Financial Information 2022

Iwatani Corporation

CONTENTS

Consolidated Balance Sheets

Iwatani Corporation and its Consolidated Subsidiaries
As of March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 5)
ASSETS	March 31, 2021	**March 31, 2022**	**March 31, 2022**
Current assets:			
Cash and cash equivalents (Note 8)	¥ 38,445	**¥ 29,574**	**$ 241,637**
Time deposits (Note 8)	337	**401**	**3,276**
Notes and accounts receivable (Note 8)			
Trade	113,374	**131,094**	**1,071,116**
Electronically recorded monetary claims–operating	15,680	**20,781**	**169,793**
Other	5,962	**5,494**	**44,889**
Allowance for doubtful accounts	(145)	**(151)**	**(1,233)**
Inventories (Note 10)	38,588	**56,139**	**458,689**
Other	9,865	**16,137**	**131,849**
Total current assets	222,110	**259,471**	**2,120,034**
Property, plant and equipment:			
Land (Notes 11 and 16)	66,869	**68,115**	**556,540**
Buildings and structures (Note 11)	136,523	**141,416**	**1,155,453**
Machinery, vehicles, equipment and tools (Note 11)	192,463	**203,864**	**1,665,691**
Lease assets	6,666	**6,031**	**49,276**
Construction in progress	4,653	**8,695**	**71,043**
	407,176	**428,123**	**3,498,022**
Accumulated depreciation	(229,152)	**(242,375)**	**(1,980,349)**
Net property, plant and equipment	178,023	**185,747**	**1,517,664**
Intangible assets:			
Goodwill	13,791	**12,229**	**99,918**
Other	3,704	**3,949**	**32,265**
Total intangible assets	17,495	**16,179**	**132,192**
Investments and other assets:			
Investments in securities (Notes 8, 9 and 11)	57,609	**54,866**	**448,288**
Investments in nonconsolidated subsidiaries and affiliates (Note 8)	21,303	**24,925**	**203,652**
Net defined benefit asset (Note 13)	2,051	**2,197**	**17,950**
Deferred tax assets (Note 12)	3,487	**3,241**	**26,480**
Other	10,525	**12,411**	**101,405**
Allowance for doubtful accounts	(591)	**(559)**	**(4,567)**
Total investments and other assets	94,385	**97,081**	**793,210**
Total assets	¥512,015	**¥558,479**	**$4,563,109**

See the accompanying Notes to the Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen March 31, 2021	 **March 31, 2022**	Thousands of U.S. dollars (Note 5) **March 31, 2022**
Current liabilities:			
Short-term borrowings (Notes 8 and 11)	¥ 24,208	**¥ 32,343**	**$ 264,261**
Current portion of long-term debt (Notes 8 and 11)	9,760	**11,222**	**91,690**
Notes and accounts payable–trade (Note 8)	65,541	**66,480**	**543,181**
Electronically recorded obligations–operating (Note 8)	27,992	**30,777**	**251,466**
Income taxes payable	8,168	**8,518**	**69,597**
Accrued bonuses	5,268	**5,389**	**44,031**
Provision for product compensation (Note 2 (8))	482	**—**	**—**
Other	29,558	**31,568**	**257,929**
Total current liabilities	170,981	**186,300**	**1,522,183**
Long-term liabilities:			
Long-term debt (Notes 8 and 11)	59,447	**65,093**	**531,849**
Deferred tax liabilities (Note 12)	11,665	**10,830**	**88,487**
Net defined benefit liability (Note 13)	5,470	**5,524**	**45,134**
Allowance for retirement benefits for directors and statutory auditors	1,373	**1,518**	**12,402**
Other	9,489	**8,905**	**72,759**
Total long-term liabilities	87,447	**91,872**	**750,649**
Total liabilities	258,429	**278,172**	**2,272,832**
Contingent liabilities (Note 14)			
Net assets (Note 19)			
Shareholders' equity:			
Common stock Authorized–120,000,000 shares in 2022 and 2021 Issued–58,561,649 shares in 2022 and 2021	35,096	**35,096**	**286,755**
Capital surplus	31,766	**31,809**	**259,898**
Retained earnings	151,025	**176,672**	**1,443,516**
Treasury stock, at cost 1,045,396 shares in 2022 1,048,943 shares in 2021	(1,514)	**(1,528)**	**(12,484)**
Total shareholders' equity	216,373	**242,050**	**1,977,694**
Accumulated other comprehensive income:			
Unrealized gains on securities	25,501	**22,450**	**183,430**
Deferred gains or losses on hedges	2,373	**2,635**	**21,529**
Foreign currency translation adjustments	(683)	**2,478**	**20,246**
Remeasurements of defined benefit plans	595	**513**	**4,191**
Total accumulated other comprehensive income	27,786	**28,078**	**229,414**
Noncontrolling interests	9,426	**10,179**	**83,168**
Total net assets	253,586	**280,307**	**2,290,276**
Total liabilities and net assets	¥512,015	**¥558,479**	**$4,563,109**

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Income

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 5)
	March 31, 2021	**March 31, 2022**	**March 31, 2022**
Net sales	¥562,223	**¥690,392**	**$5,640,918**
Cost of sales	385,978	**498,630**	**4,074,107**
Gross profit	176,244	**191,762**	**1,566,811**
Selling, general and administrative expenses (Note 20)	146,892	**151,685**	**1,239,357**
Operating income	29,352	**40,076**	**327,445**
Other income (expenses):			
Interest and dividend income	1,366	**1,486**	**12,141**
Interest expense	(911)	**(833)**	**(6,806)**
Equity in earnings of nonconsolidated subsidiaries and affiliates	463	**720**	**5,882**
Impairment loss on fixed assets (Note 16)	(49)	**(129)**	**(1,054)**
Other, net (Note 21)	4,533	**4,623**	**37,772**
	5,402	**5,866**	**47,928**
Income before income taxes	34,755	**45,943**	**375,381**
Income taxes (Note 12)**:**			
Current	11,355	**14,256**	**116,480**
Deferred	(380)	**687**	**5,613**
	10,974	**14,943**	**122,093**
Net income	23,780	**30,999**	**253,280**
Net income attributable to noncontrolling interests	750	**1,035**	**8,456**
Net income attributable to owners of parent	¥ 23,030	**¥ 29,964**	**$ 244,823**

	Yen		U.S. dollars (Note 5)
	March 31, 2021	**March 31, 2022**	**March 31, 2022**
Per share (Note 18)**:**			
Basic net income	¥ 428.36	**¥ 520.98**	**$ 4.25**
Cash dividends applicable to the period	75.00	**85.00**	**0.69**

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 5)
	March 31, 2021	**March 31, 2022**	**March 31, 2022**
Net income	¥23,780	**¥30,999**	**$253,280**
Other comprehensive income (loss):			
Unrealized gains (losses) on securities	11,322	**(2,943)**	**(24,046)**
Deferred gains or losses on hedges	765	**251**	**2,050**
Foreign currency translation adjustments	(1,259)	**3,222**	**26,325**
Remeasurements of defined benefit plans, net of tax	685	**(135)**	**(1,103)**
Share of other comprehensive income of associates accounted for using equity method	155	**96**	**784**
Total other comprehensive income	11,670	**491**	**4,011**
Comprehensive income	¥35,450	**¥31,491**	**$257,300**
Comprehensive income attributable to:			
Owners of the parent	34,622	**30,256**	**247,209**
Noncontrolling interests	¥ 828	**¥ 1,235**	**$ 10,090**

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Millions of yen										
		Shareholders' equity				Accumulated other comprehensive income					
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Noncontrolling interests	Total
Balance as of March 31, 2020	50,273	¥20,096	¥16,728	¥130,762	¥(1,515)	¥14,119	¥1,608	¥ 558	¥ (91)	¥ 8,885	¥191,152
Cumulative effects of changes in accounting policies	—	—	—	1,912	—	—	—	—	—	—	1,912
Restated balance	50,273	20,096	16,728	132,674	(1,515)	14,119	1,608	558	(91)	8,885	193,064
Net income attributable to owners of parent for the year	—	—	—	23,030	—	—	—	—	—	—	23,030
Cash dividends	—	—	—	(4,680)	—	—	—	—	—	—	(4,680)
Issuance of new shares–exercise of share acquisition rights	8,288	15,000	15,000	—	—	—	—	—	—	—	30,000
Purchase of treasury stock	—	—	—	—	(20)	—	—	—	—	—	(20)
Disposal of treasury stock	—	—	38	—	21	—	—	—	—	—	59
Net changes in items other than shareholders' equity	—	—	—	—	—	11,381	765	(1,241)	687	540	12,132
Balance as of March 31, 2021	58,561	¥35,096	¥31,766	¥151,025	¥(1,514)	¥25,501	¥2,373	¥ (683)	¥595	¥ 9,426	¥253,586
Net income attributable to owners of parent for the year	—	—	—	29,964	—	—	—	—	—	—	29,964
Cash dividends	—	—	—	(4,317)	—	—	—	—	—	—	(4,317)
Purchase of treasury stock	—	—	—	—	(26)	—	—	—	—	—	(26)
Disposal of treasury stock	—	—	44	—	12	—	—	—	—	—	56
Purchase of shares of consolidated subsidiaries	—	—	(1)	—	—	—	—	—	—	—	(1)
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	—	(0)	—	—	—	—	—	(0)
Net changes in items other than shareholders' equity	—	—	—	—	—	(3,050)	261	3,161	(81)	752	1,044
Balance as of March 31, 2022	**58,561**	**¥35,096**	**¥31,809**	**¥176,672**	**¥(1,528)**	**¥22,450**	**¥2,635**	**¥ 2,478**	**¥513**	**¥10,179**	**¥280,307**

	Thousands of U.S. dollars (Note 5)										
		Shareholders' equity				Accumulated other comprehensive income					
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Noncontrolling interests	Total
Balance as of March 31, 2021	58,561	$286,755	$259,547	$1,233,965	$(12,370)	$208,358	$19,388	$ (5,580)	$4,861	$77,016	$2,071,950
Net income attributable to owners of parent for the year	—	—	—	244,823	—	—	—	—	—	—	244,823
Cash dividends	—	—	—	(35,272)	—	—	—	—	—	—	(35,272)
Purchase of treasury stock	—	—	—	—	(212)	—	—	—	—	—	(212)
Disposal of treasury stock	—	—	359	—	98	—	—	—	—	—	457
Purchase of shares of consolidated subsidiaries	—	—	(8)	—	—	—	—	—	—	—	(8)
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	—	(0)	—	—	—	—	—	(0)
Net changes in items other than shareholders' equity	—	—	—	—	—	(24,920)	2,132	25,827	(661)	6,144	8,530
Balance as of March 31, 2022	**58,561**	**$286,755**	**$259,898**	**$1,443,516**	**$(12,484)**	**$183,430**	**$21,529**	**$20,246**	**$4,191**	**$83,168**	**$2,290,276**

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 5)
	March 31, 2021	**March 31, 2022**	**March 31, 2022**
Cash flows from operating activities:			
Income before income taxes	¥ 34,755	**¥ 45,943**	**$ 375,381**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	23,211	**23,878**	**195,097**
Impairment loss on fixed assets	49	**129**	**1,054**
Loss on reduction of noncurrent assets	771	**77**	**629**
Increase (decrease) in allowance for doubtful accounts	(40)	**(35)**	**(285)**
Increase (decrease) in allowance for employees' bonuses	109	**121**	**988**
Increase (decrease) in net defined benefit liability	(157)	**53**	**433**
Decrease (increase) in net defined benefit asset	(905)	**(145)**	**(1,184)**
Increase (decrease) in provision for product compensation	482	**(482)**	**(3,938)**
Increase (decrease) in allowance for retirement benefits to directors and statutory auditors	(119)	**144**	**1,176**
Interest and dividend income	(1,366)	**(1,486)**	**(12,141)**
Interest expense	911	**833**	**6,806**
Foreign exchange (gains) losses	0	**(22)**	**(179)**
Equity in earnings of nonconsolidated subsidiaries and affiliates	(463)	**(720)**	**(5,882)**
Loss (gain) on sales of golf club membership	—	**24**	**196**
Loss (gain) on sales and disposals of fixed assets	114	**685**	**5,596**
Loss (gain) on sales of investments in securities	(1,353)	**(688)**	**(5,621)**
Loss on valuation of investments in securities	1	**137**	**1,119**
Changes in assets and liabilities			
Decrease (increase) in notes and accounts receivable–trade	(3,904)	**(21,321)**	**(174,205)**
Decrease (increase) in inventories	1,962	**(16,893)**	**(138,025)**
Increase (decrease) in notes and accounts payable–trade	680	**2,748**	**22,452**
Decrease (increase) in advance payments to suppliers	165	**(5,047)**	**(41,237)**
Increase (decrease) in advances received	1,201	**(163)**	**(1,331)**
Other, net	1,845	**(1,460)**	**(11,929)**
Subtotal	¥ 57,948	**¥ 26,310**	**$ 214,968**
Interest and dividends received	1,340	**1,394**	**11,389**
Dividends received from equity method subsidiaries and affiliates	199	**226**	**1,846**
Interest paid	(903)	**(801)**	**(6,544)**
Income taxes paid	(9,806)	**(14,055)**	**(114,837)**
Net cash provided by (used in) operating activities	¥ 48,779	**¥ 13,075**	**$ 106,830**
Cash flows from investing activities:			
Payments for purchase of investments in securities	(1,503)	**(3,985)**	**(32,559)**
Proceeds from sales and redemption of investments in securities	3,224	**862**	**7,043**
Proceeds from sales of investments in capital	6	**2**	**16**
Payments for purchases of fixed assets	(30,265)	**(28,444)**	**(232,404)**
Proceeds from sales of fixed assets	876	**594**	**4,853**
Investments in loans receivable	(1,942)	**(3,437)**	**(28,082)**
Collection of loans receivable	2,096	**2,933**	**23,964**
Other, net	(1,324)	**(464)**	**(3,791)**
Net cash provided by (used in) investing activities	¥(28,831)	**¥(31,939)**	**$(260,960)**
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	4,189	**7,666**	**62,635**
Proceeds from long-term debt	3,849	**18,703**	**152,814**
Repayment of long-term debt	(9,046)	**(12,520)**	**(102,295)**
Cash dividends paid	(4,671)	**(4,310)**	**(35,215)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	**(2)**	**(16)**
Other, net	(1,374)	**(1,498)**	**(12,239)**
Net cash provided by (used in) financing activities	¥ (7,052)	**¥ 8,038**	**$ 65,675**
Effect of exchange rate changes on cash and cash equivalents	260	**1,942**	**15,867**
Net increase (decrease) in cash and cash equivalents	13,155	**(8,883)**	**(72,579)**
Cash and cash equivalents at beginning of year	25,121	**38,445**	**314,118**
Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	168	**9**	**73**
Increase (decrease) in cash and cash equivalents resulting from merger with nonconsolidated subsidiaries	—	**2**	**16**
Cash and cash equivalents at end of period	¥ 38,445	**¥ 29,574**	**$ 241,637**

See the accompanying Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Iwatani Corporation and its Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Iwatani Corporation ("the Company") and its consolidated subsidiaries (together, "the Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

As permitted, amounts of less than one million yen are omitted in the presentation for 2021 and 2022. As a result, the totals shown in the accompanying consolidated financial statements, both in yen and in U.S. dollars, do not necessarily agree with the sum of the individual amounts.

2. Summary of Major Accounting Policies

(1) Scope of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 102 of its subsidiaries for the year ended March 31, 2022. Certain subsidiaries have fiscal years ending on December 31. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the fiscal year-end of those subsidiaries and the fiscal year-end of the Company.

(2) Equity method of accounting for investments in nonconsolidated subsidiaries and affiliates

As of March 31, 2022, the Company has 59 nonconsolidated subsidiaries and 76 affiliates (Companies over which the Company exercises significant influence over operating and financial policies). The equity method is applied to the investments in 59 of the subsidiaries and 37 of the affiliates. Since the investments in the remaining affiliates do not have a material effect on consolidated net income and retained earnings, the investments in these affiliates are carried at cost and are not accounted for by the equity method.

(3) Translation of foreign currencies

Foreign currency transactions are translated at the applicable rate of exchange prevailing at the transaction date. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Japanese yen at the applicable rate of exchange prevailing at the balance sheet date. Exchange differences are charged or credited to income. Assets and liabilities of foreign consolidated subsidiaries and affiliates accounted for by the equity method are translated into Japanese yen at applicable year-end rates of exchange, and all income and expense accounts are translated at the average rate of exchange prevailing during the year. The resulting translation adjustments are accumulated and included in "Foreign currency translation adjustments" classified as part of net assets.

(4) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally, with original maturities of three months or less that are readily convertible to known amounts of cash and are short-term investments that they present insignificant risk of change in value.

(5) Securities

Securities are classified into four categories: trading securities, held-to-maturity debt securities, equity securities of nonconsolidated subsidiaries and affiliates and other securities.

As of March 31, 2021 and 2022, the Companies did not hold any trading securities.

Held-to-maturity debt securities are stated at amortized cost. Equity securities of nonconsolidated subsidiaries and affiliates are accounted for, with minor exceptions due to materiality, using the equity method of accounting. In other securities, investments in securities other than equity securities without market prices are measured at fair value with unrealized gains and losses included as a component of net assets, net of related taxes. And, investments in equity securities without market prices are stated at cost. In cases in which a significant decline in the value of net assets is assessed to be other than temporary, the cost of other securities is written-down by the impaired amount and charged to profit and loss. Realized gains and losses are determined by the moving average cost method and are reflected in the consolidated statements of income.

(6) Allowance for doubtful accounts

An allowance for doubtful accounts is provided in an amount based on past experience with bad debts and an evaluation of the collectability of specific receivables with the possibility of default.

(7) Inventories

Inventories are stated mainly at the lower of first-in, first-out cost or net realizable value.

(8) Provision for product compensation

In order to cover the payment of compensation expenses related to product quality, the amount expected to be required in the future is recorded.

(9) Property, plant and equipment and depreciation

Fixed assets, including significant renewals and additions, are carried at cost. When these assets are retired or otherwise disposed of, the cost and related depreciation are cleared from the respective accounts, and the net difference less any amount realized on disposal is reflected in profit and loss.

Principal estimated useful lives are as follows:

Buildings and structures ································3 to 50 years
Machinery, vehicles, equipment and tools ·····2 to 20 years

Depreciation is calculated by the declining balance method over the useful life of the asset, except that the straight-line method is applied to the Sakai LPG Plant, hydrogen stations, certain fixed assets for lease, certain gas generators, buildings purchased since April 1, 1998 and facilities attached to buildings and structures purchased since April 1, 2016.

Lease assets are depreciated using the straight-line method over the lease term as the useful life, with 0 residual value. However, finance lease transactions that do not transfer ownership of the lease assets and have total lease payments of not more than ¥3 million ($24 thousand) under a single lease contract are accounted for by the method that is applicable to ordinary operating leases.

(10) Intangible assets

Computer software for internal use is amortized by the straight-line method over the estimated useful life of 5 years. Other intangible assets are amortized by the straight-line method over the estimated useful life of the respective asset.

(11) Deferred taxes

The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income taxes are measured by applying currently enacted tax laws. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the change is enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

(12) Accrued bonuses

Accrued bonuses are calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees as of the date of the balance sheet.

(13) Retirement benefits

(i) Employees' retirement benefits

To provide for retirement benefit payments to employees, net defined benefit asset and liability are recorded at the amounts deemed to be incurred at the fiscal year-end based on the amount of projected benefit obligations and the fair value of plan assets at the fiscal year-end. The retirement benefit obligations are attributed to periods on a benefit formula basis.

Prior service cost is amortized by the straight-line method over a period of 12 to 14 years, which is within the average remaining years of service of employees. Actuarial differences are amortized by the straight-line method over a period of 12 to 14 years, which is within the average remaining years of service of employees, commencing with the following period.

Unrecognized actuarial differences and unrecognized prior service cost are accrued as remeasurements of defined benefit plans, net of tax, in accumulated other comprehensive income in net assets.

Certain consolidated subsidiaries apply the simplified method to estimate the amount required for voluntary resignations at the end of the fiscal year as the retirement benefit liability in order to calculate net defined benefit liability and retirement benefit expenses.

(ii) Retirement benefits for directors and statutory auditors

To provide for the payment of lump-sum retirement benefits to directors and statutory auditors, certain consolidated subsidiaries provide an allowance for retirement benefits to directors and statutory auditors at an amount that would be required by their internal regulations if all directors and statutory auditors retired on the balance sheet date.

(14) Accounting policy for recognition of significant revenues and expenses

The Company and its consolidated subsidiaries recognize revenue based on the following 5 steps:

Step 1: Identify contracts with customers.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligation in the contract.
Step 5: Recognize revenue when the entity satisfies a performance obligation."

The Company and its consolidated subsidiaries identify distinct goods and/or services included in contracts with customers and identify the performance obligations associated with them as transaction units. In identifying performance obligations, the Company and its consolidated subsidiaries consider whether they are the principal or the agent, and if the nature of their performance obligation is to control and provide the identified goods or services themselves before transferring them, the Company and its consolidated subsidiaries present revenue in the consolidated financial statements at the gross amount of consideration. If the nature of the performance obligation is to arrange for the identified goods or services to be provided by another party, revenue is presented in the consolidated financial statements at the net amount of the consideration as an agent.

The transaction price is the amount of consideration to which the Company and its consolidated subsidiaries expect to be entitled in exchange for the transfer of the promised goods or services to the customer, excluding amounts collected by the Company and its consolidated subsidiaries for third parties. The consideration from transactions with customers is received generally within 1 year from the time the goods or services are transferred to the customer and does not include a significant financial component.

Of the major transactions, the meter reading date bases of revenue recognition for LPG (a method to recognize revenues based on the amount of LPG used by the customer through meter reading) is used to recognize revenue from reading the meter date of the fiscal month through the fiscal year end date. The Company recognizes revenue based on reasonable estimates of the revenue generated from the date of the meter reading to the end of the fiscal year.

For sales of merchandise and finished goods, the Company recognizes revenue at the time of delivery of the merchandise and finished goods because the Company believes that the customer has acquired control over the merchandise and finished goods at the time of delivery and that the performance obligation has been satisfied. For domestic sales of goods and products, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the goods and products is transferred to the customer is a normal period of time.

(15) Goodwill

Goodwill is amortized on a straight-line basis over a period not to exceed 10 years.

(16) Derivative financial instruments

Derivative financial instruments are used by the Companies principally to reduce interest rate, foreign exchange rate and commodity price fluctuations risks.

Derivative financial instruments are measured at fair value. Hedging transactions which meet the criteria for hedge accounting are accounted for using deferral hedge accounting, which requires the unrealized gain or loss on a hedging instrument to be deferred as a liability or asset until the loss or gain on the related hedged item is recognized. In addition, certain forward exchange contracts and certain interest rate swap transactions are accounted for using the allocation method and the special method. The allocation method requires that recognized foreign currency receivables and payables covered by forward exchange contracts be translated at contract rates. Under the special method, interest rate swap transactions are accounted for as if the interest rates under those transactions were originally applied to the underlying borrowings and bonds. The Company also hedges its exposure to commodity price fluctuations by using commodity swaps.

(17) Expenses for research and development

Expenses for research and development are charged to profit and loss when incurred.

(18) Reclassifications

Certain reclassifications of the financial statements for the year ended March 31, 2021 have been made to conform to the presentation for the year ended March 31, 2022.

3. Significant Accounting Estimates

(1) Recoverability of deferred tax assets

(i) Carrying amounts in the current year's financial statements

Carrying amounts in the deferred tax assets is discussed in Note 12, "Income Taxes."

(ii) Information on the nature of significant accounting estimates for identified items

(a) Method in making the accounting estimates
Deferred tax assets are recognized based on estimates of taxable income according to future profit plans. Deferred tax assets are recognized to the extent of high recoverability by determining whether there is an effect of reducing future tax payments.

(b) Key assumptions used in making accounting estimates
The Company and its consolidated subsidiaries determine whether or not the deferred tax assets will have the effect of reducing the future tax payments burden in accordance with Paragraph 6 of the "Implementation Guidance on Recoverability of Deferred Tax Assets." In particular, the recoverability of deferred tax assets related to net operating loss carryforwards for tax purposes is assessed by making a reasonable estimate of future taxable income before adjustment for temporary differences, etc., based on a comprehensive consideration of past business performance, tax payment status, future business forecasts, etc.

(c) The effect on the next year's financial statements
In the event that the estimate of taxable income needs to be reviewed due to changes in the economic environment, etc., there is a possibility that the deferred tax assets will be reduced.

(2) Impairment of fixed assets

(i) Carrying amounts in the current year's financial statements

Carrying amounts in the impairment loss on land is discussed in Note 16, "Impairment Loss on Fixed Assets."

(ii) Information on the nature of significant accounting estimates for identified items

(a) Method in making the accounting estimates
In accordance with the "Accounting Standard for Impairment of Fixed Assets," impairment loss on fixed assets is recognized when the profitability of an asset has declined to the point where recovery of the invested amount is no longer expected. The recoverable amount of fixed assets for which recovery of the investment amount is not expected due to a decline in profitability is estimated, and the carrying amount is reduced to reflect the recoverability.

(b) Key assumptions used in making accounting estimates
The future cash flows used for the recognition and measurement of impairment loss are estimated based on future profit plans, taking into account external factors such as the business environment and internal information such as sales forecasts and budgets as well as the current use and plans for the use of the asset group.

(c) The effect on the next year's financial statements
Additional impairment loss may be recognized in the event that it becomes necessary to review the future profit plans upon which the estimates are premised.

4. Changes in Accounting Policies

(1) Adoption of Accounting Standard for Revenue Recognition

Regarding the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, revised on March 26, 2021) (together referred to as "the Revenue Recognition Standards"), the Company and its consolidated subsidiaries adopted the Revenue Recognition Standards from the beginning of the current consolidated fiscal year and to recognize revenue at amounts expected to be received in exchange for the promised goods or services as the controls of such goods or services are transferred to customers. The main changes in the adoption of the accounting standard for revenue recognition are as follows.

(i) Agency transactions

The Company changed its method of accounting for certain transactions from recognizing revenue at the gross amount received from customers to recognizing revenue at the net amount received less amounts paid to suppliers, etc., for transactions in which the Company is determined to be an agent, based on its role in providing the goods or services to the customer.

(ii) Exchange transactions
The Company now recognizes revenue on a net basis from transactions in which LPG of similar nature and value is exchanged between companies in the same industry (so-called exchange transactions), whereas previously the Company recognized this revenue on a gross basis.

(iii) Paid-in transactions
The Company does not recognize revenue from the transfer of supplied goods for transactions in which the Company is obligated to repurchase the supplied goods.

(iv) Revenue recognition for LPG
With respect to the meter reading date basis (a method to recognize revenue based on the amount of LPG used by customers through meter reading), the Company recognizes revenue based on estimates of the revenue generated from the date of meter reading to the end of the fiscal year.

Such changes in accounting policies were applied retrospectively in principle. Hence, the consolidated financial statements for the prior consolidated fiscal years were modified retrospectively. As a result, in comparison with the amounts that have been recorded without the retrospective application, notes and accounts receivable increased by ¥4,949 million, merchandise and finished goods decreased by ¥2,452 million, deferred tax liabilities increased by ¥761 million, and retained earnings increased by ¥1,735 million in the consolidated balance sheet for the previous consolidated fiscal year. In the consolidated statement of profit or loss for the previous consolidated fiscal year, net sales decreased by ¥73,366 million, cost of sales decreased by ¥72,732 million, operating income decreased by ¥633 million, income before income taxes decreased by ¥254 million, and net income attributable to owners of parent decreased by ¥176 million.

In addition, having reflected the cumulative effects on the beginning balance of net assets of the previous consolidated fiscal year, the beginning balance of retained earnings in the consolidated statement of changes in net assets increased by ¥1,912 million. The effects on earnings per share information are explained in Note 18, "Earnings Per Share." However, following the transitional treatment in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, relevant information for the previous consolidated fiscal year is not provided.

(2) Adoption of Accounting Standard for Fair Value Measurement
The Company and its consolidated subsidiaries adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), from the beginning of the current consolidated fiscal year, following the transitional treatment in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No.10, July 4, 2019) and applied the new accounting policies prescribed by the Accounting Standard for Fair Value Measurement in the future. Accordingly, there has been no impact on the financial statements. In addition, fair value information for financial instruments by level is disclosed in the notes for "Financial Instruments." However, following the transitional treatment in Paragraph 7-4 of the Implementation Guidance on Disclosures about Faire Value of Financial Instruments (ASBJ Guidance No.19, July 4, 2019), relevant information for the previous consolidated fiscal year is not provided.

5. U.S. Dollar Amounts
The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2022, which was ¥122.39 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

6. Accounting Standards for Presentation of Comprehensive Income

Amounts reclassified to net income (loss) in the current period that are recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income are as follows:

	2021	2022	2022
Unrealized gains on securities			
Increase (decrease) during the year	¥17,610	**¥(3,602)**	**$(29,430)**
Reclassification adjustments	(1,353)	**(678)**	**(5,539)**
Subtotal, before tax	16,257	**(4,280)**	**(34,970)**
Tax (expense) or benefit	(4,934)	**1,337**	**10,924**
Subtotal, net of tax	11,322	**(2,943)**	**(24,046)**
Deferred gains or losses on hedges			
Increase during the year	1,101	**363**	**2,965**
Subtotal, before tax	1,101	**363**	**2,965**
Tax expense	(335)	**(111)**	**(906)**
Subtotal, net of tax	765	**251**	**2,050**
Foreign currency translation adjustments			
Increase (decrease) during the year	(1,259)	**3,222**	**26,325**
Subtotal, before tax	(1,259)	**3,222**	**26,325**
Subtotal, net of tax	(1,259)	**3,222**	**26,325**
Remeasurements of defined benefit plans, net of tax			
Increase (decrease) during the year	844	**(120)**	**(980)**
Reclassification adjustments	115	**(76)**	**(620)**
Subtotal, before tax	959	**(196)**	**(1,601)**
Tax (expense) or benefit	(274)	**61**	**498**
Subtotal, net of tax	685	**(135)**	**(1,103)**
Share of other comprehensive income of associates accounted for using equity method			
Increase during the year	155	**96**	**784**
Subtotal, net of tax	155	**96**	**784**
Total other comprehensive income	¥11,670	**¥ 491**	**$ 4,011**

7. Supplemental Information on the Consolidated Statements of Cash Flows

Exercise of stock acquisition rights in convertible bonds with share acquisition rights as of March 31, 2021 and 2022 are as follows:

	2021	2022	2022
Increase in capital stock due to the exercise of share acquisition rights	¥15,000	**¥ —**	**$ —**
Increase in capital reserve due to the exercise of share acquisition rights	15,000	**—**	**—**
Decrease in bonds with subscription rights to shares due to exercise of share acquisition rights	¥30,000	**¥ —**	**$ —**

8. Financial Instruments

Information on financial instruments as of March 31, 2021 and 2022 is as follows:

1. Status of financial instruments

(1) Policies for financial instruments

The Companies primarily obtain funds through borrowing from banks and the issuance of corporate bonds for funding of its capital expenditures plans. After adequate liquidity has been ensured, the Companies invest temporary excess funds in deposits with low risk. Additionally, the Companies obtain short-term funds through bank borrowings, etc. The Companies utilize derivative transactions only for hedging purposes and not for speculative or dealing purposes.

(2) Description and risks of financial instruments

Notes and accounts receivable including electronically recorded monetary claims–operating are exposed to customer credit risk. Additionally, some notes and accounts receivable are denominated in foreign currencies and are exposed to exchange rate fluctuation risk. If necessary, the Companies utilize foreign exchange forward contracts to reduce foreign currency risk.

Investments in securities are composed primarily of held-to-maturity debt securities and stocks in companies with which the Companies have business alliances and are exposed to credit risk in relation to issuers and market price fluctuation risk.

Notes and accounts payable such as accounts payable–trade and electronically recorded obligations–operating are

Tables show ¥ in millions and US$ in thousands.

generally payable within 6 months. Some notes and accounts payable are denominated in foreign currencies. If necessary, the Companies utilize foreign exchange forward contracts to reduce foreign currency risk.

Borrowings are used mainly to procure funds for capital expenditures. The longest redemption period is 17 years after the fiscal year closing date. Because some of these instruments have a variable interest rate, they are exposed to interest rate fluctuation risk.

Derivative transactions consist of the use of foreign exchange forward contracts for the purpose of hedging exchange rate fluctuation risk related to notes and accounts receivable and notes and accounts payable. Hedging instruments and hedged items, hedging policy, assessment of hedge effectiveness and hedge accounting are discussed in Note 2 (16), "Summary of Major Accounting Policies–Derivative financial instruments."

(3) Risk management of financial instruments

(i) Management of credit risk
(risk of default by customers and counterparties)

In accordance with the internal policies of the Companies for managing credit risk arising from receivables and long-term loan receivables, each related sales management section monitors the credit worthiness of their main customers and counterparties on a regular basis and monitors due dates and outstanding balances by individual customer. In addition, the Companies are making efforts to quickly identify and mitigate risks of bad debts of customers who are having financial difficulties. In investments in securities, the Companies monitor the financial condition, etc., of the issuing companies on a regular basis. The Companies believe that the credit risk of the derivatives themselves is insignificant as they enter into derivatives only with financial institutions which have a high credit rating.

(ii) Management of market risk
(risk arising from fluctuations in foreign exchange rates, interest rates and others)

The Companies utilize foreign exchange forward contracts within the requirements of their business activities in respect to a portion of their trade receivables and trade liabilities denominated in foreign currencies to mitigate exchange rate fluctuation risk. In investments in securities, the Companies review the fair value of these securities and the financial condition of the issuing companies on a regular basis. The Company also hedges its exposure to commodity price fluctuations by using commodity swaps.

For investments in securities, except held-to-maturity debt securities, the Companies monitor the market price and financial condition of the issuers and regularly evaluate the investment in each company, taking into account the relationship with the counterparty.

The accounting department, etc., enter into and manage derivative transactions within the requirements of the Companies' business activities and regulations established by the internal policies of the Companies. Based on policies approved by the Board of Directors, the issuance of bonds and the borrowing of large amounts, etc., are decided only by the Board of Directors. Therefore, foreign exchange forward contracts and interest rate swap contracts in respect to the aforementioned transactions are decided by the Board of Directors at the same time.

(iii) Management of liquidity risk
(risk that the Companies may not be able to meet their obligations on scheduled due dates)

The Companies prepare cash flow projections and monitor funding requirements in the accounting department based on reports from each section and maintain fund liquidity.

(4) Supplementary explanation of fair value of financial instruments

As variable factors are incorporated in the estimation of values, values may vary depending on the assumptions used. The contract amount related to derivative transactions under Note 17, "Derivative Transactions," does not express the market risk related to the derivative transactions themselves.

2. Fair values of financial instruments

For financial instruments, amounts recorded on the consolidated balance sheet, the fair values as of March 31, 2021 and 2022 and the difference between the two are set forth in the following table.

	2021		
	Amounts on consolidated balance sheet	Fair value	Difference
Investments in securities*1			
Other securities	¥55,656	¥55,656	¥ —
Subsidiaries and affiliates	7,007	7,713	705
Total assets	62,663	63,369	705
Long-term borrowings	69,208	69,425	217
Total liabilities	69,208	69,425	217
Derivative transactions*3			
Hedge accounting not applied	(70)	(70)	—
Hedge accounting applied	3,358	3,358	—
Total derivative transactions	¥ 3,287	¥ 3,287	¥ —

Tables show ¥ in millions and US$ in thousands.

	2022		
	Amounts on consolidated balance sheet	Fair value	Difference
Investments in securities*2			
Other securities	**¥52,182**	**¥52,182**	**¥ —**
Subsidiaries and affiliates	**7,357**	**6,526**	**(831)**
Held-to-maturity debt securities	**180**	**169**	**(10)**
Total assets	**59,720**	**58,878**	**(841)**
(1) Bonds	**10,000**	**9,835**	**(164)**
(2) Long-term borrowings	**66,315**	**65,642**	**(673)**
Total liabilities	**76,315**	**75,478**	**(837)**
Derivative transactions*3			
Hedge accounting not applied	**(57)**	**(57)**	**—**
Hedge accounting applied	**3,718**	**3,718**	**—**
Total derivative transactions	**¥ 3,661**	**¥ 3,661**	**¥ —**

	2022		
	Amounts on consolidated balance sheet	Fair value	Difference
Investments in securities*2			
Other securities	**$426,358**	**$426,358**	**$ —**
Subsidiaries and affiliates	**60,111**	**53,321**	**(6,789)**
Held-to-maturity debt securities	**1,470**	**1,380**	**(81)**
Total assets	**487,948**	**481,068**	**(6,871)**
(1) Bonds	**81,706**	**80,357**	**(1,339)**
(2) Long-term borrowings	**541,833**	**536,334**	**(5,498)**
Total liabilities	**623,539**	**616,700**	**(6,838)**
Derivative transactions*3			
Hedge accounting not applied	**(465)**	**(465)**	**—**
Hedge accounting applied	**30,378**	**30,378**	**—**
Total derivative transactions	**$ 29,912**	**$ 29,912**	**$ —**

*1 Financial instruments with no fair value as of March 31, 2021 are as follows:

	2021
Held-to-maturity debt securities	¥ 180
Unlisted securities	1,773
Investments in subsidiaries and affiliates	11,961
Investments in capital of subsidiaries and affiliates	2,334

The above are not included in "Investment in securities" because they do not have market prices, future cash flows cannot be estimated, and it is extremely difficult to determine their fair value.

*2 Investments in equity securities without market prices are not included in " Investments in securities". The carrying amounts of those financial instruments as of March 31, 2022 are as follows:

	2022	2022
Unlisted securities	¥ 2,503	$ 20,451
Investments in subsidiaries and affiliates	14,275	116,635
Investments in capital of subsidiaries and affiliates	3,293	26,905

*3 The amounts for derivative transactions shown above are net of assets and liabilities. When the net amount results in a liability, it is shown in parentheses.
*4 "Cash and deposits" are not included in the table above because items included in the caption are either cash, or deposits that are expected to be settled shortly and their carrying amounts are a reasonable approximation of fair value.
*5 "Notes and accounts receivable – trade," "Electronically recorded monetary claims – operating," "Notes and accounts payable – trade," "Electronically recorded obligations – operating" and "Short-term borrowings" are not included in the table above because their carrying amounts are a reasonable approximation of fair value as items included in the caption are expected to be settled in a short period of time.

Tables show ¥ in millions and US$ in thousands.

(Note 1) The maturity profile of the anticipated future contractual cash flows in relation to the Companies' financial assets as of March 31, 2021 and 2022 is as follows:

	2021			
	Due within 1 year	Due over 1 year but within 5 years	Due over 5 years but within 10 years	Due over 10 years
Cash and deposits	¥38,782	¥ —	¥ —	¥ —
Notes and accounts receivable–trade	113,374	—	—	—
Electronically recorded monetary claims–operating	15,680	—	—	—
Investment in securities				
Held-to-maturity debt securities (Bonds)	—	—	—	180
Total	¥167,838	¥ —	¥ —	¥180

	2022			
	Due within 1 year	Due over 1 year but within 5 years	Due over 5 years but within 10 years	Due over 10 years
Cash and deposits	**¥ 29,975**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable–trade	**131,094**	**—**	**—**	**—**
Electronically recorded monetary claims–operating	**20,781**	**—**	**—**	**—**
Investment in securities				
Held-to-maturity debt securities (Bonds)	**—**	**—**	**—**	**180**
Total	**¥181,851**	**¥ —**	**¥ —**	**¥180**

	2022			
	Due within 1 year	Due over 1 year but within 5 years	Due over 5 years but within 10 years	Due over 10 years
Cash and deposits	**$ 244,913**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable–trade	**1,071,116**	**—**	**—**	**—**
Electronically recorded monetary claims–operating	**169,793**	**—**	**—**	**—**
Investment in securities				
Held-to-maturity debt securities (Bonds)	**—**	**—**	**—**	**1,470**
Total	**$1,485,832**	**$ —**	**$ —**	**$1,470**

(Note 2) The aggregate annual maturities of bonds, long-term borrowings as of March 31, 2021 and 2022 are as follows:

	2021					
	Due within 1 year	Due over 1 year but within 2 years	Due over 2 years but within 3 years	Due over 3 years but within 4 years	Due over 4 years but within 5 years	Due over 5 years
Short-term borrowings	¥24,208	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	9,760	10,580	10,307	9,791	9,231	19,537
Lease liabilities	663	635	511	484	302	147
Total	¥34,632	¥11,215	¥10,819	¥10,275	¥9,534	¥19,684

	2022					
	Due within 1 year	Due over 1 year but within 2 years	Due over 2 years but within 3 years	Due over 3 years but within 4 years	Due over 4 years but within 5 years	Due over 5 years
Short-term borrowings	**¥32,343**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bonds	**—**	**—**	**—**	**—**	**—**	**10,000**
Long-term borrowings	**11,222**	**11,298**	**11,123**	**11,089**	**10,499**	**11,082**
Lease liabilities	**722**	**563**	**477**	**268**	**100**	**185**
Total	**¥44,288**	**¥11,862**	**¥11,601**	**¥11,357**	**¥10,599**	**¥21,268**

Tables show ¥ in millions and US$ in thousands.

	2022					
	Due within 1 year	Due over 1 year but within 2 years	Due over 2 years but within 3 years	Due over 3 years but within 4 years	Due over 4 years but within 5 years	Due over 5 years
Short-term borrowings	**$264,261**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Bonds	**—**	**—**	**—**	**—**	**—**	**81,706**
Long-term borrowings	**91,690**	**92,311**	**90,881**	**90,603**	**85,783**	**90,546**
Lease liabilities	**5,899**	**4,600**	**3,897**	**2,189**	**817**	**1,511**
Total	**$361,859**	**$96,919**	**$94,787**	**$92,793**	**$86,600**	**$173,772**

3. Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.
Level 2 fair value: the fair value measured using observable inputs other than Level 1.
Level 3 fair value: fair values measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Company and its consolidated subsidiaries classify fair values into the category to which the lowest priority is assigned.

(1) Financial instruments measured at fair value in the consolidated balance sheet

	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	**¥52,182**	**¥ —**	**¥ —**	**¥52,182**
Total assets	**52,182**	**—**	**—**	**52,182**
Derivative transactions				
Currency related	**—**	**3,492**	**—**	**3,492**
Commodity derivatives	**—**	**168**	**—**	**168**
Total derivatives	**¥ —**	**¥3,661**	**¥ —**	**¥ 3,661**

	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	**$426,358**	**$ —**	**$ —**	**$426,358**
Total assets	**426,358**	**—**	**—**	**426,358**
Derivative transactions				
Currency related	**—**	**28,531**	**—**	**28,531**
Commodity derivatives	**—**	**1,372**	**—**	**1,372**
Total derivatives	**$ —**	**$29,912**	**$ —**	**$ 29,912**

(2) Financial instruments other than those measured at fair value in the consolidated balance sheet

	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Subsidiaries and affiliates	**¥6,526**	**¥ —**	**¥ —**	**¥ 6,526**
Held-to-maturity debt securities	**—**	**169**	**—**	**169**
Total assets	**6,526**	**169**	**—**	**6,695**
(1) Bonds	**—**	**9,835**	**—**	**9,835**
(2) Long-term borrowings	**—**	**65,642**	**—**	**65,642**
Total liabilities	**¥ —**	**¥75,478**	**¥ —**	**¥75,478**

Tables show ¥ in millions and US$ in thousands.

	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Subsidiaries and affiliates	**$53,321**	**$ —**	**$ —**	**$ 53,321**
Held-to-maturity debt securities	**—**	**1,380**	**—**	**1,380**
Total assets	**53,321**	**1,380**	**—**	**54,702**
(1) Bonds	**—**	**80,357**	**—**	**80,357**
(2) Long-term borrowings	**—**	**536,334**	**—**	**536,334**
Total liabilities	**$ —**	**$616,700**	**$ —**	**$616,700**

(Note) Valuation techniques and inputs used in measuring fair value

Investments in securities

Listed securities are measured using quoted prices. Fair value of listed securities and some of subsidiaries and affiliates are classified as Level 1, because they are traded in active markets.

Held-to-maturity debt securities are classified as Level 2, because their fair values are determined by the total amounts of principal and interest by certain periods using the discounted present value method based on the future cash flows and the interest rate that reflects appropriate indicators, such as yields of national bonds, together with credit spread.

Derivative transactions

Fair values are based on quotes obtained from financial institutions and classified as Level 2.

The fair value of special treatment for interest rate swaps are included in long-term borrowings because they are accounted for as an integral part of long-term borrowings being hedged.

Bonds

Bonds are classified as Level 2, because their fair values are measured by certain periods for the total amount of principal and interest using the discounted present value method based on the future cash flows and the interest rate that reflects appropriate indicators, such as yields of Government bonds, together with credit spread.

Long-term borrowings

Long-term borrowings are classified as Level 2, because their fair values are measured using the discounted present value method based on the total amount of the payment obligations of principal and interests and the interest rates that reflect their remaining period and credit risks.

9. Investments in Securities

Investments in other securities with fair value as of March 31, 2021 and 2022 consist of the following:

	2021		
	Book value	Acquisition cost	Unrealized gains (losses)
Securities with book value exceeding acquisition cost			
Securities	¥55,157	¥18,313	¥36,843
Securities with book value not exceeding acquisition cost			
Securities	499	569	(70)
Total	¥55,656	¥18,883	¥36,772

	2022					
	Book value	Acquisition cost	Unrealized gains (losses)	Book value	Acquisition cost	Unrealized gains (losses)
Securities with book value exceeding acquisition cost						
Securities	**¥50,625**	**¥17,925**	**¥32,699**	**$413,636**	**$146,458**	**$267,170**
Securities with book value not exceeding acquisition cost						
Securities	**1,557**	**1,748**	**(190)**	**12,721**	**14,282**	**(1,552)**
Total	**¥52,182**	**¥19,674**	**¥32,508**	**$426,358**	**$160,748**	**$265,609**

Note: "Acquisition cost" in the above tables are the book value after impairment loss.

Total sale of other securities as of March 31, 2021 and 2022 consist of the following:

	2021	2022	2022
Amount sold	¥3,211	**¥843**	**$6,887**
Total gain on sales	1,359	**688**	**5,621**
Total loss on sales	¥ 6	**¥ —**	**$ —**

Impairment losses on investments in securities are ¥1 million and ¥137 million ($1,119 thousand) for the years ended March 31, 2021 and 2022, respectively.

Tables show ¥ in millions and US$ in thousands.

10. Inventories

Inventories as of March 31, 2021 and 2022 are as follows:

	2021	2022	2022
Merchandise and finished goods	¥30,565	**¥45,734**	**$373,674**
Work-in-process	3,239	**4,022**	**32,862**
Raw materials and supplies	4,784	**6,381**	**52,136**
Total	¥38,588	**¥56,139**	**$458,689**

11. Short-term Borrowings and Long-term Debt

The weighted average interest rate of short-term bank borrowings outstanding as of March 31, 2021 and 2022 is 0.4% and 0.7%, respectively.

Short-term borrowings as of March 31, 2021 and 2022 consist of the following:

	2021	2022	2022
Secured	¥ 140	**¥ 140**	**$ 1,143**
Unsecured	24,068	**32,203**	**263,117**
Total	¥24,208	**¥32,343**	**$264,261**

Long-term debts as of March 31, 2021 and 2022 consist of the following:

	2021	2022	2022
Loans, principally from banks and maturing serially through 2038 with interest ranging from 0.1% to 11.5%			
Secured	¥ 93	**¥ 93**	**$ 759**
Unsecured	69,115	**66,222**	**541,073**
Unsecured bonds			
0.200% bonds, due December 2028	—	**5,000**	**40,853**
0.270% bonds, due December 2031	—	**5,000**	**40,853**
Subtotal	69,208	**76,315**	**623,539**
Current portion of long-term debt	(9,760)	**(11,222)**	**(91,690)**
Total	¥59,447	**¥ 65,093**	**$531,849**

As of March 31, 2021 and 2022, the following assets are pledged as security.

Net book value	2021	2022	2022
Land	¥1,181	**¥ 520**	**$ 4,248**
Buildings and structures	1,057	**678**	**5,539**
Machinery, vehicles, equipment and tools	120	**—**	**—**
Investments in securities	596	**637**	**5,204**
Total	¥2,957	**¥1,837**	**$15,009**

The aggregate annual maturities of long-term debt as of March 31, 2022 are as follows:

Year ending March 31,		
2023	**¥11,298**	**$92,311**
2024	**11,123**	**90,881**
2025	**11,089**	**90,603**
2026	**10,499**	**85,783**
2027 and thereafter	**21,082**	**172,252**
Total	**¥65,093**	**$531,849**

Tables show ¥ in millions and US$ in thousands.

12. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on earnings which, in the aggregate, resulted in a statutory rate of approximately 30.5% for both years ended March 31, 2021 and 2022. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

Deferred tax assets and liabilities consist of the following:

	2021	2022	2022
Deferred tax assets			
Tax loss carryforwards	¥ 833	**¥ 1,287**	**$ 10,515**
Allowance for doubtful accounts	191	**185**	**1,511**
Accrued bonuses	1,610	**1,648**	**13,465**
Net defined benefit liability	1,247	**1,256**	**10,262**
Accrued enterprise taxes	540	**526**	**4,297**
Intercompany profits and write-downs (inventories, investments in securities and fixed assets)	1,569	**1,401**	**11,447**
Loss on valuation of securities	305	**306**	**2,500**
Loss on cancellation of real estate trust	328	**328**	**2,679**
Impairment loss	665	**706**	**5,768**
Other	3,059	**3,243**	**26,497**
Valuation allowance	(2,465)	**(3,280)**	**(26,799)**
Total deferred tax assets	¥ 7,885	**¥ 7,610**	**$ 62,178**
Deferred tax liabilities			
Reserve for advanced depreciation of noncurrent assets	(182)	**(177)**	**(1,446)**
Unrealized gains on securities	(11,075)	**(9,768)**	**(79,810)**
Valuation of assets and liabilities of consolidated subsidiaries on acquisition	(1,285)	**(1,285)**	**(10,499)**
Deferred gains on hedges	(1,021)	**(1,213)**	**(9,910)**
Other	(2,499)	**(2,754)**	**(22,501)**
Total deferred tax liabilities	(16,063)	**(15,199)**	**(124,184)**
Net deferred tax assets	¥ (8,177)	**¥ (7,588)**	**$ (61,998)**

Reconciliation of the differences between the statutory tax rate and the effective tax rate is as follows:

	2021	2022
Statutory tax rate	—	**30.5%**
Permanently nondeductible expenses	—	**1.3**
Permanently nontaxable gain	—	**(0.6)**
Change in valuation allowance	—	**1.8**
Taxation on per capita basis	—	**0.4**
Equity in earnings of nonconsolidated subsidiaries and affiliates	—	**(0.5)**
Retained earnings of foreign consolidated subsidiaries	—	**0.9**
Other	—	**(1.3)**
Effective tax rate	—	**32.5%**

Note: Information for the year ended March 31, 2021 is not provided because the difference between the statutory tax rate and the effective tax rate was less than 5%.

Tables show ¥ in millions and US$ in thousands.

13. Employees' Retirement Benefits

The Company and some domestic consolidated subsidiaries have contributory funded defined benefit pension plans and lump-sum benefit plans, and some domestic and overseas consolidated subsidiaries have defined contribution plans. In addition, the Company has defined contribution corporate pension plan.

1. Defined benefit plans

(1) Movement in retirement benefit obligations

	2021	2022	2022
Balance as of April 1,	¥21,812	**¥22,661**	**$185,154**
Service cost	1,668	**1,625**	**13,277**
Interest cost	170	**175**	**1,429**
Actuarial loss (gain)	(27)	**(100)**	**(817)**
Benefits paid	(933)	**(1,277)**	**(10,433)**
Other	(28)	**2**	**16**
Balance as of March 31,	¥22,661	**¥23,086**	**$188,626**

(2) Movements in plan assets

	2021	2022	2022
Balance as of April 1,	¥17,342	**¥19,241**	**$157,210**
Expected return on plan assets	303	**339**	**2,769**
Actuarial loss (gain)	817	**(220)**	**(1,797)**
Contributions paid by the employer	1,228	**1,124**	**9,183**
Benefits paid	(552)	**(756)**	**(6,176)**
Other	102	**30**	**245**
Balance as of March 31,	¥19,241	**¥19,758**	**$161,434**

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	2021	2022	2022
Funded retirement benefit obligations	¥ 16,806	**¥ 17,009**	**$ 138,973**
Plan assets	(19,241)	**(19,758)**	**(161,434)**
	(2,435)	**(2,749)**	**(22,460)**
Unfunded retirement benefit obligations	5,854	**6,077**	**49,652**
Total net defined benefit liability as of March 31,	3,419	**3,327**	**27,183**
Net defined benefit liability	5,470	**5,524**	**45,134**
Net defined benefit asset	(2,051)	**(2,197)**	**(17,950)**
Total net defined benefit liability as of March 31,	¥ 3,419	**¥ 3,327**	**$ 27,183**

(4) Retirement benefit costs

	2021	2022	2022
Service cost	¥1,668	**¥1,625**	**$13,277**
Interest cost	170	**175**	**1,429**
Expected return on plan assets	(303)	**(339)**	**(2,769)**
Amortization of actuarial differences	15	**(76)**	**(620)**
Amortization of prior service cost	99	**—**	**—**
Other	(102)	**(30)**	**(245)**
Total retirement benefit costs for the year ended March 31,	¥1,547	**¥1,353**	**$11,054**

(5) Remeasurements of defined benefit plans

	2021	2022	2022
Prior service cost	¥ 99	**¥ —**	**$ —**
Actuarial differences	859	**(196)**	**(1,601)**
Total balance as of March 31,	¥959	**¥(196)**	**$(1,601)**

Tables show ¥ in millions and US$ in thousands.

(6) Accumulated remeasurements of defined benefit plans

	2021	2022	2022
Unrecognized prior service cost	¥ —	¥ —	$ —
Unrecognized actuarial differences	(875)	(678)	(5,539)
Total balance as of March 31,	¥(875)	¥(678)	$(5,539)

(7) Plan assets

(i) Plan assets comprise

	2021	2022
Bonds	52.1%	51.9%
Equity securities	21.5%	21.1%
Cash and cash equivalents	2.2%	3.1%
General account	22.6%	21.5%
Other	1.6%	2.4%
Total	100.0%	100.0%

(ii) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions are set forth below:

	2021	2022
Discount rate	1.0%	1.0%
Expected return on plan assets	0.0–2.2%	0.0–2.2%
Expected rate of salary increase	4.6–7.9%	4.6–7.8%

2. Defined contribution plans

The Company and some domestic consolidated subsidiaries expended ¥372 million and ¥492 million ($4,019 thousand) on contributions for defined contribution plans for the years ended March 31, 2021 and 2022, respectively.

3. Multi-employer pension plans

The funded status of the multi-employer pension plans as of March 31, 2020 and 2021 (based on information available as of March 31, 2021 and 2022) to which contributions were recorded as net periodic retirement benefit costs is as follows:

	2021	2022	2022
Fair value of plan assets	¥17,293	¥19,234	$157,153
Total of actuarial liabilities and minimum reserves in the calculation of pension financing	15,854	17,018	139,047
Difference	¥ 1,439	¥ 2,216	$ 18,106

The contribution ratio of the Companies to the multi-employer pension plans from April 1, 2019 to March 31, 2020 and from April 1, 2020 to March 31, 2021 was 8.8% and 7.7%, respectively. Some domestic consolidated subsidiaries expended ¥48 million and ¥54 million ($441 thousand) on contributions for the multi-employer pension plans for the years ended March 31, 2021 and 2022, respectively.

14. Contingent Liabilities

Contingent liabilities as of March 31, 2021 and 2022 are as follows:

	2021	2022	2022
Notes receivable discounted	¥—	¥182	$1,487
Notes receivable endorsed	12	—	—
Total	¥12	¥182	$1,487

	2021	2022	2022
Guarantees of loans made by:			
Nonconsolidated subsidiaries and affiliates	¥61	¥51	$416
Other	2	1	8
Total	¥63	¥52	$424

15. Leases

As lessee

Future minimum lease payments under noncancelable operating leases as of March 31, 2021 and 2022 are as follows:

	2021	2022	2022
Due within 1 year	¥ 2,205	¥ 2,142	$ 17,501
Due over 1 year	14,583	12,980	106,054
Total	¥16,788	¥15,122	$123,555

As Lessor

Lease investment assets as of March 31, 2021 and 2022 are as follows:

	2021	2022	2022
Amount of lease payments receivable	¥1,334	¥1,276	$10,425
Estimated residual value	—	—	—
Amount equivalent to interest receivable	(140)	(136)	(1,111)
Lease investment assets	¥1,193	¥1,140	$ 9,314

The collection schedule for lease payments from lease investment assets after March 31, 2022 is as follows:

Year ending March 31,		
2023	¥ 401	$ 3,276
2024	332	2,712
2025	243	1,985
2026	147	1,201
2027	83	678
2028 and thereafter	68	555
Total	¥1,276	$10,425

Future minimum lease receipts from noncancelable operating lease transactions as of March 31, 2021 and 2022 are as follows:

	2021	2022	2022
Due within 1 year	¥149	¥166	$1,356
Due over 1 year	198	247	2,018
Total	¥348	¥414	$3,382

Tables show ¥ in millions and US$ in thousands.

16. Impairment Loss on Fixed Assets

The Companies reduced the book value of a portion of their idle assets and fixed assets and recognized the reduced amount as impairment loss.

(Method of grouping)
The Companies group assets based on operating segments for which the Companies reviewed performance and profitability regularly. Idle assets not in operation and rental assets are treated individually.

Impairment losses recognized for the years ended March 31, 2021 and 2022 are as follows:

	2021	2022	2022
Land	¥49	**¥129**	**$1,054**
Total	¥49	**¥129**	**$1,054**

17. Derivative Transactions

Derivative transactions to which hedge accounting is not applied

Currency related transactions

	2021			
	Contract amount	Contract amount over 1 year	Fair value	Valuation gain (loss)
Foreign exchange forward contracts				
To sell				
U.S. dollars	¥ 355	¥ —	¥ 1	¥ 1
Other currencies	107	—	(0)	(0)
To buy				
U.S. dollars	2,027	—	(63)	(63)
Other currencies	810	—	(9)	(9)
	¥3,300	¥ —	¥(70)	¥(70)

	2022							
	Contract amount	Contract amount over 1 year	Fair value*	Valuation gain (loss)	Contract amount	Contract amount over 1 year	Fair value*	Valuation gain (loss)
Foreign exchange forward contracts								
To sell								
U.S. dollars	**¥ 797**	**¥ —**	**¥(18)**	**¥(18)**	**$ 6,511**	**$ —**	**$(147)**	**$(147)**
Other currencies	**619**	**—**	**(2)**	**(2)**	**5,057**	**—**	**(16)**	**(16)**
To buy								
U.S. dollars	**2,830**	**—**	**(27)**	**(27)**	**23,122**	**—**	**(220)**	**(220)**
Other currencies	**640**	**—**	**(9)**	**(9)**	**5,229**	**—**	**(73)**	**(73)**
	¥4,887	**¥ —**	**¥(57)**	**¥(57)**	**$39,929**	**$ —**	**$(465)**	**$(465)**

Tables show ¥ in millions and US$ in thousands.

Derivative transactions to which hedge accounting is applied
(1) Currency related transactions

	2021			
	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Principle method / Allocation method Foreign exchange forward contracts	Foreign exchange forward transactions			
Foreign exchange forward contracts				
To sell				
U.S. dollars		¥ 1,990	¥ —	¥ 9
Other currencies		1,794	—	(30)
To buy				
U.S. dollars		23,316	11,440	2,900
Other currencies		537	—	12
Allocation method Foreign exchange forward contracts				
To sell				
U.S. dollars	Accounts receivable	3,350	—	(120)
Other currencies	Accounts receivable	783	—	(26)
To buy				
U.S. dollars	Accounts payable	1,292	—	23
Other currencies	Accounts payable	128	—	3
		¥33,192	¥11,440	¥2,773

	2022							
	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Principle method / Allocation method Foreign exchange forward contracts	**Foreign exchange forward transactions**				**Foreign exchange forward transactions**			
Foreign exchange forward contracts								
To sell								
U.S. dollars		**¥14,529**	**¥ 3,100**	**¥ (400)**		**$118,710**	**$25,328**	**$ (3,268)**
Other currencies		**1,678**	**—**	**(79)**		**13,710**	**—**	**(645)**
To buy								
U.S. dollars		**26,528**	**8,939**	**3,986**		**216,749**	**73,037**	**32,568**
Other currencies		**808**	**—**	**43**		**6,601**	**—**	**351**
Allocation method Foreign exchange forward contracts								
To sell								
U.S. dollars	**Accounts receivable**	**6,014**	**—**	**(243)**	**Accounts receivable**	**49,138**	**—**	**(1,985)**
Other currencies	**Accounts receivable**	**418**	**—**	**(39)**	**Accounts receivable**	**3,415**	**—**	**(318)**
To buy								
U.S. dollars	**Accounts payable**	**2,174**	**—**	**98**	**Accounts payable**	**17,762**	**—**	**800**
Other currencies	**Accounts payable**	**119**	**—**	**1**	**Accounts payable**	**972**	**—**	**8**
		¥52,272	**¥12,040**	**¥3,367**		**$427,093**	**$98,374**	**$27,510**

Tables show ¥ in millions and US$ in thousands.

(2) Commodity related transactions

	2021			
	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method				
Commodity Derivatives variable receipt/fixed payment	Commodity purchase transactions	¥1,734	¥ —	¥465
		¥1,734	¥ —	¥465

	2021							
	Major hedged items	Contract amount	Contract amount over 1 year	Fair value	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method								
Commodity Derivatives variable receipt/fixed payment	**Commodity purchase transactions**	**¥789**	**¥ —**	**¥168**	**Commodity purchase transactions**	**$6,446**	**$ —**	**$1,372**
		¥789	**¥ —**	**¥168**		**$6,446**	**$ —**	**$1,372**

(3) Interest related transactions

Interest rate swap contracts have not been presented as of March 2021 and 2022.

18. Earnings Per Share

The basis of calculating net income per share for the years ended March 31, 2021 and 2022 is as follows:

	2021	**2022**	**2022**
Net income	¥23,030	**¥29,964**	**$244,823**
Net income attributable to common stockholders	23,030	**29,964**	**244,823**
Net income not attributable to common stockholders	¥ —	**¥ —**	**$ —**

		(Thousands)
Weighted average number of shares outstanding	53,764	**57,516**

*Diluted net income per share has not been presented for the year ended March 31, 2021 and 2022 because the Company had no potential ordinary share outstanding as of the balance sheet date.

As described in Note 4, "Changes in accounting policies," the Company and its consolidated subsidiaries retrospectively adopted the Revenue Recognition Standards for the current consolidated fiscal year, and the consolidated financial statements for the prior consolidated fiscal years were modified retrospectively. As a result, in comparison with the amounts that would have been reported without the retrospective application, net income per share for the previous consolidated fiscal year decreased by ¥3.29.

19. Net Assets

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus. Under the Japanese Corporate Law ("the Law"), in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve and additional paid-in capital may not be distributed as dividends. By the resolution of shareholders' meeting, legal earnings reserve and additional paid-in capital may be transferred to other retained earnings and capital surplus, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with the Law. Cash dividends charged to retained earnings during the 2 years ended March 31, 2022 represent dividends paid out during those periods. The accompanying consolidated financial statements do not include any provision for the year-end dividend of ¥85 ($0.69) per share, aggregating to ¥4,893 million ($39,978 thousand), which was approved at the Company's shareholders' meeting on June 22, 2022 in respect to the year ended March 31, 2022.

20. Expenses for Research and Development

Research and development expenses charged to selling, general and administrative expenses for the years ended March 31, 2021 and 2022 were ¥2,261 million and ¥1,917 million ($15,663 thousand), respectively.

Tables show ¥ in millions and US$ in thousands.

21. Other Income (Expenses)

Other, net consisted of the following:

	2021	2022	2022
Gain (loss) on sales of investments in securities	¥1,353	**¥ 688**	**$ 5,621**
Loss on valuation of investments in securities	(1)	**(137)**	**(1,119)**
Gain (loss) on sales and disposals of fixed assets	(114)	**(685)**	**(5,596)**
Foreign exchange gains (losses)	136	**269**	**2,197**
Subsidy income	1,909	**1,771**	**14,470**
Outsourcing service income	610	**888**	**7,255**
Loss on reduction of noncurrent assets	(771)	**(77)**	**(629)**
Product compensation expenses	(585)	**(181)**	**(1,478)**
Loss on sales of golf club membership	—	**(24)**	**(196)**
Other, net	1,994	**2,112**	**17,256**
Total	¥4,533	**¥4,623**	**$37,772**

22. Revenue Recognition

1. Information that disaggregates revenue from contracts with customers

	2022						
	Reportable Segments					Others	Total
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal		
Japan	**¥315,731**	**¥137,834**	**¥118,383**	**¥23,329**	**¥595,278**	**¥3,424**	**¥598,703**
East Asia	**11,044**	**31,796**	**13,290**	**44**	**56,175**	**170**	**56,345**
Southeast Asia	**36**	**11,160**	**9,887**	**2**	**21,087**	**—**	**21,087**
Others	**363**	**3,540**	**9,413**	**—**	**13,317**	**—**	**13,317**
Revenue from contracts with customers	**327,175**	**184,332**	**150,974**	**23,376**	**685,858**	**3,595**	**689,453**
Other revenue	**—**	**—**	**—**	**—**	**—**	**938**	**938**
Net sales to outside customers	**¥327,175**	**¥184,332**	**¥150,974**	**¥23,376**	**¥685,858**	**¥4,534**	**¥690,392**

	2022						
	Reportable Segments					Others	Total
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal		
Japan	**$2,579,712**	**$1,126,186**	**$ 967,260**	**$190,611**	**$4,863,779**	**$27,976**	**$4,891,764**
East Asia	**90,236**	**259,792**	**108,587**	**359**	**458,983**	**1,389**	**460,372**
Southeast Asia	**294**	**91,183**	**80,782**	**16**	**172,293**	**—**	**172,293**
Others	**2,965**	**28,923**	**76,909**	**—**	**108,807**	**—**	**108,807**
Revenue from contracts with customers	**2,673,216**	**1,506,103**	**1,233,548**	**190,995**	**5,603,872**	**29,373**	**5,633,246**
Other revenue	**—**	**—**	**—**	**—**	**—**	**7,664**	**7,664**
Net sales to outside customers	**$2,673,216**	**$1,506,103**	**$1,233,548**	**$190,995**	**$5,603,872**	**$37,045**	**$5,640,918**

*1 "Others" is an operating segment not included in reportable segments. "Others" represents businesses in finance, insurance, transportation, information processing, etc.
*2 Main countries and regions outside Japan are grouped as follows:
(1) East Asia .... China, Taiwan, South Korea
(2) Southeast Asia ..... Singapore, Thailand, Malaysia, Indonesia, Vietnam
(3) Others .... United States, Australia

2. Revenues from contracts with customers

Information for understanding revenues is provided in Note 2(14), "Summary of Major Accounting Policies – Accounting policy for recognition of significant revenues and expenses."

3. Revenue in the current and subsequent consolidated fiscal years

(1) Receivables from contracts with customers and contract liabilities

Contract liabilities relate mainly to advances received from customers from the obligation to transfer goods or services to customers. They are included in "Other" under current liabilities in the accompanying consolidated financial statements. The contractual liability balances recorded at the beginning of the period are generally recognized as revenue within 1 year. The balances of receivables from contracts with customers and contract liabilities were as follows.

	2022	2022
Receivables from contracts with customers (opening balance)	**¥128,767**	**$1,052,103**
Receivables from contracts with customers (closing balance)	**151,490**	**1,237,764**
Contract liabilities (opening balance)	**4,207**	**34,373**
Contract liabilities (closing balance)	**¥ 4,286**	**$ 35,019**

Tables show ¥ in millions and US$ in thousands.

(2) The transaction prices allocated to remaining performance obligations

The Company and its consolidated subsidiaries have no significant transactions with expected contract terms exceeding 1 year. In addition, there are no material amounts of consideration arising from contracts with customers that are not included in the transaction price. The practical expedient method is applied in the notes to the transaction prices allocated to the remaining performance obligations, and the contracts are not included in the notes because the expected term of the contracts is less than 1 year at the outset.

23. Segment Information

1. General information about reportable segments

The Company's reportable segments are regularly reviewed by the Board of Directors using the financial information available within each segment to determine the allocation of management resources and evaluate business results. The Company maintains commercial divisions classified by merchandise and products. Each commercial division develops comprehensive business strategies for Japan and the world. Therefore, the Company is organized by operating segments which are classified by merchandise, products and sales channels based on commercial divisions.

The main products of the four reportable segments were as follows:

(1) Energy: LPG for household, commercial and industrial use, LPG supply equipment and facilities, LNG, petroleum products, household kitchen appliances, home energy components, Ene farm, GHP, daily necessities, portable cooking stoves, gas canisters, mineral water, health foods, electricity, etc.

(2) Industrial Gases & Machinery: air-separation gases, hydrogen, helium, other specialty gases, gas supply facilities, welding materials, welding and cutting equipment, industrial robots, pumps and compressors, facilities for hydrogen stations, disaster prevention equipment, high-pressure gas containers, semiconductor manufacturing equipment, electronic component manufacturing equipment, factory automation systems, medicine and food packing machinery, environmental equipment, etc.

(3) Materials: PET resins, general-purpose resins, biomass fuel, secondary battery materials, electronic display film, semiconductor materials, mineral sand, rare earth, ceramics materials, stainless steel, aluminum, etc.

(4) Agri-bio & Foods: frozen foods, chilled foods, agricultural equipments, agricultural materials, livestock related goods, etc.

2. Basis of measurement for reported segment profit and loss, segment assets and other material items by reportable segment

Accounting methods for reportable segments are basically the same as the accounting methods described in Note 2 "Summary of Major Accounting Policies." Income by reportable segment is equivalent to operating income. Intersegment sales and transfers are based on market values.

As described in Note 4, "Changes in Accounting Policies, " the Company and its consolidated subsidiaries changed accounting treatment for revenue recognition by adopting the Revenue Recognition Standards from the consolidated financial statements of the current consolidated fiscal year and accordingly changed the measurement methods for profits or losses of operating segments in the same manner.

Due to the such a change, in comparison with the amounts that would have been reported with the previous method, sales and profit of the "Energy" segment in the prior consolidated fiscal year decreased by ¥42,427 million and ¥464 million, respectively, the "Industrial Gases & Machinery" segment decreased by ¥2,557 million and ¥75 million, respectively, the "Materials" segment decreased by ¥24,706 million and ¥93 million, respectively, and the "Agri-bio & Foods" segment decreased by ¥3,675 million and ¥0 million, respectively.

3. Information related to sales, operating income (loss), assets and other items by reportable segment

	2020								
	Reportable Segments					Others*1	Total	Adjustments*2	Consolidated statements of operations*3
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal				
Net sales									
Outside customers	¥253,721	¥172,084	¥111,761	¥20,310	¥557,877	¥ 4,345	¥562,223	¥ —	¥562,223
Intersegment	5,373	3,186	1,498	34	10,092	21,329	31,422	(31,422)	—
Total	259,095	175,271	113,259	20,344	567,970	25,675	593,645	(31,422)	562,223
Segment income	¥ 16,862	¥ 9,880	¥ 4,693	¥ 831	¥ 32,268	¥ 1,481	¥ 33,749	¥ (4,397)	¥ 29,352
Segment assets	¥183,336	¥138,663	¥ 70,850	¥10,474	¥403,324	¥49,313	¥452,638	¥ 59,377	¥512,015
Other items:									
Depreciation and amortization	¥ 5,369	¥ 6,737	¥ 1,610	¥ 200	¥ 13,917	¥ 4,505	¥ 18,423	¥ 1,704	¥ 20,128
Impairment loss on fixed assets	0	0	—	—	1	—	1	48	49
Amortization of goodwill	2,242	812	27	—	3,082	—	3,082	—	3,082
Increase in fixed assets and intangible assets	9,864	8,507	2,041	877	21,291	6,830	28,121	2,699	30,820

Tables show ¥ in millions and US$ in thousands.

	2022								
	Reportable Segments					Others*1	Total	Adjustments*2	Consolidated statements of operations*3
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal				
Net sales									
Outside customers	**¥327,175**	**¥184,332**	**¥150,974**	**¥23,376**	**¥685,858**	**¥ 4,534**	**¥690,392**	**¥ —**	**¥690,392**
Intersegment	**4,991**	**3,063**	**1,659**	**50**	**9,764**	**22,798**	**32,563**	**(32,563)**	**—**
Total	**332,167**	**187,396**	**152,634**	**23,426**	**695,623**	**27,332**	**722,955**	**(32,563)**	**690,392**
Segment income	**¥ 22,655**	**¥ 12,467**	**¥ 7,255**	**¥ 675**	**¥ 43,053**	**¥ 1,469**	**¥ 44,523**	**¥ (4,446)**	**¥ 40,076**
Segment assets	**¥203,388**	**¥146,176**	**¥ 93,282**	**¥14,558**	**¥457,405**	**¥63,351**	**¥520,756**	**¥ 37,723**	**¥558,479**
Other items:									
Depreciation and amortization	**¥ 5,537**	**¥ 6,830**	**¥ 1,698**	**¥ 201**	**¥ 14,266**	**¥ 5,100**	**¥ 19,367**	**¥ 1,743**	**¥ 21,111**
Impairment loss on fixed assets	**125**	**—**	**—**	**—**	**125**	**—**	**125**	**3**	**129**
Amortization of goodwill	**2,363**	**390**	**13**	**—**	**2,767**	**—**	**2,767**	**—**	**2,767**
Increase in fixed assets and intangible assets	**5,901**	**9,918**	**1,485**	**1,224**	**18,529**	**7,385**	**25,915**	**3,647**	**29,563**

	2022								
	Reportable Segments					Others*1	Total	Adjustments*2	Consolidated statements of operations*3
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal				
Net sales									
Outside customers	**$2,673,216**	**$1,506,103**	**$1,233,548**	**$190,995**	**$5,603,872**	**$ 37,045**	**$5,640,918**	**$ —**	**$5,640,918**
Intersegment	**40,779**	**25,026**	**13,555**	**408**	**79,777**	**186,273**	**266,059**	**(266,059)**	**—**
Total	**2,714,004**	**1,531,138**	**1,247,111**	**191,404**	**5,683,658**	**223,318**	**5,906,977**	**(266,059)**	**5,640,918**
Segment income	**$ 185,104**	**$ 101,862**	**$ 59,277**	**$ 5,515**	**$ 351,768**	**$ 12,002**	**$ 363,779**	**$ (36,326)**	**$ 327,445**
Segment assets	**$1,661,802**	**$1,194,345**	**$ 762,170**	**$118,947**	**$3,737,274**	**$517,615**	**$4,254,890**	**$ 308,219**	**$4,563,109**
Other items:									
Depreciation and amortization	**$ 45,240**	**$ 55,805**	**$ 13,873**	**$ 1,642**	**$ 116,561**	**$ 41,670**	**$ 158,240**	**$ 14,241**	**$ 172,489**
Impairment loss on fixed assets	**1,021**	**—**	**—**	**—**	**1,021**	**—**	**1,021**	**24**	**1,054**
Amortization of goodwill	**19,307**	**3,186**	**106**	**—**	**22,608**	**—**	**22,608**	**—**	**22,608**
Increase in fixed assets and intangible assets	**48,214**	**81,036**	**12,133**	**10,000**	**151,393**	**60,339**	**211,741**	**29,798**	**241,547**

*1 "Others" is an operating segment not included in reportable segments. "Others" represents businesses in finance, insurance, transportation, information processing, etc.
*2 Adjustments are as follows:
(1) Adjustments for segment income include companywide expenses not allocated to each segment and the elimination of intersegment transactions.
(2) Adjustments for segment assets is mainly assets in cash, deposits and investments in securities of the Company along with general and administrative departments of the Company.
(3) Adjustments for depreciation and amortization are mainly depreciation and amortization for general and administrative departments of the Company.
(4) Adjustments for impairment loss on fixed assets are mainly impairment loss within the general and administrative departments of the Company.
(5) Adjustments for increases in fixed assets and intangible assets are increases in fixed assets and intangible assets for general and administrative departments of the Company.
(6) "Depreciation and amortization" and "Increase in fixed assets and intangible assets" include long-term prepaid expenses and their amortization.
*3 Segment income is adjusted with operating income of the consolidated statements of income.

(Related Information)

1. Information about products and services

Since the segments' products and services are the same as those for the reportable segments, information for products and services is omitted.

2. Information about geographic areas

(1) Net sales

2021				
Tangible fixed	East Asia	Southeast Asia	Others	Total
¥485,427	¥47,158	¥16,739	¥12,897	¥562,223

2022				
Japan	East Asia	Southeast Asia	Others	Total
¥599,642	**¥56,345**	**¥21,087**	**¥13,317**	**¥690,392**

2022				
Japan	East Asia	Southeast Asia	Others	Total
$4,899,436	**$460,372**	**$172,293**	**$108,807**	**$5,640,918**

*1 Net sales are classified by country or region based on customer locations.
*2 Main countries and regions outside Japan are grouped as follows:
(1) East Asia .... China, Taiwan, South Korea
(2) Southeast Asia ..... Singapore, Thailand, Malaysia, Indonesia, Vietnam
(3) Others .... United States, Australia

(2) Tangible fixed assets

2022				
Japan	East Asia	Southeast Asia	Others	Total
¥162,534	**¥6,823**	**¥6,050**	**¥10,339**	**¥185,747**

2022				
Japan	East Asia	Southeast Asia	Others	Total
$1,328,000	**$55,748**	**$49,432**	**$84,475**	**$1,517,664**

Tables show ¥ in millions and US$ in thousands.

Information for the year ended March 31, 2021 is omitted. Because the tangible fixed assets in Japan accounted for over 90% of tangible fixed assets on the consolidated balance sheets.

3. Information about major customers

Since there is no customer to which sales accounted for 10% or more of the net sales on the consolidated statements of income, information by major customer is omitted.

(Information on amortization of goodwill and unamortized balance by reportable segment)

	2021							
	Reportable Segments					Others*	Corporate assets and elimination	Total
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal			
Goodwill								
Amortization	¥ 2,242	¥ 812	¥27	¥ —	¥ 3,082	¥ —	¥ —	¥ 3,082
Balance at end of year	12,461	1,316	13	—	13,791	—	—	13,791

	2022							
	Reportable Segments					Others*	Corporate assets and elimination	Total
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal			
Goodwill								
Amortization	**¥ 2,363**	**¥390**	**¥13**	**¥ —**	**¥ 2,767**	**¥ —**	**¥ —**	**¥ 2,767**
Balance at end of year	**11,254**	**975**	**—**	**—**	**12,229**	**—**	**—**	**12,229**

	2022							
	Reportable Segments					Others*	Corporate assets and elimination	Total
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal			
Goodwill								
Amortization	**$19,307**	**$3,186**	**$106**	**$ —**	**$22,608**	**$ —**	**$ —**	**$22,608**
Balance at end of year	**91,951**	**7,966**	**—**	**—**	**99,918**	**—**	**—**	**99,918**

*"Others" is an operating segment not included in reportable segments. "Others" represents business in finance, insurance, transportation, information processing, etc.

(Information on gain on bargain purchase by reportable segment)

There is no significant gain on bargain purchase to report.

24. Significant Subsequent Events

1. Acquisition of a company by acquiring shares

At the meeting of the Board of Directors held on January 28, 2022, the Company resolved to acquire all shares of Tokico System Solutions, Ltd. Based on this resolution, the Company entered into a share transfer agreement with Polaris Capital Group Co., Ltd. and on the same date and acquired all the shares as of April 1, 2022.

(1) Outline of the business combination

(i) Name of the acquiree

Tokico System Solutions, Ltd.

(ii) Business description

Energy station construction business
Engineering business
Environmental business
Maintenance service business
Medical equipment business
Various products

(iii) Scale

Common stock: ¥2.5 billion
Net sales: ¥21.2 billion (year ended March 31, 2021)

(iv) Main reason for the business combination

Tokico System Solutions, Ltd. is an industrial and energy infrastructure related company with technologies for measuring and controlling "Fluids," such as fuel oil and various gases, with a solid business foundation in the manufacture and sale of industrial flow meters and other products as well as expertise in the construction of energy stations and other facilities. It is also one of Japan's leading companies supporting hydrogen supply infrastructure, with strength in the development, manufacture, and sale of hydrogen dispensers for fuel cell vehicles (FCVs).

The Company has decided to acquire the shares of this company based on our judgment that further business expansion can be expected through the synergies to be generated by the collaboration of this company's manufacturer and engineering functions, products, services, and solutions in a wide range of areas and our energy and hydrogen business.

Tables show ¥ in millions and US$ in thousands.

(v) Date of business combination
April 1, 2022

(vi) Legal form of business combination
Share acquisition with cash consideration

(vii) Name of the acquiree after the business combination
There is no change

(viii) Ratio of voting rights acquired
100%

(ix) Main grounds for determining the acquirer
The Company acquired the shares in exchange for cash

(2) Breakdown of acquisition cost and type of consideration for the acquiree

Cash consideration for acquisition: ¥16,819 million ($137,421 thousand)
Acquisition cost: ¥16,819 million ($137,421 thousand)

(3) Description and amounts of major acquisition related expenses

Advisory fees and commissions, etc.: ¥284 million ($2,320 thousand)

(4) Amount of goodwill incurred, reason, amortization method and period

Not determined at the time of issue of the financial statements

(5) Amount of assets and liabilities acquired and their major breakdown

Not determined at the time of issue of the financial statements

2. Acquisition of a company by acquiring shares

At the meeting of the Board of Directors held on April 25, 2022, the Company resolved to acquire all shares of Tokyo Gas Energy Co., Ltd. held by Tokyo Gas Liquid Holdings Co., Ltd. and INPEX CORPORATION, and to acquire 49% of the shares of Tokyo Gas LPG Terminal Co., Ltd. held by Tokyo Gas Liquid Holdings Co., Ltd. Based on this resolution, the Company entered into a share transfer agreement on the same date and acquired the shares as of June 1, 2022.

(1) Outline of the business combination

(i) Name, business description and scale of the acquiree

Name	Tokyo Gas Energy Co., Ltd.	Tokyo Gas LPG Terminal Co., Ltd.
Business Description	Wholesale of LPG Direct sales of LPG Sales of LPG for automobiles Other (sales of gas appliances, installation of facilities, etc.)	LPG storage and shipping business
Scale	Common stock: ¥1 billion Net sales: ¥21.6 billion (year ended March 31, 2021)	Common stock: ¥1 billion Net sales: ¥5 billion (year ended March 31, 2021)

(ii) Main reason for the business combination
Since its establishment in 1960 as an LPG sales company of Tokyo Gas Co., Ltd., Tokyo Gas Energy Co., Ltd. has built an LPG supply network in the Kanto and Tokyo metropolitan areas, supplying LPG to residential and industrial customers. In addition, under the Enelife brand, the company has built a sales network in cooperation with distributors. Through this share acquisition, Tokyo Gas Energy Co., Ltd. which has concentrated its business in the Kanto and Tokyo metropolitan areas, will become a member of our group, which operates LPG business nationwide, thereby greatly expanding our business scale in the greater Kanto area. Furthermore, the Company has decided that the acquisition of shares in this company is expected to generate a variety of synergies, including not only a stable supply of LPG, but also increased sales efficiency, streamlined logistics, and operational efficiency by strengthening cooperation between the gas procurement, wholesale, and product sales functions of the two companies.

(iii) Date of business combination
June 1, 2022

(iv) Legal form of business combination
Share acquisition with cash consideration

(v) Name of the acquiree after business combination
ENELIFE CORPORATION
(The trade name was changed from Tokyo Gas Energy Co., Ltd. on June 1, 2022)
NEGISHI LIQUEFIED GAS TERMINAL CORPORATION
(The trade name was changed from Tokyo Gas LPG Terminal Co., Ltd. on June 1, 2022)

(vi) Ratio of voting rights acquired
Tokyo Gas Energy Co., Ltd.: 100%
Tokyo Gas LPG Terminal Co., Ltd.: 100% (51% indirectly held)

(vii) Main grounds for determining the acquirer
The Company acquired the shares in exchange for cash.

(2) Breakdown of acquisition cost and type of consideration for the acquiree

Cash consideration for acquisition: ¥5,385 million ($43,998 thousand)
Acquisition cost: ¥5,385 million ($43,998 thousand)

(3) Description and amounts of major acquisition related expenses

Advisory fees and commissions, etc.: ¥104 million ($849 thousand)

(4) Amount of goodwill incurred, reason, amortization method and period

Not determined at the time of issue of the financial statements

(5) Amount of assets and liabilities acquired and their major breakdown

Not determined at the time of issue of the financial statements

Independent auditor's Report

To the Board of Directors of Iwatani Corporation:

Opinion

We have audited the accompanying consolidated financial statements of Iwatani Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

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.

Appropriateness of the Company's determination of the accounting period in which revenue was recognized	
The key audit matter	**How the matter was addressed in our audit**
As described in the Notes to consolidated Financial Statements - Note 23. "Segment Information, 3. Information related to sales, operating income (loss), assets and other items by reportable segment," the Group's net sales to external customers by segment amounted to ¥327,175 million for Energy, ¥184,332 million for Industrial Gases & Machinery, ¥150,974 million for Materials, ¥23,376 million for Agri-bio & Foods, and ¥4,534 million for other businesses. The Company's net sales accounted for a significant portion of each of these sales amounts. Under the core principles of the Revenue Recognition Standards, entities shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the	The primary procedures we performed to assess whether revenue was recognized in the appropriate accounting period included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of recognizing revenue. In this assessment, we focused our testing on controls used to ensure that revenue is recognized for each transaction based on supporting documents evidencing that a performance obligation was satisfied. (2) Assessment of whether revenue was recognized in the appropriate accounting period

<table>
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<td>consideration to which the entities expect to be entitled in exchange for those goods or services.

As described in Note 2. “Summary of Major Accounting Policies, (14) Accounting policy for recognition of significant revenues and expenses,” the Company recognizes revenue from the sale of products and goods at the time of delivery as the performance obligations are deemed to be satisfied upon delivery. However, for sales of products and goods in Japan, the Group recognizes revenue at the time of shipment when control is transferred to the customer within a normal period of time.

In this regard, there is a potential risk that revenue from sales may be recognized at a time when performance obligations are not yet satisfied for the following reasons:

● The Company sells a wide variety of goods to a number of different customers, including domestic consumers, domestic small and medium-sized businesses to large-scale corporations, and overseas enterprises. Accordingly, there are various types of sales contracts; and

● A certain degree of pressure exists to achieve the Medium-term Management Plan, or “PLAN23,” covering the periods through the fiscal year ending March 31, 2024.

We, therefore, determined that our assessment of the appropriateness of the Company’s determination of which accounting period revenue was recognized was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</td>
<td>In order to assess whether revenue was recognized in the appropriate accounting period, we performed the following procedures among others:

● We selected sales transactions that had a higher risk of exception using various analyses, including a budget vs. actual results analysis and a unit price analysis, and traced selected transactions to the supporting documents evidencing that the performance obligation for the transaction was satisfied; and

● We analyzed sales transactions for any unusual items, such as those recorded before the year-end but subsequently reversed after the year-end.</td>
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<td colspan="2">Appropriateness of the Group’s adoption of the Revenue Recognition Standards</td>
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<tr>
<th>The key audit matter</th>
<th>How the matter was addressed in our audit</th>
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<tr>
<td>As described in the Notes to Consolidated Financial Statements - Note 4.“Changes in accounting policies, (1) Adoption of the Accounting Standard for Revenue Recognition,” the Group has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30) (together referred to as the Revenue Recognition Standards) from the beginning of the fiscal year ended March 31, 2022 and retrospectively modified the consolidated financial statements for the previous fiscal year.

The Note discloses the effect of the retrospective application of the Revenue Recognition Standards to</td>
<td>The primary procedures we performed to assess whether the Group’s adoption of the Revenue Recognition Standards were appropriate included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Group’s internal controls to appropriately identify transactions that are affected by differences from the previous standard by adopting the Revenue Recognition Standards.

(2) Assessment of the appropriateness of adoption of the Revenue Recognition Standards</td>
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</table>

the consolidated financial statements for the previous fiscal year, including decreases in net sales by ¥73,366 million, cost of sales by ¥72,732 million, operating income by ¥633 million, and income before income taxes by ¥254 million and net income attributable to owners of parent by ¥176 million, as well as an increase in retained earnings in the consolidated statements of changes in net assets by ¥1,912 million, reflecting the beginning balance of retained earnings in the previous fiscal year. Adoption of the Revenue Recognition Standards is expected to have a pervasive effect on the consolidated financial statements of the Group and is expected to be material in amount for the following reasons: ● Since the Group sells a wide variety of products and goods and there are various types of sales contracts, the Group needs to individually evaluate the terms and conditions of each contract as to what goods and services in the contracts with customers are identified and when the performance obligations are satisfied; and ● Many changes have been made from the previous standard by the Revenue Recognition Standards. We, therefore, determined that our assessment of the appropriateness of the Group's adoption of the Revenue Recognition Standards was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.	In order to assess the appropriateness of adoption of the Revenue Recognition Standards, we performed the following procedures among others: ● We inspected the documents prepared by the Company to evaluate differences from the previous standard inspected the terms and conditions of the contracts and assessed whether the differences were identified properly; and ● We traced the effect of the adoption of the Revenue Recognition Standards to the supporting documents and assessed whether the effect was reflected in the consolidated financial statements for both the previous and the current fiscal years.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

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 accounting principles generally accepted in Japan, 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 accounting principles generally accepted in Japan.

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 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 accounting standards generally accepted in Japan, 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 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.

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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Yoshinori Tatsuta
Designated Engagement Partner
Certified Public Accountant

Tatsuo Amekawa
Designated Engagement Partner
Certified Public Accountant

Hiroshi Kubota
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Osaka Office, Japan
June 30, 2022

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

MEMO

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