Financial Information 2021

Iwatani Corporation

CONTENTS

Consolidated Balance Sheets

Iwatani Corporation and its Consolidated Subsidiaries
As of March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 7)
ASSETS	March 31, 2020	**March 31, 2021**	**March 31, 2021**
Current assets:			
Cash and cash equivalents (Note 10)	¥ 25,121	**¥ 38,445**	**$ 347,258**
Time deposits (Note 10)	404	**337**	**3,043**
Notes and accounts receivable (Note 10)			
Trade	107,041	**108,425**	**979,360**
Electronically recorded monetary claims–operating	13,467	**15,680**	**141,631**
Other	6,457	**5,962**	**53,852**
Allowance for doubtful accounts	(200)	**(145)**	**(1,309)**
Inventories (Note 12)	42,232	**41,040**	**370,698**
Other	9,247	**9,865**	**89,106**
Total current assets	203,772	**219,613**	**1,983,678**
Property, plant and equipment:			
Land (Notes 13 and 18)	65,331	**66,869**	**604,001**
Buildings and structures (Note 13)	131,542	**136,523**	**1,233,158**
Machinery, vehicles, equipment and tools (Note 13)	180,469	**192,463**	**1,738,442**
Lease assets	7,316	**6,666**	**60,211**
Construction in progress	3,797	**4,653**	**42,028**
	388,457	**407,176**	**3,677,861**
Accumulated depreciation	(216,663)	**(229,152)**	**(2,069,840)**
Net property, plant and equipment	171,793	**178,023**	**1,608,011**
Intangible assets:			
Goodwill	12,904	**13,791**	**124,568**
Other	3,863	**3,704**	**33,456**
Total intangible assets	16,767	**17,495**	**158,025**
Investments and other assets:			
Investments in securities (Notes 10, 11 and 13)	42,488	**57,609**	**520,359**
Investments in nonconsolidated subsidiaries and affiliates (Note 10)	21,281	**21,303**	**192,421**
Net defined benefit asset (Note 15)	1,145	**2,051**	**18,525**
Deferred tax assets (Note 14)	3,233	**3,487**	**31,496**
Other	9,808	**10,525**	**95,068**
Allowance for doubtful accounts	(575)	**(591)**	**(5,338)**
Total investments and other assets	77,381	**94,385**	**852,542**
Total assets	¥ 469,715	**¥ 509,518**	**$ 4,602,276**

See the accompanying Notes to the Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen March 31, 2020	 March 31, 2021	Thousands of U.S. dollars (Note 7) March 31, 2021
Current liabilities:			
Short-term borrowings (Notes 10 and 13)	¥ 19,434	**¥ 24,208**	**$ 218,661**
Current portion of long-term debt (Notes 10 and 13)	38,688	**9,760**	**88,158**
Notes and accounts payable–trade (Note 10)	67,844	**65,541**	**592,006**
Electronically recorded obligations–operating (Note 10)	25,068	**27,992**	**252,840**
Income taxes payable	6,650	**8,168**	**73,778**
Accrued bonuses	5,152	**5,268**	**47,583**
Provision for product compensation (Note 2 (8))	—	**482**	**4,353**
Other	28,294	**29,558**	**266,985**
Total current liabilities	191,131	**170,981**	**1,544,404**
Long-term liabilities:			
Long-term debt (Notes 10 and 13)	64,743	**59,447**	**536,961**
Deferred tax liabilities (Note 14)	5,207	**10,904**	**98,491**
Net defined benefit liability (Note 15)	5,615	**5,470**	**49,408**
Allowance for retirement benefits for directors and statutory auditors	1,493	**1,373**	**12,401**
Other	10,373	**9,489**	**85,710**
Total long-term liabilities	87,432	**86,686**	**783,000**
Total liabilities	278,563	**257,667**	**2,327,404**
Contingent liabilities (Note 16)			
Net assets (Note 21)			
Shareholders' equity:			
Common stock Authorized—120,000,000 shares in 2020 and 2021 Issued—50,273,005 shares in 2020 and 58,561,649 shares in 2021	20,096	**35,096**	**317,008**
Capital surplus	16,728	**31,766**	**286,929**
Retained earnings	130,762	**149,289**	**1,348,468**
Treasury stock, at cost 1,048,943 shares in 2021 1,060,379 shares in 2020	(1,515)	**(1,514)**	**(13,675)**
Total shareholders' equity	166,071	**214,638**	**1,938,740**
Accumulated other comprehensive income:			
Unrealized gains on securities	14,119	**25,501**	**230,340**
Deferred gains or losses on hedges	1,608	**2,373**	**21,434**
Foreign currency translation adjustments	558	**(683)**	**(6,169)**
Remeasurements of defined benefit plans	(91)	**595**	**5,374**
Total accumulated other comprehensive income	16,194	**27,786**	**250,980**
Noncontrolling interests	8,885	**9,426**	**85,141**
Total net assets	191,152	**251,851**	**2,274,871**
Total liabilities and net assets	¥469,715	**¥509,518**	**$4,602,276**

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Income

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 7)
	March 31, 2020	**March 31, 2021**	**March 31, 2021**
Net sales	¥686,771	**¥635,590**	**$5,741,035**
Cost of sales	510,512	**458,711**	**4,143,356**
Gross profit	176,259	**176,878**	**1,597,669**
Selling, general and administrative expenses (Note 22)	147,531	**146,892**	**1,326,817**
Operating income	28,728	**29,986**	**270,851**
Other income (expenses):			
Interest and dividend income	1,512	**1,366**	**12,338**
Interest expense	(874)	**(911)**	**(8,228)**
Equity in earnings of nonconsolidated subsidiaries and affiliates	471	**463**	**4,182**
Impairment loss on fixed assets (Note 18)	(85)	**(49)**	**(442)**
Other, net (Note 23)	2,445	**4,153**	**37,512**
	3,469	**5,022**	**45,361**
Income before income taxes	32,197	**35,009**	**316,222**
Income taxes (Note 14):			
Current	10,306	**11,355**	**102,565**
Deferred	66	**(303)**	**(2,736)**
	10,373	**11,051**	**99,819**
Net income	21,824	**23,957**	**216,394**
Net income attributable to noncontrolling interests	829	**750**	**6,774**
Net income attributable to owners of parent	¥ 20,994	**¥ 23,207**	**$ 209,619**

	Yen		U.S. dollars (Note 7)
	March 31, 2020	**March 31, 2021**	**March 31, 2021**
Per share (Note 20):			
Basic net income	¥ 426.63	**¥ 431.65**	**$ 3.89**
Diluted net income	365.50	**—**	**—**
Cash dividends applicable to the period	95.00	**75.00**	**0.67**

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 7)
	March 31, 2020	**March 31, 2021**	**March 31, 2021**
Net income	¥21,824	**¥23,957**	**$216,394**
Other comprehensive income (loss):			
Unrealized gains on securities	(2,193)	**11,322**	**102,267**
Deferred gains or losses on hedges	949	**765**	**6,909**
Foreign currency translation adjustments	584	**(1,259)**	**(11,372)**
Remeasurements of defined benefit plans, net of tax	(343)	**685**	**6,187**
Share of other comprehensive income of associates accounted for using equity method	(39)	**155**	**1,400**
Total other comprehensive income (loss)	(1,043)	**11,670**	**105,410**
Comprehensive income	¥20,780	**¥35,627**	**$321,804**
Comprehensive income attributable to:			
Owners of the parent	20,003	**34,799**	**314,325**
Noncontrolling interests	¥ 777	**¥ 828**	**$ 7,478**

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, 2020 and 2021

	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, 2019	50,273	¥20,096	¥16,680	¥112,968	¥(1,521)	¥16,283	¥ 661	¥ (22)	¥ 263	¥8,577	¥173,986
Net income attributable to owners of parent for the year	—	—	—	20,994	—	—	—	—	—	—	20,994
Cash dividends	—	—	—	(3,201)	—	—	—	—	—	—	(3,201)
Purchase of treasury stock	—	—	—	—	(16)	—	—	—	—	—	(16)
Disposal of treasury stock	—	—	37	—	23	—	—	—	—	—	60
Purchase of shares of consolidated subsidiaries	—	—	10	—	—	—	—	—	—	—	10
Net changes in items other than shareholders' equity	—	—	—	—	—	(2,164)	946	580	(354)	308	(682)
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
Net income attributable to owners of parent for the year	—	—	—	23,207	—	—	—	—	—	—	23,207
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
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
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**	**¥149,289**	**¥(1,514)**	**¥25,501**	**¥2,373**	**¥ (683)**	**¥ 595**	**¥9,426**	**¥251,851**

	Thousands of U.S. dollars (Note 7)										
		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	$181,519	$151,097	$1,181,121	$(13,684)	$127,531	$14,524	$ 5,040	$ (821)	$80,254	$1,726,601
Net income attributable to owners of parent for the year	—	—	—	209,619	—	—	—	—	—	—	209,619
Cash dividends	—	—	—	(42,272)	—	—	—	—	—	—	(42,272)
Issuance of new shares–exercise of share acquisition rights	8,288	135,489	135,489	—	—	—	—	—	—	—	270,978
Purchase of treasury stock	—	—	—	—	(180)	—	—	—	—	—	(180)
Disposal of treasury stock	—	—	343	—	189	—	—	—	—	—	532
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	—	102,800	6,909	(11,209)	6,205	4,877	109,583
Balance as of March 31, 2021	**58,561**	**$317,008**	**$286,929**	**$1,348,468**	**$(13,675)**	**$230,340**	**$21,434**	**$ (6,169)**	**$5,374**	**$85,141**	**$2,274,871**

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 7)
	March 31, 2020	**March 31, 2021**	**March 31, 2021**
Cash flows from operating activities:			
Income before income taxes	¥ 32,197	**¥ 35,009**	**$ 316,222**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	22,112	**23,211**	**209,655**
Impairment loss on fixed assets	85	**49**	**442**
Gain on bargain purchase	(303)	**—**	**—**
Loss on reduction of noncurrent assets	229	**771**	**6,964**
Increase (decrease) in allowance for doubtful accounts	(79)	**(40)**	**(361)**
Increase (decrease) in allowance for employees' bonuses	123	**109**	**984**
Increase (decrease) in net defined benefit liability	(155)	**(157)**	**(1,418)**
Decrease (increase) in net defined benefit asset	278	**(905)**	**(8,174)**
Increase (decrease) in provision for product compensation	—	**482**	**4,353**
Increase (decrease) in allowance for retirement benefits to directors and statutory auditors	9	**(119)**	**(1,074)**
Interest and dividend income	(1,512)	**(1,366)**	**(12,338)**
Interest expense	874	**911**	**8,228**
Foreign exchange (gains) losses	385	**0**	**0**
Equity in earnings of nonconsolidated subsidiaries and affiliates	(471)	**(463)**	**(4,182)**
Loss (gain) on sales and disposals of fixed assets	144	**114**	**1,029**
Loss (gain) on sales of investments in securities	(58)	**(1,353)**	**(12,221)**
Loss on valuation of investments in securities	111	**1**	**9**
Loss (gain) on liquidation of subsidiaries and affiliates	76	**—**	**—**
Changes in assets and liabilities			
Decrease (increase) in notes and accounts receivable–trade	1,532	**(3,548)**	**(32,047)**
Decrease (increase) in inventories	(633)	**1,352**	**12,212**
Increase (decrease) in notes and accounts payable–trade	(5,611)	**680**	**6,142**
Increase (decrease) in advances received	(279)	**1,201**	**10,848**
Other, net	(632)	**2,010**	**18,155**
Subtotal	¥ 48,424	**¥ 57,948**	**$ 523,421**
Interest and dividends received	1,437	**1,340**	**12,103**
Dividends received from equity method subsidiaries and affiliates	157	**199**	**1,797**
Interest paid	(753)	**(903)**	**(8,156)**
Income taxes paid	(9,002)	**(9,806)**	**(88,573)**
Net cash provided by (used in) operating activities	¥ 40,264	**¥ 48,779**	**$ 440,601**
Cash flows from investing activities:			
Payments for purchase of investments in securities	(3,328)	**(1,503)**	**(13,576)**
Proceeds from sales and redemption of investments in securities	139	**3,224**	**29,121**
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(120)	**—**	**—**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,159)	**—**	**—**
Proceeds from sales of investments in capital	74	**6**	**54**
Payments for purchases of fixed assets	(25,805)	**(30,265)**	**(273,371)**
Proceeds from sales of fixed assets	1,221	**876**	**7,912**
Investments in loans receivable	(4,587)	**(1,942)**	**(17,541)**
Collection of loans receivable	4,562	**2,096**	**18,932**
Other, net	(881)	**(1,324)**	**(11,959)**
Net cash provided by (used in) investing activities	¥(30,885)	**¥(28,831)**	**$(260,419)**
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(3,881)	**4,189**	**37,837**
Proceeds from long-term debt	16,623	**3,849**	**34,766**
Repayment of long-term debt	(11,726)	**(9,046)**	**(81,708)**
Cash dividends paid	(3,196)	**(4,671)**	**(42,191)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(108)	**—**	**—**
Other, net	(1,297)	**(1,374)**	**(12,410)**
Net cash provided by (used in) financing activities	¥ (3,587)	**¥ (7,052)**	**$ (63,697)**
Effect of exchange rate changes on cash and cash equivalents	(208)	**260**	**2,348**
Net increase (decrease) in cash and cash equivalents	5,582	**13,155**	**118,823**
Cash and cash equivalents at beginning of year	19,510	**25,121**	**226,908**
Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	—	**168**	**1,517**
Increase (decrease) in cash and cash equivalents resulting from merger with nonconsolidated subsidiaries	27	**—**	**—**
Cash and cash equivalents at end of period	¥ 25,121	**¥ 38,445**	**$ 347,258**

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 2020 and 2021. 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 101 of its subsidiaries for the year ended March 31, 2021. 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, 2021, the Company has 53 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 53 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, 2020 and 2021, 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. Other securities whose fair market values are readily determinable are carried at fair value with unrealized gains and losses included as a component of net assets, net of related taxes. Other securities for which it is not practicable to estimate fair value 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 statement 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 collectibility 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 zero 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 ($27 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) Goodwill and negative goodwill

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

(15) 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.

(16) Expenses for research and development

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

(17) Reclassifications

Certain reclassifications of the financial statements for the year ended March 31, 2020 have been made to conform to the presentation for the year ended March 31, 2021.

3. Significant accounting estimates

(1) Recoverability of deferred tax assets

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

Deferred tax assets of ¥7,885 million ($71,222 thousand)

(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

Impairment loss on land of ¥49 million ($442 thousand)

(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. Standards and Guidance Not Yet Adopted

(1) Revenue recognition

The following standard and guidance were issued but not yet adopted.
—"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)
—"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)

(i) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying 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.

(ii) Effective dates

Effective from the beginning of the fiscal year ending March 31, 2022.

(iii) Effects of application of the standards

As a result of the adoption of the "Accounting Standard for Revenue Recognition," the cumulative effect will be reflected in net assets at the beginning of the next fiscal year, and the beginning balance of retained earnings in the next fiscal year is expected to increase by ¥2,497 million ($22,554 thousand).

(2) Fair value measurement

The following standard and guidance were issued but not yet adopted.
—"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
—"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
—"Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
—"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
—"Implementation Guidance on Disclosures about Faire Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020)

(i) Overview

In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (together, hereinafter referred to as "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following items:
—Financial instruments in "Accounting Standard for Financial Instruments"; and
—Inventories held for trading purposes in "Accounting Standard for Measurement of Inventories."

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised and the guidance for Notes for the fair value information of financial instruments by level was issued.

(ii) Effective dates

Fair Value Accounting Standards and guidance will be effective from the beginning of the consolidated fiscal year ending March 31, 2022.

(iii) Effects of application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

5. Changes in presentation method

(Adoption of "Accounting Standard for Disclosure of Accounting Estimates")

The Company and its subsidiaries adopted ASBJ Statement No. 31 "Accounting Standard for Disclosure of Accounting Estimates" (March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

The note does not include information for the prior consolidated fiscal year in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

6. Additional Information

In preparing the consolidated financial statements for the fiscal year ended March 31, 2021, the Company has examined the accounting estimates based on the assumption that the effects of COVID-19 would continue. Contrary to that assumption, the Company has currently determined that there has not been and there will not be any significant impact on our consolidated financial statements. There remains a possibility, however, that the future situation will change and that this could have a significant impact on our consolidated financial statements after the next fiscal year.

7. 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, 2021, which was ¥110.71 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.

8. 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:

	2020	**2021**	**2021**
Unrealized gains on securities			
Increase (decrease) during the year	¥(3,167)	**¥17,610**	**$159,064**
Reclassification adjustments	39	**(1,353)**	**(12,221)**
Subtotal, before tax	(3,127)	**16,257**	**146,843**
Tax (expense) or benefit	934	**(4,934)**	**(44,566)**
Subtotal, net of tax	(2,193)	**11,322**	**102,267**
Deferred gains or losses on hedges			
Increase during the year	1,364	**1,101**	**9,944**
Subtotal, before tax	1,364	**1,101**	**9,944**
Tax expense	(415)	**(335)**	**(3,025)**
Subtotal, net of tax	949	**765**	**6,909**
Foreign currency translation adjustments			
Increase (decrease) during the year	581	**(1,259)**	**(11,372)**
Reclassification adjustments	2	**—**	**—**
Subtotal, before tax	584	**(1,259)**	**(11,372)**
Subtotal, net of tax	584	**(1,259)**	**(11,372)**
Remeasurements of defined benefit plans, net of tax			
Increase (decrease) during the year	(532)	**844**	**7,623**
Reclassification adjustments	47	**115**	**1,038**
Subtotal, before tax	(485)	**959**	**8,662**
Tax (expense) or benefit	141	**(274)**	**(2,474)**
Subtotal, net of tax	(343)	**685**	**6,187**
Share of other comprehensive income of associates accounted for using equity method			
Increase (decrease) during the year	(39)	**155**	**1,400**
Subtotal, net of tax	(39)	**155**	**1,400**
Total other comprehensive income (loss)	¥(1,043)	**¥11,670**	**$105,410**

9. 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, 2020 and 2021 are as follows:

	2020	**2021**	**2021**
Increase in capital stock due to the exercise of share acquisition rights	¥ —	**¥15,000**	**$135,489**
Increase in capital reserve due to the exercise of share acquisition rights	—	**15,000**	**135,489**
Decrease in bonds with subscription rights to shares due to exercise of share acquisition rights	¥ —	**¥30,000**	**$270,978**

Tables show ¥ in millions and US$ in thousands.

10. Financial Instruments

Information on financial instruments as of March 31, 2020 and 2021 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 generally payable within six 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 seventeen 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 (15), "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 quarterly 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

The fair value of financial instruments is based on market price, but in cases in which the market price is not available, the fair value is reasonably estimated. 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 19, 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, 2020 and 2021 and the difference between the two are set forth in the following table. It should be noted that financial instruments for which it is considered extremely difficult to assess the fair value are not included in the table.

	2020		
	Amounts on consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	¥ 25,525	¥ 25,525	¥ —
(2) Notes and accounts receivable–trade	107,041	107,041	—
(3) Electronically recorded monetary claims–operating	13,467	13,467	—
(4) Investments in securities			
Other securities	40,258	40,258	—
Subsidiaries and affiliates	6,562	5,868	(693)
Total assets	192,856	192,163	(693)
(1) Notes and accounts payable–trade	67,844	67,844	—
(2) Electronically recorded obligations–operating	25,068	25,068	—
(3) Short-term borrowings	19,434	19,434	—
(4) Bonds	35,016	35,096	79
(5) Long-term borrowings	68,414	68,776	362
Total liabilities	215,777	216,219	441
Derivative transactions*			
Hedge accounting not applied	(5)	(5)	—
Hedge accounting applied	2,277	2,277	—
Total derivative transactions	¥ 2,271	¥ 2,271	¥ —

	2021		
	Amounts on consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	**¥ 38,782**	**¥ 38,782**	**¥ —**
(2) Notes and accounts receivable–trade	**108,425**	**108,425**	**—**
(3) Electronically recorded monetary claims–operating	**15,680**	**15,680**	**—**
(4) Investments in securities			
Other securities	**55,656**	**55,656**	**—**
Subsidiaries and affiliates	**7,007**	**7,713**	**705**
Total assets	**225,552**	**226,258**	**705**
(1) Notes and accounts payable–trade	**65,541**	**65,541**	**—**
(2) Electronically recorded obligations–operating	**27,992**	**27,992**	**—**
(3) Short-term borrowings	**24,208**	**24,208**	**—**
(4) Long-term borrowings	**69,208**	**69,425**	**217**
Total liabilities	**186,950**	**187,168**	**217**
Derivative transactions*			
Hedge accounting not applied	**(70)**	**(70)**	**—**
Hedge accounting applied	**3,358**	**3,358**	**—**
Total derivative transactions	**¥ 3,287**	**¥ 3,287**	**¥ —**

	2021		
	Amounts on consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	**$ 350,302**	**$ 350,302**	**$ —**
(2) Notes and accounts receivable–trade	**979,360**	**979,360**	**—**
(3) Electronically recorded monetary claims–operating	**141,631**	**141,631**	**—**
(4) Investments in securities			
Other securities	**502,718**	**502,718**	**—**
Subsidiaries and affiliates	**63,291**	**69,668**	**6,367**
Total assets	**2,037,322**	**2,043,699**	**6,367**
(1) Notes and accounts payable–trade	**592,006**	**592,006**	**—**
(2) Electronically recorded obligations–operating	**252,840**	**252,840**	**—**
(3) Short-term borrowings	**218,661**	**218,661**	**—**
(4) Long-term borrowings	**625,128**	**627,088**	**1,960**
Total liabilities	**1,688,646**	**1,690,615**	**1,960**
Derivative transactions*			
Hedge accounting not applied	**(632)**	**(632)**	**—**
Hedge accounting applied	**30,331**	**30,331**	**—**
Total derivative transactions	**$ 29,690**	**$ 29,690**	**$ —**

*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.

Tables show ¥ in millions and US$ in thousands.

(Note 1) The calculation method used to determine fair value of financial instruments and matters related to securities and derivative transactions

Assets

(1) Cash and deposits
(2) Notes and accounts receivable–trade
(3) Electronically recorded monetary claims–operating

The book value is used as the fair value for these items as fair value approximates book value due to the short maturity of these instruments.

(4) Investments in securities

The fair value of equity securities is based on the market price on securities exchanges. Refer to Note 11, "Investments in Securities," for notes on securities categorized by holding purposes.

Liabilities

(1) Notes and accounts payable–trade
(2) Electronically recorded obligations–operating
(3) Short-term borrowings

The book value is used as the fair value for these items as the fair value approximates book value due to the short maturity of these instruments.

(4) Long-term borrowings

The fair value of long-term borrowings is based on present value calculated by discounting the sum of future principal and interest payments at rates that would be applied to similar new borrowings at the present time.

(Note 2) Financial instruments with no fair value as of March 31, 2020 and 2021 are as follows:

	2020	2021	2021
Held-to-maturity debt securities	¥ 180	**¥ 180**	**$ 1,625**
Unlisted securities	2,049	**1,773**	**16,014**
Investments in subsidiaries and affiliates	13,311	**11,961**	**108,039**
Investments in capital of subsidiaries and affiliates	1,407	**2,334**	**21,082**

(Note 3) The maturity profile of the anticipated future contractual cash flows in relation to the Companies' financial assets as of March 31, 2020 and 2021 is as follows:

	2020			
	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	¥ 25,525	¥ —	¥ —	¥ —
Notes and accounts receivable–trade	107,041	—	—	—
Electronically recorded monetary claims–operating	13,467	—	—	—
Investment in securities				
Held-to-maturity debt securities (Bonds)	—	—	—	180
Total	¥146,035	¥ —	¥ —	¥180

	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	**108,425**	**—**	**—**	**—**
Electronically recorded monetary claims–operating	**15,680**	**—**	**—**	**—**
Investment in securities				
Held-to-maturity debt securities (Bonds)	**—**	**—**	**—**	**180**
Total	**¥162,889**	**¥ —**	**¥ —**	**¥ 180**

	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	**$ 350,302**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable–trade	**979,360**	**—**	**—**	**—**
Electronically recorded monetary claims–operating	**141,631**	**—**	**—**	**—**
Investment in securities				
Held-to-maturity debt securities (Bonds)	**—**	**—**	**—**	**1,625**
Total	**$1,471,312**	**$ —**	**$ —**	**$ 1,625**

Tables show ¥ in millions and US$ in thousands.

(Note 4) The aggregate annual maturities of bonds and long-term borrowings as of March 31, 2020 and 2021 are as follows:

	2020					
	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	¥19,434	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	35,000	—	—	—	—	—
Long-term borrowings	3,671	9,301	10,089	9,791	9,271	26,290
Total	¥58,105	¥9,301	¥10,089	¥9,791	¥9,271	¥26,290

	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**
Total	**¥33,969**	**¥10,580**	**¥10,307**	**¥9,791**	**¥9,231**	**¥19,537**

	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	**$218,661**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Long-term borrowings	**88,158**	**95,564**	**93,099**	**88,438**	**83,380**	**176,470**
Total	**$306,828**	**$95,564**	**$93,099**	**$88,438**	**$83,380**	**$176,470**

11. Investments in Securities

Investments in other securities with fair value as of March 31, 2020 and 2021 consist of the following:

	2020		
	Book value	Acquisition cost	Unrealized gains (losses)
Securities with book value exceeding acquisition cost			
Securities	¥40,001	¥19,415	¥20,585
Securities with book value not exceeding acquisition cost			
Securities	257	327	(69)
Total	¥40,258	¥19,743	¥20,515

	2021					
	Book value	Acquisition cost	Unrealized gains (losses)	Book value	Acquisition cost	Unrealized gains (losses)
Securities with book value exceeding acquisition cost						
Securities	**¥55,157**	**¥18,313**	**¥36,843**	**$498,211**	**$165,414**	**$332,788**
Securities with book value not exceeding acquisition cost						
Securities	**499**	**569**	**(70)**	**4,507**	**5,139**	**(632)**
Total	**¥55,656**	**¥18,883**	**¥36,772**	**$502,718**	**$170,562**	**$332,147**

Total sale of other securities as of March 31, 2020 and 2021 consist of the following:

	2020	**2021**	**2021**
Amount sold	¥102	**¥3,211**	**$29,003**
Total gain on sales	49	**1,359**	**12,275**
Total loss on sales	¥ —	**¥ 6**	**$ 54**

Impairment loss on investments in securities is ¥111 million and ¥1 million ($9 thousand) for the years ended March 31, 2020 and 2021, respectively.

Tables show ¥ in millions and US$ in thousands.

12. Inventories

Inventories as of March 31, 2020 and 2021 are as follows:

	2020	2021	2021
Merchandise and finished goods	¥33,695	**¥33,017**	**$298,229**
Work-in-process	3,737	**3,239**	**29,256**
Raw materials and supplies	4,800	**4,784**	**43,211**
Total	¥42,232	**¥41,040**	**$370,698**

13. Short-term Borrowings and Long-term Debt

The weighted average interest rate of short-term bank borrowings outstanding as of March 31, 2020 and 2021 is 0.7% and 0.4%, respectively.

Short-term borrowings as of March 31, 2020 and 2021 consist of the following:

	2020	2021	2021
Secured	¥ 140	**¥ 140**	**$ 1,264**
Unsecured	19,294	**24,068**	**217,396**
Total	¥19,434	**¥24,208**	**$218,661**

Long-term debts as of March 31, 2020 and 2021 consist of the following:

	2020	2021	2021
Loans, principally from banks and maturing serially through 2038 with interest ranging from 0.2% to 11.5%			
Secured	¥ 113	**¥ 93**	**$ 840**
Unsecured	68,300	**69,115**	**624,288**
Unsecured bonds			
0.690% bonds, due March 2021	5,000	**—**	**—**
Zero Coupon Convertible Bonds, due October 2020	30,016	**—**	**—**
Subtotal	103,431	**69,208**	**625,128**
Current portion of long-term debt	(38,688)	**(9,760)**	**(88,158)**
Total	¥ 64,743	**¥59,447**	**$536,961**

As of March 31, 2020 and 2021, the following assets are pledged as security.

Net book value	2020	2021	2021
Land	¥1,181	**¥1,181**	**$10,667**
Buildings and structures	1,045	**1,057**	**9,547**
Machinery, vehicles, equipment and tools	135	**120**	**1,083**
Investments in securities	553	**596**	**5,383**
Total	¥2,915	**¥2,957**	**$26,709**

The aggregate annual maturities of long-term debt as of March 31, 2021 are as follows:

Year ending March 31,		
2022	**¥10,580**	**$ 95,564**
2023	**10,307**	**93,099**
2024	**9,791**	**88,438**
2025	**9,231**	**83,380**
2026 and thereafter	**19,537**	**176,470**
Total	**¥59,447**	**$536,961**

Tables show ¥ in millions and US$ in thousands.

14. 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, 2020 and 2021. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

Deferred tax assets and liabilities consist of the following:

	2020	2021	2021
Deferred tax assets			
Tax loss carryforwards	¥ 874	**¥ 833**	**$ 7,524**
Allowance for doubtful accounts	216	**191**	**1,833**
Accrued bonuses	1,573	**1,610**	**14,542**
Net defined benefit liability	1,576	**1,247**	**11,263**
Accrued enterprise taxes	446	**540**	**4,877**
Intercompany profits and write-downs (inventories, investments in securities and fixed assets)	1,654	**1,569**	**14,172**
Loss on valuation of securities	306	**305**	**2,754**
Loss on cancellation of real estate trust	328	**328**	**2,962**
Impairment loss	649	**665**	**6,006**
Other	2,652	**3,059**	**28,064**
Valuation allowance	(2,598)	**(2,465)**	**(22,798)**
Total deferred tax assets	¥ 7,680	**¥ 7,885**	**$ 71,222**
Deferred tax liabilities			
Reserve for advanced depreciation of noncurrent assets	(186)	**(182)**	**(1,643)**
Unrealized gains on securities	(6,144)	**(11,075)**	**(100,036)**
Valuation of assets and liabilities of consolidated subsidiaries on acquisition	(1,176)	**(1,285)**	**(11,606)**
Deferred gains on hedges	(694)	**(1,021)**	**(9,222)**
Other	(1,452)	**(1,738)**	**(15,698)**
Total deferred tax liabilities	(9,654)	**(15,302)**	**(138,216)**
Net deferred tax assets	¥(1,974)	**¥ (7,416)**	**$ (66,985)**

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

	2020	2021
Statutory tax rate	30.5%	**—**
Permanently nondeductible expenses	2.8	**—**
Permanently nontaxable gain	(0.3)	**—**
Change in valuation allowance	(0.7)	**—**
Taxation on per capita basis	0.5	**—**
Equity in earnings of nonconsolidated subsidiaries and affiliates	(0.4)	**—**
Retained earnings of foreign consolidated subsidiaries	0.5	**—**
Other	(0.7)	**—**
Effective tax rate	32.2%	**—**

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.

15. 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, as of October 1, 2020, the Company introduced a defined contribution corporate pension plan. Under this plan, individual employees may, at their discretion, choose whether or not to contribute a portion of their salaries to the defined contribution pension plan.

1. Defined benefit plans

(1) Movement in retirement benefit obligations

	2020	2021	2021
Balance as of April 1,	¥21,922	**¥21,812**	**$197,019**
Service cost	1,679	**1,668**	**15,066**
Interest cost	172	**170**	**1,535**
Actuarial loss (gain)	(123)	**(27)**	**(243)**
Benefits paid	(1,820)	**(933)**	**(8,427)**
Other	(18)	**(28)**	**(252)**
Balance as of March 31,	¥21,812	**¥22,661**	**$204,687**

(2) Movements in plan assets

	2020	2021	2021
Balance as of April 1,	¥17,576	**¥17,342**	**$156,643**
Expected return on plan assets	308	**303**	**2,736**
Actuarial loss (gain)	(655)	**817**	**7,379**
Contributions paid by the employer	1,204	**1,228**	**11,092**
Benefits paid	(1,078)	**(552)**	**(4,985)**
Other	(13)	**102**	**921**
Balance as of March 31,	¥17,342	**¥19,241**	**$173,796**

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

	2020	2021	2021
Funded retirement benefit obligations	¥ 18,382	**¥ 16,806**	**$ 151,802**
Plan assets	(17,342)	**(19,241)**	**(173,796)**
	1,039	**(2,376)**	**(21,461)**
Unfunded retirement benefit obligations	3,429	**5,854**	**52,876**
Total net defined benefit liability as of March 31,	¥ 4,469	**¥ 3,419**	**$ 30,882**
Net defined benefit liability	¥ 5,615	**¥ 5,470**	**$ 49,408**
Net defined benefit asset	(1,145)	**(2,051)**	**(18,525)**
Total net defined benefit liability as of March 31,	¥ 4,469	**¥ 3,419**	**$ 30,882**

(4) Retirement benefit costs

	2020	2021	2021
Service cost	¥1,679	**¥1,668**	**$15,066**
Interest cost	172	**170**	**1,535**
Expected return on plan assets	(308)	**(303)**	**(2,736)**
Amortization of actuarial differences	(61)	**15**	**135**
Amortization of prior service cost	108	**99**	**894**
Other	58	**(102)**	**(921)**
Total retirement benefit costs for the year ended March 31,	¥1,648	**¥1,547**	**$13,973**

(5) Remeasurements of defined benefit plans

	2020	2021	2021
Prior service cost	¥ 108	**¥ 99**	**$ 894**
Actuarial differences	(593)	**859**	**7,759**
Total balance as of March 31,	¥(485)	**¥959**	**$8,662**

Tables show ¥ in millions and US$ in thousands.

(6) Accumulated remeasurements of defined benefit plans

	2020	2021	2021
Unrecognized prior service cost	¥ 99	**¥ —**	**$ —**
Unrecognized actuarial differences	(16)	**(875)**	**(7,903)**
Total balance as of March 31,	¥ 83	**¥(875)**	**$(7,903)**

(7) Plan assets

(i) Plan assets comprise

	2020	2021
Bonds	54.4%	**52.1%**
Equity securities	16.3%	**21.5%**
Cash and cash equivalents	3.3%	**2.2%**
General account	24.4%	**22.6%**
Other	1.6%	**1.6%**
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:

	2020	2021
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%	**4.6–7.9%**

2. Defined contribution plans

The Company and some domestic consolidated subsidiaries expended ¥297 million and ¥372 million ($3,360 thousand) on contributions for defined contribution plans for the years ended March 31, 2020 and 2021, respectively.

3. Multi-employer pension plans

The funded status of the multi-employer pension plans as of March 31, 2019 and 2020 (based on information available as of March 31, 2020 and 2021) to which contributions were recorded as net periodic retirement benefit costs is as follows:

	2020	2021	2021
Fair value of plan assets	¥13,764	**¥17,293**	**$156,200**
Total of actuarial liabilities and minimum reserves in the calculation of pension financing	12,253	**15,854**	**143,202**
Difference	¥ 1,511	**¥ 1,439**	**$ 12,997**

The contribution ratio of the Companies to the multi-employer pension plans from April 1, 2018 to March 31, 2019 and from April 1, 2019 to March 31, 2020 was 14.6% and 8.8%, respectively. Some domestic consolidated subsidiaries expended ¥54 million and ¥48 million ($433 thousand) on contributions for the multi-employer pension plans for the years ended March 31, 2020 and 2021, respectively.

16. Contingent Liabilities

Contingent liabilities as of March 31, 2020 and 2021 are as follows:

	2020	2021	2021
Notes receivable endorsed	¥8	**¥12**	**$108**

	2020	2021	2021
Guarantees of loans made by:			
Nonconsolidated subsidiaries and affiliates	¥55	**¥61**	**$550**
Other	2	**2**	**18**
Total	¥58	**¥63**	**$569**

17. Leases

As lessee

Future minimum lease payments under noncancelable operating leases as of March 31, 2020 and 2021 are as follows:

	2020	2021	2021
Future minimum lease payments			
Due within one year	¥1,305	**¥ 2,205**	**$ 19,916**
Due over one year	4,864	**14,583**	**131,722**
Total	¥6,170	**¥16,788**	**$151,639**

As Lessor

Lease investment assets as of March 31, 2020 and 2021 are as follows:

	2020	2021	2021
Amount of lease payments receivable	¥1,304	**¥1,334**	**$12,049**
Estimated residual value	—	**—**	**—**
Amount equivalent to interest receivable	(127)	**(140)**	**(1,264)**
Lease investment assets	¥1,176	**¥1,193**	**$10,775**

The collection schedule for lease payments from lease investment assets after March 31, 2021 is as follows:

Year ending March 31,		
2022	**¥ 410**	**$ 3,703**
2023	**336**	**3,034**
2024	**267**	**2,411**
2025	**177**	**1,598**
2026	**82**	**740**
2027 and thereafter	**58**	**523**
Total	**¥1,334**	**$12,049**

Future minimum lease receipts from noncancelable operating lease transactions as of March 31, 2020 and 2021 are as follows:

	2020	2021	2021
Due within one year	¥148	**¥149**	**$1,345**
Due over one year	213	**198**	**1,788**
Total	¥361	**¥348**	**$3,143**

Tables show ¥ in millions and US$ in thousands.

18. 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 loss recognized for the years ended March 31, 2020 and 2021 is as follows:

	2020	2021	2021
Land	¥85	**¥49**	**$442**
Total	¥85	**¥49**	**$442**

19. Derivative Transactions

Derivative transactions to which hedge accounting is not applied

Currency related transactions

	2020			
	Contract amount	Contract amount over 1 year	Fair value*	Valuation gain (loss)
Foreign exchange forward contracts				
To sell				
U.S. dollars	¥209	¥ —	¥(0)	¥(0)
Other currencies	312	—	3	3
To buy				
U.S. dollars	159	—	(2)	(2)
Other currencies	250	—	(6)	(6)
	¥931	¥ —	¥(5)	¥(5)

	2021							
	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	**¥ 355**	**¥ —**	**¥ 1**	**¥ 1**	**$ 3,206**	**$ —**	**$ 9**	**$ 9**
Other currencies	**107**	**—**	**(0)**	**(0)**	**966**	**—**	**(0)**	**(0)**
To buy								
U.S. dollars	**2,027**	**—**	**(63)**	**(63)**	**18,309**	**—**	**(569)**	**(569)**
Other currencies	**810**	**—**	**(9)**	**(9)**	**7,316**	**—**	**(81)**	**(81)**
	¥3,300	**¥ —**	**¥(70)**	**¥(70)**	**$29,807**	**$ —**	**$(632)**	**$(632)**

*Fair values are based on quotes obtained from financial institutions.

Tables show ¥ in millions and US$ in thousands.

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

	2020			
	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value*1
Principle method / Allocation method of Foreign exchange forward contracts	Foreign exchange forward transactions			
Foreign exchange forward contracts				
To sell				
U.S. dollars		¥ 2,883	¥ —	¥ (6)
Other currencies		869	—	11
To buy				
U.S. dollars		25,509	13,010	2,276
Other currencies		809	—	(4)
Allocation method of Foreign exchange forward contracts				
To sell				
U.S. dollars*2	Accounts receivable	2,479	—	—
Other currencies*2	Accounts receivable	375	—	—
To buy				
U.S. dollars*2	Accounts payable	3,042	—	—
Other currencies*2	Accounts payable	103	—	—
		¥36,073	¥13,010	¥2,277

	2021							
	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value*1	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value*1
Principle method / Allocation method of Foreign exchange forward contracts								
Foreign exchange forward contracts								
To sell								
U.S. dollars		**¥ 1,990**	**¥ —**	**¥ 9**		**$ 17,974**	**$ —**	**$ 81**
Other currencies		**1,794**	**—**	**(30)**		**16,204**	**—**	**(270)**
To buy								
U.S. dollars		**23,316**	**11,440**	**2,900**		**210,604**	**103,333**	**26,194**
Other currencies		**537**	**—**	**12**		**4,850**	**—**	**108**
Allocation method of Foreign exchange forward contracts								
To sell								
U.S. dollars*2	**Accounts receivable**	**3,350**	**—**	**—**	**Accounts receivable**	**30,259**	**—**	**—**
Other currencies*2	**Accounts receivable**	**783**	**—**	**—**	**Accounts receivable**	**7,072**	**—**	**—**
To buy								
U.S. dollars*2	**Accounts payable**	**1,292**	**—**	**—**	**Accounts payable**	**11,670**	**—**	**—**
Other currencies*2	**Accounts payable**	**128**	**—**	**—**	**Accounts payable**	**1,156**	**—**	**—**
		¥33,192	**¥11,440**	**¥2,892**		**$299,810**	**$103,333**	**$26,122**

*1 Fair values are based on quotes obtained from financial institutions.
*2 The hedged foreign currency receivables and payables are recorded using the Japanese yen amounts at the contracted forward rate, and no gains or losses on the foreign exchange forward contracts are recorded. The fair values of foreign exchange forward contracts are included in accounts receivable and accounts payable.

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*	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**	**Commodity purchase transactions**	**$15,662**	**$ —**	**$4,200**
		¥1,734	**¥ —**	**¥465**		**$15,662**	**$ —**	**$4,200**

*Fair values are based on quotes obtained from financial institutions.

(3) Interest related transactions

Interest rate swap contracts have not been presented as of March 2020 and 2021.

20. Earnings Per Share

The basis of calculating net income per share for the years ended March 31, 2020 and 2021 is as follows:

Year ended March 31	2020	2021	2021
Net income	¥20,994	**¥23,207**	**$209,619**
Net income attributable to common stockholders	20,994	**23,207**	**209,619**
Net income not attributable to common stockholders	—	**—**	**—**
Effect of dilutive bonds	(20)	**—**	**—**
Diluted net income	¥20,974	**¥23,207**	**$209,619**

		(Thousands)
Weighted average number of shares outstanding	49,211	**53,764**
Effect of dilutive securities*	8,173	**—**
Diluted weighted average number of shares outstanding	57,384	**53,764**

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

21. 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 two years ended March 31, 2021 represent dividends paid out during those periods. The accompanying consolidated financial statements do not include any provision for the year-end dividend of ¥75 ($0.67) per share, aggregating to ¥4,317 million ($38,993 thousand), which was approved at the Company's shareholders' meeting on June 23, 2021 in respect to the year ended March 31, 2021.

22. Expenses for Research and Development

Research and development expenses charged to selling, general and administrative expenses for the years ended March 31, 2020 and 2021 were ¥2,494 million and ¥2,261 million ($20,422 thousand), respectively.

Tables show ¥ in millions and US$ in thousands.

23. Other Income (Expenses)

Other, net consisted of the following:

	2020	2021	2021
Gain on sales of investments in securities	¥ 58	**¥1,353**	**$12,221**
Loss on valuation of investments in securities	(111)	**(1)**	**(9)**
Loss on sales and disposals of fixed assets	(144)	**(114)**	**(1,029)**
Loss on liquidation of subsidiaries and affiliates	(76)	**—**	**—**
Foreign exchange gains (losses)	378	**136**	**1,228**
Cancellation penalty	(260)	**—**	**—**
Sales discounts	(415)	**(379)**	**(3,423)**
Gain on bargain purchase	303	**—**	**—**
Subsidy income	1,091	**1,909**	**17,243**
Loss on reduction of noncurrent assets	(229)	**(771)**	**(6,964)**
Product compensation expenses	—	**(585)**	**(5,284)**
Other, net	1,851	**2,605**	**23,529**
Total	¥2,445	**¥4,153**	**$37,512**

24. 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 machinery and facilities, 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 vegetables, frozen seafoods, frozen meat products, 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 "Summary of Major Accounting Policies." Income by reportable segment is equivalent to operating income. Intersegment sales and transfers are based on market values.

Tables show ¥ in millions and US$ in thousands.

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	¥313,506	¥190,520	¥149,565	¥27,313	¥680,905	¥ 5,866	¥686,771	¥ —	¥686,771
Intersegment	5,284	3,499	1,636	293	10,713	20,782	31,495	(31,495)	—
Total	318,790	194,019	151,201	27,607	691,618	26,648	718,267	(31,495)	686,771
Segment income	¥ 13,990	¥ 11,986	¥ 4,505	¥ 1,184	¥ 31,667	¥ 862	¥ 32,530	¥ (3,802)	¥ 28,728
Segment assets	¥154,369	¥138,447	¥ 67,356	¥ 9,483	¥369,656	¥53,225	¥422,881	¥ 46,834	¥469,715
Other items:									
Depreciation and amortization	¥ 5,474	¥ 6,682	¥ 1,395	¥ 206	¥ 13,758	¥ 3,823	¥ 17,582	¥ 1,615	¥ 19,197
Impairment loss on fixed assets	18	—	—	—	18	62	80	5	85
Amortization of goodwill	2,151	735	27	—	2,914	—	2,914	—	2,914
Increase in fixed assets and intangible assets	5,469	6,888	2,764	94	15,217	6,825	22,043	3,531	25,574

	2021								
	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	**¥296,149**	**¥174,641**	**¥136,467**	**¥23,985**	**¥631,244**	**¥ 4,345**	**¥635,590**	**¥ —**	**¥635,590**
Intersegment	**5,373**	**3,186**	**1,498**	**34**	**10,092**	**21,329**	**31,422**	**(31,422)**	**—**
Total	**301,522**	**177,828**	**137,965**	**24,020**	**641,337**	**25,675**	**667,012**	**(31,422)**	**635,590**
Segment income	**¥ 17,326**	**¥ 9,956**	**¥ 4,787**	**¥ 831**	**¥ 32,902**	**¥ 1,481**	**¥34,383**	**¥ (4,397)**	**¥ 29,986**
Segment assets	**¥180,839**	**¥138,663**	**¥ 70,850**	**¥10,474**	**¥400,827**	**¥49,313**	**¥450,141**	**¥ 59,377**	**¥509,518**
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**

	2021								
	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	**$2,674,997**	**$1,577,463**	**$1,232,652**	**$216,647**	**$5,701,779**	**$ 39,246**	**$5,741,035**	**$ —**	**$5,741,035**
Intersegment	**48,532**	**28,777**	**13,530**	**307**	**91,157**	**192,656**	**283,822**	**(283,822)**	**—**
Total	**2,723,529**	**1,606,250**	**1,246,183**	**216,963**	**5,792,945**	**231,912**	**6,024,857**	**(283,822)**	**5,741,035**
Segment income	**$ 156,498**	**$ 89,928**	**$ 43,239**	**$ 7,506**	**$ 297,190**	**$ 13,377**	**$ 310,568**	**$ (39,716)**	**$ 270,851**
Segment assets	**$1,633,447**	**$1,252,488**	**$ 639,960**	**$ 94,607**	**$3,620,513**	**$445,424**	**$4,065,947**	**$ 536,329**	**$4,602,276**
Other items:									
Depreciation and amortization	**$ 48,496**	**$ 60,852**	**$ 14,542**	**$ 1,806**	**$ 125,706**	**$ 40,691**	**$ 166,407**	**$ 15,391**	**$ 181,808**
Impairment loss on fixed assets	**0**	**0**	**—**	**—**	**9**	**—**	**9**	**433**	**442**
Amortization of goodwill	**20,251**	**7,334**	**243**	**—**	**27,838**	**—**	**27,838**	**—**	**27,838**
Increase in fixed assets and intangible assets	**89,097**	**76,840**	**18,435**	**7,921**	**192,313**	**61,692**	**254,005**	**24,379**	**278,384**

*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.

Tables show ¥ in millions and US$ in thousands.

(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

2020				
Japan	East Asia	Southeast Asia	Others	Total
¥603,763	¥50,739	¥20,033	¥12,235	¥686,771

2021				
Japan	East Asia	Southeast Asia	Others	Total
¥558,794	**¥47,158**	**¥16,739**	**¥12,897**	**¥635,590**

2021				
Japan	East Asia	Southeast Asia	Others	Total
$5,047,366	**$425,959**	**$151,196**	**$116,493**	**$5,741,035**

Notes: 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

Since tangible fixed assets in Japan accounted for over 90% of tangible fixed assets on the consolidated balance sheets, information regarding tangible fixed assets is omitted.

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)

	2020							
	Reportable Segments					Others*	Corporate assets and elimination	Total
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal			
Goodwill								
Amortization	¥ 2,151	¥ 735	¥27	¥ —	¥ 2,914	¥ —	¥ —	¥ 2,914
Balance at end of year	11,582	1,280	41	—	12,904	—	—	12,904

	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**

	2021							
	Reportable Segments					Others*	Corporate assets and elimination	Total
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal			
Goodwill								
Amortization	**$ 20,251**	**$ 7,334**	**$243**	**$ —**	**$ 27,838**	**$ —**	**$ —**	**$ 27,838**
Balance at end of year	**112,555**	**11,886**	**117**	**—**	**124,568**	**—**	**—**	**124,568**

*"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.

Tables show ¥ in millions and US$ in thousands.

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, 2021 and 2020, 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, 2021 and 2020, 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 Note 24. "Segment Information", to the consolidated financial statements, the Group's net sales to external customers by each segment amounted to ¥296,149 million for Energy, ¥174,641 million for Industrial Gases & Machinery, ¥136,467 million for Materials, ¥23,985 million for Agri-bio & Foods, and ¥4,345 million for other businesses. The Company's net sales accounted for a significant proportion of each of these sales amounts. In accordance with the realization principle, revenue from a sale of products and goods is recognized at the time when the delivery of goods or provision of service is completed and the related consideration is considered to be earned. The Company recognizes revenue from a sale of products and goods on the date when the sale has been deemed to be realized based on each contract with	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 to ensure that revenue is recognized for each transaction based on supporting documents evidencing the existence of a sale. **(2) Assessment of whether revenue was recognized in the appropriate accounting period**

customers. However, there is a potential risk that revenue from sales is not recognized in the appropriate period according to the contracts with customers for the following reasons: ● The Company handles a wide variety of products and goods, and sells 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 "PLAN20", covering the periods through the fiscal year ended March 31, 2021. We, therefore, determined that our assessment of the appropriateness of the Company's determination of the accounting period in which 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.	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 analysis and a unit price analysis, and traced selected transactions to the supporting documents to confirm the agreement of the shipping dates, quantities, and unit prices; and We analyzed sales transactions for any unusual items, such as those recorded before the year-end but subsequently reversed after the year-end.

Appropriateness of the Group's note disclosure on the effect of a new accounting standard not yet adopted related to the New Revenue Recognition Standard	
The key audit matter	How the matter was addressed in our audit
As described in Note 4. "Standards and guidance not yet adopted" to the consolidated financial statements, the Group will adopt the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), and the related application guidance (hereinafter referred to collectively as the "New Revenue Recognition Standard") from the beginning of the fiscal year ending March 31, 2022. According to the note, as a result of the adoption of the New Revenue Recognition Standard, the beginning balance of retained earnings in the next fiscal year is expected to increase by ¥2,497 million. Under the core principles of the New Revenue Recognition Standard, entities shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. In addition, entities are required to disclose the possible impact that the application of new accounting standards issued but not yet adopted will have on the consolidated financial statements. The Group has more than a single type of contract with customers and needs to evaluate the terms and conditions of each contract individually in order to properly identify performance obligations.	The primary procedures we performed to assess whether the Group's note disclosure on the effect of a new accounting standard not yet adopted related to the New Revenue Recognition Standard was appropriate included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Group's internal controls relevant to the note disclosure on the effect of a new accounting standard not yet adopted related to the New Revenue Recognition Standard. **(2) Assessment of differences from the current standard** In order to assess the note disclosure on a new accounting standard not yet adopted, we performed the following procedures, among others: ● We inspected the documents which evaluated differences from the current standard prepared by the Company, and assessed whether differences were identified properly; and We traced the effect of the identified differences from the current standard to the supporting documents, and assessed whether the effect was

Accordingly, the differences between the requirements of the New Revenue Recognition Standard and those under the current standard are expected to have a pervasive effect on the consolidated financial statements of the Group, and are expected to be material in amount. We, therefore, determined that our assessment of the appropriateness of the Group's note disclosure on the effect of a new accounting standard not yet adopted related to the New Revenue Recognition Standard 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.	reflected in the note to the consolidated financial statements.

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, 2021 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 7 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

KPMG AZSA LLC
Osaka Office, Japan
July 9 2021

<u>Notes to the Reader of Independent Auditor's Report</u>:
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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