sustainable engagement score declined by one point from the previous fiscal year to reach 80 points. Although the score remains at a sound level, we will continue to examine the measures needed to achieve the FYE2030 KPI target of 83 points or higher.

Consolidated Revenue and Consolidated Core Operating Income per Group Employee

(Millions of yen)



Summary of FYE2026 Survey Results

The survey response rate was 82.2%, a significant improvement from 75.0% in the previous fiscal year. In addition to the initiatives at each company to encourage participation in the survey, understanding of the purpose and importance of the survey permeated the entire Group, enabling us to obtain the cooperation of many employees.

In the results of each engagement category, although we saw slight declines from the previous fiscal year in many items, the levels remain generally favorable. In addition, from FYE2026 we introduced the Well-Being Index to gain an overall picture of employee well-being. This will allow us to continuously monitor employee well-being.

Employee Engagement Survey Results* (pt) NSHD Group average

	FYE2023	FYE2024	FYE2025	FYE2026
Sustainable Engagement	78	80	81	80
Corporate Value, Goals and Objectives	69	76	78	76
Company Image	66	67	68	67
Leadership	57	60	62	59
CSV (Creating Shared Value)	77	78	79	78
Innovation	57	60	61	60
Productivity/Speed	69	71	71	71
Quality	70	74	75	73
Safety	84	85	85	85
Immediate Manager	77	77	77	77
Diversity	71	72	75	75
Communication	72	72	73	72
Well-being/Health	78	78	79	77
Talent Management	62	64	65	64
Performance Management	61	63	64	63

* Percentage of favorable responses (the ratio of people who answered either "agree" or "tend to agree"). Full score is 100 points.

Working to Improve Employee Engagement

To further improve engagement, it is important that each individual employee regards the survey results as a matter of personal relevance. We will encourage each organization to share the results with employees, create opportunities for dialogue, and exchange opinions on workplace issues and ways to improve.

We have ongoing workshops for the engagement officers of each Group company. At these workshops, we share specific initiatives and examples of best practices from each region and operating company, and provide opportunities for participants to learn from one another about challenges and ingenuity. We will continue to support the initiatives of each company through such opportunities for information sharing and mutual learning.

03.

In this section, we focus on initiatives aimed at evolving the management foundation that enables sustained growth, covering corporate governance, the activities of the Board of Directors and the Advisory Committee on Appointments and Remuneration, global risk management, compliance, information security, and dialogues with stakeholders.

Evolution of the Management Foundation

Relationship to the Corporate Value Calculation Formula

The initiatives described in this section—including the strengthening of corporate governance, the advancement of global risk management, and the promotion of compliance—will build stakeholder trust by improving business continuity and transparency. Therefore, the primary effect of the initiatives will be in relation to the "reduction of cost of capital" as outlined in the corporate value calculation formula ▶P.06. The initiatives are not intended to directly generate revenue or drive growth; rather, they will serve as a foundation supporting the sustained creation of corporate value.

Evolution of the Management Foundation

Corporate Governance

For detailed information about each committee and annual schedules for the Board of Directors, the Audit & Supervisory Board, and the Advisory Committee on Appointments and Remuneration, please refer to the following.
Corporate Governance: ▶Please see here.

Maximization of value added: 1
Reduction of cost of capital: 3
Improvement in growth rate: 1

Basic Approach

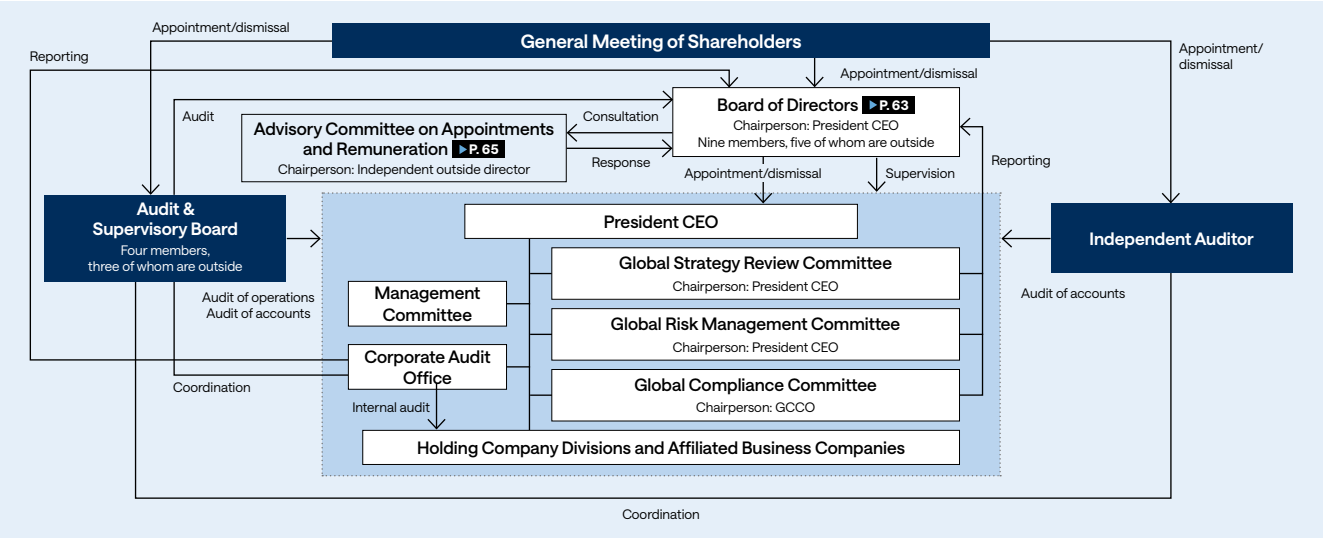
Nippon Sanso Holdings' governance is characterized by rapid decision-making and appropriate allocation of management resources. This is achieved by delegating authority to the operating companies in each of its four global regions, which support the industrial gas business model of producing gases at the point of consumption, as well as to the Thermos business. As a group that has global business operations, supervision of management decisions and business execution requires a multifaceted valuation of a wide range of risks based on expert knowledge informed by close contact with the front lines.

The Company has adopted the organization of a company with Audit & Supervisory Board, and has a Board of Directors comprising internal directors with a thorough knowledge of the Company's business and independent outside directors who have diverse skills and experience. The Board of Directors discusses management strategy, capital expenditures, M&As, and so forth, makes decisions on the Company's business execution, and supervises its business execution. Moreover, Audit & Supervisory Board members, who are independent from the management organization, exercise their own authority to audit the process of decision-making by directors and the status of management execution.

History of Changes in NSHD's Corporate Governance

Phase	2015–2019: Governance structure transformation	2020–2023: Establishment of a transparent governance framework	From 2024: Ongoing revisions
Measures	Jun. 2015 Appointed two independent outside directors (two of 11 directors) Oct. 2015 Formulated Principles of Corporate Governance and Disclosure Policy (now IR Policy) Jun. 2016 Established Advisory Committee on Appointments and Remuneration Introduced performance-linked remuneration for directors Jun. 2019 Appointed two directors of foreign nationality (heads of U.S. and European businesses)	Oct. 2020 Transitioned to holding company structure Jun. 2021 Increased independent outside directors to three (three of nine directors; one woman outside director) Jun. 2022 Increased independent outside directors to five (five of nine directors; two women outside directors) Introduced non-financial KPIs linked to remuneration of directors	Jun. 2024 Revised remuneration for directors (added KPIs for non-financial KPI-linked remunerations for directors, etc.) Jun. 2026 Revision of director remuneration (including introduction of performance-linked stock-based remunerations)

Corporate Governance Structure



Relationship with the Parent Company

NSHD, having Mitsubishi Chemical Group Corporation (MCG) as its parent company, belongs to a corporate group led by MCG (MCG Group). The MCG Group's business is composed of Specialty Materials, MMA & Derivatives, Basic Materials, and Industrial Gases. The NSHD Group is positioned as an entity in the industrial gases segment. Being the only one operating an industrial gas business in the MCG Group, the Company Group does not compete with other companies in the MCG Group, and as of this moment does not expect to do so in the future.

NSHD concluded a basic agreement with MCG on May 13, 2014. The basic agreement stipulates that MCG, under its Group Management Regulations, respects our autonomy and is committed to supporting and cooperating with us. Accordingly, we make our own business decisions and do not require MCG's approval for any matters. The basic agreement also includes provisions on maintaining the Company's stock listing.

We have five elected independent outside directors, who constitute a majority in the nine-member Board, and two elected full-time, independent outside Audit & Supervisory Board members. With this structure, even in cases where there is a risk that the interests of the parent company and those of other shareholders may conflict, the Company appropriately handles it to ensure that the interests of shareholders other than the parent company are not unfairly compromised. Furthermore, we have voluntarily established the Advisory Committee on Appointments and Remuneration that advises the Board of Directors on the nomination of candidates for directors and Audit & Supervisory Board members, as well as the appointment and dismissal of the President CEO and other executive officers. The committee is composed of six members—the President CEO and five independent outside directors—and is chaired by an independent outside director. This ensures our independence from the parent company on management appointments.

Evolution of the Management Foundation

Corporate Governance

Board of Directors

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement of growth rate: 2

Status of Discussions at the Board of Directors

The Board of Directors, in accordance with NSHD's Principles of Corporate Governance, fulfills its responsibility for the Group's sustainable growth and the maximization of long-term corporate value. The Board carries out necessary activities, including those listed below, in compliance with laws, the Articles of Incorporation, and Board of Directors' regulations.

(1) Supervision of overall management
(2) Development of internal control systems
(3) Selection, appointment and dismissal, evaluation, and determination of remuneration for the President CEO and other executive positions
(4) Formulation of management strategy and decisions on important business execution

Recent major agenda items are as follows.

Formulation of New Medium-Term Management Plan, Next Innovation 2030

As we entered the final year of the previous medium-term management plan, NS Vision 2026, the Board devoted sufficient time to careful consideration and discussion for the formulation of the new medium-term management plan, holding thorough discussions at the Board of Directors and other forums since July 2025. By closely examining the relationship between the management policies and strategies of the holding company and the initiatives of each operating company, we have clarified the Group's medium-term business aims as a whole. We announced the new medium-term management plan in March 2026 and began its implementation in April 2026.

CEO Succession

Regarding the successor to the previous CEO, we have systematically and carefully selected and developed candidates in accordance with the CEO succession plan, starting at an early stage and following deliberations and recommendations by the Advisory Committee on Appointments and Remuneration. New President CEO Tadaharu Watanabe gained experience in Group management by serving as Executive Vice President and assisting the President CEO from FYE2025, as well as leading discussions on the formulation of the new medium-term management plan at the Board of Directors. Following resolutions at the General Meeting of Shareholders and the Board of Directors in June 2026, he assumed the office of Representative Director, President CEO of Nippon Sanso Holdings Corporation.

Introduction of Performance-Linked Stock-Based Remunerations

NSHD introduced a performance-linked and stock-based remuneration system for its executive directors (with an equivalent phantom stock system for executive directors who are not residents of Japan) following a resolution at the 22nd General Meeting of Shareholders held in June 2026. This system aims to clarify the link between remuneration and the Company's share price for eligible directors, enabling them to share the risk of share price fluctuation with shareholders and increase their awareness of contributing to improvement in medium- to long-term performance and increases in corporate value.

Human resources operations and the Advisory Committee on Appointments and Remuneration repeatedly conducted careful studies and deliberations on the rollout policy and detailed design of this system. Based on the committee's recommendations, the Board of Directors gave final approval and submitted the proposal to the General Meeting of Shareholders.

Major Investments

For large-scale investment projects by Group companies, we make implementation decisions and monitor progress from multiple perspectives, including business strategy, financial impact, and social contribution value.

The main projects discussed in FYE2026 are as follows.

- For the new air separation plant construction project in Las Vegas, Nevada, by Nippon Sanso Matheson, Inc., our U.S. operating company, we had thorough deliberations from the perspective of our air separation plant network strategy in the United States.
- For the project to construct an air separation plant in Hjelmeland, Norway, through the Norwegian subsidiary of Nippon Sanso Euro-Holding S.L.U., our European operating company, we deliberated on a wide range of factors, including job creation at the construction site, the aquaculture industry in southwestern Norway, and building a stable supply system for industrial, food, and medical gases, and contributions to decarbonization and revitalization of the regional economy. We considered both the economic and sustainability impacts on the region over the medium to long term, from before the plant's operation through its launch and beyond.

Overview of the Board of Directors' Meetings (FYE2026)

Number of meetings held		11 times
Average number of agenda items	Matters to be resolved	5.0 items/meeting
	Matters to be reported	6.6 items/meeting
Average meeting duration		3.1 hours/meeting
Longest meeting duration		5.5 hours/meeting

Initiatives to Invigorate Debate at Board of Directors

Senior Management Training

To further accelerate global management, we continuously implement training programs to develop the capabilities of senior management, aiming to cultivate the diverse knowledge and decision-making skills required at the top levels of management.

Training Conducted over the Past Three Years

- Apr. 2023 Prevent corruption globally
- Jan. 2024 Business and human rights
- Aug. 2024 Risk management by teaching officers about recent misconduct cases
- Feb. 2025 Global data governance and points to remember when using generative AI
- Aug. 2025 Risk management and practical responses in overseas business operations
- Jan. 2026 Key issues in compliance

Evolution of the Management Foundation

Corporate Governance
Board of Directors

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement of growth rate: 2

Advance Briefings and Opinion Exchange Meeting for Outside Directors

To facilitate effective deliberations by independent outside directors, who make up the majority of the Board of Directors, we hold advance briefings on agenda items several days prior to each Board meeting. This approach provides outside directors with comprehensive information, including detailed background and the internal process leading up to each agenda item. We also respond to opinions and questions from outside directors at these briefings and during Board of Directors' meetings, providing answers and supplementary explanations as needed.

We also use the advance briefings, when outside directors gather, as an opportunity to convene the Outside Directors Opinion Exchange Meeting. At these meetings, our division heads and presidents of Group companies explain the strategies and business conditions of their respective divisions and companies, and outside directors exchange opinions on a wide range of topics. Through these activities, outside directors are supported in deepening their understanding of the Group's businesses, products, strategies, and plans, and in building relationships with key persons at Group companies.

We also provide opportunities for outside directors and Audit & Supervisory Board members to exchange opinions twice a year.

Outline of Outside Directors Opinion Exchange Meetings (FYE2026)

Number of meetings held	12 total
Main topics	• Group governance structure • Global legal framework • Compliance • Status of major operating companies • Sustainability and DX activity policy and progress, and other wide-ranging topics

Director Lunch Meetings

After meetings of the Board of Directors are held for quarterly results, a lunch meeting is attended by all directors. For example, in addition to predetermined topics such as the business environment in each region, opinions are freely exchanged on a variety of other themes at each meeting.

Evaluation of the Board of Directors' Effectiveness

Evaluation Process

In accordance with our Principles of Corporate Governance, each year, the secretariat of the Board of Directors anonymizes and tallies the responses to the effectiveness evaluation questionnaire completed by the current directors (nine this year), distributes the results to the Board of Directors and Audit & Supervisory Board members, and after discussion by the entire Board of Directors, determines the key issues to address in the following fiscal year.

Step	Content	Implementation period
1. Explanation of evaluation items and schedule	Secretariat explained to each director	January 2026
2. Questionnaire	Each director submitted their evaluation responses	February 2026
3. Tallying and distribution of results	Results were anonymously compiled and distributed to directors	March 2026
4. Discussion by the Board of Directors	Broad discussion based on results	April 2026
5. Finalization of annual schedule	Annual plan, including key initiatives for the next fiscal year, was confirmed	May 2026

Evaluation Results and Issues Identified for FYE2026

The Board of Directors determined that it appropriately fulfilled its required role during the fiscal year. In particular, the following points received high praise.

- In formulating the new medium-term management plan, the relationship between the plan's content and the business activities of each operating company was made more concrete and clear than in the previous plan, and the plan was compiled with a strong commitment to executing the Group's strategy.
- With regard to promoting a diverse workforce, there was a shared recognition of its importance, and intense deliberations were held by the Advisory Committee on Appointments and Remuneration.

On the other hand, the following opinions were also expressed.

- It would have been better to present and align policies from the holding company to the operating companies at an earlier stage in the process of formulating the medium-term management plan.
- To achieve the targets of the medium-term management plan, it is necessary for the Board of Directors to have focused discussions on promoting a diverse workforce, including the promotion of women's active participation.
- While the composition of the Board of Directors is appropriate, the Company should consider ways to further increase the ratio of women and non-Japanese directors.
- The Company should also consider how outside directors engage in dialogue with investors, including the channels and methods used.
- The early finalization and distribution of Board of Directors' materials for agenda items related to overseas subsidiaries should become standard practice.

Key Initiatives for FYE2027

The following are considered to be important topics for this fiscal year. In particular, as this is the first year of the new medium-term management plan, we believe that the most important topic is to specify individual measures and monitor their implementation to ensure steady progress toward achieving the final targets of the plan.

- Manage progress on the financial and sustainability KPIs set in the new medium-term management plan and formulate countermeasures for any deviations from targets
- Monitor the impact of increasing economic uncertainty, such as from the prolonged conflict in the Middle East, on the progress and profitability of large-scale projects

Evolution of the Management Foundation

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement of growth rate: 2

Corporate Governance

Advisory Committee on Appointments and Remuneration

Overview

NSHD has established the Advisory Committee on Appointments and Remuneration as an advisory body to the Board of Directors. The committee consists of six members: the Representative Director, President CEO and five independent outside directors, with an independent outside director serving as chairperson. By ensuring that a majority of committee members are independent outside directors and appointing an independent outside director as chairperson, we secure the independence of the committee and the objectivity and transparency of its decision-making.

Members of the Advisory Committee on Appointments and Remuneration

Chairperson: Hideo Nakajima (Independent outside director)
Members: Tadaharu Watanabe (Representative Director, President CEO)
Miri Hara (Independent outside director)
Katsumi Nagasawa (Independent outside director)
Masako Miyatake (Independent outside director)
Katsuhito Yamaji (Independent outside director)

Main Roles

The committee makes recommendations to the Board of Directors on the following matters.

- Appointment and dismissal of directors, including the Representative Director, President CEO, and executive officers
- Appointment and dismissal of the chairpersons and presidents of key direct subsidiaries
- Development plans for the next generation of the Group's management human resources, and criteria and processes for selecting the successor to the President CEO
- Selection of candidates for Audit & Supervisory Board members
- Revision of the remuneration rules for directors and executive officers

Activities of the Advisory Committee on Appointments and Remuneration

The Advisory Committee on Appointments and Remuneration met 17 times in FYE2026, with a 100% attendance rate by all members. During the fiscal year, the committee's discussions focused on the following matters and made recommendations to the Board of Directors as necessary.

- Revision of the remuneration system including the introduction of performance-linked stock-based remunerations for the directors and executive officers
- Selection of successor to the Representative Director, President CEO and selection of candidates for other Board members and executive officers
- Appointment of chairpersons and presidents of key direct subsidiaries
- Review of progress in promoting a diverse workforce, such as increasing the ratio of women in management positions and among employees

Succession Plan

Developing next-generation leaders is a key management issue for the NSHD Group's governance framework. The Advisory Committee on Appointments and Remuneration, comprising several independent outside directors and the Representative Director, President CEO, constantly discusses the qualifications required of next-generation leaders, the selection process, development policy, and candidate identification for the Group. In FYE2026, we devoted significant time to discussions on the CEO succession program and the selection of other Board member and executive officer candidates.

The NSHD Group operates in more than 30 countries and regions worldwide. We will further advance the development of human resources with deep expertise in the unique characteristics of the industrial gas business, such as production at the place of consumption, and a thorough understanding of the industrial structure in each region, as well as the ability to manage with a global perspective.

Remuneration for Officers

NSHD has designed and operates an officer remuneration system to provide incentives for contributing to the Group's sustainable growth and medium- to long-term enhancement of corporate value, as well as to improve the transparency, objectivity, and accountability of the remuneration system. We set levels of remuneration by comprehensively considering remuneration at companies in the same industry or of similar size, our business performance, and trends in the human resources market, while also referencing external remuneration survey data as appropriate, to ensure both competitiveness and fairness.

The Representative Director, President CEO determines the individual remuneration amounts for each director in accordance with the Regulations On Directors' Remuneration and reports the results to the Advisory Committee on Appointments and Remuneration. The committee reviews the calculated remuneration amounts and confirms their consistency with the policy for determining remuneration, etc., for officers, thereby ensuring objectivity and transparency in the remuneration decision process.

In addition, at the 22nd General Meeting of Shareholders held in June 2026, shareholders approved the introduction of a performance-linked stock-based remuneration system, with a maximum of 20,000 points (1 point = 1 share) per fiscal year, in addition to the existing remuneration limit (up to ¥800 million per year, of which up to ¥100 million is for outside directors). As a result, the officer remuneration system was revised as follows.

Remuneration for executive directors consists of the following three components, with the standard ratio by position set at approximately 45% basic remuneration, 30% annual bonus, and 25% stock-based remuneration, thereby strengthening the link between incentives for achieving performance targets and shareholder value.

1. **Basic Remuneration (Fixed Remuneration):** A fixed monthly amount is paid to each director based on their role, responsibilities, job description, experience, and other factors, according to the standard amount for each position.

Evolution of the Management Foundation

Corporate Governance
Advisory Committee on Appointments and Remuneration

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement of growth rate: 2

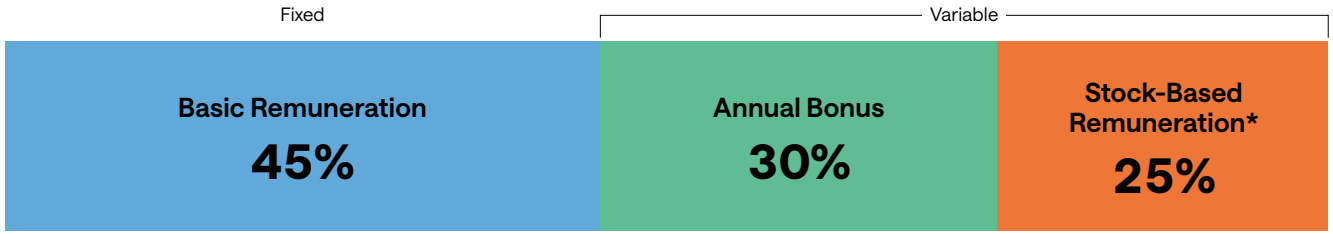
2. **Annual Bonus (Short-Term Incentive):** An annual bonus is paid based on the achievement of targets for consolidated financial indicators and sustainability indicators for each fiscal year. The evaluation metrics consist of financial indicators pertaining to consolidated revenue, consolidated core operating income, and consolidated net income attributable to owners of parent, as well as the sustainability indicator of lost time injury rate. This system is designed to encourage the achievement of targets for the relevant fiscal year.
3. **Stock-Based Remuneration (Medium- to Long-Term Incentive)*:** With the medium-term management plan set as the evaluation period, in principle, this remuneration is paid upon retirement based on the achievement of financial and sustainability targets in the final year. In addition to financial indicators such as consolidated core operating income and consolidated ROCE after Tax, the evaluation metrics consist of sustainability indicators, including compliance survey score, GHG reduction contribution from environmentally friendly products, and the ratio of female managers. The purpose of this system is to drive the creation of value over the medium to long term and to align the interests and risks of directors with those of shareholders.

Outside directors only receive basic remuneration (fixed remuneration) to ensure independence in their duties and to prevent conflicts of interest. Audit & Supervisory Board members also receive only fixed remuneration.

In addition, in conjunction with this revision of the officer remuneration system, NSHD has established provisions that allow it to reduce or reclaim director remuneration in the event of serious legal breaches, inappropriate accounting, or other such circumstances related to the execution of directors' duties.

* For non-residents of Japan, cash remuneration equivalent to stock-based remuneration (phantom stock) is provided.

Composition of Director Remuneration (Executive Directors) Note: Composition based on standard amounts for each rank.



Basic Remuneration (Fixed Remuneration)
Paid monthly based on standard amount for each rank

Annual Bonus (Short-Term Incentive)
Financial Indicators
- Consolidated revenue
- Consolidated core operating income
- Consolidated net income attributable to owners of parent

Sustainability Indicator
- Lost time injury rate

Stock-Based Remuneration (Medium- to Long-Term Incentive)
Financial Indicators
- Consolidated core operating income
- Consolidated ROCE after Tax

Sustainability Indicators
- Compliance survey score
- GHG reduction contribution from environmentally friendly products
- Ratio of female managers

Remuneration by Rank

The total amount of remuneration by officer category, by type of remuneration, and by number of officers eligible for each category in FYE2026 is as follows.

Officer category	Total remuneration, etc. (Millions of yen)	Total by type of remuneration (Millions of yen)			Number of eligible officers (Persons)
		Basic remuneration	Performance-linked remuneration	Non-financial KPI-linked remunerations	
Directors (excluding outside directors)	152	88	52	10	5
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	30	30	—	—	1
Outside directors	151	151	—	—	9

Notes: 1. The amounts paid to directors do not include salaries paid to directors who concurrently serve as employees for their services as employees.
2. The total remuneration shown above includes remuneration paid to one director and one Audit & Supervisory Board member who retired during FYE2026.

Evolution of the Management Foundation

Messages from Outside Directors

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement of growth rate: 2

Developing existing businesses while steadily advancing initiatives to create new value will enhance corporate value even further.

Miri Hara
Outside Director

The appointment of a new President CEO in the first year of a new medium-term management plan provides a good opportunity to accelerate the NSHD Group's transformation. Under the new President CEO's leadership, I will support the increasing of strategic effectiveness and the strengthening of governance by participating in constructive dialogue with senior executives in my capacity as an outside director. In this way, I intend to help enhance the Group's corporate value over the medium to long term.

In the formulation and execution of the new medium-term management plan, I believe outside directors must supervise senior executives from an independent and objective standpoint. At the same time, outside directors should play a part in enhancing the plan's concreteness and effectiveness through the provision of advice reflecting the external environment and the perspectives of capital markets.

As an outside director, I have high expectations for the Group's initiatives to create future growth drivers, which are set out in the new plan. Developing existing businesses while steadily advancing initiatives to create new value will enhance corporate value even further.

Recently, I had an opportunity to visit the Innovation Unit, which is tasked with the development of future growth drivers. I was deeply impressed by the unit's frontline personnel, who combine a spirit of actively embracing new ideas, outstanding research skills, and a sincere work ethic. Moreover, the empowerment of women employees in the unit is particularly notable, making it an organization that symbolizes the Group's vision of a future grounded in diversity.

Although still only midway toward achieving its target for the ratio of female managers, the Group is improving its systems and progressing steadily. As an outside director, I intend to continue actively working with the Group in advancing these efforts.

Rather than being satisfied with the completion of the plan, I will monitor and revise it to continuously meet stakeholders' expectations.

Katsumi Nagasawa
Outside Director

Overseeing the execution of individual projects on a day-to-day basis is an extremely important part of an outside director's work. However, another critical aspect of an outside director's duties is to share the Group's overarching direction with the executive team and guide them in the right direction. In fulfilling this latter role, I believe that contributing to the formulation of medium-term management plans is an outside director's most important activity.

Before the plan was formulated, we requested that outside directors be included in discussions from the earliest stages. Consequently, we participated in discussions from the conceptual planning phase. While respecting the executive team's objectives, we arrived at the current final version of the plan after making various revisions in light of social trends as well as the priorities of shareholders and other stakeholders.

The points raised during our discussions were reflected in the plan, thereby making it more readily understandable to external stakeholders. To give a few examples, we pointed out the need to clarify the positioning both of business strategies and efforts to build foundations for their realization prior to formulating specific strategies; the need to establish metrics that enable the progress of strategies to be monitored; and the need to increase the scale of R&D investment even further. Regarding the last of these examples, we were able to establish a shared understanding that the current scale of R&D investment covers related marketing and initial incubation and that this scale will be flexibly increased once specific R&D themes have been identified.

The leaders of operating companies in Japan, the United States, and Europe also participated in discussions on the formulation of the new plan. This participation resulted in the reflection of each region's actual situation in the plan, the establishment of a common understanding about the direction in which the entire Group should proceed, and the appropriate incorporation of the holding company's strategies into operating companies' medium-term plans.

Further, Tadaharu Watanabe, who is now President CEO but at the time was Executive Vice President and a candidate for his current position, was entrusted with compiling the plan in collaboration with the Advisory Committee on Appointments and Remuneration. The numerous discussions we had at this juncture both impressed me with his admirable qualities and led to the formulation of a medium-term management plan that is rooted in a firm commitment to execution.

The process has not ended with the completion of the plan. I will continue fulfilling my role as an outside director by closely monitoring the plan's progress, suggesting revisions as necessary, and delivering results that meet the expectations of shareholders and other stakeholders.

Evolution of the Management Foundation

Messages from Outside Directors

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement of growth rate: 2

Enhanced corporate value will be achieved by leveraging diverse talent and global collaboration as driving forces for sustainable growth.

Masako Miyatake
Outside Director

For FYE2027, the Group has identified the promotion of women's active participation, the empowerment of global talent, and the creation of future growth drivers as priority initiatives. These mutually reinforcing initiatives are regarded as key growth drivers that will support the enhancement of corporate value over the medium to long term.

Continuous and proactive efforts to promote women's active participation over the past several years have begun to yield steady results. As of March 31, 2026, the ratio of female employees across the Group improved by 0.5 percentage point, reaching 21.3%, while the ratio of female managers rose by 1.8 percentage points to 18.5%. Nevertheless, further efforts will be required to achieve our targets for FYE2031—at least 25% for female employees and at least 22% for female managers. Amid intensifying competition for talent, building an organization in which diverse personnel can fully realize their potential is essential for sustaining growth and strengthening competitiveness. We recognize that promoting the advancement of women talent is a core management priority in this regard.

To this end, in the current fiscal year we will further enhance human resources systems and support programs to ensure that women can confidently demonstrate their abilities and build long-term careers. We will also promote greater awareness among managers as part of these efforts. In addition, the Group will leverage its global network—one of its core strengths—to further promote talent exchange. Through exchanges with our offices in the United States, Europe, and the Asia and Oceania region, we aim to foster an organizational culture that embraces diversity, while broadening employees' global perspectives and strengthening their willingness to take on new challenges.

In addition, the creation of future growth drivers is one of the priority strategies set out in the medium-term management plan begun in the current fiscal year. To swiftly and efficiently commercialize multiple promising projects that will drive future growth, we will extend global talent exchanges to our innovation hubs as well. By bringing together diverse expertise and experience, the Group will accelerate the creation of new value. Leveraging talent diversity and global collaboration as driving forces, we are committed to achieving sustainable growth and further enhancing corporate value.

Under Next Innovation 2030, we will strengthen our comprehensive capabilities as a group through the intersection of vertical and horizontal business advancement efforts.

Hideo Nakajima
Outside Director

FYE2027 is the first year of Next Innovation 2030, NSHD's second medium-term management plan. In addition, the executive leadership team has been reorganized under new President CEO Tadaharu Watanabe.

Six years have passed since the transition to a holding company structure in 2020. The NSHD Group has now entered a four-year phase focused on achieving further growth by building upon the management foundation established through the implementation of the previous medium-term management plan, NS Vision 2026. We must now put our heart and soul into the new plan. As they are primarily based on a local production for local consumption model, the operations of the industrial gas business are facing increasingly uncertain environments. For this reason, the next four years will be a test of NSHD's true value as a holding company.

Next Innovation 2030, which provides the fundamental guidelines for operational management over the next four years, sets forth three key strategies: Enhance the Profitability of the Industrial Gas Business, Accelerate the Expansion of the Electronics Business, and Create Future Growth Drivers. To fully realize these three strategic goals, the intersection of vertical and horizontal business advancement efforts will be of paramount importance.

In other words, the Group companies under NSHD must not only advance their own businesses in line with the aforementioned key strategies but also widely disseminate and share best practices across the entire Group. The realization of business advancement along vertical and horizontal axes is precisely where NSHD's purpose as a holding company lies.

In strengthening the Group's comprehensive capabilities through the intersection of vertical and horizontal business advancement efforts, the development and enhancement of human resources will be indispensable. Of course, this cannot be achieved overnight. However, further progress in the empowerment of women—which has gained momentum over the past year or two—is definitely feasible if we use concrete projects as a way of continuing such efforts even more actively. Further, to promote horizontal business advancement and the achievement of strategic goals, the Group should facilitate exchanges of global talent among Group companies.

As an outside director, I intend to participate in open and frank discussions at meetings of the Advisory Committee on Appointments and Remuneration and other bodies with the aim of energetically engaging in and contributing to NSHD's efforts to achieve the intersection of vertical and horizontal business advancement efforts, including efforts to develop and enhance human resources.

Evolution of the Management Foundation

Messages from Outside Directors

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement of growth rate: 2

With a view to increasing corporate value by boosting the NSHD Group's ability to realize sustained growth and efficient global management, I will help to build a robust corporate group.

Katsuhito Yamaji
Outside Director

In FYE2026, we prepared strategies for future growth and established the foundation for their advancement. Our activities included the formulation of a new medium-term management plan, which has an important position in our management strategy, and the appointment of a new President CEO as part of measures to establish a new management team.

In formulating the plan, the new management team took the lead, with outside directors also contributing to the process. The new plan calls for the promotion of business development through collaboration between marketing and research and development. The main goal of such collaborative efforts is to earn trust by using market insights and technological expertise to meet client expectations and create value. Although the NSHD Group is a well-known brand in Japan, it must grow overseas amid powerful competitors who hold significant shares of the market. To develop its businesses, the Group must advance strategies in step with technological development and allocate management resources from a medium- to long-term perspective. Another important initiative is increasing the profitability of core businesses. In part because it is primarily engaged in the operation of plants, the Group has a somewhat conservative side. Rather than being limited to sales divisions, initiatives must instead entail reform across the entire supply chain, including engineering, operations, and logistics. As an outside director, I will provide support through planning and progress review sessions to ensure that the new plan's initiatives lead to sustained growth.

The formation of the new management team stemmed from lively discussions at meetings of the Advisory Committee on Appointments and Remuneration, which mainly comprises outside directors. To continue producing outstanding management teams, however, a global approach to the development of management personnel is of course essential. The Group is actively conducting global management, with foreign nationals accounting for two of the four internal directors. Nonetheless, if we want to continuously develop and strengthen global talent, we must establish the relevant systems for career development and performance evaluations and enthusiastically encourage global exchanges of personnel. As well as fostering human resources, the development of global talent will help to spread best practices and strengthen governance, thereby serving as an important pillar of global management.

With a view to increasing corporate value by boosting the NSHD Group's ability to realize sustained growth and efficient global management, I will help to simultaneously advance business strategies and the development of management talent.

Reasons for Nominating Outside Directors

Miri Hara	Miri Hara has served as a director of a real estate management company over many years, and also has wide-ranging experience serving as the representative certified tax accountant of a tax accounting firm, and as an outside director at another publicly listed company. Ms. Hara was appointed as an outside director in the expectation that she will effectively apply her wide experience and professional expertise of corporate accounting as a certified tax accountant and her viewpoint on promoting diversity and women's empowerment to the management of the NSHD Group.
Katsumi Nagasawa	Katsumi Nagasawa had been engaged in the nuclear power business for many years at a general electrical appliance manufacturer, and subsequently served as a corporate executive officer of the company and as the chairman of the board of directors of its group company, among other important positions. Mr. Nagasawa was appointed as an outside director in the expectation that he will effectively apply his wide experience and professional expertise in the field of technology, and his wealth of experience in corporate management in the manufacturing industry to the management of the NSHD Group.
Masako Miyatake	Having accumulated a wealth of experience as an international lawyer over many years, Masako Miyatake has been practicing law in the fields of international transactions, finance, corporate governance, and litigation, arbitration, and conciliation. Furthermore, she served as an outside director at another publicly listed company. Ms. Miyatake was appointed as an outside director in the expectation that she will effectively apply her wide experience and professional expertise as an attorney as well as her wide experience in international transactions and global perspective to the management of the NSHD Group.
Hideo Nakajima	Hideo Nakajima has occupied important posts at the Ministry of Finance and the Japan Fair Trade Commission. He is currently serving as a special advisor to a law firm that provides global services. Mr. Nakajima was appointed as an outside director in the expectation that he will effectively apply his wealth of experience and professional expertise to the management of the NSHD Group.
Katsuhito Yamaji	Katsuhito Yamaji has worked for many years in the areas of technology development and production and procurement at a transport equipment manufacturer, and has engaged in management after assuming the post of a director. Mr. Yamaji was appointed as an outside director in the expectation that he will effectively apply his professional expertise in overall technology and wide experience including procurement, as well as experience in corporate management in the manufacturing industry, to the management of the NSHD Group.

Evolution of the Management Foundation

Members of the Board of Directors, Audit & Supervisory Board Members, and Executive Officers

For a career summary and message from each officer, please refer to the following. **Members of the Board of Directors, Audit & Supervisory Board Members, and Executive Officers:** ▶ Please see here.

Maximization of value added: 1
Reduction of cost of capital: 2
Improvement of growth rate: 1

Members of the Board of Directors

1

Tadaharu Watanabe
President CEO

2

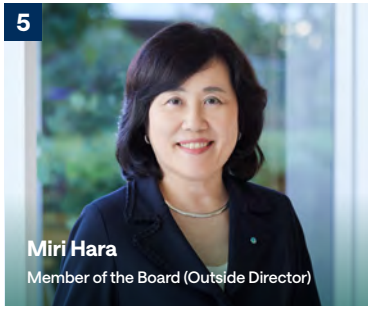
Kenji Nagata
Member of the Board

3

Raoul Giudici
Member of the Member of the Board

4

Alan David Draper
Member of the Board

5

Miri Hara
Member of the Board (Outside Director)

6

Katsumi Nagasawa
Member of the Board (Outside Director)

7

Masako Miyatake
Member of the Board (Outside Director)

8

Hideo Nakajima
Member of the Board (Outside Director)

9

Katsuhito Yamaji
Member of the Board (Outside Director)

Audit & Supervisory Board Members

1

Satoshi Wataru
Audit & Supervisory Board Member

2

Kentaro Akashi
Audit & Supervisory Board Member (Outside Auditor)

3

Kohei Ichiya
Audit & Supervisory Board Member (Outside Auditor)

4

Riki Shibata
Audit & Supervisory Board Member (Outside Auditor)

Executive Officers

Tsutomu Moroishi
Senior Executive Officer

Takeshi Miki
Senior Executive Officer

Yutaka Okuda
Senior Executive Officer

Kazuhiko Nishikawa
Senior Executive Officer

Koichiro Kubo
Executive Officer

Masayoshi Omichi
Executive Officer

Teiichiro Sawa
Executive Officer

Toshiyuki Aida
Executive Officer

Kimitaka Koga
Executive Officer

Cesar Callejo
Executive Officer

Evolution of the Management Foundation

Skills Matrix

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement of growth rate: 2

The Company believes that members of the Board of Directors shall be composed of diverse individuals with the knowledge and experience required for corporate management in order for the Board of Directors to function more effectively. Accordingly, the fields of particular importance to the Group management are defined as Corporate Management, Financial Affairs & Accounting, Legal Affairs & Risk Management, Sales & Marketing, Development & Technology, and Production & Procurement. The knowledge and experience acquired by all of the officers through their career and in their expert areas comprise the necessary skills for the Group to promote sustainability management. The Company will strive to further enhance the effectiveness of the Board of Directors, assigning personnel with such knowledge and experience in the right places at the right time.

		Name	Positions / Career highlights	No. of years in position	Corporate management	Financial affairs & accounting	Legal affairs & risk management	Sales & marketing	Development & technology	Production & procurement	Overseas assignment	Business experience at other companies	Independence
Members of the Board of Directors	1	Tadaharu Watanabe	President CEO	0	●			●	●		○		
	2	Kenji Nagata	Member of the Board Representative Director and President, Nippon Sanso Corporation	8	●			●			○		
	3	Raoul Giudici	Member of the Board Chairman and President, Nippon Sanso Euro-Holding S.L.U.	2	●			●			○	○	
	4	Alan David Draper	Member of the Board Chairman & CEO, Nippon Sanso Matheson, Inc.	0	●	●					○	○	
	5	Miri Hara	Member of the Board (Outside Director) Representative Certified Public Tax Accountant, Tax Corporation Yokohama Benten Accounting, Inc. Outside Director, SECOM CO., LTD. / Auditor (Part time), Hitotsubashi University	5		●						○	○
	6	Katsumi Nagasawa	Member of the Board (Outside Director) Former Managing Corporate Executive Officer, Hitachi, Ltd. / Outside Director, Sugino Machine Limited	4	●				●	●	○	○	○
	7	Masako Miyatake	Member of the Board (Outside Director) Visiting Professor, Keio University Law School / Visiting Professor, Graduate School of Law, Kobe University Special Counsel, Blakemore & Mitsuki	4			●				○	○	○
	8	Hideo Nakajima	Member of the Board (Outside Director) Former Secretary General, Japan Fair Trade Commission Special Advisor, White & Case LLP / White & Case Law Offices (Registered Association)	3		●	●				○	○	○
	9	Katsuhito Yamaji	Member of the Board (Outside Director) Former Managing Executive Officer and Director, Yamaha Motor Co., Ltd. / Outside Director, ENSHU Limited	3	●				●	●	○	○	○
Audit & Supervisory Board Members	1	Satoshi Wataru	Audit & Supervisory Board Member Former Senior Executive Officer of Group Human Resources & Corporate Secretariat Office, Nippon Sanso Holdings Corporation	3	●	●							
	2	Kentaro Akashi	Audit & Supervisory Board Member (Outside Auditor) Former Managing Executive Officer, Mizuho Securities Co., Ltd. / Former Chairman of Mizuho Securities Asia Limited, in charge of Global Investment Banking Business	2	●	●					○	○	○
	3	Kohei Ichiya	Audit & Supervisory Board Member (Outside Auditor) Former General Manager, Finance Department, Mitsubishi Chemical Holdings Corporate Staff, Inc. (now Mitsubishi Chemical Group Corporation)	2		●					○		
	4	Riki Shibata	Audit & Supervisory Board Member (Outside Auditor) Former Managing Executive Officer, Deputy Head of Global Markets Company, Mizuho Financial Group, Inc., and former Managing Executive Officer, Co-Head of Global Markets Division, Mizuho Bank, Ltd. / Corporate Auditor (Part time), Nippon Sanso Corporation	1	●	●					○	○	○

Note: Details on the definition of table headings
Corporate management: Experience serving as CEO, executive, or executive officer of a listed company or CEO of a local subsidiary of a global company
Business experience at other companies: Experience working outside of the NSHD Group's companies or the parent company Group's companies

Positions and career highlights are as of July 1, 2026.

Evolution of the Management Foundation

Risk Management Framework

Maximization of value added: 1
Reduction of cost of capital: 3
Improvement of growth rate: 1

The NSHD Group conducts effective risk management activities based on a Groupwide risk management framework.

Risk Management Framework

The Group manages the operations of the Global Risk Management Committee and the Global Strategy Review Committee in an integrated manner.

Multifaceted discussions of risks and opportunities surrounding our businesses as well as Groupwide sharing of recognized risks and their countermeasures enable us to view business opportunities and risks as a unified whole and optimize risk countermeasures Groupwide.

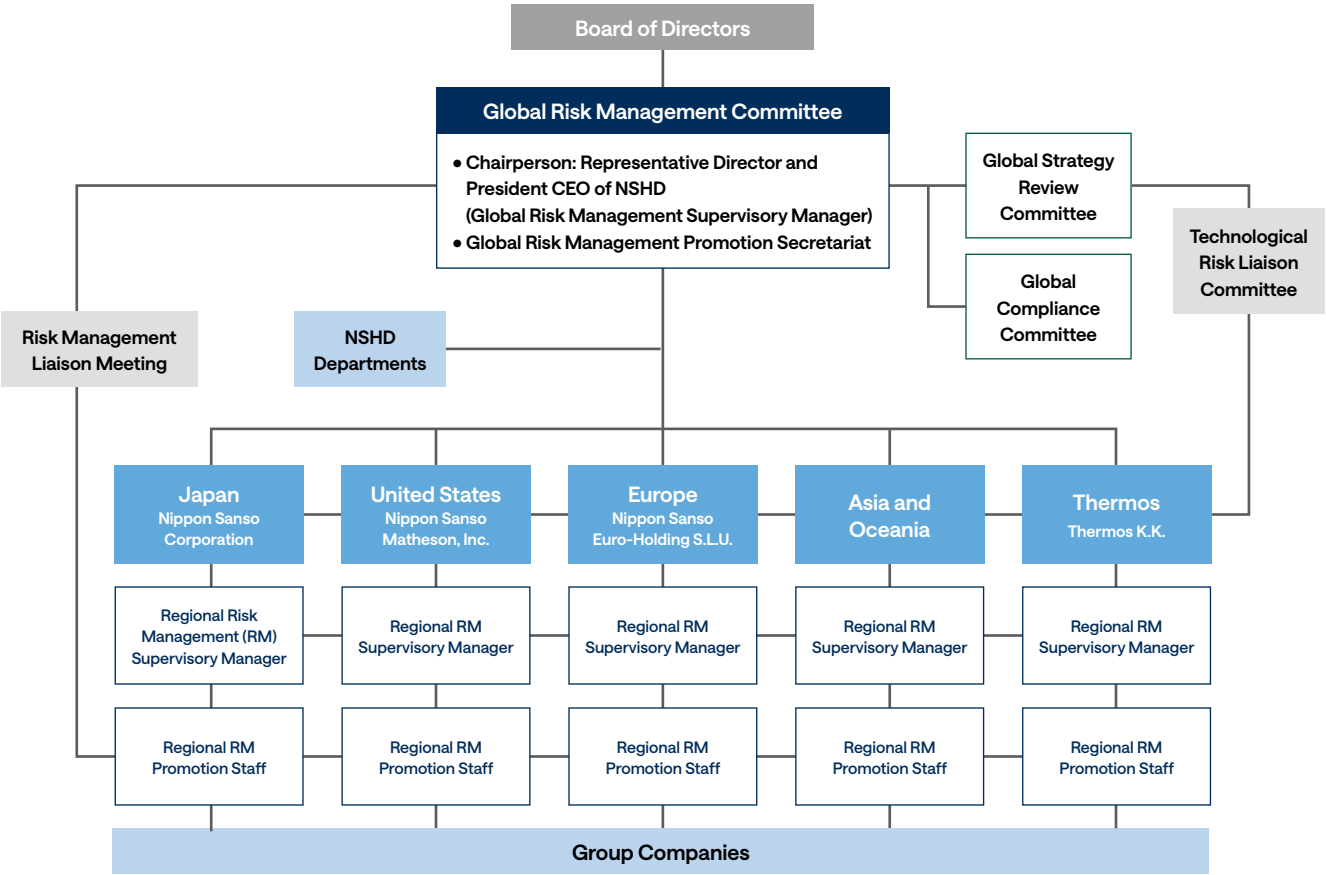
Risk Management Process

Operating companies and divisions of the holding company identify changes in both the internal and external environments of the Group's businesses as risks and opportunities. The risks are then assessed using a common Group framework of risk categories, definitions, and evaluation criteria.

Based on the risk assessment results, the Global Risk Management Committee shares recognized risks and their countermeasures, determines key risks requiring priority Groupwide action, and advances Groupwide countermeasures.

For details on business risks, please refer to the following.
Business Risks: ▶ Please see here.

Risk Management Framework



Evolution of the Management Foundation

Our Strategic Approach to Risks and Opportunities: The Global Risk Management Committee

Maximization of value added: 2
Reduction of cost of capital: 3
Improvement of growth rate: 2

The NSHD Group convenes a meeting of the Global Risk Management Committee once a year. This committee collaborates with the Global Strategy Review Committee to analyze the Group's overall business strategies from the perspectives of both risks and opportunities. Below is an overview of the meeting held on February 24, 2026.

Sharing of Risk Recognition and Risk Response

During the Global Risk Management Committee meeting, each operating company presented its top 10 risks, as well as the specific risks most critical to its business activities. Additionally, each department within NSHD reported on risks that require a coordinated response across the Group. While risk recognitions may vary depending on the business environment, the committee seeks to enhance the Group's overall risk management by gaining a deeper understanding of these differences and the underlying factors, while examining risks from multiple perspectives.

Key Risks for NSHD

Change in the global economy and society
Geopolitics and supply chains, Changes in the economic climate, Advances in AI and the growing sophistication of cyberattacks, Carbon neutrality

Maintaining and strengthening core business
Obsolete facilities, Strengthening technical and development cooperation, Group governance / Compliance

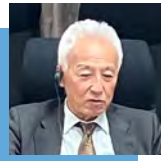
Human resources
Securing human resources, Succession planning, Human rights / diversity, equity, and inclusion (DE&I)

The following sections summarize reporting and discussions about key risks that became the focus of discussions at the most recent meeting of the Global Risk Management Committee, namely, advances in AI and increasingly sophisticated cyberattacks as well as Group governance and compliance.

Information Security Risks
Operating companies and the Global Information Security Council reported on information security risks and the progress of related countermeasures. The details of these reports were then discussed.

Japan: Impact of cyberattacks
United States: Cybersecurity threats from generative AI
Europe: Impact of successful cyberattacks on business operations
Global Information Security Council: Recent trends in information security, the increasing sophistication of cyberattacks, related countermeasures, and the need to meet the expectations of external stakeholders

Compliance Risks
With reference to FYE2026 compliance promotion activities, the meeting confirmed that the Regional Chief Compliance Officers (RCCOs) will take the lead in their respective regions for the advancement of a Groupwide action plan for the Group's shared compliance risks. In addition, reports were presented on the goals and measures for the next medium-term management plan as well as the individual action plans of each region.



A Message from President CEO*
Toshihiko Hamada

Turning Uncertainty into Growth
Defensive and Offensive Risk Management

- The Global Risk Management Committee is an important body that works in conjunction with the Global Strategy Review Committee to examine significant Group matters and determine policies going forward.
- Given that appropriately addressing risks can result in the development of new businesses and growth, we will engage in proactive discussions focused on turning uncertainty into growth.

* In February 2026

Evolution of the Management Foundation

Short Discussion: Ensuring Compliance Remains a Pillar of Value Creation

Maximization of value added: 1
Reduction of cost of capital: 3
Improvement of growth rate: 1

Group Chief Compliance Officer (GCCO) Kazuhiko Nishikawa and Europe's Regional Chief Compliance Officer (RCCO) Laura Zanotti discuss our global compliance initiatives and their long-term significance.

Compliance at the Core of Modern Business Management

Nishikawa: Our business environment is becoming increasingly complex. As globalization advances and various regulations tighten, stakeholders' expectations of the Group are increasing. In such an environment, even a single compliance violation could instantly cause us to lose the trust we have built up over many years. Compliance is now at the core of management and a prerequisite for sustainable growth.

Zanotti: I agree. Compliance is clearly identified as a core enabler of sustainable growth in the new medium-term management plan. We must make a genuine effort to change compliance from a set of rules that people must follow into a mindset that shapes day-to-day decisions.

Nishikawa: To achieve this, we annually convene the Global Compliance Committee so that the GCCO and RCCOs can share regional challenges and action plans. Further, based on analysis of respective regions' compliance risks and changes in the external environment, we identify issues that the entire Group should give priority to addressing.

Zanotti: The committee's goal is to provide clear and timely guidance. The RCCOs then translate this guidance into specific regional actions and present evaluations of the actions at subsequent meetings. As the importance of collaboration continues to grow, I feel that we are successfully sharing more information than ever before.

Compliance as the Natural Choice for All Employees

Zanotti: We need to maintain a balance between firm Groupwide principles and regional flexibility so that we can advance initiatives without losing effectiveness on the ground. In Europe, we are currently focusing on strengthening governance capabilities so that we can address complex regulatory requirements such as the NIS2 Directive on network and information systems and the General Data Protection Regulation. Another initiative is the Compliance and Adherence Enhancement Project, which includes compliance spot reviews, targeted surveys, and measurable KPIs.

Nishikawa: For compliance promotion activities and training across the entire Group, we have established the Global Compliance Program. Also, activities tailored to the business characteristics of each region will enable us to conduct highly effective participatory training that instills the concept of proactive "adherence." One challenge we face is that differences in regions' cultures and customs mean that careful analysis is needed to identify where potential compliance risks may exist. For this reason, we regularly conduct surveys of employees worldwide. Since differences in awareness have become apparent among regions and companies, we will continue identifying areas for improvement and raising the overall standard of our activities.

Zanotti: Speaking from my own experience, simple, practical compliance guidelines tailored to employees' daily work are far more effective than guidelines that are generic or abstract. We are currently formulating concrete action plans. We also intend to further improve and increase communication from senior management.

Nishikawa: We want to further raise the awareness of every single employee so that the promotion of compliance becomes deeply rooted in the culture of the NSHD Group.

Zanotti: Our goal is to make compliance a natural choice for all employees. I intend to steadily do what I can to ensure that compliance remains a pillar of long-term value creation.

Evolution of the Management Foundation

Compliance Survey

Maximization of value added: 1
Reduction of cost of capital: 3
Improvement of growth rate: 1

NSHD regularly conducts a compliance survey with the aim of fostering a sound, transparent corporate culture. The survey serves as a key indicator for quantitatively assessing the compliance awareness of each employee, the extent to which compliance promotion activities are being implemented in the workplace, the attitudes of employees toward compliance, and whether our organizational culture is conducive to employees speaking frankly and without hesitation. By using the survey to gain a comprehensive picture of the level of compliance awareness among employees and incorporating these findings into management decisions, we are creating reassuring work environments and enhancing the credibility of our organization even further.

10 Compliance Enhancement Program

Contribution to Corporate Value Enhancement

The range of initiatives that we implement in light of compliance survey scores not only prevent damage to corporate value but also foster a sound corporate culture. Specifically, we utilize the results of the survey to plan and implement various compliance initiatives, including training programs, measures to promote lively communication, and efforts to raise awareness of our internal whistleblowing systems. Through such initiatives, we endeavor to further instill a culture of compliance and encourage behavioral change.

The aforementioned initiatives form the foundation for sustained growth and are essential elements in enhancing corporate value over the medium to long term. Going forward, we will continue to accurately assess the current situation through the compliance survey and make continuous improvements to increase our value as a corporate group trusted by society.

Adoption of the Compliance Survey Score as a Sustainability KPI

The medium-term management plan positions the compliance survey score as a sustainability KPI for measuring the effectiveness of our compliance promotion activities. Through detailed analysis of each survey question and analysis of results by region and operating company, we visualize areas of our organization that, due to particular attributes, have strengths or room for improvement. Further, we use the results of analysis to deepen our understanding of underlying factors and to identify priority issues. We also use analysis results when formulating and implementing specific improvement measures and verifying their effectiveness. In this way, we conduct continuous compliance promotion activities.

Sustainability KPI

Average score across all categories in the compliance survey:
80 or higher (FYE2030)
FYE2026 result: **79**

Compliance Survey Results

Continuous upward trend in scores over the past three surveys

Category	FYE2024	FYE2025	FYE2026
Open Culture	80	82	82
Individual Awareness	79	80	81
Workplace	79	80	80
Immediate Manager (Compliance)	80	80	80
Organizational Practice	78	78	78
Compliance Promotion / Whistleblowing System	67	73	74
Average Score Across All Categories in the Compliance Survey	77	78	79

Note: The figures are the percentages of favorable responses. Evaluations are based on a five-level scale, with 100 points being the maximum score. The percentages of favorable responses reflect the percentages of scores in the two upper levels of the scale.

Summary

The results of the FYE2026 Compliance Survey were favorable, with no major issues identified in the Group as a whole. In all categories of the survey, at least 70% of responses were favorable, a level considered to indicate the absence of issues. Moreover, in four out of six categories, at least 80% of responses were favorable, showing the category to be an area of strength. Going forward, we will use analysis of these survey results as the basis for the implementation of measures that reflect areas where there is room for improvement in each global region and operating company. In this way, the Group will enhance the effectiveness of Groupwide compliance promotion activities and drive continuous growth in corporate value.

Initiatives Based on the Compliance Survey Results

Issuance of Management Messages

The senior management team will continue to issue messages to all employees of the NSHD Group regarding the basic compliance policy, priority initiatives, and the behavior expected of employees. We will make senior management's commitment to compliance visible Groupwide and further instill compliance awareness among all employees.

Invigoration of Workplace Communication

By fostering an open, transparent workplace environment and encouraging lively communication, we will strengthen our ability to prevent compliance violations and enable their early detection. Further, with a view to encouraging lively communication, we will continue to enhance related training and public relations activities. At the same time, we will continue to advance initiatives aimed at raising awareness of our in-house whistleblowing systems.

Implementation of Compliance Training

We will develop and implement standardized training for all NSHD Group employees. With a view to entrenching a culture in which compliance violations are not overlooked and to fostering open workplace environments, for each training topic we will clarify the target employees and revise the content of training programs.

Evolution of the Management Foundation

Information Security

Maximization of value added: 1
Reduction of cost of capital: 3
Improvement of growth rate: 1

NSHD prioritizes and invests in information security across the entire Group.

Information Security as Part of NSHD's Digital Future

In today's environment, delivering a reliable supply of quality products and ensuring secure data processing depends on having robust information security controls in place. These controls protect NSHD from the operational and reputational risks posed by cyber threats. That is why NSHD prioritizes and invests in information security across the entire Group.

Aligned with our medium-term management plan, Next Innovation 2030, we will continue to focus on globalization of security solutions, platforms, and services to achieve high information security maturity across all the regions while optimizing cost efficiency.

Building a Security-Conscious Culture

With strong sponsorship from senior management at both global and regional levels, NSHD actively engages its workforce of more than 20,000 employees through ongoing security awareness campaigns, phishing simulations, and targeted learning initiatives. By fostering a culture in which security is a shared responsibility, these efforts have strengthened cyber resilience across the organization and enabled NSHD to consistently outperform industry benchmarks in security awareness assessments.

New Technology and AI

As our business continues its DX journey and adopts emerging technologies, information security remains a foundational enabler of sustainable growth and innovation.

In particular, the rapid advancement of AI requires increased focus. While AI offers significant opportunities to enhance business processes, drive innovation, and improve productivity, effective and agile AI governance and risk management are essential to ensure alignment with our AI guiding principles and responsible use objectives.

At the same time, AI is transforming the cyber threat landscape, enabling increasingly sophisticated attack techniques and introducing new risk considerations. We continue to enhance our cybersecurity capabilities through a defense-in-depth* strategy, leveraging advanced AI technologies to improve our ability to prevent, detect, and respond to evolving threats.

* A security strategy focused on strengthening protection across multiple layers, including network, endpoint, data, and access management—to prevent attackers from intruding and to limit the spread of damage.

Appropriate Taxation

Maximization of value added: 1
Reduction of cost of capital: 3
Improvement of growth rate: 1

In all countries and regions where we operate, we comply with laws and regulations to fulfill our tax obligations.

As part of its corporate social responsibility, the NSHD Group complies with tax-related laws and regulations in all countries and regions where it operates, contributing to the development of each country and region through tax payments. By fulfilling its tax obligations, the Group addresses the interests of various stakeholders by ensuring compliance with laws and regulations, making timely and appropriate tax payments, and administering its tax affairs in a proper and highly transparent manner. We appropriately and cooperatively provide information to tax authorities in each country and region, engage in constructive dialogue, and strive to build and maintain sound and positive relationships with tax authorities.

Global Tax Policy: ▶ Please see here.

Evolution of the Management Foundation

Dialogues with Stakeholders

Maximization of value added: 1
Reduction of cost of capital: 3
Improvement of growth rate: 1

At NSHD, we engage in dialogues with shareholders, investors, and other stakeholders in accordance with our IR Policy and Code of Conduct.

Basic Approach

NSHD recognizes the importance of accountability in its corporate activities. We are committed to maintaining transparency and fostering an open attitude toward both internal and external stakeholders at all times. This includes providing timely and appropriate information disclosure. Additionally, NSHD values feedback and constructive criticism regarding its disclosures, ensuring that we communicate sincerely and integrate this feedback into our corporate activities.

NSHD's Key Stakeholders

Shareholders and Investors

In line with our IR Policy, we engage in constructive dialogue with market participants—including shareholders, investors, potential investors, and securities analysts—while adhering to the principles of fair disclosure. Our goal is to achieve sustainable growth and enhance corporate value over the medium to long term. We are committed to strengthening our investor relations (IR) activities by providing fair, timely, and accurate information about our management and business operations. Additionally, we work to enhance corporate value by communicating market participants' feedback and assessments to the Board of Directors and management, ensuring these insights are reflected in our business strategies. Since June 2025, General Meetings of Shareholders have been live streamed over the internet exclusively for shareholders. In addition, the Company uploads to its website videos of portions of the proceedings of the General Meeting of Shareholders.

Main Activity Results (Last Three Years)

Item	Unit	FYE2024	FYE2025	FYE2026
IR briefings	Times	6	6	**6**
Total number of discussions with domestic and overseas institutional investors and securities analysts (number of ESG-related discussions)	Events	461 (19)	508 (16)	**471** **(14)**
IR briefings for individual investors (cumulative number of live and on-demand video views)	Times	3 (4,402)	3 (4,742)	**3** **(102,111)**
Number of people attending the General Meeting of Shareholders	People	58	56	**64**

Other Stakeholders

In line with our social responsibility and relationships with stakeholders, the NSHD Code of Conduct includes a dedicated section on "Accountability & Respect for Stakeholders." The President CEO has made significant efforts to instill and reinforce this awareness among Group employees. NSHD recognizes the importance of addressing various social and environmental issues, including those aligned with the Sustainable Development Goals (SDGs), which are closely related to our business activities. By identifying and focusing on our materiality, we are committed to taking proactive steps to resolve these issues.

As a result of actively promoting external disclosure of our sustainability approach and initiatives, NSHD has improved its standing in external evaluations.

Major External Evaluations

	FYE2023	FYE2024	FYE2025	FYE2026	FYE2027	Final evaluation score
FTSE	3.2	3.5	3.7	3.5	**3.5**	June 2026
MSCI	BB	BBB	BBB	A	—	March 2026
CDP (Climate Change)	B	A-	A	B	—	February 2026
CDP (Water Security)	A-	A-	A-	A-	—	February 2026

Communication with Stakeholders: ▸ Please see here.

04.

What growth strategies are the Japan, the United States, Europe, Asia and Oceania, and Thermos business segments pursuing given the characteristics of their respective markets? Here, our focus is on the initiatives of individual segments. As well as growth strategies tailored to specific business environments, this section outlines the segments' main sustainability initiatives.

Strategies by Segment

Relationship to the Corporate Value Calculation Formula

By providing high-value-added products and client solutions that reflect regional and business characteristics, each segment will pursue the "maximization of value added." In this way, the segments will capture growth markets and capitalize on business opportunities, thereby advancing the "improvement of growth rate." Through the optimization of regional portfolios and rigorous risk management, the segments will also indirectly help with the "reduction of cost of capital."

Strategies by Segment

Strategies by Segment: Japan

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Segment at a Glance

(Billions of yen) (Results for FYE2026)

Revenue

406.2

Segment operating income

54.1

Segment operating income margin

13.3%

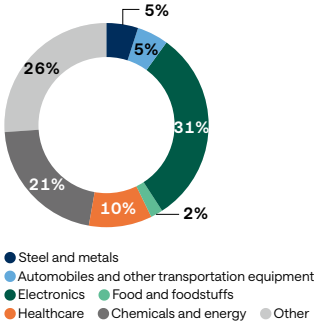
EBITDA margin

18.2%

Market share in Japan

Over 40%

Breakdown of Sales by Industry



Business Environment

Market Size

In the Japanese market, concerns remain regarding the impact on corporate capital investment and economic activity due to the persistently high prices of imported resources, which are the result of yen depreciation, and rising interest rates. On the other hand, the electronics industry remains robust, mainly thanks to AI and data centers. Further, a growth strategy established by the Japanese government promises to boost public and private investment in sectors such as shipbuilding, aerospace, defense, and biotechnology over the medium to long term. This investment is expected to support the growth of domestic industries.

Main Metrics for the Region's Market

Real GDP growth rate (quarterly) (as of June 8, 2026)*1	1.8%
Consumer price index (as of May 22, 2026)*2	1.9%

*1 Cited from "Quarterly Estimates of GDP for January–March 2026 (Second Preliminary Estimates)"
*2 Cited from the nationwide "2020-Base Consumer Price Index" for April 2026

Opportunities

- Growth in demand for material gases and new materials for the development of leading-edge semiconductor processes
- Increase in market share through orders for equipment and large-scale construction projects for the electronics industry and through the introduction of domestic production of rare gases
- Higher demand for industrial gases and gas control technologies in 17 growth fields and for innovative products (additive manufacturing, protein synthesis, stable isotopes, etc.)
- Augmentation of supply capacity to meet increase in demand for carbon dioxide in the shipbuilding, beverage, and semiconductor industries

Risks and Countermeasures

Risks

- Increase in manufacturing and distribution costs and pressure on profits due to rising energy and raw material prices

Countermeasures

- Rigorous efforts to ensure highly efficient, optimized operations by increasing the number of plants operated remotely
- Reduction of distribution costs through supply chain optimization
- Maintenance and improvement of profitability through appropriate price management that reflects cost fluctuations

Growth Strategy

Short Term

Capture Growth Opportunities Through the Integrated Provision of Industrial Gases and Technologies

- Develop material gases and new materials for leading-edge semiconductors and advance supply technologies
- Capture demand for equipment and construction accompanying an increase in the establishment of leading-edge semiconductor plants
- Ensure the establishment of a profit-generating business model by utilizing points of contact with clients to acquire new demand and by providing combined gas and technology solutions that are focused on client issues
- Leverage proprietary technologies to create demand related to carbon neutrality

Medium to Long Term

Globally Roll Out Niche-Leading Products Through Proprietary Innovation

- Utilize the Advanced Electronics Materials Development Building in Tsukuba to accelerate the development of materials for leading-edge semiconductor processes
- Create demand by developing new applications for stable isotope operations and by strengthening the global supply chain
- Bolster and expand engineering operations in the industrial gases, electronics, and plant fields
- Improve operational efficiency through the use of DX and AI and further optimize operations in the production and logistics fields

Main Sustainability Initiatives

D&I

- Foster an inclusive organizational culture and encourage the use of systems that empower diverse personnel
- Step up measures to develop women leaders (managers and the next generation of managers)
- Transition to DE&I based on the entrenchment of D&I (strengthen measures to achieve fairness and inclusivity)

Safety and Security

- Enhance safety capabilities by strengthening inspections, training, and preventive maintenance through the use of new technologies such as AI and virtual reality (VR)
- Augment safety measures in the electronics field by utilizing and enhancing the Technical Academy

Compliance

- Use a highly transparent corporate culture as the basis for further instillation of compliance awareness among all Group employees through the rigorous implementation of diverse education and training programs and the utilization of compliance surveys

Target Profile for Final Year of Next Innovation 2030

A Corporate Entity That Continues to Grow and Evolve Autonomously

Both by evolving the core business and creating and developing growth businesses, we aim to evolve our management foundation and become a corporate entity that sustains autonomous growth while flexibly adapting to changes in the business environment.

Strategies by Segment

Segment Top Message: Japan

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Kenji Nagata
Member of the Board
Representative Director and President
Nippon Sanso Corporation

Market Position and Business Strengths

Nippon Sanso Corporation boasts the No. 1 share of Japan's industrial gases market and has built the nation's largest supply infrastructure, encompassing not only bulk gases and on-site supply but also the manufacture of electronic material gases. In addition, having ongoing direct engagement with end-user clients enables us to rapidly identify changes in and the latent needs of business front lines and use these insights for customer-focused value creation. Further, by combining an integrated system—extending from gas supply through equipment, piping construction, and engineering—with the intangible asset of the highly specialized and experienced personnel who support this system, we realize the one-stop provision of industrial gases and technologies, thereby building unique competitive advantages.

Business Environment: Analysis and Outlook

In Japan's market, lackluster demand is likely in traditional industries such as steel and chemicals due to population decline and changes in the structure of industries. By contrast, in the electronics field, which is centered on semiconductors, technological innovation is expected to drive growth and create significant business opportunities for the Group. Further, we believe that the diverse functions of industrial gases will increasingly be utilized in new fields such as carbon neutrality; biotechnology; food; and agriculture, forestry, and fisheries. Although mounting geopolitical risks are adding to the uncertainty of the external environment, we will maximize the value we provide to clients and foster new demand by seizing the aforementioned business opportunities and further developing client management.

Target Profile for Final Year (FYE2030) of the Medium-Term Management Plan

By the final year of the current medium-term management plan, we aim to have become a corporate group that both evolves its core business and creates and develops growth businesses to achieve sustained growth that is unaffected by changes in the external environment. To achieve this goal, we will advance human capital management even further to create a virtuous cycle of employee growth and enhanced corporate value, promote the active participation of women, and foster an environment where diverse personnel can fully demonstrate their talents. In addition, we will build a favorable reputation as a corporate entity that offers employee-friendly work environments and job satisfaction while creating social value and enhancing corporate value through ESG-based contributions.

Growth Strategies and Initiatives During Next Innovation 2030

During the period of the current medium-term management plan, we will advance our entire business portfolio, with a focus on evolving the core business, creating and developing growth businesses, and evolving our management foundation. In the electronics field, the Advanced Electronics Materials Development Building in Tsukuba will lead efforts to accelerate the development of material gases and gas supply technologies compatible with leading-edge semiconductor processes. As for innovation, we will actively invest in high-value-added fields such as stable isotopes, additive manufacturing, biotechnology, and carbon neutrality to build a revenue base for the next generation. In addition, we will utilize DX and AI to advance all operations and strengthen our competitiveness.

Profitability Enhancement

Viewing profit as our most important metric, we will rigorously implement an earnings-generation model centered on client management. We will realize appropriate pricing by using ongoing relationships with clients to deepen our understanding of their emerging and latent issues and increase the value that we provide. In line with our goal of providing Industrial Gases as a Service (iGaaS), we will increase our lineup of high-value-added products that help clients succeed while improving operational efficiency and optimizing the supply chain through the use of DX and AI. Further, we will implement reforms that convert underperforming businesses into earnings mainstays. Moreover, we will continue strengthening the earning power of such businesses.

Capturing Growth Opportunities

The ubiquity and diverse properties of industrial gases mean that there is burgeoning potential to use gas properties as well as the technologies and equipment that enable their properties for the creation of new value not only in existing businesses but also in a wide range of fields, including electronics; carbon neutrality; biotechnology; food; and agriculture, forestry, and fisheries. These numerous possibilities provide us with growth opportunities because they enable us to develop new types of demand by finding solutions to issues faced by clients in their production processes and other operations. We will sustain growth by leveraging our ongoing direct engagement with clients to accurately identify such growth opportunities and then adapting our technologies to create new solutions.

Strategies by Segment

Strategies by Segment: United States

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Segment at a Glance

(Billions of yen) (Results for FYE2026)

Revenue

360.5

Segment operating income

52.9

Segment operating income margin

14.7%

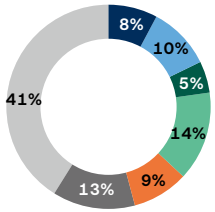
EBITDA margin

27.5%

Market share in the United States

Over 9%

Breakdown of Sales by Industry



- Steel and metals
- Automobiles and other transportation equipment
- Electronics
- Food and foodstuffs
- Healthcare
- Chemicals and energy
- Other

Business Environment

Market Size

The United States remains one of the most attractive industrial gas markets in the world, supported by resilient economic growth (GDP growth of 2.1% and industrial production growth of 1.6%), manufacturing investment, expanding infrastructure, and technology-driven industries. The semiconductor, electronics, healthcare, food, energy, and industrial sectors continue to generate attractive long-term growth opportunities. Federal investment programs, reshoring*1 initiatives, and supply chain diversification are accelerating U.S. manufacturing. As highlighted in prior fiscal years, industrial gases remain critical infrastructure enablers of economic development, and market fundamentals continue to favor sustained long-term demand growth.

*1 A management strategy of relocating production bases or operations that had been moved overseas back to the home country

Main Metrics for the Region's Market

Real GDP growth rate (quarterly) (as of March 31, 2026)*2	2.1%
Industrial production (quarterly) (as of March 31, 2026)*3	1.6%
Consumer price index: seasonally adjusted annual (as of March 31, 2026)*4	3.4%

*2 Cited from the U.S. Bureau of Economic Analysis, "GDP (Third Estimate), Industries, Corporate Profits, State GDP, and State Personal Income, 1st Quarter 2026."
*3 Cited from UNIDO, "World Manufacturing Production and Trade."
*4 Cited from the U.S. Bureau of Labor Statistics, "Consumer Price Index."

Opportunities

- Semiconductor, specialty gas, healthcare, and advanced manufacturing investments continue to drive strong market growth.
- Emerging opportunities include carbon neutrality, biotechnology, stable isotopes, aerospace, nuclear, and clean energy applications.
- Innovation, application engineering, digital technologies, and collaborative solution development strengthen customer value and support sustainable growth.

Risks and Countermeasures

Risks

- Geopolitical uncertainty, inflation, labor availability, supply chain disruptions
- Increasing customer expectations regarding quality, and reliability, and service

Countermeasures

- Strengthen operational excellence, talent development, quality systems, and supply chain resilience
- Accelerating technology- and AI-enabled productivity
- Maintain disciplined pricing and capital allocation
- Leverage NSHD best-practice sharing to improve collaboration, efficiency, and competitiveness

Growth Strategy

Short Term

Accelerating Performance Through Execution and Global Collaboration

- Improve safety, quality, reliability, customer service, and operations accountability
- Accelerate investments in operational excellence, productivity improvement, DX, AI-enabled decision-making, automation, and talent development
- Leverage NSHD's global CoE in electronics, innovation, operational excellence, carbon neutrality, HYCO, and helium
- Improve performance, strengthen customer partnerships, and better support customer needs through greater collaboration and best-practice sharing across NSHD

Medium to Long Term

Building the Industry's Leading Growth Platform

- Expanding leadership positions in electronics, specialty gases, and emerging growth markets while creating the next generation of growth drivers
- Continuing to invest in capacity expansion, innovation, digital technologies, and strategic capital projects, with electronics remaining a strategic priority as advanced manufacturing continues to expand
- Accelerating innovation, deploying best practices, improving productivity, and creating greater value for customers and stakeholders worldwide through greater collaboration across NSHD and the global CoE

Main Sustainability Initiatives

Safety and Security

- Safety remains our highest priority and the foundation of sustainable growth

Carbon Neutrality

- Reducing emissions through operational excellence, energy efficiency, continuous improvement, and carbon neutrality initiatives
- Helping customers achieve their sustainability objectives through innovative technologies and reliable supply

Talent Development

- Developing our workforce through leadership development, succession planning, D&I, employee engagement, continuous learning, and empowerment

Corporate Governance

- Strong governance, responsible risk management, and a culture of accountability, essential to delivering profitable, sustainable growth over the long term

Target Profile for Final Year of Next Innovation 2030

Leading Through Performance, Innovation, and Customer Trust

By the final year of Next Innovation 2030, Nippon Sanso Matheson will be recognized as the benchmark for safety, operational excellence, customer satisfaction, and profitable growth. We will strengthen customer relationships through reliability, innovation, and execution. Through global collaboration with NSHD Group CoE, we will accelerate innovation and improve financial performance.

Strategies by Segment

Segment Top Message: United States

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Market Position and Business Strengths

Nippon Sanso Matheson is one of the largest businesses within the Nippon Sanso Holdings Group and is a significant driver of earnings, innovation, and growth. We maintain leadership positions across industrial gases, electronics, healthcare, food, packaged gases, and specialty products, supported by an extensive production and distribution network, a diversified customer base, and deep technical expertise. Our competitive advantage extends beyond scale, differentiating us through safety, customer intimacy, operational reliability, application engineering, innovation, speed, flexibility, and long-term partnerships. We help customers improve productivity, resiliency, quality, and sustainability through differentiated solutions and technical expertise. As demand for advanced manufacturing and technology grows, our broad market presence and integrated capabilities, together with the global NSHD network, position Nippon Sanso Matheson to deliver sustainable growth and long-term value while serving customers locally.

Business Environment: Analysis and Outlook

The U.S. industrial gas market remains attractive, supported by continued investment in semiconductor manufacturing, advanced technologies, healthcare, infrastructure, and domestic industrial production. Electronics, specialty gases, and innovation-driven applications* are expected to remain important growth drivers for many years. At the same time, geopolitical uncertainty, inflationary pressures, supply chain volatility, labor availability, and increasing customer expectations continue to create challenges throughout the industry. Nippon Sanso Matheson will continue to address these risks by strengthening operational excellence, increasing digitalization, investing in talent and leadership development, improving quality systems, enhancing supply chain resilience, and maintaining disciplined pricing and capital allocation. While market conditions may fluctuate in the short term, the long-term outlook remains highly favorable and well aligned with both Nippon Sanso Matheson's growth strategy and the broader strategic priorities of NSHD.

* Gas applications for emerging technology fields such as carbon neutrality, biotechnology, stable isotopes, aerospace, nuclear power, and clean energy

Target Profile for Final Year (FYE2030) of the Medium-Term Management Plan

I want Nippon Sanso Matheson to be recognized as the benchmark for safety, operational excellence, customer satisfaction, and profitable growth within both our industry and the Nippon Sanso Group. We will be the partner of choice for customers operating in critical industries, particularly electronics, advanced manufacturing, healthcare, and other technology-intensive sectors. We will strengthen our culture of accountability, innovation, collaboration, and continuous improvement while building a workforce that is highly engaged, diverse, empowered, and prepared to lead the future through strong succession planning and leadership development. Equally important, Nippon Sanso Matheson will be recognized as a leader in global collaboration, leveraging the capabilities of the entire NSHD Group to accelerate innovation, share best practices, improve execution, and create sustainable value for customers, shareholders, employees, and the communities we serve.

Growth Strategies and Initiatives During Next Innovation 2030

Nippon Sanso Matheson's growth strategy is centered on expanding participation in the most attractive segments of the market while strengthening its core industrial gas business. Electronics remains one of our largest growth opportunities, and we are investing in capacity, technical capabilities, and customer partnerships to support the rapid expansion of semiconductor manufacturing across the United States. We are also focused on expanding our presence in specialty gases, food and beverage, healthcare, carbon neutrality, HYCO, helium, biotechnology, stable isotopes, and other innovation-driven applications that support long-term growth. Strategic capital investments in production, distribution, and technology infrastructure will support both organic growth and long-term competitiveness. A key component of our strategy is leveraging NSHD's global CoE, and through greater collaboration we will accelerate innovation, increase productivity, and deploy best practices faster.

Profitability Enhancement

Nippon Sanso Matheson continues to generate strong earnings; however, significant opportunities remain to further improve profitability through better execution, productivity, and stronger operating discipline. In addition to our continuous improvement and safety focus, operational excellence remains my highest priority across the organization, including quality, reliability, asset utilization, procurement, pricing discipline, and supply chain management. We are simplifying processes, reducing complexity, increasing employee empowerment, strengthening accountability, and accelerating the use of technologies, including automation and AI. In addition to driving productivity improvements, we remain focused on margin expansion through disciplined pricing, portfolio optimization, cost management, and improved operational execution. We also see substantial opportunities to leverage the scale and expertise of the NSHD Group. Sustainable profit growth will be achieved through continuous improvement, disciplined execution, and an unwavering focus on creating value for customers.

Capturing Growth Opportunities

The U.S. industrial gas market presents significant long-term growth opportunities driven by semiconductor investment, advanced manufacturing, healthcare expansion, infrastructure development, and the reshoring of critical industries. For Nippon Sanso Matheson, electronics remains an important growth platform, and we intend to continue expanding our capabilities, capacity, and customer relationships throughout the semiconductor industry. Sustainability also represents a meaningful growth opportunity as customers increasingly seek solutions that improve efficiency, resiliency, reliability, and environmental performance. We will also evaluate strategic acquisitions, partnerships, and business development opportunities that strengthen our market position, increase customer density, and accelerate growth in attractive markets. By collaborating more effectively as one global organization, Nippon Sanso Matheson will accelerate innovation, strengthen customer partnerships, improve competitiveness, and capture growth opportunities that create sustainable value for years to come.

Strategies by Segment

Strategies by Segment: Europe

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Segment at a Glance

(Billions of yen) (Results for FYE2026)

Revenue

350.9

Segment operating income

70.4

Segment operating income margin

20.1%

EBITDA margin

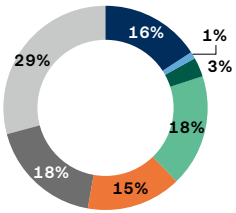
32.8%

Market share in Europe

9%

(12% for countries where we have a business presence)

Breakdown of Sales by Industry



- Steel and metals
- Automobiles and other transportation equipment
- Electronics
- Food and foodstuffs
- Healthcare
- Chemicals and energy
- Other

Business Environment

Market Size

The European macroeconomic environment in FYE2026 remained challenging, characterized by moderate growth, persistent inflation, and industrial volatility. Energy spikes reduced gradually but continued to impact industrial competitiveness across key markets. Industrial gas demand was affected by market downturns, with only limited pockets of resilience in specific segments. Supply chain volatility—particularly in CO_2 and helium—continued to require active management. The electronic gases market also showed soft demand, while healthcare maintained its positive trend driven by an aging population and higher demand for welfare.

Main Metrics for the Region's Market

Real GDP growth rate (as of April 14, 2026)*1	1.1%
Consumer price index (as of April 17, 2026)*2	2.0%

*1 Cited from the IMF, "April 2026 World Economic Outlook."
*2 Cited from the IMF, "Economic Forecasts: Europe."

Opportunities

- Growth in homecare, driven by structural demand, territorial expansion, and an increase in services
- Growth in electronics, supported by European semiconductor investment as well as by use of the Group's capabilities in Europe
- Use of gas applications and proprietary technologies across all market segments
- Increasing demand for decarbonization and energy transition solutions
- Development of the circular economy and bio-derived CO_2 sourcing
- On-site business growth
- Acceleration of digital, AI, and automation capabilities, improving efficiency and scalability

Risks and Countermeasures

Risks

- Continued macroeconomic uncertainty and industrial volatility
- CO_2 supply constraints and helium market pressure
- Rising regulatory and ESG requirements
- Geopolitical instability impacting supply chains and energy

Countermeasures

- Renewed focus on gas applications and technologies
- Strong pricing discipline, improved productivity, and strengthened operational adaptability across regions
- Reinforcement of management and sales organization
- Diversification of sourcing, increased supply chain flexibility
- Investment in digital tools and predictive planning

Growth Strategy

Short Term

Proceeding with Its Current Growth Strategy, Focusing on Disciplined Execution and Strengthening Profitability Resilience

- Reinforce further pricing and cost control across all regions
- Accelerate integration of recent acquisitions (e.g., healthcare, engineering, and industrial assets)
- Expand homecare and electronics footprint
- Improve operational efficiency through digital tools, AI, and process optimization
- Strengthen cross-regional collaboration under the "T2C – Trust to Collaboration" model

Medium to Long Term

Progress Further with the Implementation of the New Medium-Term Management Plan in Order to Drive Structural Growth

- Scale electronics and HumanCare as strategic growth platforms
- Expand on-site and engineering capabilities (through Polaris, Hysytech, and other partnerships)
- Accelerate DX through enterprise-wide digital platforms, AI, and data-driven tools
- Strengthen vertical integration and supply adjustability
- Develop and implement decarbonization and energy transition solutions (including hydrogen, biomethane, bioCO_2, and the circular economy)
- Leverage M&A to expand geographic footprint and resourcefulness in high-growth segments
- Expand capacity in selected geographies and products

Main Sustainability Initiatives

- Achieving more than a 40% reduction of Scope 1 and Scope 2 emissions vs. baseline, FYE2019
- Increasing the reduction of customer emissions (avoided emissions) through applications
- Expansion of the circular economy (CO_2 reuse, bioCO_2, and natural CO_2 sourcing)
- Strengthening energy efficiency and renewable energy usage
- Reinforcing safety culture and operational excellence
- Advancing D&I and people development initiatives
- Embedding sustainability more structurally into investment, operations, and customer solutions

Target Profile for Final Year of Next Innovation 2030

Realizing a Fully Integrated, High-Performance Platform Combining Growth, Operational Excellence, and Sustainability

By leveraging digitalization, innovation, and strong people competencies, Nippon Sanso in Europe will deliver consistent value creation, reinforce leadership in each business segment, and accelerate the transition toward a low-carbon industrial ecosystem.

Strategies by Segment

Segment Top Message: Europe

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Market Position and Business Strengths

Nippon Sanso in Europe holds a strong and diversified position across 14 countries, supported by a robust industrial footprint, an integrated supply network, and a balanced business portfolio spanning industrial, healthcare, and electronics activities. Its ability to navigate a challenging environment while delivering resilient performance reflects the strength of the operating model, combining pricing discipline, productivity execution, and customer proximity. At the same time, the company has continued to reinforce its strategic positioning through targeted investments, expansion of high-growth segments such as homecare and electronics, the development of advanced engineering capabilities, and the enhancement of its technical capacities to support customers through gas applications and technologies. Regional integration and cross-functional collaboration have further increased efficiency and agility, strengthening its competitiveness against global peers and enabling consistent delivery across markets.

Business Environment: Analysis and Outlook

The business environment remains complex and volatile, shaped by macroeconomic uncertainty, geopolitical tensions, and ongoing supply chain disruptions. Energy price dynamics, CO_2 availability, and helium market conditions continue to impact operational planning and cost structures. Despite these challenges, structural demand drivers remain strong, particularly in healthcare, electronics, and sustainability-related applications. The diversified portfolio and geographical presence provide resilience, while digitalization and improved data visibility improve the ability to anticipate and respond to market changes. Looking ahead, the company remains cautiously optimistic—success will depend on disciplined execution, agility, and continued investment in capabilities that enable both resilience and growth.

Target Profile for Final Year (FYE2030) of the Medium-Term Management Plan

By the final year of Next Innovation 2030, Nippon Sanso in Europe aims to be a fully integrated, technology-enabled and sustainability-driven business, recognized for its leadership in Electronics, HumanCare and decarbonization solutions. The business aims to combine operational excellence, digital capabilities, and innovation to deliver sustainable growth while strengthening its contribution to NSHD's global performance. Through long-term customer partnerships and advanced solutions, Nippon Sanso in Europe seeks to evolve beyond a traditional industrial gas supplier into a trusted partner supporting industrial competitiveness, healthcare outcomes, and energy transition.

Growth Strategies and Initiatives During Next Innovation 2030

The growth strategy is built on three main pillars: expansion, capability, and integration. Nippon Sanso in Europe is accelerating growth in electronics and healthcare, supported by both organic development and targeted M&A. In parallel, the company continues to invest in industrial assets and engineering competencies, particularly through the development of the Onsite Advanced Systems platform. DX is another key enabler, with the deployment of AI, data platforms, and integrated systems across the organization. Beyond financial initiatives, Nippon Sanso in Europe is strengthening sustainability, safety, and people capabilities as core drivers of long-term value. The "T2C – Trust to Collaboration" journey reflects this transformation, fostering a more connected, transparent, and high-performing organization.

Profitability Enhancement

Sustaining profitability remains a central priority. The approach continues to focus on pricing discipline, productivity improvements, and operational excellence as key levers. In FYE2026, strong contributions from pricing actions and productivity programs reinforced margin resilience, even in a challenging context. Looking forward, Nippon Sanso in Europe will further enhance cost efficiency through digitalization, automation, asset management optimization, and process standardization, while maintaining strict capital allocation discipline. Reducing the time to market by leveraging existing assets and contributing to sustainability will also remain a priority. Cash flow generation will be of pivotal importance, enabling reinvestment in strategic growth areas. By aligning profitability initiatives with sustainability and people development, the company is building a business model that combines financial performance with long-term adaptability.

Capturing Growth Opportunities

Nippon Sanso in Europe is actively positioned to capture emerging growth opportunities driven by structural trends such as decarbonization and energy transition, healthcare evolution, and advanced manufacturing. Electronics remains a key area of focus, with continued expansion into semiconductor-related applications and increased vertical integration. In parallel, the homecare platform provides significant growth potential, supported by demographic trends and evolving healthcare models.

Sustainability-related opportunities—such as bioCO_2, bioCH_4, hydrogen, and circular economy solutions—are also becoming increasingly relevant. Through innovation, partnerships, and ecosystem collaboration, the company is strengthening its ability to deliver integrated solutions that create value for customers, society, and stakeholders, while supporting the broader transition toward a low-carbon economy.

Strategies by Segment

Strategies by Segment: Asia and Oceania

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Segment at a Glance

(Billions of yen) (Results for FYE2026)

Revenue
208.4

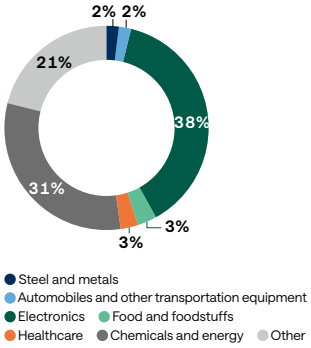
Segment operating income
19.7

Segment operating income margin
9.5%

EBITDA margin
16.5%

Countries and Regions
12

Breakdown of Sales by Industry



Business Environment

Market Size

The Asia and Oceania region and its market are particularly susceptible to geopolitical risks. Consequently, the market is more uncertain than the markets of our other global regions. Nonetheless, the regional market as a whole promises to achieve high growth rates that surpass those of the other regional markets. We expect that population expansion, the structural changes and advancement of industries, and other growth drivers will sustain economic development in the region, particularly in Southeast Asia and India.

Main Metrics for the Region's Market

Real GDP growth rate (as of April 13, 2026)*1	3.2%
Consumer price index (as of April 16, 2026)*2	2.1%

*1 Cited from the IMF, "April 2026 World Economic Outlook."
*2 Cited from the IMF, "Economic Forecasts: Asia and the Pacific."

Opportunities

- Increase in demand for industrial gases in countries expected to experience strong growth (India, Vietnam, the Philippines, Malaysia, etc.)
- Rise in demand for semiconductor materials such as gases and precursors due to the growth of the semiconductor industry in Asia
- Higher demand for medical gases due to advances in medical technologies
- Greater need for carbon dioxide in the food industry as lifestyles change in developing countries

Risks and Countermeasures

Risks

- Supply chain disruptions and soaring energy prices stemming from geopolitical factors
- Pressure on profits due to intensifying competition with industry peers

Countermeasures

- Acquisition of alternative sources of raw materials and the establishment of redundancy in raw material supply chains
- Assured passing on of cost increases to clients
- Growth strategies that differentiate us from competitors

Growth Strategy

Short Term

Implement a "Quick Win" Strategy Focused on Replicating Successful Examples from Other Regions

- Introduce electronics business-related know-how accumulated in South Korea, Taiwan, China, and Singapore to Southeast Asia and India
- Expand and enhance medical gases and services businesses by leveraging the expertise of Europe and Japan
- Strengthen profitability by optimizing costs through the sharing of best practices both within and across global regions

Medium to Long Term

Seek Robust Growth Through Unique Strategies That Set Us Apart from Global Majors

- Secure the No. 1 position in the region's electronics field by localizing the procurement of semiconductor materials and enhancing our capabilities in relation to equipment and construction
- Build a carbon dioxide supply chain covering the entire region and expand our product lineup to include biomass-derived CO_2
- Participate in and establish business foundations for carbon neutrality-related businesses in the region, which are expected to rapidly emerge going forward

Main Sustainability Initiatives

Safety and Security

- Reduce occupational accidents, vehicle accidents, and property damage accidents through consistent safety activities and the horizontal deployment of successful examples from other regions

Compliance

- Strengthen compliance activities through unified efforts by our head office, regional headquarters, and operating companies

Carbon Neutrality

- Step up initiatives to reduce environmental impact by switching to electricity from renewable energy sources adopting bio-based CO_2 sourcing

Target Profile for Final Year of Next Innovation 2030

A Strong Market Presence for the Nippon Sanso Brand in the Asia and Oceania Region

By 2030, we aim to dramatically expand electronics-related businesses, particularly in India and Southeast Asia, to establish a leading position in Asia.

Strategies by Segment

Segment Top Message: Asia and Oceania

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Teiichiro Sawa
Executive Officer,
Executive General Manager of
Group Corporate Management Office*

* Within the Group Corporate Management Office, the Oceania and Asia Management Team has been established to oversee business promotion for companies in Asia and Oceania.

Market Position and Business Strengths

Having begun in earnest in Singapore in 1982, the Asia and Oceania business now has operations in 12 countries and regions. With strengths in the electronics field, our region-wide operations encompass production bases in South Korea and China, which are currently major markets, as well as logistics hubs in Taiwan and Singapore. Further, in Oceania the acquisition of the Coregas Group has allowed us to expand not only our existing LPG business but also our industrial gas business. However, we have yet to establish a leading share of any of the region's markets. For this reason, improving our market position in each region and country is a pressing task.

Business Environment: Analysis and Outlook

Our earnings could come under pressure due to geopolitical issues—such as the intensification of rivalry between the United States and China and instability in the Middle East—and excessive competition resulting from competitors' investments in the region. On the other hand, we are beginning to see signs of the rapid emergence and growth of the semiconductor and electronics industries in India and other developing countries in Asia. Further, as lifestyles in these countries continue to change in tandem with economic development, the range of applications and demand for industrial gases is expected to increase steadily. Given the aforementioned factors, growth in demand for various gases in the Asia and Oceania region is likely to be more robust than in other regions.

Target Profile for Final Year (FYE2030) of the Medium-Term Management Plan

As the Asia and Oceania region is vast, we conduct distinctive business operations in each country. In all of these countries, however, the establishment of a strong market presence for the Nippon Sanso brand is a shared goal. At present, the Group is not a major presence in the Asia and Oceania region's market. However, there is scope for enlarging our market presence by adapting to future changes in the markets of each region and country and pursuing differentiated strategies that match market demand. In particular, we aim to establish the No. 1 position in the region's electronics field.

Growth Strategies and Initiatives During Next Innovation 2030

During the period of the current medium-term management plan, our efforts to achieve business growth will focus on electronics, healthcare, food, and carbon dioxide as priority fields. The replication of successful examples from other regions will be our overriding strategy. The rapid introduction of the Group's best practices—regardless of whether they originate inside or outside the Asia and Oceania region—to regions and countries where these strengths are applicable will expedite the Group's growth in the global region. Examples of this strategy include introducing the strengths of the East Asia electronics business to Southeast Asia and India and applying Europe's homecare expertise to operations in Australia.

Profitability Enhancement

Due to the cost hikes of recent years, the assured passing on of costs to prices is gradually becoming a generally accepted practice in Asia. Previously, such price adjustments were problematic. Further, I believe that two measures will enhance profitability in the Asia and Oceania region. The first is the localization of production. We will achieve cost reductions by localizing the transfer filling and purification of semiconductor material gases—operations that are currently reliant on imports. The other measure is the pursuit of Operational Excellence, which will rapidly enhance profitability by replicating ideas from other regions and standardizing plant maintenance.

Capturing Growth Opportunities

The Asia and Oceania region has burgeoning potential for growth. In particular, growth opportunities arising from the industrial advancement of developing countries are emerging before our eyes. For example, we anticipate the development of the electronics industry in Southeast Asia and India; increased demand for medical gases and services in Australia and Singapore; and greater demand for dry ice and gases such as carbon dioxide for food and beverages. The capture and enlargement of such growth opportunities ahead of competitors will enable the Group to capitalize on its growth potential in the Asia and Oceania region.

Strategies by Segment

Strategies by Segment: Thermos

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Segment at a Glance

(Billions of yen) (Results for FYE2026)

Revenue

33.2

Segment operating income

6.5

Segment operating income margin

19.6%

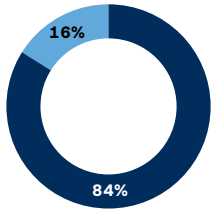
EBITDA margin

24.6%

Areas of operation

THERMOS brand is available in over 120 countries

Breakdown of Sales by Region



●Japan ●Asia

Business Environment

Market Size

In Japan, which is the segment's primary market, the economy is on a moderate recovery track, with consumer sentiment remaining generally resilient. In the country's vacuum-insulated bottle market, consumers remain strongly focused on health and the environment. Due to the popularity of reusable bottles and demand for alternatives to disposable containers, Japan is seeing growth in demand for high-value-added products. Further, successive increases in the prices of drinks in plastic bottles and other containers are making consumers more budget minded, which is also contributing to the greater use of reusable bottles.

Opportunities

- Higher demand for water bottles due to increases in the prices of bottled drinks in the beverages market
- Invigoration of the heatstroke prevention market due to recent record-breaking heat waves
- Greater focus on sustainable products due to rising environmental awareness among consumers
- Popularity of reusable bottles due to the growing number of public water refill stations

Risks and Countermeasures

Risks

- Soaring raw material costs due to international geopolitical tensions and exchange rate fluctuations
- Higher labor costs
- Geopolitical risks and extreme weather
- Acceleration in the influx and prominence of overseas brands

Countermeasures

- Launch of new products and implementation of pricing strategies
- Enhancement of production efficiency through automation and labor-saving measures
- Reform of the supply chain and increase in collaboration
- Strengthening of product appeal and brand power

Growth Strategy

Short Term

Aim to Enhance Brand Value by Actively Rolling Out New Products and Engaging in Two-Way Communication with Consumers

- Strengthen product lineup to meet consumer needs
- Increase brand profile through effective advertising and greater in-store visibility
- Implement pricing strategies aligned with new product launches
- Launch limited-edition items at directly managed stores and through our own e-commerce store
- Invigorate two-way communication with consumers
- Evolve into a lifestyle brand by introducing new products and categories outside the vacuum-insulated bottle category

Medium to Long Term

Implement Priority Strategies for Continued Growth

- Enhance our economic and social value by promoting sustainability initiatives
- Attract diverse personnel and foster a global corporate culture
- Improve operational efficiency and expedite decision-making
- Increase consumer satisfaction through products and services
- Establish brand power by increasing brand engagement
- Deepen product development capabilities by understanding markets
- Strengthen sales capabilities by improving our ability to propose solutions
- Acquire new markets and bolster our presence in the global market

Main Sustainability Initiatives

- Enable customers to contribute to the environment by using our products
- Advance activities that reduce environmental impact, such as collecting end-of-life products
- Reduce CO_2 emissions and waste throughout the entire supply chain
- Establish a sustainable procurement system
- Promote D&I to develop talent and revitalize the organization
- Strengthen management systems and reduce risks in relation to occupational safety and health
- Upgrade risk management by ensuring all employees complete compliance training

Target Profile for Final Year of Next Innovation 2030

A Company Achieving Growth in the Global Market and Consistently Creating Products That Enable Comfortable Lifestyles

We will capitalize on our superior technologies and varied range of products and services to evolve into a globally oriented company that makes people's lives richer and more comfortable.

Strategies by Segment

Segment Top Message: Thermos

Maximization of value added: 3
Reduction of cost of capital: 2
Improvement of growth rate: 3

Yuji Kataoka
Representative Director and President
Thermos K.K.

Market Position and Business Strengths

The Thermos business is built on a high level of trust in the quality of its products and worldwide recognition of its brand in the vacuum-insulated bottle market. In Japan, a broad product lineup ranging from vacuum-insulated bottles to cookware enables us to adapt to market changes and meet the diversifying needs of consumers. In response to growing environmental awareness, the business is strengthening its brand value through product features and environmental conservation activities, thereby securing a competitive advantage. In South Korea, we are increasing our market presence by entering the market for frying pans and other types of kitchenware.

We are sustaining growth thanks to an extensive sales network, strong sales proposals, and a high-quality product supply system.

Business Environment: Analysis and Outlook

Looking ahead, concerns exist regarding an increase in costs for parts, raw materials, and product manufacturing due to soaring crude oil prices, which are accompanying international geopolitical tensions, and due to yen depreciation and inflation in Southeast Asia. In addition, we anticipate supply constraints caused by geopolitical risks and abnormal weather. We will mitigate these risks by implementing measures such as the optimization of procurement and production systems and inventory management and the revision of product pricing.

On the other hand, significant growth opportunities are emerging for us due to the expansion of the market for heatstroke prevention in response to record-breaking heat waves and the increase in demand for reusable products and services driven by growing environmental awareness. We will capture even more demand by actively rolling out new products and new categories of products so that we can cater to market changes that stem from diversifying consumer demand.

Target Profile for Final Year (FYE2030) of the Medium-Term Management Plan

In the final year of the medium-term management plan, we aim to be a company that grows in the global market by utilizing our core technologies for heat and cold retention to continue creating products that enable comfortable lifestyles.

Through our varied range of products and services, we will make people's lives richer and more comfortable while helping to address social issues such as the need for heatstroke prevention amid recent extreme heat waves and the need for environmental friendliness. We aim to become a company that keeps growing by further strengthening a corporate culture of cooperation in which each employee takes ownership of sustainability initiatives, has pride in the diverse products and services provided by the Thermos business, and demonstrates a globally oriented mindset.

Growth Strategies and Initiatives During Next Innovation 2030

During the medium-term management plan, our measures will be stratified into three layers: business foundation, operational foundation, and growth drivers. Business foundation measures will entail promoting sustainability including companywide SDGs initiatives; recruiting and developing diverse talent; improving operational efficiency through DX and other means to boost productivity and speed; and further enhancing customer satisfaction through our products and services. As for operational foundation measures, we will strengthen sales capabilities by improving proposal skills, further enhance product development capabilities by increasing understanding of consumers and markets, and strengthen brand power by increasing brand engagement. With respect to growth drivers, our growth strategies will focus on leveraging trust in our brand and quality to acquire new markets and on expanding our global market presence.

Profitability Enhancement

In managing the Thermos business, a priority task is to maintain and improve profitability even in a challenging external environment that is characterized by hikes in raw material costs due to global inflation and geopolitical factors. While appropriately combining launches of new high-value-added products with pricing strategies, we will continue increasing the efficiency of manufacturing processes at overseas plants to lower production costs even further. The business will also improve profit margins by rationalizing inventory management, optimizing development processes, and introducing digital tools to enable labor saving. Through maintenance of our market advantages and financial soundness and investment in growth and sustainability, we will achieve well-balanced business management.

Capturing Growth Opportunities

The Thermos business is capturing growth opportunities by enhancing existing products to meet consumer needs and actively launching new offerings. In the apparel sector, we are developing &ONDO into a next-generation revenue base and building its position as a lifestyle brand by offering a new value proposition—the reduction of temperature-related stress through self-care.

Further, by continuing to step up customer relationship management and to move forward with initiatives aimed at attracting Gen Z customers, the business will increase and enhance its points of contact with customers.

The Thermos business will also expand initiatives that simultaneously provide social and economic value, such as our reusable beverage container service. In this way, we will evolve into a sustainable company that better meets society's needs.

05.

Data Section

To give a comprehensive overview of our current position, we provide information on financial and non-financial trends, sustainability performance, and basic corporate details.

Data Section

Performance Highlights

For trends in financial and non-financial data, please refer to the following.
Chart Generator: ▶ Please see here.

Summary of FYE2026 Results

In FYE2026, the NSHD Group faced a business environment in which the outlook for important markets and regions remained difficult to forecast.

In this environment, the Group's overall product shipments declined year on year. The entire Group continued efforts focused on price management, which included passing on cost increases to selling prices, while continuing productivity improvement programs in respective regions. As a result, in FYE2026 the Group achieved year-on-year increases of 3.9% in revenue, to ¥1,359.6 billion; 7.4% in core operating income, to ¥203.0 billion; 19.3% in operating income, to ¥197.8 billion; and 25.4% in net income attributable to owners of parent, to ¥123.8 billion.

Overall, year-on-year changes in foreign currency exchange rates had positive impacts of approximately ¥22.9 billion on revenue and approximately ¥4.4 billion on core operating income. This reflected an ¥11.92 (or 7.3%) weakening of the yen against the euro from ¥163.66 to ¥175.58, which outweighed a ¥1.48 (or 1.0%) strengthening of the yen against the U.S. dollar from ¥152.57 to ¥151.09.

Core operating income is calculated by excluding from operating income certain gains and losses attributable to non-recurring factors such as losses incurred due to business withdrawal or downsizing.

Consolidated Business Performance for FYE2026

	Unit	FYE2025	FYE2026	Year-on-year
Revenue	Billions of yen	1,308.0	1,359.6	+51.6 (+3.9%)
Core operating income*1	Billions of yen	189.1	203.0	+13.9 (+7.4%)
Core operating income margin	%	14.5	14.9	+0.4
EBITDA margin*2	%	23.3	24.3	+1.0
Adjusted net D/E ratio*3	Times	0.71	0.59	−0.12
ROCE after Tax*4	%	7.2	7.1	−0.1

* Please see ▶ P.91 for notes.

(Forex rate (full-term) / Average Forex rates)

	Unit	FYE2025	FYE2026	Year-on-year
USD	Yen	152.57	151.09	−1.48
EUR	Yen	163.66	175.58	+11.92

Figures of Revenue and Income (Loss) by Reportable Segment for FYE2026

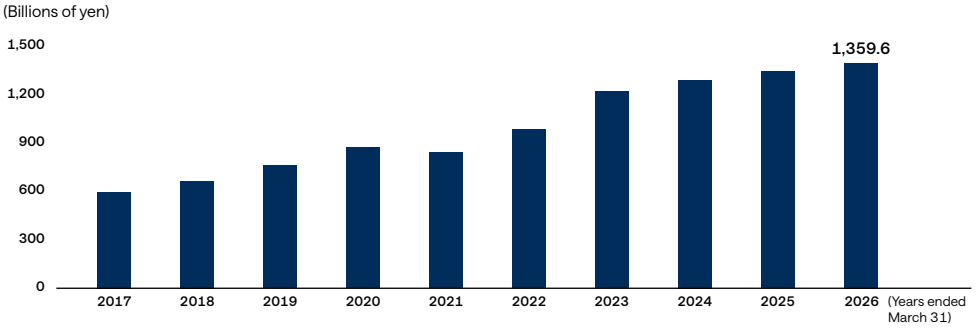
Reportable segment	Revenue		Segment income*5		Main reasons for year-on-year changes
(Unit: Billions of yen)	FYE2025	FYE2026	FYE2025	FYE2026	
Japan	410.0	406.2	47.0	54.1	In the industrial gas business, revenue declined because a decrease in shipments of gases such as separated gases and LPG exceeded the effect of price management focused on CO_2, packaged gases, and electronic material gases. As for equipment and construction, the electronics business posted higher revenue due to sales accompanying progress in the construction of medium- and large-scale projects, while the industrial gas business recorded lower revenue in this field. Segment income grew thanks to price management and higher revenue from equipment and construction in the electronics business.
United States	360.2	360.5	59.7	52.9	In the industrial gas business, revenue rose because price management more than compensated for lackluster product shipments. In equipment and construction, the electronics business saw revenue decline. The decrease in segment income was due to higher costs and lower product shipments, outweighing the effect of price management and productivity improvement initiatives.
Europe	328.6	350.9	62.4	70.4	The industrial gas business posted higher revenue due to foreign exchange effects and price management, which more than offset lower shipments of separated gases and other gases. In equipment and construction, revenue grew thanks to a steady performance by medical equipment and construction as well as the addition of revenue from Polaris S.r.l., which was acquired in FYE2025. Despite lower gas shipments, segment income rose as a result of price management and productivity improvement initiatives.
Asia and Oceania	176.5	208.4	15.0	19.7	In the industrial gas business, revenue growth reflected contributions from an Australian LPG sales business acquired in FYE2025 and an Oceanian industrial gas business acquired in FYE2026. The electronics business achieved higher revenue due to a recovery trend in shipments of electronic material gases and a steady performance by equipment and construction. Higher revenue led to an increase in segment income.
Thermos	32.5	33.2	6.2	6.5	In Japan, sales increased, driven by strong demand for sports bottles primarily in the first half amid the intense summer heat and the successful launch of new products featuring functional and stylish designs. Conversely, sales decreased in South Korea. Segment income increased due to higher sales in Japan and continuous cost reduction efforts.
Adjustments	0.0	0.0	−1.4	−0.6	
Total	1,308.0	1,359.6	189.1	203.0	

Data Section

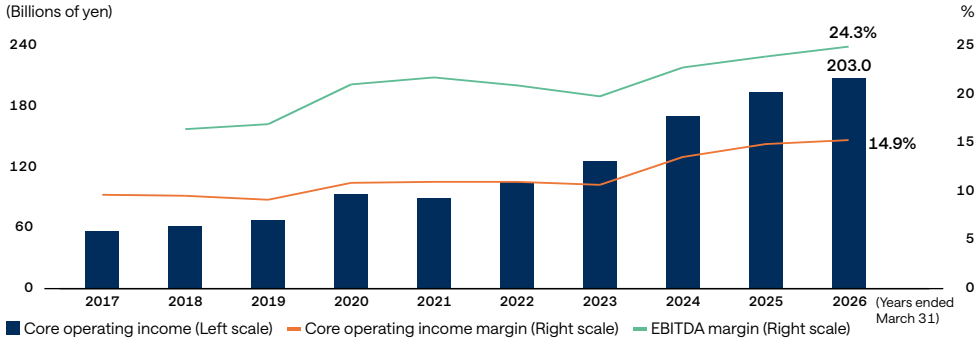
Performance Highlights

Main Financial Indicators (FYE2017 to FYE2026)

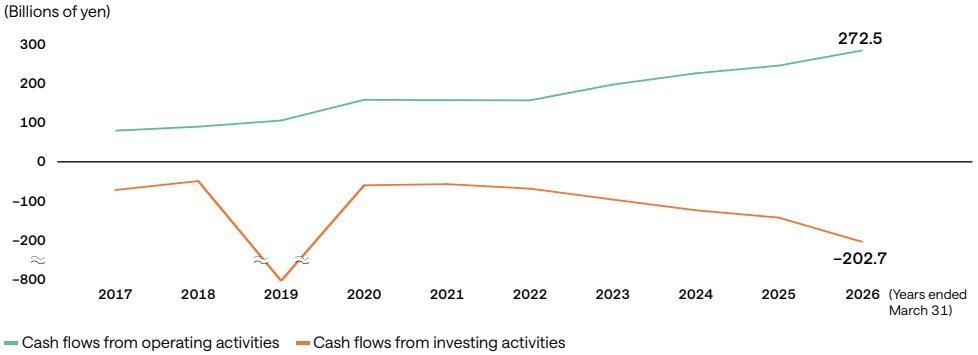
Revenue



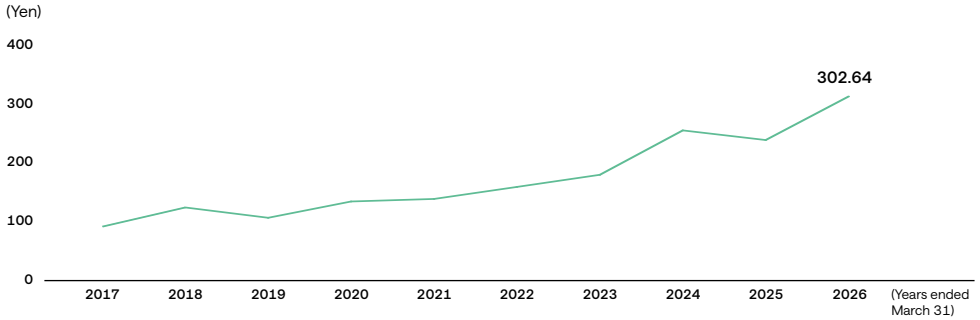
Core Operating Income / Core Operating Income Margin / EBITDA Margin



Cash Flows from Operating Activities / Cash Flows from Investing Activities



Basic Earnings per Share (EPS)



1 Core operating income is calculated as operating income excluding certain gains and expenses attributable to non-recurring factors (non-recurring items).
* Non-recurring 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 Indicator that shows profitability based on cash flow, excluding the impact of M&A and capital expenditures. Calculation formula: Earnings Before Interest Taxes, Depreciation and Amortization (Core operating income + Depreciation and amortization) / Revenue
*3 Indicator of financial soundness. Calculation formula: ((Interest-bearing debt – Equity-type debt*1) – Cash and cash equivalents) / (Equity attributable to owners of parent + Equity-type debt*1)
*1 Equity-type debt: The amount of debt procured by hybrid finance*2 that has been recognized as equity credit by rating agencies. In this fund procurement, rating agencies have recognized equity credit for 50% of the procured amount.
*2 Hybrid finance: A form of debt financing that has features resembling equity, such as voluntary deferral of interest, extremely long-term redemption periods, and subordination during liquidation or bankruptcy procedures. This kind of financing does not cause stock dilution, and a certain ratio of the funds procured in this way can be recognized as equity credit by rating agencies provided that certain conditions are met.
*4 Indicator of capital efficiency. Calculation formula: Core operating income after tax (+ Dividend received) [NOPAT] ((Core operating investment income / loss from Equity in earnings (losses) of affiliated companies included in Core operating income) × (1 – Effective tax rate) + Investment income / loss from Equity in earnings (losses) of affiliated companies included in Core operating income + Dividend received)) / (Interest-bearing debt + Total equity attributable to owners of parent)*1 [Capital employed]
*1 The average of the amounts at the end of the comparative fiscal years of the previous and current fiscal years is used. Note that return on capital employed (ROCE) had been disclosed and utilized until FYE2022. However, for the purpose of comparability with our peers, ROCE after Tax is disclosed and utilized from FYE2023. Calculation formula: ROCE = Core operating income / (Outstanding interest-bearing debt + Equity attributable to owners of parent*2)
*2 Equity attributable to owners of parent is calculated as Net assets – Non-controlling interests.
*5 Segment income represents core operating income, which is calculated by excluding from operating income certain gains or losses attributable to non-recurring factors such as losses arising from business withdrawal or downsizing.

Data Section

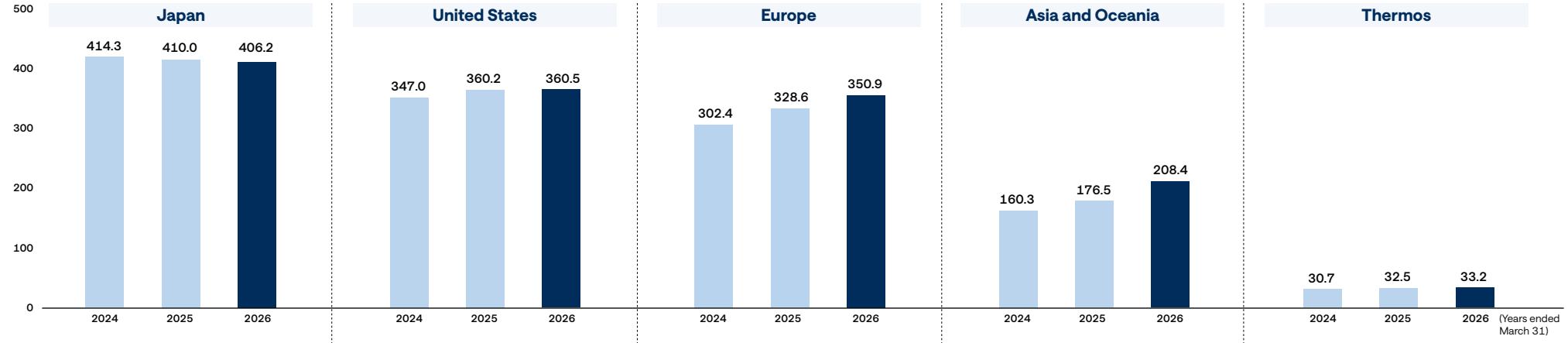
Performance Highlights

For an overview of the business in each segment, please refer to the following.
Business Segment: ▸ Please see here.

Performance by Segment (FYE2024 to FYE2026)

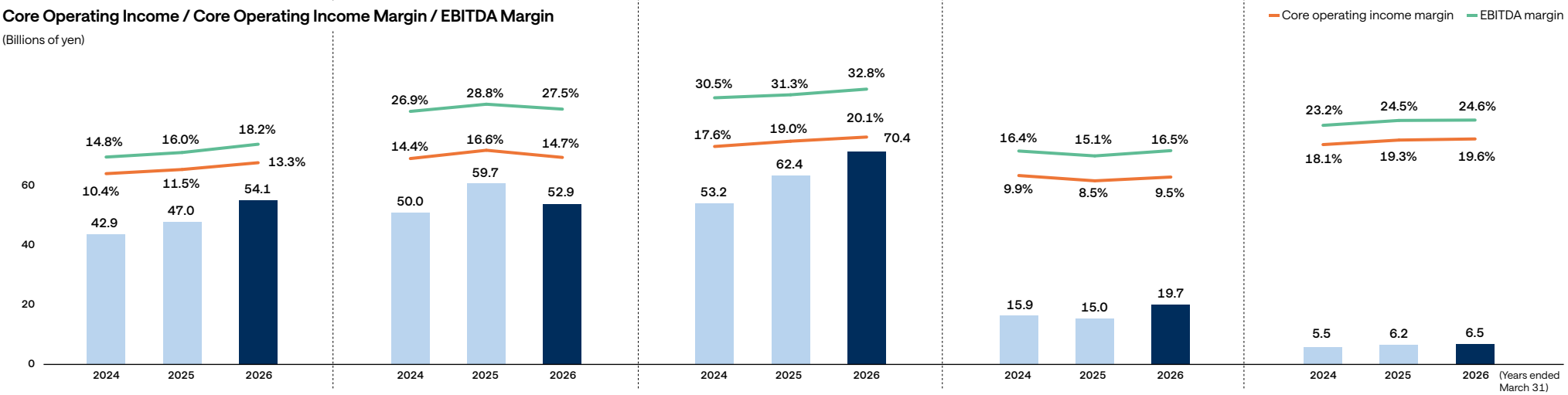
Revenue

(Billions of yen)



Core Operating Income / Core Operating Income Margin / EBITDA Margin

(Billions of yen)



Data Section

Performance Highlights

Note: Indicators with ☑ mark have been assured by KPMG AZSA Sustainability Co., Ltd.

For detailed data, please refer to the following.
Sustainability Data: ▸ Please see here.

Main Sustainability Indicators (FYE2024 to FYE2026)

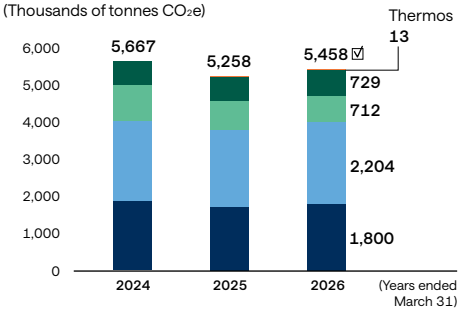
Japan | United States | Europe | Asia and Oceania | Thermos

Reporting boundary: Nippon Sanso Holdings and its main consolidated subsidiaries

Environment

GHG Emissions (Scope 1 + Scope 2)

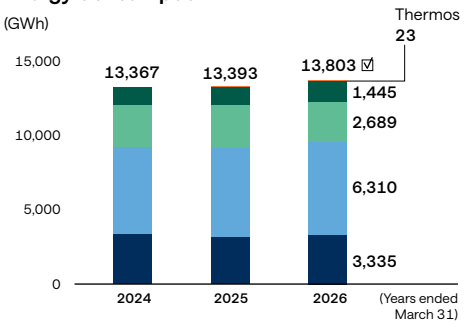
(Thousands of tonnes CO_2e)



Reporting boundary: Nippon Sanso Holdings and its main consolidated subsidiaries (122 companies in FYE2024, 110 companies in FYE2025, 130 companies in FYE2026).
Note: The reporting boundary includes the joint operation JFE Sanso Center Co., Ltd.

Energy Consumption

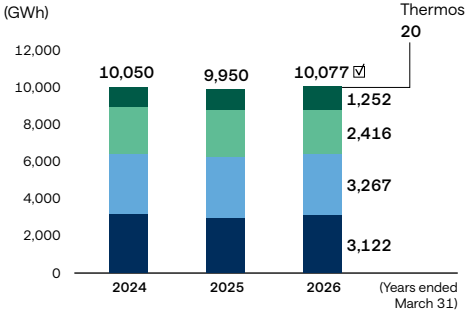
(GWh)



Reporting boundary: Nippon Sanso Holdings and its main consolidated subsidiaries (122 companies in FYE2024, 110 companies in FYE2025, 130 companies in FYE2026).
Note: The reporting boundary includes the joint operation JFE Sanso Center Co., Ltd.

Electricity Consumption

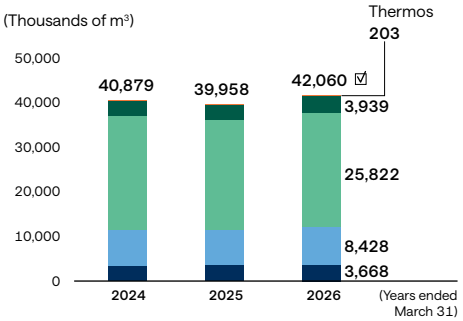
(GWh)



Reporting boundary: Nippon Sanso Holdings and its main consolidated subsidiaries (122 companies in FYE2024, 110 companies in FYE2025, 130 companies in FYE2026).
Note: The reporting boundary includes the joint operation JFE Sanso Center Co., Ltd.

Water Withdrawal

(Thousands of m^3)

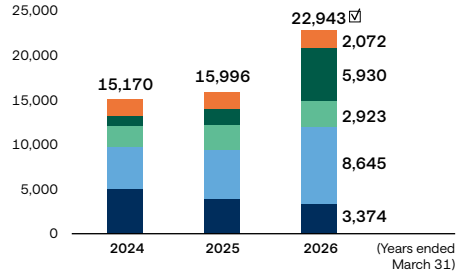


Reporting boundary: Gas production plants operated by consolidated subsidiaries of Nippon Sanso Holdings in Japan, business locations with facilities specified under the Water Pollution Prevention Act, and main overseas consolidated subsidiaries

Environment

Waste Generated (Including Valuable Materials)

(Tonnes)

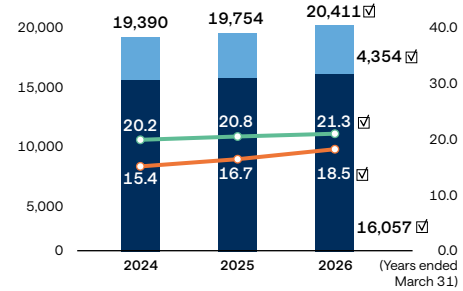


Reporting boundary: Nippon Sanso Holdings and its main consolidated subsidiaries (122 companies in FYE2024, 110 companies in FYE2025, 130 companies in FYE2026). Due to restrictions on availability of information, information for the dry ice production and sales base of Nippon Sanso Matheson, Inc. (a business site of Nippon Sanso Carbonic Products, Inc.) is not included among the aggregated total.
Notes: Waste generated by the consolidated subsidiaries of Nippon Sanso Holdings in Japan is the volume for which the Company issued a manifest.

Society

Number of Employees by Gender (Consolidated)

(Number of individuals) %

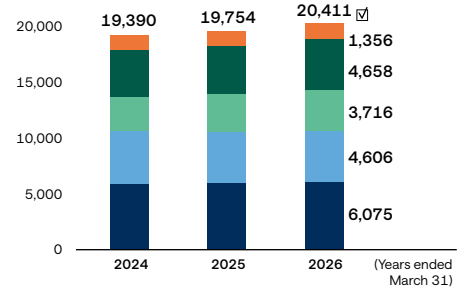


Male (Left scale) | Female (Left scale)
Female employees as a percentage of the total number of employees (Right scale)
Female managers as a percentage of total managerial positions (Right scale)

Note: Due to differences in accounting periods, some of the compiled data in FYE2024 included figures as of December of each year, but starting in FYE2025, the actual figures are calculated as of the end of March for all Group companies.

Number of Employees by Segment (Consolidated)

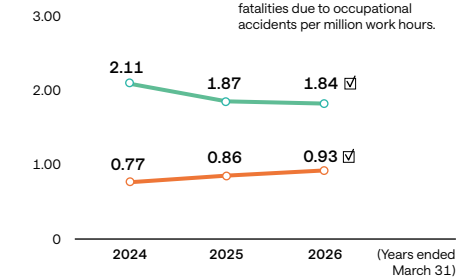
(Number of individuals)



Note: Due to differences in accounting periods, some of the compiled data in FYE2024 included figures as of December of each year, but starting in FYE2025, the actual figures are calculated as of the end of March for all Group companies.

Lost Time Injury Rate*

* The frequency rate expresses the frequency of accidents resulting in lost workdays in a fiscal year, calculated as the number of injuries / fatalities due to occupational accidents per million work hours.



Nippon Sanso Corporation Group | Nippon Sanso Holdings Group

Reporting boundary: Major consolidated subsidiaries in Japan and overseas with production functions. (Note: Starting in FYE2026, the reporting boundary has been changed to all consolidated subsidiaries in Japan and overseas.)
Note: To improve the accuracy of data aggregation, values presented in previous fiscal years have been retroactively amended.

GHG emissions: GHG emissions in Japan are calculated using emission factors provided in Japan's Act on Promotion of Global Warming Countermeasures (for electricity, the adjusted emission factors for each electricity provider in FYE2024; the basic emission factor for each electricity provider from FYE2025; for chilled water and hot water, substitute values; for city gas, substitute values until FYE2025, and the basic emission factor for each gas utility from FYE2026), taking into account non-fossil certificates. Scope 1 GHG emissions overseas are calculated using emission factors set forth in Japan's Act on Promotion of Global Warming Countermeasures. However, Scope 1 emissions in Europe have been calculated using the DEFRA emission factors of the United Kingdom. Overseas Scope 2 emissions are calculated using country-specific emission factors published by the IEA. However, for electricity in Europe, a separate emission factor for each electricity provider is used, and emissions are calculated making reference to the Guarantee of Origin. Furthermore, emissions from electricity use at Top Thermo Manufacturing (Malaysia) Sdn. Bhd. and the Rayong Plant of Nippon Sanso (Thailand) Co., Ltd. are calculated using emissions coefficients for each electricity provider, while emissions from electricity use in the United States, China, Taiwan, and Singapore are calculated using published grid coefficients for each country.

Data Section

Sustainability Data

Environment

GHG emissions quantification is subject to uncertainty when measuring activity data, determining emission factors, and considering scientific uncertainty inherent in the Global Warming Potentials.

	Unit	FYE2024	FYE2025	FYE2026
Greenhouse Gas (GHG) Emissions				
GHG Emissions Scope 1 ☑	Thousands of tonnes CO_2e	1,062	1,085	**1,220**
GHG Emissions Scope 2 ☑	Thousands of tonnes CO_2e	4,605	4,173	**4,238**
GHG Emissions Scope 3—Total for the Following Categories ☑	Thousands of tonnes CO_2e	3,499	3,521	**3,445**
Category 1 Purchased goods and services	Thousands of tonnes CO_2e	917	904	**931**
Category 2 Capital goods	Thousands of tonnes CO_2e	53	85	**65**
Category 3 Fuel- and energy-related activities not included in Scope 1 or Scope 2	Thousands of tonnes CO_2e	236	219	**233**
Category 4 Upstream transportation and distribution (Including distribution services whose cost is borne by the Group)	Thousands of tonnes CO_2e	37	38	**38**
Category 5 Waste generated in operations	Thousands of tonnes CO_2e	1	1	**1**
Category 6 Business travel	Thousands of tonnes CO_2e	1	1	**1**
Category 7 Employee commuting	Thousands of tonnes CO_2e	3	3	**3**
Category 8 Upstream leased assets	Thousands of tonnes CO_2e	N/A	N/A	**N/A**
Category 9 Downstream transportation and distribution	Thousands of tonnes CO_2e	N/A	N/A	**N/A**
Category 10 Processing of sold products	Thousands of tonnes CO_2e	N/A	N/A	**N/A**
Category 11 Use of sold products	Thousands of tonnes CO_2e	1,391	1,199	**1,068**
Category 12 End-of-life treatment of sold products	Thousands of tonnes CO_2e	N/A	N/A	**N/A**
Category 13 Downstream leased assets	Thousands of tonnes CO_2e	46	46	**48**
Category 14 Franchises	Thousands of tonnes CO_2e	N/A	N/A	**N/A**
Category 15 Investments	Thousands of tonnes CO_2e	814	1,026	**1,057**

		Unit	FYE2024	FYE2025	FYE2026
Contributions to Environmental Protection Through Products					
GHG Emission Reduction Contribution	Products and services ☑	Thousands of tonnes CO_2e	3,775	3,934	**4,355**
	Industrial gases ☑	Thousands of tonnes CO_2e	3,679	4,170	**4,076**

For information on the reporting boundary and the method of calculation, please refer to here.

Reporting boundary:
Scope 1 emissions and Scope 2 emissions represent Nippon Sanso Holdings and its main consolidated subsidiaries (122 companies in FYE2024, 110 companies in FYE2025, 130 companies in FYE2026). They also include the joint operation of JFE Sanso Center Co., Ltd. For information on Scope 3 emissions aggregation, please refer to here.
Scope 1 emissions: Direct emissions occurring from sources owned or controlled by the company
Scope 2 emissions: Indirect emissions from the use of electricity, steam, and heat
Scope 3 emissions: Indirect emissions other than Scope 2 emissions

Calculation methods:
GHG emissions in Japan are calculated using emission factors provided in Japan's Act on Promotion of Global Warming Countermeasures (for electricity, the adjusted emission factors for each electricity provider in FYE2024; the basic emission factor for each electricity provider from FYE2025; for chilled water and hot water, substitute values; for city gas, substitute values until FYE2025, and the basic emission factor for each gas utility from FYE2026), taking into account non-fossil certificates. Scope 1 GHG emissions overseas are calculated using emission factors set forth in Japan's Act on Promotion of Global Warming Countermeasures. However, Scope 1 emissions in Europe have been calculated using the DEFRA emission factors of the United Kingdom. Overseas Scope 2 emissions are calculated using country-specific emission factors published by the IEA. However, for electricity in Europe, a separate emission factor for each electricity provider is used, and emissions are calculated making reference to the Guarantee of Origin. Furthermore, emissions from electricity use at Top Thermo Manufacturing (Malaysia) Sdn. Bhd. and the Rayong Plant of Nippon Sanso (Thailand) Co., Ltd. are calculated using emissions coefficients for each electricity provider, while emissions from electricity use in the United States, China, Taiwan, and Singapore are calculated using published grid coefficients for each country. Please refer to here for calculation method for Scope 3 emissions.

Indicators with ☑ mark have been assured by KPMG AZSA Sustainability Co., Ltd. for FYE2026.

Data Section

Sustainability Data
Environment

	Unit	FYE2024	FYE2025	FYE2026
Energy Usage				
Energy Consumption ☑	GWh	13,367	13,393	**13,803**
Electric power	GWh	10,050	9,950	**10,077**
Fuels	GWh	3,095	3,261	**3,509**
Heat	GWh	222	182	**217**

Reporting boundary: Nippon Sanso Holdings and its main consolidated subsidiaries (122 companies in FYE2024, 110 companies in FYE2025, 130 companies in FYE2026). They also include the joint operation of JFE Sanso Center Co., Ltd. The energy content of the consumed fuels is calculated based on the gross calorific values specified in Japan's Act on the Rational Use of Energy.

	Unit	FYE2024	FYE2025	FYE2026
Environmental Impact				
Nitrogen oxide (NOx) emissions ☑	Tonnes	3.2	1.3	**1.9**
Sulfur oxide (SOx) emissions ☑	Tonnes	0.7	0.3	**0.4**
Particulate emissions ☑	Tonnes	0.1	0.1	**0.1**
Volatile organic compound (VOC)* emissions ☑	Tonnes	13	10	**11**
Releases of substances designated under the Pollutant Release and Transfer Register (PRTR) ☑	Tonnes	13	10	**11**

Reporting boundary: Consolidated subsidiaries in Japan, including Nippon Sanso Corporation
* The substances covered in the calculation are substances that fall under the PRTR Act and certain substances subject to the PRTR survey of the Japan Chemical Industry Association that are classified as VOCs.

		Unit	FYE2024	FYE2025	FYE2026
Water Usage					
Water Withdrawal ☑		Thousands of m³	40,879	39,958	**42,060**
Breakdown of sources of fresh water withdrawn	Water supply from local government	Thousands of m³	13,434	13,457	**13,938**
	Municipal water	Thousands of m³	5,881	5,644	**6,071**
	Industrial water	Thousands of m³	7,552	7,813	**7,867**
	Groundwater	Thousands of m³	2,377	2,480	**2,563**
	Surface water	Thousands of m³	25,047	24,000	**25,346**
	Other	Thousands of m³	22	21	**212**

Reporting boundary: Gas production plants operated by consolidated subsidiaries of Nippon Sanso Holdings in Japan, business locations with facilities specified under the Water Pollution Prevention Act, and main overseas consolidated subsidiaries

	Unit	FYE2024	FYE2025	FYE2026
Waste				
Waste generated*1 ☑	Tonnes	15,170*5	15,996*5	**22,943**
Waste disposed of as landfill*2 ☑	Tonnes	3,926*5	4,320*5	**7,807**
Hazardous waste generated*3 ☑	Tonnes	1,735*5	1,714*5	**4,673**
Waste recycled*4	Tonnes	9,481*5	9,484*5	**9,383**

Reporting boundary: Nippon Sanso Holdings and its main consolidated subsidiaries (122 companies in FYE2024, 110 companies in FYE2025, 130 companies in FYE2026)
Waste generated by consolidated subsidiaries in Japan is the volume for which the Company issued a manifest.
*1 Includes valuable materials *2 Includes residue after intermediate treatment outside the Group company *3 Includes specially controlled industrial waste
*4 Waste recovered is considered to be recycled resources. *5 Due to restrictions on availability of information, information for the dry ice production and sales base of Nippon Sanso Matheson, Inc. (a business site of Nippon Sanso Carbonic Products, Inc.) is not included among the aggregated total.

	Unit	FYE2024	FYE2025	FYE2026
Others				
Number of environmental violations	Incidents	0	0	**0**
Amount of fines paid for environmental violations	Millions of yen	0	0	**0**

The figures for chemical oxygen demand (COD) emissions, nitrogen emissions in wastewater, and phosphorus emissions have been omitted from disclosure since the amounts of these emissions have been immaterial. The Nippon Sanso Holdings Group uses water primarily for indirect cooling, and its impacts on water quality are therefore not large. Nippon Sanso Corporation and its Japanese subsidiaries have five business sites that are subject to restrictions on the concentration of COD, nitrogen, and phosphorous emissions in wastewater. The total amounts of COD, nitrogen, and phosphorus emissions for all five sites amount to less than one tonne each.

	Unit	FYE2024	FYE2025	FYE2026
GHG Emissions				
GHG Scope 1 + Scope 2 ☑	Thousands of tonnes CO_2e	5,667	5,258	**5,458**
Japan	Thousands of tonnes CO_2e	1,873	1,712	**1,800**
United States	Thousands of tonnes CO_2e	2,165	2,087	**2,204**
Europe	Thousands of tonnes CO_2e	989	797	**712**
Asia and Oceania	Thousands of tonnes CO_2e	627	648	**729**
Thermos	Thousands of tonnes CO_2e	12	12	**13**
Energy Consumption				
Total ☑	GWh	13,367	13,393	**13,803**
Japan	GWh	3,389	3,167	**3,335**
United States	GWh	5,938	6,038	**6,310**
Europe	GWh	2,830	2,912	**2,689**
Asia and Oceania	GWh	1,189	1,254	**1,445**
Thermos	GWh	22	22	**23**
Electricity Consumption				
Total ☑	GWh	10,050	9,950	**10,077**
Japan	GWh	3,169	2,977	**3,122**
United States	GWh	3,242	3,263	**3,267**
Europe	GWh	2,538	2,549	**2,416**
Asia and Oceania	GWh	1,082	1,141	**1,252**
Thermos	GWh	19	19	**20**
Water Withdrawal				
Total ☑	Thousands of m³	40,879	39,958	**42,060**
Japan	Thousands of m³	3,377	3,569	**3,668**
United States	Thousands of m³	8,122	8,043	**8,428**
Europe	Thousands of m³	25,690	24,605	**25,822**
Asia and Oceania	Thousands of m³	3,523	3,581	**3,939**
Thermos	Thousands of m³	168	162	**203**
Waste Generated (Including Valuable Materials)*1				
Total ☑	Tonnes	15,170*2	15,996*2	**22,943**
Japan	Tonnes	4,998	3,861	**3,374**
United States	Tonnes	4,771*2	5,549*2	**8,645**
Europe	Tonnes	2,358	2,793	**2,923**
Asia and Oceania	Tonnes	1,140	1,806	**5,930**
Thermos	Tonnes	1,903	1,987	**2,072**

*1 Waste generated by the consolidated subsidiaries of Nippon Sanso Holdings in Japan is the volume for which the Company issued a manifest.
*2 As with the reporting boundary for "Waste" on the left, Nippon Sanso Matheson, Inc.'s dry ice production and sales base (a business site of Nippon Sanso Carbonic Products, Inc.) is not included among the aggregated total.

Data Section

Sustainability Data

Society

	Unit	FYE2024	FYE2025	FYE2026
Employees and Diversity (Consolidated)*				
Employees ☑	Number of individuals	19,390	19,754	**20,411**
Japan	Number of individuals	5,950	6,053	**6,075**
United States	Number of individuals	4,705	4,597	**4,606**
Europe	Number of individuals	3,124	3,369	**3,716**
Asia and Oceania	Number of individuals	4,285	4,360	**4,658**
Thermos	Number of individuals	1,326	1,375	**1,356**
Employees by gender				
Male ☑	Number of individuals	15,468	15,644	**16,057**
Female ☑	Number of individuals	3,922	4,110	**4,354**
Employees by age group (Composition ratio)				
20s and below	%	15.3	15.1	**14.1**
30s	%	25.3	26.4	**26.5**
40s	%	26.2	26.6	**26.0**
50s and above	%	33.0	32.8	**33.2**
Number of dispatched workers	Number of individuals	458	617	**552**
Years of consecutive service				
Overall average	Years	11.2	11.1	**11.1**
Men	Years	11.1	11.2	**11.3**
Women	Years	11.3	11.1	**10.7**
Average age	Years	44.1	44.3	**44.4**
New hires	Number of individuals	3,020	2,911	**2,950**
Employee turnover rate	%	4.2	4.2	**3.5**
Female employees as a percentage of the total number of employees ☑	%	20.2	20.8	**21.3**
Female managers as a percentage of total managerial positions ☑	%	15.4	16.7	**18.5**

Note: Due to differences in accounting periods, some of the compiled data in FYE2024 included figures as of December of each year, but starting in FYE2025, the actual figures are calculated as of the end of March for all Group companies.

Employees and Diversity (Non-Consolidated)				
Employees	Number of individuals	91*	112*	**108***
Employees by gender				
Male	Number of individuals	72	87	**83**
Female	Number of individuals	19	25	**25**
Female employees as a percentage of the total number of employees	%	20.9	22.3	**23.1**
Female managers as a percentage of total managerial positions	%	3.7	6.3	**8.3**

* Includes employees working concurrently for Nippon Sanso Corporation (FYE2024: 41 persons; FYE2025: 49 persons; FYE2026: 52 persons)

Indicators with ☑ mark have been assured by KPMG AZSA Sustainability Co., Ltd. for FYE2026.

	Unit	FYE2024	FYE2025	FYE2026
Employees, Diversity, and Work–Life Balance (Registered Employees of Nippon Sanso Corporation)				
Employees	Number of individuals	2,110	2,165	**2,183**
Employees by gender				
Male	Number of individuals	1,794	1,817	**1,811**
Female	Number of individuals	316	348	**372**
Employees by age group (Composition ratio)				
20s and below	%	20.1	20.1	**20.3**
30s	%	21.3	22.1	**23.5**
40s	%	22.6	20.6	**19.1**
50s and above	%	35.9	37.2	**37.1**
Years of consecutive service				
Overall average	Years	18.4	16.7	**16.5**
Men	Years	19.3	17.8	**17.7**
Women	Years	13.7	12.9	**12.2**
Average age	Years	42.7	42.9	**42.8**
New hires	Number of individuals	100	113	**117**
Employee turnover rate*1	%	4.5	2.2	**4.7**
Companywide employee training hours*2				
New employee training hours	Hours	23,680	26,880	**29,825**
Employee training hours	Hours	61,106	70,599	**74,542**
Union members	Number of individuals	1,275	1,302	**1,315**
Union members as a percentage of the total number of employees	%	60.4	60.1	**60.2**
Layoffs*3	Number of individuals	0	0	**0**
Female employees as a percentage of total number of employees	%	15.0	16.1	**17.0**
Female managers as a percentage of total managerial positions	%	2.4	2.5	**2.8**
Employment ratio of persons with disabilities (as of June 1 of each fiscal year)	%	2.5	2.5	**2.9**
Number of employees reemployed after retirement	Number of individuals	99	87	**80**
Employees using childcare leave systems	Number of individuals	46	58	**55**
Men	Number of individuals	28	39	**44**
Women	Number of individuals	18	19	**11**
Employees using nursing care leave or long-term nursing care leave	Number of individuals	18	16	**13**
Usage rate for annual paid leave*4	%	70.4	70.3	**70.8**
Employees using volunteer leave system	Number of individuals	0	0	**0**

*1 Employee turnover rate is the number of employees leaving the Company during the fiscal year (including mandatory-age retirees and excluding personnel transferring to other Group companies) divided by the number of employees at the end of the fiscal year.
*2 Reporting boundary: Training hours of Nippon Sanso Corporation employees and Nippon Sanso Group employees who took training held by Nippon Sanso Corporation
*3 Employees leaving the Company for reasons attributable to the Company (dismissals)
*4 The number of new days granted in the reporting year is the denominator. The number of days used in the reporting year is the numerator. The denominator does not include the number of days carried over from the previous fiscal year.

Data Section

Sustainability Data
Society

	Unit	FYE2024	FYE2025	FYE2026
Others (Consolidated)				
Expenditures on social contribution initiatives	Millions of yen	103.0	128.6	**118.1**

Occupational Health and Safety				
Lost time injury rate (Number of injuries / fatalities due to occupational accidents per million work hours)				
Nippon Sanso Holdings Group (Including Nippon Sanso Corporation Group) ☑	—	2.11	1.87*1	**1.84**
Nippon Sanso Corporation Group ☑	—	0.77	0.86*1	**0.93**
Number of fatalities (Consolidated)	Number of individuals	1	0	**0**
Employees	Number of individuals	1	0	**0**
Contractors	Number of individuals	0	0	**0**
Number of participants in hazard simulation training*2	Number of individuals	1,058	712	**1,131**

Reporting boundary: Main consolidated subsidiaries with production divisions in Japan and overseas*3

*1 To improve the accuracy of data aggregation, values presented in past fiscal years have been retroactively amended.

*2 Hazard simulation training is experiential training conducted by the Technical Academy of Nippon Sanso Corporation in accordance with NSHD's Occupational Safety and Health / Industrial Safety and Disaster Prevention Policy. The training is designed to eliminate occupational accidents by raising employees' safety awareness and knowledge, and their sensitivity to hazards. Employees of associates are also included in the scope of data collection.

*3 From FYE2026, the scope of aggregation has been changed to cover all consolidated subsidiaries in Japan and overseas.

Data Section

Sustainability Data

Governance

	Unit	FYE2024	FYE2025	FYE2026
Management Structure				
Management Configuration	Number of individuals	9	9	**9**
Internal directors	Number of individuals	4	4	**4**
Independent outside directors	Number of individuals	5	5	**5**
Directors serving concurrently as executive officers	Number of individuals	1	1	**1**
Percentage of directors serving concurrently as executive officers	%	11.1	11.1	**11.1**
Independent outside directors as a percentage of total Board of Directors' members	%	55.6	55.6	**55.6**
Female directors as a percentage of total Board of Directors' members	%	22.2	22.2	**22.2**
Term of appointment	Years	1	1	**1**
Frequency of Board of Directors' meetings	Times	12	12	**11**
Attendance at Board of Directors' meetings	%	100.0	100.0	**100.0**
Attendance of independent outside directors at Board of Directors' meetings	%	100.0	100.0	**100.0**
Number of directors attending less than 75% of Board of Directors' meetings	Number of individuals	0	0	**0**
Audit & Supervisory Board members	Number of individuals	4	4	**4**
Internal Audit & Supervisory Board members	Number of individuals	1	1	**1**
Independent outside Audit & Supervisory Board members	Number of individuals	2	2	**2**
Independent outside Audit & Supervisory Board members as a percentage of total Audit & Supervisory Board members	%	50.0	50.0	**50.0**
Female Audit & Supervisory Board members as a percentage of total Audit & Supervisory Board members	%	0.0	0.0	**0.0**
Frequency of Audit & Supervisory Board meetings	Times	15	17	**14**
Attendance at Audit & Supervisory Board meetings	%	100.0	100.0	**100.0**
Attendance of independent outside Audit & Supervisory Board members at Audit & Supervisory Board meetings	%	100.0	100.0	**100.0**
Number of Audit & Supervisory Board members attending less than 75% of Audit & Supervisory Board meetings	Number of individuals	0	0	**0**
Average age of directors and Audit & Supervisory Board members	Years	65.2	64.8	**63.6**
Number of executive officers	Number of individuals	6	8	**11**
Female executive officers as a percentage of total executive officers	%	0.0	0.0	**0.0**

	Unit	FYE2024	FYE2025	FYE2026
Activities of Committees				
Advisory Committee on Appointments and Remuneration				
Members	Number of individuals	6	6	**6**
Internal directors	Number of individuals	1	1	**1**
Independent outside directors	Number of individuals	5	5	**5**
Frequency of meetings	Times	9	17	**17**
Attendance*1	%	100.0	99.0	**100.0**
Management Committee				
Members	Number of individuals	13	15	**19**
Frequency of meetings	Times	15	14	**15**
Attendance*1	%	99.5	100.0	**96.8**
Investment Committee				
Members*2	Number of individuals	15	18	**23**
Frequency of meetings	Times	2	2	**2**
Attendance*1	%	96.5	100.0	**95.7**
Global Strategy Review Committee				
Members	Number of individuals	16	18	**23**
Frequency of meetings	Times	1	1	**1**
Attendance	%	100.0	100.0	**100.0**
Global Risk Management Committee				
Members	Number of individuals	18	20	**23*3**
Frequency of meetings	Times	1	1	**1**
Attendance	%	94.4	100.0	**100.0**
Global Compliance Committee				
Members	Number of individuals	7	7*3	**8**
Frequency of meetings	Times	1	1	**1**
Attendance	%	100.0	100.0	**100.0**

*1 Average attendance rate *2 Excluding additional attendees and Secretariat *3 Including alternate attendees

Data Section

Sustainability Data
Governance

	Unit	FYE2024	FYE2025	FYE2026
Remuneration for Officers				
Remuneration for directors (excluding outside directors)				
Total	Millions of yen	147	154	**152**
Basic remuneration	Millions of yen	91	91	**88**
Performance-linked remuneration	Millions of yen	46	53	**52**
Non-financial KPI-linked remuneration	Millions of yen	9	9	**10**
Remuneration for Audit & Supervisory Board members (excluding independent outside members)				
Total	Millions of yen	28	30	**30**
Basic remuneration	Millions of yen	28	30	**30**
Remuneration for independent outside directors				
Total	Millions of yen	135	145	**151**
Basic remuneration	Millions of yen	135	145	**151**
Remuneration for independent auditors				
Total	Millions of yen	233	246	**263**
Remuneration for audit services	Millions of yen	229	241	**251**
Other remuneration for independent auditors	Millions of yen	4	5	**12**

Others				
Anti-takeover measures	—	Not adopted	Not adopted	**Not adopted**
Code of ethics	—	Adopted	Adopted	**Adopted**
Policy on transparency of tax affairs	—	Adopted (Currently disclosed on the Company website)	Adopted (Currently disclosed on the Company website)	**Adopted (Currently disclosed on the Company website)**
Corporate political contributions	Millions of yen	0.0	0.0	**0.0**
Violations of rules for the prevention of corruption	Number of violations	0	0	**0**
Monetary penalties incurred as a result of violations of guidelines for the prevention of corruption	Millions of yen	0	0	**0**
Rate of receiving compliance training	%	99.4*	100.0	**100.0**

* 100% completion rate as of the end of June 2024

Intellectual Property and Research and Development

	Unit	FYE2024	FYE2025	FYE2026
Intellectual Property				
Registered patents				
Total	Patents	1,761	1,793	**1,913**
Japan	Patents	1,114	1,131	**1,126**
Overseas	Patents	647	662	**787**

Note: Sum of patents at all operating companies, including consolidated subsidiaries

Research and Development				
Research and development				
Total	Millions of yen	4,466	4,946	**5,741**
Japan	Millions of yen	3,895	4,078	**4,846**
United States	Millions of yen	529	729	**678**
Europe	Millions of yen	—	105	**169**
Thermos	Millions of yen	41	32	**46**

Data Section

Sustainability Data

Independent Practitioner's Limited Assurance Report

Independent Practitioner's Limited Assurance Report

To the Representative Director, President CEO of Nippon Sanso Holdings Corporation

Conclusion

We have performed a limited assurance engagement on whether selected environmental and social performance indicators (the "subject matter information" or the "SMI") presented in Nippon Sanso Holdings Corporation's (the "Company") Integrated Report 2026 (English version)(the "Report") as of and for the year ended March 31, 2026 have been prepared in accordance with the criteria (the "Criteria"), which are established by the Company and are explained in the Report. The SMI subject to the assurance engagement is indicated in the Report with the symbol "☑".

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Company's SMI as of and for the year ended March 31, 2026 is not prepared, in all material respects, in accordance with the Criteria.

Basis for Conclusion

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, and International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in the "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Other information

Our conclusion on the SMI does not extend to any other information that accompanies or contains the SMI (hereafter referred to as "other information"). We have read the other information but have not performed any procedures with respect to the other information. We do not express any form of conclusions thereon.

Responsibilities for the SMI

Management of the Company are responsible for:

- designing, implementing and maintaining internal controls relevant to the preparation of the SMI that is free from material misstatement, whether due to fraud or error;
- selecting or developing suitable criteria for preparing the SMI and appropriately referring to or describing the criteria used; and
- preparing the SMI in accordance with the Criteria.

Inherent limitations in preparing the SMI

As described in the "Sustainability Data Environment section" of the Report, GHG emissions quantification is subject to uncertainty when measuring activity data, determining emission factors, and considering scientific uncertainty inherent in the Global Warming Potentials. Hence, the selection by management of a different but acceptable measurement method, activity data, emission factors, and relevant assumptions or parameters could have resulted in materially different amounts being reported.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the SMI is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Management of the Company.

Summary of the work we performed as the basis for our conclusion

We exercised professional judgment and maintained professional skepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the SMI that is sufficient and appropriate to provide a basis for our conclusion. Our procedures selected depended on our understanding of the SMI and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In carrying out our engagement, the procedures we performed primarily consisted of:

- assessing the suitability of the criteria applied to prepare the SMI;
- conducting interviews with the relevant personnel of the Company to obtain an understanding of the key processes, relevant systems and controls in place over the preparation of the SMI;
- performing analytical procedures including trend analysis;
- identifying and assessing the risks of material misstatements;
- evaluating whether the Company's process for developing estimates as well as its use of data, selection of the methods and assumptions were appropriate;
- performing a site visit at one of the Company's sites which was determined through our risk assessment procedures;
- performing, on a sample basis, recalculation of amounts presented as part of the SMI;
- performing other evidence gathering procedures for selected samples; and
- evaluating whether the SMI was presented in accordance with the Criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

/s/ Junichi Shiraishi
Junichi Shiraishi , Engagement Partner
KPMG AZSA Sustainability Co., Ltd.
Tokyo Office, Japan
September 18, 2026

Notes to the Reader of Assurance Report: This is a copy of the Assurance Report and the original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.

Data Section

Group Information

Awards

Japan

First "A" Rating in MSCI ESG Ratings

Awarding organization: MSCI | Year: 2025

Nippon Sanso Holdings earned its first "A" rating in the MSCI ESG Ratings. The company improved three rating levels from its 2021 "B" rating, reflecting its continued efforts to strengthen ESG initiatives and transparency.

Certified as a Health & Productivity Management Outstanding Organization 2026

Awarding organization: Japan Health Council | Year: 2026

Nippon Sanso Holdings and Nippon Sanso Corporation were certified as Health & Productivity Management Outstanding Organizations 2026. The certification recognizes their continued efforts to promote employee health and well-being.

Certified as a Sports Yell Company 2026 (Bronze) and Tokyo Sports Promotion Company

Awarding organizations: Japan Sports Agency and Tokyo Metropolitan Government | Year: 2026

Nippon Sanso Corporation was certified as a Sports Yell Company for the sixth consecutive year and received the Bronze designation for companies certified five times or more. The company was also recognized as a Tokyo Sports Promotion Company for the second consecutive year.

United States

CGA Awards 2025

Awarding organization: Compressed Gas Association (CGA) | Year: 2025

Nippon Sanso Matheson and Western International Gas & Cylinders received multiple honors at the 2025 CGA Awards.

Nippon Sanso Matheson earned the Fleet Safety Award in the Cylinder Gas Transportation category for fleets traveling more than three million miles annually. The company was also recognized through numerous Safe Facility Performance Awards, including 77 Gold-level, 30 Silver-level, 14 Bronze-level, and 2 Gold 2-Star locations.

Western International Gas & Cylinders additionally received Fleet Safety Excellence Awards in the Bulk Gas Transportation and Cylinder Gas Transportation categories and was recognized for safe facility performance at several locations.

Europe

EcoVadis Platinum Medal (Third Consecutive Year)

Awarding organization: EcoVadis | Year: 2026

Nippon Sanso Euro-Holding received the EcoVadis Platinum Medal for the third consecutive year. In the 2026 assessment, the company achieved its highest-ever score of 94/100, placing it among the top 1% of companies in its industry worldwide.

EIGA Awards 2025

Awarding organization: European Industrial Gases Association (EIGA) | Year: 2025

At the 2025 EIGA Summer Summit, Nippon Sanso Euro-Holding received 11 Zero Accident Awards in recognition of its outstanding safety performance and was also honored with the Road Safety Award for achieving the lowest rate of preventable road traffic accidents. The awards reflect the company's strong safety culture and the daily commitment of employees to maintaining a safe working environment.

SMAU Innovation Award

Awarding organization: SMAU | Year: 2025

Nippon Sanso Italia received the SMAU Innovation Award for a project designed to reduce energy consumption and shift from scheduled maintenance to predictive maintenance. The project uses sensors and monitoring systems to collect real-time consumption data, helping reduce energy waste, improve plant efficiency, and lower the risk of unexpected failures and production downtime.

Data Section

Group Information
Awards

Asia and Oceania

Singapore HR Awards 2025 (Five Awards)

Awarding organization: Singapore Human Resources Institute (SHRI) | Year: 2025

Companies across the NSHD Group's Southeast Asia & India (SEA+I) subsegment received five awards at the 18th Singapore HR Awards organized by the SHRI: Excellence in People Policy & Design, Excellence in Transformation & Innovation, Excellence in Learning & Development, Excellence in Workplace Culture & Engagement, and Excellence in Employee Experience & Well-Being. The awards recognize the region's commitment to building a purpose-driven, inclusive, and future-ready workplace.

Nippon Sanso Matheson Korea Receives Two Awards for Fair Recruitment and Workplace Innovation

Awarding organizations: Human Resources Development Service of Korea, Ministry of Employment and Labor, and Korea Labor Foundation | Year: 2025

In 2025, Nippon Sanso Matheson Korea received both the Fair Recruitment Excellent Company Award and the Workplace Innovation Excellent Company Award. The company was recognized for its fair hiring practices, transparent communication with applicants, workplace innovation initiatives, and efforts to strengthen organizational culture and employee satisfaction.

Most Satisfied Customers—LPG National 2026

Awarding organization: Canstar Blue | Year: 2026

Supagas received the Most Satisfied Customers—LPG National 2026 award in Canstar Blue's national LPG customer satisfaction survey in Australia. This marks the sixth consecutive year that Supagas has been recognized as the highest-rated LPG provider for customer satisfaction.

NSHD

Integrated Report 2025 Honored in Three Categories at International ARC Awards 2026

Awarding organization: MerComm, Inc. | Year: 2026

Our Integrated Report 2025 was recognized in three categories in the Chemicals sector at the International ARC Awards 2026, one of the world's largest annual report competitions. The report was highly evaluated for its writing, top management message, and design, receiving a Silver Award in the Script/Writing category, a Bronze Award in the Chairman's Letter/Presentation category, and Honors recognition in the Design/Graphics category.

Data Section

Group Information

Corporate Data

Company Overview (As of March 31, 2026)

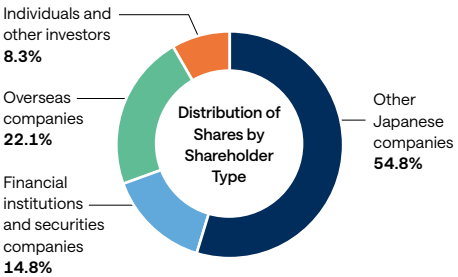
Company name: Nippon Sanso Holdings Corporation
Date founded: October 30, 1910
Paid-in capital: ¥37,344 million
Head office: 1-3-26 Koyama, Shinagawa-ku, Tokyo 142-0062, Japan
Number of employees: 20,411
Independent public accountants:
Ernst & Young ShinNihon LLC
Stock exchange listing:
Tokyo Stock Exchange Prime Market

Transfer agent: Mizuho Trust & Banking Co., Ltd.
2-8-4 Izumi, Suginami-ku,
Tokyo 168-8507, Japan
Tel (toll free in Japan): 0120-288-324
Contact: Investor Relations,
Group Finance and Accounting Office,
Nippon Sanso Holdings Corporation
Tel: +81-3-5788-8512

Share and Shareholder Information (As of March 31, 2026)

Status of Shares

Number of shares authorized: 1,600,000,000
Number of shares issued: 433,092,837
Number of shareholders: 12,548



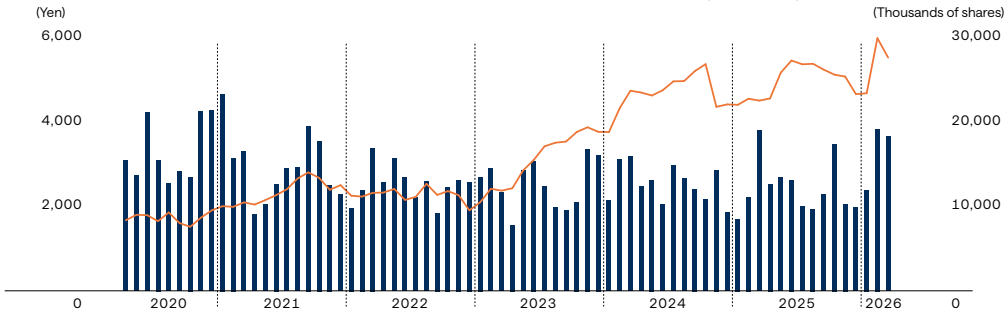
Major Shareholders

(10 Largest Shareholders, Shares Held Rounded Down to the Nearest Thousand)

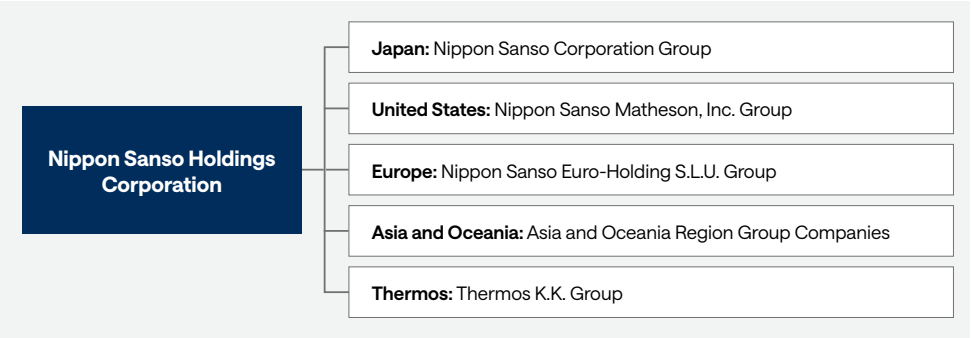
	Thousands of shares owned	Percentage of total (%)*1
Mitsubishi Chemical Group Corporation	218,996	50.59
The Master Trust Bank of Japan, Ltd. (trust account)	31,272	7.22
Client shareholding association of Taiyo Nippon Sanso Corporation*2	15,091	3.49
Custody Bank of Japan, Ltd. (trust account)	11,155	2.58
JP MORGAN CHASE BANK 385642	9,076	2.10
Meiji Yasuda Life Insurance Company	9,006	2.08
THE CHASE MANHATTAN BANK, N.A. LONDONSECS LENDING OMNIBUS ACCOUNT	8,114	1.87
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	4,387	1.01
Mizuho Bank, Ltd.	4,332	1.00
STATE STREET BANK AND TRUST COMPANY 505001	4,001	0.92

Note: Our Company holds 190,000 treasury shares.
*1 The shareholding ratio is calculated based on the total number of issued shares, excluding treasury shares.
*2 "Client shareholding association of Taiyo Nippon Sanso Corporation" was renamed "Client shareholding association of Nippon Sanso Corporation" as of April 1, 2026.

Common Stock Price Range and Trading Volume



Group Organization (As of April 1, 2026)



Main Affiliated Companies (As of April 1, 2026)

Nippon Sanso Corporation
1-3-26 Koyama, Shinagawa-ku, Tokyo 142-8558, Japan
Tel: +81-3-5788-8000

Nippon Sanso Matheson, Inc.
909 Lake Carolyn Parkway, Suite 1300, Irving, TX 75039, U.S.A.
Tel: +1-972-560-5700

Nippon Sanso Euro-Holding S.L.U.
Calle Orense, 11 - 9o E-28020 Madrid, Spain
Tel: +34-91-453-72-00

Nippon Sanso Matheson Korea, Co., Ltd.
94, Eumbongmyeon-ro, Eumbong-myeon, Asan-si, Chungcheongnam-do, South Korea 31443
Tel: +82-41-539-7400

Nippon Sanso (Shanghai) Gas Co., Ltd.
No.1959, Zhuanxing Road, Xinzhuang Industry District, Shanghai, P.R. China
Tel: +86-21-6442-2966

Nippon Sanso (Shanghai) Electronic Materials Co., Ltd.
1601, New Bund International Square, No.90 Qirong Road, Pudong New Area, Shanghai, P.R. China
Tel: +86-21-5835-8700

Nippon Sanso Taiwan, Inc.
5F-1 No.1 Sec.3 Gongdao 5th rd., East Dist., Hsinchu City 30069, Taiwan, R.O.C. (TFC ONE Building)
Tel: +886-3-572-6588

Nippon Sanso Ingasco, Inc.
One Corporate Center 23rd Floor, Dona Julia Vargas Avenue, Corner Meralco Avenue Ortigas Center, Pasig City 1605, Philippines
Tel: +63-2-8626-1504

Nippon Sanso Vietnam Joint Stock Company
No.33, Road 3A Bien Hoa Industrial Zone II, Bien Hoa City, Dong Nai Province, Vietnam
Tel: +84-251-3836706–09

Nippon Sanso (Thailand) Co., Ltd.
282 Bangbon 3 Road, Kwaeng Nongkhaem, Khet Nongkhaem, Bangkok 10160, Thailand
Tel: +66-2-445-5010

Nippon Sanso Holdings Singapore Pte. Ltd.
8 Jurong Town Hall Road, #23-03/04, The JTC Summit, Singapore 609434
Tel: +65-6804-6230

Nippon Sanso India Pvt. Ltd.
A-1/2-2A, Village Shinde, Taluka Khed, Chakan MIDC, Pune 410501, Maharashtra, India
Tel: +91-2135-667700

Supagas Pty Ltd
5 Benson Road, Ingleburn, NSW 2565, Australia
Tel: +61-2-8788-4444

Thermos K.K.
21F Mita NN Bldg., 4-1-23 Shiba, Minato-ku, Tokyo 108-8450, Japan
Tel: +81-3-5730-0130

Data Section

Group Information

Editorial Note

Publication Process of This Report

In publishing Integrated Report 2026, we held multiple planning and editorial meetings to discuss the opinions and requests received from a wide range of stakeholders through interviews and surveys, while engaging in dialogue with shareholders and investors on a daily basis.

The Group worked as one under the Integrated Report Production Committee led by CFO Koichiro Kubo, gathering and collating information on initiatives in each business and region for the entire Group.

Main Discussion Themes

- Consider the direction for Integrated Report 2026
- Approach to the corporate value calculation formula
- Value creation process
- Key strategies of the medium-term management plan, Next Innovation 2030
  - Enhance the Profitability of the Industrial Gas Business
  - Expansion of the Electronics Business
  - Creating Future Growth Drivers
- NSHD Group's branding
- NSHD Group's human capital management
- NSHD Group's sustainability
- NSHD Group's DX initiatives
- NSHD Group's engineering
- NSHD Group's technology and R&D
- NSHD Group's governance
- NSHD Group's risk management and compliance

People Who Helped to Produce This Report (in no particular order)

Nippon Sanso Holdings Corporation
Koichiro Kubo, Takeshi Miki, Yutaka Okuda, Teiichiro Sawa, Masayoshi Omichi, Yasukazu Takada, Kentaro Akashi, Norikazu Araki, Hiromasa Ishimoto, Kohei Ichiya, Shintaro Ito, Tomohiro Oyama, Mamoru Kai, Keita Kajiyama, Takeshi Kato, Akiko Kamata, Toshiaki Kuwano, Osamu Koike, Kimitaka Koga, Hisanori Goto, Yuji Sakuramoto, Toru Shiota, Riki Shibata, Saiko Shimada, Hideo Nakajima, Tomoki Nakamura, Katsumi Nagasawa, Kazuhiko Nishikawa, Shingo Noguchi, Yoshiyuki Hagihara, Miri Hara, Hiroaki Hijino, Hironori Maeda, Kentaro Matsuda, Masako Miyatake, Katsu Yamaguchi, Katsuhito Yamaji, Hisae Yamamoto, Yosuke Wakasugi, Tadaharu Watanabe, Yuzuki Watanabe, Satoshi Wataru, Cesar Callejo, Jan Van den Bulck, Todd Givens

Nippon Sanso Corporation
Kenji Nagata, Sachiko Abe, Yuya Ayako, Ryuichi Ishikawa, Yoko Okada, Takashi Kameoka, Ryosuke Kawai, Hayato Gessho, Kunihiro Kobayashi, Hideharu Shimizu, Yoko Sugiyama, Asami Takai, Daichi Takabatake, Kazuma Tsuboi, Hidetaka Nishimura, Kenya Hashimoto, Hideyuki Hashimoto, Koji Makino, Aika Mine

Nippon Sanso Matheson, Inc.
Alan David Draper, Joe Porto, Karen Gilgenbach, Mathew Jacob, Ron Kastawa, Sally Perez, Brian M. Smith, Patricia Treviño

Nippon Sanso Espana S.L.U.
Juan Carlos Carrillo Sevilla, Jesús García Sutil

Nippon Sanso Euro-Holding S.L.U.
Raoul Giudici, Christoph Laumen, Jose Maria Martinez Gallo, Martina Piccolo, Laura Zanotti

Nippon Sanso Holdings Singapore Pte. Ltd. Charlotte Khoo

Nippon Sanso Singapore Ltd. Lisa, Toon Hui Teng

Nippon Sanso Matheson Korea, Co., Ltd. Jae Kim

Supagas Pty Ltd Dominie Kelly

Polaris S.r.l. Mario Masetto

Thermos K.K. Yuji Kataoka, Miku Takeda

Thermos (China) Housewares Co., Ltd. Munehiro Ishida

To All the Employees Who Helped Produce This Report

Integrated Report 2026 was made possible only through the efforts of our roughly 20,000 teammates across Japan, the United States, Europe, Asia and Oceania, and Thermos who work every day to provide solutions to customers around the world.

The foundation of this report is built upon everyone who took part in interviews and discussions, everyone who set aside time to write and check drafts, and everyone who, through their daily business activities, has contributed to our achievements and initiatives. It is through the cooperation of a truly large number of colleagues, both direct and indirect, that this report has been completed.

We are in regions around the world, connecting with one another and sharing information to generate synergies, as members of the NSHD Group. That picture of our Group is precisely what each and every one of you creates through your daily activities.

Once again, I extend my heartfelt thanks to the many colleagues who contributed to the production of this report.

Keita Kajiyama
General Manager, Investor Relations and Corporate Communications, Group Finance and Accounting Office

NIPPON SANSO

Nippon Sanso Holdings Corporation

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https://jp.nipponsanso.com/en/