



Meeting society's needs with nature's blessings.



# AIR WATER Integrated Report 2023

Financial Section Year Ended March 31, 2023

## 1. Business Overview

During the consolidated fiscal year, there was a trend toward a recovery in personal consumption in the Japanese economy due to the normalization of social and economic activity, which has been impacted by the COVID-19 pandemic. However, the Japanese economy was seriously impacted by soaring energy prices, the disruption of global supply chains and rising prices caused by the weakening of the yen. In the second half of the year, the situation continued to be unstable and affected by concerns regarding a global economic slow-down due to inflation in other countries, a rapid decline in demand for semiconductors and other factors.

In these circumstances, the Company and its affiliates (“the Group”) established the “terrAWell 30” long-term vision towards 2030 to enable the Company to contribute to solutions to social issues through its business activities in line with its two foundations for growth, the “global environment” and “wellness (healthy life)”, with an aim to achieve sustainable growth and an increase in corporate value. The Company has also established the “terrAWell 30 1st Stage medium-term management plan” for the three years from FY2022 to FY2024. In addition, as a step toward achieving its goals, the Group aims to maximize the synergy created leveraging the Group’s strengths, specifically its diverse businesses, human resources and technologies, so the Group introduced a new unit system to shift to a group management system which has integrated the Company’s head office organization and the Group companies.

Under the new management strategy and organizational structure, the Group aspires to achieve revenue of ¥1 trillion, a goal of the entire Group since 2010, while establishing a foundation for overseas and electronics-related businesses which we position as a growth area, enhancing the revenue structure of domestic businesses through the creation of Group synergy and the optimal allocation of management resources, and promoting the creation of new businesses for the next stage of growth leveraging ideas that transcend the conventional boundaries between businesses and proactive technology development.

In overseas business, the Group promoted the establishment of production and logistics infrastructure in India where a series of integrated blast furnace steel mills have been constructed in succession, while it entered the industrial gas sales business through M&A activities in North America. The electronics-related businesses took on the task of reinforcing their relationships with customers leveraging their ability to develop materials that can meet advanced needs and the Group’s comprehensive strengths under the new business operation system that combines the industrial gas and chemical businesses, in addition to capital investments in gas supply plants in response to the strengthening of the production capabilities of domestic semiconductor device manufacturers.

In existing domestic businesses, we worked to ensure profitability by reducing costs through the streamlining of production and logistics and the review of procurement to address soaring energy prices and the rising cost of raw materials and distribution, and by correcting sales prices to shift the increased costs that cannot be covered by our own efforts. We also proceeded with the transformation to a business structure that can flexibly respond to changes in the environment by integrating and reorganizing the Group companies in

each business segment and starting capital and business alliances with other companies in the agricultural segment.

Regarding new businesses that contribute to solving social issues, in the global environment segment, we focused on the realization of decarbonization solutions in society by developing compact CO2 recovery equipment and constructing a energy supply model featuring local production for local consumption including the production of liquified biomethane derived from livestock manure. In the wellness segment, the construction of the Air Water in KENTO open innovation promotion facility progressed steadily with the goals of strengthening cooperation with universities and local governments and creating new businesses by combining the Group’s technologies and business models.

Regarding its sustainability initiatives, the Group has reviewed its targets for the reduction of CO2 emissions and promoted the reduction of energy consumption and the improvement of production processes in accordance with the newly set goal of reducing GHG emissions 30% by FY2030 (compared with FY2020). Also, the Group bolstered its diversity and inclusion efforts including the improvement of the environment enabling the Group’s personnel in charge of diverse businesses can work energetically and actively, and strengthened its human capital who play central roles in value creation by reforming its personnel system to encourage autonomous career development.

Performance during the consolidated fiscal year grew robustly through the steady capturing of demand through the reinforcement of supply infrastructure through proactive capital investments in electronics-related businesses and industrial gas supply businesses in India. After increasing the Group’s synergy in its adaptation to change in the business environment following the pandemic, the Health & Safety segment exhibited strong performance on the whole, driving the results of the Company as a whole.

Consequently, all operating segments achieved revenue growth due to the revision of prices and rising sales prices linked to market trends and also due to our pursuit of Group synergy leveraging the Group’s unit system.

In terms of profits, the feed-in tariff (“FIT”) system for renewable energy which is used in the electric power business prevented the Company from transferring an increase in the cost of power generation fuels and marine transportation to the selling price. This significantly affected its business result throughout the fiscal year.

As a result, for the consolidated fiscal year, the Group’s revenue was ¥1,004,914 million (113.1% that of the previous year), operating profit was ¥62,181 million (95.4%), and profit attributable to owners of parent was ¥40,137 million (92.9%).

## 2. Summary of Financial Position for the Current Period

Total assets at the end of the consolidated fiscal year stood at ¥1,091,645 million, an increase of ¥69,613 million from the end of the previous consolidated fiscal year due primarily to increases in trade and other receivables. Liabilities stood at ¥645,162 million, an increase of ¥42,988 million from the end of the previous consolidated fiscal year due mainly to increases in bonds and borrowings.

Equity stood at ¥446,482 million, an increase of ¥26,625 million from the end of the previous consolidated fiscal year, due mainly to an accumulation of profit attributable to owners of the parent.

Equity attributable to owners of parent per share grew from ¥1,744.42 at the end of the previous consolidated fiscal year to ¥1,892.36, and ratio of equity attributable to owners of parent to total assets changed to 39.4% from 38.7% at the end of the previous consolidated fiscal year.

## 3. Summary of Cash Flows for the Current Period

Cash flows from operating activities was an inflow of ¥56,953 million after deducting payments including corporate income taxes from profit before tax and depreciation, which was a decrease of ¥14,619 million from the previous consolidated fiscal year.

Cash flows from investing activities was an outflow of ¥71,135 million, which was an increase in expenditures of ¥17,980 million from the previous consolidated fiscal year, due mainly to an increase in expenditures resulting from purchase of property, plant and equipment and a decrease in proceeds resulting from sale of investment securities, despite a decrease in expenditures resulting from purchase of investment securities.

Cash flows from financing activities was an inflow of ¥19,257 million, which was an increase ¥25,880 million from the previous consolidated fiscal year, due mainly to an increase in proceeds from borrowings.

As a result, cash and cash equivalents at the end of the consolidated fiscal year stood at ¥65,944 million, an increase of ¥6,390 million from the end of the previous consolidated fiscal year.

## 4. Risks of Business, etc.

From the standpoint of our Group’s business development, risks such as the following have the potential of changing our business or management situation, and having an important impact on investor decision-making.

Forward-looking statements are judgments by our Group as of the end of the current consolidated fiscal year.

### (1) Management strategy risks

#### Global Business risks

##### Description of risk

As part of our growth strategy, our Group is engaged in global business development through M&A, and we are strengthening or global business expansion with a focus on the U.S. and Asian region.

However, in conducting our business, business bottlenecks—due to differences with Japan in terms of language, legal systems, tax systems, or social/political risks—may affect the performance or financial situation of our Group.

##### Countermeasures by our Group

We are working to achieve sharing within our Group of information on the economic/political/social situation, disputes, legal restrictions,

management situation, and customers in each of the countries we have expanded into. In addition, we are developing a risk management system across our entire Group while exploiting the know-how and knowledge we have previously acquired through global M&A.

### Institutional change risks

#### Description of risk

In Japan, the trend toward a declining birthrate and aging population is advancing at a rapid pace. The government adheres to a policy of social security for all generations, aimed at lengthening healthy life expectancy, and continuing efforts are being made to reform the healthcare system to control and optimize rising medical costs. Therefore, in our Medical Products Business, large scale future revisions of medical service fees or drug prices may affect the performance or financial situation of our Group.

#### Countermeasures by our Group

In an environment where there are expected to be continuing government measures to optimize medical costs going forward, our Medical Products Business is responding to changing market needs by developing and improving products/services to support higher work efficiency and improved working practices for medical institutions and medical staff.

### (2) Business operation risk

#### Natural disaster risk

##### Description of risk

Natural disasters (earthquakes, tsunamis, typhoons, torrential rains, heavy snowfall, strong winds, volcanic eruptions, etc.) are difficult to predict and are occurring with greater frequency. These disasters may interrupt lifelines by cutting off power or water supplies, or cause breakdown of delivery routes. If a disaster results in a reduction or stoppage of production capability, a reduction in sales due to delay or stoppage of supply/delivery, costs incurred to address problems or to achieve recovery, or costs incurred for preventive measures for the future, this may affect the performance or financial situation of our Group.

In our Agriculture & Foods Business, natural disasters may impede operation of our processing facilities due to major fluctuations in the yield of vegetables, which are a key raw material.

#### Countermeasures by our Group

As a response to potential natural disasters, our Industrial Gas Business is putting in place a stable supply infrastructure network in Japan for industrial gases and medical oxygen, through decentralized installation of highly efficient and compact liquefied oxygen/nitrogen co-production plants (VSUs) and storage and distribution bases. We minimize risk by periodically conducting disaster prevention drills and bolstering our stockpiles of disaster supplies in case of a large-scale natural disaster.

In Hokkaido, the main business area for our Energy Business, we deploy LP gas-powered mobile power source trucks at LP gas receiving terminals, LP gas filling stations, and kerosene terminals, and we have established a system to ensure that emergency power sources are available even in a power outage.

In our Agriculture & Foods Business, we are working to spread farming of vegetables to cultivate and procure over different areas.

### Quality risks

#### Description of risk

In a diverse range of industries, our Group provides products, merchandise, and services, with quality guaranteed based on legal restrictions or agreements with customers. In our Medical Products Business, which is connected especially closely with human life, we manufacture, import, and sell medical gases and medical devices in accordance with the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, but if product defects arise that lead to recalls or product liability damages, we may incur expenses to take countermeasures or pay damages, and this may affect the performance or financial situation of our Group.

In our Agriculture & Foods Business, we manufacture and sell food products such as frozen food, ham, deli food, beverages, and sweets in accordance with the Food Safety Basic Act, Food Sanitation Act, Food Labeling Act, and other laws. Also, in our Seawater Business, we manufacture food products such as salt, seaweed, and furikake rice topping. If a problem arises, such as a serious quality accident, we may lose the trust of consumers, and incur expenses to take countermeasures or pay damages, etc.

Magnesia for magnetic steel sheets is one of the key products of our Seawater Business, and it is positioned upstream in the supply chain, with a sales territory covering approximately 40 countries, and thus if there is a serious product defect, the impact may be wide ranging.

In the global engineering field, which falls under our Other Businesses category, one of our businesses is high-power uninterruptible power supplies (UPS), and our main product is rotary UPS. This business plays a key role in business continuity planning (BCP) of data centers, semiconductor manufacturers, and other end users, and if a product defect, problem, or other trouble causes major damages for a customer, we may incur expenses to take countermeasures or pay damages, etc.

#### Countermeasures by our Group

In our Group's mid-term management plan, we are committed to strengthening quality compliance as a key management challenge, and we strive to minimize risk by establishing Quality Compliance Guidelines as a Group-wide indicator, and conducting periodic quality risk surveys and quality compliance audits.

We ensure preparedness for liability risk attributable to quality problems of products and merchandise by maintaining comprehensive liability insurance coverage for our company and our consolidated subsidiaries in Japan.

### Procurement risks

#### Description of risk

We use large amounts of electric power in manufacturing oxygen, nitrogen, and argon, the mainstay products of our Industrial Gas Business. If power costs rise substantially, and those costs cannot be passed on in the sales price, there may be an impact on our Group's performance. Also, a scarce natural resource such as helium gas and

xenon gas, and CO<sub>2</sub> gas and dry ice, which are produced as by-products during processing of their source gases by petroleum refiners and other industries, may have an effect on our Group's performance due, respectively, to geopolitical factors, or reduction of volume due to the operating situation.

The purchasing prices of LP gas and kerosene, the mainstay products of our Energy Business are generally linked with the price of crude oil. If the crude oil price falls much further than projected, this may have an effect on our Group's performance

In our Agriculture & Foods Business, we manufacture and sell processed foods whose main ingredients are vegetables and pork, and these prices may have an impact due to bad weather or changes in supply and demand in the market.

In our Other Businesses, the FIT system in Japan is moving toward more stringent monitoring of stable supply and business sustainability for suppliers of globally-sourced biomass fuel for power generation. Supply and demand are tight for fuels meeting standards, and there is a risk of rising fuel prices.

#### Countermeasures by our Group

Our Group is working to secure revenue by revising sales prices in a timely and appropriate manner with the understanding of customers.

Also, to stably procure raw materials and supply products, we are examining steps such as increasing stockpiles in Japan, securing alternative sources, making preparations to commit to alternative fuels, and developing new procurement routes.

### Accident risk

#### Description of risk

In our Logistics Business, we are engaged in transport of general cargo, as well as high-pressure gases and other hazardous items, using large vehicles such as trucks and lorries. Therefore, if a serious accident occurs, we may be liable for damages, or subject to administrative measures such as halting use of vehicles or halting business site operations, and this may have an effect on our Group's performance.

#### Countermeasures by our Group

In the Logistics Business of the Air Water Group, we have strictly established our safety management and traffic safety management regulations and are working every day on safety measures such as thorough operation management and safety education. As a transport business operator, we place the highest priority on safety and are working for a suitable safety control system.

### Foreign exchange risk

#### Description of risk

In our Group, we position global business as the foundation of our growth, and we have gained many subsidiaries outside Japan through M&A or establishing companies. We also procure helium gas and special gases for semiconductors from overseas. In particular, at overseas subsidiaries involved in our Global & Engineering Business, and our high-power UPS business (in our Other Businesses category), if sudden fluctuations in exchange rates occur, this may affect performance or the financial situation of our Group in terms of purchasing raw materials, selling products, and procuring products

such as helium overseas.

#### Countermeasures by our Group

In our Group, we strive to minimize foreign exchange risk through measures such as exchange contracts, diversification and expansion of procurement routes, and unification of transaction currencies at overseas subsidiaries.

### (3) Other risks

#### Environmental risks

##### Description of risk

In our business activities both inside and outside Japan, our Group is subject to environmental laws and regulations, but if they are strengthened due to enactment or amendment, then the resulting constraints on business activities, increased costs of compliance, and other necessary measures may affect our Group's performance or financial situation. This applies especially to the Industrial Gas Business, which uses large amounts of electric power in the manufacturing process. If carbon taxes are imposed or regulation of greenhouse gas emissions is strengthened, e.g., through an emissions trading system, it may affect our Group's performance or financial situation.

#### Countermeasures by our Group

In our Group's mid-term management plan, we have positioned response to climate change as a key management challenge, and established a reduction target for total greenhouse gas emissions as a key performance indicator (KPI). Our Group is working to reduce total emissions of greenhouse gas by taking steps such as adopting/upgrading high efficiency plants and implementing thorough energy-conservation activities, so that we can attain our target.

### Infectious risk

#### Description of risk

The Group is working to reduce costs throughout its operations and continues to implement remote work, including staggered work hours and work from home as the new normal, as well as take thorough measures against the spread of infections and ensuring safety. By doing so, we stay committed to provide a stable supply of industrial and medical gases while paying close attention to the health and safety of all Group employees. Also, to keep sufficient financial stability in case of prolonged stagnation of economic activities, we will be carefully selecting our M&A investments and capital expenditures while keeping a close eye on changes in the business environment.

#### Countermeasures by our Group

Our Group is working to reduce costs in all our businesses. Our objective is to continue fulfilling our responsibility to stably supply industrial gases, medical gases, and other products, while giving the utmost consideration to the health and safety of all Group employees.

To that end, we are implementing thorough measures to prevent contagion and ensure safety such as implementing staggered working hours and normalizing work-from-home and other forms of remote-working. To maintain sufficient financial stability in case economic slowdown continues over the long term, we will select M&A

and capital investments with extreme care, while prudently ascertaining changes in the business environment.

### Information security risk

#### Description of risk

The Group may obtain personal information of customers and confidential information of other companies in its business activities. It also maintains trade secrets, including technical information developed within the Group. Such information has the potential to be leaked due to cyber-attacks or other causes.

There is also the possibility that unauthorized access to production facilities or management systems could lead to the destruction, falsification, or leakage of information.

If any of these events were to occur, the Group's business performance would be affected by losing trust from customers, compensating the affected parties for damages, or suspending business operations.

#### Countermeasures by our Group

The Group is therefore working on both "measures by mechanisms" and "measures by organization and education."

In the "measures by mechanisms," we are reinforcing our information security systems for data terminals, servers, networks, etc., and taking countermeasures to restrict access from outside, detect attacks, and detect malware intrusion.

In the "measures by organization and education," we have developed Group regulations, enhanced security literacy of each employee by offering training programs such as e-learning and targeted attack e-mail drills, and assigned security managers to each Group company to make sure of prompt response to security issues.

### Non-financial asset impairment risk

#### Description of risk

Our Group has many non-financial assets such as property, plant and equipment, goodwill, and intangible assets. For intangible assets (excluding inventory assets, deferred tax assets, etc.), we detect the signs of impairment in pertinent assets or cashgenerating units (referred to hereafter as "the assets"), and if there are signs of impairment, we estimate the recoverable amount of the asset, and conduct an impairment test. For intangible assets, for which it is impossible to determine goodwill and the depreciation period, we carry out an impairment test every quarter, regardless of whether there are signs of impairment. If an impairment loss is incurred, this may affect the business development, performance, and financial situation of our Group.

#### Countermeasures by our Group

Through periodic impairment tests of goodwill and intangible assets, our Group ascertains and properly handles appraised values.

# Consolidated Financial Statements

## Consolidated Statement of Financial Position

Millions of Yen

	Notes	FY2021 (March 31, 2022)	FY2022 (March 31, 2023)
<b>Assets</b>			
Current assets			
Cash and cash equivalents	5	59,554	65,944
Trade and other receivables	6	203,049	229,276
Inventories	7	76,404	92,014
Other financial assets	8	5,323	6,151
Income taxes receivable		3,663	4,307
Other current assets	9	28,895	33,444
<b>Total current assets</b>		<b>376,889</b>	<b>431,139</b>
Non-current assets			
Property, plant and equipment	10	442,852	443,443
Goodwill	11	60,129	65,130
Intangible assets	11	28,095	32,568
Investments accounted for using equity method		30,633	32,630
Retirement benefit assets	20	2,846	3,836
Other financial assets	8	76,808	78,182
Deferred tax assets	14	1,400	2,184
Other non-current assets	9	2,373	2,528
<b>Total non-current assets</b>		<b>645,141</b>	<b>660,505</b>
<b>Total assets</b>		<b>1,022,031</b>	<b>1,091,645</b>

Millions of Yen

	Notes	FY2021 (March 31, 2022)	FY2022 (March 31, 2023)
<b>Liabilities and equity</b>			
Liabilities			
Current liabilities			
Trade and other payables	15	149,098	166,601
Bonds and borrowings	16	72,648	83,340
Other financial liabilities	18	4,928	5,035
Income taxes payable		4,167	10,127
Provisions	17	1,191	901
Other current liabilities	19	31,011	33,691
<b>Total current liabilities</b>		<b>263,045</b>	<b>299,697</b>
Non-current liabilities			
Bonds and borrowings	16	273,852	283,385
Other financial liabilities	18	32,399	30,192
Retirement benefit liability	20	7,156	6,365
Provisions	17	4,685	3,157
Deferred tax liabilities	14	12,746	14,601
Other non-current liabilities	19	8,289	7,762
<b>Total non-current liabilities</b>		<b>339,129</b>	<b>345,465</b>
<b>Total liabilities</b>		<b>602,174</b>	<b>645,162</b>
Equity			
Share capital	21	55,855	55,855
Capital surplus	21	52,638	49,962
Treasury shares	21	(4,838)	(3,532)
Retained earnings	21	275,158	303,680
Other components of equity	21	16,317	24,266
<b>Total equity attributable to owners of parent</b>		<b>395,131</b>	<b>430,232</b>
Non-controlling interests		24,725	16,249
<b>Total equity</b>		<b>419,857</b>	<b>446,482</b>
<b>Total liabilities and equity</b>		<b>1,022,031</b>	<b>1,091,645</b>

## Consolidated Statement of Profit or Loss

Millions of Yen			
	Notes	FY2021 (April 1, 2021 to March 31, 2022)	FY2022 (April 1, 2022 to March 31, 2023)
Continuing operations			
Revenue	24	888,668	<b>1,004,914</b>
Cost of sales		(689,555)	<b>(804,830)</b>
Gross profit		199,112	<b>200,084</b>
Selling, general and administrative expenses	25	(139,703)	<b>(150,379)</b>
Other income	26	7,768	<b>15,049</b>
Other expenses	26	(3,946)	<b>(5,075)</b>
Share of profit of investments accounted for using equity method		1,942	<b>2,502</b>
Operating profit		65,174	<b>62,181</b>
Finance income	27	1,369	<b>2,051</b>
Finance costs	27	(2,314)	<b>(3,253)</b>
Profit before tax		64,230	<b>60,978</b>
Income tax expense	14	(17,823)	<b>(18,023)</b>
Profit from continuing operations		46,406	<b>42,954</b>
Discontinued operations			
Profit (loss) from discontinued operations	28	(142)	<b>(305)</b>
Profit		46,263	<b>42,649</b>
Profit attributable to:			
Owners of parent		43,214	<b>40,137</b>
Non-controlling interests		3,049	<b>2,512</b>
Profit		46,263	<b>42,649</b>
Earnings per share			
Basic earnings (loss) per share			
Continuing operations	30	191.69 Yen	<b>178.18 Yen</b>
Discontinued operations		(0.63) Yen	<b>(1.34) Yen</b>
Basic earnings per share		191.06 Yen	<b>176.84 Yen</b>
Diluted earnings (loss) per share			
Continuing operations	30	191.48 Yen	<b>178.00 Yen</b>
Discontinued operations		(0.63) Yen	<b>(1.34) Yen</b>
Diluted earnings per share		190.86 Yen	<b>176.66 Yen</b>

## Consolidated Statement of Comprehensive Income

Millions of Yen			
	Notes	FY2021 (April 1, 2021 to March 31, 2022)	FY2022 (April 1, 2022 to March 31, 2023)
Profit		46,263	<b>42,649</b>
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	29	(2,241)	<b>3,237</b>
Remeasurements of defined benefit plans	29	(839)	<b>972</b>
Share of other comprehensive income of investments accounted for using equity method	29	28	<b>27</b>
Total of items that will not be reclassified to profit or loss		(3,053)	<b>4,237</b>
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	29	7,005	<b>6,630</b>
Effective portion of gains and losses on hedging instruments in a cash flow hedge	29	3,688	<b>(2,408)</b>
Share of other comprehensive income of investments accounted for using equity method	29	225	<b>97</b>
Total of items that may be reclassified to profit or loss		10,919	<b>4,319</b>
Total other comprehensive income		7,866	<b>8,557</b>
Comprehensive income		54,130	<b>51,206</b>
Comprehensive income attributable to:			
Owners of parent		49,196	<b>49,671</b>
Non-controlling interests		4,933	<b>1,535</b>
Comprehensive income		54,130	<b>51,206</b>

# Consolidated Statement of Changes in Equity

							Millions of Yen
Total equity attributable to owners of parent							
Notes	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity		
					Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	
Balance as of April 1, 2021	55,855	54,517	(5,947)	244,794	—	(2,437)	
Profit	—	—	—	43,214	—	—	
Other comprehensive income	29	—	—	—	(861)	7,085	
Comprehensive income		—	—	43,214	(861)	7,085	
Purchase of treasury shares	21	—	(2)	—	—	—	
Disposal of treasury shares	21	—	1,140	—	—	—	
Dividends	21	—	—	(11,213)	—	—	
Share-based payment transactions	22	—	—	—	—	—	
Increase (decrease) due to changes in equity		—	(1,698)	—	—	—	
Increase (decrease) due to new consolidation		—	—	(28)	(133)	(32)	
Increase (decrease) due to exclusion of subsidiaries from consolidation		—	—	—	—	—	
Decrease due to mergers		—	(61)	—	(224)	—	
Transfer from other components of equity to retained earnings		—	—	(1,279)	861	—	
Put option provided to non-controlling shareholders		—	(144)	—	—	—	
Transfer to non-financial assets		—	—	—	—	—	
Total transactions with owners		—	(1,879)	1,108	(12,850)	861	(32)
<b>Balance as of March 31, 2022</b>		<b>55,855</b>	<b>52,638</b>	<b>(4,838)</b>	<b>275,158</b>	<b>—</b>	<b>4,614</b>
Profit		—	—	40,137	—	—	
Other comprehensive income	29	—	—	—	960	6,636	
Comprehensive income		—	—	40,137	960	6,636	
Purchase of treasury shares	21	—	(2)	—	—	—	
Disposal of treasury shares	21	—	24	1,309	—	—	
Dividends	21	—	—	(13,047)	—	—	
Share-based payment transactions	22	—	—	—	—	—	
Increase (decrease) due to changes in equity		—	(1,851)	—	—	—	
Increase (decrease) due to new consolidation		—	—	500	—	176	
Increase (decrease) due to exclusion of subsidiaries from consolidation		—	—	—	—	—	
Decrease due to mergers		—	—	—	—	—	
Transfer from other components of equity to retained earnings		—	—	931	(960)	—	
Put option provided to non-controlling shareholders		—	(849)	—	—	—	
Transfer to non-financial assets		—	—	—	—	—	
Total transactions with owners		—	(2,676)	1,306	(11,615)	(960)	176
<b>Balance as of March 31, 2023</b>		<b>55,855</b>	<b>49,962</b>	<b>(3,532)</b>	<b>303,680</b>	<b>—</b>	<b>11,427</b>

								Millions of Yen
Total equity attributable to owners of parent								
Notes	Financial assets measured at fair value through other comprehensive income	Effective portion of cash flow hedges	Share acquisition rights	Total	Total	Non-controlling interests	Total equity	
Balance as of April 1, 2021	9,186	1,504	325	8,578	357,797	14,591	372,389	
Profit	—	—	—	—	43,214	3,049	46,263	
Other comprehensive income	29	(2,188)	1,946	—	5,981	1,884	7,866	
Comprehensive income		(2,188)	1,946	—	5,981	4,933	54,130	
Purchase of treasury shares	21	—	—	—	(2)	—	(2)	
Disposal of treasury shares	21	—	—	—	1,166	—	1,166	
Dividends	21	—	—	—	(11,213)	(372)	(11,585)	
Share-based payment transactions	22	—	—	(33)	(33)	—	(33)	
Increase (decrease) due to changes in equity		—	—	—	(1,698)	(316)	(2,014)	
Increase (decrease) due to new consolidation		—	930	—	898	735	6,270	7,006
Increase (decrease) due to exclusion of subsidiaries from consolidation		—	—	—	—	—	—	
Decrease due to mergers		—	—	—	(285)	—	(285)	
Transfer from other components of equity to retained earnings		417	—	—	1,279	—	—	
Put option provided to non-controlling shareholders		—	—	—	(144)	(11)	(156)	
Transfer to non-financial assets		—	(385)	—	(385)	(370)	(756)	
Total transactions with owners		417	545	(33)	1,757	(11,862)	5,199	(6,662)
<b>Balance as of March 31, 2022</b>		<b>7,416</b>	<b>3,995</b>	<b>291</b>	<b>16,317</b>	<b>395,131</b>	<b>24,725</b>	<b>419,857</b>
Profit		—	—	—	40,137	2,512	42,649	
Other comprehensive income	29	3,263	(1,326)	—	9,533	(976)	8,557	
Comprehensive income		3,263	(1,326)	—	9,533	1,535	51,206	
Purchase of treasury shares	21	—	—	—	(2)	—	(2)	
Disposal of treasury shares	21	—	—	—	1,333	—	1,333	
Dividends	21	—	—	—	(13,047)	(602)	(13,650)	
Share-based payment transactions	22	—	—	(7)	(7)	—	(7)	
Increase (decrease) due to changes in equity		—	—	—	(1,851)	(4,264)	(6,115)	
Increase (decrease) due to new consolidation		—	—	—	176	677	769	1,446
Increase (decrease) due to exclusion of subsidiaries from consolidation		—	—	—	—	(5,283)	(5,283)	
Decrease due to mergers		—	—	—	—	—	—	
Transfer from other components of equity to retained earnings		28	—	—	(931)	—	—	
Put option provided to non-controlling shareholders		—	—	—	(849)	—	(849)	
Transfer to non-financial assets		—	(822)	—	(822)	(629)	(1,452)	
Total transactions with owners		28	(822)	(7)	(1,585)	(14,570)	(10,011)	(24,581)
<b>Balance as of March 31, 2023</b>		<b>10,708</b>	<b>1,846</b>	<b>284</b>	<b>24,266</b>	<b>430,232</b>	<b>16,249</b>	<b>446,482</b>

Millions of Yen			
	Notes	FY2021 (April 1, 2021 to March 31, 2022)	FY2022 (April 1, 2022 to March 31, 2023)
<b>Cash flows from operating activities</b>			
Profit before tax		64,230	60,978
Profit (loss) before tax from discontinued operations		(106)	(275)
Depreciation and amortization		43,378	44,987
Interest and dividend income		(1,162)	(1,435)
Interest expense		1,932	2,411
Share of loss (profit) of investments accounted for using equity method		(1,942)	(2,502)
Loss (gain) on sale and retirement of fixed assets		217	(3,266)
Decrease (increase) in trade and other receivables		(10,874)	(26,422)
Decrease (increase) in inventories		(6,570)	(14,689)
Increase (decrease) in trade and other payables		9,228	20,177
Decrease (increase) in contract assets		(2,005)	(942)
Increase (decrease) in contract liabilities		2,052	(55)
Other		(4,050)	(8,746)
<b>Subtotal</b>		<b>94,326</b>	<b>70,217</b>
Interest and dividends received		1,579	1,972
Interest paid		(2,001)	(2,280)
Income taxes paid		(22,331)	(12,956)
<b>Net cash provided by (used in) operating activities</b>		<b>71,572</b>	<b>56,953</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(44,975)	(64,549)
Proceeds from sale of property, plant and equipment		1,793	6,321
Purchase of intangible assets		(1,360)	(2,120)
Purchase of investment securities		(10,468)	(3,934)
Proceeds from sale of investment securities		5,931	447
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(4,651)	(5,284)
Collection of loans receivable		481	907
Payments for acquisition of businesses		—	(2,094)
Other		93	(827)
<b>Net cash provided by (used in) investing activities</b>		<b>(53,154)</b>	<b>(71,135)</b>
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings	31	168	6,080
Proceeds from long-term borrowings	31	7,667	52,176
Repayments of long-term borrowings	31	(20,243)	(30,521)
Proceeds from issuance of bonds	31	20,000	10,000
Purchase of additional shares of subsidiaries		(3,188)	(1,302)
Proceeds from sale and leaseback transactions		522	776
Repayments of lease liabilities	31	(5,963)	(5,515)
Proceeds from payments from non-controlling interests		4,895	—
Dividends paid	21	(11,207)	(13,041)
Dividends paid to non-controlling interests		(421)	(602)
Other	31	1,148	1,206
<b>Net cash provided by (used in) financing activities</b>		<b>(6,622)</b>	<b>19,257</b>
Impact of exchange fluctuations for cash and cash equivalents		782	47
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>12,577</b>	<b>5,122</b>
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation		992	1,267
Cash and cash equivalents at beginning of period		45,983	59,554
Cash and cash equivalents at end of period	5	59,554	65,944

## 1. Reporting Entity

Air Water Inc. (“the Company”) is a stock company located in Japan. The registered address of the Company’s head office is Chuo-ku, Osaka.

The Company and its subsidiaries (“the Group”) end their fiscal year on March 31. The consolidated financial statements includes the Company and the Group’s interests in associates and joint ar-

rangements.

The Group manufactures and sells products and services related to businesses that include “Digital & Industry,” “Energy Solutions,” “Health & Safety,” “Agriculture & Foods,” and “Other Businesses.” For details of each business, see Note 4. “Operating Segments.”

## 2. Basis for Preparation

### (1) Statement of compliance with IFRS

The Group prepares the consolidated financial statements in accordance with IFRS published by the International Accounting Standards Board. Having met the requirements for a “Specified Company under the Designated International Accounting Standards” prescribed in Article 1-2 of the Regulation on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, the Company has adopted the provisions of Article 93 of the regulation.

### (2) Basis for measurement

The Group’s consolidated financial statements, with the exception of retirement benefit liability (asset) and financial instruments measured at fair value stated in Note 3, “Significant Accounting Policies,” have been prepared using a historical cost basis.

### (3) Functional currency and presentation currency

The presentation currency used in the Group’s consolidated financial statements is Japanese yen, which is the Company’s functional currency. Any amounts below one million yen are rounded down.

### (4) Approval of the consolidated financial statements

The Group’s consolidated financial statements were approved by the chairman of the Company on June 23, 2023.

### (5) Significant accounting estimates and judgments that involve estimations

In the preparation of the consolidated financial statements of the Group, management is required to make certain judgments, estimates, and assumptions in the process of applying accounting policies and in determining the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effects of revisions to the accounting estimates are recognized in the period in which the estimates were revised and in future periods affected by the revisions.

Accounting judgments, estimates, and assumptions that may have significant effects on the Group’s consolidated financial statements are as follows.

- Impairment of non-financial assets (Note 12. “Impairment of Non-financial Assets”)
- Recoverability of deferred tax assets (Note 14. “Income Taxes”)
- Measurement of defined benefit obligations (Note 20. “Employee Benefits”)

- Fair market value of financial instruments (Note 23. “Financial Instruments”)
- Contingent liability (Note 36. “Contingencies”)

The Group’s accounting estimates are based on the assumption that the economic environment in the fiscal year ending March 31, 2024 will remain uncertain for some time to come, reflecting increasing downside risk in the global economy due to interest rate hikes to control inflation and demand for semiconductors, a leading indicator in the manufacturing industry, which is expected to be affected by inventory adjustments until the middle of FY2023. Any change in assumptions for accounting estimates could have a significant impact.

### (6) Changes in presentation

#### (Consolidated Statements of Cash Flows)

“Payments for loans receivable” which was presented separately in “Cash flows from investing activities” in the previous consolidated fiscal year is included in “Other” from the current consolidated fiscal year due to a decrease in its monetary materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

Consequently, -392 million yen, which was presented as “Payments for loans receivable” and 485 million yen, which was presented as “Other” under “Cash flows from investing activities” in the consolidated cash flow statements for the previous fiscal year, has been reclassified into “Other” 93 million yen.

“Payments for redemption of bonds” and “Purchase of treasury stock,” which were separately presented in “Cash flows from financing activities,” are included in “Other” from the current fiscal year due to a decrease in their monetary materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

Consequently, -15 million yen, which was presented as “Payments for redemption of bonds” and -2 million yen, which was presented as “Purchase of treasury shares” and 1,166 million yen, which was presented as “Other” under “Cash flows from financing activities” in the consolidated cash flow statements for the previous fiscal year, has been reclassified into “Other” 1,148 million yen.

### 3. Significant Accounting Policies

#### (1) Basis of consolidation

##### 1) Subsidiaries

A subsidiary is an entity controlled by the Group. When the Group is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee, the Group controls the investee entity.

In preparing the consolidated financial statements, the financial statements of group companies prepared in accordance with standardized accounting policies of the Group are used. If the accounting policies applied to a subsidiary are different from those applied to the Group, adjustments are made to the subsidiary's financial statements where necessary.

The consolidated financial statements include the financial statements of subsidiaries with fiscal year-ends that differ from that of the Company as it is practically impossible to align their fiscal year-ends with that of the parent because local laws require a fiscal year-end date that is different from that of the Company.

The difference between such subsidiaries' fiscal year-ends and that of the Company does not exceed three months. Significant effects on transactions or events that occur because of the difference in the fiscal year-end are adjusted for.

Subsidiaries are consolidated from the date when the Group acquires control to the date when it loses control over the subsidiaries.

Intragroup transactions, and receivable and payable balances and unrealized gains or losses arising from intragroup transactions are eliminated.

Changes in interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, and the difference between adjustments of non-controlling interests and the fair market value of consideration is directly recognized as equity attributable to the owners of the parent.

If the changes result in the loss of control, the Group recognizes them at fair value on the date of losing control over the remaining investment. Any gains or losses from the loss of control are recognized in profit or loss.

Non-controlling interests in the net assets of subsidiaries are identified separately from the Group's interests. The comprehensive income of subsidiaries is attributed to the owners of the parent and non-controlling interests even if the balance of non-controlling interests is negative.

##### 2) Associates

An associate is an entity in which the Group exerts significant influence over financial and operating policies without having control or joint control of the entity.

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

Under the equity method, investments in associates are recognized at the acquisition cost at the time of acquisition and subsequently adjusted to reflect the Group's share of changes in the associates' net assets and accounted for in the consolidated statements of the financial position.

The consolidated statements of profit or loss reflects the Group's share of the associates' results. The Group's share of any changes in

amounts recognized in associates' other comprehensive income is recognized in other comprehensive income.

Adjustments are made in the consolidated financial statements to eliminate the Group's share in unrealized gains or losses arising from transactions between it and the associates.

The consolidated financial statements include investments in equity method investees having a different fiscal year-end because applying the same fiscal year-end is practically impossible as a result of the relationships with other shareholders. The difference between such associates' fiscal year-ends and that of the Company does not exceed three months. Significant effects on transactions or events that occur because of the difference in the fiscal year-end are adjusted for.

If the Group loses significant influence over an associate, it measures and recognizes the remaining investment at fair value as of the date of losing such influence. Any gains or losses from the loss of significant influence are recognized in profit or loss.

##### 3) Joint arrangements

A joint arrangement is an arrangement in which unanimous consensus of the parties having joint control is required for decision-making over related activities.

A joint venture is a joint agreement under which parties with joint control over an arrangement have rights to the net assets of the arrangement.

If the Group holds an equity interest in a joint venture, the Group accounts for the interest using the equity method.

A joint operation is one in which jointly controlling parties effectively have rights to assets and obligations for liabilities related to a joint arrangement.

If the Group holds an interest in a joint operation, the Group recognizes, regarding its investment in the joint operation, assets, liabilities, revenues, and expenses generated from jointly controlled operating activities, only to the extent of its interest.

Transactions with joint operations and receivable and payable balances and unrealized gains or losses arising from such transactions are eliminated.

The Group judges that Sakai Gas Center, Inc., is a joint operation.

#### (2) Business combinations

The Group accounts for business combinations using the acquisition method.

The consideration transferred is measured as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

For each business combination, the Group measures non-controlling interests in the acquiree at fair value or the amount of non-controlling interests in the fair value of the acquiree's identifiable net assets.

Costs related to business combinations are recognized as expenses at the time they occur.

When the Group acquires a business, the assets acquired and

liabilities assumed are classified and designated based on the terms of the agreement, economic conditions and other related conditions. The Group measures the identifiable assets and liabilities assumed at acquisition date fair value.

If a business combination has been carried out in phases, the interests the Group held before acquiring control of the acquiree are reevaluated at fair value on the acquisition date, and the valuation difference is recognized in profit or loss.

The amount of interests in the acquiree recorded in other comprehensive income before the acquisition date is accounted for by the same method as for disposal by the acquirer of the interests.

Goodwill is recognized as the total amount recognized as consideration transferred and non-controlling interests in excess of identifiable assets acquired and liabilities assumed.

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

After initial recognition, goodwill acquired through a business combination is not amortized and is presented at the amount of initial recognition less accumulated impairment loss. Impairment tests of goodwill are conducted annually and each time an indication of impairment appears.

#### (3) Foreign currency translation

The presentation currency used in the Group's consolidated financial statements is Japanese yen, which is the Company's functional currency. Each of Group entities sets their own functional currency, and the transactions of each company are measured in that functional currency. Transactions denominated in a foreign currency are translated into the functional currency using the spot exchange rate on the transaction date or an exchange rate that approximates it.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the spot exchange rate at the fiscal year-end. Translation differences resulting from such translation and their settlement are recognized in profit or loss. However, translation differences arising from equity instruments measured through other comprehensive income and cash flow hedges to the extent that the hedges are effective are recognized in other comprehensive income.

Assets and liabilities, as well as revenues and expenses, of foreign operations are translated into yen using the spot exchange rate at the fiscal year-end, and the spot exchange rate on the transaction date or a rate that approximates the exchange rate, respectively, and the translation differences are recognized in other comprehensive income.

If foreign operations are disposed of, accumulated translation differences related to the foreign operations are recognized in profit or loss in the fiscal year in which they are disposed of.

#### (4) Financial instruments

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

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

The Group initially recognizes trade receivables on the date of their

accrual. All other financial assets are initially recognized on the date on which the Group becomes a party to the agreement on the financial assets.

The Group classifies financial assets as (a) financial assets measured at the amortized cost, (b) financial assets measured at fair value through other comprehensive income, or (c) financial assets measured at fair value through profit or loss. This classification is determined at the initial recognition of the financial assets.

The costs of the transactions in financial instruments measured at fair value through profit or loss are recognized in profit or loss as incurred. All other financial instruments are initially recognized at fair value plus transaction costs. However, trade receivables are measured at the transaction price.

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

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

- They are held based on a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of these instruments give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on a specified date.

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

Debt instruments measured at fair value through other comprehensive income

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

- They are held based on a business model whose objective is to collect contractual cash flows and sell financial assets.
- The contractual terms of these instruments give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on a specified date.
- Equity instruments measured at fair value through other comprehensive income

Stocks and other equity instruments held mainly for the purpose of maintaining and strengthening business relationships with investees are designated as financial assets measured at fair value through other comprehensive income, and the designation is applied continuously.

###### (c) Financial assets measured at fair value through profit or loss

Financial assets other than financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

However, in cases in which an accounting mismatch is eliminated or significantly reduced by designating financial assets not measured at fair value through profit or loss as financial assets measured at fair value through profit or loss, the Group may irrevocably designate them as financial assets measured at fair value through profit or loss at initial recognition.



## (ii) Subsequent measurement

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

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

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

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

Financial assets measured at fair value through other comprehensive income are measured at fair value, and fair value changes are recognized in other comprehensive income.

However, fair value changes in equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income and, if they are derecognized or the fair value significantly declines, reclassified to retained earnings.

### (c) Financial assets measured at fair value through profit or loss

After initial recognition, financial assets measured at fair value through profit or loss are measured at fair value, and fair value changes are recognized in profit or loss.

## (iii) Derecognition

The Group derecognizes a financial asset when the contractual rights to cash flows from the financial asset expire or when the Group transfers such rights and all the risks and economic value of ownership of the financial asset are substantially transferred.

If the Group retains control over the financial asset transferred without substantially transferring the risks and economic value of ownership or holding them, the financial asset continues to be recognized to the extent of continued involvement. In such case, related liabilities are also recognized.

## (iv) Impairment

The Group measures the impairment of financial assets based on whether at each fiscal year-end there have been significant increases in credit risk since initial recognition with respect to financial assets measured at the amortized cost.

If there have been no significant increases in credit risk since the initial recognition with respect to financial assets measured at the amortized cost, 12-month expected credit losses are recognized in the provision for doubtful accounts. However, for trade receivables, expected credit losses over the remaining period are initially recognized.

On the other hand, if there have been significant increases since initial recognition, the expected credit losses over the remaining period are recognized in the provision for doubtful accounts.

The Group decides whether there have been significant increases in credit risk or not based on changes in the default risk, and the Group mainly considers delinquency (past due information) in deciding whether there have been changes in the default risk.

The Group decides that a default has occurred when events that have a detrimental impact on the future cash flows of financial assets have occurred such as that the obligor is long past a contractual payment due date.

The Group treats any financial asset as a credit-impaired financial asset if the obligor is experiencing significant financial difficulties, bankruptcy or other legal liquidation procedures begin with respect to the obligor, or other similar events occur.

The Group estimates the expected credit losses in a way that reflects reasonable and supportable information that is available without undue cost or effort on the reporting date with regard to the time value of money, past events, current conditions, forecasts of future economic conditions and similar factors.

Expected credit losses are measured based on the discounted present value of the difference between an amount due to the Group under the contract and an amount the Group expects to receive based on past credit losses and similar factors.

When the collection of receivables cannot be reasonably assumed, such as in cases in which receivables are legally extinguished, the carrying amount of the financial assets are directly written off.

## 2) Financial liabilities (excluding derivatives)

### (i) Initial recognition and measurement

The Group classifies financial liabilities other than derivatives as financial liabilities measured at the amortized cost. Classifications are determined at the initial recognition. All financial liabilities are initially recognized on the date on which the Group becomes a party to the agreement on the financial liabilities.

### (ii) Subsequent measurement

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

### (iii) Derecognition

Financial liabilities are derecognized when the obligation is discharged, canceled or expired, or when they are exchanged with substantially different terms or their terms are modified substantially.

### (iv) Put options granted to non-controlling shareholders

When the Group grants put options to non-controlling shareholders, the Group derecognizes non-controlling interests in the put options, recognizes the present value of the put options' redemption amount in financial liabilities and recognizes the difference in capital surplus. Changes after initial recognition are recognized in capital surplus.

## 3) Derivatives and hedge accounting

The Group uses forward exchange contracts and interest rate swap contracts as derivatives to hedge foreign exchange and interest rate risks. These derivatives are initially measured at fair value when the contracts are entered into and are subsequently remeasured at fair value.

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

At the inception of a hedge, the Group formally designates and documents the hedging relationship to which hedge accounting applies and the objectives and strategies of risk management for undertaking the hedge. The documentation includes identifying any

specific hedging instrument, the hedged items or transactions, the nature of the risks being hedged and the method of assessing the effectiveness of the hedging instrument in offsetting the exposure to changes in fair value or cash flows of hedged items attributable to hedged risks. At the inception of the hedge and on an ongoing basis, the Group assesses whether a derivative used in a hedge transaction is effective to offset changes in the fair value or the cash flow of the hedged item. Specifically, the Group determines that a hedge is effective when the economic relationship between the hedged item and the hedging instrument is offset.

Hedges that meet the strict requirements for hedge accounting are classified as follows in accordance with IFRS 9 "Financial Instruments."

### Cash flow hedges

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

The amounts of hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. When hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized in other comprehensive income are accounted for as adjustments to the original carrying amount of the non-financial assets or liabilities.

When a hedging instrument expires or is sold, terminated or exercised without replacement or rollover into another hedging instrument or when the hedge designation is revoked because of a change in the risk management objective, accumulated amounts that have been recognized as equity through other comprehensive income continue to be recognized in equity until the forecast transaction occurs or is no longer expected to occur.

When the forecast transaction is no longer expected to occur, accumulated gains or losses originally recognized as equity through other comprehensive income are reclassified in profit or loss.

## 4) Fair value of financial instruments

The fair value of financial instruments that are traded in active financial markets at the fiscal year-end refers to quoted market prices or dealer quotations.

The fair value of financial instruments without active markets is calculated in reference to appropriate valuation techniques or prices presented by related financial institutions.

## (5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments redeemable within three months of the date of acquisition that are readily convertible into cash and exposed to only insignificant risk of change in value.

## (6) Inventories

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

Inventories are measured at the lower of the acquisition cost and net realizable value. The weighted average cost formula is mainly used to calculate the cost. The Group calculates net realizable value

by deducting the estimated costs required for completion and the estimated costs required to make a sale from the estimated selling price in the ordinary course of business.

## (7) Property, plant and equipment

The Group uses the cost model to measure property, plant and equipment.

Property, plant and equipment are presented at the acquisition cost less any accumulated depreciation and impairment loss.

The acquisition cost includes the costs directly attributable to the acquisition of assets, costs of dismantlement, removal and restoration, and borrowing costs that satisfy the capitalization criteria.

Any property, plant and equipment except for land is depreciated over the estimated useful life using mainly the straight-line method. The useful life and method used to depreciate the property, plant and equipment are reviewed at the fiscal year-end, and any change is applied prospectively as a change in accounting estimates.

For the depreciation of property, plant and equipment, the estimated useful life is as follows:

Buildings and structures: 2 to 65 years

Machinery and vehicles: 2 to 50 years

Tools, furniture, and fixtures: 2 to 38 years

## (8) Intangible assets

The Group uses the cost model to measure intangible assets.

Intangible assets are presented at the acquisition cost less any accumulated amortization and impairment loss.

Intangible assets separately acquired are measured at the acquisition cost at initial recognition, and the acquisition cost of intangible assets acquired in a business combination are measured at the acquisition-date fair value. Expenditures on internally generated intangible assets are all recognized as expenses in the fiscal year in which they are incurred, excluding development expenses that satisfy the criteria for capitalization.

The Group amortizes intangible assets with finite useful lives using the straight-line method over their useful lives. The Group performs an impairment test each time there is an indication of impairment. The useful life and amortization method of intangible assets with finite useful lives are reviewed at the fiscal year-end, and any change is applied prospectively as a change in accounting estimates.

For the amortization of intangible assets, the estimated useful life is as follows:

Software: 1 to 10 years

Other intangible assets: 2 to 50 years

Of the intangible assets with indefinite useful lives and intangible assets not yet available for use, trademarks are judged to have indefinite useful lives as they essentially continue to exist as long as the business continues and thus the period over which future economic benefits will continue to flow cannot be predicted.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized, and tested for impairment individually or by cash-generating unit in each fiscal year and whenever there is any indication of impairment.

## (9) Leases

### 1) Leases as lessee

The Group determines whether a contract includes a lease or not at the inception of the contract.

The Group recognizes right-of-use assets and lease liabilities at the lease inception date.

Right-of-use assets are initially recognized at the acquisition cost at the lease inception date. The acquisition cost is calculated as the amount of the initial measurement of lease liabilities adjusted for any lease payments made at or before the inception date, plus initial direct costs incurred and the estimated costs of the dismantlement and removal of underlying assets or the restoration of underlying assets or the site on which the underlying assets are located, less lease incentives already received. After initial recognition, right-of-use assets are measured at the acquisition cost less any accumulated depreciation and impairment loss using the cost model. When the ownership of the underlying assets is transferred to the lessor by the end of the lease term or when the acquisition cost of right-of-use assets reflect the exercise of a purchase option, the right-of-use assets are depreciated using the straight-line method over a period from the inception date to the end of their useful lives. In other cases, right-of-use assets are depreciated using the straight-line method over a period from the inception date to the end of useful lives of the right-of-use assets or to the end of the lease term, whichever is shorter. The estimated useful life of right-of-use assets is determined in the same way as for property, plant and equipment owned by the Group. Furthermore, right-of-use assets are reduced by the amount of impairment loss, if any, and adjusted for remeasurement of specified lease liabilities.

At the inception date, lease liabilities are measured at the present value of the lease payments that have not been paid as of that date. Subsequent to the inception date, the carrying amount is changed to reflect interest rates on lease liabilities and lease payments paid. When lease liabilities are reviewed or lease terms are changed, the lease liabilities are remeasured and the right-of-use assets are adjusted accordingly.

Total lease payments included in the measurement of lease liabilities comprise the following:

- Fixed lease payments (including in-substance fixed payments)
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the inception date
- The amount expected to be payable under residual value guarantee
- The exercise price of purchase options if the Group is reasonably certain to exercise the options; lease payments during the term of options if the Group is reasonably certain to exercise extension options and payments of penalties for terminating the lease early (excluding cases in which it is reasonably certain that the Group will not terminate the lease early)

The Group measures lease liabilities at amortized cost using the effective interest method. The Group re-measures lease liabilities when future lease payments change because of changes in an index or rate, expected payments under the residual value guarantee change or a determination on whether to exercise a purchase, extension or termination option changes.

When the Group re-measures lease liabilities, corresponding adjustments are made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero, recognized in profit or loss.

For short-term leases of machines with a term of 12 months or less and leases of low-value assets, the Group elects not to recognize right-of-use assets and lease liabilities. The Group recognizes lease payments for these leases as expenses using the straight-line method over their lease term.

### 2) Sale and leaseback transactions

For sale and leaseback transactions, the Group determines whether a transfer of an asset from the seller-lessee to buyer-lessor qualifies as a sale based on IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"). If the transfer qualifies as an asset sale, the seller-lessee measures a right-of-use asset arising from the leaseback based on the carrying amount of the asset and recognizes the gain or loss only on the portion not leased back. If the transfer does not qualify as an asset sale, the seller-lessee accounts for it as a financial transaction by continuing to recognize the asset transferred and recognizing a financial liability in the same amount as the proceeds from the transfer.

## (10) Impairment of non-financial assets

### 1) Impairment of non-financial assets

The Group determines whether there is any indication of impairment for assets at the fiscal year-end. If any indication of impairment exists for an asset and if an asset needs to be tested for impairment annually, the Group estimates the recoverable amount of the asset. The Group calculates the recoverable amount at the higher of fair value less costs of disposal and the value in use. If it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount by the cash-generating unit to which the asset belongs. If the carrying amount of the cash-generating unit is more than its recoverable amount, an impairment is recognized for the asset, and its value is written down to the recoverable amount. Value in use is calculated by discounting the estimated future cash flows to the present value using the pretax discount rate that reflects the current market assessment of the time value of money and risks specific to the asset. Business plans used to estimate future cash flows extend no more than five years, and future cash flows beyond the forecast period are calculated based on a long-term average growth rate according to individual circumstances.

Fair value less costs of disposal is calculated using appropriate valuation models backed by available indicators of fair value.

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

Goodwill or intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment every year and each time there is an indication of impairment.

### 2) Reversal of impairment loss

At the fiscal year-end, the Group evaluates whether there is any indication that impairment loss recognized in prior years for assets other than goodwill has decreased or may no longer exist, such as whether assumptions used to measure recoverable amounts have changed.

If such an indication exists, the recoverable amount of the asset, cash-generating unit is estimated. If the recoverable amount exceeds the carrying amount of the asset, cash-generating unit, a reversal of impairment loss is recognized to the lower of the recoverable amount or the carrying amount less the depreciation and amortization that would have been recognized had no impairment loss been recognized in prior periods. Impairment loss reversals are recognized in profit or loss.

Goodwill impairment loss is not reversed.

## (11) Non-current assets held for sale and discontinued operations

The Group classifies a non-current asset (or disposal group) as "Non-current assets held for sale" if its carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. This applies only if a sale is highly probable within one year and the asset (or disposal group) is available for immediate sale in its present condition. The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of the carrying amount and fair value less the cost to sell.

Of assets classified as held for sale, the Group does not depreciate or amortize property, plant or equipment or intangible assets.

Discontinued operations include components that have been disposed of or are classified as held for sale. The Group recognizes an operation as discontinued if it is a Group business and there is a plan for disposal of the business.

## (12) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are all recognized as expenses in the fiscal year in which they are incurred.

## (13) Employee benefits

### 1) Retirement benefits

The Company and some of its consolidated subsidiaries have adopted funded and non-funded defined contribution plans and defined benefit plans to provide for employee retirement benefits.

The Group calculates the present value of the defined benefit obligation as well as related current and prior service costs for each plan individually using the projected unit credit method.

The discount rate is calculated based on yields on high-quality corporate bonds at the fiscal year-end.

Assets and liabilities related to defined benefit plans are calculated as the net amount of the present value of the defined benefit obligation less the fair value of plan assets considering the effect of the asset ceiling.

Remeasurements of assets and liabilities related to defined benefit plans are recognized in their entirety in other comprehensive income for the period in which they occur and are immediately reflected in retained earnings. Prior service costs are recognized as expenses for the period in which they are incurred.

Contributions related to defined contribution plans are recognized as expenses in the period in which the relevant service is provided by employees.

### 2) Other long-term employee benefits

Special leave for a certain number of service years and an annual special leave program have been adopted as other long-term employee obligations.

The obligation for other long-term employee benefits is recorded in an estimated amount of future benefits earned as consideration for services provided by employees in the past and current years and discounted to the present value.

## (14) Provisions

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

Where the effect of the time value of money is material, the provision is measured at the present value of the expenditures expected to be required to settle the obligations. The discount rate used in measuring the present value is a pretax rate that reflects current market assessments of the time value of money and the risks inherent in the liability.

## (15) Equity

### 1) Common shares

The issue price of common shares is accounted for in the share capital and capital surplus.

### 2) Treasury shares

When the Company acquires treasury shares, the consideration paid is recognized as a deduction from equity.

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

## (16) Share-based remuneration

The Company has adopted a stock option plan and a restricted share-based remuneration plan as equity-settled, share-based remuneration plans.

Stock options are recognized as expenses over a period from the grant date to the vesting date with an equal amount recognized as an increase in equity. The fair value of stock options is measured at the vesting date using the Black-Scholes model.

Shares with transfer restrictions are recognized as expenses over a period from the grant date to the vesting date with an equal amount recognized as an increase in equity. The fair value of restricted share-based remuneration is measured at the grant date referring to the fair value of the equity instrument granted.

## (17) Revenue

In association with the application of IFRS 15, the Group recognizes revenue in accordance with the following five-step approach.

- Step 1: Identify the contract with a customer
- Step 2: Identify the 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 the entity satisfies a performance obligation

The Group operates “Digital & Industry,” “Energy Solutions,” “Health & Safety,” “Agriculture & Foods,” and “Other Businesses.”

The Digital & Industry segment primarily manufactures and sells oxygen, nitrogen, argon, and other industrial gasses, produces equipment related to high-pressure gases, and manufactures and sells functional materials, electronic materials, etc.

The Energy Solutions segment chiefly sells LP gas and kerosene, manufactures and sells carbonic acid gas and hydrogen gas.

The Health & Safety segment generally manufactures and sells oxygen and other medical gases, manufactures and sells hygiene materials, operates hospital facility construction, provides home medical care, and operates an OEM contract business of aerosol products. The Agriculture & Foods segment primarily distributes and processes vegetables and fruits, manufactures and sells frozen food and processed meat products, and operates contract manufacturing of soft drinks.

The Other Businesses segment consists of Nihonkaisui Co., Ltd. manufacturing and selling commercial-use salt, a distribution business providing distribution services for general cargos, food products, medical supplies, environmental products, etc., a North American instrument gas business providing instrument gas-related equipment and engineering services mostly in North America, a business supplying high-output uninterruptible power sources (UPS), electric power business using woody biomass, etc.

### 1) Sales of goods

The Group determines that it has satisfied its performance obligations at the time of delivery, the time at which customers obtain control of the products, and thus recognizes revenue at the time of delivery. Revenue is measured at the amount of consideration promised in a contract with the customer less any discounts, rebates, sales returns and the like.

### 2) Provision of services and equipment installation contracts

If any of the requirements below apply, the control of services is transferred over time, and thus the Group determines whether it satisfies its performance obligation over time and recognizes revenue according to progress toward the satisfaction of the performance obligation. As for the method of measuring progress, the Group considers the nature of the goods or services transferred to the customer.

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- The Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced.

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the requirements above are not satisfied, the Group's performance obligation is determined to be satisfied at a time when the Group obtains the right to receive the payment of consideration from the customer by completing the provision of services, and thus recognizes revenue at that point.

Revenue is measured at an amount of consideration promised in a contract with the customer less any discounts, rebates, sales returns and the like.

The consideration in product sales contracts is generally collected within one year from the time of the transfer of control over the products to the customer and does not include any significant interest.

## (18) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the Group will comply with the grant terms and receive the grant.

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

Government grants related to assets are recognized as deferred income that is recognized in profit or loss on a systematic basis over the useful life of the assets.

## (19) Income taxes

The Group calculates current tax liabilities or assets as amounts for the current and prior periods that it expects to pay to or recover from taxation authorities. The Group uses tax rates and tax laws enacted or substantively enacted by the fiscal year-end to determine tax amounts.

The Group calculates deferred taxes based on differences between the tax basis of assets and liabilities and their carrying amounts on the accounts at the fiscal year-end (temporary differences).

In principle, the Group recognizes deferred tax liabilities for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences and unused tax credit and tax loss carryforwards can be used.

As exceptions, however, the Group does not recognize deferred tax assets or deferred tax liabilities for the following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill
- Temporary differences arising on the initial recognition of an asset or liability arising in a transaction that is not a business combination and affects neither accounting profit nor taxable income (or tax loss)
- Deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements to the extent that in the foreseeable future it is probable that the temporary differences will not reverse or the probability is low that taxable income against which the temporary difference will

be used will be earned

- Taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements to the extent that the timing of the reversal of the temporary difference is controlled by the Group and that it is probable that the temporary difference will not reverse in the foreseeable future

The Group reviews the carrying amount of deferred tax assets and liabilities (including unrecognized deferred tax assets) at the fiscal year-end. The Group calculates deferred tax assets and liabilities based on tax rates that have been enacted or substantively enacted by the fiscal year-end and estimates the tax rates in the period in which assets materialize or liabilities are settled.

## 4. Operating Segments

### (1) Overview of reportable segments

The Group's reportable segments are components of the Group on which separate financial information can be obtained and are regularly reviewed by the Board of Directors for the purpose of management resource allocation and business performance evaluation. The Group operates its business by formulating comprehensive strategies by product and service.

Accordingly, the Group, which consists of operating segments by product and service, has the following five reportable segments: “Digital & Industry,” “Energy Solutions,” “Health & Safety,” “Agriculture & Foods,” and “Other Businesses.”

The Digital & Industry segment primarily manufactures and sells oxygen, nitrogen, argon, and other industrial gasses, produces equipment related to high-pressure gases, and manufactures and sells functional materials, electronic materials, etc.

The Energy Solutions segment chiefly sells LP gas and kerosene, manufactures and sells carbonic acid gas and hydrogen gas.

The Health & Safety segment generally manufactures and sells oxygen and other medical gases, manufactures and sells hygiene materials, operates hospital facility construction, provides home medical care, and operates an OEM contract business of aerosol products.

The Agriculture & Foods segment primarily distributes and processes vegetables and fruits, manufactures and sells frozen food and processed meat products, and operates contract manufacturing of soft drinks.

The Other Businesses segment consists of Nihonkaisui Co., Ltd. manufacturing and selling commercial-use salt, a distribution business providing distribution services for general cargos, food products, medical supplies, environmental products, etc., a North American instrument gas business providing instrument gas-related equipment and engineering services mostly in North America, a business supplying high-output uninterruptible power sources (UPS), electric power business using woody biomass, etc.

### (2) Matters regarding changes in reporting segments

The Air Water Group has established two key concepts, protection of the global environment and people's wellness, in view of global social issues we are going to confront such as the impact of climate

## (20) Earnings per share

The Group calculates basic earnings per share by dividing the profit or loss attributable to the Company's common shareholders by the weighted-average number of common shares issued that have been adjusted for treasury shares during the year. The Group calculates diluted earnings per share by adjusting the effects of all potentially dilutive shares.

change and the progress of the super aging of population with an aim to achieve sustainable corporate growth into the future. In April 2022, the Group conducted an organizational reform restructuring the Group's diverse business sectors into four business groups in line with the above two key concepts.

As a result, from the first quarter of the current consolidated fiscal year, the conventional eight segments, Industrial Gas Business, Chemical Business, Medical Business, Energy Business, Agriculture and Food Products Business, Logistics Business, Seawater Business, and Other Businesses, were reorganized into five segments: Digital & Industry, Energy Solutions, Health & Safety, Agriculture & Foods, and Other Businesses.

For the electric power business using woody biomass, the management system has been changed to optimize business operations in view of the drastic changes in the business environment. Accordingly, the electric power business using woody biomass is included in the Other Businesses segment from the third quarter of the current consolidated fiscal year onwards. It was previously categorized as part of Energy Solutions.

The segment information for the end of the previous consolidated fiscal year shown here was prepared based on the revised reporting segments.

### (3) Information on reportable segments

The accounting methods used for reportable operating segments are the same as those that have been adopted for the preparation of consolidated financial statements. Reportable segment profit is operating profit. Intersegment revenue and transfers are based on prevailing market prices.

FY 2021 (April 1, 2021 to March 31, 2022)

Millions of yen

	Reportable segments						Adjustments (Note)	Consolidated
	Digital & Industry	Energy Solutions	Health & Safety	Agriculture & Foods	Other Businesses	Total		
Revenue								
Revenue from external customers	288,809	84,465	217,524	139,467	158,401	888,668	—	888,668
Intersegment revenue or transfers	11,775	5,147	765	709	13,144	31,541	(31,541)	—
Total	300,584	89,612	218,290	140,176	171,545	920,209	(31,541)	888,668
Segment profit	27,801	7,002	13,275	5,717	10,710	64,508	666	65,174
Finance income								1,369
Finance costs								(2,314)
Profit before income tax								64,230
Segment assets	335,379	56,644	152,673	91,463	232,886	869,046	152,984	1,022,031
Other items								
Depreciation and amortization	18,589	4,418	4,124	4,861	11,384	43,378	—	43,378
Impairment loss	—	—	4	40	—	45	1	46
Gains on equity-method investments	371	—	1,021	43	507	1,942	—	1,942
Investments accounted for using equity method	3,817	—	11,963	171	14,680	30,633	—	30,633
Capital expenditures	19,100	6,011	3,289	4,838	9,367	42,607	2,854	45,461

Note 1: Adjustments of intersegment revenue or transfers of -31,541 million yen are elimination of intersegment transactions.

Note 2: Adjustments of segment profit of 666 million yen are related to the elimination of intersegment transactions and profit or loss of the Company's corporate divisions not allocated to reportable segments.

Note 3: Adjustments of segment assets of 152,984 million yen are related to the elimination of intersegment assets and corporate assets not allocated to reportable segments. Corporate assets are mainly cash and deposits, financial assets and shared corporate facilities not attributable to reportable segments.

Note 4: Adjustments of impairment loss of 1 million yen are related to corporate assets not allocated to reportable segments.

Note 5: Adjustments of capital expenditures of 2,854 million yen are mainly corporate assets not attributable to reportable segments.

FY 2022 (April 1, 2022 to March 31, 2023)

Millions of yen

	Reportable segments						Adjustments (Note)	Consolidated
	Digital & Industry	Energy Solutions	Health & Safety	Agriculture & Foods	Other Businesses	Total		
Revenue								
Revenue from external customers	342,549	91,919	235,992	152,069	182,382	1,004,914	—	1,004,914
Intersegment revenue or transfers	10,412	6,691	516	710	15,123	33,453	(33,453)	—
Total	352,962	98,610	236,509	152,780	197,505	1,038,368	(33,453)	1,004,914
Segment profit	29,002	5,703	15,482	5,521	1,062	56,771	5,409	62,181
Finance income								2,051
Finance costs								(3,253)
Profit before income tax								60,978
Segment assets	381,076	58,635	161,536	92,233	231,942	925,423	166,221	1,091,645
Other items								
Depreciation and amortization	19,157	4,581	4,212	4,943	12,092	44,987	—	44,987
Impairment loss	19	—	—	—	—	19	—	19
Gains on equity-method investments	526	—	896	44	1,035	2,502	—	2,502
Investments accounted for using equity method	4,264	—	12,764	212	15,388	32,630	—	32,630
Capital expenditures	38,831	4,417	2,701	5,070	11,331	62,352	4,014	66,367

Note 1: Adjustments of intersegment revenue or transfers of -33,453 million yen are elimination of intersegment transactions.

Note 2: Adjustments of segment profit of 5,409 million yen are related to the elimination of intersegment transactions and profit or loss of the Company's corporate divisions not allocated to reportable segments.

Note 3: Adjustments of segment assets of 166,221 million yen are related to the elimination of intersegment assets and corporate assets not allocated to reportable segments. Corporate assets are mainly cash and deposits, financial assets and shared corporate facilities not attributable to reportable segments.

Note 4: Adjustments of capital expenditures of 4,014 million yen are mainly corporate assets not attributable to reportable segments.

**(4) Information by product and service**

The description of information by product and service is omitted because the same information is disclosed in segment information.

## (5) Information by geographic area

### 1) Revenue

The description of information by geographic area is omitted because revenue from external customers in Japan accounts for a majority of the revenue in the consolidated statements of profit or loss.

### 2) Non-current assets

The breakdown of non-current assets by geographic area is as follows:

	Millions of Yen	
	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Japan	571,787	554,652
United States	13,003	37,128
India	44,493	44,725
Other	15,857	23,999
Total	645,141	660,505

## (6) Information by major customer

Information by major customer is omitted because there is no single external customer that accounts for 10% or more of revenue.

## 5. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of Yen	
	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Cash and deposits	59,553	65,944
Transferable deposits	0	0
Total	59,554	65,944

The balance of cash and cash equivalents in the consolidated statements of financial position matches the balance of that in the consolidated statements of cash flows for the fiscal years ended March 31, 2022 and 2023. Cash and cash equivalents are classified as financial assets measured at amortized cost.

## 6. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

	Millions of Yen	
	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Accounts receivable - trade	162,965	186,899
Notes receivable - trade	15,979	14,148
Electronically recorded monetary claims	18,340	22,018
Other	5,764	6,209
Total	203,049	229,276

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

## 7. Inventories

The breakdown of inventories is as follows:

	Millions of Yen	
	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Merchandise and finished goods	41,194	49,833
Work in process	14,113	16,574
Raw materials and supplies	21,096	25,607
Total	76,404	92,014

The amount of write-down of inventories recognized as expenses was 117 million yen and 187 million yen for the fiscal years ended March 31, 2022 and 2023, respectively. The amount of write-down of inventories is included in cost of sales.

## 8. Other Financial Assets

### (1) Breakdown

The breakdown of other financial assets is as follows:

	Millions of Yen	
	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Deposits	1,400	1,789
Equity securities	52,086	57,145
Loans receivable	4,536	3,948
Derivative assets	10,605	5,424
Other	13,502	16,025
Total	82,132	84,333
Current assets	5,323	6,151
Non-current assets	76,808	78,182
Total	82,132	84,333

Equity securities are classified as equity instruments measured at fair value through other comprehensive income. Loans receivables are classified as financial assets measured at the amortized cost. Derivative assets are classified as financial assets measured at fair value through profit or loss. Other assets are classified mainly as debt investments measured at fair value through profit or loss and financial assets measured at the amortized cost.

### (2) Equity instruments measured at fair value through other comprehensive income

All equity securities are held mainly for the purpose of maintaining and strengthening business relationships and are therefore, classified as equity instruments measured at fair value through other comprehensive income.

### 1) Names and fair value of major equity instruments

Names and fair value of major equity instruments measured at fair value through other comprehensive income were as follows:

Millions of Yen

	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Daikin Industries, Ltd.	7,711	8,139
Nakayama Steel Works, Ltd.	2,115	4,616
Morita Holdings Corporation	2,150	2,314
Kyoei Steel Ltd.	1,729	2,076
Nitto Boseki Co., Ltd.	2,813	2,009
Other	35,566	37,988
<b>Total</b>	<b>52,086</b>	<b>57,145</b>

### 2) Dividend income

The breakdown of dividend income on major equity instruments measured at fair value through other comprehensive income is as follows:

Millions of Yen

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Investments derecognized during the fiscal year	162	91
Investments held as of the fiscal year-end	697	844
<b>Total</b>	<b>860</b>	<b>935</b>

### 3) Derecognized equity instruments measured at fair value through other comprehensive income

Some of the equity instruments measured at fair value through other comprehensive income were disposed of during the fiscal year after reviewing business relationships. The fair value and accumulated gains and losses at the time of disposal were as follows:

Millions of Yen

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Fair value at sale	5,205	406
Accumulated gains (losses)	172	146

Accumulated gains and losses recognized as other components of equity are reclassified to retained earnings when equity instruments are sold or their fair value significantly declines compared to their acquisition cost. During the fiscal year ended March 31, 2023, -28 million yen (-417 million yen in the previous fiscal year) was reclassified from other components of equity to retained earnings.

## 9. Other Assets

The breakdown of other assets is as follows:

Millions of Yen

	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Contract assets	20,902	23,056
Prepaid expenses	5,011	5,157
Other	5,355	7,759
<b>Total</b>	<b>31,269</b>	<b>35,973</b>
Current assets	28,895	33,444
Non-current assets	2,373	2,528
<b>Total</b>	<b>31,269</b>	<b>35,973</b>

## 10. Property, Plant and Equipment

The acquisition cost, accumulated depreciation and impairment loss, and carrying amount of property, plant and equipment were as follows:

Millions of Yen

Carrying amount	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Total
Balance at March 31, 2021	104,714	176,553	10,656	87,820	23,859	403,604
Acquisition (Note)	1,831	7,116	1,289	364	33,711	44,313
Transfer from construction in progress	10,943	19,844	3,060	300	(34,149)	—
Acquisitions through business combinations	10,427	23,952	146	3,056	270	37,854
Depreciation	(8,465)	(27,543)	(3,469)	(224)	—	(39,703)
Impairment loss	(36)	—	(3)	(5)	—	(46)
Disposals	(461)	(336)	(100)	(505)	(12)	(1,416)
Decrease due to change in scope of consolidation	(136)	(2,912)	(15)	(423)	—	(3,488)
Exchange differences on translation of foreign operations	427	1,139	131	114	36	1,849
Other	27	(194)	0	7	43	(114)
<b>Balance at March 31, 2022</b>	<b>119,271</b>	<b>197,620</b>	<b>11,695</b>	<b>90,504</b>	<b>23,760</b>	<b>442,852</b>
Acquisition (Note)	2,595	5,952	1,086	323	54,335	64,294
Transfer from construction in progress	8,230	21,810	2,847	899	(33,788)	—
Acquisitions through business combinations	1,356	1,891	100	1,713	119	5,181
Depreciation	(9,161)	(27,649)	(3,750)	(207)	—	(40,769)
Impairment loss	—	(14)	(0)	—	(4)	(19)
Disposals	(502)	(683)	(94)	(1,220)	(18)	(2,520)
Decrease due to change in scope of consolidation	(3,282)	(23,237)	(7)	—	(227)	(26,754)
Exchange differences on translation of foreign operations	575	456	148	302	82	1,565
Other	(245)	(248)	(4)	(26)	138	(386)
<b>Balance at March 31, 2023</b>	<b>118,837</b>	<b>175,898</b>	<b>12,021</b>	<b>92,288</b>	<b>44,397</b>	<b>443,443</b>

Note: Right-of-use assets included in the carrying amount of property, plant and equipment are described in Note 13. "Leases."

Millions of Yen

Acquisition cost	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Total
<b>Balance at March 31, 2022</b>	<b>249,096</b>	<b>519,681</b>	<b>45,316</b>	<b>93,052</b>	<b>24,839</b>	<b>931,986</b>
<b>Balance at March 31, 2023</b>	<b>255,822</b>	<b>516,833</b>	<b>48,399</b>	<b>94,887</b>	<b>45,194</b>	<b>961,136</b>

Note: There were no significant borrowing costs included in the acquisition cost of property, plant and equipment in the fiscal years ended March 31, 2022 and 2023.

Millions of Yen

Accumulated depreciation and impairment loss	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Total
<b>Balance at March 31, 2022</b>	<b>(129,824)</b>	<b>(322,061)</b>	<b>(33,620)</b>	<b>(2,547)</b>	<b>(1,079)</b>	<b>(489,133)</b>
<b>Balance at March 31, 2023</b>	<b>(136,984)</b>	<b>(340,934)</b>	<b>(36,377)</b>	<b>(2,599)</b>	<b>(796)</b>	<b>(517,692)</b>

## 11. Goodwill and Intangible Assets

The acquisition cost, accumulated amortization and impairment loss, and carrying amount of goodwill and intangible assets are as follows:

Millions of Yen

Carrying amount	Goodwill	Intangible assets		
		Software	Other	Total
<b>Balance at March 31, 2021</b>	<b>52,994</b>	<b>11,631</b>	<b>16,765</b>	<b>28,397</b>
Individual acquisitions	—	1,031	187	1,219
Acquisitions through business combinations	4,748	68	1,346	1,415
Amortization	—	(1,939)	(1,735)	(3,675)
Impairment loss	—	(0)	—	(0)
Disposals	—	(5)	(10)	(15)
Exchange differences on translation of foreign operations	2,580	2	756	758
Other	(194)	(25)	22	(3)
<b>Balance at March 31, 2022</b>	<b>60,129</b>	<b>10,762</b>	<b>17,332</b>	<b>28,095</b>
Individual acquisitions	—	1,349	771	2,120
Acquisitions through business combinations	3,982	20	3,729	3,749
Amortization	—	(2,082)	(2,135)	(4,217)
Impairment loss	—	—	—	—
Disposals	—	(7)	(13)	(20)
Decrease due to change in scope of consolidation	—	(5)	(33)	(39)
Exchange differences on translation of foreign operations	2,668	(5)	665	660
Other	(1,649)	(588)	2,808	2,220
<b>Balance at March 31, 2023</b>	<b>65,130</b>	<b>9,444</b>	<b>23,124</b>	<b>32,568</b>

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

There were no significant internally generated intangible assets as of March 31, 2022 and March 31, 2023.

Research and development expenses recognized as expenses in the fiscal years ended March 31, 2022 and 2023 were 5,338 million yen and 5,451 million yen, respectively.

Millions of Yen

Acquisition cost	Goodwill	Intangible assets		
		Software	Other	Total
<b>Balance at March 31, 2022</b>	<b>63,957</b>	<b>23,764</b>	<b>26,685</b>	<b>50,450</b>
<b>Balance at March 31, 2023</b>	<b>68,992</b>	<b>24,289</b>	<b>31,204</b>	<b>55,493</b>

Millions of Yen

Accumulated amortization and impairment loss	Goodwill	Intangible assets		
		Software	Other	Total
<b>Balance at March 31, 2022</b>	<b>(3,827)</b>	<b>(13,001)</b>	<b>(9,353)</b>	<b>(22,354)</b>
<b>Balance at March 31, 2023</b>	<b>(3,862)</b>	<b>(14,845)</b>	<b>(8,079)</b>	<b>(22,925)</b>

## 12. Impairment of Non-financial Assets

### (1) Impairment loss

FY 2021 (As of March 31, 2022)

Segments	Types of assets	Impairment loss (Millions of Yen)
Health & Safety	Land	4
Agriculture & Foods	Buildings and structures, other	40
Corporate assets	Land	1
<b>Total</b>		<b>46</b>

For Agriculture & Foods, the Group recognized impairment losses primarily for offices where the decision was made to exit. Specifically, the carrying amounts of individual assets were reduced to their recoverable amounts, and impairment loss was accounted for in "Other expenses" in the consolidated statements of profit or loss.

When recognizing and measuring impairment loss, the recoverable

amount is measured based on value in use or fair value less costs of disposal, and significant assets are evaluated based mainly on real estate appraisal values assessed by a third party using a market approach. The fair value hierarchy is classified as Level 3 because a valuation technique that includes unobservable inputs such as sales prices is used.

FY 2022 (As of March 31, 2023)

Segments	Types of assets	Impairment loss (Millions of Yen)
Digital & Industry	<b>Machinery and vehicles, other</b>	<b>19</b>

For Digital & Industry, the Group recognized impairment losses on idle facilities that are no longer expected to be used in the future. Specifically, the individual carrying amounts are written down to their recoverable amounts and recorded as impairment losses in "Other expenses" in the consolidated statements of profit or loss.

When recognizing and measuring impairment loss, the recoverable

amount is measured based on value in use or fair value less costs of disposal, and significant assets are evaluated based mainly on real estate appraisal values assessed by a third party using a market approach. The fair value hierarchy is classified as Level 3 because a valuation technique that includes unobservable inputs such as sales prices is used.

### (2) Impairment tests on goodwill

Goodwill acquired through business combinations is allocated to cash-generating units that are expected to benefit from the synergies of the business combinations. Allocations of goodwill to cash-generating units are as follows:

Millions of Yen

Reportable segments	Cash-generating unit	Goodwill	
		FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Digital & Industry	Air Water India Pte. Ltd. and other	28,149	<b>27,247</b>
Energy Solutions	Pacific Petro Import And Export Trading Jsc and other	4,533	<b>4,344</b>
Health & Safety	Globalwide International Pte. Ltd. and other	4,145	<b>4,098</b>
Agriculture & Foods	Air Water Agriculture & Foods inc. and other	8,971	<b>9,291</b>
Other Businesses	Power Partners Pte. Ltd. and other	14,329	<b>20,149</b>
<b>Total</b>		<b>60,129</b>	<b>65,130</b>

The recoverable amount of cash-generating units to which goodwill has been allocated is the higher of its use value and fair value less costs of disposal.

The value in use with the estimated future cash flows discounted to the present value based on management-approved business plans. The business plans, which in principle should cover no more than five years, are based on external information and reflect past experience. Plans to expand revenue are subject to uncertainties, and these management judgments could materially affect estimates of future cash flows. Cash flows beyond the period covered by the business plans are calculated based on an estimated growth rate that is no higher than the long-term average growth rate of the market to which the cash-generating unit belongs. Pretax discount rates are calculated based on pretax weighted average capital cost and the like with 7.6%-15.8% used for the fiscal year ended March 31, 2022, and 6.9%-15.8% for the fiscal year ended March 31, 2023.

In measuring fair value less costs of disposal, the Company uses an appropriate valuation model (market approach) supported by available fair value indicators. The calculation methods used in mea-

suring fair value and the selection of comparable companies involve a high degree of expertise.

At AIR WATER INDIA PTE. LTD., a cash generating unit to which significant goodwill was allocated, goodwill of 20,899 million yen was recorded. AIR WATER INDIA PTE. LTD. employed a market approach, namely the comparable multiple valuation method, to value the goodwill. The goodwill was measured at fair value after deducting disposal cost. In the comparable multiple valuation method, the value was calculated by multiplying EBITDA based on the latest results by the EV/EBITDA multiple (13.7) at listed companies in the same industry. The fair value measurements are categorized within Level 3 of the fair value hierarchy based on significant inputs used in measuring fair value. In the fiscal year under review, the recoverable value exceeded the book value by 6,021 million yen. If the EV/EBITDA multiple falls to 11.9, the recoverable value may be equal to the book value.



### 13. Leases

#### (1) Leases as lessee

##### 1) Lease related expenses, cash flows and increases in right-of-use assets

Lease related expenses, cash flows and increases in right-of-use assets were as follows:

	Millions of Yen	
	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Depreciation of right-of-use assets		
Buildings and structures	557	640
Machinery and vehicles	3,898	3,520
Tools, furniture, and fixtures	158	212
Other	246	229
<b>Total</b>	<b>4,860</b>	<b>4,602</b>
Interest expense on lease liabilities	452	414
Lease expenses under exemption for short-term leases	8,313	8,799
Lease expenses under exemption for low-value assets	3,245	3,216
Increases in right-of-use assets	2,355	2,590

Gains and losses arising from sale and leaseback transactions were not significant.

##### 2) Total amount of lease cash outflows

	Millions of Yen	
	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Total amount of lease cash outflows	17,974	17,946

##### 3) Balances of right-of-use assets included in the carrying amount of property, plant and equipment and intangible assets

The balances of right-of-use assets included in the carrying amount of property, plant and equipment and intangible assets were as follows:

	Millions of Yen				
	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Other	Total
Balance at April 1, 2021	2,887	24,693	447	1,778	29,806
Acquisitions	306	1,324	202	31	1,864
Business combinations	—	—	130	359	490
Depreciation	(557)	(3,898)	(158)	(246)	(4,860)
Decrease due to change in scope of consolidation	—	—	—	—	—
Other	(70)	(15)	10	(184)	(260)
<b>Balance at March 31, 2022</b>	<b>2,566</b>	<b>22,103</b>	<b>632</b>	<b>1,739</b>	<b>27,041</b>
Acquisitions	444	1,385	167	150	2,147
Business combinations	14	408	20	—	443
Depreciation	(640)	(3,520)	(212)	(229)	(4,602)
Decrease due to change in scope of consolidation	—	(1,204)	—	—	(1,204)
Other	(43)	(34)	(4)	(47)	(130)
<b>Balance at March 31, 2023</b>	<b>2,340</b>	<b>19,138</b>	<b>603</b>	<b>1,612</b>	<b>23,695</b>

#### 4) Maturity analysis of lease liabilities

	Millions of Yen					
	End of FY 2021 (March 31, 2022)					
	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Lease liabilities	4,738	4,204	3,834	3,562	2,179	8,725

	Millions of Yen					
	End of FY 2022 (March 31, 2023)					
	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Lease liabilities	4,740	4,312	3,903	2,350	1,820	6,364

#### 5) Supplementary information on lease contracts as lessee

##### a. The nature of the lessee's leasing activities

The Group leases certain offices, land, production facilities, vehicles and the like under cancellable and noncancellable contracts. The terms of lease contracts vary widely as they are individually negotiated.

##### b. Extension and termination options

Each entity in the Group is responsible for managing leases with the terms of the leases varying widely as they are negotiated individually.

Extension and termination options are included in many of the Group's real estate and facility leases and used to maximize operational flexibility in light of contract management.

They are mostly extension options over a period of one year or the same period as that of their underlying contracts or options to terminate contracts early by giving a six month to one year notice to the other party.

These options are employed by a party to lease contract as necessary in the course of using real estate and facilities.

##### c. Residual value guarantee

Certain lease contracts of the Group include a residual value guarantee. If the Group is reasonably certain to pay the residual value guarantee at lease maturity, the amount expected to be paid is included in right-of-use assets with a portion expensed as amortization of right-of-use assets and a portion as interest cost on lease liabilities.

##### d. Sale and leaseback transactions

The Group leases gas supply facilities, etc. through sale and leaseback transactions. If a sale and leaseback transaction is determined to be a sale, a portion of the gain or loss on the sale corresponding to the right-of-use asset is deferred. In addition, if it is determined not to be a sale, it is deemed a financial transaction with financial liabilities recognized.

## 14. Income taxes

### (1) Deferred tax assets and liabilities

The breakdown of and changes in deferred tax assets and liabilities by major cause are as follows:

	Consolidated statements of financial position		Consolidated statements of profit or loss	
	End of FY 2021 (As of March 31, 2022)	End of FY 2022 (As of March 31, 2023)	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
	Millions of Yen			
Deferred tax assets				
Property, plant and equipment, and intangible assets	3,451	2,871	(1,128)	(445)
Retirement benefit liability	1,593	1,882	(980)	262
Accrued bonuses	2,390	2,644	48	255
Accounts payable - other and accrued expenses	2,828	2,839	1,063	23
Tax loss carryforwards	683	1,231	(3,594)	538
Asset retirement obligations	1,144	689	646	(25)
Other	3,401	3,456	96	(296)
Total deferred tax assets	15,493	15,614	(3,848)	313
Deferred tax liabilities				
Property, plant and equipment and intangible assets	15,676	16,272	(38)	(43)
Financial assets measured at fair value through other comprehensive income	5,769	6,835	—	—
Retained earnings	446	681	(252)	235
Cash flow hedges	2,958	1,659	—	—
Other	1,988	2,582	373	173
Total deferred tax liabilities	26,839	28,031	81	365
Net amount of deferred tax assets and liabilities	(11,345)	(12,416)	(3,930)	(52)

Changes in deferred tax assets and liabilities were as follows:

	FY 2021	FY 2022
	(April 1, 2021 to March 31, 2022)	(April 1, 2022 to March 31, 2023)
Balance at beginning of the year	(6,966)	(11,345)
Recognized in profit or loss	(3,930)	(52)
Recognized in other comprehensive income	(218)	(2,302)
Business combinations	(836)	790
Other	606	493
Balance at end of the year	(11,345)	(12,416)

### (2) Deductible temporary differences, tax loss carryforwards and unused tax credits for which no deferred tax asset is recognized

Deductible temporary differences, tax loss carryforwards and unused tax credits for which no deferred tax asset is recognized were as follows. The amounts of deductible temporary differences are based on income, and the amounts of tax loss carryforwards and unused tax credits are based on tax.

	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Deductible temporary differences	34,101	31,984
Tax loss carryforwards and unused tax credits	4,230	4,695

Tax loss carryforwards and unused tax credits for which no deferred tax asset were to expire as follows:

	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
1st year	96	43
2nd year	77	45
3rd year	39	3,800
4th year	3,460	87
After 5th year	556	718
Total	4,230	4,695

In Japan, our Group has adopted the Japanese Group Relief System from the current consolidated fiscal year. However, the above information does not include the amounts deductible temporary differences and tax loss carryforwards for which no deferred tax asset is recognized related to local taxes (inhabitant tax and enterprise tax) that are not subject to this system. The amount of deductible temporary differences related to local taxes (inhabitant tax and enterprise tax) is 9,119 million yen at the end of the current fiscal year (6,204 million yen at the end of the previous fiscal year), and the amount of tax loss carryforwards is 1,990 million yen at the end of the current fiscal year (1,716 million yen at the end of the previous fiscal year). The operating loss carryforwards related to local taxes expire 10 years.

### (3) Deferred tax assets dependent on future taxable income

Certain subsidiaries recognized tax loss carryforwards in the fiscal years ended March 31, 2022 and 2023. For these tax loss carryforwards, the Group recognized deferred tax assets of 1,231 million yen in the fiscal year ended March 31, 2023 to the extent that it expected to generate future taxable income in that fiscal year (tax loss carryforwards of 683 million yen in the fiscal year ended March

31, 2022). The recoverability of deferred tax assets depends on the generation of future taxable income. The future taxable income used in recognition of deferred tax assets is assumed under management approved business plans. Since the realizability of future taxable income is high based on past plans and actual results, the Group has determined that deferred tax assets are recoverable.

### (4) Income tax expense

The breakdown of income tax expense is as follows:

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Current tax expense	13,928	18,000
Deferred tax expense	3,930	52
Total income tax expense	17,859	18,052
Continuing operations	17,823	18,023
Discontinued operations	35	29

Deferred tax expense includes the amount of previously unrecognized tax loss, tax credits or benefits arising from temporary differences from prior periods and the amount of write-downs or reversal of previous write-downs of deferred tax assets. Deferred income taxes increased by 48 million yen and decreased by 1,745 million yen in the fiscal years ended March 31, 2023 and 2022, respectively.

#### (5) Reconciliation of applicable tax rates

The Group is subject to taxes including mainly income taxes, inhabitant taxes and enterprise taxes. The statutory effective tax rate calculated based on these was 30.6% in the fiscal years ended March 31, 2022 and 2023. Subsidiaries abroad, however, are subject

to income taxes in their respective locations of residency.

Reconciliation between the statutory effective tax rate and the average actual tax rate of continuing operations was as follows. The average actual tax rate represents the ratio of income taxes to profit before income tax.

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Statutory effective tax rate	30.6 %	30.6 %
Non-tax deductibles	1.5 %	1.9 %
Gains or losses on equity-method investments	(0.9) %	(1.3) %
Changes in unrecognized deferred tax assets	(2.1) %	(0.7) %
Tax credit	(1.1) %	(0.8) %
Other	(0.1) %	0.1 %
Average actual tax rate	27.9 %	29.7 %

#### 15. Trade and Other Payables

The breakdown of trade and other payables is as follows:

	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Accounts payable - trade	110,878	126,339
Notes payable - trade	8,865	6,284
Accounts payable - other	14,034	15,310
Electronically recorded obligations	6,624	11,444
Other	8,695	7,222
Total	149,098	166,601

Millions of Yen

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

#### 16. Bonds and Borrowings

Bonds and borrowings are measured mainly at the amortized cost.

##### (1) Breakdown

	FY 2021 (As of March 31, 2022) (Millions of Yen)	FY 2022 (As of March 31, 2023) (Millions of Yen)	Average interest rate (%) (Note 1)	Maturity
Current portion of bonds payable (Note 2)	125	55	0.46	—
Short-term borrowings	43,265	47,116	1.02	—
Current portion of long-term borrowings	28,598	35,630	0.57	—
Payables under fluidity lease receivables	659	538	0.16	—
Bonds payable (excluding current portion) (Note 2)	60,135	70,080	0.30	2025-2031
Long-term borrowings (excluding current portion)	213,717	213,305	0.59	2024-2041
Total	346,500	366,726	—	—
Current liabilities	72,648	83,340	—	—
Non-current liabilities	273,852	283,385	—	—

Note 1: The average interest rate shows the weighted average rate of interest on the closing balance of borrowings and the like.

Note 2: A summary of the terms of bonds payable by issue was as follows:

Company name	Issue	Issue date	FY 2021 (As of March 31, 2022) (Millions of Yen)	FY 2022 (As of March 31, 2023) (Millions of Yen)	Interest rate (%)	Collateral	Maturity
Air Water Inc.	The third unsecured bonds	March 16, 2018	10,000	10,000	0.355	None	February 29, 2028
Air Water Inc.	The fourth unsecured bonds	September 7, 2018	10,000	10,000	0.405	None	August 31, 2028
Air Water Inc.	The fifth unsecured bonds	March 13, 2020	10,000	10,000	0.290	None	February 28, 2030
Air Water Inc.	The sixth unsecured bonds	June 19, 2020	10,000	10,000	0.380	None	May 31, 2030
Air Water Inc.	The seventh unsecured bonds	July 21, 2021	10,000	10,000	0.120	None	June 30, 2026
Air Water Inc.	The eighth unsecured bonds	July 21, 2021	10,000	10,000	0.280	None	June 30, 2031
Air Water Inc.	The ninth unsecured bonds	June 9, 2022	-	10,000	0.300	None	June 9, 2027
Reprowork Co., Ltd.	The sixth unsecured bonds	March 26, 2021	50	50	0.240	None	March 26, 2025
Asist Co., Ltd.	The third unsecured bonds	July 13, 2018	50	50 (50)	0.470	None	July 13, 2023
Asist Co., Ltd.	The fourth unsecured bonds	July 13, 2018	15	5 (5)	0.320	None	July 13, 2023
Asist Co., Ltd.	The fifth unsecured bonds	February 26, 2021	30	30	0.220	None	February 26, 2025
Total	—	—	60,145	70,135 (55)	—	—	—

Note: The figures in the brackets show amounts maturing within one year.

## (2) Assets pledged as collateral

The Group's assets pledged as collateral and obligations secured by the collateral were as follows:

### Assets pledged as collateral

	Millions of Yen	
	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Cash and cash equivalents	3,405	124
Trade and other receivables	2,614	—
Inventories	2,664	—
Property, plant and equipment	16,056	11,839
Other financial assets	1,060	1,085
<b>Total</b>	<b>25,800</b>	<b>13,049</b>

### Secured obligations

	Millions of Yen	
	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Trade and other payables	3,242	3,419
Bonds and borrowings (current)	8,793	1,261
Bonds and borrowings (non-current)	10,355	5,186
<b>Total</b>	<b>22,392</b>	<b>9,867</b>

## 17. Provisions

### (1) Schedule of changes in provisions

Changes in provisions were as follows:

	Millions of Yen			
	Asset retirement obligations	Provision for loss on construction con- tracts	Other	Total
<b>Balance at April 1, 2022</b>	<b>4,215</b>	<b>337</b>	<b>1,324</b>	<b>5,876</b>
Increases	63	318	461	844
Decreases (utilized for intended purpose)	(12)	(290)	(838)	(1,140)
Decreases (reversal)	—	(3)	(13)	(16)
Changes due to business combinations	—	—	33	33
Decreases due to change in scope of consolidation	(1,549)	—	—	(1,549)
Other	5	—	6	11
<b>Balance at March 31, 2023</b>	<b>2,723</b>	<b>361</b>	<b>973</b>	<b>4,059</b>

Current and non-current classification of provisions in the consolidated statements of financial position was as follows:

	Millions of Yen	
	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Current	1,191	901
Non-current	4,685	3,157
<b>Total provisions</b>	<b>5,876</b>	<b>4,059</b>

## (2) Details of provisions

When the Group assumes, due to acquisition, construction, development, or the ordinary use of property, plant and equipment, contractual obligations under laws and regulations on the retirement of property, plant and equipment, the Group records asset retirement obligations in the amount of future expenditures required for the retirement.

The timing of the outflow of economic benefits is principally ex-

pected to be later than one year from the last day of each fiscal year but is affected by factors such as future business plans.

Provision for loss on construction contracts is recorded for losses expected to be incurred in the next and subsequent fiscal years on construction contracts on which such losses are expected and the amount of the losses can be reasonably estimated.

Other includes provision for product warranties.

## 18. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of Yen	
	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Lease liabilities	27,244	23,493
Derivative liabilities	163	118
Put options granted to non-controlling shareholders	1,011	1,861
Other	8,907	9,754
<b>Total</b>	<b>37,327</b>	<b>35,227</b>
Current liabilities	4,928	5,035
Non-current liabilities	32,399	30,192
<b>Total</b>	<b>37,327</b>	<b>35,227</b>

Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss. Other financial liabilities are classified principally as financial liabilities measured at the amortized cost. For information on lease liabilities, see Note 13. "Leases."

## 19. Other Liabilities

The breakdown of other liabilities is as follows:

	Millions of Yen	
	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Contract liabilities	7,486	9,425
Unearned revenue	2,033	2,038
Deferred income	2,401	2,774
Accrued bonuses	8,665	8,979
Accrued expenses	7,428	8,443
Other	11,285	9,793
<b>Total</b>	<b>39,301</b>	<b>41,454</b>
Current liabilities	31,011	33,691
Non-current liabilities	8,289	7,762
<b>Total</b>	<b>39,301</b>	<b>41,454</b>

## 20. Employee Benefits

### (1) Overview of retirement benefit plans

The Company and some of its consolidated subsidiaries have adopted funded and nonfunded defined contribution plans and defined benefit plans to provide for employee retirement benefits. In addition, a portion of the current defined benefit retirement plan was converted to a defined contribution pension plan on October 1, 2021.

Defined benefit plans adopted by the Company and its consolidated subsidiaries are mainly cash balance plans. The amount of benefits to be provided is based on years of service, participants' standard salary by job qualification and interest rates calculated using an interest crediting rate based on market interest trends. Pension trust contracts and life insurance contracts are entered into with asset management institutions for the management and investment of funds with the institutions assuming the responsibility to invest

plan assets in accordance with prescribed policies. In addition, retirement lump-sum benefit plans (unfunded plans and certain plans funded as a result of setting up a retirement benefit trust) make lump-sum payments as retirement benefits based on years of service, salary or points based on performance, etc. Certain consolidated subsidiaries participate in a smaller enterprise retirement allowance mutual aid system and a specific retirement allowance mutual aid system.

### (2) Defined benefit plans

1) Amounts recognized in the consolidated financial statements  
Defined benefit plan in the consolidated statements of financial position were as follows:

Millions of Yen

	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Present value of defined benefit obligations	34,858	30,706
Fair value of plan assets	(34,348)	(31,165)
Effect of asset ceiling	3,799	2,988
Net defined benefit liabilities	4,309	2,529
Retirement benefit liability	7,156	6,365
Retirement benefit assets	(2,846)	(3,836)
Net defined benefit liabilities	4,309	2,529

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

Millions of Yen

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Service cost	1,914	1,183
Interest expense	225	221
Interest income	(216)	(172)
Prior service costs and liquidation profit or loss	(272)	9
Total	1,651	1,241

### 2) Reconciliation schedule for the present value of defined benefit obligations

Changes in the present value of defined benefit obligations were as follows:

Millions of Yen

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Present value of defined benefit obligations at beginning of the year	38,109	34,858
Service cost	1,914	1,183
Interest expense	225	221
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	(100)	(22)
Actuarial gains and losses arising from changes in financial assumptions	(664)	(882)
Actuarial gains and losses arising from experience adjustments	573	100
Prior service costs and liquidation profit or loss	(272)	9
Benefits paid	(2,271)	(2,743)
Effects of business combinations and disposals	743	1
Decrease with converting to a defined contribution pension plan	(3,594)	(2,124)
Other changes	194	104
Present value of defined benefit obligations at end of the year	34,858	30,706

### 3) Reconciliation schedule for fair value of plan assets

Changes in fair value of plan assets were as follows:

Millions of Yen

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Fair value of plan assets at beginning of the year	36,333	34,348
Interest income	216	172
Remeasurements	(165)	(266)
Contributions by the employer	1,096	485
Benefits paid	(1,429)	(1,616)
Effects of business combinations and disposals	666	—
Decrease with the termination of retirement benefit trust	(2,525)	(754)
Decrease with converting to a defined contribution pension plan	—	(1,237)
Other changes	156	33
Fair value of plan assets at end of the year	34,348	31,165

### 4) Breakdown by type of fair value of plan assets

The breakdown by type of fair value of plan assets is as follows:

Millions of Yen

	FY 2021 (As of March 31, 2022)			FY 2022 (As of March 31, 2023)		
	Quoted prices in active markets		Total	Quoted prices in active markets		Total
	Yes	No		Yes	No	
Equity securities	9,117	—	9,117	8,926	—	8,926
Debt securities	8,849	—	8,849	7,208	—	7,208
Life insurance general accounts	—	8,089	8,089	—	8,481	8,481
Other	—	8,291	8,291	—	6,549	6,549
Total	17,967	16,380	34,348	16,134	15,030	31,165

#### 5) Changes in the effect of asset ceiling

Changes in the effect of asset ceiling were as follows:

	Millions of Yen	
	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Balance of the effect of asset ceiling at beginning of the year	2,456	3,799
Remeasurements		
Effect of limiting a net defined benefit asset to the asset ceiling	1,342	(810)
Balance of the effect of asset ceiling at end of the year	3,799	2,988

#### 6) Actuarial assumptions

Main assumptions used in calculating the present value of defined benefit obligations were as follows:

	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Discount rates (mainly)	0.70%	1.11%

If discount rates, which are key actuarial assumptions, change, the present value of defined benefit obligations at the end of fiscal years 2021 and 2022 changes as follows. This sensitivity analysis assumes that all actuarial assumptions except for those subject to the analysis are constant.

	Millions of Yen	
Changes in assumptions	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Discount rate	0.5% increase	(1,411)
	0.5% decrease	1,547

#### 7) Asset-liability matching strategy

Under the Group's investment policy for plan assets, the investment objective is to earn, within tolerable risk limits, necessary total returns over the medium to long term to ensure benefit payments for defined benefit obligations into the future. The Group aims to reduce risks with investment diversification by investing plan assets in equity instruments, bond instruments and life insurance general accounts in and outside Japan according to asset allocation targets with a strategic asset mix set to achieve its investment targets.

Asset allocation to maintain over the medium to long term is based on expected returns and the correlation between asset classes over the medium to long term. The asset allocation is reviewed as necessary such as when the environment has changed significantly.

#### 8) Effect of defined benefit plans on future cash flows

(i) The amount of contributions to defined benefit plans is determined by regularly reviewing actuarial valuations to balance pension funding for the future. In reviewing actuarial valuations, assumptions used to set the amount of contributions (e.g., the assumed interest rate, mortality rate and withdrawal rate) are reviewed to verify the appropriate amount of contributions.

(ii) The amount of contributions in the fiscal year ending March 31, 2024 is expected to be 388 million yen.

(iii) The weighted average duration of defined benefit obligations for the fiscal year ended March 31, 2023 was mainly 13.5 years (mainly 15.2 years in the fiscal year ended March 31, 2022).

#### (3) Defined contribution plans

The amount recorded as expenses for defined contribution plans was 1,892 million yen in the fiscal year ended March 31, 2023 (1,140 million yen in the fiscal year ended March 31, 2022).

#### (4) Employee benefit expenses

Total employee benefit expenses included in cost of sales and selling, general and administrative expenses in the consolidated statements of profit or loss was 140,140 million yen in the fiscal year ended March 31, 2023 (128,720 million yen in the fiscal year ended March 31, 2022).

## 21. Equity and Other Equity Items

### (1) Share capital and treasury shares

	Share	
	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Type of shares	Common shares without par value	
Authorized shares	480,000,000	480,000,000
Issued shares (Note 1)		
At beginning of the year	229,755,057	229,755,057
Changes during the year	—	—
At end of the year	229,755,057	229,755,057
Treasury shares		
At beginning of the year	3,995,259	3,243,163
Changes during the year (Note 2)	(752,096)	(840,550)
At end of the year	3,243,163	2,402,613

Note 1: All issued shares are fully paid.

Note 2: Changes during the year ended March 31, 2022 in treasury shares were due mainly to sales by the stock ownership trust, the exercise of stock options, and the disposal as a restricted stock award. Also, changes during the year ended March 31, 2023 was mainly due to sales by the stock ownership trust, the exercise of stock options, and the disposal as a restricted stock award.

### (2) Capital surplus

Capital surplus consists of legal capital surplus that represents amounts not included in share capital at the time of ordinary issuance of new shares and issuance of new shares by exercise of share acquisition rights, and other capital surplus that represents amounts other than legal capital surplus.

The Companies Act of Japan prescribes that one half or more of the paid-in capital or benefits at the time of the issuance of shares shall be incorporated into share capital with the remainder incorporated into the legal capital surplus. The legal capital surplus may be incorporated into the share capital by a resolution adopted at a meeting of the shareholders.

### (3) Other components of equity

#### 1) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans is for the effects of differences between the actuarial assumptions at the beginning of the year and actuarial experience and the effects of changes in the actuarial assumptions themselves. These remeasurements are recognized in other comprehensive income when they occur and are immediately transferred from other components of equity to retained earnings.

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

Exchange differences on the translation of foreign operations are exchange differences arising at the time of translating financial statements of foreign operations prepared in foreign currencies to Japanese yen, the presentation currency.

### 3) Net change in fair value of financial assets measured through other comprehensive income

Net change in fair value of financial assets measured through other comprehensive income represents valuation differences between the valuation at fair value and the valuation at acquisition cost of financial instruments whose fair value changes are designated as measured through other comprehensive income.

### 4) Effective portion of fair value changes in cash flow hedges

The effective portion of fair value changes in cash flow hedges is the effective portion of hedges in the accumulated net change in fair value of derivative transactions designated as cash flow hedges.

### 5) Share acquisition rights

The Company has adopted a stock option plan based on share acquisition rights and grants share acquisition rights in accordance with the provisions of the Companies Act of Japan. The amount recorded as share acquisition rights in other components of equity is based on their fair value, and their contractual terms are described in Note 22. "Share-Based Remuneration."

### 6) Share of other comprehensive income of investments accounted for using equity method

The share of other comprehensive income of investments accounted for using the equity method includes financial assets measured at fair value through other comprehensive income, remeasurements of defined benefit plans and exchange differences on translation of foreign operations.

#### (4) Retained earnings and dividends

##### 1) Retained earnings

Retained earnings consist of those recognized in profit or loss in or before the fiscal year ended March 31, 2022, and those transferred from other comprehensive income.

The Companies Act of Japan prescribes that until the sum of the legal capital surplus and legal retained earnings reaches one-fourth

of the share capital, one-tenth of the amount of the deduction from the surplus as a result of distributing the surplus as dividends needs to be set aside either as legal capital surplus or legal retained earnings.

Accumulated legal retained earnings may be used to cover losses. Also, legal retained earnings may be reduced by a resolution adopted at a meeting of the shareholders.

##### 2) Dividends

###### (i) Dividends paid

FY 2021 (April 1, 2021 to March 31, 2022)

Resolution date	Type of shares	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of directors' meeting on May 12, 2021	Common shares	5,033	22	March 31, 2021	June 28, 2021

Note: The total amount of dividends includes 66 million yen in dividends on the Company's shares held by the stock ownership trust.

Resolution date	Type of shares	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of directors' meeting on November 5, 2021	Common shares	6,179	27	September 30, 2021	December 1, 2021

Note: The total amount of dividends includes 73 million yen in dividends on the Company's shares held by the stock ownership trust.

FY 2022 (April 1, 2022 to March 31, 2023)

Resolution date	Type of shares	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of directors' meeting on May 12, 2022	Common shares	6,637	29	March 31, 2022	June 29, 2022

Note: The total amount of dividends includes 68 million yen in dividends on the Company's shares held by the stock ownership trust.

Resolution date	Type of shares	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of directors' meeting on November 9, 2022	Common shares	6,410	28	September 30, 2022	December 1, 2022

Note: The total amount of dividends includes 55 million yen in dividends on the Company's shares held by the stock ownership trust.

###### (ii) Dividends whose record date falls in the fiscal year ended March 31, 2022, but whose effective date falls in the following fiscal year

FY 2021 (April 1, 2021 to March 31, 2022)

Resolution date	Type of shares	Appropriation from	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of directors' meeting on May 12, 2022	Common shares	Retained earnings	6,637	29	March 31, 2022	June 29, 2022

Note: The total amount of dividends includes 68 million yen in dividends on the Company's shares held by the stock ownership trust.

FY 2022 (April 1, 2022 to March 31, 2023)

Resolution date	Type of shares	Appropriation from	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of directors' meeting on May 10, 2023	Common shares	Retained earnings	7,326	32	March 31, 2023	June 26, 2023

Note: The total amount of dividends includes 50 million yen in dividends on the Company's shares held by the stock ownership trust.

## 22. Share-Based Remuneration

The Company has adopted a stock option plan and a restricted stock award plan.

### (1) Stock remuneration-type stock option plan

The objective of this plan is to increase motivation and morale of directors to enhance the Company's business performance and corporate value over the medium to long term by further strengthening the link to the Company's performance and stock price with directors sharing not only the benefit of increases but also the risk of declines in the stock price.

Also, the Company abolished a stock remuneration-type stock option plan for the Company's directors (excluding external directors) with a decision not to newly allot share acquisition rights to the Company's directors (excluding external directors) as stock remuneration-type stock options going forward, except for those already allotted.

### 1) Terms of stock options

#### (i) Grantees

The Company's directors (excluding external directors)

#### (ii) Vesting conditions

Loss of status as director of the Company

#### (iii) Exercise period of stock options granted

For no more than five years after vesting within a period of 20 years from the grant date

#### (iv) Payment method

Share-based payment

## 2) Restricted stock award plan

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
	Number of shares (Share)	Number of shares (Share)
Unexercised stock options outstanding at beginning of the year	259,900	236,900
Granted	—	—
Exercised (Notes 1 and 2)	(23,000)	(4,200)
Expired at maturity	—	—
Unexercised stock options outstanding at end of the year	236,900	232,700
Exercisable stock options outstanding at end of the year	17,500	93,700

Note 1: All stock options are granted at an exercise price of 1 yen per share.

Note 2: The weighted average stock price at the time of exercise in the fiscal year ended March 31, 2023, was 1,599.0 yen (1,732.9 yen in the fiscal year ended March 31, 2022).

## 3) Range of exercise prices and weighted average remaining life of unexercised stock options at end of the year

The exercise price of unexercised stock options was 1 yen in the fiscal year ended March 31, 2023 (1 yen in the fiscal year ended March 31, 2022), and the weighted average remaining life was 4.5 years in the fiscal year ended March 31, 2023 (4.8 years in the fiscal year ended March 31, 2022).

## (2) Restricted share-based remuneration plan

In order for the Company's directors (excluding external directors) to share the benefits and risks of share price fluctuations with shareholders and be committed to increase the share price and corporate value, a restricted share-based remuneration plan was introduced.

The details of shares with transfer restrictions granted during the year are as follows:

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
	Grant date	August 2, 2021
Number of shares with transfer restrictions granted	73,564 shares	54,986 shares
Fair value at grant date	1,661 yen per share	1,693 yen per share
Fair value measurement method	Fair values are calculated based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day preceding the date of the resolution by the board of directors.	Fair values are calculated based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day preceding the date of the resolution by the board of directors.
Transfer restriction period	30 years	30 years

## (3) Share-based payment expenses

Expenses related to share-based remuneration plans included in selling, general and administrative expenses in the fiscal year ended March 31, 2023 were 99 million yen (119 million yen in the fiscal year ended March 31, 2022).

## 23. Financial Instruments

### (1) Capital management

The Group's capital management policy is to maintain a robust capital base for the purpose of preserving the trust of investors, creditors and markets and sustaining the development of its business in the future. Management monitors not only the level of dividend payments to common shareholders but also return on equity (ROE). Equity refers to total equity attributable to the owners of the parent in the consolidated statements of financial position. The board of

directors manages capital using ROE.

To achieve the objectives described above, the Group may issue new shares.

In the fiscal year ended March 31, 2023, there was no change to the Group's initiatives concerning capital management.

The Group's ROE is as follows.

	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Equity (million yen)	395,131	430,232
Total assets (million yen)	1,022,031	1,091,645
Return on equity (ROE) (%)	38.7	39.4

### (2) Financial risk management

The Group is exposed to financial risks (credit risk, liquidity risk and market risk) in the course of conducting business activities. It manages risks in accordance with certain policies to avoid or reduce such risks. The Group uses derivatives only for the purposes of avoiding foreign exchange risks associated with import and export transactions for trade and interest rate risks associated with long-term borrowings and does not engage in derivative transactions for speculative purposes.

obtained using a decision request circular (Ringi) in accordance with prescribed internal rules when the Group engages in import and export transactions that involve entering into forward exchange contracts. In cases of long-term loan financing that involves entering into interest rate swaps and interest rate option contracts, a Ringi approval is adopted with the finance division making the proposal under the prescribed internal rules with the details reported to the board of directors. The Group uses major financial institutions for all of its derivative transactions, and, therefore, credit risk is considered limited.

With the Group not exposed to any significant credit risk of a specific counterparty, there is no excessive concentration of credit risk that requires special management.

The maximum exposure to the credit risks of financial assets is the carrying amount after impairment presented in the consolidated statements of financial position. The maximum exposure to the credit risks of guarantee obligations is the amount of guarantee obligations stated in Note 36. "Contingencies," and the risk is de minimis.

### (3) Credit risk

#### 1) Overview

Trade and other receivables and contract assets that arise in the course of the Group's business are exposed to the credit risks of customers. For these risks, the Group manages due dates and balances by counterparty while at the same time capturing the credit position of major counterparties when necessary in accordance with the Group's internal rules. For the execution and management of derivative transactions, the finance division executes them with approval

#### 2) Information on amounts arising from expected credit losses

The balances of assets subject to provision for doubtful accounts were as follows:

Classification	Millions of Yen	
	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Always measured at an amount equal to lifetime expected credit losses	224,468	256,182
Measured at an amount equal to 12-month expected credit losses	4,536	3,948
Measured at an amount equal to lifetime expected credit losses	—	—
Measured at an amount equal to lifetime expected credit losses (credit impairment)	291	269

The credit risk ratings of financial assets that fall in the same classification in the table are determined to be largely the same.

Provision for doubtful accounts is stated below. In the fiscal year ended March 31, 2023, Provision for doubtful accounts is included in "trade and other receivables" and "other financial assets" in the consolidated statements of financial position.



Millions of Yen

	FY 2021 (April 1, 2021 to March 31, 2022)		FY 2022 (April 1, 2022 to March 31, 2023)	
	Financial assets with provision for doubtful accounts always measured at an amount equal to lifetime ECL	Credit-impaired financial assets	Financial assets with provision for doubtful accounts always measured at an amount equal to lifetime ECL	Credit-impaired financial assets
Balance at beginning of the year	466	2,336	519	435
Increases during the year	144	23	265	6
Decreases during the year (utilized for intended purposes)	(39)	(1,925)	(167)	(39)
Decreases during the year (reversals)	(32)	(23)	(48)	(4)
Changes due to business combinations	24	3	8	—
Other changes	(43)	21	6	(0)
Balance at end of the year	519	435	584	398

Note: Provision for doubtful accounts decreased in the fiscal year ended March 31, 2022 due to the liquidation of business partners.

#### (4) Liquidity risk

##### 1) Overview

The Group raises funds through borrowings and bonds payable. Such liabilities are exposed to the liquidity risk of inability to execute payments on the due dates owing to reasons such as a deterioration in the funding environment.

The Group develops funding plans based on annual business plans in accordance with the Group's basic policy on financial operations

while the Company's finance division regularly captures and summarizes liquidity on hand and interest-bearing liabilities and reports them to the Company's board of directors.

Certain bank borrowings of the Group contain financial covenants that require, among other things, the maintenance of certain capital levels. The Group monitors to maintain the level required by the provision.

#### 2) Maturity analysis

The balances by maturity of financial liabilities (including derivative financial instruments) were as follows:

	FY 2021 (As of March 31, 2022)							
	Carrying amount	Contractual cash flows	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Nonderivative liabilities								
Trade and other payables	149,098	149,098	149,098	—	—	—	—	—
Bonds and borrowings	346,500	350,602	72,832	35,479	36,604	50,305	45,302	110,078
Other financial liabilities	37,163	37,163	5,029	9,610	5,356	3,606	2,179	11,381
Subtotal	532,763	536,864	226,960	45,089	41,960	53,911	47,481	121,460
Derivative liabilities								
Forward exchange contracts	90	90	90	—	—	—	—	—
Interest rate swap contracts	73	73	0	65	—	—	—	7
Subtotal	163	163	91	65	—	—	—	7
Guarantee obligations	—	13,600	13,600	—	—	—	—	—
Total	532,926	550,628	240,651	45,155	41,960	53,911	47,481	121,467

	FY 2022 (As of March 31, 2023)							
	Carrying amount	Contractual cash flows	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Nonderivative liabilities								
Trade and other payables	166,601	166,601	166,601	—	—	—	—	—
Bonds and borrowings	366,726	375,086	85,143	38,009	47,029	45,703	48,836	110,364
Other financial liabilities	35,109	35,109	4,918	12,617	4,674	2,393	1,859	8,645
Subtotal	568,436	576,796	256,663	50,626	51,704	48,096	50,695	119,010
Derivative liabilities								
Forward exchange contracts	96	96	94	—	—	—	—	1
Interest rate swap contracts	22	22	22	—	—	—	—	—
Subtotal	118	118	116	—	—	—	—	1
Guarantee obligations	—	18,770	18,770	—	—	—	—	—
Total	568,554	595,685	275,550	50,626	51,704	48,096	50,695	119,012

## (5) Market risk

### 1) Overview

The Group is exposed to risks associated with market fluctuations, such as foreign exchange and interest rate fluctuations, in the course of conducting business activities. The Group aims for risk reduction by properly managing market risks. For the purpose of properly managing market risks, the Group may use mainly derivative transactions, such as forward exchange contracts and interest rate swaps. The Group executes and manages derivative transactions in accordance with internal rules that set forth the objectives, limits on use, scope of transactions, organizational structures and the like. The Group's use of derivative transactions is limited to risk avoidance based on actual needs and does not use derivatives for speculative purposes. Therefore, fair value changes in derivatives held by the

Company, in principle, have the effect of offsetting changes in the fair value or the cash flows of corresponding transactions.

### 2) Foreign exchange risk

The Group engages in business abroad and is exposed to foreign exchange fluctuations in trading in foreign currencies. To mitigate the foreign exchange fluctuation risk, the Group uses forward exchange contracts and currency swaps for hedging as necessary.

#### (i) Exposure to foreign exchange risk

A summary of the quantitative data on exposure to foreign exchange risk provided to management of the Group based on its risk management policy of foreign exchange risk is as follows:

	Millions of Yen	
	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
US dollar	66	1,062
Euro	45	2,583

#### (ii) Sensitivity analysis of foreign exchange risk

A sensitivity analysis of foreign exchange risk is omitted because the effect of foreign exchange fluctuations on profit or loss and equity is minimal.

### 3) Interest rate risk

The Group's floating rate portion of borrowings and bonds payable is exposed to interest rate risk. The Group hedges the risk using derivatives (interest rate swaps).

#### (i) Exposure to interest rate risk

The Group's exposure to the interest rate risk is set forth in the table below: The amount of exposure excludes the amount for which interest rate risk is hedged using derivative transactions.

	Millions of Yen	
	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Net amount of exposure	10,688	12,317

#### (ii) Sensitivity analysis of interest rate risk

A sensitivity analysis of interest rate risk is omitted because the effect of interest rate fluctuations on profit or loss and equity is minimal.

### 4) Stock price fluctuation risk

The Group is exposed to the stock price fluctuation risk because the Group holds shares in entities with which the Group has operational relationships mainly for the purpose of strengthening and maintaining the relationships with trade partners. The Group regularly monitors market prices and the financial position of the stock issuers (trade partners) and regularly reviews its shareholding status in consideration of these relationships.

#### (i) Sensitivity analysis of stock price fluctuation risk

If the market price of equity instruments held by the Group at the fiscal year-end changed by 10%, its effect on other comprehensive income (before considering tax effect) would have been 3,378 million and 3,793 million yen in the fiscal years ended March 31, 2022 and 2023, respectively.

This analysis assumes that other variables remain constant.

## (6) Derivatives and hedge accounting

### 1) Overview of hedges

The Group uses forward exchange contracts, currency swaps and interest rate swaps to hedge foreign currency denominated receivables and payables, forecast transactions denominated in foreign currencies, determine interest rate risks of bonds and borrowings and hedge foreign exchange risks. Hedge accounting is applied to those that satisfy hedging requirements. The Group does not use derivative transactions for speculative purposes.

For the execution and management of derivative transactions, the finance division executes the transactions with approval obtained

### 2) Information on items designated as hedging instrument

The effect of hedging instruments on the consolidated statements of financial position was as follows:

FY 2021 (As of March 31, 2022)	Contract amount, etc.	Carrying amount of hedging instruments		Line item in the consolidated statements of financial position	Changes in fair value used to calculate ineffective portion of hedges
		Assets	Liabilities		
Cash flow hedges					
Foreign exchange risk					
Forward exchange contracts	57,034	10,543	10	Other financial assets, other financial liabilities	6,516
Currency swaps	—	—	—	Other financial assets	(42)
Interest rate risk					
Interest rate swap contracts	10,474	5	73	Other financial assets, other financial liabilities	84

**FY 2022 (As of March 31, 2023)**

Millions of Yen

	Contract amount, etc.	Carrying amount of hedging instruments		Line item in the consolidated statements of financial position	Changes in fair value used to calculate ineffective portion of hedges
		Assets	Liabilities		
Cash flow hedges					
Foreign exchange risk					
Forward exchange contracts	44,275	5,311	51	Other financial assets, other financial liabilities	484
Currency swaps	—	—	—	Other financial assets	—
Interest rate risk					
Interest rate swap contracts	9,065	23	22	Other financial assets, other financial liabilities	69

**3) Information on items designated as hedged items**

The effect of hedged items on the consolidated statements of financial position was as follows:

Millions of Yen

	FY 2021 (As of March 31, 2022)		FY 2022 (As of March 31, 2023)	
	Changes in value used to calculate the ineffective portion of hedges for the year	Cash flow hedge reserve	Changes in value used to calculate the ineffective portion of hedges for the year	Cash flow hedge reserve
Cash flow hedges				
Foreign exchange risk				
Forecast transactions	6,516	4,047	484	1,846
Foreign currency-denominated borrowings	(42)	—	—	—
Interest rate risk				
Interest on borrowings	84	(51)	69	(0)

**4) Effect of application of hedge accounting on the consolidated statements of profit or loss and the consolidated statements of comprehensive income**

The effect of hedging instruments designated as cash flow hedges on the consolidated statements of profit or loss and the consolidated statements of comprehensive income was as follows. The amount of the ineffective portion of hedges was not material.

**FY 2021 (April 1, 2021 to March 31, 2022)**

Millions of Yen

	Gains and losses on hedges recognized in other comprehensive income during the reporting period	Amount of reclassification adjustments from cash flow hedge reserve to profit or loss	Amount of transfers from cash flow hedge reserve to acquisition cost of nonfinancial assets
Foreign exchange risk	5,003	—	(1,049)
Interest rate risk	28	55	—

Note: The amount is before considering tax effects.

**FY 2022 (April 1, 2022 to March 31, 2023)**

Millions of Yen

	Gains and losses on hedges recognized in other comprehensive income during the reporting period	Amount of reclassification adjustments from cash flow hedge reserve to profit or loss	Amount of transfers from cash flow hedge reserve to acquisition cost of nonfinancial assets
Foreign exchange risk	2,546	(4,147)	(2,016)
Interest rate risk	19	49	—

Note: The amount is before considering tax effects.

**5) Derivatives not subject to hedge accounting**

Even in cases in which requirements for hedge accounting are not met, the Group uses derivative transactions if doing so is economically rational. Fair value changes of such derivative transactions are recognized in profit or loss.

**(7) Fair value of financial instruments**

Financial instruments are classified into one of the following levels of the fair value hierarchy based on the inputs used for fair value measurement.

- Level 1: Quoted prices for identical assets or liabilities in active markets
  - Level 2: Inputs other than Level 1 that consist of prices that are observable, either directly or indirectly
  - Level 3: Inputs that are not based on observable market data
- Changes in level of classification of financial instruments are recognized to have occurred as of the last day of the reporting period. There were no significant changes in the hierarchy level of financial instruments in the fiscal years ended March 31, 2022 and 2023.

**1) Financial instruments not measured at fair value**

The methods used to measure the value of major financial instruments not measured at fair value are as follows:

- a. Long-term loans receivable  
The calculation method involves discounting the sum of the principal and interest by an interest rate assumed for a similar new loan.
- b. Bonds payable  
The calculation method involves discounting the sum of the principal and interest by an interest rate that considers the remaining term and credit risk of the bonds payable.
- c. Long-term borrowings  
The calculation method involves discounting the sum of the principal and interest by an interest rate assumed for similar new borrowing.

The carrying amount and fair value hierarchy of financial instruments not measured at fair value are set forth in the tables below. Financial instruments whose carrying amounts approximate their fair values are not included in the following table.

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Long-term loans receivable (Note)	3,737	—	—	3,717	3,717
Long-term borrowings (Note)	242,315	—	—	240,880	240,880
Bonds payable (Note)	60,260	—	59,488	—	59,488

Note: The figure includes the balances to be recovered, repaid and redeemed within one year.

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Long-term loans receivable (Note)	3,286	—	—	3,279	3,279
Long-term borrowings (Note)	248,935	—	—	247,569	247,569
Bonds payable (Note)	70,135	—	68,859	—	68,859

Note: The figure includes the balances to be recovered, repaid and redeemed within one year.

## 2) Financial instruments measured at fair value

The methods used to measure major financial instruments measured at fair value are as follows:

### a. Derivatives

Derivatives classified into Level 2 are measured based on the discounted present value using observable inputs such as interest rates and exchange rates.

### b. Equity instruments

The fair value of equity instruments is determined using market prices at exchanges if they are listed equity securities classified into Level 1 and using reasonably available inputs with appropriate valuation techniques such as comparable company analysis if

they are unlisted equity securities classified into Level 3. Certain illiquidity discounts are considered when necessary.

### c. Debt investments

The fair value of debt instruments is estimated by discounting future cash flows, using a net asset value based method and other appropriate valuation methods.

The breakdown of financial instruments measured at fair value classified by fair value hierarchy level was as follows:

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
<b>a. FY 2021 (As of March 31, 2022)</b>				
Financial assets				
Financial assets measured at fair value through profit or loss				
Debt investments	—	—	6,104	6,104
Derivative assets	—	10,605	—	10,605
Other	—	627	—	627
Financial assets measured at fair value through other comprehensive income				
Equity instruments	33,784	—	18,302	52,086
<b>Total</b>	<b>33,784</b>	<b>11,233</b>	<b>24,406</b>	<b>69,424</b>
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	163	—	163
<b>Total</b>	<b>—</b>	<b>163</b>	<b>—</b>	<b>163</b>

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
<b>b. FY 2022 (As of March 31, 2023)</b>				
Financial assets				
Financial assets measured at fair value through profit or loss				
Debt investments	—	—	7,141	7,141
Derivative assets	—	5,424	—	5,424
Other	—	634	—	634
Financial assets measured at fair value through other comprehensive income				
Equity instruments	37,933	—	19,212	57,145
<b>Total</b>	<b>37,933</b>	<b>6,058</b>	<b>26,353</b>	<b>70,345</b>
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	118	—	118
<b>Total</b>	<b>—</b>	<b>118</b>	<b>—</b>	<b>118</b>

Financial instruments classified into Level 3 consist mainly of unlisted equity securities, and the valuation method of the subject financial instruments is determined in accordance with the valuation policy and procedures on fair value measurement covering valuation methods approved by a person with proper authority. The results of these calculations are reviewed and approved by a person with proper authority.

Significant fair value changes in financial instruments classified into Level 3 are not expected if unobservable inputs are changed to reasonably possible alternative assumptions.

Changes in financial instruments classified into Level 3 were as follows:

Millions of Yen

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Balance at beginning of the year	17,613	24,406
Profit or loss (Note 1)	—	471
Other comprehensive income (Note 2)	(837)	1,411
Purchases	9,881	3,346
Sales	(60)	(172)
Liquidation	—	—
Change in scope of consolidation	(2,591)	(3,112)
Other changes	400	2
Balance at end of the year	24,406	26,353

Note 1: Included in “Finance income” or “Finance costs” in the consolidated statements of profit or loss. Of the gains or losses recognized in profit or loss, those related to financial instruments held by the Group at the fiscal year ended March 31, 2023 were 471 million yen.

Note 2: Included in “net change in fair value of financial assets measured through other comprehensive income” in the consolidated statements of comprehensive income.

**(8) Transfer of assets that do not meet the criteria for derecognition**

The Group securitizes some trade receivables by endorsing notes and by other methods. However, the securitized receivables include those for which the Group will retrospectively assume payment obligations if the obligor fails to make payments. Such securitized receivables do not satisfy the requirements for derecognition of financial assets and thus are not derecognized.

Such transferred assets were recorded in the amounts of 659 million yen, and 538 million yen on, March 31, 2022 and 2023, respectively, in “trade and other receivables” in the consolidated statements of financial position. Also, proceeds from the transfer of assets were recorded in “bonds and borrowings” (current liabilities) in the same amounts. The fair value of these reasonably approximates their carrying amount.

**24. Revenue**

**(1) Disaggregation of revenue**

The Group, which consists of operating segments by product and service, has the following five reportable segments: “Digital & Industry,” “Energy Solutions,” “Health & Safety,” “Agriculture & Foods,” and “Other Businesses.”

The Group recognizes revenue disaggregated into three categories: sales of goods, equipment installations, and provision of services. The relationships between these disaggregated revenues and

the Group’s reportable segments were as follows.

From the first quarter of the current consolidated fiscal year, the Group has changed its classification of reportable segments. As a result of this change in classification, the breakdown of revenue for the previous consolidated fiscal year is presented based on the revised reporting segments. For more information on changes in reportable segments, please refer to “(2) Matters regarding changes in reporting segments” under “4. Operating Segments.”

FY 2021 (April 1, 2021 to March 31, 2022)

Millions of Yen

	Reportable segments					Total
	Digital & Industry	Energy Solutions	Health & Safety	Agriculture & Foods	Other Businesses	
Goods						
Gas	114,151	55,851	9,171	—	—	179,174
Other	131,643	17,221	99,317	136,189	56,986	441,358
Equipment installations	29,247	8,333	94,011	3,277	46,261	181,131
Provision of services	13,767	3,058	15,024	—	55,153	87,003
Total	288,809	84,465	217,524	139,467	158,401	888,668

FY 2022 (April 1, 2022 to March 31, 2023)

Millions of Yen

	Reportable segments					Total
	Digital & Industry	Energy Solutions	Health & Safety	Agriculture & Foods	Other Businesses	
Goods						
Gas	139,923	60,543	10,076	—	—	210,543
Other	150,976	18,490	106,742	148,704	61,581	486,495
Equipment installations	32,996	9,078	102,486	3,364	64,054	211,981
Provision of services	18,653	3,807	16,687	—	56,746	95,893
Total	342,549	91,919	235,992	152,069	182,382	1,004,914

## (2) The foundational information to understand revenue

As described in “3. Significant Accounting Policies (17) Revenue” in the Notes to Consolidated Financial Statements.

### (3) Information to understand the amount of revenue for the current consolidated fiscal year and the subsequent consolidated fiscal years

#### 1) Balance of contract assets and contract liabilities

The breakdown of the balances of contracts with customers is as follows:

	Millions of Yen		
	FY 2021 (As of April 1, 2021)	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Receivables from contracts with customers	182,837	197,285	223,066
Contract assets	18,393	20,902	23,056
Contract liabilities	5,219	7,486	9,425

In the consolidated statement of financial position, receivables arising from contracts with customers are included in trade and other receivables, contract assets are included in other current assets, and contract liabilities are included in other current liabilities.

Contract assets are recognized based on the level of progress of performance obligations in the manufacture and sale of certain equipment installations and are conditional rights to the consideration received in exchange for the satisfaction of performance obligations other than the passage of time. Contract assets are reclassified to receivables when the right to consideration becomes unconditional. Contract liabilities are those for which consideration has been received from or consideration due from customers prior to the transfer of goods or services to customers.

The amount included in the contract liabilities (current) at the beginning of the fiscal year ended March 31, 2023, but not recognized as revenue for the year is not significant.

Also, the amount of revenue recognized in the fiscal year ended March 31, 2023, from performance obligations satisfied (or partially satisfied) in previous years is not significant.

#### 2) Transaction price allocated to the remaining performance obligations

Since major performance obligations of the Group are part of the contracts that have an original expected duration of one year or less, the Group omits disclosure on the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2023. There is no significant amount of consideration from contracts with customers not included in transaction prices.

#### (4) Assets recognized from the costs to obtain or fulfil a contract with a customer

In the fiscal year ended March 31, 2023, the amount of assets recognized from the costs to obtain or fulfil contracts with customers was not significant. When the amortization period of assets to be recognized is for one year or less, the Group uses the practical expedient of recognizing the incremental costs of obtaining a contract as an expense when incurred.

## 25. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

	Millions of Yen	
	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Salaries, benefits, and bonuses	51,317	55,486
Retirement benefit expenses	1,632	2,072
Freight and packing expenses	17,660	17,745
Depreciation and amortization	14,159	15,373
Other	54,932	59,701
Total	139,703	150,379

## 26. Other Income and Other Expenses

The breakdown of other income is as follows:

	Millions of Yen	
	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Gain on sale of fixed assets	947	4,526
Government grant income	1,084	1,558
Rental income	1,102	837
Other	4,633	8,126
Total	7,768	15,049

The breakdown of other expenses is as follows:

	Millions of Yen	
	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Loss on sale and retirement of fixed assets	1,165	1,260
Other	2,780	3,814
Total	3,946	5,075

## 27. Finance Income and Finance Costs

The breakdown of finance income is as follows:

	Millions of Yen	
	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Interest income		
Financial assets measured at amortized cost	263	488
Financial assets measured at fair value through profit or loss	38	11
Dividend income		
Financial assets measured at fair value through other comprehensive income	860	935
Other finance income	207	615
Total	1,369	2,051

The breakdown of finance costs is as follows:

	Millions of Yen	
	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Interest expense		
Financial liabilities measured at amortized cost	1,367	1,929
Financial liabilities measured at fair value through profit or loss	112	67
Foreign exchange loss	31	371
Other finance costs	803	884
Total	2,314	3,253

## 28. Discontinued Operations

### (1) Overview of discontinued operations

A consolidated subsidiary in the Other Businesses dealing in the industrial gas, medical gas business and overseas trade discontinued its business activities in December 2018 as a result of the transfer of the business. The related gains and losses were classified in discontinued operations.

The coke oven gas purification business and the business of selling the byproducts of coke oven gas purification after separation were transferred on April 1, 2019, and the liquidation was completed. The related profits and losses were categorized into discontinued operations.

### (2) Profit or loss from discontinued operations

Millions of Yen

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Profit or loss from discontinued operations		
Revenue	44	30
Expenses	(151)	(306)
Profit (loss) before income tax	(106)	(275)
Income tax expense	(35)	(29)
Profit (loss)	(142)	(305)
Profit (loss) attributable to:		
Owners of parent	(142)	(305)
Non-controlling interests	—	—

### (3) Cash flows from discontinued operations

Millions of Yen

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Cash flows from operating activities	538	(365)
Cash flows from investing activities	—	—
Cash flows from financing activities	—	—
Total	538	(365)

## 29. Other Comprehensive Income

Millions of Yen

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Items that will not be reclassified to profit or loss:		
Net change in fair value of financial assets measured through other comprehensive income		
Changes during the year	(2,946)	4,288
Tax effect	704	(1,050)
After tax effect adjustments	(2,241)	3,237
Remeasurements of defined benefit plans		
Changes during the year	(1,316)	1,349
Tax effect	476	(376)
After tax effect adjustments	(839)	972
Share of other comprehensive income of investments accounted for using equity method		
Changes during the year	28	27
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations		
Changes during the year	7,005	6,630
After tax effect adjustments	7,005	6,630
Effective portion of fair value changes in cash flow hedges		
Changes during the year	5,032	2,565
Reclassification adjustments	55	(4,098)
Tax effect	(1,399)	(876)
After tax effect adjustments	3,688	(2,408)
Share of other comprehensive income of investments accounted for using equity method		
Changes during the year	225	97
Total other comprehensive income	7,866	8,557

### 30. Earnings Per Share

#### (1) Basic and diluted earnings per share

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Basic earnings (loss) per share	191.06	176.84
Continuing operations	191.69	178.18
Discontinued operations	(0.63)	(1.34)
Diluted earnings (loss) per share	190.86	176.66
Continuing operations	191.48	178.00
Discontinued operations	(0.63)	(1.34)

Yen

#### (2) Bases for calculating basic and diluted earnings per share

##### 1) Profit attributable to common shareholders

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Profit (loss) attributable to owners of parent	43,214	40,137
Continuing operations	43,356	40,442
Discontinued operations	(142)	(305)
Diluted profit (loss) attributable to common shareholders	43,214	40,137
Continuing operations	43,356	40,442
Discontinued operations	(142)	(305)

Millions of Yen

##### 2) Average number of common shares during the year

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Average number of common shares during the year	226,182	226,972
Increases in common shares due to stock options	242	236
Average number of diluted common shares during the year	226,424	227,208

Thousands of Shares

### 31. Cash flow Information

#### (1) Noncash transactions

The details of major noncash transactions are as follows:

	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Acquisition of assets related to lease transactions	1,864	2,147

Millions of Yen

#### (2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities were as follows:

	Balance at beginning of the year	Changes arising from cash flows	Noncash changes		Balance at end of the year
			Business combinations, etc.	Other	
Short-term borrowings	39,347	366	2,084	1,467	43,265
Payables under fluidity lease receivables	857	(197)	—	—	659
Long-term borrowings	227,209	(12,576)	27,250	432	242,315
Bonds payable	40,100	19,985	175	—	60,260
Lease liabilities	30,312	(5,963)	526	2,369	27,244
Total	337,826	1,613	30,036	4,268	373,745

Millions of Yen

#### FY 2022 (April 1, 2022 to March 31, 2023)

	Balance at beginning of the year	Changes arising from cash flows	Noncash changes		Balance at end of the year
			Business combinations, etc.	Other	
Short-term borrowings	43,265	6,201	(3,170)	818	47,116
Payables under fluidity lease receivables	659	(121)	—	—	538
Long-term borrowings	242,315	21,655	(15,123)	88	248,935
Bonds payable	60,260	9,875	—	—	70,135
Lease liabilities	27,244	(5,515)	(892)	2,656	23,493
Total	373,745	32,096	(19,186)	3,564	390,219

Millions of Yen

### 32. Subsidiaries

#### (1) Major subsidiaries

The status of major subsidiaries is described in "Item 1. Overview of Companies, 4. Status of Affiliated Companies."

There were no subsidiaries that had individually significant non-controlling interests for the fiscal years ended March 31, 2022 and 2023.

#### (2) Gain or loss on loss of control of subsidiaries

On January 18, 2023, our Group sold all of the shares of Air Water & Energia Power Yamaguchi corporation. As a result, our Group's ownership interest of Air Water & Energia Power Yamaguchi corporation decreased from 51% to 0% and the control is lost. The gain or loss recognized for the change in ownership interest due to the loss of control of the subsidiary was 3,748 million yen and is included in "Other income" in the consolidated statements of profit or loss.



### 33. Business Combinations

FY 2021 (April 1, 2021 to March 31, 2022)

There were no significant business combinations during the fiscal year ended March 31, 2022.

FY 2022 (April 1, 2022 to March 31, 2023)

There were no significant business combinations during the fiscal year ended March 31, 2023.

### 34. Related Parties

Compensation to key management personnel was as follows:

	Millions of Yen	
	FY 2021 (April 1, 2021 to March 31, 2022)	FY 2022 (April 1, 2022 to March 31, 2023)
Fixed compensation	430	439
Bonuses	121	128
Restricted share-based remuneration	44	49
Total	596	617

### 35. Commitments

Commitments related to the acquisition of property, plant and equipment were as follows:

	Millions of Yen	
	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Acquisition of property, plant and equipment	3,970	3,563

### 36. Contingencies

Guarantee obligations

The Group has guarantee obligations for borrowings from financial institutions.

	Millions of Yen	
	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Bank borrowings by associates, etc.	10,868	16,044
Bank borrowings by employees	4	3
Other	2,726	2,722
Total	13,600	18,770

### 37. Subsequent Events

Not applicable

[English Translation of the Independent Auditor's Report Originally Issued in Japanese Language]

# Independent Auditor's Report on the Consolidated Financial Statements

To the Board of Directors of AIR WATER INC.

June 23, 2023

KPMG AZSA LLC  
Osaka Office, Japan

Masashi Kanda  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Tatsuya Kido  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Hiroto Fujimoto  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

## Report on the Audit of the Consolidated Financial Statements

### Opinion

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements of AIR WATER INC. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the Company's Integrated Report, which comprise the Consolidated Statement of Financial Position as at March 31, 2023 and the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes, comprising significant accounting policies

and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards prescribed in Article 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (hereinafter referred to as "IFRS").

### 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 our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Validity of judgments regarding the necessity of recognizing impairment losses on goodwill	
The key audit matter	How the matter was addressed in our audit
<p>Goodwill of 65,130 million yen was recorded in the consolidated statement of financial position of the Company, which accounted for 6.0% of total assets.</p> <p>As described in "12. Impairment of Non-Financial Assets" in the Notes to Consolidated Financial Statements, there are many cash-generating units including goodwill in multiple segments. As described in "3. Significant Accounting Policies (10) Impairment of non-financial assets" in the Notes to Consolidated Financial Statements, cash-generating units including goodwill are tested for impairment whenever indicators of impairment exist or at least annually. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the reduction in the carrying amount is recognized as an impairment loss. The recoverable amount is the higher of the value in use or fair value less costs of disposal.</p> <p>As described in "12. Impairment of Non-Financial Assets" in the Notes to Consolidated Financial Statements, the future cash flows used to measure value in use are estimated based on business plans prepared by management, etc. However, there are uncertainties associated with plans such as the expansion of sales revenue, and these judgments by management have a material impact on estimates of future cash flows. In addition, the selection of the calculation methods and input data adopted in determining the discount rate used to measure value in use requires a high degree of expertise.</p> <p>In addition, the calculation techniques used to measure fair value and the selection of comparable companies require a high degree of expertise.</p> <p>Based on the foregoing, we have determined that the appropriateness of judgments regarding the necessity of recognizing impairment losses on goodwill is particularly important in the audit of the consolidated financial statements for the current fiscal year and falls under the category of "Key Audit Matters."</p>	<p>To validate our judgments regarding the necessity of recognizing goodwill impairment losses, we primarily performed the following procedures. For an overseas consolidated subsidiary for which significant goodwill is recorded in its financial statements, we instructed its auditors to conduct audits to evaluate whether sufficient and appropriate audit evidence has been obtained.</p> <p>(1) Internal control assessments The effectiveness of the design and operation of internal controls related to the measurement of the recoverable amount in the impairment test of cash-generating units, including goodwill, was assessed.</p> <p>(2) Verification of the reasonableness of estimates of recoverable amounts With regard to estimating the recoverable amount in the impairment test for cash-generating units, the following procedures were mainly performed for those for which there was a concern of impairment and the amount was material.</p> <ul style="list-style-type: none"> <li>• Value in use We asked management about the key assumptions and data used in the preparation of the business plan, etc. that served as the basis for estimating future cash flows, and checked against the supporting documents. We also utilized experts in the valuation of the network firm to which we belong to review the reasonableness of the discount rate.</li> <li>• Fair value We utilized network firm valuation experts to review the reasonableness of the model for determining fair value and primarily to review the reasonableness of the selection of comparable companies.</li> </ul>

## Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for 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 and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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, disclosing, as applicable, matters related to going concern in accordance with IFRS.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of 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.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- 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. The procedures selected depend on our judgement, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, 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.
- 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 corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

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

## Interest in the Company

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be

disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

## Notes to the reader of auditor's report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report on the Consolidated Financial Statements as required by the Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan ("the FIEAJ") and

does not include the English translation of the Independent Auditor's Report on the internal control audits as required by the Article 193-2, Paragraph 2 of the FIEAJ.