



NIPPON SANSO HOLDINGS

Consolidated Financial Statements

For the Fiscal Year Ended March 31, 2024

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This document has been extracted and translated from the Japanese original report (Yukashoken-Hokokusho) issued on June 20, 2024 for reference purposes only. If there is any discrepancy between this translated document and the Japanese version, the Japanese version shall prevail.

Consolidated Financial Statements

(1) Nippon Sanso Holdings and Consolidated Subsidiaries

1) Consolidated Statement of Financial Position

(Millions of yen)

| | Notes | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|---|-------|-----------------------------|-----------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 132,217 | 126,100 |
| Trade receivables | 7 | 243,541 | 282,199 |
| Inventories | 8 | 97,612 | 100,460 |
| Other financial assets | 13 | 22,479 | 27,216 |
| Other current assets | 14 | 26,152 | 27,847 |
| Subtotal | | 522,003 | 563,825 |
| Assets held for sale | 24 | 5,070 | 4,376 |
| Total current assets | | 527,074 | 568,201 |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 776,148 | 877,400 |
| Goodwill | 10 | 513,685 | 575,809 |
| Intangible assets | 10 | 242,334 | 252,348 |
| Investments accounted for using the equity method | 12 | 38,230 | 54,673 |
| Other financial assets | 13 | 46,763 | 63,436 |
| Retirement benefit asset | 19 | 2,810 | 4,712 |
| Other non-current assets | 14 | 8,461 | 9,133 |
| Deferred tax assets | 30 | 3,442 | 3,367 |
| Total non-current assets | | 1,631,875 | 1,840,881 |
| Total assets | | 2,158,950 | 2,409,083 |

(Millions of yen)

| | Notes | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|---|-------|-----------------------------|-----------------------------|
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade payables | 15 | 128,197 | 136,027 |
| Bonds and borrowings | 16 | 140,540 | 166,219 |
| Income taxes payable | | 16,191 | 14,169 |
| Other financial liabilities | 17 | 102,119 | 121,402 |
| Provisions | 20 | 284 | 1,095 |
| Other current liabilities | 21 | 37,824 | 59,105 |
| Total current liabilities | | 425,157 | 498,019 |
| Non-current liabilities | | | |
| Bonds and borrowings | 16 | 759,480 | 724,039 |
| Other financial liabilities | 17 | 35,693 | 39,488 |
| Retirement benefit liability | 19 | 14,117 | 15,352 |
| Provisions | 20 | 5,440 | 5,019 |
| Other non-current liabilities | 21 | 20,364 | 20,656 |
| Deferred tax liabilities | 30 | 140,700 | 160,395 |
| Total non-current liabilities | | 975,796 | 964,951 |
| Total liabilities | | 1,400,953 | 1,462,970 |
| Equity | | | |
| Share capital | 22 | 37,344 | 37,344 |
| Capital surplus | 22 | 51,610 | 39,233 |
| Treasury shares | 22 | (233) | (242) |
| Retained earnings | 22 | 537,867 | 627,544 |
| Other components of equity | 22 | 97,724 | 210,601 |
| Total equity attributable to owners of parent | | 724,314 | 914,481 |
| Non-controlling interests | | 33,682 | 31,630 |
| Total equity | | 757,996 | 946,112 |
| Total liabilities and equity | | 2,158,950 | 2,409,083 |

2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income
Consolidated Statement of Profit or Loss

(Millions of yen)

| | Notes | FYE2023 (From April 1, 2022 to March 31, 2023) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--|-------|--|--|
| Revenue | 4, 27 | 1,186,683 | 1,255,081 |
| Cost of sales | | (748,053) | (744,103) |
| Gross profit | | 438,630 | 510,977 |
| Selling, general and administrative expenses | | (315,191) | (346,405) |
| Other operating income | 28 | 5,182 | 13,863 |
| Other operating expenses | 28 | (12,650) | (10,401) |
| Share of profit of investments accounted for using the equity method | 12 | 3,553 | 4,006 |
| Operating profit | | 119,524 | 172,041 |
| Finance income | 29 | 2,182 | 4,391 |
| Finance costs | 29 | (16,203) | (25,711) |
| Profit before income taxes | | 105,503 | 150,720 |
| Income taxes | 30 | (29,538) | (41,356) |
| Profit | | 75,965 | 109,364 |
| Profit attributable to: | | | |
| Owners of parent | | 73,080 | 105,901 |
| Non-controlling interests | | 2,884 | 3,463 |
| Earnings per share | | | |
| Basic earnings per share (Yen) | 31 | 168.85 | 244.66 |

Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Notes | FYE2023 (From April 1, 2022 to March 31, 2023) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--|-------|--|--|
| Profit | | 75,965 | 109,364 |
| 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) | 5,529 |
| Remeasurements of defined benefit plans | 25 | 1,814 | 1,075 |
| Share of other comprehensive income of investments accounted for using the equity method | 25 | (42) | 69 |
| Total of items that will not be reclassified to profit or loss | | 1,434 | 6,673 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation of foreign operations | 25 | 40,744 | 106,377 |
| Effective portion of net change in fair value of cash flow hedges | 25 | (659) | 580 |
| Share of other comprehensive income of investments accounted for using the equity method | 25 | 1,374 | 1,115 |
| Total of items that may be reclassified subsequently to profit or loss | | 41,459 | 108,073 |
| Total other comprehensive income | | 42,894 | 114,747 |
| Comprehensive income | | 118,859 | 224,112 |
| Comprehensive income attributable to: | | | |
| Owners of parent | | 115,466 | 219,891 |
| Non-controlling interests | | 3,392 | 4,220 |

3) Consolidated Statement of Changes in Equity
FYE2023 (From April 1, 2022 to March 31, 2023)

| | | | | | (Millions of yen) |
|---|-------|---------------|-----------------|-----------------|-------------------|
| | Notes | 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 | 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 | | | | |
| 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 |

FYE2024 (From April 1, 2023 to March 31, 2024)

| | | | (Millions of yen) | | |
|---|-------|---------------|-------------------|-----------------|-------------------|
| | Notes | Share capital | Capital surplus | Treasury shares | Retained earnings |
| Balance at April 1, 2023 | | 37,344 | 51,610 | (233) | 537,867 |
| Profit | | – | – | – | 105,901 |
| Other comprehensive income | 25 | – | – | – | – |
| Comprehensive income | | – | – | – | 105,901 |
| Purchase of treasury shares | 22 | – | – | (8) | – |
| Disposal of treasury shares | 22 | – | – | – | – |
| Dividends | 23 | – | – | – | (17,316) |
| Changes in ownership interest in subsidiaries | 22 | – | (12,377) | – | – |
| Business combinations or business divestitures | | – | – | – | – |
| Transfer from other components of equity to retained earnings | | – | – | – | 1,112 |
| Change in scope of consolidation | | – | – | – | (20) |
| Other changes | | – | – | – | – |
| Total transactions with owners | | – | (12,377) | (8) | (16,224) |
| Balance at March 31, 2024 | | 37,344 | 39,233 | (242) | 627,544 |

| | Notes | Other components of equity | | | | Total | 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 | | | | |
| Balance at April 1, 2023 | | 81,172 | (284) | 16,836 | – | 97,724 | 724,314 | 33,682 | 757,996 |
| Profit | | – | – | – | – | – | 105,901 | 3,463 | 109,364 |
| Other comprehensive income | 25 | 106,845 | 575 | 5,529 | 1,039 | 113,990 | 113,990 | 757 | 114,747 |
| Comprehensive income | | 106,845 | 575 | 5,529 | 1,039 | 113,990 | 219,891 | 4,220 | 224,112 |
| Purchase of treasury shares | 22 | – | – | – | – | – | (8) | – | (8) |
| Disposal of treasury shares | 22 | – | – | – | – | – | – | – | – |
| Dividends | 23 | – | – | – | – | – | (17,316) | (863) | (18,179) |
| Changes in ownership interest in subsidiaries | 22 | – | – | – | – | – | (12,377) | (5,489) | (17,866) |
| Business combinations or business divestitures | | – | – | – | – | – | – | – | – |
| Transfer from other components of equity to retained earnings | | – | – | (73) | (1,039) | (1,112) | – | – | – |
| Change in scope of consolidation | | – | – | – | – | – | (20) | – | (20) |
| Other changes | | – | – | – | – | – | – | 79 | 79 |
| Total transactions with owners | | – | – | (73) | (1,039) | (1,112) | (29,723) | (6,272) | (35,996) |
| Balance at March 31, 2024 | | 188,017 | 291 | 22,292 | – | 210,601 | 914,481 | 31,630 | 946,112 |

4) Consolidated Statement of Cash Flows

(Millions of yen)

| Notes | FYE2023 (From April 1, 2022 to March 31, 2023) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 105,503 | 150,720 |
| Depreciation and amortization | 105,731 | 112,440 |
| Impairment losses | 2,140 | 2,532 |
| Gain on loss of control | – | (8,892) |
| Interest and dividend income | (1,640) | (3,555) |
| Interest expenses | 16,165 | 25,631 |
| Share of (profit) loss of investments accounted for using the equity method | (3,553) | (4,006) |
| Loss (gain) on sales and retirement of property, plant and equipment and intangible assets | 375 | 1,387 |
| (Increase) decrease in trade receivables | (16,810) | (27,207) |
| (Increase) decrease in inventories | (14,204) | 2,214 |
| Increase (decrease) in trade payables | 8,758 | 4,336 |
| (Increase) decrease in retirement benefit asset | (710) | (440) |
| Increase (decrease) in retirement benefit liability | 2,366 | 533 |
| Other | 15,730 | 13,831 |
| Subtotal | 219,852 | 269,525 |
| Interest received | 729 | 2,664 |
| Dividends received | 5,596 | 7,764 |
| Interest paid | (12,752) | (23,281) |
| Income taxes refund (paid) | (25,466) | (40,692) |
| Net cash provided by operating activities | 187,959 | 215,980 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (91,825) | (118,346) |
| Proceeds from sales of property, plant and equipment | 1,925 | 1,326 |
| Purchase of investments | (2,804) | (190) |
| Proceeds from sales and redemption of investments | 4,276 | 790 |
| Payments for acquisition of subsidiaries | (122) | – |
| Proceeds from sales of subsidiaries | – | 362 |
| Payments for acquisition of businesses | – | (2,326) |
| Other | (9,523) | (6,269) |
| Net cash used in investing activities | (98,073) | (124,654) |

(Millions of yen)

| | Notes | FYE2023 (From April 1, 2022 to March 31, 2023) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--|-------|--|--|
| Cash flows from financing activities | | | |
| Net increase (decrease) in short-term borrowings | | 3,232 | (6,521) |
| Net increase (decrease) in commercial papers | | 19,000 | (9,000) |
| Proceeds from long-term borrowings | | 30,433 | 61,801 |
| Repayments of long-term borrowings | | (76,277) | (106,848) |
| Proceeds from issuance of bonds | | – | 99,532 |
| Redemption of bonds | | – | (100,000) |
| Repayments of lease liabilities | | (11,998) | (13,683) |
| Purchase of investments in subsidiaries not resulting in change in scope of consolidation | 22 | (2,885) | (17,438) |
| Dividends paid | 23 | (15,579) | (17,316) |
| Dividends paid to non-controlling interests | | (1,018) | (863) |
| Other | | 662 | 265 |
| Net cash used in financing activities | | (54,430) | (110,072) |
| Effect of exchange rate changes on cash and cash equivalents | | 2,961 | 12,444 |
| Net increase (decrease) in cash and cash equivalents | | 38,416 | (6,301) |
| Balance of cash and cash equivalents at beginning of the fiscal year | | 93,697 | 132,217 |
| Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation | | – | 184 |
| 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 | 126,100 |

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.”

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 19, 2024.

(3) 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.

(4) 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 material 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”)

(5) New accounting standards applied

The NSHD Group has applied new accounting standards and interpretations, which have been made mandatory from FYE2024. There are no material impacts on the NSHD Group’s consolidated financial statements from this.

(6) 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 FYE2024, the following are the accounting standards and interpretations which the NSHD Group has not applied as of the end of the fiscal year because their application is not mandatory. The NSHD Group is currently assessing the impact of application of IFRS 18.

| Accounting standards and interpretations | Timing of mandatory application (the fiscal year starting after the date) | Fiscal year in which the NSHD Group plans to implement | Overview of establishment and amendment to standard |
|--|---|--|---|
| IFRS 18 Presentation and Disclosure in Financial Statements | January 1, 2027 | FYE2028 | A new standard that replaces IAS 1, which is the current accounting standard related to presentation and disclosure in financial statements. It is aimed at improving entities' reporting of financial results and offering investors a better base for corporate analysis and comparisons. |

3. Material 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.

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.

2) Associates

Associates refer to companies over which the NSHD Group has a material 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.

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 material influence over associates, the NSHD Group measures and recognizes the remaining investment at fair value on the date when material influence is lost. Gains and losses arising from the loss of material 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 in 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.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

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.

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

After the initial recognition, goodwill acquired through a business combination is not amortized.

(3) Foreign currency translation

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, when gains or losses on such assets and liabilities are recognized as other comprehensive income, the NSHD Group recognizes the translation difference of the said gains or losses as 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 average rate during the term, in principle). The translation differences are recognized in other comprehensive income.

If a foreign operation is disposed of, the cumulative translation differences related to such foreign 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 "Revenue from Contracts with Customers." 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:

- They are held to collect contractual cash flows.
- Contractual terms 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:

- They are held to collect contractual cash flows and to sell financial assets.
- Contractual terms 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 of financial assets, they 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 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.

(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) Recognition and measurement

Financial liabilities (excluding derivatives) are mainly classified as financial liabilities measured at amortized cost. When the NSHD Group becomes a contractual party, financial liabilities measured at amortized cost are initially recognized as the amount obtained by deducting transaction costs directly attributable to such financial liabilities from fair value.

After the initial recognition, they are measured at amortized cost using the effective interest method.

Amortization by the effective interest method and gains or losses from derecognition are recognized in profit or loss.

(ii) 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) Derivatives and hedge accounting

The NSHD Group uses derivatives such as forward exchange contracts and interest rate swap contracts to hedge currency risks and interest rate risks, respectively. 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 in 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. 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 criteria for hedge accounting are classified and accounted for under IFRS 9 “Financial Instruments” 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.

(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.

4) 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

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 (excluding right-of-use assets)

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.

All property, plant and equipment other than land and construction in progress 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.

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.

(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 lease liability is measured at the discounted 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.

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

Impairment recognized in the past is reversed up to the recoverable amount when there is an indicator of reversal of impairment and there is a change to the estimate used for determination of the recoverable amount and the reversed amount of impairment loss is recognized as profit or loss.

However, impairment loss on goodwill is not reversed.

The upper limit of the reversed amount of impairment loss is the carrying amount as of the reversal of impairment loss if impairment loss was not recognized in prior periods.

(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) Post-employment Benefits

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

- Defined benefit plans

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 presented in net amount of the present value of defined benefit obligations and the fair value of plan assets.

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 recognized as expenses for the period when they are incurred.

- Defined contribution plans

Expenses under defined contribution plans are recognized in the period for which employees offered related service.

(13) 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 amount of expenditures expected to be required to settle the obligation, and discounts them to the present value if the effect of the time value of money is material.

(14) 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.

(15) 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 material financing component.

(16) 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.

(17) 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 neither the accounting income nor the taxable profit (or loss) at the time of the transaction and does not generate taxable temporary differences or deductible temporary differences of the same amount
- 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.

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 operating segments are not consolidated for reporting.

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.

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 segments | | | | | | 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).

FYE2024 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

| | Reportable segments | | | | | | 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 | 414,365 | 347,054 | 302,477 | 160,327 | 30,765 | 1,254,990 | 90 | 1,255,081 |
| Intersegment revenues and transfers | 16,583 | 24,290 | 438 | 2,983 | 17 | 44,313 | (44,313) | – |
| Total | 430,948 | 371,344 | 302,916 | 163,310 | 30,783 | 1,299,303 | (44,222) | 1,255,081 |
| Segment profit (Note 2) | 42,998 | 50,004 | 53,259 | 15,948 | 5,566 | 167,777 | (1,780) | 165,996 |
| Other items | | | | | | | | |
| Depreciation and amortization | 18,260 | 43,369 | 38,889 | 10,298 | 1,562 | 112,380 | 60 | 112,440 |
| Impairment losses | – | – | 954 | 63 | – | 1,017 | – | 1,017 |
| Share of profit (loss) of investments accounted for using the equity method | 211 | – | 507 | 429 | 2,856 | 4,005 | 1 | 4,006 |

Notes: 1. The reconciling item for segment profit, in the amount of ¥(1,780) million, is comprised of ¥(313) million of intersegment eliminations and companywide expenses of ¥(1,467) 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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|---|--|--|
| Segment profit | 123,124 | 165,996 |
| Gain on loss of control | – | 8,892 |
| Gain on sale of fixed assets | 615 | – |
| Loss on liquidation of subsidiaries and associates | – | (883) |
| Loss on arbitration award | (3,520) | – |
| Share of profit (loss) of investments accounted for using the equity method | (144) | – |
| Impairment losses | – | (1,514) |
| Other | (549) | (449) |
| Operating profit | 119,524 | 172,041 |
| Finance income | 2,182 | 4,391 |
| Finance costs | (16,203) | (25,711) |
| Profit before income taxes | 105,503 | 150,720 |

(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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--------------------------|--|--|
| Japan | 429,443 | 423,191 |
| United States | 294,194 | 338,070 |
| Europe | 282,667 | 313,061 |
| Asia, Oceania and others | 180,377 | 180,758 |
| Total | 1,186,683 | 1,255,081 |

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

Non-current assets

(Millions of yen)

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|--------------------------|-----------------------------|-----------------------------|
| Japan | 175,632 | 166,111 |
| United States | 453,145 | 528,696 |
| Europe | 762,880 | 847,420 |
| Asia, Oceania and others | 148,971 | 172,464 |
| Total | 1,540,629 | 1,714,691 |

Note: Non-current assets are classified by their location, and they do not include financial instruments, 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 material business combinations.

FYE2024 (From April 1, 2023 to March 31, 2024)

There were no material business combinations.

6. Cash and Cash Equivalents

A breakdown of cash and cash equivalents is as follows:

(Millions of yen)

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|-------------------|-----------------------------|-----------------------------|
| Cash and deposits | 132,217 | 126,100 |
| Total | 132,217 | 126,100 |

7. Trade Receivables

A breakdown of trade receivables is as follows:

(Millions of yen)

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|-------------------------------------|-----------------------------|-----------------------------|
| Notes and accounts receivable–trade | 252,757 | 292,888 |
| Allowance for doubtful accounts | (9,216) | (10,689) |
| Total | 243,541 | 282,199 |

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) | FYE2024 (March 31, 2024) |
|--------------------------------|-----------------------------|-----------------------------|
| Merchandise and finished goods | 58,105 | 61,202 |
| Work in process | 18,456 | 18,697 |
| Raw materials and supplies | 21,049 | 20,561 |
| Total | 97,612 | 100,460 |

Amounts of inventories measured based on net realizable value at March 31, 2024 and 2023 were ¥4,929 million and ¥5,154 million, respectively.

Amounts of write-downs of inventories recognized as expenses for FYE2024 and FYE2023 were ¥222 million and ¥211 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

| | 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 amount

| | 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 |

FYE2024 (From April 1, 2023 to March 31, 2024)

Costs

(Millions of yen)

| | Machinery and vehicles | Buildings and structures | Land | Construction in progress | Tools, furniture and fixtures | Total |
|---|------------------------|--------------------------|--------|--------------------------|-------------------------------|-----------|
| Balance at April 1, 2023 | 1,117,656 | 226,014 | 66,813 | 66,774 | 214,366 | 1,691,624 |
| Individual acquisition (Note) | 67,605 | 9,757 | 516 | 43,820 | 14,820 | 136,520 |
| Impairment losses | — | — | — | (1,039) | — | (1,039) |
| Business combinations, business divestitures, etc. | 11 | 165 | — | — | 4 | 180 |
| Sale and disposal | (37,122) | (4,280) | (550) | (22) | (4,855) | (46,830) |
| Transfer | 1,976 | (1,063) | (359) | 223 | 1,012 | 1,788 |
| Exchange differences on translation of foreign operations, etc. | 65,602 | 12,376 | 2,034 | 6,763 | 21,215 | 107,992 |
| Balance at March 31, 2024 | 1,215,729 | 242,968 | 68,455 | 116,519 | 246,563 | 1,890,236 |

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

| | Machinery and vehicles | Buildings and structures | Land | Construction in progress | Tools, furniture and fixtures | Total |
|---|------------------------|--------------------------|---------|--------------------------|-------------------------------|-------------|
| Balance at April 1, 2023 | (675,006) | (119,719) | (4,923) | — | (115,826) | (915,476) |
| Depreciation | (68,197) | (12,283) | (609) | — | (12,758) | (93,849) |
| Impairment losses | (981) | (219) | (174) | — | (0) | (1,376) |
| Business divestitures, etc. | — | — | — | — | — | — |
| Sale and disposal | 35,828 | 3,703 | 153 | — | 4,145 | 43,831 |
| Transfer | (1,641) | 152 | 221 | — | (609) | (1,877) |
| Exchange differences on translation of foreign operations, etc. | (28,570) | (4,383) | (669) | — | (10,464) | (44,088) |
| Balance at March 31, 2024 | (738,568) | (132,751) | (6,002) | — | (135,513) | (1,012,836) |

Carrying amount

| | Machinery and vehicles | Buildings and structures | Land | Construction in progress | Tools, furniture and fixtures | Total |
|---------------------------|------------------------|--------------------------|--------|--------------------------|-------------------------------|---------|
| Balance at April 1, 2023 | 442,650 | 106,294 | 61,890 | 66,774 | 98,539 | 776,148 |
| Balance at March 31, 2024 | 477,160 | 110,217 | 62,452 | 116,519 | 111,050 | 877,400 |

The right-of-use assets (capital expenditure amount) increased by ¥13,386 million and ¥11,961 million for FYE2024 and FYE2023, 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) | FYE2024 (March 31, 2024) |
|-------------------------------|-----------------------------|-----------------------------|
| Machinery and vehicles | 11,603 | 16,600 |
| Buildings and structures | 23,465 | 23,944 |
| Land | 1,610 | 1,424 |
| Tools, furniture and fixtures | 2,397 | 2,098 |
| Total | 39,076 | 44,068 |

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

| | 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 amount

| | 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 |

FYE2024 (From April 1, 2023 to March 31, 2024)

Costs

(Millions of yen)

| | Goodwill | Intangible assets | | |
|---|----------|------------------------------------|---------|---------|
| | | Customer-related intangible assets | Other | Total |
| Balance at April 1, 2023 | 515,790 | 314,916 | 31,843 | 346,760 |
| Individual acquisition | 745 | 56 | 764 | 821 |
| Business combinations, business divestitures, etc. | – | – | – | – |
| Sale and disposal | – | – | (7,386) | (7,386) |
| Exchange differences on translation of foreign operations, etc. | 61,773 | 36,078 | 3,832 | 39,911 |
| Balance at March 31, 2024 | 578,308 | 351,051 | 29,054 | 380,106 |

Accumulated amortization and accumulated impairment losses

| | Goodwill | Intangible assets | | |
|---|----------|------------------------------------|----------|-----------|
| | | Customer-related intangible assets | Other | Total |
| Balance at April 1, 2023 | (2,104) | (83,749) | (20,676) | (104,425) |
| Amortization | – | (15,978) | (2,612) | (18,591) |
| Impairment losses | (117) | – | – | – |
| Business divestitures, etc. | – | – | – | – |
| Sale and disposal | – | – | 7,171 | 7,171 |
| Exchange differences on translation of foreign operations, etc. | (278) | (10,824) | (1,087) | (11,911) |
| Balance at March 31, 2024 | (2,499) | (110,552) | (17,204) | (127,757) |

Carrying amount

| | Goodwill | Intangible assets | | |
|---------------------------|----------|------------------------------------|--------|---------|
| | | Customer-related intangible assets | Other | Total |
| Balance at April 1, 2023 | 513,685 | 231,167 | 11,167 | 242,334 |
| Balance at March 31, 2024 | 575,809 | 240,499 | 11,849 | 252,348 |

There were no material internally generated intangible assets for FYE2024 or FYE2023.

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 FYE2024 and FYE2023 were ¥4,466 million and ¥3,515 million, respectively.

The carrying amount of assets with indefinite useful lives in the intangible assets above was ¥1,341 million and ¥1,219 million at March 31, 2024 and 2023, 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) Material intangible assets

Material 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) | FYE2024 (March 31, 2024) | Remaining period of amortization |
|----------------------------------|-----------------------------|-----------------------------|-------------------------------------|
| Nippon Gases Euro-Holding S.L.U. | 188,773 | 199,260 | Mainly 24 years |
| Matheson Tri-Gas, Inc. | 35,032 | 35,291 | Mainly 12 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 FYE2024 and FYE2023 were ¥2,532 million and ¥2,140 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 material impairment losses.

FYE2024 (From April 1, 2023 to March 31, 2024)

| Use | Place | Type | Reportable segments | Impairment losses (Millions of yen) |
|--------------------------------|-------------|--------------------------|---------------------|--|
| Special gas manufacturing unit | South Korea | Construction in progress | Asia & Oceania | 1,039 |

Breakdown of impairment losses

- Special gas manufacturing unit

¥1,039 million

The NSHD Group suspended the construction plan of part of the special gas manufacturing unit that had been underway in South Korea and thus reduced the carrying amount to the recoverable amount. The recoverable amount is measured at fair value less costs of disposal. As it is difficult to sell the concerned asset, the fair value less costs of disposal is deemed zero and the fair value is categorized as Level 3 of the fair value hierarchy.

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) | FYE2024 (March 31, 2024) |
|---|-----------------------------|-----------------------------|
| Nippon Gases Euro-Holding S.L.U. | 352,647 | 393,136 |
| Matheson Tri-Gas, Inc. | 119,927 | 136,597 |
| NSC (Australia) Pty Ltd | 26,977 | 29,808 |
| Other | 15,352 | 17,607 |
| Total | 514,905 | 577,150 |

The carrying amounts of intangible assets with indefinite useful lives at March 31, 2024 and 2023 were ¥1,341 million and ¥1,219 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 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) | | FYE2024 (March 31, 2024) | |
|---|-----------------------------|---------------|-----------------------------|---------------|
| | Long-term growth rate | Discount rate | Long-term growth rate | Discount rate |
| Nippon Gases Euro-Holding S.L.U. | 2.4% | 7.5% | 2.4% | 7.6% |
| Matheson Tri-Gas, Inc. | 3.5% | 10.0% | 3.5% | 10.0% |
| NSC (Australia) Pty Ltd | 2.5% | 8.6% | 2.5% | 8.4% |

Note: The recoverable amount measured by value in use of Nippon Gases Euro-Holding S.L.U. at March 31, 2024 exceeded its carrying amount by ¥312,521 million; it is estimated that if the discount rate rises by 2.2% 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 immaterial is as follows:

(Millions of yen)

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|--|-----------------------------|-----------------------------|
| Carrying amount of investments in joint ventures | 8,462 | 9,541 |

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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|-------------------------------------|--|--|
| Share of profit | (11) | 761 |
| Share of other comprehensive income | (125) | 4 |
| Total share of comprehensive income | (137) | 765 |

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

(Millions of yen)

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|--|-----------------------------|-----------------------------|
| Carrying amount of investments in associates | 29,767 | 45,131 |

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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|-------------------------------------|--|--|
| Share of profit | 3,564 | 3,245 |
| Share of other comprehensive income | 1,458 | 1,180 |
| Total share of comprehensive income | 5,023 | 4,425 |

13. Other Financial Assets

A breakdown of other financial assets is as follows:

(Millions of yen)

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|--|-----------------------------|-----------------------------|
| Equity securities and investments in capital | 34,787 | 42,584 |
| Other | 35,695 | 49,556 |
| Allowance for doubtful accounts | (1,240) | (1,487) |
| Total | 69,242 | 90,653 |
| Current assets | 22,479 | 27,216 |
| Non-current assets | 46,763 | 63,436 |
| Total | 69,242 | 90,653 |

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 |

FYE2024 (March 31, 2024)

(Millions of yen)

| Name | Amount |
|-----------------------------|--------|
| IBIDEN CO., LTD. | 8,805 |
| Tosoh Corporation | 4,610 |
| Koatsu Gas Kogyo Co., Ltd. | 3,044 |
| RIKEN KEIKI Co., Ltd. | 2,610 |
| Koike Sanso Kogyo Co., Ltd. | 1,776 |

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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|----------------------------|--|--|
| Fair value | 4,276 | 790 |
| Cumulative gains or losses | 2,025 | 238 |

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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|---|--|--|
| Financial assets that were derecognized | 116 | 2 |
| Financial assets held at end of the fiscal year | 781 | 875 |

14. Other Assets

A breakdown of other assets is as follows:

(Millions of yen)

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|--------------------|-----------------------------|-----------------------------|
| Prepaid expenses | 14,961 | 16,795 |
| Other | 19,651 | 20,186 |
| Total | 34,613 | 36,981 |
| Current assets | 26,152 | 27,847 |
| Non-current assets | 8,461 | 9,133 |
| Total | 34,613 | 36,981 |

15. Trade Payables

A breakdown of trade payables is as follows:

(Millions of yen)

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|----------------------------------|-----------------------------|-----------------------------|
| Notes and accounts payable–trade | 128,197 | 136,027 |
| Total | 128,197 | 136,027 |

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) | FYE2024 (March 31, 2024) |
|---|-----------------------------|-----------------------------|
| Short-term borrowings | 32,238 | 29,158 |
| Current portion of long-term borrowings | 82,301 | 100,061 |
| Commercial papers | 26,000 | 17,000 |
| Current portion of bonds | – | 20,000 |
| Long-term borrowings | 561,814 | 546,581 |
| Bonds | 197,665 | 177,457 |
| Total | 900,020 | 890,259 |
| Current liabilities | 140,540 | 166,219 |
| Non-current liabilities | 759,480 | 724,039 |
| Total | 900,020 | 890,259 |

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, 2024 were 5.62% and 3.24%, respectively.

The repayment term of long-term borrowings at March 31, 2024 is from 2024 to 2059.

A breakdown of bonds is as follows:

(Millions of yen)

| Company name | Name | Issuance date | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) | Interest rate (%) | Collateral | Maturity date |
|--------------|---|-------------------|-----------------------------|-----------------------------|-------------------|------------|-------------------|
| The Company | The 14th Domestic Unsecured Straight Corporate Bonds | December 15, 2016 | 15,000 | 15,000 | 0.39 | None | December 15, 2026 |
| The Company | The 1st Series Deferrable Interest and Callable Unsecured Subordinated Bonds (Note 1) | January 29, 2019 | 99,849 | – | 1.41 | None | January 29, 2054 |
| The Company | The 2nd Series Deferrable Interest and Callable Unsecured Subordinated Bonds | January 29, 2019 | 7,945 | 7,954 | 1.87 (Note 2) | None | January 29, 2059 |
| The Company | The 15th Domestic Unsecured Straight Corporate Bonds | October 16, 2019 | 19,968 | 20,000 | 0.13 | None | October 16, 2024 |
| The Company | The 16th Domestic Unsecured Straight Corporate Bonds | October 16, 2019 | 9,971 | 9,979 | 0.19 | None | October 16, 2026 |
| The Company | The 17th Domestic Unsecured Straight Corporate Bonds | October 16, 2019 | 19,930 | 19,941 | 0.30 | None | October 16, 2029 |
| The Company | The 1st Domestic Unsecured Straight Corporate Bonds | October 14, 2021 | 15,000 | 15,000 | 0.11 | None | October 14, 2026 |
| The Company | The 2nd Domestic Unsecured Straight Corporate Bonds | October 14, 2021 | 10,000 | 10,000 | 0.28 | None | October 14, 2031 |
| The Company | The 3rd Domestic Unsecured Straight Corporate Bonds | August 31, 2023 | – | 29,895 | 0.33 | None | August 31, 2026 |
| The Company | The 4th Domestic Unsecured Straight Corporate Bonds | August 31, 2023 | – | 59,738 | 0.60 | None | August 31, 2028 |
| The Company | The 5th Domestic Unsecured Straight Corporate Bonds | August 31, 2023 | – | 9,948 | 1.05 | None | August 31, 2033 |
| | Total | | 197,665 | 197,457 | | | |

Notes: 1. Redeemed before maturity on January 29, 2024.

2. 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) | FYE2024 (March 31, 2024) |
|-------------------------------|-----------------------------|-----------------------------|
| Property, plant and equipment | 1,016 | 794 |
| Total | 1,016 | 794 |

Secured obligations

(Millions of yen)

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|---------------------------------------|-----------------------------|-----------------------------|
| Bonds and borrowings | 404 | 353 |
| Other financial liabilities (current) | 32 | — |
| Total | 437 | 353 |

17. Other Financial Liabilities

A breakdown of other financial liabilities is as follows:

(Millions of yen)

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|-------------------------|-----------------------------|-----------------------------|
| Lease liabilities | 41,762 | 46,667 |
| Accrued expenses | 77,154 | 87,147 |
| Accounts payable–other | 16,993 | 25,586 |
| Other | 1,902 | 1,490 |
| Total | 137,813 | 160,891 |
| Current liabilities | 102,119 | 121,402 |
| Non-current liabilities | 35,693 | 39,488 |
| Total | 137,813 | 160,891 |

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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|---|--|--|
| Depreciation charges for right-of-use assets | | |
| Land, buildings and structures as underlying assets | 5,370 | 7,065 |
| Tools, furniture and fixtures as underlying assets | 1,012 | 984 |
| Machinery and vehicles as underlying assets | 3,923 | 4,607 |
| Total depreciation charges | 10,305 | 12,657 |
| Expenses relating to leases of low-value assets | 1,823 | 2,290 |
| Total cash outflows for leases | 13,821 | 13,683 |

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 material 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) | FYE2024 (March 31, 2024) |
|--|-----------------------------|-----------------------------|
| Present value of defined benefit obligations | 41,475 | 41,886 |
| Fair value of plan assets | (30,168) | (31,246) |
| Net amount of defined benefit obligations and assets | 11,307 | 10,639 |
| Retirement benefit liability | 14,117 | 15,352 |
| Retirement benefit asset | (2,810) | (4,712) |
| Net amount of defined benefit obligations and assets | 11,307 | 10,639 |

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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|----------------------|--|--|
| Current service cost | 2,173 | 2,137 |
| Interest expenses | 364 | 703 |
| Interest income | (186) | (406) |
| Total | 2,352 | 2,435 |

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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--|--|--|
| Balance at beginning of the fiscal year | 43,506 | 41,475 |
| Current service cost | 2,173 | 2,137 |
| Interest expenses | 364 | 703 |
| Remeasurements | | |
| Actuarial gains and losses arising from changes in demographic assumptions | — | (11) |
| Actuarial gains and losses arising from changes in financial assumptions | (3,638) | (181) |
| Retirement benefits paid | (3,923) | (2,617) |
| Other | 2,992 | 379 |
| Balance at end of the fiscal year | 41,475 | 41,886 |

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

(Millions of yen)

| | FYE2023 (From April 1, 2022 to March 31, 2023) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|---|--|--|
| Balance at beginning of the fiscal year | 31,809 | 30,168 |
| Interest income | 186 | 406 |
| Remeasurements | | |
| Return on plan assets | (1,031) | 1,348 |
| Contributions from companies | 1,716 | 1,344 |
| Retirement benefits paid | (3,543) | (2,141) |
| Other | 1,031 | 120 |
| Balance at end of the fiscal year | 30,168 | 31,246 |

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

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|---------------|-----------------------------|-----------------------------|
| Discount rate | 1.11% | 1.42% |

If the discount rate, which is the key actuarial assumption, fluctuates, the present value of defined benefit obligations at March 31, 2024 and 2023 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) | FYE2024 (March 31, 2024) |
|------------------|-----------------------------|-----------------------------|
| Increase by 0.5% | (1,779) | (1,547) |
| Decrease by 0.5% | 1,941 | 1,683 |

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, 2024 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 | 3,300 | – | 3,300 |
| Equity financial instruments | | | |
| Jointly managed trusts | – | 6,058 | 6,058 |
| Total equity financial instruments | – | 6,058 | 6,058 |
| Debt financial instruments | | | |
| Jointly managed trusts | – | 12,037 | 12,037 |
| Total debt financial instruments | – | 12,037 | 12,037 |
| Life insurance general accounts | – | 9,369 | 9,369 |
| Other | – | 481 | 481 |
| Total | 3,300 | 27,946 | 31,246 |

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 FYE2025, the NSHD Group plans to contribute ¥1,752 million to plan assets.

The weighted average durations of the defined benefit obligation at March 31, 2024 and 2023 were 11.6 years and 11.6 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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|---|--|--|
| Expenses under defined contribution plans | 5,008 | 6,355 |
| Expenses under public pension systems | 4,475 | 4,452 |

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 |

FYE2024 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

| | Provision for construction warranties | Asset retirement obligations | Other provisions | Total |
|--|---------------------------------------|------------------------------|------------------|-------|
| Balance at April 1, 2023 | 195 | 5,530 | – | 5,725 |
| Increase during the fiscal year | 245 | 194 | – | 440 |
| Decrease during the fiscal year (Intended use) | (47) | (742) | – | (789) |
| Decrease during the fiscal year (Reversal) | (17) | (265) | – | (283) |
| Other | – | 1,022 | – | 1,022 |
| Balance at March 31, 2024 | 375 | 5,740 | – | 6,115 |
| Current liabilities | 375 | 720 | – | 1,095 |
| Non-current liabilities | – | 5,019 | – | 5,019 |
| Total | 375 | 5,740 | – | 6,115 |

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) | FYE2024 (March 31, 2024) |
|-------------------------|-----------------------------|-----------------------------|
| Advances received | 9,803 | 11,934 |
| Deferred income | 5,339 | 5,761 |
| Employees' bonuses | 6,422 | 7,049 |
| Employees' paid absence | 4,096 | 6,010 |
| Other | 32,527 | 49,005 |
| Total | 58,189 | 79,761 |
| Current liabilities | 37,824 | 59,105 |
| Non-current liabilities | 20,364 | 20,656 |
| Total | 58,189 | 79,761 |

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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--------------------------------|--|--|
| 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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|------------------------------|--|--|
| Beginning of the fiscal year | 344 | 232 |
| Increase (Note 1) | 150 | 2 |
| Decrease (Note 2) | (262) | – |
| End of the fiscal year | 232 | 235 |

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 FYE2024 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.

(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.

(4) Capital transactions with non-controlling interests

The Company acquired all of the equity shares in its consolidated subsidiary Nippon Sanso Ingasco, Inc. in FYE2024.

As a result, the Company's stake in Nippon Sanso Ingasco, Inc. increased from 69.8% to 100.0%.

The overview of the transaction for the additional acquisition is as follows:

(Millions of yen)

| | Amount |
|---|----------|
| Carrying amount of the non-controlling interests the Company acquired | 2,715 |
| Cash consideration | (14,408) |
| Decrease in equity attributable to owners of parent | 11,693 |

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 |

FYE2024 (From April 1, 2023 to March 31, 2024)

| 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 |
| Board of Directors' meeting held on October 31, 2023 | Ordinary shares | 8,658 | 20 | September 30, 2023 | December 1, 2023 |

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 |

FYE2024 (From April 1, 2023 to March 31, 2024)

| Resolution | Type of stock | Total cash dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|--|-----------------|---|---------------------------|----------------|----------------|
| Ordinary General Meeting of Shareholders held on June 19, 2024 | Ordinary shares | 10,389 | 24 | March 31, 2024 | June 20, 2024 |

24. Assets Held for Sale

Assets held for sale are as follows:

(Millions of yen)

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|------------------------|-----------------------------|-----------------------------|
| Assets held for sale | | |
| Other financial assets | 5,070 | 4,376 |
| Total | 5,070 | 4,376 |

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. The NSHD Group has been working on the sale process, but has not completed the sale as of March 31, 2024, and therefore it is classified as assets held for sale. The sale is expected to be completed in FYE 2025.

As of March 31, 2024 and 2023, other components of equity related to assets held for sale amounted to ¥3,128 million and ¥3,660 million respectively.

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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--|--|--|
| Financial assets measured at fair value through other comprehensive income | | |
| Amount arising during the fiscal year | (770) | 8,033 |
| Tax effects | 432 | (2,503) |
| Net amount | (337) | 5,529 |
| Remeasurements of defined benefit plans | | |
| Amount arising during the fiscal year | 2,607 | 1,541 |
| Tax effects | (793) | (465) |
| Net amount | 1,814 | 1,075 |
| Exchange differences on translation of foreign operations | | |
| Amount arising during the fiscal year | 40,744 | 106,377 |
| Net amount | 40,744 | 106,377 |
| Effective portion of net change in fair value of cash flow hedges | | |
| Amount arising during the fiscal year | 204 | 182 |
| Reclassification adjustments | (1,145) | 664 |
| Tax effects | 281 | (265) |
| Net amount | (659) | 580 |
| Share of other comprehensive income of investments accounted for using the equity method | | |
| Amount arising during the fiscal year | 1,332 | 1,184 |
| Net amount | 1,332 | 1,184 |
| Total other comprehensive income | 42,894 | 114,747 |

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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--------------------|--|--|
| Wages and salaries | 152,871 | 170,943 |
| Total | 152,871 | 170,943 |

27. Revenue

(1) The disaggregation of revenue

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

(Millions of yen)

| | Japan | United States | Europe | Asia & Oceania | Thermos | Reconciling items | Total |
|------------------------|---------|---------------|---------|-------------------|---------|----------------------|-----------|
| Revenue | | | | | | | |
| Gas | 282,456 | 223,452 | 248,184 | 135,215 | – | – | 889,309 |
| Equipment and other | 137,996 | 79,637 | 24,704 | 24,749 | – | 95 | 267,183 |
| Housewares | – | – | – | – | 30,190 | – | 30,190 |
| Total | 420,452 | 303,090 | 272,888 | 159,965 | 30,190 | 95 | 1,186,683 |

FYE2024 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

| | Japan | United States | Europe | Asia & Oceania | Thermos | Reconciling items | Total |
|------------------------|---------|---------------|---------|-------------------|---------|----------------------|-----------|
| Revenue | | | | | | | |
| Gas | 258,218 | 259,800 | 271,478 | 134,899 | – | – | 924,396 |
| Equipment and other | 156,147 | 87,253 | 30,999 | 25,427 | – | 90 | 299,919 |
| Housewares | – | – | – | – | 30,765 | – | 30,765 |
| Total | 414,365 | 347,054 | 302,477 | 160,327 | 30,765 | 90 | 1,255,081 |

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. Material Accounting Policies.” The amount of revenue recognized arising from other revenue sources is immaterial.

Starting from FYE2024, the NSHD Group reviewed its product management categories and reclassified rental charges, etc. involved in some gas supply services, etc. that had been included in the “Equipment and other” to the “Gas”, and some products that had been included in the “Gas” to the “Equipment and other”. The disaggregation of revenue for FYE2023 discloses figures prepared based on the new product management categories.

(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)

| | At the Beginning of FYE2023 (April 1, 2022) | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|---|--|-----------------------------|-----------------------------|
| Receivables arising from contracts with customers | 226,588 | 252,757 | 292,888 |
| Contract assets | 5,204 | 4,997 | 9,613 |
| Contract liabilities | 13,030 | 18,554 | 21,579 |

Of the outstanding amounts of contract liabilities, as of the beginning of FYE2024 and FYE2023, the amounts recognized as revenue for the fiscal years are immaterial. For FYE2024 and FYE2023, the amounts of revenue recognized based on the performance obligations that were fulfilled in prior periods are also immaterial. 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 material considerations are included in the transaction price arising from contracts with customers.

(Millions of yen)

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|--------------------|-----------------------------|-----------------------------|
| One year or less | 24,483 | 20,463 |
| More than one year | 13,521 | 24,485 |
| Total | 38,005 | 44,948 |

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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--|--|--|
| Grant income | 60 | 451 |
| Gain on sales of property, plant and equipment | 1,043 | 354 |
| Other | 4,078 | 13,056 |
| Total | 5,182 | 13,863 |

On January 1, 2024, Taiyo Nippon Sanso Energy Corporation, the Company's consolidated subsidiary, and Astomos Retailing Corporation, a subsidiary of Astomos Energy Corporation, carried out an absorption-type merger with Taiyo Nippon Sanso Energy Corporation as the surviving company and Astomos Retailing Corporation as the absorbed company.

In the absorption-type merger, the shares in the surviving company after the merger (the "Integrated Company") were allotted to Astomos Energy Corporation as consideration of the merger at a ratio that makes the number of voting rights in the Integrated Company that is held by Taiyo Nippon Sanso Corporation, which is the Company's consolidated subsidiary, at 35% of the total voting rights, and the Integrated Company became the Company's associate.

The Company lost control of Taiyo Nippon Sanso Energy Corporation as the result of the merger and therefore it recorded ¥8,892 million in gains resulting from the transaction as "other operating income."

A breakdown of other operating expenses is as follows:

(Millions of yen)

| | FYE2023 (From April 1, 2022 to March 31, 2023) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|---|--|--|
| Impairment losses | 2,140 | 2,532 |
| Loss on sales and retirement of property, plant and equipment | 1,419 | 1,742 |
| Loss on reduction of property, plant and equipment | – | 443 |
| Loss on arbitration award | 3,520 | – |
| Other | 5,570 | 5,682 |
| Total | 12,650 | 10,401 |

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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--|--|--|
| Interest income | | |
| Financial assets measured at amortized cost | 742 | 2,677 |
| Dividend income | | |
| Financial assets measured at fair value through other comprehensive income | 897 | 877 |
| Foreign exchange gains | 501 | 835 |
| Other | 40 | 0 |
| Total | 2,182 | 4,391 |

A breakdown of finance costs is as follows:

(Millions of yen)

| | FYE2023 (From April 1, 2022 to March 31, 2023) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--|--|--|
| Interest expenses | | |
| Financial liabilities measured at amortized cost | 16,165 | 25,631 |
| Other | 37 | 80 |
| Total | 16,203 | 25,711 |

30. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

A breakdown of deferred tax assets and deferred tax liabilities by major causes behind their occurrence and the changes are as follows:

The NSHD Group has applied the temporary exceptional accounting treatment of “International Tax Reform–Pillar Two Model Rules” (amended in May 2023) under IAS 12 “Income Taxes” and does not recognize or disclose associated deferred tax assets and liabilities for income taxes arising from the global minimum tax rules.

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 |
| Tax loss carryforwards | 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) |

FYE2024 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

| | April 1, 2023 | Recognized in profit or loss | Recognized in other comprehensive income | Other (Note) | March 31, 2024 |
|--|---------------|------------------------------|--|--------------|----------------|
| Deferred tax assets | | | | | |
| Employees' bonuses | 2,356 | 249 | – | – | 2,606 |
| Accrued expenses | 3,816 | 227 | – | 377 | 4,420 |
| Property, plant and equipment and intangible assets | 2,975 | 580 | – | 8 | 3,564 |
| Retirement benefit liability | 2,891 | 127 | 219 | (40) | 3,198 |
| Tax loss carryforwards | 943 | (415) | – | 99 | 626 |
| Unrealized gains (inventories and property, plant and equipment) | 2,717 | 156 | – | – | 2,873 |
| Other | 7,788 | (869) | (165) | 804 | 7,558 |
| Total | 23,489 | 56 | 53 | 1,248 | 24,848 |
| Deferred tax liabilities | | | | | |
| Securities and other investments | (7,265) | – | (2,453) | 17 | (9,701) |
| Property, plant and equipment and intangible assets | (141,661) | 3,440 | – | (16,582) | (154,803) |
| Undistributed earnings of overseas consolidated subsidiaries, etc. | (9,063) | (2,885) | – | – | (11,949) |
| Other | (2,756) | (1,741) | (835) | (88) | (5,421) |
| Total | (160,747) | (1,186) | (3,289) | (16,653) | (181,876) |
| Net deferred tax liabilities | (137,257) | (1,129) | (3,235) | (15,405) | (157,027) |

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 and the amount of tax loss carryforwards (on an income basis) are as follows:

(Millions of yen)

| | FYE2023 (From April 1, 2022 to March 31, 2023) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|----------------------------------|--|--|
| Deductible temporary differences | 20,793 | 27,107 |
| Tax loss carryforwards | 19,104 | 31,831 |

Unrecognized deferred tax assets corresponding to the above are as follows:

(Millions of yen)

| | FYE2023 (From April 1, 2022 to March 31, 2023) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|----------------------------------|--|--|
| Deductible temporary differences | 5,855 | 7,830 |
| Tax loss carryforward | 2,207 | 2,940 |

The breakdown of tax loss carryforward for which deferred tax assets have not been recognized (on an income basis) by expiration period are as follows:

(Millions of yen)

| | FYE2023 (From April 1, 2022 to March 31, 2023) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--|--|--|
| One year or less | – | – |
| More than one year but within five years | 2,184 | 2,579 |
| More than five years but within 10 years | 15,662 | 28,631 |
| More than 10 years | – | – |
| No expiration | 1,257 | 621 |
| Total | 19,104 | 31,831 |

(2) Income taxes

A breakdown of income taxes is as follows:

(Millions of yen)

| | FYE2023 (From April 1, 2022 to March 31, 2023) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|-----------------------|--|--|
| Current income taxes | 29,493 | 40,226 |
| Deferred income taxes | 44 | 1,129 |
| Total | 29,538 | 41,356 |

(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 FYE2024 and FYE2023 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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--|--|--|
| Statutory tax rate | 30.62% | 30.62% |
| Permanently non-deductible or non-taxable items | 0.79 | 0.47 |
| Unrecognized deferred tax assets | 0.72 | 0.93 |
| Differences in tax rates for overseas consolidated subsidiaries | (4.55) | (4.11) |
| Tax effects on undistributed earnings | 1.38 | 1.91 |
| Share of profit of investments accounted for using the equity method | (1.03) | (0.81) |
| Other | 0.06 | (1.57) |
| Effective tax rate | 28.00% | 27.44% |

(4) Global minimum tax system

In Japan, a corporate tax system corresponding to the global minimum tax in accordance with the Pillar Two Model Rules 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%).

The NSHD Group assessed the potential exposure to this taxation system. The assessment was based on the most recent tax return, country specific reports, financial statements, etc. of the members of the NSHD Group. The assessment pointed to a possibility of additional income taxes in some jurisdictions where the members of the NSHD Group are operating but it assumed no material exposure.

Please see “(1) Deferred tax assets and deferred tax liabilities” for information on recognition and disclosure of deferred tax assets and liabilities for income taxes arising from the global minimum tax rules.

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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--|--|--|
| Profit attributable to owners of parent (Millions of yen) | 73,080 | 105,901 |
| Average number of shares during the fiscal year (Thousands of shares) | 432,812 | 432,859 |
| Basic earnings per share (Yen) | 168.85 | 244.66 |

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 | | | Balance at March 31, 2023 |
|--------------------------------|-----------------------------|----------------------------|---|--|---|------------------------------|
| | | | Changes from business combinations, etc. | New lease transactions and changes in lease contracts, etc. | Exchange differences on translation of foreign operations, etc. | |
| Short-term borrowings | 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.

FYE2024 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

| | Balance at April 1, 2023 | Changes from cash flows | Non-cash changes | | | Balance at March 31, 2024 |
|--------------------------------|-----------------------------|----------------------------|---|--|---|------------------------------|
| | | | Changes from business combinations, etc. | New lease transactions and changes in lease contracts, etc. | Exchange differences on translation of foreign operations, etc. | |
| Short-term borrowings | 32,238 | (6,521) | – | – | 3,441 | 29,158 |
| Commercial papers | 26,000 | (9,000) | – | – | – | 17,000 |
| Long-term borrowings (Note) | 644,116 | (45,046) | – | – | 47,573 | 646,643 |
| Bonds (Note) | 197,665 | (467) | – | – | 258 | 197,457 |
| Lease liabilities (Note) | 41,762 | (13,683) | 111 | 14,537 | 3,939 | 46,667 |

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) after tax and adjusted net debt-to-equity (D/E) ratio.

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|---------------------------------|-----------------------------|-----------------------------|
| ROCE after tax (Note 1) | 5.4% | 6.7% |
| Adjusted net D/E ratio (Note 2) | 0.81 | 0.74 |

Notes: 1. It is a profitability index calculated as follows: $[\text{NOPAT (core operating profit after tax) (+ Dividend income)}] / ((\text{Core operating profit} - \text{Share of profit (loss) of investments accounted for using the equity method included in core operating profit}) \times (1 - \text{Effective tax rate}) + \text{Share of profit (loss) of investments accounted for using the equity method included in core operating profit} + \text{Dividend income}) / [\text{Capital employed}] (\text{Interest bearing liabilities} + \text{Total equity attributable to owners of parent})$.

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

A credit rating agency has certified the 50% of the balance of the funds obtained through hybrid financing (¥250 billion as of the financing) at the end of each fiscal year as “equity” and the Company calls it “equity-type liabilities.”

(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 material financial assets, and at an amount based on historical experience, etc., for individually immaterial 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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--|--|--|
| Balance at beginning of the fiscal year | 9,132 | 10,456 |
| Increase during the fiscal year | 4,004 | 4,197 |
| Decrease during the fiscal year (Intended use) | (2,350) | (1,632) |
| Decrease during the fiscal year (Reversal) | (898) | (2,058) |
| Other changes | 567 | 1,214 |
| Balance at end of the fiscal year | 10,456 | 12,177 |

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 currency swaps | – | – | – | – | – | – | – | – |
| Other | 269 | 269 | 268 | 0 | – | – | – | – |

FYE2024 (March 31, 2024)

(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 | 136,027 | 136,027 | 136,027 | – | – | – | – | – |
| Accounts payable–other | 25,586 | 25,586 | 20,987 | 1,076 | – | 3,460 | – | 61 |
| Short-term borrowings | 29,158 | 29,158 | 29,158 | – | – | – | – | – |
| Long-term borrowings | 646,643 | 648,553 | 100,061 | 57,149 | 50,886 | 62,203 | 79,774 | 298,478 |
| Commercial papers | 17,000 | 17,000 | 17,000 | – | – | – | – | – |
| Bonds | 197,457 | 198,000 | 20,000 | – | 70,000 | – | 60,000 | 48,000 |
| Lease liabilities | 46,667 | 51,599 | 13,180 | 9,321 | 7,451 | 5,795 | 4,500 | 11,351 |
| Accrued expenses | 87,147 | 87,147 | 87,147 | – | – | – | – | – |
| Other | 1,428 | 1,428 | 921 | 2 | 2 | 2 | 2 | 497 |
| Derivative liabilities | | | | | | | | |
| Forward exchange contracts | 12 | 12 | 12 | – | – | – | – | – |
| Currency swaps | – | – | – | – | – | – | – | – |
| Interest rate currency swaps | 50 | 50 | – | – | – | – | 50 | – |
| 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) | FYE2024 (March 31, 2024) |
|--|-----------------------------|-----------------------------|
| U.S. dollar (1% appreciation of the yen) | (91) | (34) |
| Euro (1% appreciation of the yen) | (5) | 1 |

(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) | FYE2024 (March 31, 2024) |
|----------------------------|-----------------------------|-----------------------------|
| Profit before income taxes | (2,739) | (2,541) |

(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 FYE2024, there was no material reclassification of financial instruments between levels.

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 |

FYE2024 (March 31, 2024)

(Millions of yen)

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------------|------------|--------------|---------------|
| Assets | | | | |
| Equity securities and investments in capital | 32,222 | 370 | 9,991 | 42,584 |
| Equity securities and investments in capital held for sale | 4,376 | – | – | 4,376 |
| Derivative assets | – | 611 | – | 611 |
| Total | 36,598 | 982 | 9,991 | 47,572 |
| Liabilities | | | | |
| Derivative liabilities | – | 62 | – | 62 |
| Total | – | 62 | – | 62 |

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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|---|--|--|
| Balance at beginning of the fiscal year | 9,048 | 9,668 |
| Other comprehensive income (Note) | 443 | 667 |
| Purchase | 2,028 | 210 |
| Sale | (8) | (202) |
| Change in scope of consolidation | (1,550) | (356) |
| Reclassification from Level 3 | (370) | — |
| Other changes | 77 | 3 |
| Balance at end of the fiscal year | 9,668 | 9,991 |

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 |

FYE2024 (March 31, 2024)

(Millions of yen)

| | Carrying amount | Fair value | | | |
|----------------------|-----------------|------------|---------|---------|---------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Liabilities | | | | | |
| Long-term borrowings | 646,643 | — | 645,471 | — | 645,471 |
| Bonds | 197,457 | — | 196,316 | — | 196,316 |
| Total | 844,100 | — | 841,788 | — | 841,788 |

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, for trade receivables transferred without meeting the requirements for derecognition of financial assets, ¥1,381 million was included in “Trade receivables,” and the amount received due to the transfer of ¥1,072 million was included in “Bonds and borrowings.” 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.

Not applicable at March 31, 2024.

(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 | — | — | — | — | — |
| Interest rate and currency risks | | | | | | | |
| Interest rate currency swaps | — | — | — | — | — | — | — |
| Hedges of net investments | | | | | | | |
| Currency risk | | | | | | | |
| Borrowings denominated in foreign currencies | 91,075 | — | — | — | — | — | 91,075 |

FYE2024 (March 31, 2024)

(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 | 3,931 | 3,931 | – | – | – | – | – |
| Currency risk | | | | | | | |
| Forward exchange contracts | 2,055 | 2,055 | – | – | – | – | – |
| Interest rate and currency risks | | | | | | | |
| Interest rate currency swaps | 3,452 | – | – | – | – | 3,452 | – |
| Hedges of net investments | | | | | | | |
| Currency risk | | | | | | | |
| Borrowings denominated in foreign currencies | 102,025 | – | – | – | – | – | 102,025 |

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

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|----------------------------|-----------------------------|-----------------------------|
| Cash flow hedges | | |
| Currency risk | | |
| Forward exchange contracts | | |
| U.S. dollar | ¥112.99–¥125.12 | ¥146.43–¥151.06 |
| Euro | ¥142.12–¥145.13 | ¥140.82–¥162.48 |

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) |
| Interest rate and currency risks | | | | | |
| Interest rate currency swaps | – | – | – | – | – |
| Hedges of net investments | | | | | |
| Currency risk | | | | | |
| Borrowings denominated in foreign currencies | 91,075 | – | 91,075 | Bonds and borrowings | (5,637) |

FYE2024 (March 31, 2024)

(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 | 3,931 | 474 | – | Other financial assets | 744 |
| Currency risk | | | | | |
| Forward exchange contracts | 2,055 | 81 | 1 | Other financial assets Other financial liabilities | 197 |
| Interest rate and currency risks | | | | | |
| Interest rate currency swaps | 3,452 | – | 50 | Other financial liabilities | (50) |
| Hedges of net investments | | | | | |
| Currency risk | | | | | |
| Borrowings denominated in foreign currencies | 102,025 | – | 102,025 | Bonds and borrowings | (10,950) |

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

(Millions of yen)

| | FYE2023 (March 31, 2023) | | | FYE2024 (March 31, 2024) | | |
|--|---|--------------------------|--------------------------------------|---|--------------------------|--------------------------------------|
| | 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) | — | (744) | 326 | — |
| Currency risk | | | | | | |
| Planned purchase | 46 | (103) | — | (197) | 23 | — |
| Interest rate and currency risks | | | | | | |
| Borrowings denominated in foreign currencies and interests on borrowings | — | — | — | 50 | (58) | — |
| Hedges of net investments | | | | | | |
| Currency risk | | | | | | |
| Effect of exchange rate changes on net investments | 5,637 | — | (15,418) | 10,950 | — | (26,368) |

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 |
| Interest rate and currency risks | | | | | |
| Interest rate currency swaps | — | — | — | — | — |
| Hedges of net investments | | | | | |
| Currency risk | | | | | |
| Borrowings denominated in foreign currencies | (5,637) | — | — | — | — |

FYE2024 (From April 1, 2023 to March 31, 2024)

(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 | 744 | — | — | 395 | Finance costs |
| Currency risk | | | | | |
| Forward exchange contracts | 197 | — | — | 68 | Finance costs |
| Interest rate and currency risks | | | | | |
| Interest rate currency swaps | (50) | — | — | — | — |
| Hedges of net investments | | | | | |
| Currency risk | | | | | |
| Borrowings denominated in foreign currencies | (10,950) | — | — | — | — |

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) | | | FYE2024 (March 31, 2024) | | |
|----------------------------|-----------------------------|--------------------|------------|-----------------------------|--------------------|------------|
| | Contract amounts, etc. | More than one year | Fair value | Contract amounts, etc. | More than one year | Fair value |
| Forward exchange contracts | 986 | — | (2) | 1,224 | — | (10) |
| Interest rate swaps | 853 | 853 | 35 | 579 | 579 | 20 |
| Currency swaps | 435 | 197 | 54 | 123 | 123 | 35 |

34. Subsidiaries

Status of major subsidiaries as of March 31, 2024, are as described in Section 4 titled “Status of Subsidiaries and Associates” in Item 1 “Overview of the Group” in the annual securities report.

For FYE2024 or FYE2023, there were no subsidiaries with individually material 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) | FYE2024 (From April 1, 2023 to March 31, 2024) |
|--------------------------|---|---|
| Remuneration and bonuses | 310 | 310 |
| Total | 310 | 310 |

36. Commitments

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

(Millions of yen)

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|--|-----------------------------|-----------------------------|
| Acquisition of property, plant and equipment and intangible assets | 29,938 | 35,657 |

37. Contingent Liabilities

Guaranteed obligations

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

(Millions of yen)

| | FYE2023 (March 31, 2023) | FYE2024 (March 31, 2024) |
|----------------|--------------------------|--------------------------|
| Joint ventures | 41 | 110 |
| Associates | 744 | 775 |
| Other (Note) | 717 | 641 |
| Total | 1,502 | 1,527 |

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

38. Subsequent Events

Not applicable.

(2) Other

Quarterly information for FYE2024 (From April 1, 2023 to March 31, 2024)

| (Cumulative period) | First quarter of FYE2024 | First half of FYE2024 | First three quarters of FYE2024 | FYE2024 |
|--|-----------------------------|-----------------------|------------------------------------|-----------|
| Revenue (Millions of yen) | 308,903 | 612,571 | 928,656 | 1,255,081 |
| Profit before income taxes (Millions of yen) | 36,226 | 71,549 | 108,245 | 150,720 |
| Profit attributable to owners of parent (Millions of yen) | 24,558 | 48,547 | 73,394 | 105,901 |
| Basic earnings per share (Yen) | 56.74 | 112.16 | 169.56 | 244.66 |

| (Quarterly period) | First quarter | First half | Third quarter | Fourth quarter |
|--------------------------------|---------------|------------|---------------|----------------|
| Basic earnings per share (Yen) | 56.74 | 55.42 | 57.40 | 75.10 |

English Translation
Independent Auditor's Report

June 19, 2024

The Board of Directors
Nippon Sanso Holdings Corporation

Ernst & Young ShinNihon LLC
Tokyo, Japan

Takao Maruyama
Designated Engagement Partner
Certified Public Accountant

Takao Yamamoto
Designated Engagement Partner
Certified Public Accountant

The Audit of the Consolidated Financial Statements

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, 2024, 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, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

Valuation of goodwill recorded at Nippon Gases Euro-Holding S.L.U.

| Description of Key Audit Matter | Auditor's Response |
|--|---|
| <p>The Company recorded goodwill and intangible assets with indefinite useful lives of ¥577,150 million in its consolidated statement of financial position as of March 31, 2024, including goodwill attributable to Nippon Gases Euro-Holding S.L.U., a consolidated subsidiary in Europe, in the amount of ¥393,136 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.</p> <p>In the impairment test, the Company measures the recoverable amount of the cash-generating unit including goodwill based on value in use. The value in use is measured using discounted future cash flows. The future cash flows are based on the five-year projections 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 discount rate that reflects current market assessments of the time value of money and risks specific to the asset.</p> <p>The significant assumptions in estimating the value in use are the growth rate used for future cash flows for the five-year period, the LTGR and the discount rate.</p> <p>The 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.</p> <p>Further, as the audit of the goodwill impairment test requires that we apply professional judgment, we determined it to be a key audit matter.</p> | <p>We involved the component auditor and performed the following procedures to assess impairment test of goodwill, among others:</p> <ul style="list-style-type: none"> -Valuation methodology <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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.

Fee-related Information

The fees for the audits of the financial statements of the Groupe and other services provided by us and other EY member firms for the year ended March 31, 2024 are presented in paragraph (3) titled “Audit” in Section 4 “Corporate Governance” included in Item 4 “Information about Reporting Company” in Part 1 of the annual securities report for the year ended March 31, 2024 of the Group.

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.

Notes to the Reader of Independent Auditor's Report:

Other information described in the Independent Auditor's Report and information referenced above in fee-related information relate to the Japanese annual securities report and the Independent Auditor's Report therein, and thus solely represent the English translation of the original Independent Auditor's Report in accordance with the Financial Instruments and Exchange Act of Japan.



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