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# CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2022

This document has been extracted and translated from the Japanese original report (Yukashoken-Hokokusho) issued on June 20, 2022 for reference purposes only. In the event of any discrepancy between this translated document and Japanese version, the Japanese version shall prevail.

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# Consolidated Financial Statements

Nippon Sanso Holdings and Consolidated Subsidiaries

## Consolidated Statement of Financial Position

	Notes	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
(Millions of yen)			
<b>Assets</b>			
Current assets			
Cash and cash equivalents	6	¥ 93,697	¥ 91,058
Trade receivables	7	218,480	182,077
Inventories	8	80,064	69,613
Other financial assets	13	7,310	6,710
Other current assets	14	22,940	19,441
Total current assets		422,493	368,901
Non-current assets			
Property, plant and equipment	9	729,658	685,733
Goodwill	10	485,190	455,036
Intangible assets	10	241,320	237,751
Investments accounted for using the equity method	12	35,700	32,295
Other financial assets	13	55,410	49,739
Retirement benefit asset	19	2,468	2,467
Other non-current assets	14	1,163	1,120
Deferred tax assets	29	3,619	3,249
Total non-current assets		1,554,532	1,467,393
Total assets		¥1,977,026	¥1,836,294
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Current liabilities			
Trade payables	15	¥ 115,123	¥ 96,093
Bonds and borrowings	16	110,595	131,721
Income taxes payable		9,746	11,022
Other financial liabilities	17	65,228	58,428
Provisions	20	1,068	469
Other current liabilities	21	29,832	28,284
Total current liabilities		331,595	326,019
Non-current liabilities			
Bonds and borrowings	16	779,749	780,895
Other financial liabilities	17	31,231	29,453
Retirement benefit liability	19	14,165	14,037
Provisions	20	5,107	3,870
Other non-current liabilities	21	20,918	19,359
Deferred tax liabilities	29	133,120	118,757
Total non-current liabilities		984,292	966,374
Total liabilities		1,315,888	1,292,394
<b>Equity</b>			
Share capital	22	37,344	37,344
Capital surplus	22	55,945	55,901
Treasury shares	22	(281)	(273)
Retained earnings	22	476,589	422,838
Other components of equity	22	59,115	(2,646)
Total equity attributable to owners of parent		628,714	513,164
Non-controlling interests		32,423	30,736
Total equity		661,137	543,900
Total liabilities and equity		¥1,977,026	¥1,836,294

See notes to consolidated financial statements.

## Consolidated Statement of Profit or Loss

	Notes	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
(Millions of yen)			
Revenue	4, 26	¥ 957,169	¥ 818,238
Cost of sales		(598,597)	(500,799)
Gross profit		358,572	317,439
Selling, general and administrative expenses		(259,204)	(233,276)
Other operating income	27	2,241	3,949
Other operating expenses	27	(3,937)	(4,867)
Share of profit of investments accounted for using the equity method	12	3,512	5,602
Operating profit		101,183	88,846
Finance income	28	2,192	1,424
Finance costs	28	(11,765)	(12,564)
Profit before income taxes		91,611	77,706
Income taxes	29	(24,973)	(20,842)
Profit		¥ 66,637	¥ 56,863
Profit attributable to:			
Owners of parent		¥ 64,103	¥ 55,214
Non-controlling interests		2,534	1,648
Earnings per share			
Basic earnings per share (Yen)	30	¥ 148.13	¥ 127.59

See notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

	Notes	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
(Millions of yen)			
Profit		¥ 66,637	¥ 56,863
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	24	6,773	7,617
Remeasurements of defined benefit plans	24	607	710
Share of other comprehensive income of investments accounted for using the equity method	24	70	(31)
Total of items that will not be reclassified to profit or loss		7,451	8,296
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	24	55,994	53,841
Effective portion of net change in fair value of cash flow hedges	24	299	56
Share of other comprehensive income of investments accounted for using the equity method	24	1,979	(133)
Total of items that may be reclassified subsequently to profit or loss		58,273	53,764
Total other comprehensive income		65,725	62,060
Comprehensive income		¥132,363	¥118,924
Comprehensive income attributable to:			
Owners of parent		¥129,325	¥116,598
Non-controlling interests		3,038	2,325

See notes to consolidated financial statements.

# Consolidated Financial Statements

Nippon Sanso Holdings and Consolidated Subsidiaries

## Consolidated Statement of Changes in Equity

(Millions of yen)

	Notes	FYE2022 (From April 1, 2021 to March 31, 2022)			
		Share capital	Capital surplus	Treasury shares	Retained earnings
Balance at April 1, 2021		¥37,344	¥55,901	¥(273)	¥422,838
Profit		—	—	—	64,103
Other comprehensive income	24	—	—	—	—
Comprehensive income		—	—	—	64,103
Purchase of treasury shares	22	—	—	(7)	—
Disposal of treasury shares	22	—	0	0	—
Dividends	23	—	—	—	(13,853)
Changes in ownership interest in subsidiaries		—	43	—	—
Business combinations or business divestitures		—	—	—	—
Transfer from other components of equity to retained earnings		—	—	—	3,459
Change in scope of consolidation		—	—	—	41
Other changes		—	—	—	—
Total transactions with owners		—	43	(7)	(10,352)
Balance at March 31, 2022		¥37,344	¥55,945	¥(281)	¥476,589

	Notes	Other components of equity							
		Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2021		¥(18,029)	¥ 71	¥15,310	¥ —	¥(2,646)	¥513,164	¥30,736	¥543,900
Profit		—	—	—	—	—	64,103	2,534	66,637
Other comprehensive income	24	57,457	296	6,844	623	65,222	65,222	503	65,725
Comprehensive income		57,457	296	6,844	623	65,222	129,325	3,038	132,363
Purchase of treasury shares	22	—	—	—	—	—	(7)	—	(7)
Disposal of treasury shares	22	—	—	—	—	—	0	—	0
Dividends	23	—	—	—	—	—	(13,853)	(991)	(14,844)
Changes in ownership interest in subsidiaries		—	—	—	—	—	43	(379)	(335)
Business combinations or business divestitures		—	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings		—	—	(2,836)	(623)	(3,459)	—	—	—
Change in scope of consolidation		—	—	—	—	—	41	5	46
Other changes		—	—	—	—	—	—	14	14
Total transactions with owners		—	—	(2,836)	(623)	(3,459)	(13,775)	(1,350)	(15,126)
Balance at March 31, 2022		¥ 39,428	¥368	¥19,319	¥ —	¥59,115	¥628,714	¥32,423	¥661,137

(Millions of yen)

	Notes	FYE2021 (From April 1, 2020 to March 31, 2021)			
		Share capital	Capital surplus	Treasury shares	Retained earnings
Balance at April 1, 2020		¥37,344	¥56,387	¥(268)	¥379,322
Profit		—	—	—	55,214
Other comprehensive income	24	—	—	—	—
Comprehensive income		—	—	—	55,214
Purchase of treasury shares	22	—	—	(5)	—
Disposal of treasury shares	22	—	0	0	—
Dividends	23	—	—	—	(12,121)
Changes in ownership interest in subsidiaries		—	(485)	—	—
Business combinations or business divestitures		—	—	—	—
Transfer from other components of equity to retained earnings		—	—	—	588
Change in scope of consolidation		—	—	—	(166)
Other changes		—	—	—	—
Total transactions with owners		—	(485)	(5)	(11,699)
Balance at March 31, 2021		¥37,344	¥55,901	¥(273)	¥422,838

	Notes	Other components of equity							
		Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2020		¥(71,170)	¥19	¥7,709	¥ —	¥(63,441)	¥409,344	¥31,349	¥440,693
Profit		—	—	—	—	—	55,214	1,648	56,863
Other comprehensive income	24	53,141	52	7,507	682	61,383	61,383	677	62,060
Comprehensive income		53,141	52	7,507	682	61,383	116,598	2,325	118,924
Purchase of treasury shares	22	—	—	—	—	—	(5)	—	(5)
Disposal of treasury shares	22	—	—	—	—	—	0	—	0
Dividends	23	—	—	—	—	—	(12,121)	(681)	(12,803)
Changes in ownership interest in subsidiaries		—	—	—	—	—	(485)	(2,787)	(3,273)
Business combinations or business divestitures		—	—	—	—	—	—	54	54
Transfer from other components of equity to retained earnings		—	—	93	(682)	(588)	—	—	—
Change in scope of consolidation		—	—	—	—	—	(166)	—	(166)
Other changes		—	—	—	—	—	—	476	476
Total transactions with owners		—	—	93	(682)	(588)	(12,778)	(2,939)	(15,717)
Balance at March 31, 2021		¥(18,029)	¥71	¥15,310	¥ —	¥(2,646)	¥513,164	¥30,736	¥543,900

See notes to consolidated financial statements.

## Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	FYE2022	FYE2021
		(From April 1, 2021 to March 31, 2022)	(From April 1, 2020 to March 31, 2021)
Cash flows from operating activities			
Profit before income taxes		¥ 91,611	¥ 77,706
Depreciation and amortization		92,435	86,380
Impairment losses		1,216	2,022
Interest and dividend income		(965)	(821)
Interest expenses		11,601	12,554
Share of (profit) loss of investments accounted for using the equity method		(3,512)	(5,602)
Loss (gain) on sales and retirement of property, plant and equipment and intangible assets		449	(295)
(Increase) decrease in trade receivables		(28,158)	2,248
(Increase) decrease in inventories		(6,764)	(766)
Increase (decrease) in trade payables		14,264	(938)
(Increase) decrease in retirement benefit asset		(580)	(394)
Increase (decrease) in retirement benefit liability		1,095	764
Other		4,756	(529)
Subtotal		177,451	172,328
Interest received		201	195
Dividends received		3,720	6,117
Interest paid		(10,842)	(11,548)
Income taxes refund (paid)		(21,770)	(17,860)
Net cash provided by operating activities		148,760	149,231
Cash flows from investing activities			
Purchase of property, plant and equipment		(74,478)	(60,075)
Proceeds from sales of property, plant and equipment		1,516	1,434
Purchase of investments		(1,560)	(633)
Proceeds from sales and redemption of investments		6,083	252
Payments for acquisition of subsidiaries		(520)	(119)
Proceeds from sales of subsidiaries		0	—
Payments for acquisition of businesses		—	(608)
Other		(1,900)	64
Net cash used in investing activities		(70,858)	(59,686)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		8,016	(22,924)
Net increase (decrease) in commercial papers		(10,000)	(3,000)
Proceeds from long-term borrowings		25,105	58,106
Repayments of long-term borrowings		(86,466)	(101,049)
Proceeds from issuance of bonds		25,000	—
Redemption of bonds		(15,000)	(10,000)
Repayments of lease liabilities		(9,437)	(8,688)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation		(276)	(2,834)
Dividends paid	23	(13,853)	(12,121)
Dividends paid to non-controlling interests		(991)	(681)
Other		(43)	34
Net cash used in financing activities		(77,946)	(103,159)
Effect of exchange rate changes on cash and cash equivalents		2,416	4,543
Net increase (decrease) in cash and cash equivalents		2,371	(9,070)
Balance of cash and cash equivalents at beginning of the fiscal year		91,058	100,005
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation		266	105
Increase in cash and cash equivalents resulting from merger		—	19
Balance of cash and cash equivalents at end of the fiscal year	6	¥ 93,697	¥ 91,058

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

## 1. Reporting Entity

Nippon Sanso Holdings Corporation (the “Company”) is a company located in Japan and is listed on the Prime Market of the Tokyo Stock Exchange. The registered address of the Company’s head office is disclosed on its website (<https://www.nipponsanso-hd.co.jp>). The consolidated financial statements of the Company and its subsidiaries (collectively, the “NSHD Group”) comprise interests in the NSHD Group, its associates, and joint arrangements, with March 31 as the

## 2. Basis of Preparation

### (1) Conformity with IFRS

The consolidated financial statements of the NSHD Group have been prepared in compliance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board. Since the Company meets the requirements of a “Specified Company Applying Designated IFRS” prescribed under Article 1-2 of the Japanese Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, the Company has adopted the provisions of Article 93 of said ordinance.

### (2) Approval of financial statements

The NSHD Group’s consolidated financial statements were approved by Toshihiko Hamada, President CEO of the Company, and Alan David Draper, Chief Financial Officer, on June 17, 2022.

### (3) Basis of measurement

The NSHD Group’s consolidated financial statements were prepared on a historical cost basis, except for certain assets and liabilities including financial instruments measured at fair value as described in Note “3. Significant Accounting Policies.”

### (4) Presentation currency

The NSHD Group’s consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company, and amounts are rounded down to the nearest million yen.

### (5) Use of judgments, estimates, and assumptions

In preparing the NSHD Group’s consolidated financial statements in accordance with IFRS, management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

end of the fiscal year. The NSHD Group conducts gas businesses in Japan and overseas, mainly for customers in the steel, chemical, and electronics industries. In addition, the NSHD Group manufactures and sells housewares such as stainless steel vacuum bottles. Details are described in Note “4. Segment Information.”

The Company’s parent is Mitsubishi Chemical Holdings Corporation.

Estimates and underlying assumptions are reviewed on an ongoing basis. The impacts of changes in accounting estimates are recognized in the accounting period in which the estimates are changed and in future accounting periods affected. Regarding the impact of the COVID-19 pandemic, based on the information available at March 31, 2022, the NSHD Group assumes that such impact would be insignificant for the purpose of accounting estimates, while uncertainty remains due to the spread of new COVID-19 variants. The amounts determined based on accounting judgments and estimates may be subject to change if these assumptions and conditions change.

Major information on accounting judgments, estimates, and assumptions that may have significant impacts on the NSHD Group’s consolidated financial statements is as follows:

- Impairment of non-financial assets (Note “11. Impairment Losses”)
- Recoverability of deferred tax assets (Note “29. Income Taxes”)
- Measurement of defined benefit obligations (Note “19. Post-employment Benefits”)
- Fair value of financial instruments (Note “32. Financial Instruments”)

### (6) New accounting standards applied

The NSHD Group has applied the accounting standards and interpretations that became mandatory from the fiscal year ended March 31, 2022. There is no material impact on the consolidated financial statements of the NSHD Group.

### (7) New accounting standards and interpretations that are not yet applied

Regarding major accounting standards and interpretations issued prior to the approval date of the consolidated financial statements as of and for the fiscal year ended March 31, 2022, the NSHD Group has applied all those accounting standards and interpretations, including early application, that would have potential significant impacts on the consolidated financial statements.

## 3. Significant Accounting Policies

### (1) Basis of consolidation

#### 1) Subsidiaries

Subsidiaries refer to companies controlled by the NSHD Group. The NSHD Group judges that it controls a company if the NSHD Group has the exposure or rights to variable returns arising from its involvement in the investee and has the ability to influence such returns due to power over the investee.

In preparing the consolidated financial statements, the financial statements of each Group company prepared at the same closing date based on the unified accounting policies of the NSHD Group are used. If accounting policies applied by a subsidiary are different from the accounting policies applied by the NSHD Group, adjustments are made to the financial statements of such subsidiary as necessary.

Consolidation of subsidiaries begins on the date when the NSHD Group acquires control over the subsidiaries until the date when the control over the subsidiaries is lost.

Transactions between consolidated companies, as well as the balance of receivables and payables and unrealized gains and losses arising from such transactions, are eliminated in preparing the consolidated financial statements.

If there is a change in interests in consolidated subsidiaries not involving a loss of control, it is accounted for as an equity transaction. The difference between the adjustment amount of the non-controlling interests and the fair value of the consideration is recognized directly in equity as equity attributable to owners of parent.

In the event of a loss of control, the NSHD Group measures and recognizes the remaining investment at fair value on the date when the control has been lost. Gains and losses arising from the loss of control are recognized in profit or loss.

Non-controlling interests in consolidated subsidiaries’ net assets are identified separately from the NSHD Group’s interests. Comprehensive income of consolidated subsidiaries is attributable to owners of parent and non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

#### 2) Associates

Associates refer to companies over which the NSHD Group has a significant influence on their financial and operating policies but does not have control or joint control.

The NSHD Group accounts for investments in associates using the equity method.

Investments in associates under the equity method are recognized at cost at the time of acquisition and recorded in the consolidated statement of financial position after adjusting the NSHD Group’s interests in changes in net assets of the associates after acquisition.

The consolidated statement of profit or loss reflects the NSHD Group’s interests in the performance of associates. If there is a change in the amount recognized in other comprehensive income of associates,

the NSHD Group’s interests in such change are recognized in other comprehensive income.

Adjustments are made to consolidated financial statements in order to eliminate the NSHD Group’s interests in unrealized gains and losses arising from transactions between the NSHD Group and associates.

Financial statements of associates are prepared for the same reporting period as the NSHD Group. Adjustments are made to make accounting policies of the associates consistent with the NSHD Group’s accounting policies.

In the event of loss of significant influence over associates, the NSHD Group measures and recognizes the remaining investment at fair value on the date when significant influence is lost. Gains and losses arising from the loss of significant influence are recognized in profit or loss.

#### 3) Joint arrangements

Joint arrangements refer to arrangements that require the unanimous consent of the parties sharing control over decision-making on relevant activities.

A joint venture (jointly controlled entity) refers to a joint agreement where parties with joint control over the arrangement have the right to the net assets of such arrangement.

If the NSHD Group has a share in a joint venture, the NSHD Group accounts for such share using the equity method.

A joint operation (jointly controlled business) refers to a business in which parties with joint control substantially have the right to assets and the obligation to liabilities related to joint arrangements.

If the NSHD Group has a share in a joint operation, the NSHD Group recognizes the investment concerning such joint operation only at the equivalent amount of the NSHD Group’s interests in the assets, liabilities, income, and expenses arising from jointly controlled operating activities. Transactions between the NSHD Group companies, as well as the balance of receivables and payables and unrealized gains and losses arising from such transactions, are eliminated.

The NSHD Group has more than 50% of the voting rights of Sakai Gas Center, Inc. The NSHD Group judges that said company qualifies as a joint operation.

#### (2) Business combinations

Business combinations are accounted for using the acquisition method.

If the initial accounting for business combinations has not been completed by the end of the period in which the business combinations occurred, they are accounted for at a provisional amount for the items for which the accounting is incomplete. The provisional amount is adjusted during the measurement period, which is within one year from the acquisition date.

The consideration transferred in a business combination is calculated as the sum of acquisition-date fair value of assets transferred by

## Notes to Consolidated Financial Statements

the acquirer, liabilities incurred by the acquirer to former owners of the acquiree, and equity interests issued by the acquirer.

Non-controlling interests in the acquiree are measured for each business combination either at fair value or at the amount equivalent to the non-controlling interests in proportion to the fair value of identifiable net assets of the acquiree.

Acquisition-related costs incurred in connection with business combinations are recognized as expenses for the period in which such costs were incurred.

When the NSHD Group acquires a business, it classifies and designates assets to be acquired and liabilities to be assumed based on contract terms, economic conditions, and related conditions at the acquisition date. In addition, identifiable assets acquired and liabilities assumed are in principle measured at fair value on the acquisition date.

If a business combination is achieved in stages, the interest held before acquiring the control of the acquiree is revalued at fair value at the acquisition date, and the difference is recognized in profit or loss. The amount of the interest in the acquiree that was recorded in other comprehensive income before the acquisition date is accounted for in the same manner as in the case where the acquirer disposed of its interests.

Goodwill is measured as the amount of the aggregate amount of the consideration transferred and the amount recognized as non-controlling interests exceeding the net of identifiable assets acquired and liabilities assumed.

If the aggregate amount recognized as the consideration transferred and non-controlling interests is less than the net of identifiable assets acquired and liabilities assumed, the difference is recognized in profit or loss.

After initial recognition, goodwill acquired through a business combination is not amortized but is recorded at the amount initially recognized less the accumulated impairment loss. In addition, impairment tests are performed each year and whenever there is an indication of impairment.

### (3) Foreign currency translation

The consolidated financial statements of the NSHD Group are presented in Japanese yen, the functional currency of the Company. In addition, each company within the NSHD Group designates its own functional currency, and transactions of each company are measured in its functional currency.

Transactions denominated in a foreign currency are translated into functional currencies at the spot exchange rate at the transaction date or at a rate similar thereto.

Monetary assets and liabilities denominated in a foreign currency are translated into functional currencies at the spot exchange rate at the end of the reporting period. Translation differences arising from such translation and settlement are recognized in profit or loss. However, financial instruments designated as hedging instruments of net investments in foreign operations, financial assets measured through other comprehensive income, and translation differences arising from cash flow hedges are recognized in other comprehensive income.

The assets and liabilities of foreign operations are translated into Japanese yen at the spot exchange rate at the end of the reporting period, and the income and expenses of foreign operations are translated into Japanese yen at the spot exchange rate at the transaction date or at a rate similar thereto. The translation differences are recognized in other comprehensive income.

If a foreign operation is disposed of, the cumulative translation differences related to such operation are recognized in profit or loss for the period in which the disposal occurs.

### (4) Financial instruments

#### 1) Financial assets (excluding derivatives)

##### (i) Initial recognition and measurement

The NSHD Group initially recognizes trade receivables at a point in time when a performance obligation is satisfied and an unconditional right to consideration is acquired in accordance with IFRS 15. All other financial assets are initially recognized at the transaction date when the NSHD Group becomes a contractual party to such financial assets.

The NSHD Group classifies its financial assets into (a) financial assets measured at amortized cost and (b) financial assets measured at fair value through other comprehensive income. The classification is determined at the time of initial recognition of the financial assets.

##### (a) Financial assets measured at amortized cost

Debt financial assets are classified as financial assets measured at amortized cost if both of the following criteria are met:

- Financial assets are held based on a business model with an objective of holding financial assets to recover contractual cash flows.
- Contractual terms of financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on a specified date.

Financial assets measured at amortized cost are measured at fair value plus transaction costs directly attributable to the acquisition of such financial assets.

##### (b) Financial assets measured at fair value through other comprehensive income

Debt financial assets are classified as financial assets measured at fair value through other comprehensive income if both of the following criteria are met:

- Financial assets are held based on a business model with an objective of collecting contractual cash flows and selling financial assets.
- Contractual terms of financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on a specified date.

Equity financial assets are designated as financial assets measured at fair value through other comprehensive income, and such designation is applied on an ongoing basis.

Financial assets measured at fair value through other comprehensive income are measured at fair value plus transaction costs directly attributable to the acquisition of such financial assets.

##### (ii) Subsequent measurement

After initial recognition, financial assets are measured according to their classification as follows:

##### (a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

##### (b) Financial assets measured at fair value through other comprehensive income

Financial assets other than financial assets measured at amortized cost are measured at fair value.

For financial assets measured at fair value through other comprehensive income, changes in fair value are recognized in other comprehensive income. If they are derecognized or their fair value significantly declines, they are transferred to retained earnings.

##### (iii) Derecognition

The NSHD Group derecognizes financial assets only if contractual rights to cash flows arising from the financial assets cease to exist, or if the financial assets are transferred and substantially all the risks and rewards have been transferred.

If the NSHD Group does not transfer or retain substantially all the risks or rewards but continues to control the financial assets transferred, recognition of such financial assets is continued to the extent to which the NSHD Group has a continuing involvement, and in that case, related liabilities are also recognized.

##### (iv) Impairment

The NSHD Group recognizes impairment of financial assets based on whether there is a significant increase in credit risk from the time of initial recognition in financial assets or financial asset groups measured at amortized cost at the end of each reporting period.

For financial assets or financial asset groups measured at amortized cost, expected credit losses for 12 months are recognized as allowance for doubtful accounts if credit risk has not significantly increased from the time of initial recognition. However, for trade receivables, expected credit losses over the remaining period are recognized.

If there is a significant increase in credit risk from the time of initial recognition, expected credit losses over the remaining period are recognized as allowance for doubtful accounts.

Whether or not the credit risk has significantly increased is judged based on a change in the default risk. In judging whether there is any change in the default risk, overdue status (past-due information) is mostly considered.

In addition, expected credit losses are measured based on the discounted present value of the difference between the amount receivable on a contract basis and the amount expected to be received based on past credit losses, etc.

### 2) Financial liabilities (excluding derivatives)

#### (i) Initial recognition and measurement

The NSHD Group classifies its financial liabilities into (a) financial liabilities measured at amortized cost and (b) financial liabilities measured at fair value through profit or loss. The classification is determined at initial recognition of the financial liabilities. All financial liabilities are initially measured at fair value. However, financial liabilities measured at amortized cost are measured at fair value less transaction costs directly attributable to such financial liabilities.

#### (ii) Subsequent measurement

After initial recognition, financial liabilities are measured according to their classification as follows:

##### (a) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method after initial recognition. Amortization by the effective interest method and gains and losses from derecognition are recognized in profit or loss.

##### (b) Financial liabilities measured at fair value through profit or loss

For financial liabilities measured at fair value through profit or loss, the portion related to changes in the NSHD Group's credit risk from changes in fair value is recognized in other comprehensive income after initial recognition, and the remaining amount is recognized in profit or loss.

#### (iii) Derecognition

The NSHD Group derecognizes financial liabilities in cases of the performance, exemption, or expiration of the obligation of financial liabilities, and when the exchange occurs under substantially different terms, or when there has been a substantial modification of the terms.

### 3) Offset of financial instruments

Financial assets and financial liabilities are offset only if there is a current enforceable legal right to offset the recognized amounts, and if there is an intention to settle at a net amount or realize the assets and settle the liabilities simultaneously. They are then recorded at a net amount in the consolidated statement of financial position.

### 4) Derivatives and hedge accounting

The NSHD Group uses derivatives such as forward exchange contracts, interest rate swap contracts, and currency swap contracts to hedge currency risks and interest rate risks. These derivatives are initially measured at fair value at the time when the contracts were entered and remeasured at fair value thereafter.

Fair value changes of derivatives are recognized in profit or loss. However, the effective portion of cash flow hedges and hedges of net investments in foreign operations is recognized in other comprehensive income.

At inception of the hedge, the NSHD Group formally designates and documents the hedging relationships to which hedge accounting is

## Notes to Consolidated Financial Statements

applied and the risk management objective and strategy for undertaking the hedge. Such documentation includes specific hedging instruments, hedged items or transactions, the nature of the risk being hedged, and how the NSHD Group will assess effectiveness of the hedging instruments in fair value changes when offsetting the exposure to changes in fair value or cash flows of the hedged items attributable to the hedged risks. The NSHD Group evaluates whether or not derivatives used for hedging transactions are effective for offsetting changes in fair value or cash flows of the hedged items at inception of the hedge and on an ongoing basis. Specifically, the NSHD Group determines that a hedge is effective in the case where the economic relationship between the hedged item and the hedging instruments results in an offset.

Hedges that meet strict criteria for hedge accounting are classified and accounted for under IFRS 9 as follows.

### (i) Fair value hedges

Fair value changes in derivatives are recognized in profit or loss. For fair value changes in the hedged items attributable to the risks to be hedged, the carrying amount of the hedged items is adjusted and recognized in profit or loss.

### (ii) Cash flow hedges

The effective portion of gain or loss on the hedging instruments is recognized in other comprehensive income, and the ineffective portion is immediately recognized in profit or loss.

The amount related to the hedging instruments recorded in other comprehensive income is transferred to profit or loss when hedged transactions affect profit or loss. If the hedged item results in the recognition of non-financial assets or non-financial liabilities, the amount recognized in other comprehensive income is treated as an adjustment of the initial carrying amount of the non-financial assets or non-financial liabilities.

If forecasted transactions are no longer expected to occur, the cumulative gain or loss previously recognized as equity through other comprehensive income is transferred to profit or loss.

If the hedging instrument is terminated or exercised without expiration, sale, or exchange or renewal to another hedging instrument, or if it no longer qualifies for hedge accounting due to events such as a change in risk management objective, the cumulative gain or loss previously recognized in equity through other comprehensive income is continuously recorded in equity until the forecasted transaction occurs, or is no longer expected to occur.

### (iii) Hedges of net investments in foreign operations

As to hedges of net investments in foreign operations, the NSHD Group applies the same accounting treatment as to cash flow hedges. The effective portion of gain or loss on the hedging instruments is recognized in other comprehensive income, and the ineffective portion is immediately recognized in profit or loss. When a foreign operation is disposed, cumulative gain or loss previously recognized in equity through other comprehensive income is reclassified to profit or loss.

### 5) Fair value of financial instruments

The fair value of financial instruments traded in active financial markets as of the end of the reporting period refers to quoted prices in markets or dealer prices.

The fair value of financial instruments for which active markets do not exist is calculated by referring to appropriate valuation techniques or prices provided by counterparty financial institutions.

### (5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments with a maturity of three months or less from the acquisition date that are readily convertible into cash and subject to an insignificant risk of changes in value.

### (6) Inventories

The cost of inventories includes costs of purchase, costs of conversion, and all other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured at the lower of cost and net realizable value. The weighted average method is principally used to calculate the cost. In addition, the net realizable value is calculated at the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### (7) Property, plant and equipment

The NSHD Group adopts the cost model for measurement of property, plant and equipment.

Property, plant and equipment are presented at cost less accumulated depreciation and accumulated impairment losses.

The cost includes the costs directly attributable to the acquisition of the assets, the costs of their dismantlement, removal or restoration, and the borrowing costs that meet the recognition criteria.

All property, plant and equipment other than land are depreciated so that the depreciable amount, which is cost less the residual value at the end of the fiscal year, is allocated on a systematic basis using the straight-line method.

Estimated useful lives of major property, plant and equipment are as follows:

Buildings and structures:	3 to 50 years
Machinery and vehicles:	3 to 20 years
Tools, furniture and fixtures:	2 to 25 years

### (8) Intangible assets

The NSHD Group adopts the cost model for measurement of intangible assets.

Intangible assets are presented at cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired through business combinations is measured at fair value as of the acquisition date. For internally

generated intangible assets, except for development costs that qualify for capitalization, all expenditures are recognized as expenses for the periods when they are incurred.

Intangible assets with finite useful lives are amortized over their estimated useful lives using the straight-line method. Impairment tests are performed whenever there is an indication of impairment. Estimated useful lives and method of amortization of intangible assets with finite useful lives are reviewed at the end of each reporting period, and if there is any change, it is applied prospectively as a change in accounting estimates.

Estimated useful lives of major intangible assets are as follows:

Customer-related intangible assets: 5 to 30 years

Intangible assets with indefinite useful lives and intangible assets not available for use are not amortized. Impairment tests are performed separately or by a cash-generating unit whenever there is an indication of impairment.

### (9) Leases

A contract is, or contains, a lease when the right to control the use of an identified asset is transferred for a period of time in the exchange for consideration, and the NSHD Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The NSHD Group determines whether a contract is, or contains, a lease based on the substance of the contract, even if the contract does not take the legal form of a lease.

The lease liability is measured at the present value of the total lease payments payable at the commencement date of the lease. The right-of-use asset is initially measured at the amount of the lease liability, adjusted for any initial direct costs and other costs such as prepaid lease payments as well as costs such as restoration obligations as required by the lease contract.

The lease payments are allocated between repayments of the lease liability and finance charges so as to achieve a constant rate of interest on the outstanding balance of the lease liability, and the finance charges are recognized in profit or loss.

A right-of-use asset is depreciated over its useful life on a systematic basis if ownership of the underlying asset is transferred to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects the exercise of a purchase option, otherwise it is depreciated over the shorter of its useful life or the term of the lease.

In addition, for leases with a lease term of 12 months or less and leases for which the underlying asset is of low value, lease payments associated with such leases are recognized as an expense on a regular basis over the lease term.

### (10) Impairment of assets

#### 1) Impairment of non-financial assets

The NSHD Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, and if assets need to be annually tested for impairment, the NSHD Group estimates the recoverable amount of the asset.

The recoverable amount of the asset is the higher of an asset's fair value less costs of disposal and its value in use. If the recoverable amount of each asset cannot be estimated, the recoverable amount of a cash-generating unit or a group of cash-generating units to which the asset belongs is estimated. If the carrying amount of a cash-generating unit or a group of cash-generating units exceeds the recoverable amount, impairment loss of the asset is recognized and write-downs of the asset are recorded up to the recoverable amount. In measuring the value in use, the discounted present value of expected future cash flows is calculated using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The business plan used to estimate future cash flows is in principle limited to five years. Future cash flows beyond the projected period of the business plan are calculated based on the long-term average growth rate according to individual circumstances.

In calculating fair value less costs of disposal, the NSHD Group uses an appropriate valuation model that is supported by indices of fair value available.

Goodwill is allocated to individual cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of a business combination after the acquisition date.

Goodwill or intangible assets with indefinite useful lives, and intangible assets not available for use, are tested for impairment annually or whenever there is an indication of impairment.

#### 2) Reversal of an impairment loss

For assets other than goodwill, impairment losses recognized in the previous fiscal years are assessed at the end of the reporting period as to whether or not there is any indication of the possibility of a decrease or extinguishment of loss due to factors such as a change in the assumption used in calculating the recoverable amount. If such indication exists, the recoverable amount of such assets, cash-generating units, or groups of cash-generating units is estimated. If such recoverable amount exceeds the carrying amount of such assets, cash-generating units, or groups of cash-generating units, the impairment loss is reversed up to the lower of the recoverable amount calculated and the carrying amount less the accumulated depreciation if the impairment loss was not recognized in previous fiscal years. The reversal of impairment loss is recognized in profit or loss.

For goodwill, impairment loss is not reversed.

#### (11) Assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as "assets held for sale" if their carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. The above requirements only apply if the sale is highly probable within one year and such assets (or disposal groups) are available for immediate sale in their present condition. Non-current assets (or disposal groups) classified as assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

## Notes to Consolidated Financial Statements

Property, plant and equipment and intangible assets classified as assets held for sale are not depreciated or amortized.

Discontinued operations include a component of an entity that has already been disposed of or classified as assets held for sale, and they are recognized if they constitute one operation of the NSHD Group and if there is a plan to dispose of one of the operations.

### (12) Borrowing costs

For assets that necessarily take a substantial period of time to prepare for intended use or sale, borrowing costs directly attributable to acquisition, construction, or production of such assets are capitalized as part of the cost of such assets. Other borrowing costs are recognized as an expense for the period when they are incurred.

### (13) Retirement benefits

The NSHD Group provides defined benefit plans and defined contribution plans as retirement benefit plans for employees.

The NSHD Group separately calculates the present value of the defined benefit obligations, related current service costs, and past service costs for each plan using the projected unit credit method.

The discount rate is calculated based on market yields at the end of the reporting period on high-quality corporate bonds.

Liabilities or assets related to the defined benefit plans are calculated by deducting the fair value of plan assets from the present value of defined benefit obligations.

Remeasurements of liabilities or assets relating to the defined benefit plans are all recognized in other comprehensive income for the period when they are incurred, and immediately reflected in retained earnings. In addition, past service costs are expensed for the period when they are incurred.

Expenses related to defined contribution plans are recognized as expenses for the period when they are incurred.

### (14) Provisions

A provision is recognized when the NSHD Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The NSHD Group measures the provisions at the present value of expenditures expected to be required to settle the obligation, when the effect of the time value of money is material. In calculating the present value, the NSHD Group uses a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the liability.

### (15) Equity

#### 1) Ordinary shares

The issue price of ordinary shares is recorded in share capital and capital surplus.

### 2) Treasury shares

When the NSHD Group purchases treasury shares, the consideration paid is recognized as a deduction from equity.

When the NSHD Group disposes of treasury shares, the difference between the carrying amount and the consideration at the time of disposal is recognized in capital surplus.

### (16) Revenue

The NSHD Group recognizes revenue in an amount that reflects the compensation to which the entities expect to be entitled in exchange for goods and services transferred to customers based on the following five-step model.

Step 1: Identify the contract with the customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the performance obligations are satisfied

The NSHD Group conducts gas businesses in Japan and overseas, mainly for customers in the steel, chemical, and electronics industries, and has built production and sales structures for its main products in Japan, the United States, Europe, and Asia and Oceania. In addition, the NSHD Group manufactures and sells housewares such as stainless steel vacuum bottles.

Regarding product sales in these businesses, because a customer acquires control over a product at the time the product is delivered, the NSHD Group judges that its performance obligations have been satisfied and recognizes revenue at the time the product is delivered.

Revenue is measured at the price promised in the contract with the customer, after deducting such amounts as discounts, rebates, and returns.

The amount of the price in the sales contract of a product is generally collected within one year from the time when control over the product is transferred to a customer, and does not include a significant financing component.

### (17) Government grants

A government grant is recognized at fair value when there is reasonable assurance that the NSHD Group will comply with any conditions attached to the grant and the grant will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the NSHD Group recognizes expenses for the related costs for which the grants are intended to compensate.

Government grants related to assets are recorded by deducting the amount of such grants from the cost of the assets.

### (18) Income taxes

Current taxes for the current and prior periods are calculated at the amount expected to be paid to (or recovered from) taxation authorities. The rates and laws used to calculate the tax amount are those that have been enacted or substantively enacted at the end of the reporting period.

Deferred taxes are recorded as the difference between the tax bases and the carrying amounts of assets and liabilities at the end of the reporting period (temporary difference) using the asset and liability method.

Deferred tax liabilities are in principle recognized for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences, unused tax losses, and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

However, there are exceptions in which deferred tax assets and liabilities are not recorded for the following temporary differences:

- Arising from initial recognition of goodwill
- Arising from initial recognition of an asset or liability in a transaction other than a business combination which does not affect either the accounting income or the taxable profit (or loss) at the time of the transaction
- For deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, when it is probable that the reversal will not occur in the foreseeable future, or it is less probable that taxable profit will be available against which the deductible temporary differences can be utilized, and
- For taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, when the NSHD Group is able to control the timing of the reversal of the temporary differences and it is probable that the reversal will not occur in the foreseeable future.

The carrying amount of deferred tax assets and liabilities (including unrecognized deferred tax assets) is reviewed at the end of each reporting period. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the assets are realized or liabilities are settled, based on tax rates and laws that have been enacted or substantively enacted at the end of the reporting period.

### (19) Earnings per share

The amount of basic earnings per share is calculated by dividing profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding after adjusting for treasury shares during the period. The amount of diluted earnings per share is calculated by adjusting the effects of all dilutive potential ordinary shares with dilutive effects.

## 4. Segment Information

### (1) Overview of reportable segments

The reportable segments of the NSHD Group are those for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The NSHD Group conducts gas businesses in Japan and overseas, mainly for customers in the steel, chemical, and electronics industries, and has built production and sales structures for its main products in Japan, the United States, Europe, and Asia and Oceania. In addition, the NSHD Group manufactures and sells housewares such as stainless steel vacuum bottles. Therefore, the Company has established the following five reportable segments: Gas Business in Japan, Gas Business in the United States, Gas Business in Europe, Gas Business in Asia and Oceania, and Thermos Business.

### (Changes in reportable segments)

With the transition to a holding company structure, the NSHD Group has changed reportable segments and reconciliation items of the Company and some consolidated subsidiaries from the fiscal year ended March 31, 2022, in order to more appropriately evaluate each segment's operating results. Segment information for the previous fiscal year (FYE2021) has been restated to conform to the current fiscal year's presentation.

## Notes to Consolidated Financial Statements

The major products and services included in the five segments are shown in the table below.

Reportable segments	Major products and services
Gas Business in Japan	Oxygen, nitrogen, argon, carbon dioxide, helium, hydrogen, acetylene, gas-related equipment,
Gas Business in the United States	specialty gases (electronic materials gases, pure gases, etc.), electronics-related equipment and
Gas Business in Europe	installation, semiconductor manufacturing equipment, cutting and welding equipment, welding
Gas Business in Asia and Oceania	materials, plants and machinery, liquefied petroleum gas (LPG) and related equipment, medical-use
	gases (oxygen, nitrous oxide, etc.), medical equipment, stable isotopes
Thermos Business	Housewares

The accounting methods adopted for the reportable operating segments are the same as the accounting policies adopted for the preparation of the consolidated financial statements.

Revenue from intersegment transactions and transfers is based primarily on prevailing market prices.

### (2) Revenue and profit (loss) amounts by reportable segment

#### FYE2022 (From April 1, 2021 to March 31, 2022)

	Reportable segment						Reconciling items (Note 1)	Amounts on the consolidated statement of profit or loss
	Gas Business in Japan	Gas Business in the United States	Gas Business in Europe	Gas Business in Asia and Oceania	Thermos Business	Total		
Revenue								
Revenues from external customers	¥372,033	¥224,801	¥209,778	¥123,533	¥26,849	¥956,996	¥ 173	¥957,169
Intersegment revenues and transfers	10,929	17,020	148	3,314	18	31,432	(31,432)	—
Total	382,963	241,822	209,926	126,848	26,867	988,428	(31,258)	957,169
Segment profit (Note 2)	30,939	27,314	26,303	12,837	6,441	103,837	(1,127)	102,710
Other items								
Depreciation and amortization	19,351	31,987	31,736	7,935	1,315	92,326	108	92,435
Impairment losses	4	—	—	136	—	140	—	140
Share of profit (loss) of investments accounted for using the equity method	298	—	41	184	3,159	3,683	0	3,684

Notes: 1. The reconciling item for segment profit, in the amount of ¥(1,127) million, is comprised of ¥102 million of intersegment eliminations and companywide expenses of ¥(1,229) million that were not allocated to any particular reportable segment. These companywide expenses related principally to the Company's group administrative expenses that were not allocated to a particular reportable segment.

2. Segment profit represents core operating profit, which is calculated as operating profit excluding certain gains or losses attributable to non-recurring factors (losses incurred by business withdrawals, streamlining, and others).

#### FYE2021 (From April 1, 2020 to March 31, 2021)

	Reportable segment						Reconciling items (Note 1)	Amounts on the consolidated statement of profit or loss
	Gas Business in Japan	Gas Business in the United States	Gas Business in Europe	Gas Business in Asia and Oceania	Thermos Business	Total		
Revenue								
Revenues from external customers	¥341,990	¥189,994	¥160,035	¥102,036	¥23,964	¥818,021	¥ 217	¥818,238
Intersegment revenues and transfers	13,675	18,182	42	2,179	25	34,105	(34,105)	—
Total	355,665	208,177	160,077	104,215	23,989	852,126	(33,887)	818,238
Segment profit (Note 2)	29,889	23,129	21,015	8,921	5,168	88,124	(872)	87,251
Other items								
Depreciation and amortization	19,534	29,106	28,962	7,379	1,328	86,310	69	86,380
Impairment losses	155	—	—	765	—	921	—	921
Share of profit (loss) of investments accounted for using the equity method	193	348	(11)	(49)	2,360	2,842	0	2,842

Notes: 1. The reconciling item for segment profit, in the amount of ¥(872) million, is comprised of ¥(49) million of intersegment eliminations and companywide expenses of ¥(823) million that were not allocated to any particular reportable segment. These companywide expenses related principally to the Company's group administrative expenses that were not allocated to a particular reportable segment.

2. Segment profit represents core operating profit, which is calculated as operating profit excluding certain gains or losses attributable to non-recurring factors (losses incurred by business withdrawals, streamlining, and others).

Reconciliation of segment profit with profit before income taxes is as follows:

	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Segment profit	¥102,710	¥ 87,251
Share of profit (loss) of investments accounted for using the equity method	(172)	2,759
Impairment losses	(1,075)	(1,100)
Other	(278)	(64)
Operating profit	101,183	88,846
Finance income	2,192	1,424
Finance costs	(11,765)	(12,564)
Profit before income taxes	¥ 91,611	¥ 77,706

### (3) Information about geographical areas

A breakdown of revenues from external customers and non-current assets by geographical area are as follows:

#### Revenues from external customers

	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Japan	¥384,388	¥352,162
The United States	214,087	180,484
Europe	213,886	164,078
Asia, Oceania and others	144,806	121,512
Total	¥957,169	¥818,238

Note: Revenue is classified by country or region based on the customers' location.

#### Non-current assets

	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Japan	¥ 170,709	¥ 172,046
The United States	408,944	374,113
Europe	734,718	704,519
Asia, Oceania and others	142,959	128,962
Total	¥1,457,333	¥1,379,642

Note: Non-current assets are classified by their location, and they do not include financial assets, deferred tax assets, or retirement benefit asset.

### (4) Information about major customers

Information about major customers is not disclosed since there is no single external customer that accounts for 10% or more of revenue.

## 5. Business Combinations

#### FYE2022 (From April 1, 2021 to March 31, 2022)

There were no significant business combinations.

#### FYE2021 (From April 1, 2020 to March 31, 2021)

There were no significant business combinations.



## Notes to Consolidated Financial Statements

### 6. Cash and Cash Equivalents

A breakdown of cash and cash equivalents is as follows:

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Cash and deposits	¥93,697	¥91,058
Total	¥93,697	¥91,058

### 7. Trade Receivables

A breakdown of trade receivables is as follows:

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Notes and accounts receivable—trade	¥226,588	¥190,343
Allowance for doubtful accounts	(8,107)	(8,266)
Total	¥218,480	¥182,077

Trade receivables are classified as financial assets measured at amortized cost.

### 8. Inventories

A breakdown of inventories is as follows:

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Merchandise and finished goods	¥49,696	¥44,112
Work in process	14,836	12,638
Raw materials and supplies	15,530	12,862
Total	¥80,064	¥69,613

Amounts of inventories measured based on net realizable value at March 31, 2022 and 2021 were ¥3,874 million and ¥3,317 million, respectively.

Amounts of write-downs of inventories recognized as expenses for FYE2022 and FYE2021 were ¥163 million and ¥148 million, respectively.

### 9. Property, Plant and Equipment

#### (1) Table of changes

Changes in costs, accumulated depreciation and accumulated impairment losses, and the carrying amounts of property, plant and equipment are as follows:

#### FYE2022 (From April 1, 2021 to March 31, 2022)

Costs

	(Millions of yen)					
	Machinery and vehicles	Buildings and structures	Land	Construction in progress	Tools, furniture and fixtures	Total
Balance at April 1, 2021	¥ 945,348	¥194,928	¥60,768	¥47,374	¥170,379	¥1,418,798
Individual acquisition (Note)	55,923	10,596	1,972	(1,717)	13,390	80,165
Impairment losses	—	—	—	(1)	—	(1)
Business combinations, business divestitures, etc.	13	10	—	—	216	240
Sale and disposal	(8,761)	(3,793)	(129)	(27)	(4,160)	(16,872)
Transfer	(1,117)	59	(165)	(105)	(279)	(1,608)
Exchange differences on translation of foreign operations, etc.	51,953	8,758	1,817	3,123	13,439	79,091
Balance at March 31, 2022	¥1,043,359	¥210,560	¥64,263	¥48,645	¥192,985	¥1,559,814

Note: Individual acquisition in the construction in progress column represents the net amount of an increase due to new acquisitions after reclassifying to respective accounts of property, plant and equipment.

#### Accumulated depreciation and accumulated impairment losses

	(Millions of yen)					
	Machinery and vehicles	Buildings and structures	Land	Construction in progress	Tools, furniture and fixtures	Total
Balance at April 1, 2021	¥(539,061)	¥ (97,887)	¥(3,650)	¥—	¥ (92,465)	¥(733,065)
Depreciation	(57,091)	(9,299)	(586)	—	(10,416)	(77,392)
Impairment losses	(493)	(584)	—	—	(4)	(1,082)
Business divestitures, etc.	—	—	—	—	—	—
Sale and disposal	7,768	2,312	15	—	3,448	13,543
Transfer	923	510	0	—	158	1,592
Exchange differences on translation of foreign operations, etc.	(22,978)	(3,401)	(53)	—	(7,319)	(33,752)
Balance at March 31, 2022	¥(610,932)	¥(108,349)	¥(4,274)	¥—	¥(106,599)	¥(830,156)

#### Carrying amounts

	(Millions of yen)					
	Machinery and vehicles	Buildings and structures	Land	Construction in progress	Tools, furniture and fixtures	Total
Balance at April 1, 2021	¥406,286	¥ 97,041	¥57,118	¥47,374	¥77,913	¥685,733
Balance at March 31, 2022	¥432,427	¥102,210	¥59,989	¥48,645	¥86,386	¥729,658

## Notes to Consolidated Financial Statements

### FYE2021 (From April 1, 2020 to March 31, 2021)

#### Costs

	(Millions of yen)					
	Machinery and vehicles	Buildings and structures	Land	Construction in progress	Tools, furniture and fixtures	Total
Balance at April 1, 2020	¥877,627	¥183,322	¥57,413	¥45,196	¥153,887	¥1,317,447
Individual acquisition (Note)	47,917	11,146	1,411	2,691	10,599	73,766
Impairment losses	—	—	—	(1,008)	—	(1,008)
Business combinations, business divestitures, etc.	187	75	18	—	0	282
Sale and disposal	(9,880)	(5,149)	(42)	(22)	(2,366)	(17,461)
Transfer	(262)	304	179	(1,143)	166	(756)
Exchange differences on translation of foreign operations, etc.	29,758	5,228	1,788	1,660	8,092	46,528
Balance at March 31, 2021	¥945,348	¥194,928	¥60,768	¥47,374	¥170,379	¥1,418,798

Note: Individual acquisition in the construction in progress column represents the net amount of an increase due to new acquisitions after reclassifying to respective accounts of property, plant and equipment.

#### Accumulated depreciation and accumulated impairment losses

	(Millions of yen)					
	Machinery and vehicles	Buildings and structures	Land	Construction in progress	Tools, furniture and fixtures	Total
Balance at April 1, 2020	¥(484,973)	¥(91,670)	¥(3,093)	¥—	¥(82,515)	¥(662,252)
Depreciation	(53,385)	(8,979)	(506)	—	(9,393)	(72,264)
Impairment losses	(403)	(232)	—	—	(0)	(636)
Business divestitures, etc.	—	—	—	—	—	—
Sale and disposal	8,949	3,926	—	—	1,995	14,870
Transfer	593	153	(6)	—	93	834
Exchange differences on translation of foreign operations, etc.	(9,840)	(1,085)	(44)	—	(2,645)	(13,616)
Balance at March 31, 2021	¥(539,061)	¥(97,887)	¥(3,650)	¥—	¥(92,465)	¥(733,065)

#### Carrying amounts

	(Millions of yen)					
	Machinery and vehicles	Buildings and structures	Land	Construction in progress	Tools, furniture and fixtures	Total
Balance at April 1, 2020	¥392,653	¥91,652	¥54,320	¥45,196	¥71,372	¥655,195
Balance at March 31, 2021	¥406,286	¥97,041	¥57,118	¥47,374	¥77,913	¥685,733

The right-of-use assets (capital expenditure amount) increased by ¥8,450 million and ¥7,132 million for FYE2022 and FYE2021, respectively.

Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

### (2) Right-of-use assets

Carrying amounts of right-of-use assets included in property, plant and equipment are as follows:

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Machinery and vehicles	¥ 9,881	¥9,283
Buildings and structures	22,142	21,303
Land	1,776	1,899
Tools, furniture and fixtures	2,768	2,166
Total	¥36,568	¥34,653

## 10. Goodwill and Intangible Assets

### (1) Table of changes

Changes in costs, accumulated amortization and accumulated impairment losses, and the carrying amounts of goodwill and intangible assets are as follows:

### FYE2022 (From April 1, 2021 to March 31, 2022)

#### Costs

	(Millions of yen)			
	Goodwill	Customer-related intangible assets	Other	Total
Balance at April 1, 2021	¥456,775	¥279,868	¥21,194	¥301,063
Individual acquisition	—	—	1,214	1,214
Business combinations, business divestitures, etc.	1,403	201	610	811
Sale and disposal	—	(23)	(438)	(462)
Exchange differences on translation of foreign operations, etc.	28,934	20,830	2,727	23,558
Balance at March 31, 2022	¥487,113	¥300,876	¥25,309	¥326,185

#### Accumulated amortization and accumulated impairment losses

	(Millions of yen)			
	Goodwill	Customer-related intangible assets	Other	Total
Balance at April 1, 2021	¥(1,739)	¥(50,315)	¥(12,995)	¥(63,311)
Amortization	—	(13,295)	(1,746)	(15,042)
Impairment losses	—	—	—	—
Business divestitures, etc.	—	—	—	—
Sale and disposal	—	23	416	440
Exchange differences on translation of foreign operations, etc.	(183)	(4,940)	(2,010)	(6,951)
Balance at March 31, 2022	¥(1,922)	¥(68,528)	¥(16,336)	¥(84,865)

#### Carrying amounts

	(Millions of yen)			
	Goodwill	Customer-related intangible assets	Other	Total
Balance at April 1, 2021	¥455,036	¥229,553	¥8,198	¥237,751
Balance at March 31, 2022	¥485,190	¥232,348	¥8,972	¥241,320

## Notes to Consolidated Financial Statements

### FYE2021 (From April 1, 2020 to March 31, 2021)

#### Costs

	Goodwill	Intangible assets		
		Customer-related intangible assets	Other	Total
Balance at April 1, 2020	¥420,881	¥259,543	¥19,321	¥278,864
Individual acquisition	152	—	931	931
Business combinations, business divestitures, etc.	561	100	6	107
Sale and disposal	—	—	(184)	(184)
Exchange differences on translation of foreign operations, etc.	35,180	20,225	1,119	21,344
Balance at March 31, 2021	¥456,775	¥279,868	¥21,194	¥301,063

#### Accumulated amortization and accumulated impairment losses

	Goodwill	Intangible assets		
		Customer-related intangible assets	Other	Total
Balance at April 1, 2020	¥(1,591)	¥(35,476)	¥(11,310)	¥(46,786)
Amortization	—	(12,571)	(1,544)	(14,115)
Impairment losses	(107)	—	(26)	(26)
Business divestitures, etc.	—	—	—	—
Sale and disposal	—	—	173	173
Exchange differences on translation of foreign operations, etc.	(40)	(2,267)	(289)	(2,556)
Balance at March 31, 2021	¥(1,739)	¥(50,315)	¥(12,995)	¥(63,311)

#### Carrying amounts

	Goodwill	Intangible assets		
		Customer-related intangible assets	Other	Total
Balance at April 1, 2020	¥419,290	¥224,067	¥8,010	¥232,077
Balance at March 31, 2021	¥455,036	¥229,553	¥8,198	¥237,751

There were no significant internally generated intangible assets for FYE2022 or FYE2021.

Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

Research and development costs recognized as expenses for FYE2022 and FYE2021 were ¥3,569 million and ¥3,315 million, respectively.

The carrying amount of assets with indefinite useful lives in the intangible assets above was ¥1,251 million and ¥1,147 million at March 31, 2022 and 2021, respectively. Principally, the assets were trademarks acquired at the time of a business combination, and the NSHD Group determined that their useful lives cannot be estimated because the assets will exist for as long as the business continues.

### (2) Significant intangible assets

Significant intangible assets recorded in the consolidated statement of financial position are customer-related intangible assets held by Nippon Gases Euro-Holding S.L.U. and Matheson Tri-Gas, Inc., which are consolidated subsidiaries. Their carrying amounts and the remaining period of amortization are as follows:

	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)	Remaining period of amortization
Nippon Gases Euro-Holding S.L.U.	¥188,326	¥187,385	Mainly 26 years
Matheson Tri-Gas, Inc.	¥ 36,093	¥ 36,183	Mainly 14 years

## 11. Impairment Losses

The NSHD Group groups assets into the smallest cash-generating units that generate cash flows largely independently. For idle assets, recognition of impairment loss is determined by individual assets.

Impairment losses for FYE2022 and FYE2021 were ¥1,216 million and ¥2,022 million, respectively. Impairment losses were included in "Other operating expenses" in the consolidated statement of profit or loss.

Major assets for which impairment losses were recognized are as follows:

### FYE2022 (From April 1, 2021 to March 31, 2022)

There were no individually significant impairment losses.

### FYE2021 (From April 1, 2020 to March 31, 2021)

Usage	Location	Type	Reportable segment	Impairment losses
Natural gas liquefier	Indonesia	Construction in progress	Gas Business in Asia and Oceania	¥993

Breakdown of impairment losses

- Natural gas liquefier ¥993 million

For the natural gas liquefaction business in Indonesia, the carrying amount of the facility under construction in progress was reduced to the recoverable amount, since it is scheduled to be disposed of due to changes in the business environment. The recoverable amount is measured at fair value less costs of disposal. The fair value is measured on the basis of sales price based on third-party appraisals and is categorized as Level 3 of the fair value hierarchy based on inputs used to develop those measurements.

Carrying amounts of goodwill and intangible assets with indefinite useful lives allocated to a cash-generating units (a group of cash-generating units) are as follows:

Cash-generating unit (a group of cash-generating units)	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Nippon Gases Euro-Holding S.L.U.	¥334,278	¥315,302
Matheson Tri-Gas, Inc.	111,142	100,545
NSC (Australia) Pty Ltd	27,672	25,374
Other	13,347	14,961
Total	¥486,441	¥456,183

## Notes to Consolidated Financial Statements

The carrying amounts of intangible assets with indefinite useful lives at March 31, 2022 and 2021 were ¥1,251 million and ¥1,147 million, respectively, and were included in NSC (Australia) Pty Ltd.

As to goodwill and intangible assets with indefinite useful lives, the NSHD Group performs impairment tests every year and each time when there is an indicator of impairment. The recoverable amount of a cash-generating unit (a group of cash-generating units) is measured as the higher of an asset's fair value less costs of disposal and its value in use.

An asset's fair value less costs of disposal and its value in use are calculated by discounting estimated future cash flows projected based on the business plan, which is prepared by reflecting past experiences and external information and approved by the management. The discount rate used is a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the asset. The estimated period of future cash flows is approximately 10 years for fair value less costs of disposal and generally limited to five years

for the value in use. Cash flows exceeding the business plan period are determined by referring to the long-term average growth rate of a market or a country to which the cash-generating unit (a group of cash-generating units) belongs.

The business plan prepared and approved by the management, the long-term growth rates, and the discount rates are the major assumptions used for impairment tests of goodwill. The business plan may be affected mainly by the growth rate of revenue, and these major assumptions may be affected by the results of changes in future uncertain conditions of the economy. Thus, when the assumed circumstances were changed, the result of calculation of the recoverable amount may differ.

Regarding the impact of the COVID-19 pandemic, based on the information available at March 31, 2022, the NSHD Group assumes that such impact would be insignificant, while uncertainty remains due to the spread of new COVID-19 variants.

The fair value is categorized as Level 3 of the fair value hierarchy based on inputs used to develop those measurements.

Long-term growth rates and discount rates used in the measurement of the recoverable amount are as follows:

Cash-generating units (a group of cash-generating units)	FYE2022 (March 31, 2022)		FYE2021 (March 31, 2021)	
	Long-term growth rate	Discount rate	Long-term growth rate	Discount rate
Nippon Gases Euro-Holding S.L.U.	1.9%	6.0%	1.8%	6.9%
Matheson Tri-Gas, Inc.	3.5%	8.5%	3.5%	9.3%
NSC (Australia) Pty Ltd	2.5%	8.5%	2.8%	8.8%

The recoverable amount measured by value in use of Nippon Gases Euro-Holding S.L.U. at March 31, 2022 exceeded its carrying amount by ¥270,543 million; it is estimated that if the discount rate rises by 1.7% these amounts would be approximately the same.

### 12. Investments Accounted for Using the Equity Method

The carrying amount of investments in joint ventures accounted for using the equity method that are individually insignificant is as follows:

Carrying amount of investments in joint ventures	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
	¥7,671	¥6,604

Share of comprehensive income of joint ventures accounted for using the equity method is as follows:

Share of profit Share of other comprehensive income Total share of comprehensive income	(Millions of yen)	
	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
	¥153	¥3,213
	202	1
	¥356	¥3,215

The carrying amount of investments in associates accounted for using the equity method that are insignificant is as follows:

Carrying amount of investments in associates	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
	¥28,029	¥25,690

Share of comprehensive income of associates accounted for using the equity method is as follows:

Share of profit Share of other comprehensive income Total share of comprehensive income	(Millions of yen)	
	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
	¥3,358	¥2,388
	1,847	(166)
	¥5,206	¥2,221

### 13. Other Financial Assets

A breakdown of other financial assets is as follows:

Equity securities and investments in capital Other Allowance for doubtful accounts Total Current assets Non-current assets Total	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
	¥44,086	¥40,256
	19,659	17,385
	(1,024)	(1,192)
	¥62,721	¥56,449
	¥ 7,310	¥ 6,710
	55,410	49,739
	¥62,721	¥56,449

Equity securities and investments in capital are classified as equity financial assets measured at fair value through other comprehensive income. Other is classified mainly as financial assets measured at amortized cost.

Equity securities are designated as equity financial assets measured at fair value through other comprehensive income because they are held mainly for the purpose of maintaining and strengthening business and collaborative relationships and financial transaction relationships, etc.

Names of issuers and fair value of principal equity financial assets measured at fair value through other comprehensive income are as follows:

#### FYE2022 (March 31, 2022)

Name	(Millions of yen) Amount
IBIDEN CO., LTD.	¥8,012
Tosoh Corporation	4,048
Velo3D, Inc.	3,741
JiLin OLED Material Tech Co., Ltd.	3,567
Koatsu Gas Kogyo Co., Ltd.	2,237

#### FYE2021 (March 31, 2021)

Name	(Millions of yen) Amount
IBIDEN CO., LTD.	¥6,740
Tosoh Corporation	4,724
JFE Holdings, Inc.	3,507
Koatsu Gas Kogyo Co., Ltd.	2,478
DAIKIN INDUSTRIES, LTD.	1,229

## Notes to Consolidated Financial Statements

In order to improve the efficiency and effective utilization of assets held, the NSHD Group conducts sales (derecognition) of equity financial assets measured at fair value through other comprehensive income. The fair value at the time of sales and cumulative gains or losses on sales are as follows. Cumulative gains or losses (after tax) recognized in other comprehensive income in equity were transferred to retained earnings at the time of sales.

	(Millions of yen)	
	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Fair value	¥6,052	¥247
Cumulative gains or losses	3,741	126

For equity financial assets measured at fair value through other comprehensive income, dividends received were recognized as follows:

	(Millions of yen)	
	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Financial assets that were derecognized	¥ 73	¥ 16
Financial assets held at end of the fiscal year	686	621

## 14. Other Assets

A breakdown of other assets is as follows:

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Prepaid expenses	¥ 8,112	¥ 6,993
Other	15,992	13,569
Total	¥24,104	¥20,562
Current assets	¥22,940	¥19,441
Non-current assets	1,163	1,120
Total	¥24,104	¥20,562

## 15. Trade Payables

A breakdown of trade payables is as follows:

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Notes and accounts payable—trade	¥115,123	¥96,093
Total	¥115,123	¥96,093

Trade payables are classified as financial liabilities measured at amortized cost.

## 16. Bonds and Borrowings

A breakdown of bonds and borrowings is as follows:

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Short-term borrowings	¥ 26,632	¥ 16,421
Current portion of long-term borrowings	76,963	83,299
Commercial papers	7,000	17,000
Current portion of bonds	—	15,000
Long-term borrowings	582,309	608,678
Bonds	197,440	172,217
Total	¥890,344	¥912,616
Current liabilities	¥110,595	¥131,721
Non-current liabilities	779,749	780,895
Total	¥890,344	¥912,616

Bonds and borrowings are classified as financial liabilities measured at amortized cost.

The average interest rates applicable to short-term borrowings and long-term borrowings at March 31, 2022 were 1.66% and 1.24%, respectively.

The average interest rates applicable to short-term borrowings and long-term borrowings at March 31, 2021 were 2.10% and 1.25%, respectively.

The repayment term of long-term borrowings at March 31, 2022 is from 2022 to 2059.

A breakdown of bonds is as follows:

							(Millions of yen)		
Company name	Name	Issuance date	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)	Interest rate (%)	Collateral	Maturity date		
*1	The 13th Domestic Unsecured Straight Corporate Bonds	December 15, 2016	¥ —	¥ 15,000	0.14	None	December 15, 2021		
*1	The 14th Domestic Unsecured Straight Corporate Bonds	December 15, 2016	15,000	15,000	0.39	None	December 15, 2026		
*1	The 1st Series Deferrable Interest and Callable Unsecured Subordinated Bonds	January 29, 2019	99,671	99,495	1.41 (*2)	None	January 29, 2054		
*1	The 2nd Series Deferrable Interest and Callable Unsecured Subordinated Bonds	January 29, 2019	7,937	7,928	1.87 (*3)	None	January 29, 2059		
*1	The 15th Domestic Unsecured Straight Corporate Bonds	October 16, 2019	19,948	19,927	0.13	None	October 16, 2024		
*1	The 16th Domestic Unsecured Straight Corporate Bonds	October 16, 2019	9,963	9,955	0.19	None	October 16, 2026		
*1	The 17th Domestic Unsecured Straight Corporate Bonds	October 16, 2019	19,920	19,909	0.30	None	October 16, 2029		
*1	The 1st Domestic Unsecured Straight Corporate Bonds	October 14, 2021	15,000	—	0.11	None	October 14, 2026		
*1	The 2nd Domestic Unsecured Straight Corporate Bonds	October 14, 2021	10,000	—	0.28	None	October 14, 2031		
Total			¥197,440	¥187,217					

\*1 The bonds were issued by the Company.

\*2 A fixed interest rate is applied to the period between the day following January 29, 2019 and January 29, 2024, while a variable interest rate is to be applied from the day following January 29, 2024 (step-up in interest rate occurring on January 30, 2024).

\*3 A fixed interest rate is applied to the period between the day following January 29, 2019 and January 29, 2029, while a variable interest rate is to be applied from the day following January 29, 2029 (step-up in interest rate occurring on January 30, 2029).

## Notes to Consolidated Financial Statements

Assets pledged as collateral and secured obligations are as follows:

### Assets pledged as collateral

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Property, plant and equipment	¥1,249	¥1,191
Total	¥1,249	¥1,191

### Secured obligations

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Bonds and borrowings	¥616	¥621
Other financial liabilities (current)	28	25
Total	¥645	¥646

## 17. Other Financial Liabilities

A breakdown of other financial liabilities is as follows:

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Lease liabilities	¥38,872	¥36,625
Accrued expenses	45,895	38,565
Accounts payable—other	10,138	11,217
Other	1,553	1,473
Total	¥96,460	¥87,881
Current liabilities	¥65,228	¥58,428
Non-current liabilities	31,231	29,453
Total	¥96,460	¥87,881

Other financial liabilities are mainly classified as financial liabilities measured at amortized cost.

## 18. Lease Transactions

### (1) Gain or loss and cash outflows related to lease transactions

Gain or loss and cash outflows related to lease transactions are as follows:

	(Millions of yen)	
	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Depreciation charges for right-of-use assets		
Land, buildings and structures as underlying assets	¥ 3,289	¥ 3,886
Tools, furniture and fixtures as underlying assets	996	894
Machinery and vehicles as underlying assets	3,070	3,569
Total depreciation charges	7,355	8,350
Expenses relating to leases of low-value assets	1,822	1,394
Total cash outflows for leases	¥11,260	¥10,082

Please see Note "9. Property, Plant and Equipment" for information on increases in right-of-use assets.

Please see Note "32. Financial Instruments" for information on balances of lease liabilities by due date.

### (2) Additional information related to lease transactions

The majority of the NSHD Group's lease transactions involve property leases, primarily leasing land and buildings as office and factory sites. Some of these leases are covered by options to extend or terminate the leases to ensure business flexibility. The NSHD Group determines the term of the leases after evaluating whether it is reasonably certain that the NSHD Group will exercise the options to extend the leases or will not exercise the options to terminate the leases.

The NSHD Group's leasing activities do not include significant sales and lease-back transactions and restrictions or covenants imposed by leases.

## 19. Post-employment Benefits

Certain consolidated subsidiaries of the Company have funded and unfunded retirement defined benefit plans and defined contribution plans for employees' retirement benefits, and the plans cover substantially all the employees.

### (1) Defined benefit plans

Major defined benefit plans of the Company's consolidated subsidiaries are cash balance plans. Benefits under the cash balance plans are set based on various conditions such as years of service, points based on achievements during the service period, etc. The investment yield is

determined taking into consideration the yield on government bonds.

In accordance with laws and regulations, the pension plans are managed by the Company's consolidated subsidiaries or a pension fund that is legally separate from the Company's consolidated subsidiaries. The Company's consolidated subsidiaries, or the Board of Directors of the pension fund and the trustees of pension fund management, are required by laws and regulations to act in the best interest of policyholders, and are responsible for operating plan assets based on the prescribed policies.

Amounts related to defined benefit plans in the consolidated statement of financial position are as follows:

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Present value of defined benefit obligations	¥ 43,506	¥ 44,552
Fair value of plan assets	(31,809)	(32,982)
Net amount of defined benefit obligations and assets	¥ 11,697	¥ 11,569
Retirement benefit liability	¥ 14,165	¥ 14,037
Retirement benefit asset	(2,468)	(2,467)
Net amount of defined benefit obligations and assets	¥ 11,697	¥ 11,569

For defined benefit plans, amounts recognized as expenses in the consolidated statement of profit or loss are as follows:

	(Millions of yen)	
	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Current service cost	¥1,877	¥2,056
Interest expenses	335	355
Interest income	(219)	(222)
Total	¥1,993	¥2,189

## Notes to Consolidated Financial Statements

Changes related to the present value of defined benefit obligations are as follows:

	(Millions of yen)	
	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Balance at beginning of the fiscal year	¥44,552	¥43,192
Current service cost	1,877	2,056
Interest expenses	335	355
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	—	30
Actuarial gains and losses arising from changes in financial assumptions	(1,057)	(49)
Retirement benefits paid	(2,291)	(2,268)
Other	90	1,236
Balance at end of the fiscal year	¥43,506	¥44,552

Changes related to the fair value of plan assets are as follows:

	(Millions of yen)	
	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Balance at beginning of the fiscal year	¥32,982	¥31,598
Interest income	219	222
Remeasurements		
Return on plan assets	(196)	1,072
Contributions from companies	1,117	1,318
Retirement benefits paid	(1,993)	(1,879)
Other	(319)	650
Balance at end of the fiscal year	¥31,809	¥32,982

The key actuarial assumption used to calculate the present value of defined benefit obligations is as follows:

	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Discount rate	0.70%	0.57%

If the discount rate, which is the key actuarial assumption, fluctuates, the present value of defined benefit obligations at March 31, 2022 and 2021 changes as follows. This sensitivity analysis is based on the assumption that all actuarial assumptions, other than actuarial assumptions subject to the analysis, remain constant.

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Increase by 0.5%	¥(2,011)	¥(2,191)
Decrease by 0.5%	2,281	2,431

The fair value of plan assets at March 31, 2022 is as follows:

	(Millions of yen)		
	Plan assets for which there are quoted market prices in an active market	Plan assets for which there are no quoted market prices in an active market	Total
Cash and cash equivalents	¥2,386	¥ —	¥ 2,386
Equity financial instruments			
Jointly managed trusts	—	1,450	1,450
Total equity financial instruments	—	1,450	1,450
Debt financial instruments			
Jointly managed trusts	—	16,723	16,723
Total debt financial instruments	—	16,723	16,723
Life insurance general accounts	—	11,208	11,208
Other	—	41	41
Total	¥2,386	¥29,422	¥31,809

The fair value of plan assets at March 31, 2021 is as follows:

	(Millions of yen)		
	Plan assets for which there are quoted market prices in an active market	Plan assets for which there are no quoted market prices in an active market	Total
Cash and cash equivalents	¥949	¥ —	¥ 949
Equity financial instruments			
Jointly managed trusts	—	5,465	5,465
Total equity financial instruments	—	5,465	5,465
Debt financial instruments			
Jointly managed trusts	—	14,372	14,372
Total debt financial instruments	—	14,372	14,372
Life insurance general accounts	—	11,893	11,893
Other	—	301	301
Total	¥949	¥32,033	¥32,982

Under the NSHD Group's plan asset management policy, the purpose of management is to secure the required combined returns over the medium and long term to the extent of allowable risks in order to ensure payments of the benefits of the defined benefit obligations in the future.

For plan assets, the NSHD Group seeks to reduce risks by diversifying investments widely in domestic and foreign equity securities, debt securities, and life insurance general accounts based on asset allocation objectives of a policy asset mix that is formulated to achieve management objectives.

For asset allocation, the NSHD Group sets the allocation to be maintained for the medium and long term, based on the correlation between expected risks and returns for the medium and long term

and actual management results of each asset. The NSHD Group reviews asset allocation according to the situation as necessary, such as when there is a significant change in the market environment.

Contributions to the defined benefit plans are readjusted based on periodic actuarial reviews, in order to ensure balanced pension finance in the future. In such actuarial reviews, the adequacy of the contribution is verified by reviewing the basic rates for determining contributions (such as expected rate of interest, expected mortality, and expected rate of withdrawal).

For FYE2023, the NSHD Group plans to contribute ¥1,589 million to plan assets.

The weighted average durations of the defined benefit obligation at March 31, 2022 and 2021 were 11.9 years and 11.8 years, respectively.

### (2) Defined contribution plans and public pension systems

Amounts recognized as expenses under defined contribution plans and public pension systems are as follows:

	(Millions of yen)	
	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Expenses under defined contribution plans	¥3,808	¥2,211
Expenses under public pension systems	4,819	4,344

## Notes to Consolidated Financial Statements

### 20. Provisions

A breakdown of changes in provisions is as follows:

#### FYE2022 (From April 1, 2021 to March 31, 2022)

	(Millions of yen)			
	Provision for construction warranties	Asset retirement obligations	Other provisions	Total
Balance at April 1, 2021	¥ 355	¥3,870	¥ 114	¥4,340
Increase during the fiscal year	37	1,610	208	1,856
Decrease during the fiscal year (Intended use)	(138)	(243)	(114)	(496)
Decrease during the fiscal year (Reversal)	(73)	(0)	—	(73)
Other	3	545	—	548
Balance at March 31, 2022	¥ 183	¥5,782	¥ 208	¥6,175
Current liabilities	¥ 183	¥675	¥ 208	¥1,068
Non-current liabilities	—	5,107	—	5,107
Total	¥ 183	¥5,782	¥ 208	¥6,175

#### FYE2021 (From April 1, 2020 to March 31, 2021)

	(Millions of yen)			
	Provision for construction warranties	Asset retirement obligations	Other provisions	Total
Balance at April 1, 2020	¥ 375	¥3,281	¥ —	¥3,656
Increase during the fiscal year	198	276	114	589
Decrease during the fiscal year (Intended use)	(174)	(26)	—	(201)
Decrease during the fiscal year (Reversal)	(48)	(0)	—	(48)
Other	3	340	—	343
Balance at March 31, 2021	¥ 355	¥3,870	¥114	¥4,340
Current liabilities	¥ 355	¥ —	¥114	¥ 469
Non-current liabilities	—	3,870	—	3,870
Total	¥ 355	¥3,870	¥114	¥4,340

#### Provision for construction warranties

In order to prepare for construction-related compensation expenses for machinery and device products, provision for construction warranties is recorded based on the latest actual amount of compensation arising from shipment amounts of machinery and device products in the previous fiscal year. Of these, amounts expected to be paid within one year are recorded. However, the occurrence of construction-related compensation expenses is subject to uncertainty.

#### Asset retirement obligations

If the NSHD Group has legal obligations required by laws and regulations or contracts concerning retirement of fixed assets that are used for the ordinary course of business, such as obligations to restore the original condition accompanying lease contracts of factory facilities and properties used by the NSHD Group, asset retirement obligations are recognized based on the estimated amount of future expenditures calculated based on historical results, etc.

Although these expenses are expected to be paid mainly after one year or more, they will be affected by future business plans, etc.

### 21. Other Liabilities

A breakdown of other liabilities is as follows:

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Advances received	¥ 4,977	¥ 4,713
Deferred income	5,681	5,716
Employees' bonuses	6,203	5,668
Employees' paid absence	4,049	3,798
Other	29,839	27,747
Total	¥50,750	¥47,644
Current liabilities	¥29,832	¥28,284
Non-current liabilities	20,918	19,359
Total	¥50,750	¥47,644

### 22. Equity

#### (1) Share capital and treasury shares

Numbers of shares authorized and shares issued are as follows:

	(Thousands of shares)	
	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Number of shares authorized	1,600,000	1,600,000
Number of shares issued		
Beginning of the fiscal year	433,092	433,092
Changes during the fiscal year	—	—
End of the fiscal year	433,092	433,092

All shares are ordinary shares with no par value. Shares issued are fully paid.

Changes in the number of treasury shares during the fiscal year are as follows:

	(Thousands of shares)	
	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Beginning of the fiscal year	342	339
Increase	2	3
Decrease	(0)	(0)
End of the fiscal year	344	342

Major factors of changes during the fiscal year were due to the purchase or requests for sales of shares less than one unit.



## Notes to Consolidated Financial Statements

### (2) Capital surplus and retained earnings

Capital surplus consists of amounts not included in share capital as part of the amounts arising from capital transactions, and the main component is capital reserve. Retained earnings consist of legal retained earnings and other reserves.

The Companies Act of Japan (the "Act") stipulates that more than one-half of payments or delivery in relation to the issuance of shares shall be included in share capital, and the remaining shall be included in capital reserve. Capital reserve may be incorporated into share capital by resolutions of the shareholders' meeting.

In addition, the Act stipulates that one-tenth of the amount to be paid as cash dividends from surplus shall be appropriated as capital reserve or legal retained earnings until the total amount of capital reserve and legal retained earnings equals one-fourth of share capital.

The accumulated legal retained earnings may be used to eliminate or reduce a deficit, and the legal retained earnings may be reversed by resolution of the shareholders' meeting.

### (3) Other components of equity

Other components of equity are as follows:

#### (Exchange differences on translation of foreign operations)

Exchange differences on translation of foreign operations are translation differences arising when consolidating the financial statements of foreign operations prepared in foreign currencies and cumulative amounts of effective portion of gain or loss on hedging instruments designated as hedges of net investments in foreign operations.

#### (Effective portion of net change in fair value of cash flow hedges)

The effective portion of net change in fair value of cash flow hedges is the cumulative amount of the effective portion of hedges as part of gains or losses arising from changes in fair value of the hedging instrument related to cash flow hedges.

#### (Financial assets measured at fair value through other comprehensive income)

Other components of equity include valuation differences in fair value of financial assets measured at fair value through other comprehensive income.

#### (Remeasurements of defined benefit plans)

Remeasurements of defined benefit plans are the effect of differences between actuarial assumptions at the beginning of the fiscal year and the actual results and the effect of changes in actuarial assumptions. These are recognized in other comprehensive income when incurred and immediately transferred from other components of equity to retained earnings.

Dividends whose effective date falls in the following fiscal year are as follows:

#### FYE2022 (From April 1, 2021 to March 31, 2022)

Resolution	Type of stock	Total cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 17, 2022	Ordinary shares	¥7,792	¥18	March 31, 2022	June 20, 2022

#### FYE2021 (From April 1, 2020 to March 31, 2021)

Resolution	Type of stock	Total cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 18, 2021	Ordinary shares	¥6,926	¥16	March 31, 2021	June 21, 2021

## 24. Other Comprehensive Income

Changes in each item in other comprehensive income during the fiscal year are as follows:

	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Financial assets measured at fair value through other comprehensive income		
Amount arising during the fiscal year	¥ 9,244	¥11,275
Tax effects	(2,471)	(3,658)
Net amount	6,773	7,617
Remeasurements of defined benefit plans		
Amount arising during the fiscal year	861	1,091
Tax effects	(254)	(381)
Net amount	607	710
Exchange differences on translation of foreign operations		
Amount arising during the fiscal year	55,994	53,841
Net amount	55,994	53,841
Effective portion of net change in fair value of cash flow hedges		
Amount arising during the fiscal year	586	441
Reclassification adjustments	(166)	(354)
Tax effects	(120)	(30)
Net amount	299	56
Share of other comprehensive income of investments accounted for using the equity method		
Amount arising during the fiscal year	2,050	(165)
Net amount	2,050	(165)
Total other comprehensive income	¥65,725	¥62,060

## 23. Dividends

Payments of dividends are as follows:

#### FYE2022 (From April 1, 2021 to March 31, 2022)

Resolution	Type of stock	Total cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 18, 2021	Ordinary shares	¥6,926	¥16	March 31, 2021	June 21, 2021
Board of Directors' meeting held on November 1, 2021	Ordinary shares	6,926	16	September 30, 2021	December 1, 2021

#### FYE2021 (From April 1, 2020 to March 31, 2021)

Resolution	Type of stock	Total cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 19, 2020	Ordinary shares	¥6,060	¥14	March 31, 2020	June 22, 2020
Board of Directors' meeting held on October 30, 2020	Ordinary shares	6,060	14	September 30, 2020	December 1, 2020

## 25. Employee Benefit Expenses

Employee benefit expenses other than post-employment benefits are as follows:

	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Wages and salaries	¥130,487	¥121,779
Total	¥130,487	¥121,779

## Notes to Consolidated Financial Statements

### 26. Revenue

#### (1) Disaggregation of Revenue

##### FYE2022 (From April 1, 2021 to March 31, 2022)

	Reportable segment						Total
	Gas Business in Japan	Gas Business in the United States	Gas Business in Europe	Gas Business in Asia and Oceania	Thermos Business	Reconciling items	
Revenue							
Gas	¥245,103	¥176,555	¥194,807	¥ 96,039	¥ —	¥ —	¥712,505
Equipment and other	126,930	48,245	14,970	27,494	—	173	217,814
Housewares	—	—	—	—	26,849	—	26,849
Total	¥372,033	¥224,801	¥209,778	¥123,533	¥26,849	¥173	¥957,169

##### FYE2021 (From April 1, 2020 to March 31, 2021)

	Reportable segment						Total
	Gas Business in Japan	Gas Business in the United States	Gas Business in Europe	Gas Business in Asia and Oceania	Thermos Business	Reconciling items	
Revenue							
Gas	¥220,934	¥151,768	¥146,695	¥ 78,933	¥ —	¥ —	¥598,331
Equipment and other	121,055	38,226	13,339	23,102	—	217	195,941
Housewares	—	—	—	—	23,964	—	23,964
Total	¥341,990	¥189,994	¥160,035	¥102,036	¥23,964	¥217	¥818,238

Determination of the timing of the fulfillment of performance obligations in contracts with customers, and the method for calculating the transaction price and its allocation to performance obligations, are as described in Note "3. Significant Accounting Policies." The amount of revenue recognized arising from other revenue sources is insignificant.

The NSHD Group has changed reportable segments from the fiscal year ended March 31, 2022. The disaggregation of revenue for the previous fiscal year (FYE2021) shown above has been restated to conform to the current fiscal year's presentation. Please see Note "4. Segment Information."

#### (2) Contract balances

Contract assets mainly comprise consideration for construction in progress. Contract liabilities mainly comprise consideration received from customers prior to the delivery of products. Receivables, contract assets, and contract liabilities derived from contracts with customers are as follows:

	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)	At the beginning of FYE2021 (April 1, 2020)
Receivables arising from contracts with customers	¥226,588	¥190,343	¥185,784
Contract assets	5,204	3,936	1,515
Contract liabilities	13,030	12,239	10,741

Of the outstanding amounts of contract liabilities, as of the beginning of the fiscal years ended March 31, 2022 and 2021, the amounts recognized as revenue for the fiscal years are insignificant. For FYE2022 and FYE2021, the amounts of revenue recognized based on the performance obligations that were fulfilled in prior periods are also insignificant. Balances of contract assets and contract liabilities have not undergone any significant changes.

#### (3) Transaction price allocated to remaining performance obligations

The following is a breakdown of the total transaction price allocated to remaining performance obligations and the period for which revenue is expected to be recognized. These amounts do not include any transaction whose expected contractual term is within one year. In addition, all significant considerations are included in the transaction price arising from contracts with customers.

	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
One year or less	¥ 8,025	¥ 8,296
More than one year	6,204	4,555
Total	¥14,230	¥12,851

### 27. Other Operating Income and Other Operating Expenses

A breakdown of other operating income is as follows:

	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Grant income	¥ 45	¥ 3
Gain on sales of property, plant and equipment	197	769
Other	1,998	3,176
Total	¥2,241	¥3,949

A breakdown of other operating expenses is as follows:

	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Impairment losses	¥1,216	¥2,022
Loss on sales and retirement of property, plant and equipment	647	474
Loss on reduction of property, plant and equipment	45	3
Other	2,028	2,368
Total	¥3,937	¥4,867

### 28. Finance Income and Finance Costs

A breakdown of finance income is as follows:

	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Interest income		
Financial assets measured at amortized cost	¥ 204	¥ 183
Dividend income		
Financial assets measured at fair value through other comprehensive income	760	637
Foreign exchange gains	1,169	599
Other	58	3
Total	¥2,192	¥1,424

A breakdown of finance costs is as follows:

	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Interest expenses		
Financial liabilities measured at amortized cost	¥11,601	¥12,554
Foreign exchange losses	163	9
Total	¥11,765	¥12,564

## Notes to Consolidated Financial Statements

### 29. Income Taxes

#### (1) Deferred tax assets and deferred tax liabilities

Major factors giving rise to deferred tax assets and deferred tax liabilities and their changes are as follows:

##### FYE2022 (From April 1, 2021 to March 31, 2022)

	April 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	March 31, 2022
(Millions of yen)					
Deferred tax assets					
Employees' bonuses	¥ 2,364	¥ 98	¥ —	¥ —	¥ 2,462
Accrued expenses	4,020	(640)	—	275	3,655
Property, plant and equipment and intangible assets	3,065	(106)	—	0	2,959
Retirement benefit liability	3,657	(55)	(209)	90	3,482
Unused tax losses	6,483	(2,025)	—	486	4,944
Unrealized gains (inventories and property, plant and equipment)	2,309	95	—	—	2,404
Other	7,144	12	(829)	450	6,777
Total	¥ 29,044	¥(2,621)	¥(1,039)	¥ 1,303	¥ 26,685
Deferred tax liabilities					
Securities and other investments	¥ (6,999)	¥ —	¥(1,619)	¥ 178	¥ (8,440)
Property, plant and equipment and intangible assets	(128,462)	318	—	(9,398)	(137,541)
Undistributed earnings of overseas consolidated subsidiaries, etc.	(6,092)	(1,510)	—	—	(7,602)
Other	(2,997)	610	(186)	(28)	(2,601)
Total	¥(144,552)	¥ (580)	¥(1,806)	¥(9,247)	¥(156,187)
Net deferred tax liabilities	¥(115,507)	¥(3,202)	¥(2,845)	¥(7,944)	¥(129,501)

##### FYE2021 (From April 1, 2020 to March 31, 2021)

	April 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	March 31, 2021
(Millions of yen)					
Deferred tax assets					
Employees' bonuses	¥ 2,275	¥ 88	¥ —	¥ —	¥ 2,364
Accrued expenses	2,701	1,235	—	83	4,020
Property, plant and equipment and intangible assets	3,648	(585)	—	2	3,065
Retirement benefit liability	3,005	662	(135)	124	3,657
Unused tax losses	9,507	(3,046)	—	22	6,483
Unrealized gains (inventories and property, plant and equipment)	2,346	(37)	—	—	2,309
Other	6,931	515	(598)	295	7,144
Total	¥ 30,415	¥(1,166)	¥ (733)	¥ 528	¥ 29,044
Deferred tax liabilities					
Securities and other investments	¥ (3,764)	¥ —	¥(3,308)	¥ 73	¥ (6,999)
Property, plant and equipment and intangible assets	(118,452)	(2,811)	—	(7,198)	(128,462)
Undistributed earnings of overseas consolidated subsidiaries, etc.	(7,071)	979	—	—	(6,092)
Other	(2,324)	(338)	(27)	(306)	(2,997)
Total	¥(131,613)	¥(2,170)	¥(3,336)	¥(7,431)	¥(144,552)
Net deferred tax liabilities	¥(101,198)	¥(3,336)	¥(4,070)	¥(6,903)	¥(115,507)

Note: Other includes exchange differences on translation of foreign operations and changes from business combinations, etc.

For recognition of deferred tax assets, the NSHD Group considers the possibility that some or all deductible temporary differences and unused tax losses will be available for future taxable income. For the assessment of the recoverability of deferred tax assets, the NSHD Group considers the planned reversal of deferred tax liabilities, projected future taxable income, and tax planning. For deferred tax assets recognized, the NSHD Group believes that it is probable the tax

benefits will be realized based on historical taxable income levels and the projection of future taxable income during periods when deductible temporary differences and unused tax losses may be used.

Deductible temporary differences for which deferred tax assets have not been recognized at March 31, 2022 and 2021 were ¥21,738 million and ¥22,411 million, respectively.

#### (2) Income taxes

A breakdown of income taxes is as follows:

	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
(Millions of yen)		
Current income taxes	¥21,770	¥17,505
Deferred income taxes	3,202	3,336
Total	¥24,973	¥20,842

#### (3) Table of reconciliation of effective tax rates

The Company is mainly subject to corporate income tax, inhabitant tax, and enterprise tax. The statutory tax rate based on these taxes for FYE2022 and FYE2021 was 30.62%. Overseas consolidated subsidiaries are subject to the corporate income tax, etc., of their location.

A breakdown of major items that caused differences between the statutory tax rate and the effective tax rate is as follows:

	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Statutory tax rate	30.62%	30.62%
Permanently non-deductible or non-taxable items	0.80	0.58
Unrecognized deferred tax assets	0.18	1.42
Differences in tax rates for overseas consolidated subsidiaries	(4.10)	(3.74)
Tax effects on undistributed earnings	1.65	(1.26)
Share of profit of investments accounted for using the equity method	(1.17)	(2.21)
Other	(0.72)	1.41
Effective tax rate	27.26%	26.82%

### 30. Earnings per Share

Basic earnings per share and the basis of calculation are as follows:

	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Profit attributable to owners of parent (Millions of yen)	¥ 64,103	¥ 55,214
Average number of shares during the fiscal year (Thousands of shares)	432,749	432,752
Basic earnings per share (Yen)	¥ 148.13	¥ 127.59

Note: Diluted earnings per share are not presented as there are no dilutive potential shares.

## Notes to Consolidated Financial Statements

### 31. Cash Flow Information

#### Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

#### FYE2022 (From April 1, 2021 to March 31, 2022)

	Balance at April 1, 2021	Changes from cash flows	Non-cash changes			Balance at March 31, 2022
			Changes from business combinations, etc.	New lease transactions and changes in lease contracts, etc.	Exchange differences on translation of foreign operations, etc.	
Short-term borrowings	¥ 16,421	¥ 8,016	¥150	¥ —	¥ 2,045	¥ 26,632
Commercial papers	17,000	(10,000)	—	—	—	7,000
Long-term borrowings (Note)	691,978	(61,360)	221	—	28,432	659,272
Bonds (Note)	187,217	10,000	—	—	222	197,440
Lease liabilities (Note)	36,625	(9,437)	—	8,662	3,022	38,872

Note: Balances include the current portion.

#### FYE2021 (From April 1, 2020 to March 31, 2021)

	Balance at April 1, 2020	Changes from cash flows	Non-cash changes			Balance at March 31, 2021
			Changes from business combinations, etc.	New lease transactions and changes in lease contracts, etc.	Exchange differences on translation of foreign operations, etc.	
Short-term borrowings	¥ 38,777	¥(22,924)	¥ —	¥ —	¥ 567	¥ 16,421
Commercial papers	20,000	(3,000)	—	—	—	17,000
Long-term borrowings (Note)	706,816	(42,943)	166	—	27,939	691,978
Bonds (Note)	196,997	(10,000)	—	—	219	187,217
Lease liabilities (Note)	35,797	(8,688)	—	7,179	2,336	36,625

Note: Balances include the current portion.

### 32. Financial Instruments

#### (1) Equity management

The NSHD Group manages equity aiming at maximizing corporate value through sustainable growth. The major indices used by the Company in equity management are return on capital employed (ROCE) and adjusted net debt-to-equity (D/E) ratio.

	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
ROCE (Note 1)	6.8%	6.1%
Adjusted net D/E ratio (Note 2)	0.94	1.15

Note 1: Core operating profit / invested capital (average of the beginning and the end of the fiscal year)

Invested capital refers to the total of interest-bearing liabilities and equity attributable to owners of parent.

Note 2: It is an indicator of financial stability and calculated using the following formula: (Net interest-bearing liabilities – equity-type liabilities) / (equity attributable to owners of parent + equity-type liabilities).

The "Equity-type liabilities" is the Company's internal terminology, referring to the 50% portion of the ¥250 billion in funds obtained through hybrid financing, which are certified as "equity" portion by credit rating agencies.

#### (2) Matters related to risk management

The NSHD Group is exposed to financial risks in the course of conducting business activities in various countries and regions throughout a wide range of fields. In order to reduce or avoid such risks, the NSHD Group manages risks based on certain policies, etc.

In addition, derivative transactions are used to hedge currency fluctuation risk, interest rate fluctuation risk, or price fluctuation risk. In principle, derivative transactions are only conducted based on actual demand and not used for speculative purposes.

#### (3) Credit risk

Trade receivables, etc., which are receivables arising from the NSHD Group's business activities, are exposed to the credit risk of customers. In addition, derivative transactions that the NSHD Group uses to hedge financial risks are exposed to the credit risk of financial institutions that are counterparties to the transactions.

In accordance with internal policies of each Group company, such as credit management regulations, the NSHD Group monitors due dates and outstanding balances of individual customers and establishes a system to periodically assess credit status. The NSHD Group thereby aims to identify and alleviate collection concerns due to a deteriorating financial situation at an early stage. In addition, derivative transactions are limited to financial institutions with high creditworthiness in order to minimize counterparties' credit risk related to contract default.

The NSHD Group records allowance for doubtful accounts at an unrecoverable amount for individually significant financial assets, and at an amount based on historical experience, etc., for individually insignificant financial assets, at the end of each fiscal year. Allowance for doubtful accounts related to such financial assets is included in "Trade receivables" and "Other financial assets" in the consolidated statement of financial position.

Allowance for doubtful accounts is as follows. Since the amount of expected credit losses for 12 months is not material, it is included in the amount of the expected credit losses for the entire period.

	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Balance at beginning of the fiscal year	¥ 9,458	¥ 7,692
Increase during the fiscal year	895	1,734
Decrease during the fiscal year (Intended use)	(1,445)	(1,087)
Decrease during the fiscal year (Reversal)	(367)	(287)
Other	590	1,406
Balance at end of the fiscal year	¥ 9,132	¥ 9,458

The maximum exposure to credit risk of financial assets is the carrying amount after impairment that is presented in the consolidated financial statements.

## Notes to Consolidated Financial Statements

### (4) Liquidity risk

The NSHD Group's trade payables and borrowings, etc., are exposed to liquidity risk. The NSHD Group manages the risk by preparing cash management plans and secures liquidity by establishing commitment lines with several financial institutions.

Balances of financial liabilities (including derivative instruments) by due date are as follows:

#### FYE2022 (March 31, 2022)

	(Millions of yen)							
	Carrying amount	Undiscounted contractual cash flows	One year or less	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years	More than five years
Non-derivative financial liabilities								
Trade payables	¥115,123	¥115,123	¥115,123	¥ —	¥ —	¥ —	¥ —	¥ —
Accounts payable—other	10,138	10,138	10,138	—	—	—	—	—
Short-term borrowings	26,632	26,632	26,632	—	—	—	—	—
Long-term borrowings	659,272	662,381	76,963	78,712	90,190	47,475	46,429	322,611
Commercial papers	7,000	7,000	7,000	—	—	—	—	—
Bonds	197,440	198,000	—	—	20,000	—	40,000	138,000
Lease liabilities	38,872	41,263	8,870	7,697	6,130	4,780	3,765	10,019
Accrued expenses	45,895	45,895	45,895	—	—	—	—	—
Other	1,469	1,469	720	21	1	1	1	722
Derivative liabilities								
Forward exchange contracts	83	83	50	33	—	—	—	—
Currency swaps	0	0	0	—	—	—	—	—
Interest rate swaps	0	0	—	—	0	—	—	—

#### FYE2021 (March 31, 2021)

	(Millions of yen)							
	Carrying amount	Undiscounted contractual cash flows	One year or less	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years	More than five years
Non-derivative financial liabilities								
Trade payables	¥ 96,093	¥ 96,093	¥96,093	¥ —	¥ —	¥ —	¥ —	¥ —
Accounts payable—other	11,217	11,217	11,217	—	—	—	—	—
Short-term borrowings	16,421	16,421	16,421	—	—	—	—	—
Long-term borrowings	691,978	695,677	83,299	71,942	71,268	82,904	35,622	350,638
Commercial papers	17,000	17,000	17,000	—	—	—	—	—
Bonds	187,217	188,000	15,000	—	—	20,000	—	153,000
Lease liabilities	36,625	39,662	7,895	6,422	5,333	4,033	7,909	8,067
Accrued expenses	38,565	38,565	38,565	—	—	—	—	—
Other	1,327	1,327	732	14	1	1	1	574
Derivative liabilities								
Forward exchange contracts	95	95	95	—	—	—	—	—
Currency swaps	2	2	1	1	—	—	—	—
Interest rate swaps	48	48	10	10	10	10	5	—

### (5) Currency risk

Receivables and payables denominated in foreign currencies arising from the NSHD Group's global business development are exposed to the risk of exchange rate fluctuations. The NSHD Group hedges trade receivables and payables denominated in foreign currencies, borrowings, and loans by using forward exchange contracts and currency swaps as necessary.

The NSHD Group's net investments in foreign operations are exposed to the risk of exchange rate fluctuations. The NSHD Group hedges the risk by using borrowings denominated in foreign currencies as necessary.

#### Currency sensitivity analysis

The following is the impact on profit before income taxes on the consolidated statement of profit or loss from the foreign currency financial instruments held by the NSHD Group at the end of the fiscal year, if the yen appreciates by 1% against the U.S. dollar and euro, respectively, at the end of the fiscal year.

This analysis is calculated by multiplying each exposure of currency risk by 1%. It is assumed that there is no impact of the fluctuation of each exchange rate on other variables (foreign exchange rates of other currencies, interest rates, etc.).

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
U.S. dollar (1% appreciation of the yen)	¥(28)	¥(41)
Euro (1% appreciation of the yen)	0	0

### (6) Interest rate risk

The NSHD Group's interest rate risk arises from interest-bearing liabilities, net of cash equivalents, etc. Borrowings and corporate bonds that are based on floating interest rates are exposed to interest rate fluctuation risk.

The NSHD Group hedges such risks by using derivative transactions (interest rate swaps) as necessary.

#### Interest rate sensitivity analysis

The following is the impact on profit before income taxes on the consolidated statement of profit or loss if the interest rate rises by 1% for financial instruments held by the NSHD Group at the end of the fiscal year.

This analysis is intended for financial instruments impacted by fluctuations in interest rates, and it is assumed that other factors, such as the impact of exchange rate fluctuations, remain constant.

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Profit before income taxes	¥(2,806)	¥(2,890)

### (7) Risk of market price fluctuations

Securities, etc., held by the NSHD Group are exposed to the risk of market price fluctuations.

The NSHD Group periodically evaluates the fair value and the financial status of issuers (business partners) for securities, etc., and each supervising department reviews the holding status taking into consideration the relationship with the business partners on an ongoing basis.

### (8) Fair value of financial instruments

For fair value hierarchy of financial instruments, Level 1 to Level 3 is categorized as follows:

Level 1: Fair value measured by the unadjusted quoted prices in active markets of identical assets or liabilities

Level 2: Fair value calculated using observable prices directly or indirectly, other than Level 1

Level 3: Fair value calculated by valuation techniques including inputs not based on significant observable market data

Transfers between levels of financial instruments are determined at the end of each reporting period. In FYE2022, certain equity securities were reclassified from Level 3 to Level 1 since the issuers went public and are listed on regulated markets. There were no financial instruments with significant transfers between levels for FYE2021.

## Notes to Consolidated Financial Statements

### 1) Financial instruments measured at fair value on a recurring basis

Financial instruments measured at fair value are as follows:

#### FYE2022 (March 31, 2022)

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Assets				
Equity securities and investments in capital	¥35,038	¥ —	¥9,048	¥44,086
Derivative assets	—	672	—	672
Total	¥35,038	¥672	¥9,048	¥44,759
Liabilities				
Derivative liabilities	¥ —	¥ 84	¥ —	¥ 84
Total	¥ —	¥ 84	¥ —	¥ 84

#### FYE2021 (March 31, 2021)

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Assets				
Equity securities and investments in capital	¥31,504	¥ —	¥8,751	¥40,256
Derivative assets	—	255	—	255
Total	¥31,504	¥255	¥8,751	¥40,511
Liabilities				
Derivative liabilities	¥ —	¥146	¥ —	¥ 146
Total	¥ —	¥146	¥ —	¥ 146

#### Equity securities and investments in capital

The fair value of marketable equity securities categorized as Level 1 is based on unadjusted quoted prices in active markets of identical assets or liabilities.

The fair value of unlisted stocks categorized as Level 3, for which quoted prices are not available in active markets, is calculated using the similar company comparison method or other appropriate valuation techniques based on reasonably available inputs. In addition, certain illiquidity discounts, etc., are considered as necessary.

#### Derivative assets and liabilities

The fair value of derivative assets and derivative liabilities categorized as Level 2 is calculated based on observable inputs such as prices provided by counterparty financial institutions or exchange rates and interest rates.

For financial instruments categorized as Level 3, the evaluator determines the valuation techniques to measure each financial instrument covered in accordance with valuation policies and procedures including valuation techniques to measure fair value approved by the appropriate authorized person, and the fair value is calculated. The results are reviewed and approved by the appropriate authorized person.

Changes in financial instruments classified as Level 3 are as follows:

	(Millions of yen)	
	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Balance at beginning of the fiscal year	¥ 8,751	¥8,202
Other comprehensive income (Note)	7,635	597
Purchase	590	525
Sale	(14)	(32)
Change in scope of consolidation	(243)	(558)
Reclassification from Level 3	(7,675)	—
Other changes	4	17
Balance at end of the fiscal year	¥ 9,048	¥8,751

Note: This is included in "Financial assets measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

### 2) Financial instruments measured at amortized cost

The carrying amount and fair value of financial instruments measured at amortized cost are as follows:

#### FYE2022 (March 31, 2022)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Liabilities					
Long-term borrowings	¥659,272	¥—	¥662,868	¥—	¥662,868
Bonds	197,440	—	198,236	—	198,236
Total	¥856,712	¥—	¥861,105	¥—	¥861,105

#### FYE2021 (March 31, 2021)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Liabilities					
Long-term borrowings	¥691,978	¥—	¥703,285	¥—	¥703,285
Bonds	187,217	—	189,126	—	189,126
Total	¥879,195	¥—	¥892,411	¥—	¥892,411

For financial instruments measured at amortized cost other than long-term borrowings and bonds, their fair value reasonably approximates the carrying amount.

#### Long-term borrowings

The fair value of long-term borrowings is calculated based on the present value calculated by discounting the total amount of principal and interest by the interest rate assumed when similar borrowings are newly made.

#### Bonds

The fair value of bonds is calculated based on market price.

### (9) Transfer of financial assets

At March 31, 2022 and 2021, for trade receivables transferred without meeting the requirements for derecognition of financial assets, ¥1,032 million and ¥1,771 million were included in "Trade receivables," respectively, and the amounts received due to the transfer of ¥733 million and ¥1,413 million were included in "Bonds and borrowings," respectively. Of these trade receivables, it is determined that the NSHD Group holds almost all of the risks and rewards related to ownership of the transferred assets, because it will assume the payment obligations if the issuer of the notes or the debtor fails to make payment.

## Notes to Consolidated Financial Statements

### (10) Derivative transactions

#### 1) Derivative transactions for which hedge accounting is applied

Analysis of contract amounts, etc., of the hedging instruments by due date is as follows:

##### FYE2022 (March 31, 2022)

	(Millions of yen)						
	Contract amounts, etc.	One year or less	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years	More than five years
Cash flow hedges							
Price risk							
Commodity swaps	¥1,705	¥1,705	¥—	¥—	¥—	¥—	¥—
Currency risk							
Forward exchange contracts	2,125	1,389	736	—	—	—	—
Hedges of net investments							
Currency risk							
Borrowings denominated in foreign currencies	85,437	—	—	—	—	—	85,437

##### FYE2021 (March 31, 2021)

	(Millions of yen)						
	Contract amounts, etc.	One year or less	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years	More than five years
Cash flow hedges							
Price risk							
Commodity swaps	¥ 481	¥ 481	¥—	¥—	¥—	¥—	¥—
Currency risk							
Forward exchange contracts	3,639	3,639	—	—	—	—	—
Hedges of net investments							
Currency risk							
Borrowings denominated in foreign currencies	81,125	—	—	—	—	—	81,125

Major forward rates of foreign exchange contracts and major interest rates of interest rate swaps are as follows:

	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Cash flow hedges		
Currency risk		
Forward exchange contracts		
U.S. dollar	¥110.25–¥120.56	¥103.77–¥109.70
Euro	¥133.03–¥133.03	¥127.12–¥129.15

Amounts related to items designated as hedging instruments are as follows:

##### FYE2022 (March 31, 2022)

	Contract amounts, etc.	Carrying amount		Items on the consolidated statement of financial position	Changes in fair value used to calculate ineffective portion of hedges for the fiscal year
		Assets	Liabilities		
Cash flow hedges					
Price risk					
Commodity swaps	¥ 1,705	¥630	¥ —	Other financial assets	¥ 397
Currency risk					
Forward exchange contracts	2,125	9	81	Other financial liabilities	23
Interest rate risk					
Interest rate swaps	—	—	—	—	—
Hedges of net investments					
Currency risk					
Borrowings denominated in foreign currencies	85,437	—	85,437	Bonds and borrowings	(4,312)

##### FYE2021 (March 31, 2021)

	Contract amounts, etc.	Carrying amount		Items on the consolidated statement of financial position	Changes in fair value used to calculate ineffective portion of hedges for the fiscal year
		Assets	Liabilities		
Cash flow hedges					
Price risk					
Commodity swaps	¥ 481	¥232	¥ —	Other financial assets	¥ 232
Currency risk					
Forward exchange contracts	3,639	0	94	Other financial liabilities	(121)
Interest rate risk					
Interest rate swaps	—	—	—	—	67
Hedges of net investments					
Currency risk					
Borrowings denominated in foreign currencies	81,125	—	81,125	Bonds and borrowings	(6,406)

Amounts related to items designated as hedged items are as follows:

	FYE2022 (March 31, 2022)			FYE2021 (March 31, 2021)		
	Changes in fair value used to calculate ineffective portion of hedges for the fiscal year	Cash flow hedge reserves	Foreign currency translation reserve	Changes in fair value used to calculate ineffective portion of hedges for the fiscal year	Cash flow hedge reserves	Foreign currency translation reserve
Cash flow hedges						
Price risk						
Planned purchase	¥ (397)	¥434	¥ —	¥ (232)	¥158	¥ —
Currency risk						
Planned purchase	(23)	(65)	—	121	(86)	—
Interest rate risk						
Interest on borrowings	—	—	—	(67)	—	—
Hedges of net investments						
Currency risk						
Effect of exchange rate changes on net investments	4,312	—	(9,781)	6,406	—	(5,468)

## Notes to Consolidated Financial Statements

Details of cash flow hedges are as follows:

### FYE2022 (From April 1, 2021 to March 31, 2022)

	(Millions of yen)				
	Changes in fair value of hedging instruments recognized in other comprehensive income	Ineffective portion of hedges recognized in profit or loss	Items on the consolidated statement of profit or loss that include ineffective portion of gain or loss on hedges	Reclassification adjustments from cash flow hedge reserves to profit or loss	Items on the consolidated statement of profit or loss that include gain or loss due to reclassification adjustments
Cash flow hedges					
Price risk					
Commodity swaps	¥ 397	¥—	¥—	¥(124)	Finance costs
Currency risk					
Forward exchange contracts	23	—	—	7	Finance costs
Interest rate risk					
Interest rate swaps	—	—	—	—	—
Hedges of net investments					
Currency risk					
Borrowings denominated in foreign currencies	(4,312)	—	—	—	—

### FYE2021 (From April 1, 2020 to March 31, 2021)

	(Millions of yen)				
	Changes in fair value of hedging instruments recognized in other comprehensive income	Ineffective portion of hedges recognized in profit or loss	Items on the consolidated statement of profit or loss that include ineffective portion of gain or loss on hedges	Reclassification adjustments from cash flow hedge reserves to profit or loss	Items on the consolidated statement of profit or loss that include gain or loss due to reclassification adjustments
Cash flow hedges					
Price risk					
Commodity swaps	¥ 232	¥—	¥—	¥(242)	Finance costs
Currency risk					
Forward exchange contracts	(121)	—	—	(5)	Finance costs
Interest rate risk					
Interest rate swaps	67	—	—	—	—
Hedges of net investments					
Currency risk					
Borrowings denominated in foreign currencies	(6,406)	—	—	—	—

### 2) Derivative transactions for which hedge accounting is not applied

Amounts related to items not designated as hedging instruments are as follows:

	FYE2022 (March 31, 2022)			FYE2021 (March 31, 2021)		
	Contract amount, etc.	More than one year	Fair value	Contract amount, etc.	More than one year	Fair value
Forward exchange contracts	¥ 668	¥ —	¥ 4	¥ 767	¥ —	¥ 0
Interest rate swaps	1,014	1,014	0	1,274	990	(48)
Currency swaps	284	272	24	364	293	20

## 33. Subsidiaries

For FYE2022 or FYE2021, there were no subsidiaries with individually significant non-controlling interests.

## 34. Related Parties

### Remuneration for major executives

Remuneration for the NSHD Group's major executives is as follows:

	(Millions of yen)	
	FYE2022 (From April 1, 2021 to March 31, 2022)	FYE2021 (From April 1, 2020 to March 31, 2021)
Remuneration and bonuses	¥337	¥391
Total	¥337	¥391

## 35. Commitments

Commitments on acquisition of property, plant and equipment and intangible assets are as follows:

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Acquisition of property, plant and equipment and intangible assets	¥3,049	¥6,989

## 36. Contingent Liabilities

### Guaranteed obligations

Guarantees and quasi-guarantees for borrowings from financial institutions are as follows:

	(Millions of yen)	
	FYE2022 (March 31, 2022)	FYE2021 (March 31, 2021)
Joint ventures	¥ 68	¥ 16
Associates	180	228
Other (Note)	788	947
Total	¥1,037	¥1,191

Note: Other mainly consists of guarantees for employees' bank loans based on the employees' house ownership support system.

## 37. Subsequent Events

Not applicable.

### (2) Other

#### Quarterly information for FYE2022 (From April 1, 2021 to March 31, 2022)

(Cumulative period)	First quarter of FYE2022	First half of FYE2022	First three quarters of FYE2022	FYE2022
Revenue (Millions of yen)	¥218,303	¥447,374	¥691,535	¥957,169
Profit before income taxes (Millions of yen)	22,202	45,026	68,991	91,611
Profit attributable to owners of parent (Millions of yen)	16,062	34,291	50,136	64,103
Basic earnings per share (Yen)	37.12	79.24	115.85	148.13

(Quarterly period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	¥37.12	¥42.12	¥36.61	¥32.27



# Independent Auditor's Report

## English Translation Independent Auditor's Report

June 17, 2022

The Board of Directors  
Nippon Sanso Holdings Corporation

Ernst & Young ShinNihon LLC  
Tokyo, Japan

Takao Maruyama  
Designated Engagement Partner  
Certified Public Accountant

Tetsuya Kawawaki  
Designated Engagement Partner  
Certified Public Accountant

### Opinion

We have audited the accompanying consolidated financial statements of Nippon Sanso Holdings Corporation (the Company) and its subsidiaries (collectively, the Group), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill recorded at Nippon Gases Euro-Holding S.L.U.	
Description of Key Audit Matter	Auditor's Response
<p>The Company records goodwill and intangible assets with indefinite useful lives at ¥486,441 million in its consolidated statements of financial position as of March 31, 2022. Among which, goodwill at Nippon Gases Euro-Holding S.L.U., a consolidated subsidiary in Europe, is recorded at ¥334,278 million, approximately 16.9% of the Company's total assets. The assumptions used in impairment tests of goodwill are disclosed in Note 11 to the consolidated financial statements.</p> <p>In the impairment test, the Company measures the recoverable amount of the cash-generating unit including goodwill based on value in use. The value in use is measured using discounted future cash flows. The future cash flows are based on the five-year projections approved by management. The cash flows after the fifth year are estimated using a long-term growth rate (the "LTGR") which considers future uncertainties. The Company uses the pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.</p> <p>The significant assumptions in estimating the value in use are the growth rate used for future cash flows for the five-year period, the LTGR and the discount rate.</p> <p>The impairment test of goodwill is complex and the growth rate used for future cash flows for the five-year period, the LTGR and the discount rate involve uncertainty and thus determination of these assumptions requires management to apply judgment.</p> <p>Further, as the audit of the goodwill impairment test required us to apply professional judgment, we determined it to be a key audit matter.</p>	<p>We involved the component auditor and performed the following procedures to assess impairment test of goodwill, among others:</p> <ul style="list-style-type: none"> <li>-Valuation methodology <ul style="list-style-type: none"> <li>• With the involvement of valuation specialists of our network firm, we assessed the consistency of the valuation methodology with valuation methodologies that are generally accepted in practice and that are used in similar circumstances.</li> </ul> </li> <li>- The future cash flows based on the five-year projections <ul style="list-style-type: none"> <li>• We assessed the future cash flows for the five-year period by evaluating consistency of the five-year projections approved by management.</li> <li>• With the involvement of valuation specialists of our network firm, we compared the growth rate for the five-year period with the forecasts of similar companies by analysts and evaluated the reasonableness of the assumption.</li> <li>• In order to evaluate the effectiveness of management's projection process, we compared the actual results with the estimated future cash flows the Company applied in its impairment test of goodwill in prior year.</li> </ul> </li> <li>- LTGR and discount rate <ul style="list-style-type: none"> <li>• With the involvement of valuation specialists of our network firm, we assessed the consistency of the input data of the LTGR and the discount rate with publicly available data.</li> <li>• We independently performed sensitivity analyses for the LTGR and the discount rate and compared them with the analyses performed by management.</li> </ul> </li> </ul>

### Other Information

The other information comprises the information included in the annual report (Yukashoken Hokokusho) that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Audit & Supervisory Board are responsible for overseeing the Group's reporting process of the other information.

## Independent Auditor's Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of Management, the Corporate Auditor and the Audit & Supervisory Board for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Corporate Auditor and the Audit & Supervisory Board are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.