NIPPON SANSO HOLDINGS

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NIPPON SANSO HOLDINGS

CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2023

This document has been extracted and translated from the Japanese original report (*Yukashoken-Hokokusho*) issued on June 20, 2023 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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Nippon Sanso Holdings and Consolidated Subsidiaries

Consolidated Statement of Financial Position

(Millions of yen)

	Notes	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Assets			
Current assets			
Cash and cash equivalents	6	¥ 132,217	¥ 93,697
Trade receivables	7	243,541	218,480
Inventories	8	97,612	80,064
Other financial assets	13	22,479	7,310
Other current assets	14	26,152	22,940
Subtotal		522,003	422,493
Assets held for sale	24	5,070	—
Total current assets		527,074	422,493
Non-current assets			
Property, plant and equipment	9	776,148	729,658
Goodwill	10	513,685	485,190
Intangible assets	10	242,334	241,320
Investments accounted for using the equity method	12	38,230	35,700
Other financial assets	13	46,763	55,410
Retirement benefit asset	19	2,810	2,468
Other non-current assets	14	8,461	1,163
Deferred tax assets	30	3,442	3,619
Total non-current assets		1,631,875	1,554,532
Total assets		¥2,158,950	¥1,977,026
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	15	¥ 128,197	¥ 115,123
Bonds and borrowings	16	140,540	110,595
Income taxes payable		16,191	9,746
Other financial liabilities	17	102,119	65,228
Provisions	20	284	1,068
Other current liabilities	21	37,824	29,832
Total current liabilities		425,157	331,595
Non-current liabilities			
Bonds and borrowings	16	759,480	779,749
Other financial liabilities	17	35,693	31,231
Retirement benefit liability	19	14,117	14,165
Provisions	20	5,440	5,107
Other non-current liabilities	21	20,364	20,918
Deferred tax liabilities	30	140,700	133,120
Total non-current liabilities		975,796	984,292
Total liabilities		1,400,953	1,315,888
Equity			
Share capital	22	37,344	37,344
Capital surplus	22	51,610	55,945
Treasury shares	22	(233)	(281)
Retained earnings	22	537,867	476,589
Other components of equity	22	97,724	59,115
Total equity attributable to owners of parent		724,314	628,714
Non-controlling interests		33,682	32,423
Total equity		757,996	661,137
Total liabilities and equity		¥2,158,950	¥1,977,026

See notes to consolidated financial statements.

Consolidated Statement of Profit or Loss

(Millions of yen)

	Notes	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Revenue	4, 27	¥1,186,683	¥ 957,169
Cost of sales		(748,053)	(598,597)
Gross profit		438,630	358,572
Selling, general and administrative expenses		(315,191)	(259,204)
Other operating income	28	5,182	2,241
Other operating expenses	28	(12,650)	(3,937)
Share of profit of investments accounted for using the equity method	12	3,553	3,512
Operating profit		119,524	101,183
Finance income	29	2,182	2,192
Finance costs	29	(16,203)	(11,765)
Profit before income taxes		105,503	91,611
Income taxes	30	(29,538)	(24,973)
Profit		¥ 75,965	¥ 66,637
Profit attributable to:			
Owners of parent		¥ 73,080	¥ 64,103
Non-controlling interests		2,884	2,534
Earnings per share			
Basic earnings per share (Yen)	31	¥ 168.85	¥ 148.13

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Notes	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Profit		¥ 75,965	¥ 66,637
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	25	(337)	6,773
Remeasurements of defined benefit plans	25	1,814	607
Share of other comprehensive income of investments accounted for using the equity method	25	(42)	70
Total of items that will not be reclassified to profit or loss		1,434	7,451
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	25	40,744	55,994
Effective portion of net change in fair value of cash flow hedges	25	(659)	299
Share of other comprehensive income of investments accounted for using the equity method	25	1,374	1,979
Total of items that may be reclassified subsequently to profit or loss		41,459	58,273
Total other comprehensive income		42,894	65,725
Comprehensive income		¥118,859	¥132,363
Comprehensive income attributable to:			
Owners of parent		¥115,466	¥129,325
Non-controlling interests		3,392	3,038

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

(Millions of yen)

	Notes	FYE2023 (From April 1, 2022 to March 31, 2023)			
		Share capital	Capital surplus	Treasury shares	Retained earnings
Balance at April 1, 2022		¥37,344	¥55,945	¥(281)	¥476,589
Profit		—	—	—	73,080
Other comprehensive income	25	—	—	—	—
Comprehensive income		—	—	—	73,080
Purchase of treasury shares	22	—	—	(5)	—
Disposal of treasury shares	22	—	—	53	—
Dividends	23	—	—	—	(15,579)
Changes in ownership interest in subsidiaries		—	(4,334)	—	—
Business combinations or business divestitures		—	—	—	—
Transfer from other components of equity to retained earnings		—	—	—	3,777
Change in scope of consolidation		—	—	—	—
Other changes		—	—	—	—
Total transactions with owners		—	(4,334)	48	(11,802)
Balance at March 31, 2023		¥37,344	¥51,610	¥(233)	¥537,867

	Notes	Other components of equity					Total equity attributable to owners of parent	Non-controlling interests	Total 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			
Balance at April 1, 2022		¥39,428	¥ 368	¥19,319	¥ —	¥59,115	¥628,714	¥32,423	¥661,137
Profit		—	—	—	—	—	73,080	2,884	75,965
Other comprehensive income	25	41,744	(652)	(507)	1,802	42,386	42,386	507	42,894
Comprehensive income		41,744	(652)	(507)	1,802	42,386	115,466	3,392	118,859
Purchase of treasury shares	22	—	—	—	—	—	(5)	—	(5)
Disposal of treasury shares	22	—	—	—	—	—	53	—	53
Dividends	23	—	—	—	—	—	(15,579)	(1,018)	(16,598)
Changes in ownership interest in subsidiaries		—	—	—	—	—	(4,334)	(1,907)	(6,242)
Business combinations or business divestitures		—	—	—	—	—	—	389	389
Transfer from other components of equity to retained earnings		—	—	(1,975)	(1,802)	(3,777)	—	—	—
Change in scope of consolidation		—	—	—	—	—	—	—	—
Other changes		—	—	—	—	—	—	402	402
Total transactions with owners		—	—	(1,975)	(1,802)	(3,777)	(19,866)	(2,133)	(22,000)
Balance at March 31, 2023		¥81,172	¥(284)	¥16,836	¥ —	¥97,724	¥724,314	¥33,682	¥757,996

(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	25	—	—	—	—
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					Total equity attributable to owners of parent	Non-controlling interests	Total 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			
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	25	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

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities			
Profit before income taxes		¥105,503	¥ 91,611
Depreciation and amortization		105,731	92,435
Impairment losses		2,140	1,216
Interest and dividend income		(1,640)	(965)
Interest expenses		16,165	11,601
Share of (profit) loss of investments accounted for using the equity method		(3,553)	(3,512)
Loss (gain) on sales and retirement of property, plant and equipment and intangible assets		375	449
(Increase) decrease in trade receivables		(16,810)	(28,158)
(Increase) decrease in inventories		(14,204)	(6,764)
Increase (decrease) in trade payables		8,758	14,264
(Increase) decrease in retirement benefit asset		(710)	(580)
Increase (decrease) in retirement benefit liability		2,366	1,095
Other		15,730	4,756
Subtotal		219,852	177,451
Interest received		729	201
Dividends received		5,596	3,720
Interest paid		(12,752)	(10,842)
Income taxes refund (paid)		(25,466)	(21,770)
Net cash provided by operating activities		187,959	148,760
Cash flows from investing activities			
Purchase of property, plant and equipment		(91,825)	(74,478)
Proceeds from sales of property, plant and equipment		1,925	1,516
Purchase of investments		(2,804)	(1,560)
Proceeds from sales and redemption of investments		4,276	6,083
Payments for acquisition of subsidiaries		(122)	(520)
Proceeds from sales of subsidiaries		—	0
Other		(9,523)	(1,900)
Net cash used in investing activities		(98,073)	(70,858)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		3,232	8,016
Net increase (decrease) in commercial papers		19,000	(10,000)
Proceeds from long-term borrowings		30,433	25,105
Repayments of long-term borrowings		(76,277)	(86,466)
Proceeds from issuance of bonds		—	25,000
Redemption of bonds		—	(15,000)
Repayments of lease liabilities		(11,998)	(9,437)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation		(2,885)	(276)
Dividends paid	23	(15,579)	(13,853)
Dividends paid to non-controlling interests		(1,018)	(991)
Other		662	(43)
Net cash used in financing activities		(54,430)	(77,946)
Effect of exchange rate changes on cash and cash equivalents		2,961	2,416
Net increase (decrease) in cash and cash equivalents		38,416	2,371
Balance of cash and cash equivalents at beginning of the fiscal year		93,697	91,058
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation		—	266
Increase in cash and cash equivalents resulting from merger		104	—
Balance of cash and cash equivalents at end of the fiscal year	6	¥132,217	¥ 93,697

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 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-insulated bottles. Details are described in Note "4. Segment Information."

The Company's parent changed its business name from Mitsubishi Chemical Holdings Corporation to Mitsubishi Chemical Group Corporation on July 1, 2022.

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 20, 2023.

(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.

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.

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 "30. Income Taxes")
- Measurement of defined benefit obligations (Note "19. Post-employment Benefits")
- Fair value of financial instruments (Note "33. Financial Instruments")

(6) New accounting standards applied

The NSHD Group has applied the following accounting standards and interpretations from FYE2023.

Accounting standards and interpretations		Overview of establishment and amendment to standard
IAS 12	Income taxes	Temporary exceptional accounting treatment for deferred taxes arising from the application of Pillar Two Model Rules

The NSHD Group has applied "International Tax Reform–Pillar Two Model Rules (Amendments to International Accounting Standards ("IAS") 12)" effective from FYE2023.

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the OECD's(Note 1) Pillar Two of the BEPS (Note 2), the Global Anti-Base Erosion (GloBE: global minimum tax) Rules. However, the amendments provide a mandatory temporary exception to requirements regarding the recognition and disclosure of deferred tax assets and liabilities for income taxes arising from the global minimum tax rules.

For income taxes arising from the global minimum tax system, the NSHD Group applies the exceptional treatment prescribed in IAS 12 and does not recognize or disclose associated deferred tax assets and liabilities.

In Japan, a corporate tax system corresponding to the global minimum tax was established in the Tax Reform of 2023, and the Tax Reform Act ("Act for Partial Revision of the Income Tax Act, etc." (Act No. 3 of 2023), the "revised Income Tax Act"), including provisions related to the global minimum tax system, was enacted on March 28, 2023. The revised Income Tax Act implements the Income Inclusion Rule (IIR), which is one of the global minimum tax rules of BEPS. Starting from the fiscal year beginning April 1, 2024, parent companies located in Japan will be additionally (top-up) taxed until the tax burdens of its subsidiaries reaches the minimum tax rate (15%).

Notes: 1. OECD: "Organisation for Economic Co-operation and Development"
2. BEPS: "Base Erosion and Profit Shifting"

(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 FYE2023, 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 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 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.

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) Post-employment 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-insulated 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-insulated bottles. Therefore, the Company has established the following five reportable segments: Japan, United States, Europe, Asia & Oceania, and Thermos.

(Changes in names of reportable segments)

The names of reportable segments were previously "Gas Business in Japan," "Gas Business in the United States," "Gas Business in Europe," "Gas Business in Asia and Oceania" and "Thermos Business." Effective from FYE2023, these names were changed to "Japan," "United States," "Europe," "Asia & Oceania," and "Thermos," respectively.

There is no impact on the segment information from this change.

The names of reportable segments for the previous fiscal year (FYE2022) have been changed to conform to the current fiscal year's presentation.

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

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

FYE2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment						Reconciling items (Note 1)	Amounts on the consolidated statement of profit or loss
	Japan	United States	Europe	Asia & Oceania	Thermos	Total		
Revenue								
Revenues from external customers	**¥420,452**	**¥303,090**	**¥272,888**	**¥159,965**	**¥30,190**	**¥1,186,587**	**¥ 95**	**¥1,186,683**
Intersegment revenues and transfers	**13,694**	**21,377**	**236**	**3,334**	**17**	**38,660**	**(38,660)**	**—**
Total	**434,147**	**324,468**	**273,125**	**163,300**	**30,207**	**1,225,248**	**(38,564)**	**1,186,683**
Segment profit (Note 2)	**31,680**	**37,074**	**34,904**	**15,465**	**6,021**	**125,146**	**(2,021)**	**123,124**
Other items								
Depreciation and amortization	**19,111**	**40,669**	**35,061**	**9,317**	**1,471**	**105,631**	**99**	**105,731**
Impairment losses	**—**	**—**	**2,138**	**1**	**—**	**2,140**	**—**	**2,140**
Share of profit (loss) of investments accounted for using the equity method	**177**	**—**	**52**	**297**	**3,171**	**3,698**	**(0)**	**3,698**

Notes: 1. The reconciling item for segment profit, in the amount of ¥(2,021) million, is comprised of ¥(743) million of intersegment eliminations and companywide expenses of ¥(1,278) 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).

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

(Millions of yen)

	Reportable segment						Reconciling items (Note 1)	Amounts on the consolidated statement of profit or loss
	Japan	United States	Europe	Asia & Oceania	Thermos	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).

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

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Segment profit	**¥123,124**	¥102,710
Gain on sale of fixed assets	**615**	—
Loss on arbitration award	**(3,520)**	—
Share of profit (loss) of investments accounted for using the equity method	**(144)**	(172)
Impairment losses	**—**	(1,075)
Other	**(549)**	(278)
Operating profit	**119,524**	101,183
Finance income	**2,182**	2,192
Finance costs	**(16,203)**	(11,765)
Profit before income taxes	**¥105,503**	¥ 91,611

(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

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Japan	**¥ 429,443**	¥384,388
The United States	**294,194**	214,087
Europe	**282,667**	213,886
Asia, Oceania and others	**180,377**	144,806
Total	**¥1,186,683**	¥957,169

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

Non-current assets

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Japan	**¥ 175,632**	¥ 170,709
The United States	**453,145**	408,944
Europe	**762,880**	734,718
Asia, Oceania and others	**148,971**	142,959
Total	**¥1,540,629**	¥1,457,333

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

FYE2023 (From April 1, 2022 to March 31, 2023)

There were no significant business combinations.

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

There were no significant business combinations.

6. Cash and Cash Equivalents

A breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Cash and deposits	**¥132,217**	¥93,697
Total	**¥132,217**	¥93,697

7. Trade Receivables

A breakdown of trade receivables is as follows:

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Notes and accounts receivable–trade	**¥252,757**	¥226,588
Allowance for doubtful accounts	**(9,216)**	(8,107)
Total	**¥243,541**	¥218,480

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

8. Inventories

A breakdown of inventories is as follows:

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Merchandise and finished goods	**¥58,105**	¥49,696
Work in process	**18,456**	14,836
Raw materials and supplies	**21,049**	15,530
Total	**¥97,612**	¥80,064

Amounts of inventories measured based on net realizable value at March 31, 2023 and 2022 were ¥5,154 million and ¥3,874 million, respectively.
Amounts of write-downs of inventories recognized as expenses for FYE2023 and FYE2022 were ¥211 million and ¥163 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:

FYE2023 (From April 1, 2022 to March 31, 2023)

Costs

(Millions of yen)

	Machinery and vehicles	Buildings and structures	Land	Construction in progress	Tools, furniture and fixtures	Total
Balance at April 1, 2022	**¥1,043,359**	**¥210,560**	**¥64,263**	**¥48,645**	**¥192,985**	**¥1,559,814**
Individual acquisition (Note)	**57,639**	**13,050**	**1,537**	**15,889**	**17,573**	**105,691**
Impairment losses	**—**	**—**	**—**	**—**	**—**	**—**
Business combinations, business divestitures, etc.	**180**	**24**	**212**	**—**	**1**	**419**
Sale and disposal	**(20,768)**	**(5,580)**	**(627)**	**(85)**	**(6,710)**	**(33,772)**
Transfer	**(2,427)**	**571**	**40**	**694**	**84**	**(1,035)**
Exchange differences on translation of foreign operations, etc.	**39,671**	**7,388**	**1,386**	**1,630**	**10,430**	**60,508**
Balance at March 31, 2023	**¥1,117,656**	**¥226,014**	**¥66,813**	**¥66,774**	**¥214,366**	**¥1,691,624**

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, 2022	**¥(610,932)**	**¥(108,349)**	**¥(4,274)**	**¥—**	**¥(106,599)**	**¥(830,156)**
Depreciation	**(64,199)**	**(11,878)**	**(702)**	**—**	**(12,106)**	**(88,887)**
Impairment losses	**(1,995)**	**(139)**	**(1)**	**—**	**(2)**	**(2,140)**
Business divestitures, etc.	**—**	**—**	**—**	**—**	**—**	**—**
Sale and disposal	**19,565**	**3,932**	**128**	**—**	**6,571**	**30,198**
Transfer	**(235)**	**(227)**	**0**	**—**	**28**	**(435)**
Exchange differences on translation of foreign operations, etc.	**(17,207)**	**(3,056)**	**(73)**	**—**	**(3,717)**	**(24,055)**
Balance at March 31, 2023	**¥(675,006)**	**¥(119,719)**	**¥(4,923)**	**¥—**	**¥(115,826)**	**¥(915,476)**

Carrying amounts

(Millions of yen)

	Machinery and vehicles	Buildings and structures	Land	Construction in progress	Tools, furniture and fixtures	Total
Balance at April 1, 2022	**¥432,427**	**¥102,210**	**¥59,989**	**¥48,645**	**¥86,386**	**¥729,658**
Balance at March 31, 2023	**¥442,650**	**¥106,294**	**¥61,890**	**¥66,774**	**¥98,539**	**¥776,148**

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

The right-of-use assets (capital expenditure amount) increased by ¥11,961 million and ¥8,450 million for FYE2023 and FYE2022, 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)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Machinery and vehicles	**¥11,603**	¥ 9,881
Buildings and structures	**23,465**	22,142
Land	**1,610**	1,776
Tools, furniture and fixtures	**2,397**	2,768
Total	**¥39,076**	¥36,568

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:

FYE2023 (From April 1, 2022 to March 31, 2023)

Costs

(Millions of yen)

	Goodwill	Intangible assets		
		Customer-related intangible assets	Other	Total
Balance at April 1, 2022	**¥487,113**	**¥300,876**	**¥25,309**	**¥326,185**
Individual acquisition	**—**	**—**	**1,384**	**1,384**
Business combinations, business divestitures, etc.	**739**	**173**	**377**	**550**
Sale and disposal	**—**	**(489)**	**(226)**	**(716)**
Exchange differences on translation of foreign operations, etc.	**27,937**	**14,355**	**4,999**	**19,355**
Balance at March 31, 2023	**¥515,790**	**¥314,916**	**¥31,843**	**¥346,760**

Accumulated amortization and accumulated impairment losses

(Millions of yen)

	Goodwill	Intangible assets		
		Customer-related intangible assets	Other	Total
Balance at April 1, 2022	**¥(1,922)**	**¥(68,528)**	**¥(16,336)**	**¥ (84,865)**
Amortization	**—**	**(14,685)**	**(2,151)**	**(16,836)**
Impairment losses	**—**	**—**	**—**	**—**
Business divestitures, etc.	**—**	**—**	**—**	**—**
Sale and disposal	**—**	**489**	**174**	**664**
Exchange differences on translation of foreign operations, etc.	**(181)**	**(1,025)**	**(2,362)**	**(3,387)**
Balance at March 31, 2023	**¥(2,104)**	**¥(83,749)**	**¥(20,676)**	**¥(104,425)**

Carrying amounts

(Millions of yen)

	Goodwill	Intangible assets		
		Customer-related intangible assets	Other	Total
Balance at April 1, 2022	**¥485,190**	**¥232,348**	**¥ 8,972**	**¥241,320**
Balance at March 31, 2023	**¥513,685**	**¥231,167**	**¥11,167**	**¥242,334**

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

Costs

(Millions of yen)

	Goodwill	Intangible assets		
		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	Intangible assets		
		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	Intangible assets		
		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

There were no significant internally generated intangible assets for FYE2023 or FYE2022.

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 FYE2023 and FYE2022 were ¥3,515 million and ¥3,569 million, respectively.

The carrying amount of assets with indefinite useful lives in the intangible assets above was ¥1,219 million and ¥1,251 million at March 31, 2023 and 2022, 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:

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)	Remaining period of amortization
Nippon Gases Euro-Holding S.L.U.	**¥188,773**	¥188,326	Mainly 25 years
Matheson Tri-Gas, Inc.	**35,032**	36,093	Mainly 13 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 FYE2023 and FYE2022 were ¥2,140 million and ¥1,216 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:

FYE2023 (From April 1, 2022 to March 31, 2023)

There were no individually significant impairment losses.

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

There were no individually significant impairment losses.

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

(Millions of yen)

Cash-generating units (group of cash-generating units)	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Nippon Gases Euro-Holding S.L.U.	**¥352,647**	¥334,278
Matheson Tri-Gas, Inc.	**119,927**	111,142
NSC (Australia) Pty Ltd (Note)	**26,977**	27,672
Other	**15,352**	13,347
Total	**¥514,905**	¥486,441

The carrying amounts of intangible assets with indefinite useful lives at March 31, 2023 and 2022 were ¥1,219 million and ¥1,251 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 (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 experience 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 estimated period are determined by referring to the long-term average growth rate of a market or a country to which the cash-generating unit (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.

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 (group of cash-generating units)	FYE2023 (March 31, 2023)		FYE2022 (March 31, 2022)	
	Long-term growth rate	Discount rate	Long-term growth rate	Discount rate
Nippon Gases Euro-Holding S.L.U.	**2.4%**	**7.5%**	1.9%	6.0%
Matheson Tri-Gas, Inc.	**3.5%**	**10.0%**	3.5%	8.5%
NSC (Australia) Pty Ltd (Note)	**2.5%**	**8.6%**	2.5%	8.5%

Note: The recoverable amount measured by value in use of Nippon Gases Euro-Holding S.L.U. at March 31, 2023 exceeded its carrying amount by ¥193,388 million; it is estimated that if the discount rate rises by 1.5% 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:

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Carrying amount of investments in joint ventures	**¥8,462**	¥7,671

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

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Share of profit	**¥ (11)**	¥153
Share of other comprehensive income	**(125)**	202
Total share of comprehensive income	**¥(137)**	¥356

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

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Carrying amount of investments in associates	**¥29,767**	¥28,029

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

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Share of profit	**¥3,564**	¥3,358
Share of other comprehensive income	**1,458**	1,847
Total share of comprehensive income	**¥5,023**	¥5,206

13. Other Financial Assets

A breakdown of other financial assets is as follows:

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Equity securities and investments in capital	**¥34,787**	¥44,086
Other	**35,695**	19,659
Allowance for doubtful accounts	**(1,240)**	(1,024)
Total	**¥69,242**	¥62,721
Current assets	**¥22,479**	¥ 7,310
Non-current assets	**46,763**	55,410
Total	**¥69,242**	¥62,721

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:

FYE2023 (March 31, 2023)

(Millions of yen)

Name	Amount
IBIDEN CO., LTD.	**¥6,965**
Tosoh Corporation	**4,014**
Koatsu Gas Kogyo Co., Ltd.	**2,393**
RIKEN KEIKI Co., Ltd.	**1,938**
KUREHA CORPORATION	**1,038**

FYE2022 (March 31, 2022)

(Millions of yen)

Name	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

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)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Fair value	**¥4,276**	¥6,052
Cumulative gains or losses	**2,025**	3,741

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

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Financial assets that were derecognized	**¥116**	¥ 73
Financial assets held at end of the fiscal year	**781**	686

14. Other Assets

A breakdown of other assets is as follows:

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Prepaid expenses	**¥14,961**	¥ 8,112
Other	**19,651**	15,992
Total	**¥34,613**	¥24,104
Current assets	**¥26,152**	¥22,940
Non-current assets	**8,461**	1,163
Total	**¥34,613**	¥24,104

15. Trade Payables

A breakdown of trade payables is as follows:

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Notes and accounts payable–trade	**¥128,197**	¥115,123
Total	**¥128,197**	¥115,123

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)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Short-term borrowings	**¥ 32,238**	¥ 26,632
Current portion of long-term borrowings	**82,301**	76,963
Commercial papers	**26,000**	7,000
Long-term borrowings	**561,814**	582,309
Bonds	**197,665**	197,440
Total	**¥900,020**	¥890,344
Current liabilities	**¥140,540**	¥110,595
Non-current liabilities	**759,480**	779,749
Total	**¥900,020**	¥890,344

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, 2023 were 5.06% and 2.32%, respectively.

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 repayment term of long-term borrowings at March 31, 2023 is from 2023 to 2059.

A breakdown of bonds is as follows:

(Millions of yen)

Company name	Name	Issuance date	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)	Interest rate (%)	Collateral	Maturity date
*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	**99,849**	99,671	1.41 (*2)	None	January 29, 2054
*1	The 2nd Series Deferrable Interest and Callable Unsecured Subordinated Bonds	January 29, 2019	**7,945**	7,937	1.87 (*3)	None	January 29, 2059
*1	The 15th Domestic Unsecured Straight Corporate Bonds	October 16, 2019	**19,968**	19,948	0.13	None	October 16, 2024
*1	The 16th Domestic Unsecured Straight Corporate Bonds	October 16, 2019	**9,971**	9,963	0.19	None	October 16, 2026
*1	The 17th Domestic Unsecured Straight Corporate Bonds	October 16, 2019	**19,930**	19,920	0.30	None	October 16, 2029
*1	The 1st Domestic Unsecured Straight Corporate Bonds	October 14, 2021	**15,000**	15,000	0.11	None	October 14, 2026
*1	The 2nd Domestic Unsecured Straight Corporate Bonds	October 14, 2021	**10,000**	10,000	0.28	None	October 14, 2031
	Total		**¥197,665**	¥197,440			

*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).

Assets pledged as collateral and secured obligations are as follows:

Assets pledged as collateral

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Property, plant and equipment	**¥1,016**	¥1,249
Total	**¥1,016**	¥1,249

Secured obligations

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Bonds and borrowings	**¥404**	¥616
Other financial liabilities (current)	**32**	28
Total	**¥437**	¥645

17. Other Financial Liabilities

A breakdown of other financial liabilities is as follows:

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Lease liabilities	**¥ 41,762**	¥38,872
Accrued expenses	**77,154**	45,895
Accounts payable–other	**16,993**	10,138
Other	**1,902**	1,553
Total	**¥137,813**	¥96,460
Current liabilities	**¥102,119**	¥65,228
Non-current liabilities	**35,693**	31,231
Total	**¥137,813**	¥96,460

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)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Depreciation charges for right-of-use assets		
Land, buildings and structures as underlying assets	**¥ 5,370**	¥ 3,289
Tools, furniture and fixtures as underlying assets	**1,012**	996
Machinery and vehicles as underlying assets	**3,923**	3,070
Total depreciation charges	**10,305**	7,355
Expenses relating to leases of low-value assets	**1,823**	1,822
Total cash outflows for leases	**¥13,821**	¥11,260

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

Please see Note "33. 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)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Present value of defined benefit obligations	**¥ 41,475**	¥ 43,506
Fair value of plan assets	**(30,168)**	(31,809)
Net amount of defined benefit obligations and assets	**¥ 11,307**	¥ 11,697
Retirement benefit liability	**¥ 14,117**	¥ 14,165
Retirement benefit asset	**(2,810)**	(2,468)
Net amount of defined benefit obligations and assets	**¥ 11,307**	¥ 11,697

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

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Current service cost	**¥2,173**	¥1,877
Interest expenses	**364**	335
Interest income	**(186)**	(219)
Total	**¥2,352**	¥1,993

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

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Balance at beginning of the fiscal year	**¥43,506**	¥44,552
Current service cost	**2,173**	1,877
Interest expenses	**364**	335
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	**—**	—
Actuarial gains and losses arising from changes in financial assumptions	**(3,638)**	(1,057)
Retirement benefits paid	**(3,923)**	(2,291)
Other	**2,992**	90
Balance at end of the fiscal year	**¥41,475**	¥43,506

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

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Balance at beginning of the fiscal year	**¥31,809**	¥32,982
Interest income	**186**	219
Remeasurements		
Return on plan assets	**(1,031)**	(196)
Contributions from companies	**1,716**	1,117
Retirement benefits paid	**(3,543)**	(1,993)
Other	**1,031**	(319)
Balance at end of the fiscal year	**¥30,168**	¥31,809

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

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Discount rate	**1.11%**	0.70%

If the discount rate, which is the key actuarial assumption, fluctuates, the present value of defined benefit obligations at March 31, 2023 and 2022 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)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Increase by 0.5%	**¥(1,779)**	¥(2,011)
Decrease by 0.5%	**1,941**	2,281

The fair value of plan assets at March 31, 2023 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	**¥3,635**	**¥ —**	**¥ 3,635**
Equity financial instruments			
Jointly managed trusts	**—**	**2,622**	**2,622**
Total equity financial instruments	**—**	**2,622**	**2,622**
Debt financial instruments			
Jointly managed trusts	**—**	**13,967**	**13,967**
Total debt financial instruments	**—**	**13,967**	**13,967**
Life insurance general accounts	**—**	**9,692**	**9,692**
Other	**—**	**249**	**249**
Total	**¥3,635**	**¥26,532**	**¥30,168**

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

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 FYE2024, the NSHD Group plans to contribute ¥1,765 million to plan assets.

The weighted average durations of the defined benefit obligation at March 31, 2023 and 2022 were 11.6 years and 11.9 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)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Expenses under defined contribution plans	**¥5,008**	¥3,808
Expenses under public pension systems	**4,475**	4,819

20. Provisions

A breakdown of changes in provisions is as follows:

FYE2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Provision for construction warranties	Asset retirement obligations	Other provisions	Total
Balance at April 1, 2022	**¥183**	**¥5,782**	**¥ 208**	**¥ 6,175**
Increase during the fiscal year	**33**	**60**	**—**	**93**
Decrease during the fiscal year (Intended use)	**—**	**(858)**	**(208)**	**(1,067)**
Decrease during the fiscal year (Reversal)	**(23)**	**(156)**	**—**	**(180)**
Other	**0**	**703**	**—**	**704**
Balance at March 31, 2023	**¥195**	**¥5,530**	**¥ —**	**¥ 5,725**
Current liabilities	**¥195**	**¥ 89**	**¥ —**	**¥ 284**
Non-current liabilities	**—**	**5,440**	**—**	**5,440**
Total	**¥195**	**¥5,530**	**¥ —**	**¥ 5,725**

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

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)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Advances received	**¥ 9,803**	¥ 4,977
Deferred income	**5,339**	5,681
Employees' bonuses	**6,422**	6,203
Employees' paid absence	**4,096**	4,049
Other	**32,527**	29,839
Total	**¥58,189**	¥50,750
Current liabilities	**¥37,824**	¥29,832
Non-current liabilities	**20,364**	20,918
Total	**¥58,189**	¥50,750

22. Equity

(1) Share capital and treasury shares

Numbers of shares authorized and shares issued are as follows:

(Thousands of shares)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
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)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Beginning of the fiscal year	**344**	342
Increase (Note 1)	**150**	2
Decrease (Note 2)	**(262)**	(0)
End of the fiscal year	**232**	344

Notes: 1. The increase of 150 thousand shares during FYE2023 consisted of (i) 147 thousand shares belonging to the Company as treasury shares (the Company's stock) as a result of a change in ownership ratio of an associate, previously accounted for using the equity method, that became a consolidated subsidiary and (ii) 2 thousand shares due to the purchase of shares less than one unit. The increase of 2 thousand shares during FYE2022 was due to the purchase of shares less than one unit.
2. The decrease of 262 thousand shares during FYE2023 was due to the sale of treasury shares (the Company's stock) that were sold by a consolidated subsidiary. The decrease of 0 thousand shares during FYE2022 was due to the sale of shares less than one unit.

(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.

23. Dividends

Payments of dividends are as follows:

FYE2023 (From April 1, 2022 to March 31, 2023)

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**
Board of Directors' meeting held on November 1, 2022	**Ordinary shares**	**7,792**	**18**	**September 30, 2022**	**December 1, 2022**

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

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

FYE2023 (From April 1, 2022 to March 31, 2023)

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 20, 2023	**Ordinary shares**	**¥8,658**	**¥20**	**March 31, 2023**	**June 21, 2023**

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

24. Assets Held for Sale

Assets held for sale are as follows:

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Assets held for sale		
Other financial assets	**¥5,070**	¥—
Total	**¥5,070**	¥—

The NSHD Group continuously reviews the significance of its stock holding policy of stocks. The stocks that the NSHD Group decided to sell due to lack of significance to hold as a result of the continuous review, those to be sold within one year are classified as assets held for sale as of March 31, 2023. The stocks classified as assets held for sales are listed stocks and classified as Level 1 of the fair value hierarchy.

As of March 31, 2023, other components of equity related to assets held for sale amounted to ¥3,660 million.

25. Other Comprehensive Income

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

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Financial assets measured at fair value through other comprehensive income		
Amount arising during the fiscal year	**¥ (770)**	¥ 9,244
Tax effects	**432**	(2,471)
Net amount	**(337)**	6,773
Remeasurements of defined benefit plans		
Amount arising during the fiscal year	**2,607**	861
Tax effects	**(793)**	(254)
Net amount	**1,814**	607
Exchange differences on translation of foreign operations		
Amount arising during the fiscal year	**40,744**	55,994
Net amount	**40,744**	55,994
Effective portion of net change in fair value of cash flow hedges		
Amount arising during the fiscal year	**204**	586
Reclassification adjustments	**(1,145)**	(166)
Tax effects	**281**	(120)
Net amount	**(659)**	299
Share of other comprehensive income of investments accounted for using the equity method		
Amount arising during the fiscal year	**1,332**	2,050
Net amount	**1,332**	2,050
Total other comprehensive income	**¥42,894**	¥65,725

26. Employee Benefit Expenses

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

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Wages and salaries	**¥152,871**	¥130,487
Total	**¥152,871**	¥130,487

27. Revenue

(1) The disaggregation of revenue

FYE2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment						
	Japan	United States	Europe	Asia & Oceania	Thermos	Reconciling items	Total
Revenue							
Gas	**¥284,363**	**¥227,545**	**¥256,162**	**¥126,385**	**¥ —**	**¥—**	**¥ 894,457**
Equipment and other	**136,089**	**75,544**	**16,726**	**33,580**	**—**	**95**	**262,036**
Housewares	**—**	**—**	**—**	**—**	**30,190**	**—**	**30,190**
Total	**¥420,452**	**¥303,090**	**¥272,888**	**¥159,965**	**¥30,190**	**¥95**	**¥1,186,683**

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

(Millions of yen)

	Reportable segment						
	Japan	United States	Europe	Asia & Oceania	Thermos	Reconciling items	Total
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

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 the names of its reportable segments from FYE2023. The names of the reportable segments for the previous fiscal year shown above have been changed 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:

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)	At the beginning of FYE2022 (April 1, 2021)
Receivables arising from contracts with customers	**¥252,757**	¥226,588	¥190,343
Contract assets	**4,997**	5,204	3,936
Contract liabilities	**18,554**	13,030	12,239

Of the outstanding amounts of contract liabilities, as of the beginning of FYE2023 and FYE2022, the amounts recognized as revenue for the fiscal years are insignificant. For FYE2023 and FYE2022, 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.

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
One year or less	**¥24,483**	¥ 8,025
More than one year	**13,521**	6,204
Total	**¥38,005**	¥14,230

28. Other Operating Income and Other Operating Expenses

A breakdown of other operating income is as follows:

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Grant income	**¥ 60**	¥ 45
Gain on sales of property, plant and equipment	**1,043**	197
Other	**4,078**	1,998
Total	**¥5,182**	¥2,241

A breakdown of other operating expenses is as follows:

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Impairment losses	**¥ 2,140**	¥1,216
Loss on sales and retirement of property, plant and equipment	**1,419**	647
Loss on reduction of property, plant and equipment	**—**	45
Loss on arbitration award	**3,520**	—
Other	**5,570**	2,028
Total	**¥12,650**	¥3,937

29. Finance Income and Finance Costs

A breakdown of finance income is as follows:

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Interest income		
Financial assets measured at amortized cost	**¥ 742**	¥ 204
Dividend income		
Financial assets measured at fair value through other comprehensive income	**897**	760
Foreign exchange gains	**501**	1,169
Other	**40**	58
Total	**¥2,182**	¥2,192

A breakdown of finance costs is as follows:

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Interest expenses		
Financial liabilities measured at amortized cost	**¥16,165**	¥11,601
Other	**37**	163
Total	**¥16,203**	¥11,765

30. 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:

FYE2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	April 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	March 31, 2023
Deferred tax assets					
Employees' bonuses	¥ 2,462	¥ (105)	¥ —	¥ —	¥ 2,356
Accrued expenses	3,655	(92)	—	253	3,816
Property, plant and equipment and intangible assets	2,959	15	—	(0)	2,975
Retirement benefit liability	3,482	(1)	(682)	93	2,891
Unused tax losses	4,944	(4,506)	—	504	943
Unrealized gains (inventories and property, plant and equipment)	2,404	312	—	—	2,717
Other	6,777	378	32	600	7,788
Total	¥ 26,685	¥(3,999)	¥(650)	¥ 1,452	¥ 23,489
Deferred tax liabilities					
Securities and other investments	¥ (8,440)	¥ —	¥ 487	¥ 687	¥ (7,265)
Property, plant and equipment and intangible assets	(137,541)	5,638	—	(9,758)	(141,661)
Undistributed earnings of overseas consolidated subsidiaries, etc.	(7,602)	(1,461)	—	—	(9,063)
Other	(2,601)	(223)	82	(13)	(2,756)
Total	¥(156,187)	¥ 3,954	¥ 570	¥(9,084)	¥(160,747)
Net deferred tax liabilities	¥(129,501)	¥ (44)	¥ (79)	¥(7,631)	¥(137,257)

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

(Millions of yen)

	April 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	March 31, 2022
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)

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, 2023 and 2022 were ¥20,793 million and ¥21,738 million, respectively.

(2) Income taxes

A breakdown of income taxes is as follows:

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Current income taxes	¥29,493	¥21,770
Deferred income taxes	44	3,202
Total	¥29,538	¥24,973

(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 FYE2023 and FYE2022 was 30.62%. Overseas 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:

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Statutory tax rate	30.62%	30.62%
Permanently non-deductible or non-taxable items	0.79	0.80
Unrecognized deferred tax assets	0.72	0.18
Differences in tax rates for overseas consolidated subsidiaries	(4.55)	(4.10)
Tax effects on undistributed earnings	1.38	1.65
Share of profit of investments accounted for using the equity method	(1.03)	(1.17)
Other	0.06	(0.72)
Effective tax rate	28.00%	27.26%

31. Earnings per Share

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

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (Millions of yen)	¥ 73,080	¥ 64,103
Average number of shares during the fiscal year (Thousands of shares)	432,812	432,749
Basic earnings per share (Yen)	¥ 168.85	¥ 148.13

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

32. Cash Flow Information

Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

FYE2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Balance at April 1, 2022	Changes from cash flows	Non-cash changes: Changes from business combinations, etc.	Non-cash changes: New lease transactions and changes in lease contracts, etc.	Non-cash changes: Exchange differences on translation of foreign operations, etc.	Balance at March 31, 2023
Short-term borrowings	**¥ 26,632**	**¥ 3,232**	**¥ —**	**¥ —**	**¥ 2,373**	**¥ 32,238**
Commercial papers	**7,000**	**19,000**	**—**	**—**	**—**	**26,000**
Long-term borrowings (Note)	**659,272**	**(45,844)**	**3**	**—**	**30,684**	**644,116**
Bonds (Note)	**197,440**	**—**	**—**	**—**	**225**	**197,665**
Lease liabilities (Note)	**38,872**	**(11,998)**	**190**	**¥10,084**	**4,613**	**41,762**

Note: Balances include the current portion.

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

(Millions of yen)

	Balance at April 1, 2021	Changes from cash flows	Non-cash changes: Changes from business combinations, etc.	Non-cash changes: New lease transactions and changes in lease contracts, etc.	Non-cash changes: Exchange differences on translation of foreign operations, etc.	Balance at March 31, 2022
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.

33. 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.

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
ROCE (Note 1)	**7.6%**	6.8%
Adjusted net D/E ratio (Note 2)	**0.81**	0.94

Notes: 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.

Notes: 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.

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Balance at beginning of the fiscal year	**¥ 9,132**	¥ 9,458
Increase during the fiscal year	**4,004**	895
Decrease during the fiscal year (Intended use)	**(2,350)**	(1,445)
Decrease during the fiscal year (Reversal)	**(898)**	(367)
Other	**567**	590
Balance at end of the fiscal year	**¥10,456**	¥ 9,132

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

FYE2023 (March 31, 2023)

(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	**¥128,197**	**¥128,197**	**¥128,197**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Accounts payable–other	**16,993**	**16,993**	**13,077**	**868**	**—**	**—**	**2,985**	**62**
Short-term borrowings	**32,238**	**32,238**	**32,238**	**—**	**—**	**—**	**—**	**—**
Long-term borrowings	**644,116**	**646,639**	**82,301**	**97,455**	**55,280**	**49,771**	**51,731**	**310,099**
Commercial papers	**26,000**	**26,000**	**26,000**	**—**	**—**	**—**	**—**	**—**
Bonds	**197,665**	**198,000**	**—**	**20,000**	**—**	**40,000**	**—**	**138,000**
Lease liabilities	**41,762**	**44,661**	**11,387**	**10,008**	**6,428**	**5,037**	**3,312**	**8,487**
Accrued expenses	**77,154**	**77,154**	**77,154**	**—**	**—**	**—**	**—**	**—**
Other	**1,506**	**1,506**	**719**	**3**	**1**	**1**	**1**	**778**
Derivative liabilities								
Forward exchange contracts	**125**	**125**	**125**	**—**	**—**	**—**	**—**	**—**
Currency swaps	**0**	**0**	**0**	**—**	**—**	**—**	**—**	**—**
Interest rate swaps	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other	**269**	**269**	**268**	**0**	**—**	**—**	**—**	**—**

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	—	—	—
Other	—	—	—	—	—	—	—	—

(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)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
U.S. dollar (1% appreciation of the yen)	**¥(91)**	¥(28)
Euro (1% appreciation of the yen)	**(5)**	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)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Profit before income taxes	**¥(2,739)**	¥(2,806)

(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 FYE2023, certain equity securities were reclassified from Level 3 to Level 2 since the issuer was listed on the TOKYO PRO Market, but no quoted price in an active market could be recognized due to infrequent trading in the market.

In FYE2022, certain equity securities were reclassified from Level 3 to Level 1 since the issuers went public and were listed on a regulated market.

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

Financial instruments measured at fair value are as follows:

FYE2023 (March 31, 2023)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets				
Equity securities and investments in capital	**¥24,748**	**¥370**	**¥9,668**	**¥34,787**
Equity securities and investments in capital held for sale	**5,070**	**—**	**—**	**5,070**
Derivative assets	**—**	**96**	**—**	**96**
Total	**¥29,819**	**¥467**	**¥9,668**	**¥39,955**
Liabilities				
Derivative liabilities	**¥ —**	**¥395**	**¥ —**	**¥ 395**
Total	**¥ —**	**¥395**	**¥ —**	**¥ 395**

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

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 marketable equity securities categorized as Level 2 is calculated using quoted prices of the same or similar assets or liabilities in inactive markets.

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)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Balance at beginning of the fiscal year	**¥ 9,048**	¥ 8,751
Other comprehensive income (Note)	**443**	7,635
Purchase	**2,028**	590
Sale	**(8)**	(14)
Change in scope of consolidation	**(1,550)**	(243)
Reclassification from Level 3	**(370)**	(7,675)
Other changes	**77**	4
Balance at end of the fiscal year	**¥ 9,668**	¥ 9,048

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:

FYE2023 (March 31, 2023)

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Liabilities					
Long-term borrowings	**¥644,116**	**¥—**	**¥640,253**	**¥—**	**¥640,253**
Bonds	**197,665**	**—**	**196,706**	**—**	**196,706**
Total	**¥841,781**	**¥—**	**¥836,959**	**¥—**	**¥836,959**

FYE2022 (March 31, 2022)

(Millions of yen)

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

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, 2023 and 2022, for trade receivables transferred without meeting the requirements for derecognition of financial assets, ¥1,381 million and ¥1,032 million were included in "Trade receivables," respectively, and the amounts received due to the transfer of ¥1,072 million and ¥733 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.

(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:

FYE2023 (March 31, 2023)

(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	**¥ 3,233**	**¥2,631**	**¥601**	**¥—**	**¥—**	**¥—**	**¥ —**
Currency risk							
Forward exchange contracts	**2,775**	**2,775**	**—**	**—**	**—**	**—**	**—**
Hedges of net investments							
Currency risk							
Borrowings denominated in foreign currencies	**91,075**	**—**	**—**	**—**	**—**	**—**	**91,075**

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

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

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Cash flow hedges		
Currency risk		
Forward exchange contracts		
U.S. dollar	**¥112.99–¥125.12**	¥110.25–¥120.56
Euro	**¥142.12–¥145.13**	¥133.03–¥133.03

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

FYE2023 (March 31, 2023)

(Millions of yen)

	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	**¥ 3,233**	**¥—**	**¥ 269**	**Other financial liabilities**	**¥ (899)**
Currency risk					
Forward exchange contracts	**2,775**	**5**	**122**	**Other financial assets Other financial liabilities**	**(46)**
Hedges of net investments					
Currency risk					
Borrowings denominated in foreign currencies	**91,075**	**—**	**91,075**	**Bonds and borrowings**	**(5,637)**

FYE2022 (March 31, 2022)

(Millions of yen)

	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 assets Other financial liabilities	23
Hedges of net investments					
Currency risk					
Borrowings denominated in foreign currencies	85,437	—	85,437	Bonds and borrowings	(4,312)

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

(Millions of yen)

	FYE2023 (March 31, 2023)			FYE2022 (March 31, 2022)		
	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	**¥ 899**	**¥(180)**	**¥ —**	¥ (397)	¥434	¥ —
Currency risk						
Planned purchase	**46**	**(103)**	**—**	(23)	(65)	—
Hedges of net investments						
Currency risk						
Effect of exchange rate changes on net investments	**5,637**	**—**	**(15,418)**	4,312	—	(9,781)

Details of cash flow hedges are as follows:

FYE2023 (From April 1, 2022 to March 31, 2023)

(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	**¥(899)**	**¥—**	**—**	**¥(742)**	**Finance costs**
Currency risk					
Forward exchange contracts	**(46)**	**—**	**—**	**(58)**	**Finance costs**
Hedges of net investments					
Currency risk					
Borrowings denominated in foreign currencies	**(5,637)**	**—**	**—**	**—**	**—**

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
Hedges of net investments					
Currency risk					
Borrowings denominated in foreign currencies	(4,312)	—	—	—	—

2) Derivative transactions for which hedge accounting is not applied

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

(Millions of yen)

	FYE2023 (March 31, 2023)			FYE2022 (March 31, 2022)		
	Contract amount, etc.	More than one year	Fair value	Contract amount, etc.	More than one year	Fair value
Forward exchange contracts	**¥986**	**¥ —**	**¥ (2)**	¥ 668	¥ —	¥ 4
Interest rate swaps	**853**	**853**	**35**	1,014	1,014	0
Currency swaps	**435**	**197**	**54**	284	272	24

34. Subsidiaries

For FYE2023 or FYE2022, there were no subsidiaries with individually significant non-controlling interests.

35. Related Parties

Remuneration for major executives

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

(Millions of yen)

	FYE2023 (From April 1, 2022 to March 31, 2023)	FYE2022 (From April 1, 2021 to March 31, 2022)
Remuneration and bonuses	**¥310**	¥337
Total	**¥310**	¥337

36. Commitments

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

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Acquisition of property, plant and equipment and intangible assets	**¥29,938**	¥3,049

37. Contingent Liabilities

Guaranteed obligations

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

(Millions of yen)

	FYE2023 (March 31, 2023)	FYE2022 (March 31, 2022)
Joint ventures	**¥ 41**	¥ 68
Associates	**744**	180
Other (Note)	**717**	788
Total	**¥1,502**	¥1,037

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

38. Subsequent Events

Not applicable.

Quarterly information for FYE2023 (From April 1, 2022 to March 31, 2023)

(Cumulative period)	First quarter of FYE2023	First half of FYE2023	First three quarters of FYE2023	FYE2023
Revenue (Millions of yen)	**¥276,006**	**¥573,699**	**¥873,042**	**¥1,186,683**
Profit before income taxes (Millions of yen)	**25,540**	**49,641**	**74,757**	**105,503**
Profit attributable to owners of parent (Millions of yen)	**17,285**	**35,149**	**52,400**	**73,080**
Basic earnings per share (Yen)	**39.95**	**81.22**	**121.07**	**168.85**

(Quarterly period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	**¥39.95**	**¥41.27**	**¥39.85**	**¥47.77**

English Translation
Independent Auditor's Report

June 20, 2023

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, 2023, 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, 2023, 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
The Company recorded goodwill and intangible assets with indefinite useful lives of ¥514,905 million in its consolidated statement of financial position as of March 31, 2023, including goodwill attributable to Nippon Gases Euro-Holding S.L.U., a consolidated subsidiary in Europe, in the amount of ¥352,647 million, accounting for approximately 16.3% of the Company's total assets. The assumptions used in impairment tests of goodwill are disclosed in Note 11 to the consolidated financial statements. 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 reflecting the business plan approved by management. The cash flows after the fifth year are estimated using a long-term growth rate (the "LTGR") incorporating 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. 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. The process of measuring value in use for the impairment test of goodwill is complex and the estimation of the growth rate used for future cash flows for the five-year period, the LTGR and the discount rate, which could significantly affect its measurement, involve uncertainty due to changes in future economic conditions whilst the determination of these assumptions requires management's judgment. Further, as the audit of the goodwill impairment test requires that we apply professional judgment, we determined it to be a key audit matter.	We involved the component auditor and performed the following procedures to assess impairment test of goodwill, among others: -Valuation methodology ・ 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. - The future cash flows based on the five-year projections ・ We assessed the future cash flows for the five-year period by evaluating consistency with the business plan approved by management. ・ With the involvement of valuation specialists of our network firm, we compared the growth rate for the five-year period with the analysts' estimates of peer group. ・ In order to evaluate the effectiveness of management's projection process, we compared the actual results with the estimated future cash flows the Company used in its impairment test of goodwill in prior year. - LTGR after the fifth year and discount rate ・ With the involvement of valuation specialists of our network firm, we independently calculated the LTGR and the discount rate and compared the results of our own calculations with those of management. ・ With the involvement of valuation specialists of our network firm, we performed sensitivity analyses for the LTGR and the discount rate and verified that the value in use wouldn't be less than its carrying value even when taking certain risks into account.

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.

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.