AIR WATER Integrated Report 2022

Financial Section

Year Ended March 31, 2022

Meeting society's needs with nature's blessings.

AIR WATER

Business Overview and Analysis of Financial Condition and Cash Flows

AIR WATER INC.

1. Business Overview

During the consolidated fiscal year, prospects for the Japanese economy remained unpredictable given the prolonged measures taken against the COVID-19 pandemic in parallel with socio-economic activities, aggravated by global uncertainty caused by Russia's invasion of Ukraine, which began in February 2022. While the domestic manufacturing industry generally maintained a recovery trend led by export-related industries, the disruption of global supply chains and surge in resource prices that occurred in the second half of the fiscal year contributed to a decline in corporate performance. Despite some signs of recovery, consumer spending remained low throughout the fiscal year due to the impact of COVID-19 on consumer behavioral psychology.

Notwithstanding these significant changes in the external environment, AIR WATER INC. (hereinafter "the Company") and its consolidated subsidiaries (collectively, "the Group") have steadily executed structural reforms and strategies for further growth through a stable revenue base comprising businesses in diverse industries.

In the Industrial Gas Business, the Group worked to expand the electronics segment and the overseas business in India, where the growth potential is high, revamped its business portfolio, and launched an integration and reorganization of Group companies and other business structural reforms in the chemical, medical, agricultural, and food businesses to develop a foundation for the total optimization of production and sales systems and future business growth. In addition to the infectious disease and electronics businesses, demand for which increased in response to COVID-19, efforts based on changes in the market due to "living with COVID-19" in the energy, food, distribution, and other businesses were the driving force of sustainable business growth. The Group was also active in increasing and improving solutions to social issues, including verification projects for carbon neutrality and the enhancement of medical service systems in the pandemic.

Moreover, the consolidated fiscal year was the final year in the Group's medium-term management plan, NEXT-2020 Final, which was implemented between FY2019 and FY2021. The Group strived to reach the targets in the plan and strengthened the Group management base in view of growth in the next-generation. It implemented organizational reforms of gas production, engineering, and technological development divisions, improved the structure of the management division, and promoted DX to raise company-wide operational efficiency and strengthen the Group's revenue base. The Group also established a strategic alliance with Mitsui & Co., Ltd. and took steps to strengthen its business operation system with a focus on the industrial gas and engineering businesses in India and North America, based on a global strategy of overseas businesses driving medium- to long-term corporate growth. In addition to these measures, the three regional business companies established in October 2020 as core companies that would lead domestic businesses sought to meet demand after the recovery from COVID-19 and bolster their earnings strength through integration and reorganization. They also undertook mergers and acquisitions in the agricultural, food product, and environmental distribution industries to expand new businesses corresponding to local needs.

As a result, the Group reported revenue for the fiscal year of ¥888,668 million (110.2% that of the previous year), operating profit of ¥65,174 million (127.2%), and profit attributable to owners of parent of ¥43,214 million (157.9%). All segments achieved an increase in both revenue and operating profit from those in the previous fiscal year to reach new record highs.

In comparison to the targets for the final fiscal year in the medium-term management plan, NEXT-2020 Final, the operating profit and profit attributable to owners of parent substantially exceeded the targets of 60,000 million yen and 37,000 million yen, respectively, despite failing to reach the revenue target of 1,000,000 million yen.

2. Summary of financial position for the current period

Total assets at the end of the consolidated fiscal year stood at ¥1,022,031 million, an increase of ¥95,210 million from the end of the previous consolidated fiscal year due primarily to increases in property, plant and equipment. Liabilities stood at ¥602,174 million, an increase of ¥47,743 million from the end of the previous consolidated fiscal year due mainly to increases in bonds and borrowings. Equity stood at ¥419,857 million, an increase of ¥47,467 million from the end of the previous consolidated fiscal year, due mainly to an increase in other components of equity and accumulation of profit attributable to owners of parent.

Equity attributable to owners of parent per share grew from ¥1,584.86 at the end of the previous consolidated fiscal year to ¥1,744.42, and ratio of equity attributable to owners of parent to total assets was 38.7%, compared with 38.6% 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 ¥71,572 million after deducting payments including corporate income taxes from profit before tax and allowances for depreciation, which was a decrease of ¥5,028 million from the previous consolidated fiscal year.

Cash flows from investing activities was an outflow of ¥53,154 million, which was a decrease in expenditures of ¥455 million from the previous consolidated fiscal year, due mainly to a decrease in expenditures resulting from the purchase of property, plant and equipment, payments for the acquisition of shares in a subsidiary resulting in a change in the scope of consolidation, and the acquisition of businesses, despite a decrease in proceeds resulting from the recording of proceeds from sale of businesses in the previous fiscal year.

Cash flows from financing activities was an outflow of ¥6,622 million, which was a decrease in expenditures of ¥14,266 million from the previous consolidated fiscal year, due mainly to an increase in proceeds from the issuance of bonds and a decrease in expenditures resulting from repayments of borrowings a decrease in proceeds from borrowings, despite a decrease in proceeds from borrowings.

As a result, cash and cash equivalents at the end of the consolidated fiscal year stood at ¥59,554 million, an increase of ¥13,570 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 our 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 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 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 and Food Products 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 our Chemical Business, in order to minimize risk, we ensure a reliable supply system by increasing the number of production sites and always maintain product inventory to cover a certain period of time.

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 and Food Products 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 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 and Food Products 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_2 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 and Food Products 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

Our Group is actively engaged in measures to promote safety such as ensuring thorough operation management, and implementing safety education.

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 industrial gas-related equipment 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.

COVID-19 risk

Description of risk

The worldwide spread of COVID-19 infection is affecting all businesses of our Group. It remains unclear when this situation will resolve, and if resolution takes a long time, that may have an effect on the performance, financial situation, and cash flow of our Group, especially our Industrial Gas Business, and the global engineering field of our Other Businesses.

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 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, taking body temperature when entering buildings, and wearing masks. 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.

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 cash-generating 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

AIR WATER INC.

Millions of Yen

	Notes	FY2020 (March 31, 2021)	**FY2021 (March 31, 2022)**
Assets			
Current assets			
Cash and cash equivalents	5	45,983	**59,554**
Trade and other receivables	6	188,664	**203,049**
Inventories	7	67,679	**76,404**
Other financial assets	8	4,590	**5,323**
Income taxes receivable		3,436	**3,663**
Other current assets	9	25,411	**28,895**
Total current assets		335,767	**376,889**
Non-current assets			
Property, plant and equipment	10	403,604	**442,852**
Goodwill	11	52,994	**60,129**
Intangible assets	11	28,397	**28,095**
Investments accounted for using equity method		29,689	**30,633**
Retirement benefit assets	20	5,494	**2,846**
Other financial assets	8	67,827	**76,808**
Deferred tax assets	14	1,250	**1,400**
Other non-current assets	9	1,795	**2,373**
Total non-current assets		591,053	**645,141**
Total assets		926,821	**1,022,031**

Millions of Yen

	Notes	FY2020 (March 31, 2021)	**FY2021 (March 31, 2022)**
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	15	135,716	**149,098**
Bonds and borrowings	16	56,636	**72,648**
Other financial liabilities	18	6,221	**4,928**
Income taxes payable		11,861	**4,167**
Provisions	17	893	**1,191**
Other current liabilities	19	27,799	**31,011**
Total current liabilities		239,128	**263,045**
Non-current liabilities			
Bonds and borrowings	16	250,876	**273,852**
Other financial liabilities	18	35,501	**32,399**
Retirement benefit liability	20	9,727	**7,156**
Provisions	17	2,831	**4,685**
Deferred tax liabilities	14	8,216	**12,746**
Other non-current liabilities	19	8,148	**8,289**
Total non-current liabilities		315,302	**339,129**
Total liabilities		554,431	**602,174**
Equity			
Share capital	21	55,855	**55,855**
Capital surplus	21	54,517	**52,638**
Treasury shares	21	(5,947)	**(4,838)**
Retained earnings	21	244,794	**275,158**
Other components of equity	21	8,578	**16,317**
Total equity attributable to owners of parent		357,797	**395,131**
Non-controlling interests		14,591	**24,725**
Total equity		372,389	**419,857**
Total liabilities and equity		926,821	**1,022,031**

Consolidated Statement of Profit or Loss

AIR WATER INC.

Millions of Yen

	Notes	FY2020 (From April 1, 2020 to March 31, 2021)		**FY2021 (From April 1, 2021 to March 31, 2022)**	
Continuing operations					
Revenue	24	806,630		**888,668**	
Cost of sales		(625,734)		**(689,555)**	
Gross profit		180,895		**199,112**	
Selling, general and administrative expenses	25	(135,398)		**(139,703)**	
Other income	26	6,767		**7,768**	
Other expenses	26	(3,321)		**(3,946)**	
Share of profit of investments accounted for using equity method		2,287		**1,942**	
Operating profit		51,231		**65,174**	
Finance income	27	1,128		**1,369**	
Finance costs	27	(2,707)		**(2,314)**	
Profit before tax		49,651		**64,230**	
Income tax expense	14	(19,292)		**(17,823)**	
Profit from continuing operations		30,359		**46,406**	
Discontinued operations					
Profit (loss) from discontinued operations	28	51		**(142)**	
Profit		30,410		**46,263**	
Profit attributable to					
Owners of parent		27,367		**43,214**	
Non-controlling interests		3,042		**3,049**	
Profit		30,410		**46,263**	
Earnings per share					
Basic earnings (loss) per share	30				
Continuing operations		120.75	Yen	**191.69**	**Yen**
Discontinued operations		0.23	Yen	**(0.63)**	**Yen**
Basic earnings per share		120.98	Yen	**191.06**	**Yen**
Diluted earnings (loss) per share	30				
Continuing operations		120.61	Yen	**191.48**	**Yen**
Discontinued operations		0.23	Yen	**(0.63)**	**Yen**
Diluted earnings per share		120.84	Yen	**190.86**	**Yen**

Consolidated Statement of Comprehensive Income

AIR WATER INC.

Millions of Yen

	Notes	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Profit		30,410	**46,263**
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	9,473	**(2,241)**
Remeasurements of defined benefit plans	29	1,612	**(839)**
Share of other comprehensive income of investments accounted for using equity method	29	(6)	**28**
Total of items that will not be reclassified to profit or loss		11,079	**(3,053)**
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	29	959	**7,005**
Effective portion of cash flow hedges	29	(65)	**3,688**
Share of other comprehensive income of investments accounted for using equity method	29	60	**225**
Total of items that may be reclassified to profit or loss		955	**10,919**
Total other comprehensive income		12,035	**7,866**
Comprehensive income		42,445	**54,130**
Comprehensive income attributable to			
Owners of parent		39,407	**49,196**
Non-controlling interests		3,037	**4,933**
Comprehensive income		42,445	**54,130**

Consolidated Statement of Changes in Equity

AIR WATER INC.

Millions of Yen

	Notes	Total equity attributable to owners of parent					
						Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations
Balance as of April 1, 2020		55,855	51,077	(2,556)	228,854	—	(3,517)
Profit		—	—	—	27,367	—	—
Other comprehensive income	29	—	—	—	—	1,678	967
Comprehensive income		—	—	—	27,367	1,678	967
Dividends	21	—	—	—	(10,467)	—	—
Purchase of treasury shares	21	—	—	(7,834)	—	—	—
Disposal of treasury shares	21	—	1,976	4,443	—	—	—
Share-based remuneration transactions	22	—	—	—	—	—	—
Changes in ownership interest		—	667	—	—	—	(0)
Increase (decrease) resulting from inclusion of subsidiaries in consolidation		—	—	—	(3,016)	—	111
Decrease by merger		—	—	—	(200)	—	—
Transfer from other components of equity to retained earnings		—	—	—	2,256	(1,678)	—
Put options written on non-controlling interests		—	797	—	—	—	—
Transfers to nonfinancial assets		—	—	—	—	—	—
Total transactions with owners		—	3,440	(3,391)	(11,427)	(1,678)	111
Balance as of March 31, 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	**—**	**25**	**1,140**	**—**	**—**	**—**
Dividends	21	**—**	**—**	**—**	**(11,213)**	**—**	**—**
Share-based remuneration transactions	22	**—**	**—**	**—**	**—**	**—**	**—**
Changes in ownership interest		**—**	**(1,698)**	**—**	**—**	**—**	**—**
Increase (decrease) resulting from inclusion of subsidiaries in consolidation		**—**	**—**	**(28)**	**(133)**	**—**	**(32)**
Decrease by merger		**—**	**(61)**	**—**	**(224)**	**—**	**—**
Transfer from other components of equity to retained earnings		**—**	**—**	**—**	**(1,279)**	**861**	**—**
Put options written on non-controlling interests		**—**	**(144)**	**—**	**—**	**—**	**—**
Transfers to nonfinancial assets		**—**	**—**	**—**	**—**	**—**	**—**
Total transactions with owners		**—**	**(1,879)**	**1,108**	**(12,850)**	**861**	**(32)**
Balance as of March 31, 2022		**55,855**	**52,638**	**(4,838)**	**275,158**	**—**	**4,614**

Millions of Yen

	Notes	Total equity attributable to owners of parent					Non-controlling interests	Total equity
		Other components of equity				Total		
		Financial assets measured at fair value through other comprehensive income	Effective portion of cash flow hedges	Share acquisition rights	Total			
Balance as of April 1, 2020		283	1,649	346	(1,237)	331,992	19,822	351,815
Profit		—	—	—	—	27,367	3,042	30,410
Other comprehensive income	29	9,387	6	—	12,040	12,040	(4)	12,035
Comprehensive income		9,387	6	—	12,040	39,407	3,037	42,445
Dividends	21	—	—	—	—	(10,467)	(377)	(10,844)
Purchase of treasury shares	21	—	—	—	—	(7,834)	—	(7,834)
Disposal of treasury shares	21	—	—	(21)	(21)	6,397	—	6,397
Share-based remuneration transactions	22	—	—	—	—	—	—	—
Changes in ownership interest		93	(0)	—	93	760	(8,323)	(7,562)
Increase (decrease) resulting from inclusion of subsidiaries in consolidation		—	—	—	111	(2,904)	828	(2,075)
Decrease by merger		—	—	—	—	(200)	—	(200)
Transfer from other components of equity to retained earnings		(577)	—	—	(2,256)	—	—	—
Put options written on non-controlling interests		—	—	—	—	797	(250)	546
Transfers to nonfinancial assets		—	(151)	—	(151)	(151)	(145)	(296)
Total transactions with owners		(484)	(151)	(21)	(2,224)	(13,602)	(8,268)	(21,871)
Balance as of March 31, 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**	**5,981**	**1,884**	**7,866**
Comprehensive income		**(2,188)**	**1,946**	**—**	**5,981**	**49,196**	**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 remuneration transactions	22	**—**	**—**	**(33)**	**(33)**	**(33)**	**—**	**(33)**
Changes in ownership interest		**—**	**—**	**—**	**—**	**(1,698)**	**(316)**	**(2,014)**
Increase (decrease) resulting from inclusion of subsidiaries in consolidation		**—**	**930**	**—**	**898**	**735**	**6,270**	**7,006**
Decrease by merger		**—**	**—**	**—**	**—**	**(285)**	**—**	**(285)**
Transfer from other components of equity to retained earnings		**417**	**—**	**—**	**1,279**	**—**	**—**	**—**
Put options written on non-controlling interests		**—**	**—**	**—**	**—**	**(144)**	**(11)**	**(156)**
Transfers to nonfinancial assets		**—**	**(385)**	**—**	**(385)**	**(385)**	**(370)**	**(756)**
Total transactions with owners		**417**	**545**	**(33)**	**1,757**	**(11,862)**	**5,199**	**(6,662)**
Balance as of March 31, 2022		**7,416**	**3,995**	**291**	**16,317**	**395,131**	**24,725**	**419,857**

Consolidated Statement of Cash Flows

AIR WATER INC.

Millions of Yen

	Notes	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Cash flows from operating activities			
Profit before tax		49,651	**64,230**
Profit (loss) before tax from discontinued operations		(12)	**(106)**
Depreciation and amortization		39,033	**43,378**
Interest and dividend income		(1,012)	**(1,162)**
Interest expense		2,108	**1,932**
Share of loss (profit) of investments accounted for using equity method		(2,287)	**(1,942)**
Loss (gain) on sale and retirement of fixed assets		277	**217**
Decrease (increase) in trade and other receivables		1,170	**(10,874)**
Decrease (increase) in inventories		(2,778)	**(6,570)**
Increase (decrease) in trade and other payables		(1,120)	**9,228**
Decrease (increase) in contract assets		2,042	**(2,005)**
Increase (decrease) in contract liabilities		1,307	**2,052**
Other		3,993	**(4,050)**
Subtotal		92,375	**94,326**
Interest and dividends received		1,560	**1,579**
Interest paid		(2,082)	**(2,001)**
Income taxes refund (paid)		(15,251)	**(22,331)**
Net cash provided by (used in) operating activities		76,601	**71,572**
Cash flows from investing activities			
Purchase of property, plant and equipment		(50,316)	**(44,975)**
Proceeds from sale of property, plant and equipment		1,707	**1,793**
Purchase of intangible assets		(1,711)	**(1,360)**
Purchase of investment securities		(2,781)	**(10,468)**
Proceeds from sale of investment securities		1,344	**5,931**
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(1,566)	**(4,651)**
Payments for loans receivable		(2,695)	**(392)**
Collection of loans receivable		2,002	**481**
Other		1,317	**485**
Net cash provided by (used in) investing activities		(52,699)	**(53,154)**
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	31	(31,284)	**168**
Proceeds from long-term borrowings	31	63,464	**7,667**
Repayments of long-term borrowings	31	(28,659)	**(20,243)**
Proceeds from issuance of bonds	31	10,000	**20,000**
Payments for redemption of bonds	31	(10,150)	**(15)**
Purchase of additional shares of subsidiaries		(1,840)	**(3,188)**
Proceeds from sale and leaseback transactions		1,927	**522**
Repayments of lease liabilities	31	(5,946)	**(5,963)**
Proceeds from payments from non-controlling interests		—	**4,895**
Purchase of treasury shares		(7,834)	**(2)**
Dividends paid	21	(10,463)	**(11,207)**
Dividends paid to non-controlling interests		(787)	**(421)**
Other	31	685	**1,166**
Net cash provided by (used in) financing activities		(20,889)	**(6,622)**
Effect of exchange rate changes on cash and cash equivalents		97	**782**
Net increase (decrease) in cash and cash equivalents		3,110	**12,577**
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation		1,011	**992**
Cash and cash equivalents at beginning of period		41,861	**45,983**
Cash and cash equivalents at end of period	5	45,983	**59,554**

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 arrangements.

The Group manufactures and sells products and services related to businesses that include industrial gas, chemical, medical, energy, agriculture and food products, logistics, seawater 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 28, 2022.

(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")

In making accounting estimates, with regard to the business environment in the next fiscal year ending March 2023, the situation of the spread of COVID-19 has been worsening and improving repeatedly, and the impact on socioeconomic activities is still expected to be unavoidable. In addition, the emergence of geopolitical risks due to the situation in Ukraine has adversely affected the global economy as a whole, and we expect the uncertain economic environment to continue for the foreseeable future, including continued yen depreciation and supply chain disruptions, in addition to high energy prices, raw materials and logistics costs. Impairment of non-financial assets, involving significant judgments and assumptions, involves uncertainties over the estimation of future cash flows due to the spread of COVID-19 and other factors, and thus the Group's estimates may be revised in future periods.

(6) Changes in presentation (Consolidated Statements of Cash Flows)

"Proceeds from sale of investment securities," which were included in "Other" under "Cash flows from investing activities" in the previous fiscal year, are presented separately from the fiscal year under review due to an increase in their monetary materiality. "Payments for acquisition of businesses" are included in "Other" from the fiscal year under review 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, -54 million yen, which was presented as "Payments for acquisition of businesses" and 2,716 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 "Proceeds from sale of investment securities" 1,344 million yen and "Other" 1,317 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 65 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 indefinable 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 reliability.

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 an Industrial Gas Business, Chemical Business, Medical Business, Energy Business, Agriculture and Food Products Business, Logistics Business, Seawater Business, and Other Businesses.

The Industrial Gas Business manufactures and sells oxygen, nitrogen, argon and other industrial gases. It also constructs high-pressure gas facilities and manufactures and installs gas production equipment. The Chemical Business manufactures and sells functional chemicals and other products. The Medical Business manufactures and sells oxygen, nitrogen and other medical gasses. It also operates medical equipment and hospital facility construction businesses. The Energy Business sells petroleum products, such as liquefied petroleum gas and kerosene. The Agriculture and Food Products Business wholesales and processes fresh vegetables, manufactures and sells frozen food and processed meat products and manufactures soft drinks on consignment. The Logistics Business provides high-pressure gas, general cargo, food, medical and environment transport services as well as warehouse/distribution processing services and the production of specialty vehicles. The Seawater Business manufactures and sells salt and byproducts of salt production as well as fused magnesia and magnesium oxide. Other Businesses include the aerosol business and information and electronic materials business.

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.

(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.

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 eight reportable segments: the Industrial Gas Business, Chemical Business, Medical Business, Energy Business, Agriculture and Food Products Business, Logistics Business, Seawater Business, and Other Businesses.

The Industrial Gas Business manufactures and sells oxygen, nitrogen, argon and other industrial gases. It also constructs high-pressure gas facilities and manufactures and installs gas production equipment.

The Chemical Business manufactures and sells basic chemicals, fine chemicals and other products.

The Medical Business manufactures and sells oxygen, nitrogen and other medical gasses. It also operates medical equipment and hospital facility construction businesses.

The Energy Business sells petroleum products, such as liquefied petroleum gas and kerosene.

The Agriculture and Food Products Business wholesales and processes fresh vegetables, manufactures and sells frozen food and processed meat products and manufactures soft drinks on consignment.

The Logistics Business provides high-pressure gas, general cargo, food, medical and environment transport services as well as warehouse/distribution processing services and the production of specialty vehicles.

The Seawater Business manufactures and sells salt and byproducts of salt production as well as fused magnesia and magnesium oxide.

Other Businesses include the aerosol business and information and electronic materials business.

(2) 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 2020 (April 1, 2020 to March 31, 2021)

Millions of Yen

	Reportable segments									Adjustments (Note)	Consolidated
	Industrial Gas Business	Chemical Business	Medical Business	Energy Business	Agriculture and Food Products Business	Logistics Business	Seawater Business	Other Businesses	Total		
Revenue											
Revenue from external customers	185,579	33,357	186,425	53,085	132,569	53,291	40,971	121,349	806,630	—	806,630
Intersegment revenue or transfers	6,379	290	357	2,653	759	16,791	421	2,806	30,458	(30,458)	—
Total	191,958	33,647	186,783	55,739	133,328	70,083	41,392	124,156	837,089	(30,458)	806,630
Segment profit	20,864	1,992	10,504	4,558	4,029	2,831	3,082	4,853	52,717	(1,486)	51,231
Finance income											1,128
Finance costs											(2,707)
Profit before income tax											49,651
Segment assets	250,399	45,379	132,828	32,104	77,354	51,863	68,797	148,234	806,961	119,859	926,821
Other items											
Depreciation and amortization	15,542	1,600	3,111	2,715	4,662	2,827	3,222	5,349	39,033	—	39,033
Impairment loss	6	47	—	—	0	—	—	—	54	506	560
Gains on equity-method investments	125	—	1,147	8	32	—	205	767	2,287	—	2,287
Investments accounted for using equity method	1,962	—	11,815	115	130	—	744	14,920	29,689	—	29,689
Capital expenditures	17,631	2,570	5,526	3,054	2,578	6,732	8,436	2,663	49,190	2,782	51,972

Note 1: Adjustments of intersegment revenue or transfers of-30,458 million yen are elimination of intersegment transactions.
Note 2: Adjustments of segment profit of-1,486 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 119,859 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 506 million yen are related to corporate assets not allocated to reportable segments.
Note 5: Adjustments of capital expenditures of 2,782 million yen are mainly corporate assets not attributable to reportable segments.

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

Millions of Yen

	Reportable segments										
	Industrial Gas Business	Chemical Business	Medical Business	Energy Business	Agriculture and Food Products Business	Logistics Business	Seawater Business	Other Businesses	Total	Adjustments (Note)	Consolidated
Revenue											
Revenue from external customers	**194,568**	**39,129**	**195,170**	**61,594**	**139,467**	**58,441**	**46,175**	**154,119**	**888,668**	**—**	**888,668**
Intersegment revenue or transfers	**10,355**	**351**	**747**	**3,551**	**709**	**17,820**	**519**	**3,066**	**37,121**	**(37,121)**	**—**
Total	**204,924**	**39,481**	**195,918**	**65,146**	**140,176**	**76,262**	**46,694**	**157,186**	**925,789**	**(37,121)**	**888,668**
Segment profit	**21,558**	**3,529**	**11,857**	**4,773**	**5,717**	**3,121**	**3,828**	**10,110**	**64,496**	**677**	**65,174**
Finance income											**1,369**
Finance costs											**(2,314)**
Profit before income tax											**64,230**
Segment assets	**270,147**	**48,596**	**137,403**	**36,579**	**91,478**	**58,131**	**67,388**	**188,703**	**898,429**	**123,601**	**1,022,031**
Other items											
Depreciation and amortization	**16,331**	**1,858**	**3,405**	**2,875**	**4,861**	**3,094**	**3,855**	**7,096**	**43,378**	**—**	**43,378**
Impairment loss	**—**	**—**	**4**	**—**	**40**	**—**	**—**	**—**	**45**	**1**	**46**
Gains on equity-method investments	**87**	**—**	**1,021**	**—**	**43**	**—**	**11**	**778**	**1,942**	**—**	**1,942**
Investments accounted for using equity method	**1,771**	**—**	**11,963**	**—**	**171**	**—**	**751**	**15,975**	**30,633**	**—**	**30,633**
Capital expenditures	**12,138**	**3,858**	**2,958**	**3,478**	**4,838**	**4,907**	**3,792**	**6,631**	**42,604**	**2,857**	**45,461**

Note 1: Adjustments of intersegment revenue or transfers of-37,121 million yen are elimination of intersegment transactions.
Note 2: Adjustments of segment profit of 677 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 123,601 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 2,857 million yen are mainly corporate assets not attributable to reportable segments.

(3) Information by product and service

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

(4) 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 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Japan	526,611	**571,787**
United States	5,275	**13,003**
India	45,917	**44,493**
Other	13,249	**15,857**
Total	591,053	**645,141**

(5) 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 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Cash and deposits	45,983	**59,553**
Transferable deposits	0	**0**
Total	45,983	**59,554**

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, 2021 and 2022. 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 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Accounts receivable- trade	151,387	**162,965**
Notes receivable- trade	17,538	**15,979**
Electronically recorded monetary claims	13,911	**18,340**
Other	5,826	**5,764**
Total	188,664	**203,049**

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 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Merchandise and finished goods	37,245	**41,194**
Work in process	12,494	**14,113**
Raw materials and supplies	17,940	**21,096**
Total	67,679	**76,404**

The amount of write-down of inventories recognized as expenses was 520 million yen and 117 million yen for the fiscal years ended March 31, 2021 and 2022, 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 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Deposits	1,236	**1,400**
Equity securities	56,859	**52,086**
Loans receivable	6,607	**4,536**
Derivative assets	4,064	**10,605**
Other	3,650	**13,502**
Total	72,418	**82,132**
Current assets	4,590	**5,323**
Non-current assets	67,827	**76,808**
Total	72,418	**82,132**

Equity securities are classified as equity instruments measured at fair value through other comprehensive income. Derivative assets are classified as financial assets measured at fair value through profit or loss and other comprehensive income. 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 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Daikin Industries, Ltd.	7,591	**7,711**
Nitto Boseki Co., Ltd.	4,127	**2,813**
Morita Holdings Corporation	3,124	**2,150**
Nakayama Steel Works, Ltd.	2,065	**2,115**
Nagano Keiki Co., Ltd.	1,357	**1,773**
Other	38,591	**35,522**
Total	56,859	**52,086**

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 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Investments derecognized during the fiscal year	3	**162**
Investments held as of the fiscal year-end	761	**697**
Total	764	**860**

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 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Fair value at sale	1,412	**5,205**
Accumulated gains (losses)	(108)	**172**

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, 2022, 417 million yen (577 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 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Contract assets	18,393	**20,902**
Prepaid expenses	4,599	**5,011**
Other	4,213	**5,355**
Total	27,206	**31,269**
Current assets	25,411	**28,895**
Non-current assets	1,795	**2,373**
Total	27,206	**31,269**

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	Other	Total
Balance at March 31, 2020	97,684	164,711	9,802	83,459	24,273	352	380,284
Acquisition (Note)	2,890	6,577	1,006	448	39,692	1	50,616
Transfer from construction in progress	10,975	24,302	2,547	1,575	(39,410)	9	—
Acquisitions through business combinations	1,137	948	702	2,772	22	(17)	5,565
Depreciation	(7,385)	(24,707)	(3,052)	(219)	—	(6)	(35,371)
Impairment loss	(182)	(137)	(10)	(187)	—	—	(518)
Disposals	(366)	(1,112)	(141)	(134)	(45)	—	(1,800)
Decrease due to change in scope of consolidation	(69)	(52)	(1)	—	—	—	(123)
Exchange differences on translation of foreign operations	(43)	710	(35)	17	10	(7)	652
Other	73	5,313	(161)	89	(682)	(331)	4,300
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)**
Balance at March 31, 2022	**119,271**	**197,620**	**11,695**	**90,504**	**23,760**	**—**	**442,852**

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	Other	Total
Balance at March 31, 2021	**223,399**	**476,277**	**41,217**	**89,827**	**24,845**	**—**	**855,567**
Balance at March 31, 2022	**249,096**	**519,681**	**45,316**	**93,052**	**24,839**	**—**	**931,986**

Note: There were no significant borrowing costs included in the acquisition cost of property, plant and equipment in the fiscal years ended March 31, 2021 and 2022.

Millions of Yen

Accumulated depreciation and impairment loss	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Other	Total
Balance at March 31, 2021	**(118,684)**	**(299,724)**	**(30,561)**	**(2,006)**	**(985)**	**—**	**(451,962)**
Balance at March 31, 2022	**(129,824)**	**(322,061)**	**(33,620)**	**(2,547)**	**(1,079)**	**—**	**(489,133)**

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
Balance at March 31, 2020	64,005	11,678	7,674	19,352
Individual acquisitions	—	1,188	173	1,362
Acquisitions through business combinations	3,075	6	562	569
Amortization	—	(1,806)	(1,856)	(3,662)
Impairment loss	—	—	(0)	(0)
Disposals	—	(2)	(10)	(13)
Exchange differences on translation of foreign operations	95	0	538	539
Other	(14,181)	566	9,682	10,249
Balance at March 31, 2021	**52,994**	**11,631**	**16,765**	**28,397**
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)**
Balance at March 31, 2022	**60,129**	**10,762**	**17,332**	**28,095**

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, 2021 and March 31, 2022.
Research and development expenses recognized as expenses in the fiscal years ended March 31, 2021 and 2022 were 3,978 million yen and 5,338 million yen, respectively.

Millions of Yen

Acquisition cost	Goodwill	Intangible assets		
		Software	Other	Total
Balance at March 31, 2021	**56,913**	**22,665**	**24,314**	**46,979**
Balance at March 31, 2022	**63,957**	**23,764**	**26,685**	**50,450**

Millions of Yen

Accumulated amortization and impairment loss	Goodwill	Intangible assets		
		Software	Other	Total
Balance at March 31, 2021	**(3,919)**	**(11,033)**	**(7,548)**	**(18,582)**
Balance at March 31, 2022	**(3,827)**	**(13,001)**	**(9,353)**	**(22,354)**

12. Impairment of Non-financial Assets

(1) Impairment loss

FY 2020 (As of March 31, 2021)

Segments	Types of assets	Impairment loss (Millions of Yen)
Industrial Gas Business	Machinery and vehicles, other	6
Chemical Business	Machinery and vehicles, other	47
Agriculture and Food Products Business	Buildings and structures, other	0
Corporate assets	Buildings and structures, other	506
Total		560

Corporate assets 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.

Value in use is calculated by discounting future cash flows by 7.0% (before tax) using a discount rate that reasonably reflects a rate of return considered to be a market average that reflects risks inherent in the cash-generating unit.

FY 2021 (As of March 31, 2022)

Segments	Types of assets	Impairment loss (Millions of Yen)
Medical Business	**Land**	**4**
Agriculture and Food Products Business	**Buildings and structures, other**	**40**
Corporate assets	**Land**	**1**
Total		**46**

Agriculture and Food Products Business 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.

(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 2020 (As of March 31, 2021)	Goodwill **FY 2021 (As of March 31, 2022)**
Industrial Gas Business	Air Water India Pte. Ltd. and other	24,127	**28,276**
Chemical Business	Filwel Co., Ltd., and other	1,218	**1,218**
Medical Business	Globalwide International Pte. Ltd. and other	3,901	**3,980**
Energy Business	Pacific Petro Import And Export Trading Jsc and other	2,812	**2,896**
Agriculture and Food Products Business	Air Water Agri & Foods Co., Ltd. and other	6,799	**8,971**
Logistics Business	Katsura Commerce Co., Ltd., and other	1,503	**1,577**
Seawater Business	Aquaintec Inc. and other	8	**8**
Other Businesses	Power Partners Pte. Ltd. and other	12,623	**13,200**
Total		52,994	**60,129**

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 7.0%-17.1% used for the fiscal year ended March 31, 2021, and 7.6%-15.8% for the fiscal year ended March 31, 2022.

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

The recoverable amount of goodwill allocated to each CGU is considered unlikely to be less than its carrying amount even if there is a reasonable range of change in the key assumptions used in the impairment test.

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 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Depreciation of right-of-use assets		
Buildings and structures	622	**557**
Machinery and vehicles	3,974	**3,898**
Tools, furniture, and fixtures	77	**158**
Other	243	**246**
Total	4,917	**4,860**
Interest expense on lease liabilities	461	**452**
Lease expenses under exemption for short-term leases	7,626	**8,313**
Lease expenses under exemption for low-value assets	3,117	**3,245**
Increases in right-of-use assets	2,961	**2,355**

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

2) Total amount of lease cash outflows

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Total amount of lease cash outflows	17,152	**17,974**

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, 2020	2,996	26,929	484	1,700	32,111
Acquisitions	503	1,774	113	340	2,732
Business combinations	—	196	0	32	228
Depreciation	(622)	(3,974)	(77)	(243)	(4,917)
Other	10	(233)	(73)	(52)	(349)
Balance at March 31, 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)**
Other	**(70)**	**(15)**	**10**	**(184)**	**(260)**
Balance at March 31, 2022	**2,566**	**22,103**	**632**	**1,739**	**27,041**

4) Maturity analysis of lease liabilities

Millions of Yen

	End of FY 2020 (March 31, 2021)					
	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	5,056	4,272	3,783	3,440	3,388	10,370

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**

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 lease-back 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:

Millions of Yen

	Consolidated statements of financial position		Consolidated statements of profit or loss	
	End of FY 2020 (As of March 31, 2021)	**End of FY 2021 (As of March 31, 2022)**	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Deferred tax assets				
Property, plant and equipment, and intangible assets	4,561	**3,451**	(611)	**(1,128)**
Retirement benefit liability	2,489	**1,593**	501	**(980)**
Accrued bonuses	2,341	**2,390**	159	**48**
Accounts payable- other and accrued expenses	1,763	**2,828**	210	**1,063**
Tax loss carryforwards	4,249	**683**	3,663	**(3,594)**
Asset retirement obligations	498	**1,144**	(22)	**646**
Other	2,437	**3,401**	(245)	**96**
Total deferred tax assets	18,342	**15,493**	3,655	**(3,848)**
Deferred tax liabilities				
Property, plant and equipment and intangible assets	15,147	**15,676**	3,936	**(38)**
Financial assets measured at fair value through other comprehensive income	6,376	**5,769**	—	**—**
Retained earnings	699	**446**	292	**(252)**
Cash flow hedges	1,139	**2,958**	—	**—**
Other	1,945	**1,988**	513	**373**
Total deferred tax liabilities	25,309	**26,839**	4,742	**81**
Net amount of deferred tax assets and liabilities	(6,966)	**(11,345)**	(1,086)	**(3,930)**

Note: "Asset retirement obligations," which were included in "Other" under deferred tax assets in the previous fiscal year, and "Cash flow hedges," which were included in "Other" under deferred tax liabilities in the previous fiscal year, are presented separately from the fiscal year under review due to an increase in their monetary materiality. To reflect this change in presentation, notes to the consolidated financial statements for the previous fiscal year have been reclassified.

Changes in deferred tax assets and liabilities were as follows:

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Balance at beginning of the year	(1,923)	**(6,966)**
Recognized in profit or loss	(1,086)	**(3,930)**
Recognized in other comprehensive income	(3,236)	**(218)**
Business combinations	(692)	**(836)**
Other	(26)	**606**
Balance at end of the year	(6,966)	**(11,345)**

(2) Deductible temporary differences and tax loss carryforwards for unrecognized deferred tax assets

Deductible temporary differences and tax loss carryforwards for unrecognized deferred tax assets were as follows:

Millions of Yen

	FY 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Deductible temporary differences	43,433	**34,101**
Tax loss carryforwards	2,131	**2,730**

Tax loss carryforwards for unrecognized deferred tax assets were to expire as follows:

Millions of Yen

	FY 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
1st year	569	**383**
2nd year	216	**259**
3rd year	85	**137**
4th year	67	**209**
After 5th year	1,193	**1,741**
Total	2,131	**2,730**

In Japan, the Group applied for approval of the consolidated taxation system during the previous fiscal year under review, and the consolidated taxation system will be applied from the current fiscal year. Accordingly, from the previous fiscal year under review, the accounting treatment is based on the assumption that the consolidated taxation system will be applied. The amounts of deductible temporary differences and operating loss carryforwards for which deferred tax assets related to local taxes (inhabitant taxes and enterprise taxes) that are not subject to this system are not recognized are not included in the above. The amount of deductible temporary differences related to local taxes (inhabitant tax and enterprise tax) is 6,204 million yen at the end of the current fiscal year (3,428 million yen at the end of the previous fiscal year), and the amount of loss carried forward is 26,778 million yen at the end of the current fiscal year (14,561 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, 2021 and 2022. For these tax loss carryforwards, the Group recognized deferred tax assets of 683 million yen in the fiscal year ended March 31, 2022 to the extent that it expected to generate future taxable income in that fiscal year (tax loss carryforwards of 4,249 million yen in the fiscal year ended March 31, 2021). 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:

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Current tax expense	18,141	**13,928**
Deferred tax expense	1,086	**3,930**
Total income tax expense	19,228	**17,859**
Continuing operations	19,292	**17,823**
Discontinued operations	(64)	**35**

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 decreased by 1,745 million yen and 5,794 million yen in the fiscal years ended March 31, 2022 and 2021, 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, 2021 and 2022. 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 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Statutory effective tax rate	30.6%	**30.6%**
Non-tax deductibles	0.7%	**1.5%**
Gains or losses on equity-method investments	(1.4)%	**(0.9)%**
Changes in unrecognized deferred tax assets	3.7%	**(2.1)%**
Impact of tax law reform in India	9.5%	**—**
Effect of consolidated tax payment	(3.6)%	**—**
Tax credit	(0.4)%	**(1.1)%**
Other	(0.4)%	**(0.1)%**
Average actual tax rate	38.7%	**27.9%**

Note: "Tax credit," which were included in "Other" in the previous fiscal year, are presented separately from the fiscal year under review due to an increase in their monetary materiality. To reflect this change in presentation, notes to the consolidated financial statements for the previous fiscal year have been reclassified.

15. Trade and Other Payables

The breakdown of trade and other payables is as follows:

Millions of Yen

	FY 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Accounts payable- trade	100,083	**110,878**
Notes payable- trade	10,513	**8,865**
Accounts payable- other	12,710	**14,034**
Other	12,408	**15,320**
Total	135,716	**149,098**

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 2020 (As of March 31, 2021) (Millions of Yen)	**FY 2021 (As of March 31, 2022) (Millions of Yen)**	Average interest rate (%) (Note 1)	Maturity
Current portion of bonds payable (Note 2)	—	**125**	0.27	—
Short-term borrowings	39,347	**43,265**	0.59	—
Current portion of long-term borrowings	16,432	**28,598**	0.40	—
Payables under fluidity lease receivables	857	**659**	0.15	—
Bonds payable (excluding current portion) (Note 2)	40,100	**60,135**	0.31	2023-2031
Long-term borrowings (excluding current portion)	210,776	**213,717**	0.35	2023-2041
Total	307,513	**346,500**	—	—
Current liabilities	56,636	**72,648**	—	—
Non-current labilities	250,876	**273,852**	—	—

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 2020 (As of March 31, 2021) (Millions of Yen)	**FY 2021 (As of March 31, 2022) (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**	0.120	None	June 30, 2026
Air Water Inc.	The eighth unsecured bonds	July 21, 2021	—	**10,000**	0.280	None	June 30, 2031
Mikata Co., Ltd.	The seventh unsecured bonds	March 16, 2018	100	**100 (100)**	0.260	None	March 16, 2023
Reprowork Co., Ltd.	The fifth unsecured bonds	July 14, 2017	—	**5 (5)**	0.300	None	July 14, 2022
Reprowork Co., Ltd.	The sixth unsecured bonds	March 26, 2021	—	**50**	0.240	None	March 26, 2025
Asist Co., Ltd.	The second unsecured bonds	November 30, 2017	—	**10 (10)**	0.300	None	November 30, 2022
Asist Co., Ltd.	The third unsecured bonds	July 13, 2018	—	**50**	0.470	None	July 13, 2023
Asist Co., Ltd.	The fourth unsecured bonds	July 13, 2018	—	**15 (10)**	0.320	None	July 13, 2023
Asist Co., Ltd.	The fifth unsecured bonds	February 26, 2021	—	**30**	0.220	None	February 26, 2025
Total	—	—	40,100	**60,260 (125)**	—	—	—

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 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Cash and cash equivalents	1,827	**3,405**
Trade and other receivables	2,054	**2,614**
Inventories	2,455	**2,664**
Property, plant and equipment	18,204	**16,056**
Other financial assets	962	**1,060**
Total	25,505	**25,800**

Secured obligations

Millions of Yen

	FY 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Trade and other payables	2,867	**3,242**
Bonds and borrowings (current)	5,010	**8,793**
Bonds and borrowings (non-current)	9,376	**10,355**
Total	17,255	**22,392**

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 contracts	Other	Total
Balance at April 1, 2021	**2,237**	**244**	**1,243**	**3,725**
Increases	**163**	**816**	**867**	**1,847**
Decreases (utilized for intended purpose)	**(29)**	**(723)**	**(744)**	**(1,498)**
Decreases (reversal)	**—**	**—**	**(153)**	**(153)**
Changes due to business combinations	**1,838**	**—**	**61**	**1,900**
Other	**5**	**—**	**50**	**56**
Balance at March 31, 2022	**4,215**	**337**	**1,324**	**5,876**

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

Millions of Yen

	FY 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Current	893	**1,191**
Non-current	2,831	**4,685**
Total provisions	3,725	**5,876**

(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 expected 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 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Lease liabilities	30,312	**27,244**
Derivative liabilities	156	**163**
Put options granted to non-controlling shareholders	8,135	**1,011**
Other	3,118	**8,907**
Total	41,722	**37,327**
Current liabilities	6,221	**4,928**
Non-current labilities	35,501	**32,399**
Total	41,722	**37,327**

Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss and other comprehensive income. 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 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Contract liabilities	5,219	**7,486**
Unearned revenue	2,247	**2,033**
Deferred income	2,764	**2,401**
Accrued bonuses	8,085	**8,665**
Accrued expenses	7,884	**7,428**
Other	9,746	**11,285**
Total	35,947	**39,301**
Current liabilities	27,799	**31,011**
Non-current liabilities	8,148	**8,289**
Total	35,947	**39,301**

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 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Present value of defined benefit obligations	38,109	**34,858**
Fair value of plan assets	(36,333)	**(34,348)**
Effect of asset ceiling	2,456	**3,799**
Net defined benefit liabilities	4,232	**4,309**
Retirement benefit liability	9,727	**7,156**
Retirement benefit assets	(5,494)	**(2,846)**
Net defined benefit liabilities	4,232	**4,309**

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

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Service cost	2,269	**1,914**
Interest expense	193	**225**
Interest income	(210)	**(216)**
Prior service costs and liquidation profit or loss	7	**(272)**
Total	2,261	**1,651**

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 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Present value of defined benefit obligations at beginning of the year	38,487	**38,109**
Service cost	2,269	**1,914**
Interest expense	193	**225**
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	(3)	**(100)**
Actuarial gains and losses arising from changes in financial assumptions	(363)	**(664)**
Actuarial gains and losses arising from experience adjustments	12	**573**
Prior service costs and liquidation profit or loss	7	**(272)**
Benefits paid	(2,476)	**(2,271)**
Effects of business combinations and disposals	77	**743**
Decrease with converting to a defined contribution pension plan	—	**(3,594)**
Other changes	(96)	**194**
Present value of defined benefit obligations at end of the year	38,109	**34,858**

3) Reconciliation schedule for fair value of plan assets

Changes in fair value of plan assets were as follows:

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Fair value of plan assets at beginning of the year	31,682	**36,333**
Interest income	210	**216**
Remeasurements	4,423	**(165)**
Contributions by the employer	1,513	**1,096**
Benefits paid	(1,559)	**(1,429)**
Effects of business combinations and disposals	—	**666**
Decrease with the termination of retirement benefit trust	—	**(2,525)**
Other changes	63	**156**
Fair value of plan assets at end of the year	36,333	**34,348**

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 2020 (As of March 31, 2021)			**FY 2021 (As of March 31, 2022)**		
	Quoted prices in active markets		Total	**Quoted prices in active markets**		**Total**
	Yes	No		**Yes**	**No**	
Equity securities	12,523	—	12,523	**9,117**	**—**	**9,117**
Debt securities	7,907	—	7,907	**8,849**	**—**	**8,849**
Life insurance general accounts	—	7,293	7,293	**—**	**8,089**	**8,089**
Other	—	8,609	8,609	**—**	**8,291**	**8,291**
Total	20,430	15,902	36,333	**17,967**	**16,380**	**34,348**

5) Changes in the effect of asset ceiling

Changes in the effect of asset ceiling were as follows:

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Balance of the effect of asset ceiling at beginning of the year	24	**2,456**
Remeasurements		
Effect of limiting a net defined benefit asset to the asset ceiling	2,432	**1,342**
Balance of the effect of asset ceiling at end of the year	2,456	**3,799**

6) Actuarial assumptions

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

	FY 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Discount rates (mainly)	0.65%	**0.70%**

If discount rates, which are key actuarial assumptions, change, the present value of defined benefit obligations at the end of fiscal years 2020 and 2021 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 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Discount rate	0.5% increase	(2,028)	**(1,411)**
	0.5% decrease	2,253	**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, 2023 is expected to be 474 million yen.

(iii) The weighted average duration of defined benefit obligations for the fiscal year ended March 31, 2022 was mainly 15.2 years (mainly 17.3 years in the fiscal year ended March 31, 2021).

(3) Defined contribution plans

The amount recorded as expenses for defined contribution plans was 1,140 million yen in the fiscal year ended March 31, 2022 (769 million yen in the fiscal year ended March 31, 2021).

(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 128,720 million yen in the fiscal year ended March 31, 2022 (123,550 million yen in the fiscal year ended March 31, 2021).

21. Equity and Other Equity Items

(1) Share capital and treasury shares

Share

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021** **(April 1, 2021 to March 31, 2022)**
Type of shares	Common shares without par value	**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	2,362,804	**3,995,259**
Changes during the year (Note 2)	1,632,455	**(752,096)**
At end of the year	3,995,259	**3,243,163**

Note 1: All issued shares are fully paid.
Note 2: Changes during the year ended March 31, 2021 in treasury shares were due mainly to the acquisition of a shareholding association trust, the share exchange related to the conversion of Nihon Kaisui Co., Ltd. into a wholly owned subsidiary, and the off-auction purchase of treasury shares. Also changes during the year ended March 31, 2022 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 2020 (April 1, 2020 to March 31, 2021)

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 28, 2020	Common shares	5,460	24	March 31, 2020	June 30, 2020

Note: The total amount of dividends includes 2 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 12,2020	Common shares	5,007	22	September 30, 2020	December 1, 2020

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.

(ii) Dividends whose record date falls in the fiscal year ended March 31, 2021, but whose effective date falls in the following fiscal year

FY 2020 (April 1, 2020 to March 31, 2021)

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, 2021	Common shares	Retained earnings	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.

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.

22. Share-Based Remuneration

The Company has adopted a stock option plan and a restricted stock award 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) Stock remuneration-type stock option plan

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 2020 (April 1, 2020 to March 31, 2021) Number of shares (Share)	**FY 2021 (April 1, 2021 to March 31, 2022) Number of shares (Share)**
Unexercised stock options outstanding at beginning of the year	273,000	**259,900**
Granted	—	**—**
Exercised (Notes 1 and 2)	(13,100)	**(23,000)**
Expired at maturity	—	**—**
Unexercised stock options outstanding at end of the year	259,900	**236,900**
Exercisable stock options outstanding at end of the year	3,200	**17,500**

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, 2022, was 1,732.9 yen (1,538.2 yen in the fiscal year ended March 31, 2021.)

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, 2022 (1 yen in the fiscal year ended March 31, 2021), and the weighted average remaining life was 4.8 years in the fiscal year ended March 31, 2022 (4.9 years in the fiscal year ended March 31, 2021).

(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 more than ever before, a restricted share-based remuneration plan was introduced in the fiscal year ended March 31, 2022.

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

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Grant date	August 3, 2020	**August 2, 2021**
Number of shares with transfer restrictions granted	78,816shares	**73,564shares**
Fair value at grant date	1,502 yen per share	**1,661 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, 2022 were 119 million yen (110 million yen in the fiscal year ended March 31, 2021.)

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, 2022, there was no change to the Group's initiatives concerning capital management.

The Group's ROE is as follows.

	FY 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Equity (million yen)	357,797	**395,131**
Total assets (million yen)	926,821	**1,022,031**
Return on equity (ROE) (%)	38.6	**38.7**

(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.

(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 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.

2) Information on amounts arising from expected credit losses

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

Millions of Yen

Classification	FY 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Always measured at an amount equal to lifetime expected credit losses	207,528	**224,468**
Measured at an amount equal to 12-month expected credit losses	4,527	**4,536**
Measured at an amount equal to lifetime expected credit losses	—	**—**
Measured at an amount equal to lifetime expected credit losses (credit impairment)	2,615	**291**

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, 2022, 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 2020 (April 1, 2020 to March 31, 2021)		**FY 2021 (April 1, 2021 to March 31, 2022)**	
	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	231	5,049	**466**	**2,336**
Increases during the year	55	377	**144**	**23**
Decreases during the year (utilized for intended purposes)	(96)	(2,679)	**(39)**	**(1,925)**
Decreases during the year (reversals)	(95)	(59)	**(32)**	**(23)**
Changes due to business combinations	13	0	**24**	**3**
Other changes	357	(352)	**(43)**	**21**
Balance at end of the year	466	2,336	**519**	**435**

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 2020 (As of March 31, 2021)

Millions of Yen

	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	135,716	135,716	135,716	—	—	—	—	—
Bonds and borrowings	307,513	312,281	56,850	25,646	33,227	31,442	48,469	116,645
Other financial liabilities	41,566	41,566	12,950	4,272	3,783	4,842	3,388	12,328
Subtotal	484,797	489,564	205,517	29,918	37,010	36,285	51,857	128,974
Derivative liabilities								
Forward exchange contracts	4	4	4	—	—	—	—	—
Interest rate swap contracts	151	151	—	3	120	—	—	27
Subtotal	156	156	4	3	120	—	—	27
Guarantee obligations	—	25,488	25,488	—	—	—	—	—
Total	484,953	515,209	231,010	29,922	37,131	36,285	51,857	129,002

FY 2021 (As of March 31, 2022)

Millions of Yen

	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**

(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.

(a) 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 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
US dollar	714	**66**

(b) 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).

(a) 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 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Net amount of exposure	10,728	**10,688**

(b) 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.

(a) 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 3,832 million and 3,378 million yen in the fiscal years ended March 31, 2021 and 2022, 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 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 swap contracts, 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. Therefore, credit risk is considered negligible.

When determining the economic relationship between the hedged item and the hedging instrument for the purpose of assessing hedge effectiveness, the Group bases the determination on whether it is expected to be highly effective in offsetting changes in value. As the Group designates forward exchange contracts and currency swap contracts as hedge instruments only for changes in spot rates, the major terms of the hedged item and the hedging instrument are the same. Therefore, major sources of hedge ineffectiveness that would be expected to affect the hedging relationship during its remaining term are limited. Also, interest rate swap contracts are used to fix floating interest rates, and major terms of the hedged item and the hedging instrument are the same. Therefore, major sources of hedge ineffectiveness that might be expected to affect the hedging relationship during its remaining term are limited.

The carrying amount of derivatives is the amount recorded in “other financial assets” or “other financial liabilities” in the consolidated statements of financial position, and derivatives with a term to maturity of more than one year are classified in non-current assets or non-current liabilities.

2) Information on items designated as hedging instrument

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

FY 2020 (As of March 31, 2021)

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	27,819	4,021	4	Other financial assets Other financial liabilities	(553)
Currency swaps	786	42	—	Other financial assets	(0)
Interest rate risk					
Interest rate swap contracts	11,083	—	151	Other financial liabilities	104

FY 2021 (As of March 31, 2022)

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	**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 liabilities**	**84**

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 2020 (As of March 31, 2021)		**FY 2021 (As of March 31, 2022)**	
	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	(553)	1,593	**6,516**	**4,047**
Foreign currency-denominated borrowings	(0)	16	**(42)**	**—**
Interest rate risk				
Interest on borrowings	104	(105)	**84**	**(51)**

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 2020 (April 1, 2020 to March 31, 2021)

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	(120)	—	(412)
Interest rate risk	(0)	104	—

Note: The amount is before considering tax effects.

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.

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, 2021 and 2022.

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.

a. FY 2020 (As of March 31, 2021)

Millions of Yen

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Long-term loans receivable (Note)	4,237	—	—	4,266	4,266
Long-term borrowings (Note)	227,209	—	—	226,858	226,858
Bonds payable (Note)	40,100	—	40,050	—	40,050

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

b. FY 2021 (As of March 31, 2022)

Millions of Yen

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
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.

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 using prices presented by counterparty financial institutions.

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:

a. FY 2020 (As of March 31, 2021)

Millions of Yen

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	—	4,064	—	4,064
Other	—	591	—	591
Financial assets measured at fair value through other comprehensive income				
Equity instruments	38,328	—	17,613	55,941
Total	38,328	4,655	17,613	60,596
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	156	—	156
Total	—	156	—	156

b. FY 2021 (As of March 31, 2022)

Millions of Yen

	Level 1	Level 2	Level 3	Total
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**
Total	**33,784**	**11,233**	**24,406**	**69,424**
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	**—**	**163**	**—**	**163**
Total	**—**	**163**	**—**	**163**

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 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Balance at beginning of the year	18,898	**17,613**
Other comprehensive income (Note)	402	**(837)**
Purchases	2,657	**9,881**
Sales	(56)	**(60)**
Liquidation	(1,146)	**—**
Change in scope of consolidation	(3,131)	**(2,591)**
Other changes	(10)	**400**
Balance at end of the year	17,613	**24,406**

Note: 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 857 million yen, and 659 million yen on, March 31, 2021 and 2022, 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" (non-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, records revenues generated from contracts with customers in the following eight reportable segments: the Industrial Gas Business, Chemical Business, Medical Business, Energy Business, Agriculture and Food Products Business, Logistics Business, Seawater Business and Other Businesses.

The Group's 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:

FY 2020 (April 1, 2020 to March 31, 2021)

Millions of Yen

	Reportable segments								Total
	Industrial Gas Business	Chemical Business	Medical Business	Energy Business	Agriculture and Food Products Business	Logistics Business	Seawater Business	Other Businesses	
Goods									
Gas	120,086	—	8,341	30,112	—	—	—	—	158,540
Other	21,436	33,357	81,624	11,070	129,328	—	33,959	87,261	398,039
Equipment installations	31,960	—	82,166	8,219	3,240	5,558	7,011	31,119	169,277
Provision of services	12,095	—	14,292	3,683	—	47,732	—	2,968	80,772
Total	185,579	33,357	186,425	53,085	132,569	53,291	40,971	121,349	806,630

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

Millions of Yen

	Reportable segments								Total
	Industrial Gas Business	Chemical Business	Medical Business	Energy Business	Agriculture and Food Products Business	Logistics Business	Seawater Business	Other Businesses	
Goods									
Gas	**134,016**	**—**	**9,171**	**35,986**	**—**	**—**	**—**	**—**	**179,174**
Other	**22,130**	**39,129**	**76,963**	**14,272**	**136,189**	**—**	**39,814**	**112,857**	**441,358**
Equipment installations	**26,890**	**—**	**94,011**	**8,314**	**3,277**	**5,483**	**6,361**	**36,793**	**181,131**
Provision of services	**11,530**	**—**	**15,024**	**3,021**	**—**	**52,958**	**—**	**4,469**	**87,003**
Total	**194,568**	**39,129**	**195,170**	**61,594**	**139,467**	**58,441**	**46,175**	**154,119**	**888,668**

(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 2020 (As of April 1, 2020)	FY 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Receivables from contracts with customers	183,363	182,837	**197,285**
Contract assets	20,344	18,393	**20,902**
Contract liabilities	3,751	5,219	**7,486**

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, 2022 but not recognized as revenue for the year is not significant.

Also, the amount of revenue recognized in the fiscal year ended March 31, 2022, 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, 2022. 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, 2022, 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 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Salaries, benefits, and bonuses	49,642	**51,317**
Retirement benefit expenses	1,713	**1,632**
Freight and packing expenses	16,677	**17,660**
Depreciation and amortization	13,964	**14,159**
Other	53,399	**54,932**
Total	135,398	**139,703**

26. Other Income and Other Expenses

The breakdown of other income is as follows:

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Gain on sale of fixed assets	513	**947**
Government grant income	1,764	**1,084**
Rental income	917	**1,102**
Other	3,572	**4,633**
Total	6,767	**7,768**

Note: "Rental income," which were included in "Other" in the previous fiscal year, are presented separately from the fiscal year under review due to an increase in their monetary materiality. To reflect this change in presentation, notes to the consolidated financial statements for the previous fiscal year have been reclassified.

The breakdown of other expenses is as follows:

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Loss on sale and retirement of fixed assets	791	**1,165**
Other	2,530	**2,780**
Total	3,321	**3,946**

27. Finance Income and Finance Costs

The breakdown of finance income is as follows:

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Interest income		
Financial assets measured at amortized cost	200	**263**
Financial assets measured at fair value through profit or loss	46	**38**
Dividend income		
Financial assets measured at fair value through other comprehensive income	764	**860**
Other finance income	115	**207**
Total	1,128	**1,369**

The breakdown finance costs is as follows:

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Interest expense		
Financial liabilities measured at amortized cost	1,473	**1,367**
Financial liabilities measured at fair value through profit or loss	172	**112**
Foreign exchange loss	265	**31**
Other finance costs	795	**803**
Total	2,707	**2,314**

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.

(2) Profit or loss from discontinued operations

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Profit or loss from discontinued operations		
Revenue	48	**44**
Expenses	(61)	**(151)**
Profit (loss) before income tax	(12)	**(106)**
Income tax expense	64	**(35)**
Profit (loss)	51	**(142)**
Profit (loss) attributable to:		
Owners of parent	51	**(142)**
Non-controlling interests	—	**—**

(3) Cash flows from discontinued operations

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Cash flows from operating activities	(44)	**538**
Cash flows from investing activities	—	**—**
Cash flows from financing activities	—	**—**
Total	(44)	**538**

29. Other Comprehensive Income

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
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	11,928	**(2,946)**
Tax effect	(2,454)	**704**
After tax effect adjustments	9,473	**(2,241)**
Remeasurements of defined benefit plans		
Changes during the year	2,344	**(1,316)**
Tax effect	(731)	**476**
After tax effect adjustments	1,612	**(839)**
Share of other comprehensive income of investments accounted for using equity method		
Changes during the year	(6)	**28**
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations		
Changes during the year	959	**7,005**
After tax effect adjustments	959	**7,005**
Effective portion of fair value changes in cash flow hedges		
Changes during the year	(120)	**5,032**
Reclassification adjustments	104	**55**
Tax effect	(49)	**(1,399)**
After tax effect adjustments	(65)	**3,688**
Share of other comprehensive income of investments accounted for using equity method		
Changes during the year	60	**225**
Total other comprehensive income	12,035	**7,866**

30. Earnings Per Share

(1) Basic and diluted earnings per share

Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Basic earnings (loss) per share	120.98	**191.06**
Continuing operations	120.75	**191.69**
Discontinued operations	0.23	**(0.63)**
Diluted earnings (loss) per share	120.84	**190.86**
Continuing operations	120.61	**191.48**
Discontinued operations	0.23	**(0.63)**

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

1) Profit attributable to common shareholders

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Profit (loss) attributable to owners of parent	27,367	**43,214**
Continuing operations	27,316	**43,356**
Discontinued operations	51	**(142)**
Diluted profit (loss) attributable to common shareholders	27,367	**43,214**
Continuing operations	27,316	**43,356**
Discontinued operations	51	**(142)**

2) Average number of common shares during the year

Thousands of Shares

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Average number of common shares during the year	226,221	**226,182**
Increases in common shares due to stock options	264	**242**
Average number of diluted common shares during the year	226,485	**226,424**

31. Cash flow Information

(1) Noncash transactions

The details of major noncash transactions are as follows:

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Acquisition of assets related to lease transactions	2,732	**1,864**
Decrease in treasury shares as a result of stock exchange	3,801	**—**
Increase in capital surplus as a result of stock exchange	2,239	**—**

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities were as follows:

FY 2020 (April 1, 2020 to March 31, 2021)

Millions of Yen

	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	69,425	(30,537)	311	148	39,347
Payables under fluidity lease receivables	1,604	(747)	—	—	857
Long-term borrowings	189,754	34,804	2,559	90	227,209
Bonds payable	40,250	(150)	—	—	40,100
Lease liabilities	33,214	(5,946)	229	2,814	30,312
Total	334,248	(2,576)	3,100	3,053	337,826

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

Millions of Yen

	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**

32. 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, 2021 and 2022.

33. Business Combinations

FY 2020 (April 1, 2020 to March 31, 2021)
(Determination of provisional accounting treatment for business combinations)

1. Acquisition of a portion of the industrial gases business of the Indian Praxair India Private Limited.

For the business combination with Praxair India Private Limited on July 12, 2019, the allocation of the acquisition cost had not been completed in the previous fiscal year. As a result, the fair value of the assets acquired and liabilities assumed was provisional, but the allocation was completed in the first quarter of the fiscal year under review. Due to the finalization of the allocation of the acquisition consideration, the amount of goodwill has decreased by 6.638 billion yen. This was due to increases of ¥3.369 billion and ¥3.268 billion in property, plant and equipment and intangible assets, respectively.

2. Partial Acquisition of industrial gases business of Indian Linde India Limited

For the business combination with Linde India Limited on December 16, 2019, the allocation of the acquisition cost was not completed in the previous consolidated fiscal year, and therefore the fair value of the assets acquired and liabilities assumed were provisional amounts. The allocation was completed in the third quarter of the current fiscal year. Due to the finalization of the allocation of the acquisition consideration, the amount of goodwill has decreased by 9.558 billion yen. This was due to increases of ¥2.493 billion and ¥7.065 billion in property, plant and equipment and intangible assets, respectively.

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

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

34. Related Parties

Compensation to key management personnel was as follows:

Millions of Yen

	FY 2020 (April 1, 2020 to March 31, 2021)	**FY 2021 (April 1, 2021 to March 31, 2022)**
Fixed compensation	511	**430**
Bonuses	186	**121**
Restricted share-based remuneration	57	**44**
Total	756	**596**

35. Commitments

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

Millions of Yen

	FY 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Acquisition of property, plant and equipment	344	**3,970**

36. Contingencies

Guarantee obligations

The Group has guarantee obligations for borrowings from financial institutions.

Millions of Yen

	FY 2020 (As of March 31, 2021)	**FY 2021 (As of March 31, 2022)**
Bank borrowings by associates, etc.	22,694	**10,868**
Bank borrowings by employees	6	**4**
Other	2,787	**2,726**
Total	25,488	**13,600**

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

The Board of Directors of AIR WATER INC.

June 28, 2022

KPMG AZSA LLC
Osaka Office, Japan

Kazuhiro Matsuyama (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tatsuya Kido (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hiroto Fujimoto (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

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 Annual Report, which comprise the Consolidated Statement of Financial Position as at March 31, 2022 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 in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards prescribed in Artilce 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
Goodwill of 60,129 million yen was recorded in the consolidated statement of financial position of the Company, which accounted for 5.9% of total assets. 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. 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. In addition, the calculation techniques used to measure fair value and the selection of comparable companies require a high degree of expertise. 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."	To validate our judgments regarding the necessity of recognizing goodwill impairment losses, we primarily performed the following procedures. For overseas consolidated subsidiaries for which significant goodwill is recorded in the financial statements of the subsidiaries, the Company instructed its auditors to conduct audits to evaluate whether sufficient and appropriate audit evidence has been obtained. (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. (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. • 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. • 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.

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, 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 audit 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.

AIR WATER INC.