

Financial Information 2024

Iwatani Corporation

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Business Overview

Iwatani Corporation and its Consolidated Subsidiaries

1. Management Policies, Business Environment and Issues to be Addressed

All forward-looking statements in this section are based on judgments made by the Group at the end of the fiscal year under review.

(1) Basic Policy on Corporate Management

Since its founding, the Group has set “Become a person needed by society, as those needed by society can prosper” as its corporate philosophy. Therefore, we aim to contribute to society by constantly striving to create new value that the world seeks and value that our customers desire.

From this point of view, we believe that meeting the trust and expectations of shareholders, business partners, and employees is an absolute condition for corporate prosperity, and we conduct our daily business management accordingly. A description of our businesses by segment is as follows.

In the Integrated Energy Business under the MaruiGas brand, we deliver LPG for residential use to households across Japan and sell LPG and LNG for industrial use to plants. In addition, we provide customers with portable gas cooking stoves, cassette gas canisters, Natural Mineral Water from Mt. Fuji, and other products essential to daily life. We also provide gas equipment and safety inspection services for city gas, which are all part of the essential infrastructure of daily life. In regard to LPG for residential use, we have a supply system that integrates processes from LPG imports to retail sales, and we are the only LPG provider in Japan that operates nationwide, with approximately 400 sites located throughout Japan. Taking advantage of our sales, logistics, and security systems, we provide meticulous, high-quality services nationwide.

The Industrial Gases & Machinery Business consists of the Industrial Gases Business, whose products include air separation gases (oxygen, nitrogen, and argon), hydrogen, helium, carbon dioxide, semiconductor material gases, and medical gases, and the Machinery Business, which includes production and supply equipment for a wide range of gases, factory automation systems, welding equipment, semiconductor manufacturing equipment, and environmental equipment. We support the entire industry by proposing solutions to meet customer needs, drawing on the technological capabilities accumulated over many years and our wide-ranging lineup of gas and machinery products.

The Materials Business handles raw materials and components that are required in manufacturing, including resin

raw materials, resin products, and resources such as mineral sands, as well as stainless steel, non-ferrous metals, and battery-related materials. In addition to expanding sales in growth fields such as with the sale of eco-friendly products and the development of new products, we are working to strengthen our overseas business and expand the scale of the business.

(2) Targets for Management Indicators

In the five-year Medium-Term Management Plan “PLAN27” which started in the fiscal year ended March 31, 2024, the Company set the theme as “Establishing a hydrogen energy-based society” and the basic policy as business expansion to achieve “solutions to social issues” and “sustained growth” The numerical management targets of PLAN27 are “operating profit of ¥65.0 billion [\$429,297 thousand]” as profit target, and “ROE of 10% or higher” and “ROIC of 6% or higher” as profitability targets.

PLAN27

Theme	Establishing a hydrogen energy-based society
Basic policy	Business expansion to achieve “solutions to social issues” and “sustained growth”

Management Targets

Operating profit	ROE	ROIC
¥65.0 billion	10% or higher	6% or higher

(3) Medium- to Long-Term Management Strategies

We have formulated the Medium-Term Management Plan “PLAN27” as an initiative to contribute to the realization of our basic policy on management. Accordingly, we are working for business expansion to achieve “solutions to social issues” and “sustained growth.”

In PLAN27, we are promoting our efforts to achieve our numerical management targets by identifying areas in which to focus resources such as investment and human resources as priority measures, and have been working on five strategies: “Hydrogen Strategies,” “Carbon-free Strategies,” “Domestic Energy & Service Strategies,” “Overseas Strategies,” and “Non-financial Strategies”.

Priority Measures

<h3>Hydrogen Strategies</h3> <ul style="list-style-type: none"> Expand liquid hydrogen business that captures growing carbon-free-related demand Develop a CO₂-free hydrogen supply chain 	<h3>Carbon-free Strategies</h3> <ul style="list-style-type: none"> Expand business by promoting low-/zero-carbon solutions business Invest in the realization of a carbon-free society 	
<h3>Domestic Energy & Service Strategies</h3> <ul style="list-style-type: none"> Expand market share and streamline distribution by utilizing LPG business infrastructure Provide services that contribute to solving social issues of local communities 	<h3>Overseas Strategies</h3> <ul style="list-style-type: none"> Leverage strengths of individual segments to expand business in respective regions 	<h3>Non-financial Strategies</h3> <ul style="list-style-type: none"> Climate Change Response Human Resource Strategy Technology Strategy

In addition, our basic policy on profit distribution is to return profits to shareholders through continuous and stable dividends while striving to maximize our corporate value by making investments that support our growth strategy, thereby meeting the expectations of our shareholders.

PLAN27 aims to increase dividends steadily in line with profit growth, and targets a payout ratio of 20% or higher in FY2027, which is the final fiscal year of the Plan, based on profit excluding the impact of LPG import price fluctuations, and strives for progressive dividends, with no steps backward.

The Company believes that by steadily implementing these initiatives and continuing to be “a company needed by society,” we will be able to contribute to the enhancement of the Group’s corporate value as well as the common interests of our shareholders.

(4) Details of Issues to be Addressed at Present, etc.

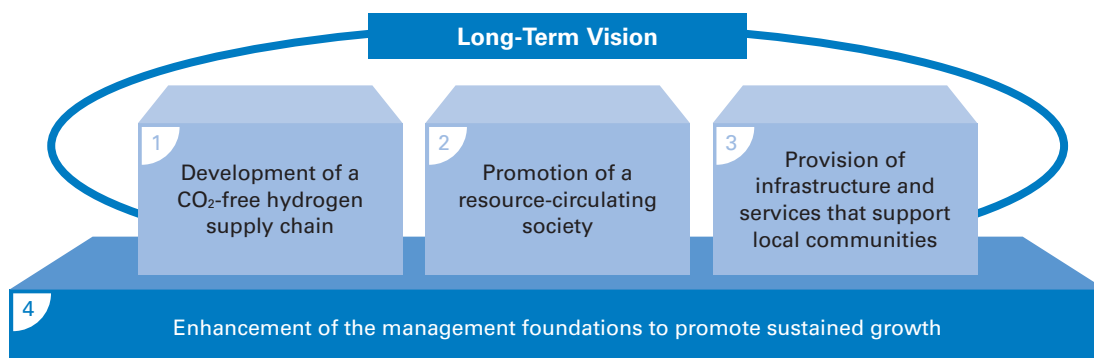
As for the future outlook, though there are uncertainties about the future of the monetary policies of Japan and the U.S. and the overseas economy, primarily that of China, the Japanese economy is likely to continue to recover gradually as personal consumption is expected to recover due to the improvement in the employment and income environment and investment in decarbonization, labor-saving, and digitalization are anticipated.

In the Integrated Energy Business, we will continue to work to increase the LPG sales volume by increasing the number of LPG direct sales customers through M&A and other measures and reinforcing sales of energy-related equipment. In order to facilitate the transition to low-carbon energy, we will encourage fuel conversion, strengthen sales of carbon offset LPG, and promote the development of green LPG. Furthermore, we will work to optimize logistics in an effort to strengthen our business infrastructure and reduce costs. In the cartridge gas business, we will strive to expand our international business primarily in Southeast Asia.

In the Industrial Gases & Machinery Business, we will strengthen measures to cope with the rising procurement and logistics cost of air-separation gases and specialty gases and focus our efforts on expanding sales to the semiconductor and electronic components industries, whose markets are expected to grow. Additionally, in relation to decarbonization, we will reinforce our sales of equipment for hydrogen, ammonia, and other gases. To realize a hydrogen energy-based society, we will steadily continue our efforts to build a CO₂-free hydrogen supply chain.

Our Vision for FY2030

Corporate group that continues to contribute to the creation of a more comfortable space on the Earth



In the Materials Business, we will work to secure profit by increasing the sales volume of eco-friendly PET resins, biomass fuels, and rechargeable battery materials. In addition, we will continue to strive to strengthen our international business, including the mineral sands business and the metal processing business.

We began handling hydrogen in 1941 and have accumulated experience and know-how based on our long history. Our domestic share of liquid hydrogen is 100%, and our domestic share of hydrogen, including compressed hydrogen, is about 70%. We believe that the hydrogen business is the resource and energy business of the future, and the most important task at present is to acquire a large number of inexpensive CO₂-free hydrogen sources. In addition to further enhancing our liquid hydrogen production capacity, the Group will work on hydrogen production from renewable energy sources and the import of CO₂-free hydrogen from overseas, thereby promoting management that is in line with our corporate philosophy.

2. Approach and Initiatives Regarding Sustainability

The Company’s approach and initiatives regarding sustainability are as follows.

(1) Common Sustainability Issues

Based on our corporate philosophy, “Become a person needed by society, as those needed by society can prosper,” the Company strives to achieve sustainable growth and to identify solutions to social issues through business activities involving gas and energy. Under the slogan “Creation of a more comfortable space on the Earth is what Iwatani wishes and strives for,” we are conducting corporate activities aimed at realizing a decarbonized society and achieving coexistence with the environment.

In addition, with the announcement of the Medium-Term Management Plan “PLAN27” which started in FY2023, we have set our vision for the 100th anniversary of our founding in 2030 as a corporate group that continues to contribute to the creation of a more comfortable space on the Earth. We formulated a Long-Term Vision consisting of three business-related measures: development of a CO₂-free hydrogen supply chain; promotion of a resource-circulating society; and provision of infrastructure and services that support local communities, and enhancement of the management foundations to promote

sustained growth that supports the above three measures.

Through efforts toward the Long-Term Vision, we will realize contributions to sustainable society and enhancement of corporate value.

1) Governance and Structure for Promoting Sustainability

At least one-third of the membership of the Board of Directors, which makes key management decisions and provides oversight functions, consists of outside directors. It strives to achieve transparent decision-making and ever more effective management oversight.

In addition, we have established a Sustainability Management Department. This unit will be responsible for planning measures to promote sustainability and disseminate awareness of sustainability issues throughout the Group, including overseas. We have also established the Sustainability Promotion Committee under the Risk Management Committee, which coordinates risk management groupwide, The Sustainability Promotion Committee deliberates on matters such as climate change and other sustainability issues in the Group and checks on the progress related to the business. As part of the oversight structure, the Board of Directors receives on important matters.

(As of March 31, 2024)



(2) Important Sustainability Issue

1) Climate Change

The Company regards strategies to avoid and reduce climate-related risks and to realize climate-related opportunities as important management issues and believes that appropriate actions as a company will lead to sustainable growth.

We have announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)* in 2022, promoting initiatives to ensure sustainable growth of our business by analyzing the impact of climate change on our business and the resulting risks and opportunities based on scenarios, considering how to reflect them in our business strategies and other actions.

*The TCFD was established by the Financial Stability Board (FSB) at the request of the G20 countries to study matters such as climate-related disclosure.

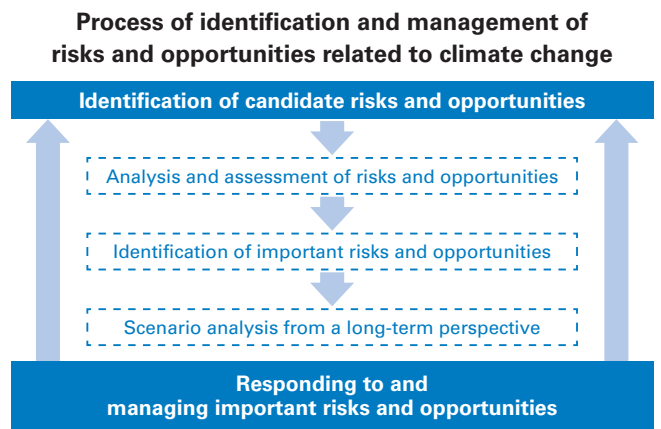


(a) Governance

Please refer to “ (1) Common Sustainability Issues, 1) Governance and Structure for Promoting Sustainability”.

(b) Risk Management (Assessment and Process of Identification and Management)

We are proceeding with efforts to strengthen our response to climate change risks and our efforts to address climate change opportunities by assessing these risks and opportunities along the two axes of probability of occurrence and impact on business. In addition, we assess the business impact of climate change in stages, based on the extent of the potential financial impact. In particular, we assess the future business environment via scenario analysis from a long-term perspective and in light of the unique characteristics of climate change.



(c) Strategies

The Company conducted a scenario analysis, referring to scenarios prepared by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) as benchmarks to understand the impact of climate change on our business and specify climate-related opportunities and risks.

We have identified risks and opportunities that are expected to have a particularly large impact on our business among transition risks due to policy, regulatory and market changes and physical risks caused by extreme weather events. We quantified the financial impact as much as possible, and then reflected them in the Group’s strategies to ensure sustainable business growth and reduce future risks.

[Key Risks]

Scenario	Key risks	Financial impact
2°C scenario	Significant decline in demand for fossil fuels due to changing consumer awareness accompanying the adoption of fossil fuel surcharges, emissions credit trading, and other policies and regulations	Large
	Widening physical damage to production facilities due to natural disasters	Low
4°C scenario	Lower productivity due to rising temperatures	Moderate
	Lower LPG sales due to rising temperatures	Low

[Key Opportunities]

Scenario	Key risks	Financial impact
2°C scenario	Large-scale growth in both domestic and international demand for hydrogen, mainly as a fossil fuel alternative; significant growth in demand for hydrogen-related equipment as hydrogen demand grows	Large*
	Major potential business opportunities associated with the development and adoption of green LPG	Large
	Growing demand for lithium, cobalt, and other rechargeable battery materials with growing use of EVs and stationary batteries	Large
4°C scenario	Higher sales of disaster response and BCP equipment, including LPG-powered emergency generators	Low

*There is potential for very high growth opportunities depending on the extent of progress on climate change response.

[Financial Impact]

Large: Equivalent to at least several tens of billions of yen in net sales

Moderate: Equivalent to several billions to several tens of billions of yen in net sales

Low: Equivalent to several billions of yen in net sales

Please refer to our website for the details of specific initiatives:
[\(https://www.iwatani.co.jp/eng/sustainability/environment/climate/\)](https://www.iwatani.co.jp/eng/sustainability/environment/climate/)

In addition, these items are based on scenarios from the IEA, IPCC, and other sources and entail numerous uncertainties. We will flexibly respond to changes in the external environment, including ever-changing social trends and technological innovations.

(d) Metrics & Targets

The Iwatani Group has announced its goal of achieving carbon neutrality by FY2050, targeting as a FY2030 milestone a reduction of 50% in CO₂ emissions by the Iwatani Group in Japan compared with the FY2019 level.

Please refer to our website for the Group's achievements concerning CO₂ emissions.
[\(https://www.iwatani.co.jp/eng/sustainability/environment/env-data/\)](https://www.iwatani.co.jp/eng/sustainability/environment/env-data/)

Our achievements in FY2023 will be posted on the website around September 2024.

(3) Other Sustainability Issues

1) Human Capital and Diversity

(a) Strategy

[Policy on Human Resource Development]

The Company believes that "diversity and inclusion" is necessary for sustainable growth and corporate value creation in response to changes in the business environment. In line with the President sending out the message of "Toward an Organization of Acceptance and Mutual Respect of Diverse Values," we are taking various measures to promote diversity and inclusion. In addition, the Iwatani Code of Corporate Ethics, which is the code of conduct for our employees, states that "We will respect diverse values and create an environment in

which abilities can be fully demonstrated in order to ensure well-being and achieve prosperity." Accordingly, we strive to develop human resources so that officers and employees can demonstrate freewheeling thinking and imaginative powers through teamwork based on individual character and independence.

[Policy on Improving the Internal Environment]

In terms of our internal system, in FY2017, we designated a person in charge of diversity to support the active participation of diverse human resources, including promoting the active participation of women. Please refer to our website for our approach, policies, and initiatives regarding diversity:
[\(https://www.iwatani.co.jp/eng/sustainability/society/diversity/\)](https://www.iwatani.co.jp/eng/sustainability/society/diversity/)

Going forward, we will further promote diversity management in order to become an organization of mutual respect and improvement and one which is open to diverse values.

(b) Indicators and Targets

[Ratio of female managers]

As part of our diversity management, the Company has been advancing initiatives to support the balance between work and life events and to promote the active participation of women, and have earned Platinum Kurumin certification and a Two-Star rating under Eruboshi certification. The Company will continue to further expand flexible work styles and childcare and nursing-care system and foster an appropriate corporate culture in which diverse individuals can play an active role, aiming to achieve a ratio of 10% or more of female managers in FY2027.

[Investments in employee training]

The autonomous growth of our employees is essential to ensuring that our human resources can continue to be a person needed by society as called for in our corporate philosophy. We use the new training center to be established in Kobe and offer various opportunities for experience and training programs to

support employees' autonomous career development. Our goal is to invest ¥150,000 [\$990] per employee per year in education in FY2027, approximately double the current amount.

[Percentage of childcare leave taken by male employees]
To be an organization capable of continuing to create new value, the Company is promoting male employees' participation in raising children in addition to workplace promotion of women. We aim to foster an appropriate corporate culture and achieve 100% of male employees taking childcare leave in FY2027 through efforts, such as realizing flexible work styles that allow employees to balance work and life events, publishing childcare handbooks, posting reports on childcare leave by fathers, and other initiatives.

Please refer to our website for achievements of each indicator. (<https://www.iwatani.co.jp/jpn/sustainability/society/data/>)

Our achievements in FY2023 will be posted on the website around June 2024.

3. Business Risks, etc.

Among the matters related to the status of the business, the status of our accounting and such stated in the annual securities report, the major risks that management recognizes may have a significant impact on the Company's financial position, operating results and status of cash flows are set forth below. All forward-looking statements in this section are based on judgments made by the Group at the end of the fiscal year under review.

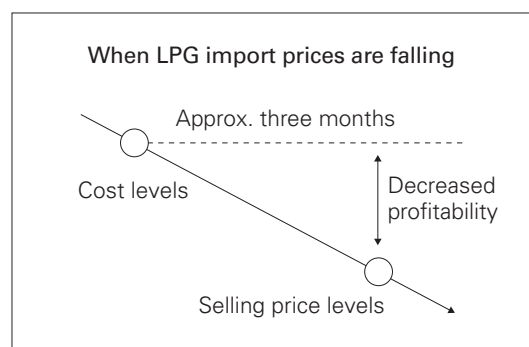
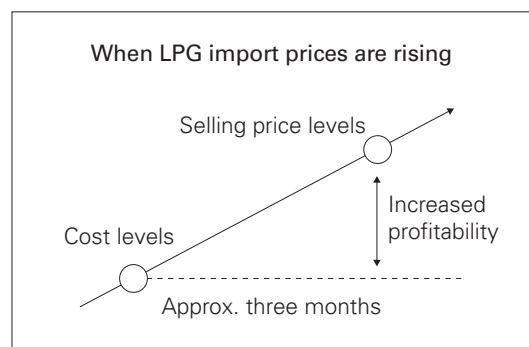
(1) Seasonal factors and fluctuations in weather

LPG consumption is affected by air and water temperatures. Therefore, sales of LPG, the Group's main product, decrease in summer and increase in winter. For this reason, the Group has a profit structure in which profits are concentrated in the second half of the year. As a result, abnormal fluctuations in weather may affect the Group's LPG sales volume.

(2) Impact of LPG import prices

The Company imports LPG from the Middle East and the U.S. In order to level out the impact of import price fluctuations, we have set up a price system with many wholesalers in which sales prices are linked to the Contract Price (CP) and Mont Belvieu (MB) pricing. However, we have adopted the "first-in, first-out" method for inventory valuation, and there is a time lag of about three months from the import to the sale of LPG. When the import price rises, selling low-cost inventory at a high price will increase profits. Conversely, when the import price falls, selling high-cost inventory at a low price will reduce profits.

For the fiscal year under review, there was a decrease in profit of ¥0.7 billion [\$4,623 thousand] (an increase in profit of ¥7.9 billion in the previous fiscal year).



(3) Risks related to climate change

While our main product is LPG, which is a fossil fuel, we are also focusing on expanding the use of hydrogen and other products that contribute to decarbonization. Depending on future trends in regulations, etc., related to climate change, the performance of the Group may be affected. For this reason, the Sustainability Promotion Committee, established as a subsidiary organization under the Risk Management Committee, which coordinates risk management groupwide, deliberates on matters such as risks, opportunities, action policies, and targets related to climate change and checks on the progress of related results.

Details regarding climate change are described in Section 2, "Approach and Initiatives Regarding Sustainability."

(4) Impact of exchange rate fluctuations

Although the Group may be affected by foreign exchange risk in trade transactions, it manages risks due to exchange rate fluctuations through measures such as forward exchange contracts. However, in the event of rapid and sharp fluctuations in exchange rates, it may be difficult to completely eliminate this risk, and the performance of the Group may be affected.

(5) Disasters, etc.

The Group handles LPG, industrial gas, and other gases regulated by the High Pressure Gas Safety Act, etc. Therefore, we conduct regular statutory inspections required by law as well as voluntary examinations and inspections. However, there is a possibility that we may not be able to provide a stable supply in situations such as when there is major damage to our shipping facilities, such as our bases, or to customer consumption facilities due to natural disasters such as large-scale earthquakes or large-scale epidemics of infectious diseases.

(6) Intensifying competition due to deregulation, etc.

Due to the full liberalization of the electricity and gas retail business, the declining population in Japan, and the depopulation of provincial cities, the competitive environment between companies in the industry and between different types of energy may change and may affect the performance of the Group.

(7) Impact of country risk

The Group conducts trade transactions and overseas business development centered on Asia. Accordingly, the performance of the Group may be affected by factors such as the deterioration of the political and economic situation in the region; unforeseen changes in laws, regulations, or tax systems; or the deterioration of public security.

(8) Impact of interest rate fluctuations

The Group requires funds for conducting strategic investments, such as investments to increase the number of LPG direct sales customers through M&A and capital investments to expand the industrial gas business. Related interest rate fluctuations may affect the performance of the Group.

(9) Impact of counterparty credit risk

The Group provides credit to business partners in various forms and bears credit risks, including the possibility of default on receivables. In order to minimize and manage these credit risks, the Group takes countermeasures such as setting credit limits and obtaining necessary collateral and guarantees according to the credit status of business partner. However, in the event that receivables become uncollectible due to a deterioration in the credit standing or the bankruptcy of a business partner, etc., the performance of the Group may be affected.

(10) Impact of fluctuations in prices of securities held

In addition to holding shares of Group companies, the Group also holds securities of business partners, etc., in order to develop closer business relationships. Therefore, future fluctuations in the stock market may affect the performance of the Group. Regarding shares held for the purpose of strategic shareholding, the Board of Directors determines the appropriateness of each individual shareholding on an annual basis.

(11) Product defects

The products and services provided by the Group are managed through an appropriate quality control system. However, if the Group has to compensate for damages due to its products or conduct product recalls, etc., there may be consequences such as a decline in the Group's social credibility and corporate image, and the Group may have to bear large amounts of related expenses, which may affect the performance of the Group.

(12) Handling of personal information

The Group handles a large amount of personal information in various businesses, including the LPG business. As a business handling personal information and as stipulated in the Act on the Protection of Personal Information, we strive to comply with the law by appropriately managing the handling of personal information. However, in the event that personal information is leaked despite the Group's efforts, consequences such as a decline in the Group's social credibility and claims for damages from customers may arise and affect the performance of the Group.

(13) Risks related to compliance

The Group's businesses have to comply with various laws, regulations, and societal norms both in Japan and overseas. Therefore, we have established a Compliance Committee and are working to strengthen our compliance system. Furthermore, we are working to ensure thorough compliance by establishing and disseminating the Iwatani Code of Corporate Ethics as a code of conduct that all members of the Iwatani Group must comply with.

However, in the event that a violation of laws and regulations, etc., occurs despite the Group's efforts, the Group may face administrative sanctions from the authorities, lawsuits from interested parties, or a decline in its social credibility which may affect the performance of the Group.

4. Analysis of Status of Operating Results, Status of Financial Position and Status of Cash Flows

(Overview of Operating Results, etc.)

An overview of the financial position, operating results, and cash flows (hereinafter referred to as "operating results, etc.") of the Group (the Company, consolidated subsidiaries and entities accounted for using equity method) for the fiscal year under review is as follows.

(1) Status of Operating Results

During the fiscal year ended March 31, 2024 (hereinafter referred to as the "fiscal year under review"), the Japanese economy showed a gradual recovery as corporate profits improved and capital investment remained solid due to the normalization of socioeconomic activities following the COVID-19 pandemic, despite global monetary tightening and downside risks to the overseas economy. Under these circumstances, Iwatani (hereinafter referred to as the "Company") expanded its business to achieve its basic policies of "Solutions to social issues" and "Sustained growth" in accordance with its five-year medium-term management plan, "PLAN27," which started in the fiscal year ended March 31, 2024.

In order to realize a hydrogen energy society, a demonstration project in Minamisoma City, Fukushima Prefecture to supply mixed hydrogen and LPG to residential homes using existing pipelines has been selected for a grant project by the New Energy and Industrial Technology Development Organization (NEDO). Furthermore, in order to decarbonize port terminals, by supplying hydrogen fuel, we participate in a demonstration project to power cargo-handling machines used at the Hanshin Port Container Terminals with power generators with hydrogen-fueled engines.

In the Integrated Energy Business, we continued to work to increase the number of LPG direct sales customers and streamline deliveries through the integration and consolidation of delivery facilities. In the cartridge gas business, we launched a top-end model of our portable gas cooking stove to tap into a new customer segment.

In the Industrial Gases & Machinery Business, as demand for refrigerants grew in Southeast Asia, we reinforced our filling plants in Thailand and Indonesia and launched a recovery and recycling business in an effort to increase the scale of our business.

In the Materials Business, as we purchased 100% shares of Taihei Kozai Co., Ltd. and Taihei Kinzoku Co., Ltd., which process and sell stainless steel primarily in Hyogo Prefecture, we reinforced not only our procurement and sale of stainless

steel in Japan, but also our processing business, in an attempt to enhance our proposal capabilities to our customers.

As a result, for the fiscal year under review, net sales were ¥847,888 million [\$5,599,947 thousand] (-¥58,372 million [-\$385,522 thousand] year-on-year), operating profit was ¥50,635 million [\$334,423 thousand] (+¥10,600 million [+¥70,008 thousand] year-on-year), ordinary profit was ¥66,202 million [\$437,236 thousand] (+¥19,190 million [+¥126,741 thousand] year-on-year), and net income attributable to owners of parent was ¥47,363 million [\$312,812 thousand] (+¥15,341 million [+¥101,320 thousand] year-on-year).

The following is a breakdown of operating results by segment: Effective from the fiscal year under review, the business segmentation changed in accordance with changes in the organization of the Company, and comparisons and analyses for the fiscal year under review are based on the new segmentation.

(i) Integrated Energy

In the Integrated Energy Business, LPG import prices were below those in the previous fiscal year, sales prices declined, and LPG sales decreased, mainly those targeting large customers, resulting in a decrease in revenue. On the other hand, profits increased due to an improvement in the profitability of the LPG retail sector, the positive impact of LPG price fluctuation (+¥3,894 million [+¥25,718 thousand] year-on-year), and solid sales of cassette gas and gas safety equipment.

As a result, net sales in this segment were ¥357,133 million [\$2,358,714 thousand] (-¥36,085 million [-\$238,326 thousand] year-on-year), and operating profit was ¥20,173 million [\$133,234 thousand] (+¥5,871 million [+¥38,755 thousand] year-on-year).

(ii) Industrial Gases & Machinery

In the Industrial Gases & Machinery Business, sales volumes of air-separation gas and hydrogen gas decreased mainly for the semiconductor and electronic components industries, but profitability improved due to efforts to reduce production costs. As for specialty gases, we strove to maintain a steady supply of helium and carbon dioxide. Sales of machinery and equipment remained strong, especially those of power semiconductor equipment and gas supply facilities.

As a result, net sales in this segment were ¥262,169 million [\$1,731,517 thousand] (+¥21,766 million [+¥143,755 thousand] year-on-year) and operating profit was ¥21,705 million [\$143,352 thousand] (+¥5,144 million [+¥33,973 thousand] year-on-year).

(iii) Materials

In the Materials Business, sales of PET resin for beverage bottles and biomass fuels as well as functional films for smartphones remained strong. In addition, sales of stainless steel remained solid. As for mineral sands, while production and sales at our overseas mining sites remained robust, sales in Japan decreased due to a decline in demand. Sales of rechargeable battery materials for next-generation automobiles remained sluggish due in part to the weakening market trends and inventory adjustments at sales destinations.

As a result, net sales in this segment were ¥198,243 million [\$1,309,312 thousand] (-¥44,186 million [-\$291,830 thousand] year-on-year), and operating profit was ¥12,305 million [\$81,269 thousand] (-¥298 million [-\$1,968 thousand] year-on-year).

(iv) Others

Net sales were ¥30,341 million [\$200,389 thousand] (+¥132 million [+¥871 thousand] year-on-year), and operating profit was ¥2,776 million [\$18,334 thousand] (+¥781 million [+¥5,158 thousand] year-on-year).

(2) Status of Financial Position

(i) Total Assets

Total assets at the end of the fiscal year under review increased by ¥178,387 million [\$1,178,171 thousand] from the end of the previous fiscal year to ¥834,391 million [\$5,510,805 thousand]. This was mainly due to increases of ¥139,737 million [\$922,904 thousand] in investment securities, which resulted in part from the additional purchase of shares of Cosmo Energy Holdings Co., Ltd., and ¥17,969 million [\$118,677 thousand] in property, plant and equipment, which resulted from expansion of capital investment, respectively.

(ii) Total Liabilities

Total liabilities at the end of the fiscal year under review increased by ¥117,687 million [\$777,273 thousand] from the end of the previous fiscal year to ¥461,461 million [\$3,047,757 thousand]. This was mainly due to increases of ¥103,414 million [\$683,006 thousand] in short-term borrowings, which resulted in part from the additional purchase of shares of Cosmo Energy Holdings Co., Ltd. and ¥10,000 million [\$66,045 thousand] in bonds payable, which resulted from the issuance of sustainability bonds.

Interest-bearing debt, including lease liabilities, etc., at the end of the fiscal year under review increased by ¥115,067 million [\$759,969 thousand] to ¥254,521 million [\$1,681,005 thousand] from the end of the previous fiscal year.

(iii) Total Net Assets

Total net assets at the end of the fiscal year under review increased by ¥60,699 million [\$400,891 thousand] from the end of the previous fiscal year to ¥372,930 million [\$2,463,047 thousand]. This was mainly due to increases of ¥41,893 million [\$276,685 thousand] in retained earnings, ¥13,227 million [\$87,358 thousand] in valuation difference on available-for-sale securities, and ¥2,437 million [\$16,095 thousand] in foreign currency translation adjustment, respectively.

(3) Status of Cash Flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the fiscal year under review increased by ¥358 million [\$2,364 thousand] from the end of the previous fiscal year to ¥33,614 million [\$222,006 thousand].

(i) Operating Activities

Net cash provided by operating activities in the fiscal year under review increased in revenue by ¥3,383 million [\$22,343 thousand] from the previous fiscal year to ¥54,854 million [\$362,287 thousand]. This was mainly due to an increase in cash resulting from profit before income taxes of ¥67,210 million [\$443,894 thousand] and depreciation of ¥26,032 million [\$171,930 thousand] and a decrease in cash resulting from income taxes paid of ¥14,745 million [\$97,384 thousand], a decrease in trade payables of ¥13,755 million [\$90,846 thousand], and share of profit of entities accounted for using equity method of ¥10,105 million [\$66,739 thousand].

(ii) Investing Activities

Net cash used in investing activities in the fiscal year under review increased in expenditure by ¥100,980 million [\$666,930 thousand] from the previous fiscal year to ¥161,266 million [\$1,065,094 thousand]. This was mainly due to a decrease in cash resulting from purchase of investment securities of ¥112,288 million [\$741,615 thousand] and purchase of property, plant and equipment of ¥34,453 million [\$227,547 thousand].

(iii) Financing Activities

Net cash provided by financing activities in the fiscal year under review increased in revenue by ¥94,400 million [\$623,472 thousand] from the previous fiscal year to ¥105,433 million [\$696,341 thousand]. This was mainly due to an increase in cash resulting from a net increase in borrowings of ¥103,533 million [\$683,792 thousand] and proceeds from issuance of bonds of ¥10,000 million [\$66,045 thousand] and a decrease in cash resulting from dividends paid of ¥5,458 million [\$36,047 thousand].

(4) Results of Production, Orders and Sales

In the Group's business structure, the main operations are sales of products that have been procured. Accordingly, the procurement record has been stated in place of the results of production and the status of orders.

(i) Procurement Record

The record of procurement from third parties (including cost of service, etc.) by segment for the fiscal year under review is as follows.

Segment	Amount (Million yen)	Amount (Thousand \$)	YoY change (%)
Integrated Energy Business	236,240	1,560,266	(15.4)
Industrial Gases & Machinery Business	183,410	1,211,346	6.0
Materials Business	166,397	1,098,982	(23.4)
Others	37,217	245,802	(0.2)
Total	623,266	4,116,412	(11.8)

(ii) Sales Results

The results of sales to third parties (including service revenue, etc.) by segment for the fiscal year under review were as follows.

Segment	Amount (Million yen)	Amount (Thousand \$)	YoY change (%)
Integrated Energy Business	357,133	2,358,714	(9.2)
Industrial Gases & Machinery Business	262,169	1,731,517	9.1
Materials Business	198,243	1,309,312	(18.2)
Others	30,341	200,389	0.4
Total	847,888	5,599,947	(6.4)

Note: No amount of sales to a single third party accounted for 10% or more of the total sales.

(Analysis and Examination regarding Status of Operating Results, etc., from the Perspective of Management)

The understanding, analysis, and examination of the status of the Group's operating results, etc., from the management's perspective are as follows. All forward-looking statements in this section are based on judgments made at the end of the fiscal year under review.

(1) Significant Accounting Estimates and Assumptions Used in Making Estimates

The Group's consolidated financial statements are prepared in accordance with accounting standards generally accepted in Japan. In preparing these consolidated financial statements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses are used. Estimates, judgments, and evaluations were made based on factors that are considered reasonable in light of past performance and circumstances, but actual results may differ due to the uncertainties inherent in estimates. Among the accounting estimates and assumptions used in the preparation of the consolidated financial statements, the significant ones are listed in Note 3, "Significant Accounting Estimates."

(2) Understanding, analysis and examination of the status of operating results, etc., for the fiscal year under review

(i) Analysis of Operating Results

(a) Net sales and gross profit

Net sales decreased by 6.4% from the previous fiscal year to ¥847,888 million [\$5,599,947 thousand]. This was mainly due to the declining trend of LPG import prices, decline in secondary battery materials market, and weak sales. For more details, refer to the breakdown of operating results by segment above in Section 4 (1), "Status of Operating Results."

Gross profit increased 7.8% year-on-year to ¥229,475 million [\$1,515,586 thousand] owing to positive turnaround in LPG market factors and improved profitability of LPG retail business, in addition to our effort in promoting responses to rising production costs for Industrial Gases & Machinery business since previous fiscal year.

(b) Operating profit

Selling, general and administrative expenses increased by 3.4% from the previous fiscal year to ¥178,839 million [\$1,181,157 thousand]. This was mainly due to increases in personnel costs as well as depreciation and amortization caused by increased investment. As a result, operating profit increased by 26.5% from the previous fiscal year to ¥50,635 million [\$334,423 thousand].

(c) Ordinary profit

The balance of non-operating income and expenses amounted to income (net) of ¥15,567 million [\$102,813 thousand], an increase of ¥8,590 million [\$56,733 thousand] from income (net) of ¥6,976 million in the previous fiscal year. This was mainly due to increase in the share of profit of entities accounted for using equity method attributable to recognizing gain on bargain purchase upon making Cosmo Energy Holdings Co., Ltd. an equity-method affiliate. As a result, ordinary profit increased by 40.8% from the previous fiscal year to ¥66,202 million [\$437,236 thousand].

(d) Net income attributable to owners of parent

The balance of extraordinary income and loss amounted to income (net) of ¥1,008 million [\$6,657 thousand], an increase of ¥697 million [\$4,603 thousand] in income from an income (net) of ¥310 million in the previous fiscal year. This was mainly due to an increase in gain on sales of investments in securities.

As a result of the above, net income attributable to owners of parent increased by 47.9% year-on-year to ¥47,363 million [\$312,812 thousand], and basic earnings per share increased

from ¥556.69 in the previous fiscal year to ¥823.31 [\$5.43].

In our Medium-Term Management Plan “PLAN27,” we set operating profit of ¥65.0 billion [\$429,297 thousand], ROE of 10% or higher, and ROIC of 6% or higher as targets for the final

year of the plan, the fiscal year ending March 31, 2028.

Operating profit, ROE, and ROIC results for the previous fiscal year and the fiscal year under review as well as the targets for the final year of PLAN27 are as follows.

(Comparison with PLAN27)

(Billion yen, unless otherwise stated)			
Item	FY2022 Results	FY2023 Results	Targets for final year of PLAN27
Operating profit	40.0	50.6	65.0
Operating profit [Thousand \$]	—	[334,191]	[429,297]
ROE	11.2%	14.3%	10% or higher
ROIC	6.8%	6.7%	6% or higher

(Comparison with FY2023 performance forecasts)

(Billion yen, unless otherwise stated)			
Item	FY2022 Results	FY2023 Results	FY2023 Performance Forecasts (Note)
Net sales	906.2	847.8	907.0
Net sales [Thousand \$]	—	[5,599,365]	[5,990,357]
Operating profit	40.0	50.6	45.0
Operating profit [Thousand \$]	—	[334,191]	[297,206]
Ordinary profit	47.0	66.2	50.3
Ordinary profit [Thousand \$]	—	[437,223]	[332,210]
Net income attributable to owners of parent	32.0	47.3	33.5
Net income attributable to owners of parent [Thousand \$]	—	[312,396]	[221,253]

(Operating profit excluding impact of LPG import price fluctuation [market factors])

(Billion yen, unless otherwise stated)			
Item	FY2022 Results	FY2023 Results	FY2023 Performance Forecasts (Note)
Operating profit	40.0	50.6	45.0
Operating profit [Thousand \$]	—	[334,191]	[297,206]
Market factors	(3.1)	0.7	—
Market factors [Thousand \$]	—	[4,623]	—
Operating profit excluding market factors	43.1	49.8	45.0
Operating profit excluding market factors [Thousand \$]	—	[328,908]	[297,206]

Note: The FY2023 performance forecasts stated are the figures announced on May 15, 2023.

Regarding FY2023 (fiscal year ended March 31, 2024) results, operating profit was ¥50.6 billion [\$334,191 thousand], ROE was 14.3%, and ROIC was 6.7%. This was mainly due to the improved profitability of LPG retail business and our effort in promoting responses to rising production costs for Industrial Gases & Machinery business since previous fiscal year.

Going forward, we will continue to implement strategies based on priority measures and aim to achieve the performance targets for PLAN27: operating profit of ¥65.0 billion [\$429,297 thousand], ROE of 10% or higher, and ROIC of 6% or higher.

(ii) Analysis of capital resources and funding liquidity

Please refer to Section 4 (3), “Status of cash flows” for the status of cash flows.

(a) Demand for funds

The main component of working capital in the Group’s business activities is operating expenses, such as expenses for the purchasing of merchandise, manufacturing costs, and selling, general and administrative expenses. The demand for funds for investment is due to capital expenditure and the acquisition of shares in M&As. The Group’s policy is to make multifaceted

and cautious investment decisions, taking the revenue of the entire business into consideration for infrastructure development to support safety and security and taking capital costs and other factors into consideration for future growth investments.

(b) Financial policy

It is the basic policy of the Group to secure the capital resources and funding liquidity needed for business operations by generating stable cash flow from operating activities, while also maintaining financial soundness. For short-term working capital, we rely on the Company’s own funds, short-term borrowings from financial institutions, and commercial paper (CP). For capital expenditure and long-term working capital, we rely on sources such as Company funds, long-term borrowings from financial institutions, and the issuance of corporate bonds. We also conduct lending between Group companies with the aim of improving intra-Group funding efficiency.

In terms of corporate bonds, after issuing green bonds in December 2021 and straight bonds in September 2022, we issued ¥10.0 billion [\$66,045 thousand] sustainability bonds (¥5.0 billion [\$33,022 thousand] each of 7-year and 10-year

bonds) in January 2024, as funds to be used for capital expenditures, investments and loans in the “construction of a CO₂-free hydrogen supply chain” and the “provision of infrastructures and services that support local communities.” The funds will also be used to repay borrowings incurred to raise such funds. These bonds have received a bond rating of A+ from Japan Credit Rating Agency, Ltd. (JCR). We have also obtained a “J-1” rating, which is equivalent to the “A+” rating, for our domestic CP rating, which is required to issue CP. We will continue to strive to realize a hydrogen energy-based society and decarbonization, and promote the provision of infrastructure and services that support local communities.

At the end of the fiscal year under review, the Company's interest-bearing liabilities, including lease liabilities, increased by ¥115,067 million [\$759,969 thousand] to ¥254,521 million [\$1,681,005 thousand].

This was mainly due to an increase in short-term borrowings which resulted from the purchase of additional shares of Cosmo Energy Holdings Co., Ltd.

5. Important Business Contracts, etc.

(Purchase of additional shares of Cosmo Energy Holdings Co., Ltd. and borrowing of funds)

At the Board of Directors meeting held on December 1, 2023, the Company resolved to purchase additional shares of Cosmo Energy Holdings Co., Ltd. (hereinafter referred to as “Cosmo Energy HD”) from City Index Eleventh Co., Ltd., Minami Aoyama Fudosan Co., Ltd., and Ms. Aya Nomura and to borrow funds for the purpose of the share purchase, and concluded a share purchase agreement and an overdraft agreement on the same date.

Subsequently, the Company received a notice from the Japan Fair Trade Commission that, following their examination, they would not issue a cease and desist order. The Company then purchased additional 250,000 shares of Cosmo Energy HD from City Index Eleventh Co., Ltd. on March 27, 2024.

As a result, the ratio of the voting rights held by the Company*¹ became 20.07%, and in the fiscal year under review, Cosmo Energy HD was an affiliate of the Company and included in the scope of entities accounted for using the equity method.

*¹ The ratio (rounded to two decimal places) of the number of voting rights held by the Company to the number of voting rights held by all shareholders of Cosmo Energy HD as of December 31, 2023 (882,208), as stated in the “Quarterly Securities Report (Third Quarter of Fiscal Year Ending March 31, 2024)” published by Cosmo Energy HD on February 8, 2024.

1. Purchase of additional shares of Cosmo Energy HD

(1) Names of parties from whom shares are purchased

- City Index Eleventh Co., Ltd.
- Minami Aoyama Fudosan Co., Ltd.
- Ms. Aya Nomura

(2) Overview of Cosmo Energy HD

1. Name	Cosmo Energy Holdings Co., Ltd.
2. Address	1-1-1 Shibaura, Minato-ku, Tokyo
3. Business description	Management of subsidiaries involved in oil ranging from upstream to downstream and other businesses
4. Capital	46,435 million yen

(3) Number of shares purchased, purchase cost, and number of shares held before and after purchase

1. Number of shares held jointly before purchase* ²	59,375 shares (shareholding ratio* ³ : 0.07%)
2. Number of shares purchased	17,650,525 shares (17,400,525 shares in December 2023 and 250,000 shares in March 2024)
3. Purchase cost	106.8 billion yen (105.3 billion yen in December 2023 and 1.5 billion yen in March 2024)
4. Number of shares held jointly after purchase* ²	17,709,900 shares (shareholding ratio* ⁴ : 20.22%)

*² The Company owned 59,000 shares and Kanto Propan Gas Co., Ltd. (currently, Iwatani Kanto Co., Ltd.), a consolidated subsidiary of the Company, owned 375 shares, and the number of shares held by the Company increased after the purchase.

*³ The ratio (rounded to two decimal places) of the number of shares held jointly before purchase to the number of shares (87,587,714 shares), which is obtained by deducting the number of treasury shares owned by Cosmo Energy HD (766,047 shares) as of September 30, 2023, as stated in the “Summary of Consolidated Financial Results (Japanese GAAP) for the Second Quarter of Fiscal Year Ending March 31, 2024” published by Cosmo Energy HD on November 8, 2023, from the total number of shares issued by Cosmo Energy HD (88,353,761 shares) as of September 30, 2023, as stated in the “Quarterly Securities Report (Second Quarter of Fiscal Year Ending March 31, 2024)” published by Cosmo Energy HD on November 8, 2023.

*⁴ The ratio (rounded to two decimal places) of the number of shares held jointly after purchase to the number of shares (87,587,589 shares), which is obtained by deducting the number of treasury shares owned by Cosmo Energy HD (766,172 shares) as of December 31, 2023, as stated in the “Summary of Consolidated Financial Results (Japanese GAAP) for the Third Quarter of Fiscal Year Ending March 31, 2024” published by Cosmo Energy HD on February 8, 2024, from the total number of shares issued by Cosmo Energy HD (88,353,761 shares) as of December 31, 2023, as stated in the Quarterly Securities Report (Third Quarter of Fiscal Year Ending March 31, 2024) published by Cosmo Energy HD on February 8, 2024.

(4) Impact of accounting for Cosmo Energy HD using the equity method on financial results of the Company

Details are as stated in Note 4 "Additional Information (Make It an Affiliate Accounted for Using the Equity Method through Share Purchase)".

2. Borrowing of funds

1. Reasons for borrowing funds	For the share purchase
2. Lender	MUFG Bank, Ltd.
3. Borrowing amount	105.3 billion yen
4. Contract date	December 1, 2023
5. Drawdown date	December 1, 2023
6. Repayment date	Within one year from the contract date
7. Borrowing interest rate	Tibor+0.2%
8. Repayment method	Lump-sum repayment
9. Security	None

(Capital and Business Alliance with Cosmo Energy HD)

At the Board of Directors meeting held on April 23, 2024, the Company resolved to conclude a capital and business alliance agreement with Cosmo Energy HD.

Details are as stated in Note 26 "Significant Subsequent Events (Capital and Business Alliance Agreement with Cosmo Energy Holdings Co., Ltd.)".

6. Research and development

Centered on the gas and energy fields, our research and development in the fiscal year under review covered our business domains ranging from the Integrated Energy Business and the Industrial Gases & Machinery Business to the Materials Business. In addition, to solidify our position as the leading hydrogen supplier, we focused on technological development to create a hydrogen supply chain as well as development of new technologies for decarbonization.

With the Group's vision for overall growth in mind, the Iwatani R&D Center (Amagasaki, Hyogo Prefecture), which plays a central role in our research and development, engaged in R&D that will lead to the development of new products and new businesses. The Center also made efforts to strengthen its basic technologies, with a focus on analysis, to improve its technical services for customers, the quality control of products handled by the Company, and the efficiency of product development.

The Iwatani Advanced Hydrogen Technology Center took advantage of its state-of-the-art hydrogen testing and research equipment to evaluate the suitability of materials and equipment for use with ultra-low-temperature liquid hydrogen and ultra-high-pressure hydrogen gas while proceeding with research and development that will help lower the costs of building hydrogen-refueling stations and making them safer. The Center also promoted the development of technology for capturing cold heat from gasification of liquid hydrogen and using it in the buildings in the Center, and filling technologies for the future commercialization of liquid hydrogen-refueling stations. Further, it is proceeding with research into synthesizing hydrocarbon fuels, such as propane, from hydrogen and carbon dioxide.

The research and development expenditures of the entire

Group for the fiscal year under review totaled ¥2,248 million [\$14,847 thousand]. And the Company accounted for ¥1,819 million [\$12,013 thousand].

The main content of the research and development was related to hydrogen and accounted for ¥390 million [\$2,575 thousand]. Divided by segment, other research and development expenses were ¥331 million [\$2,186 thousand] in the Integrated Energy Business segment, ¥78 million [\$515 thousand] in the Industrial Gases & Machinery Business segment, ¥146 million [\$964 thousand] in the Materials Business segment, and ¥1,301 million [\$8,592 thousand] in the Other segment. The Other segment includes common expenses of the Iwatani R&D Center.

Research and development in each segment were as follows.

(Hydrogen energy)

Based on the hydrogen and fuel-cells strategy roadmap and the Hydrogen Basic Strategy, the Company engaged in activities that will lead to the expansion of the use of hydrogen energy, including the establishment of hydrogen-refueling stations and the development of new applications for hydrogen energy. Furthermore, the Company promoted research and development that prioritized the construction of a carbon-free hydrogen supply chain in anticipation of the realization of a hydrogen energy society.

Specifically, in an initiative with the Ministry of Economy, Trade and Industry and the New Energy and Industrial Technology Development Organization (NEDO), the Company participated in a demonstration project to build a large-scale hydrogen supply chain using unutilized Australian brown coal, accumulating engineering data on the LH2 carrier and receiving terminal mainly through the demonstration of sea transport and the testing of loading arms for loading/unloading LH2 from the sea at the receiving terminal. At the Fukushima Hydrogen Energy Research Field (FH2R) (Namie, Fukushima Prefecture), the Company extended the contract with NEDO through FY2025, under which it will continue supplying hydrogen to commercial hydrogen-refueling stations and to fuel cells to be installed in facilities in Fukushima Prefecture. In addition, the Company launched initiatives to reduce hydrogen production costs, such as optimization of the supply-demand management of hydrogen.

With the aim of commercial operations at Expo 2025 Osaka, Kansai, Japan, the Company finalized the design and specifications for a vessel propelled by hydrogen fuel cells and proceeded with the construction of the vessel. It also constructed a hydrogen-refueling station for watercraft. Further, in a joint project with JGC HOLDINGS CORPORATION and Toyota Tsusho Corporation, the Company completed the research on technologies for producing hydrogen from waste plastics, then proceeded with detailed study on commercialization of the project. In another joint project with Obayashi Corporation, the Company proceeds with research and development for the capture of cold heat from gasification of liquid hydrogen and its utilization in office air conditioning systems and elsewhere. In addition, it installed and started operation of a 100kW pure hydrogen fuel cell power generation system at the Center in an effort to achieve carbon neutrality.

(Integrated Energy Business)

As part of its efforts to realize a carbon neutral society, the Company pursued research into technologies for manufacturing

green LPG to aid in the decarbonization of LPG, and has been working on the establishment of basic technologies in a laboratory scale at the Iwatani Advanced Hydrogen Technology Center. In addition, in a project commissioned by NEDO, the Company worked jointly with Soma Gas Holdings Co., Ltd. and others and completed a feasibility study for a demonstration trial of a mixed pipeline supply of hydrogen and LPG using existing infrastructure. The demonstration trial in the business area of Soma Gas Co., Ltd. was newly selected as a project subsidized by NEDO, and the Company is set to complete the facilities by the end of FY2024 and launch the demonstration trial. Further, the Company is proceeding with product development that capitalizes on power generation functions that use thermoelectric power generation elements and fuel cells. The aim of this initiative is to develop new products that will lead to expanded sales of cassette gas canisters, the Company's mainstay consumer product.

(Industrial Gases & Machinery Business)

With a focus on the area of regenerative medicine, the Company leveraged the outcomes of research into the optimization of cell freezing and thawing processes obtained through its joint research chair with Osaka University to pursue the development of cell storage and transport containers and freezing equipment. Making use of the dedicated bioresearch clean room in the Iwatani R&D Center as the base for regenerative medicine and bioresearch, the Company confirmed that artificial blood vessels can be frozen and thawed. It will explore commercialization prospects with its joint research partner.

To expand businesses such as the supply of oxygen gas to the inland aquaculture sector, the Company confirmed the benefits of oxygen enrichment in aquaculture of flounder by utilizing equipment for inland aquaculture research installed in the Iwatani R&D Center. Going forward, the Company will work to increase the variety of fish species and determine the optimum aquaculture conditions for each species.

Based on the technology for the production of deuterium gas for use in semiconductors that was established by the Iwatani R&D Center, a mass-production deuterium plant was launched at the Mie Plant of Iwatani Industrial Gases Corporation. The plant has been operating smoothly, contributing to increased efficiency of plant operation and reduction of production loss.

In the welding and cutting area, in a joint project with KOHTAKI PRECISION MACHINE Co., Ltd., the Company developed and commercialized a hydrogen-cutting machine that uses 100% hydrogen gas to cut steel plates. It also developed technologies for the welding of dissimilar metals, namely copper and stainless steel.

(Materials Business)

The Company advanced the development of technologies for synthesizing nano nickel, which is used in multi-layer ceramic capacitors (MLCC). Demand for those capacitors is growing for use in mobile phones and PCs. The Company has shipped samples to major users for them to evaluate as it strives to improve quality. It is also working to develop technologies to increase production volumes and reduce production costs with the use of automation with commercialization in mind.

Information about Reporting Company

Iwatani Corporation and its Consolidated Subsidiaries

1. Company's Shares and Other Information

(1) Total Number of Shares and Issued Shares

(i) Total number of shares

Class	Total number of shares authorized to be issued (Shares)
Common shares	120,000,000
Total	120,000,000

(ii) Issued shares

Class	Number of issued shares as of the end of the fiscal year (Shares) (March 31, 2024)	Number of issued shares as of the filing date (Shares) (June 20, 2024)	Name(s) of the financial instruments exchange(s) on which the Company is listed or of the authorized financial instruments firms association(s) where the Company is registered	Description
Common shares	58,561,649	58,561,649	Tokyo Stock Exchange, Prime Market	—
Total	58,561,649	58,561,649	—	—

(2) Stock Acquisition Rights

(i) Stock option plans

Not applicable

(ii) Rights plans

Not applicable

(iii) Stock acquisition rights for other uses

Not applicable

(3) Exercises of Moving Strike Convertible Bonds, etc.

Not applicable

(4) Changes in Total Number of Issued Shares, Share Capital and Legal Capital Surplus

Class	Changes in total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Changes in share capital (Million yen) [Thousand \$]	Balance of share capital (Million yen) [Thousand \$]	Changes in legal capital surplus (Million yen) [Thousand \$]	Balance of legal capital surplus (Million yen) [Thousand \$]
April 1, 2020–March 31, 2021	8,288,644	58,561,649	15,000 [99,068]	35,096 [231,794]	15,000 [99,068]	20,100 [132,752]

Note: The increases in the total number of issued shares, share capital, and legal capital surplus are due to the exercise of stock acquisition rights in convertible bonds with share acquisition rights.

(5) Shareholding by Shareholder Category

As of March 31, 2024

Category	Status of shares (Number of shares constituting one unit: 100 shares)								Status of shares less than one unit (Shares)
	National and local governments	Financial institutions	Financial instrument business operator	Other corporations	Foreign entities		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (Persons)	—	61	45	390	305	40	25,292	26,133	—
Number of shares held (Units)	—	167,204	7,862	113,807	151,107	73	143,365	583,418	219,849
Shareholding ratio (%)	—	28.66	1.35	19.51	25.90	0.01	24.57	100	—

Notes: 1. Of the 977,438 treasury shares, 9,774 units are included in "Individuals and others" and 38 shares are included in "Status of shares less than one unit."

2. 26 units and 16 shares held in the name of Japan Securities Depository Center, Incorporated are included in "Other corporations" and "Status of shares less than one unit," respectively.

(6) Major Shareholders

As of March 31, 2024

Name	Address	Number of shares (Thousands of shares)	Shareholding ratio (Excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8-1, Akasaka 1-chome, Minato-ku, Tokyo	6,633	11.52
The Iwatani Naoji Foundation	2-3, Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo	4,132	7.18
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	2,216	3.85
Government of Norway (permanent agent: Citibank N.A., Tokyo Branch)	Bankplassen 2, 0107 Oslo 1 Oslo 0107 Norway (27-30 Shinjuku 6-chome, Shinjuku-ku, Tokyo)	2,211	3.84
MUFG Bank, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	1,336	2.32
Resona Bank, Ltd.	2-1, Bingomachi 2-chome, Chuo-ku, Osaka	1,177	2.05
Tetsu Iwatani Co., Ltd.	21-8, Nishi-Shimbashi 3-chome, Minato-ku, Tokyo	1,000	1.74
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	898	1.56
Iwatanisangyou Senyukai	6-4, Hommachi 3-chome, Chuo-ku, Osaka	883	1.53
Iwatani Enyukai	6-4, Hommachi 3-chome, Chuo-ku, Osaka	771	1.34
Total	—	21,262	36.92

Notes: 1. In addition to the above, 977,000 treasury shares are held by the Company.

2. Iwatanisangyou Senyukai is Iwatani's employee stock ownership program.

3. Iwatani Enyukai is a stock ownership program for companies engaged in long-term transaction relationships with Iwatani.

4. Report of large volume holding (change report) made available for public inspection on March 25, 2024 states that Norges Bank holds the following Company shares as of March 15, 2024. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the actual holding of shares as of March 31, 2024.

Name	Address	Number of stock certificates, etc. held (Thousands of shares)	Holding ratio of stock certificates, etc. (%)
Norges Bank	Bankplassen 2, P.O. Box 1179 Sentrum, N-0107 Oslo, Norway	2,714	4.63

5. Report of large volume holding (change report) made available for public inspection on June 21, 2021 states that Mitsubishi UFJ Trust and Banking Corporation and one other joint holder holds the following Company shares as of June 14, 2021. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the actual holding of shares as of March 31, 2024.

Name	Address	Number of stock certificates, etc. held (Thousands of shares)	Holding ratio of stock certificates, etc. (%)
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	1,404	2.40
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	335	0.57

6. Report of large volume holding (change report) made available for public inspection on October 22, 2020 states that Mizuho Bank, Ltd. and one other joint holder holds the following Company shares as of October 15, 2020. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the actual holding of shares as of March 31, 2024.

Name	Address	Number of stock certificates, etc. held (Thousands of shares)	Holding ratio of stock certificates, etc. (%)
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo	370	0.69
Asset Management One Co., Ltd.	8-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	1,812	3.38

7. Report of large volume holding (change report) made available for public inspection on October 21, 2020 states that Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other joint holder holds the following Company shares as of October 15, 2020. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the actual holding of shares as of March 31, 2024.

Name	Address	Number of stock certificates, etc. held (Thousands of shares)	Holding ratio of stock certificates, etc. (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1, Shibakoen 1-chome, Minato-ku, Tokyo	1,306	2.55
Nikko Asset Management Co., Ltd.	7-1, Akasaka 9-chome, Minato-ku, Tokyo	1,336	2.61

(7) Voting Rights

(i) Issued shares

Category	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares with no voting rights	—	—	—
Shares with limited voting rights (treasury shares, etc.)	—	—	—
Shares with limited voting rights (others)	—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares	977,400	—
	(Reciprocal cross holding) Common shares	183,600	—
Shares with full voting rights (others)	Common shares	57,180,800	571,808
Shares of less than one unit	Common shares	219,849	—
Total number of issued shares	58,561,649	—	—
Total number of voting rights	—	571,808	—

Notes: 1. "Shares with full voting rights (others)" includes 2,600 shares (26 voting rights) held in the name of Japan Securities Depository Center and 500 shares (5 voting rights) of less than one unit that are reciprocally held in the name of the shareholding association.
2. "Shares less than one unit" includes 38 treasury shares held by the Company, 16 shares held in the name of Japan Securities Depository Center, and 93 reciprocally held shares (75 shares held by NEW COSMOS ELECTRIC CO., LTD. and 18 shares held by HOKURIKU IWATANI GAS CO., LTD.).

(ii) Treasury shares, etc.

As of March 31, 2024

Name of shareholder	Address of shareholder	Number of shares held in own name (Shares)	Number of shares held in others' names (Shares)	Total number of shares held (Shares)	Shareholding ratio (%)
(Treasury shares)					
Iwatani Corporation	6-4, Hommachi 3-chome, Chuo-ku, Osaka	977,400	—	977,400	1.67
(Reciprocal cross holding)					
Asahigas Energy Co., Ltd.	4789-2, Nishisakabe-cho, Yokkaichi, Mie	14,200	61,300	75,500	0.13
Asahi Maruigas Corporation	3-36, Kakusa, Kadogawa-cho, Higashiusuki-gun, Miyazaki	14,000	—	14,000	0.02
Awaji Marui Co., Ltd.	262-1, Ichizenkoji, Minamiawaji, Hyogo	—	17,300	17,300	0.03
NEW COSMOS ELECTRIC CO., LTD.	5-4, Mitsuyanaka 2-chome, Yodogawa-ku, Osaka	16,100	—	16,100	0.03
Nakata Marui Co., Ltd.	31-10, Hayamatsubara 2-chome, Tanabe, Wakayama	—	400	400	0.00
Nishitani Marui Co., Ltd.	3-15, Okidome 2-chome, Ikaruga-cho, Ikoma-gun, Nara	200	800	1,000	0.00
NOSE KOZAI, INC.	2-25, Takadono 1-chome, Asahi-ku, Osaka	3,000	—	3,000	0.01
HOKURIKU IWATANI GAS CO., LTD.	1-711, Kamimorida, Fukui, Fukui	500	2,700	3,200	0.01
Marui Co., Ltd.	2-36, Kosuganamimachi, Kaga, Ishikawa	—	27,000	27,000	0.05
Maruichi Co., Ltd.	597, Nishiuehara, Sera-cho, Sera-gun, Hiroshima	—	13,100	13,100	0.02
Yokota Marui Gas Co., Ltd.	242-9, Shimoyokota, Okuizumo-cho, Nita-gun, Shimane	2,700	10,300	13,000	0.02
Total	—	1,028,100	132,900	1,161,000	1.98

Note: Reason for holding in another person's name, etc.

Reason for holding	Name	Address
Number of co-ownership interests in shareholding association	Iwatani Enyukai	6-4, Hommachi 3-chome, Chuo-ku, Osaka
Number of co-ownership interests in shareholding association	Iwatani Shareholding Association	6-4, Hommachi 3-chome, Chuo-ku, Osaka

2. Acquisition and Disposal of Treasury Shares

Class of Shares, etc.: Acquisition of common shares as stipulated in Article 155, Item 7 of the Companies Act

(1) Acquisition by Resolution of Shareholders Meeting

Not applicable

(2) Acquisition by Resolution of Board of Directors Meeting

Not applicable

(3) Acquisition Not Based on Resolution of Shareholders Meeting or Board of Directors Meeting

Acquisition as stipulated in Article 155, Item 7 of the Companies Act

Category	Number of shares (Shares)	Total amount (Million yen) [Thousand \$]
Treasury shares acquired during the fiscal year ended March 31, 2024	2,744	19 [125]
Treasury shares acquired during the subsequent period	467	4 [26]

Note: The number of treasury shares acquired during the subsequent period does not include shares of less than one unit purchased from June 1, 2024 to the date of filing this Annual Securities Report.

(4) Disposal of Acquired Treasury Shares and Number of Treasury Shares Held

Category	Fiscal year ended March 31, 2024		Subsequent period	
	Number of shares (Shares)	Total amount disposed (Million yen) [Thousand \$]	Number of shares (Shares)	Total amount disposed (Million yen) [Thousand \$]
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were retired	—	—	—	—
Acquired treasury shares that were transferred due to merger, share exchange, share swap, or company split	—	—	—	—
Other (Disposal of treasury stock as restricted share awards) (Sale by request for additional purchase of shares less than one unit)	7,400 92	54 [356] 0 [0]	— 19	— 0 [0]
Number of treasury shares held	977,438	—	977,886	—

Note: The number of treasury shares held during the subsequent period does not include shares of less than one unit purchased or additionally purchased from June 1, 2024 to the date of filing this Annual Securities Report.

3. Dividend Policy

The Company's basic policy on earnings distribution calls for meeting shareholders expectations by maximizing corporate value in various ways, including investing to support growth strategies while returning earnings to shareholders through stable and uninterrupted dividend payments. The Medium-Term Management Plan "PLAN27" aims to increase dividends steadily in line with profit growth, targets a payout ratio of 20% or higher in FY2027, which is the final fiscal year of the Plan, based on profit*¹ excluding impact of LPG import price fluctuation, and strives for progressive dividend payout without any dividend rollbacks.

In addition, as disclosed in the Notice of Purchase of Additional Shares of Cosmo Energy Holdings Co., Ltd. (to Make It an Affiliate Accounted for Using the Equity Method) dated March 28, 2024, Cosmo Energy Holdings Co., Ltd. (hereinafter referred to as "Cosmo Energy HD") was included in the scope of entities accounted for using the equity method in the fiscal year under review.

Accordingly, the dividend will be paid out in two categories as follows:

<Dividend policy>

- (i) Dividend on net income*¹ excluding the impact of accounting for Cosmo Energy HD using the equity method.
- (ii) Dividend on the impact of accounting for Cosmo Energy HD using the equity method.

Dividend Policy (i) is the same as the target outlined in the "PLAN27". Dividend Policy (ii) is to distribute 20% of net income*¹ of Cosmo Energy HD, excluding the impact of inventory valuation factors and multiplied by the shareholding ratio*².

- Notes: 1. Net income attributable to owners of parent.
2. The ratio used to calculate share of equity in earnings of nonconsolidated subsidiaries and affiliates.

The Company's basic policy on dividends of surplus is to pay year-end dividend once a year, and the decision-making body for dividends is the General Meeting of Shareholders.

In accordance with the above policy, the year-end dividend for the fiscal year under review will be ¥130 [\$0.85] per share.

Note: Dividends of surplus with record dates in the fiscal year under review are as follows.

Date of resolution	Total amount of dividends (Million yen) [Thousand \$]	Dividend per share (Yen) [\$]
Resolution at Annual General Meeting of Shareholders held on June 19, 2024	7,485 [49,435]	130 [0.85]

(Breakdown of dividend per share)

Date of resolution	Dividend per share (Yen) [¥]
(1) Dividend on net income excluding the impact on profit resulting from making Cosmo Energy HD an equity-method affiliate	130 [0.85]
(2) Dividend on impact on profit resulting from making Cosmo Energy HD an equity-method affiliate	—

Item (2) above does not apply to the year-end dividend for the fiscal year under review (resolved at the Annual General Meeting of Shareholders on June 19, 2024) since the impact on profit resulting from making Cosmo Energy HD an equity-method affiliate is attributable to the gain on bargain purchase of the company.

4. Status of Corporate Governance, etc.

(1) Overview of Corporate Governance

(i) Basic Views on Corporate Governance

The corporate philosophy of the Company is “Become a person needed by society, as those needed by society can prosper.” In keeping with the corporate philosophy, we will strive to improve management soundness, transparency, and efficiency and to build a corporate governance framework with the following items as our basic policy.

(Basic Policy)

1. We will create an environment that allows shareholders to exercise their rights properly and will endeavor to ensure equality among shareholders.
2. We will respect the rights and positions of employees, customers, business partners, creditors, local communities and other stakeholders and endeavor to collaborate with them properly.
3. We will make appropriate disclosures in accordance with relevant legislation. For the purpose of ensuring transparency, we will endeavor to offer additional information other than the information required to be disclosed pursuant to the legislation.
4. We will make impartial, transparent and swift decisions in an effort to ensure that the Board of Directors will properly fulfill its functions and duties.
5. We will endeavor to hold constructive dialogs with shareholders in a bid for continuous growth and increase in corporate value.

(ii) Overview of corporate governance structure and reasons for adoption of that structure

Responsible for Iwatani’s business decision-making and oversight, the Board of Directors consists of 13 members (including five Outside Members). Together with swift, appropriate decision-making and oversight based on comprehensive and active deliberation in the Board of Directors, the Outside Members of the Board strengthen the functions of the Board by enhancing and improving the transparency of its decision-making and the effectiveness of oversight from standpoints independent of core management and based on extensive experience and knowledge of corporate governance.

The Company strives to stimulate the activities of the Board of Directors by introducing a system of executive officers to speed up decision-making and delegate authority. In accordance with management policies decided on by the Board of Directors, Executive Officers are delegated authority by the Representative Member of the Board to devote themselves to business execution in compliance with relevant instructions and orders. Through adopting this system, the Company is promoting more efficient management by enhancing decision-making on corporate strategies and oversight functions by the Board of Directors. Once a month, the Board of Corporate Officers, whose membership consists of full-time Members of the Board, Executive Officers, and full-time Audit & Supervisory Board Members, meets to share information and facilitate communication, in addition to deliberating on important matters related to business execution.

The Company has adopted a company structure with an Audit & Supervisory Board. The Audit & Supervisory Board consists of four members (including two Outside Audit & Supervisory Board Members). Full-time Audit & Supervisory Board Members attend meetings of the Board of Directors and the Board of Corporate Officers and other important meetings, and Outside Audit & Supervisory Board Members attend Board of Directors meetings to ensure full oversight of the execution of duties by Members of the Board. Audit & Supervisory Board Members are appointed with a focus on matters such as their specialized knowledge of finance, accounting, and law and their knowledge and experience related to the Company’s businesses. Outside Audit & Supervisory Board Members in particular are appointed based on the requirements for independent officers identified by financial instruments exchanges. In this way, the Company’s audit system is based on multifaceted perspectives.

The Company established a voluntary Nomination and Compensation Committee as an advisory body to the Board of Directors. This body consists of three or more Members of the Board, a majority of whom, including the chair, are Outside Members of the Board. The goal is to enhance fairness, transparency, and objectivity in procedures related to decision-making on the appointment and dismissal of Members of the Board, the appointment of Audit & Supervisory Board Members, and compensation of Members of the Board and to strengthen corporate governance through consultation with this Committee.

As described above, the Company has adopted this corporate governance structure as it has established functions for securing the soundness of management.

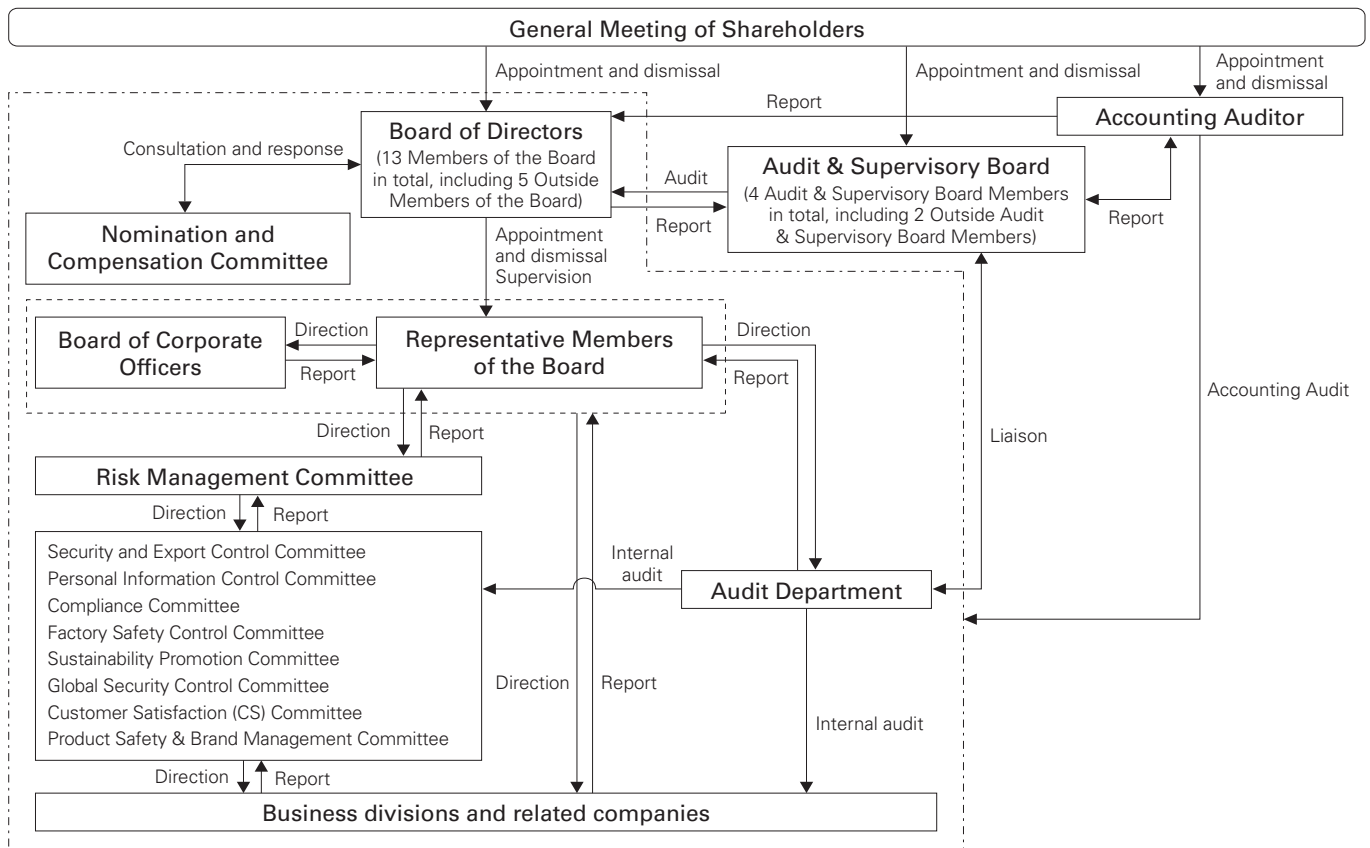
(a) Composition of the Board of Corporate Officers (◎: Chairman)

Position	Name	Position	Name	Position	Name
Chairman and CEO	◎ Akiji Makino	Senior Managing Officer	Takashi Kamekura	Managing Officer	Naoki Wada
Vice Chairman	Toshio Watanabe	Senior Managing Officer	Yasuhisa Ueda	Managing Officer	Kazutaka Yokoya
President	Hiroshi Majima	Senior Managing Officer	Tetsuo Matsuo	Managing Officer	Yoshikuni Yamada
Member of the Board Vice President	Hirozumi Hirota	Senior Managing Officer	Yasushi Sakai	Managing Officer	Katsumi Nakahata
Member of the Board Senior Managing Officer	Itaru Ookawa	Senior Managing Officer	Kenji Motoori	Executive Officer	Atsuhisa Saito
Member of the Board Senior Managing Officer	Manabu Tsuyoshi	Senior Managing Officer	Hiroyuki Yano	Executive Officer	Umore Komamine
Member of the Board Senior Managing Officer	Hiroshi Fukushima	Senior Managing Officer	Hisayuki Shimizu	Executive Officer	Hiroyuki Murotome
Member of the Board Senior Managing Officer	Kenji Takayama	Managing Officer	Masahito Nishimura	Executive Officer	Mineharu Okamoto
Audit & Supervisory Board Member	Toyofumi Ohama	Managing Officer	Wataru Isshiki	Executive Officer	Kozo Shimasaki
Audit & Supervisory Board Member	Naoki Iwatani	Managing Officer	Naotami Miyagaki	Executive Officer	Kimio Watanabe
		Managing Officer	Masao Hirashima	Executive Officer	Shinichi Hashimoto
		Managing Officer	Jun Matsubara	Executive Officer	Satoshi Takechi
		Managing Officer	Tomohiko Takehana	Executive Officer	Hidehisa Horiuchi
		Managing Officer	Takeshi Nakada	Executive Officer	Tomoji Iwakami
		Managing Officer	Kunihiko Koike	Executive Officer	Tarou Miyamoto

(b) Overview of Corporate Governance System

An overview of the corporate governance system and the internal control system is as follows.

As of March 31, 2024



(iii) Other Matters Concerning Corporate Governance

(a) Basic Views on Internal Control System and Status of Development

Since its foundation, the Company's corporate philosophy has been to "become a person needed by society, as those needed by society can prosper," and we have constantly strived to create new value that society and our customers demand in our aim to contribute to society. We engage in our day-to-day business management in the belief that responding to the trust and expectations of shareholders, business partners, employees and other stakeholders is an absolute prerequisite for the prosperity of the Company. Based on this corporate philosophy and pursuant to the Companies Act and the Regulations for Enforcement of the Companies Act, the Company has established the following internal control system and is developing and operating structures to ensure the propriety of operations of the corporate group that comprises the Company and its subsidiaries (hereinafter "the Group").

- 1) Structures to ensure that Members of the Board and employees of the Group execute their duties in compliance with applicable laws and regulations and the Articles of Incorporation

To ensure that Members of the Board and employees of the Company execute their duties in compliance with applicable laws and regulations and with the Articles of Incorporation and achieve the appropriate and sound execution of the Company's business, the Board of Directors strives to develop and operate an effective internal control system and compliance structures.

The Audit & Supervisory Board monitors the execution of the Company's business for the early detection and rectification of issues.

In addition, a Compliance Committee has been set up to comprehensively promote legal and regulatory compliance by enforcing and enhancing compliance structures in Group business activities. Further, the corporate philosophy, which holds that morality and values are shared through the Iwatani Code of Corporate Ethics, serves as the norm to be observed in all aspects of business activities by all core management members and employees of the Group, and compliance training is conducted to raise awareness of the importance of compliance.

To ensure the reliability of financial reporting, under the Financial Instruments and Exchange Act and related laws and regulations, basic plans and policies for the development of the internal control system pertaining to the financial reporting of the Group are set out and efforts are made for the development and appropriate operation of adequate Group-wide structures.

The Group's Code of Conduct maintains that anti-social forces that threaten the order and safety of civic society should be stood up against with a resolute attitude. To that end, the Company has established a department to manage responses to antisocial forces. The department cooperates with external organizations with relevant expertise to respond to unreasonable demands and collect information about anti-social forces.

- 2) Structures for the storage and management of information related to the execution of duties by the Members of the

Board of the Company

Information related to the execution of duties by the Members of the Board, including the written proposals and minutes of meetings of the Board of Directors, Board of Corporate Officers, and other meetings is stored and managed appropriately in accordance with applicable laws and regulations, including company regulations.

3) Rules and other structures for the management of risks of loss in the Group

The Group has established a Risk Management Committee under the direct control of the President to ensure integrated management of risks across all Group companies. Specialized individual committees set up beneath the Risk Management Committee address the main anticipated risks, such as compliance risks and plant safety risks, to enable a comprehensive response to any corporate risks, both apparent and potential.

4) Structures to ensure the efficient execution of duties of the Group's Members of the Board, etc.

In addition to the formulation of the Group's Medium-Term Management Plan and the adoption of management indicators and performance management indicators on a consolidated basis, a department has been established to oversee the management of the Group companies. Meetings are held regularly to debate Group-wide basic strategies and management issues.

The Company has also adopted a system of executive officers for the efficient execution of duties by the Members of the Board. Through swifter decision-making and the delegation of authority, the Company is promoting more efficient management by strengthening decision-making on corporate strategies and oversight functions by the Board of Directors. The Company also strives to improve the efficiency of execution of duties in accordance with regulations on segregation of duties and approvals and uses core IT systems for the comprehensive management of management resources and the improvement of company-wide operational efficiency.

5) Structures to ensure the proper execution of business by the Group

In accordance with the rules governing Group management, the Company ensures the proper execution of business by stipulating matters for prior approval concerning key management issues, such as the management plans and annual budgets of Group companies and other matters concerning business activities. In addition to regular reporting, it has made prompt reports in the event of abnormal situations mandatory. The Company works to raise awareness of compliance across the entire Group by thoroughly disseminating the Iwatani Code of Corporate Ethics, which is the code of conduct for the business activities of the Group.

Further, the Audit Department has been established. Its periodic internal audits, implemented in close cooperation and communication with the Audit & Supervisory Board, consider whether the business activities throughout the Group are being performed appropriately and efficiently.

6) Matters concerning the employees to assist the Audit & Supervisory Board Members in their duties when the Audit & Supervisory Board Members request the assignment thereof

A dedicated staff member has been assigned as an assistant to

the Audit & Supervisory Board Members and the Audit & Supervisory Board's secretariat to assist with auditing work and the operation of the Audit & Supervisory Board.

7) Matters to ensure the independence of the employees assisting the duties of the Audit & Supervisory Board Member of the Company from the Members of the Board and the effectiveness of directions given to the employees by the Audit & Supervisory Board Members

The appointment of the staff member assigned to the Audit & Supervisory Board Members will be decided with due respect to the opinions of the Audit & Supervisory Board, and their independence from the Members of the Board will be ensured. Further, the staff member will comply with the directions and orders of the Audit & Supervisory Board Members in the execution of their duties.

8) Structures for reporting to Audit & Supervisory Board Members of the Company by the Members of the Board and others of the Group as well as its employees and other structures for reporting to Audit & Supervisory Board Members

The Members of the Board and employees of the Company will report promptly and appropriately to the Audit & Supervisory Board Members regarding statutory matters, matters resolved by the Board of Corporate Officers, matters that would have a serious impact on the Group, the implementation status of internal audits and internal control evaluation in the Group, the operational status of internal whistleblowing systems, and other matters determined to require reporting to the Audit & Supervisory Board Members for the execution of their duties. In addition, the Audit & Supervisory Board Members of the Company will receive regular reports on the status of internal control and other matters from the Audit & Supervisory Board Members of Group companies. They will also receive explanations about the details of accounting audits from the Accounting Auditor and otherwise exchange opinions.

9) Structures to ensure that persons who have made reports related to the above item are not subjected to disadvantageous treatment for making such reports

The Company prohibits the disadvantageous treatment of persons who have made reports related to the above item for making such reports and will take measures to ensure that this fact is thoroughly understood.

10) Matters concerning procedures for advance payment or reimbursement of expenses arising in conjunction with the execution of duties by Audit & Supervisory Board Members of the Company and other policies for processing expenses and reimbursements arising with respect to the execution of duties

As the Company bears the costs arising in conjunction with the execution of duties by Audit & Supervisory Board Members, a budget is posted based on the audit plan. In addition, Audit & Supervisory Board Members may subsequently request reimbursement from the Company for any emergency or extraordinary expenses paid.

11) Other structures to ensure that audits by the Company's Audit & Supervisory Board Members are conducted effectively

In addition to the full-time Audit & Supervisory Board Members

attending all important meetings, including meetings of the Board of Directors and the Board of Corporate Officers, the Audit & Supervisory Board Members and the Audit & Supervisory Board will increase the effectiveness of the auditing of the Company's business execution by holding regular meetings with the Representative Members of the Board and the Accounting Auditors respectively.

(b) Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

The Company has stated in the Iwatani Code of Corporate Ethics its Code of Conduct that all officers and employees of the Company and each company within the group must show a resolute attitude against antisocial forces which threaten the order and safety of civil society. It has clearly indicated that we "will not respond to any request for money or goods," "will not provide any benefit," and "will exclude them thoroughly in cooperation with the police authority."

The Company has established a department to manage responses to antisocial forces. The department coordinates with external organizations with relevant expertise and takes counter-measures such as dealing with improper request from antisocial forces, collecting information about such forces, and establishing special clauses in contract documents. In terms of activities to educate employees, opportunities have been established for employees to deepen their understanding of the Code of Conduct through training, in-house magazines, and other means.

(c) Status of Establishment of Risk Management Structures

The Company has established a Risk Management Committee to coordinate risk management of all Group companies. There are eight individual committees under the Risk Management Committee, namely the Security and Export Control Committee, which works to enhance management structures for compliance with the Foreign Exchange and Foreign Trade Act and prevent improper exports, the Personal Information Control Committee, which strives for the comprehensive protection of personal information, the Compliance Committee, which strives for comprehensive compliance with laws and regulations, the Factory Safety Control Committee, which formulates priority measures on high-pressure gas safety and other matters, the Sustainability Promotion Committee, which deliberates on the establishment of responses at times of disaster and important matters related to environmental management, the Global Security Control Committee, which strives for comprehensive international risk management, the Customer Satisfaction (CS) Committee, which works to increase customer satisfaction, and the Product Safety & Brand Management Committee, which examines safety and compliance with laws and regulations of products handled and work performed to establish the image of the Iwatani brand and to maintain and increase brand value.

In 1998, to prevent corporate misconduct, the Company established the Iwatani Code of Corporate Ethics as "a norm to be observed in all aspects of business activities on the basis of sharing the management philosophy, morality and values among management team members and employees in the group." This code is publicized throughout the Company and Group companies to raise awareness of compliance groupwide. It is also revised to reflect recent changes in the social conditions in which the Company does business as well as amendments in laws and regulations. The Company also

obtains advice as necessary from its legal counsel when legal decisions are required.

(iv) Activities of the Board of Directors and the Nomination and Compensation Committee during the Fiscal Year Under Review

In principle, meetings of the Board of Directors are held once a month, and additional meetings are held as necessary. A total of 17 meetings were held in the fiscal year ended March 31, 2024.

The Board of Directors, in accordance with the deliberation and reporting standards stipulated in the Board of Directors Regulations, makes resolutions on basic management policies of the Company, matters related to the execution of important operations, matters authorized by resolutions of the General Meeting of Shareholders, and matters stipulated by laws and regulations and in the Articles of Incorporation. In addition, the Board of Directors receives reports on matters stipulated by laws and regulations and the execution status of important operations.

Meetings of the Nomination and Compensation Committee are held once or twice a year. Two meetings were held in the fiscal year ended March 31, 2024. The Nomination and Compensation Committee is composed of three or more members who are Members of the Board, the majority of whom are Outside Members of the Board, and is chaired by an Outside Member of the Board. As an advisory body to the Board of Directors, the committee deliberates on issues including matters related to the appointment and dismissal of Members of the Board, the compensation system for Members of the Board, and policies for determining compensation and makes reports to the Board of Directors.

At the time of submission of this report, the Board of Directors consisted of the following 17 members.

Name	Position	Attendance at meetings of the Board of Directors in FY2023	Concurrently serving in the Nomination and Compensation Committee
Akiji Makino	Chairman and CEO	16/17	—
Toshio Watanabe	Vice Chairman	17/17	○
Hiroshi Majima	President	17/17	○
Hirozumi Hirota	Member of the Board Vice President	17/17	—
Itaru Ookawa	Member of the Board Senior Managing Officer	17/17	—
Manabu Tsuyoshi	Member of the Board Senior Managing Officer	17/17	—
Hiroshi Fukushima	Member of the Board Senior Managing Officer	17/17	—
Kenji Takayama* ¹	Member of the Board Senior Managing Officer	—	—
Shinji Murai	Outside Member of the Board	17/17	◎ (Chairman)
Shosuke Mori	Outside Member of the Board	17/17	○
Hiroshi Sato	Outside Member of the Board	17/17	○
Hiroyuki Suzuki	Outside Member of the Board	17/17	○
Yuki Saito	Outside Member of the Board	14/14* ²	○
Toyofumi Ohama	Full-time Audit & Supervisory Board Member	17/17	—
Naoki Iwatani	Full-time Audit & Supervisory Board Member	17/17	—
Yoshinori Shinohara	Outside Audit & Supervisory Board Member	17/17	—
Yasushi Yokoi	Outside Audit & Supervisory Board Member	17/17	—

*1 Members of the Board Kenji Takayama was elected at the General Meeting of Shareholders held on June 19, 2024.

*2 Member of the Board Yuki Saito attended all 14 meetings of the Board of Directors held after she assumed office as Director in June 2023.

(v) Overview of Contents of Liability Limitation Agreement

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with Outside Members of the Board and Outside Audit & Supervisory Board Members to limit their liability for damages under Article 423, Paragraph 1 of the same Act. The maximum amount of liability for damages under the agreement is the minimum liability amount stipulated by the applicable laws and regulations.

(vi) Overview of Contents of Directors and Officers Liability Insurance Contract

The Company has entered into a directors and officers liability insurance contract as stipulated in Article 430-3, Paragraph 1 of the Companies Act, with Members of the Board, Audit & Supervisory Board Members, Executive Officers, and others of the Company and its subsidiaries as insured persons.

[Overview of contents of insurance contract]

(a) Scope of insured persons

Members of the Board, Audit & Supervisory Board Members, Executive Officers, Accounting Advisor, Accounting Auditors, and other important employees of the Company and its subsidiaries (including those who assumed office after the execution of the contract)

(b) Percentage of insurance premiums borne by insured persons

Insurance premiums are borne by the Company and its subsidiaries and are not borne by the insured persons.

(c) Overview of insured events subject to compensation

Damages (legal damages and litigation costs) incurred due to a claim for damages arising from the performance of the insured person's duties will be subject to compensation.

(d) Measures to ensure that the appropriateness of officers' duties is not impaired

The contract contains a disclaimer to the effect that damages

due to intentional or illegal provision of private benefits, criminal acts, and other similar actions of the insured person are not subject to compensation.

(vii) Details of Provisions of the Articles of Incorporation

(a) Number of Members of the Board

The Articles of Incorporation provide that the number of Members of the Board of the Company shall be not more than seventeen (17).

(b) Requirements for resolution on the election of Members of the Board

The Articles of Incorporation provide that resolutions for the election of Members of the Board shall be made by a majority of the voting rights of the shareholders present at a meeting who hold shares representing one-third or more of the voting rights of shareholders who are entitled to exercise voting rights.

(c) Matters for resolution by the General Meeting of

Shareholders that may be resolved in the Board of Directors With the objective of enabling the flexible execution of capital policies, regarding the acquisition of own shares and in accordance with the provisions of Article 165, Paragraph 2 of the Companies Act, the Articles of Incorporation provide that the Company may acquire its own shares by resolution of the Board of Directors.

(d) Requirements for special resolutions in the General Meeting of Shareholders

With the objective of the smooth operation of the General Meeting of Shareholders and regarding special resolutions by the General Meeting of Shareholders set forth in Article 309, Paragraph 2 of the Companies Act, the Articles of Incorporation provide that such resolutions shall be made by two-thirds or more of the voting rights of the shareholders present at a meeting who hold shares representing one-third or more of the voting rights of shareholders who are entitled to exercise voting rights.

(viii) Basic Policy on Control of the Company

(a) Basic policy toward any person(s) who should control decisions on the Company's financial and business policies (summary)

The Company's Board of Directors believes it to be preferable that the person(s) controlling decisions on the Company's financial and business policies be person(s) who will help to enhance the corporate value of the Group and in turn materialize the common interests of the shareholders, but that ultimately, such decisions should be entrusted to the judgment of shareholders.

The Company, whose shares are listed on the financial instrument exchanges, respects any free transaction of shares of the Company in the markets, and, even if any specified person(s) contemplates conducting any large purchase of shares and the like of the Company, as long as it would help to enhance the corporate value of the Group and, by extension, realize the common interests of the shareholders of the Company, the Company will not hold a negative opinion of that action.

However, the Company's Board of Directors deems it inappropriate for any person(s) conducting a large purchase of shares and the like of the Company that would prejudice or for

which there is a strong risk of it prejudicing the corporate value and common interests of the shareholders of the Group to be person(s) controlling decisions on the Company's financial and business policies. For this reason, in its fiduciary duty to the shareholders, the Company's Board of Directors deems it necessary to make certain preparations to deal with any inappropriate proposal for a large purchase of shares and the like of the Company and to secure the time and information necessary for shareholders to make judgments on such large purchase efforts and to negotiate with the person(s) proposing such actions.

(b) Efforts to implement the basic policies

The Company formulated its five-year Medium-Term Management Plan "PLAN27," which started in the fiscal year ended March 31, 2024 as an effort to put the basic policies into practice. The Plan defines its basic policy as "business expansion to achieve 'solutions to social issues' and 'sustained growth'" under the theme of "establishing a hydrogen energy-based society." In particular, we have set priority measures in areas where we will intensively deploy resources, such as investment and human resources, and have been working on five key strategies: "Hydrogen Strategies," "Carbon-free Strategies," "Domestic Energy & Service Strategies," "Overseas Strategies," and "Non-financial Strategies."

In addition, our basic policy on earnings distribution calls for meeting shareholders expectations by maximizing corporate value in various ways, including investing to support growth strategies while returning earnings to shareholders through stable and uninterrupted dividend payments.

The Company believes that by steadily implementing these initiatives and continuing to be "a company needed by society," we will be able to contribute to the enhancement of the Group's corporate value as well as the common interests of our shareholders.

(2) Directors and Other Officers

(i) List of directors and other officers

Male: 16, Female: 1 (Percentage of female Directors and other Officers: 5.9%)

Title and position	Name	Date of birth	Past experience		Term of office	Number of shares of the Company held (Hundred shares)
Chairman and CEO	Akiji Makino	September 14, 1941	March 1965	Joined the Company	Note: 1	706
			June 1988	Member of the Board		
			June 1990	Executive Director		
			June 1994	Senior Executive Director		
			April 1996	President, Iwatani Industrial Gases Corporation		
			June 1996	Retired from Member of the Board		
			June 1998	Member of the Board, Executive Vice President, the Company		
			April 2000	President		
			June 2004	Executive Officer		
			June 2012	Chairman and CEO (current position)		
			(Significant concurrent positions)			
			• Chairman, CSGGAS Co., Ltd.			
			• Member of the Board, Chairman, Iwatani Industrial Gases Corporation			
			• Member of the Board, Kinsei Matec Co., Ltd			
• Outside Member of the Board, DAIKIN INDUSTRIES, LTD.						

Title and position	Name	Date of birth	Past experience		Term of office	Number of shares of the Company held (Hundred shares)
Vice Chairman	Toshio Watanabe	September 4, 1945	March 1968	Joined the Company	Note: 1	485
			April 1996	General Manager, Related Businesses Department General Manager, General Affairs & Personnel Department		
			June 1996	Member of the Board		
			April 2000	Executive Director		
			April 2001	Senior Executive Director		
			April 2003	Member of the Board, Executive Vice President		
			June 2004	Executive Officer		
			June 2006	Representative Executive Vice President		
			June 2012	Vice Chairman (current position)		
			(Significant concurrent positions)			
			• Audit & Supervisory Board Member, CSGAS Co., Ltd.			
			• Audit & Supervisory Board Member, Iwatani Industrial Gases Corporation			
			• Audit & Supervisory Board Member, Kinsei Matec Co., Ltd.			
President	Hiroshi Majima	July 3, 1958	April 1981	Joined the Company	Note: 1	223
			June 2010	Executive Officer		
			April 2011	Managing Officer		
			April 2012	General Manager, Electronics & Machinery Division		
			June 2012	Member of the Board Executive Officer		
			April 2014	Executive Director		
			April 2017	Senior Executive Director		
			April 2019	Member of the Board, Vice President		
			April 2020	President (current position)		
			Vice President, Member of the Board In charge of Sales Divisions Marketing Department; Presidential Task Office; Chairman, Risk Management Committee	Hirozumi Hirota		
June 2007	Executive Officer					
June 2009	Member of the Board					
April 2011	Executive Director					
April 2013	Senior Executive Director					
June 2017	Retired from Member of the Board Chairman, Iwatani Logistics Corporation Chairman, Iwatani Liquefied Gas Terminal Co., Ltd.					
January 2021	Senior Managing Officer, the Company					
June 2022	Member of the Board, Senior Managing Officer; General Manager, Integrated Energy Business Group; General Manager, Energy Division; General Manager, Daily Commodity Division					
April 2024	Member of the Board, Vice President (current position) In charge of Sales Divisions (current position) Marketing Department (current position) Chairman, Risk Management Committee (current position)					
June 2024	Presidential Task Office (current position)					
(Significant concurrent positions)						
• Director, Enelife Co., Ltd.						
• Director, CSGAS Co., Ltd.						
• Outside Director, NEW COSMOS ELECTRIC CO., LTD.						
• Member of the Board, Iwatani (China) Ltd.						

Title and position	Name	Date of birth	Past experience		Term of office	Number of shares of the Company held (Hundred shares)
Senior Managing Officer, Member of the Board Logistics Department; Business Administration Department; Legal Department; Accounting Department	Itaru Ookawa	November 8, 1961	April 1985	Joined The Sanwa Bank, Limited. (currently MUFG Bank, Ltd.)	Note: 1	170
			June 2014	Joined the Company		
			April 2015	General Manager, Accounting Department		
			June 2015	Executive Officer		
			April 2016	Managing Officer		
			June 2017	Member of the Board Executive Officer		
			April 2019	Member of the Board, Managing Officer Accounting Department (current position)		
			April 2020	Member of the Board, Senior Managing Officer (current position) Legal Department (current position)		
			June 2022	Logistics Department; Business Administration Department (current position)		
			(Significant concurrent positions)			
			<ul style="list-style-type: none"> • Audit & Supervisory Board Member, Iwatani Industrial Gases Corporation • Audit & Supervisory Board Member, Tokico System Solutions, Ltd. • Audit & Supervisory Board Member, Iwatani Logistics Corporation 			
			Senior Managing Officer, Member of the Board General Manager, Hydrogen Division	Manabu Tsuyoshi		
June 2017	Executive Officer					
April 2018	Managing Officer					
April 2019	General Manager, Hydrogen Division (current position)					
June 2020	Member of the Board, Managing Officer					
April 2022	Member of the Board, Senior Managing Officer (current position)					
(Significant concurrent positions)						
<ul style="list-style-type: none"> • Member of the Board, Tokico System Solutions, Ltd. • Member of the Board, A-Tec Co., Ltd. • Member of the Board, Jiaxing Iwatani Industrial Gases Co., Ltd. • Director, Iwatani Corporation of America 						
Senior Managing Officer, Member of the Board General Manager, Technology & Engineering Division Iwatani R&D Center, Iwatani Advanced Hydrogen Technology Center; Sustainability Management Department; Safety Control; Hydrogen Energy	Hiroshi Fukushima	November 6, 1962	April 1987	Joined the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry)	Note: 1	43
			November 2019	Joined the Company		
			April 2020	Senior Managing Officer		
			April 2022	General Manager, Technology & Engineering Division (current position) Iwatani R&D Center, Iwatani Advanced Hydrogen Technology Center; Hydrogen Energy (current position)		
			June 2022	Member of the Board, Senior Managing Officer (current position)		
			April 2023	Sustainability Management Department; Safety Control (current position)		
			(Significant concurrent positions)			
			<ul style="list-style-type: none"> • Member of the Board, Iwatani (China) Ltd. 			
Senior Managing Officer, Member of the Board Corporate Planning & Coordination Department and New System Promotion Department	Kenji Takayama	November 28, 1966	April 1990	Joined the Company	Note: 1	52
			April 2020	Executive Officer		
			April 2022	Managing Officer		
			April 2023	Senior Managing Officer New System Promotion Department (current position)		
			April 2024	Corporate Planning & Coordination Department (current position)		
			June 2024	Member of the Board, Senior Managing Officer (current position)		
			(Significant concurrent positions)			
<ul style="list-style-type: none"> • Member of the Board, Iwatani Camborough Co., Ltd. 						

Title and position	Name	Date of birth	Past experience		Term of office	Number of shares of the Company held (Hundred shares)
Member of the Board	Shinji Murai	August 24, 1938	April 1973	Assistant Professor, School of Engineering, Osaka University	Note: 1	63
			August 1987	Professor, School of Engineering, Osaka University		
			August 1999	Professor, School of Engineering, Osaka University; Dean, School of Engineering, Osaka University; Dean, Graduate School of Engineering, Osaka University		
			March 2002	Professor Emeritus, Osaka University (current position)		
			July 2003	Senior Fellow, Japan Science and Technology Agency Center for Research and Development Strategy		
			April 2005	Executive Director, Nara Institute of Science and Technology		
			April 2006	Specially Appointed Fellow, Japan Science and Technology Agency Center for Research and Development Strategy		
			April 2009	Executive Director/Vice President, Nara Institute of Science and Technology		
			April 2013	Professor Emeritus and Specially Appointed Professor, Nara Institute of Science and Technology (current position) Senior Advisor, the Company, General Manager, Iwatani R&D Center		
			June 2016	Member of the Board, the Company (current position)		
			(Significant concurrent positions)			
			<ul style="list-style-type: none"> • Professor Emeritus, Osaka University • Professor Emeritus/Specially Appointed Professor, Nara Institute of Science and Technology 			
Member of the Board	Shosuke Mori	August 6, 1940	April 1963	Joined The Kansai Electric Power Co., Inc.	Note: 1	31
			June 2005	President and Representative Director, The Kansai Electric Power Co., Inc.		
			June 2010	Chairman and Representative Director, The Kansai Electric Power Co., Inc.		
			June 2019	Member of the Board, the Company (current position)		
Member of the Board	Hiroshi Sato	September 25, 1945	April 1970	Joined Kobe Steel, Ltd.	Note: 1	26
			April 2009	President, Kobe Steel, Ltd.		
			April 2013	Chairman, Kobe Steel, Ltd.		
			June 2021	Member of the Board, the Company (current position)		
			(Significant concurrent positions)			
<ul style="list-style-type: none"> • Outside Member of the Board, Sumitomo Electric Industries, Ltd. • President, The Kobe International House Inc. 						
Member of the Board	Hiroyuki Suzuki	February 7, 1946	August 1980	Joined Maruichi Steel Tube Ltd.	Note: 1	17
			April 2003	President, Maruichi Steel Tube Ltd.		
			June 2003	President and Executive Officer, Maruichi Steel Tube Ltd.		
			June 2013	Chairman and CEO, Maruichi Steel Tube Ltd. (current position)		
			June 2022	Member of the Board, the Company (current position)		
			(Significant concurrent positions)			
			<ul style="list-style-type: none"> • Chairman and CEO, Maruichi Steel Tube Ltd. • President, Maruichi Kohan Ltd. • President, Kyushu Maruichi Steel Tube Ltd. • Outside Member of the Board, Nippon Venture Capital Co., Ltd. 			
			Member of the Board	Yuki Saito		
January 2012	Partner, Sakura Law Office (current position)					
October 2015	Part-time judge (Family Conciliation Judge)					
June 2023	Member of the Board, the Company (current position)					
(Significant concurrent positions)						
<ul style="list-style-type: none"> • Partner Attorney, Sakura Law Office • Outside Director (Audit & Supervisory Committee Member), KURIYAMA HOLDINGS CORPORATION 						

Title and position	Name	Date of birth	Past experience		Term of office	Number of shares of the Company held (Hundred shares)
Audit & Supervisory Board Member (Full-time)	Toyofumi Ohama	March 15, 1949	March 1972	Joined the Company	Note: 2	223
			June 1996	Member of the Board		
			June 1999	Retired from Member of the Board		
			April 2004	General Manager, Corporate Planning & Coordination Department; General Manager, Overseas Business Administration Department		
			June 2004	Member of the Board		
			April 2006	Executive Director		
			June 2008	Audit & Supervisory Board Member (Full-time) (current position)		
Audit & Supervisory Board Member (Full-time)	Naoki Iwatani	December 25, 1966	April 1990	Joined the Company	Note: 2	205
			June 2009	Executive Officer		
			April 2011	Deputy General Manager, Energy Division (in charge of the east)		
			June 2011	Member of the Board		
			April 2015	Executive Director Business Administration Department; Audit Department Chairman, Risk Management Committee		
			April 2019	Member of the Board, Senior Managing Officer		
			June 2022	Audit & Supervisory Board Member (Full-time) (current position)		
			(Significant concurrent positions)	<ul style="list-style-type: none"> • Audit & Supervisory Board Member, CSGAS Co., Ltd. • Outside Audit & Supervisory Board Member, Nippon Seisen Co., Ltd. 		
Audit & Supervisory Board Member	Yoshinori Shinohara	March 1, 1935	February 1963	Registered as a Certified Public Accountant (current position)	Note: 2	77
			July 1969	Representative Partner, Yamato Accounting Office (as a result of merger, ASAHI & Co.)		
			May 1999	Deputy President, ASAHI & Co. (currently KPMG AZSA LLC)		
			June 2001	Representative Partner and Senior Advisor, ASAHI & Co.		
			August 2002	Representative Director, Shinohara Management and Economics Research Institute Co., Ltd. (current position)		
			June 2015	Audit & Supervisory Board Member, the Company (current position)		
			(Significant concurrent positions)	<ul style="list-style-type: none"> • Certified Public Accountant, SHINOHARA C.P.A. OFFICE • Representative Director, Shinohara Management and Economics Research Institute Co., Ltd. 		
Audit & Supervisory Board Member	Yasushi Yokoi	November 16, 1956	March 1982	Registered as Certified Public Accountant (current position)	Note: 2	16
			May 2001	Representative Partner, Asahi & Co. (currently KPMG AZSA LLC)		
			July 2008	Board Member, KPMG AZSA & Co. (currently KPMG AZSA LLC)		
			July 2010	Board Member, General Manager of Osaka 2nd Business Division, KPMG AZSA LLC		
			July 2012	Senior Executive Board Member in charge of Diversity and General Manager, Nagoya Office, KPMG AZSA LLC		
			June 2021	Audit & Supervisory Board Member, the Company (current position)		
			(Significant concurrent positions)	<ul style="list-style-type: none"> • Certified Public Accountant, Yasushi Yokoi Certified Public Accountant Office • Outside Member of the Board (Audit & Supervisory Committee Member), ASICS Corporation 		
Total						2,602

- Notes: 1. The term of office of the Member of the Board is two years from the conclusion of the Annual General Meeting of Shareholders held for the fiscal year ended March 31, 2024.
2. The term of office of the Audit & Supervisory Board Member is four years from the conclusion of the Annual General Meeting of Shareholders held for the fiscal year ended March 31, 2023.
3. The number of shares of the Company held represents the number of shares effectively held including respective equity interests in the directors' stock ownership program.
4. Members of the Board Shinji Murai, Shosuke Mori, Hiroshi Sato, Hiroyuki Suzuki and Yuki Saito are outside Members of the Board.
5. Audit & Supervisory Board Members Yoshinori Shinohara and Yasushi Yokoi are outside Audit & Supervisory Board Members.
6. The Company has introduced a system of executive officers to speed up management decision-making and promote delegation of authority, thereby stimulating the activities of the Board of Directors. Our Executive Officers are listed below. Executive Officers marked with an asterisk (*) concurrently serve as Members of the Board.

* President	Hiroshi Majima	Managing Officer	Tomohiko Takehana
* Vice President, Member of the Board	Hirozumi Hirota	Managing Officer	Takeshi Nakada
* Senior Managing Officer, Member of the Board	Itaru Ookawa	Managing Officer	Kunihiko Koike
* Senior Managing Officer, Member of the Board	Manabu Tsuyoshi	Managing Officer	Naoki Wada
* Senior Managing Officer, Member of the Board	Hiroshi Fukushima	Managing Officer	Kazutaka Yokoya
* Senior Managing Officer, Member of the Board	Kenji Takayama	Managing Officer	Yoshikuni Yamada
Senior Managing Officer	Takashi Kamekura	Managing Officer	Katsumi Nakahata
Senior Managing Officer	Yasuhisa Ueda	Executive Officer	Atsuhisa Saito
Senior Managing Officer	Tetsuo Matsuo	Executive Officer	Umomare Komamine
Senior Managing Officer	Yasushi Sakai	Executive Officer	Hiroyuki Murotome
Senior Managing Officer	Kenji Motoori	Executive Officer	Mineharu Okamoto
Senior Managing Officer	Hiroyuki Yano	Executive Officer	Kozo Shimasaki
Senior Managing Officer	Hisayuki Shimizu	Executive Officer	Kimio Watanabe
Managing Officer	Masato Nishimura	Executive Officer	Shinichi Hashimoto
Managing Officer	Wataru Isshiki	Executive Officer	Satoshi Takechi
Managing Officer	Naotami Miyagaki	Executive Officer	Hidehisa Horiuchi
Managing Officer	Masao Hirashima	Executive Officer	Tomoji Iwakami
Managing Officer	Jun Matsubara	Executive Officer	Taro Miyamoto

(ii) Outside directors

The Company has five Outside Members of the Board: Messrs. Shinji Murai, Shosuke Mori, Hiroshi Sato, Hiroyuki Suzuki, and Ms. Yuki Saito.

Mr. Shinji Murai possesses a certain level of independence as he meets the definitions of outside directors set forth in Article 2, Item 15 of the Companies Act. In addition, with his extensive experience and great knowledge and insight as research institution manager and university professor, he has supervised the Company's management properly from an independent position and has given meaningful advice on management policies and strategies. He has also made efforts as Chairman of the Nomination and Compensation Committee to ensure transparency, objectivity and fairness of the director election and compensation. Furthermore, the Company expects him to appropriately provide advice also on the improvement of technological capabilities and the further expansion of research and development, contributing to the enhancement of the corporate value of the Company. For these reasons, the Company has nominated him as an Outside Member of the Board.

Mr. Shosuke Mori possesses a certain level of independence as he meets the definitions of outside directors set forth in Article 2, Item 15 of the Companies Act. In addition, having engaged in the management of corporations supporting societal infrastructure including electricity, information communication and urban development and served as Chairman of Kansai Economic Federation (public interest incorporated association), he has extensive experience and broad insight regarding corporate management as a whole. He has supervised the Company's management properly from an independent position and has given meaningful advice on management policies and strategies. He has also made efforts as a member of the Nomination and Compensation Committee

to ensure transparency, objectivity and fairness of the director election and compensation. Furthermore, the Company expects him to appropriately provide advice also on environmental initiatives and global business, contributing to the enhancement of the corporate value of the Company. For these reasons, the Company has nominated him as an Outside Member of the Board.

Mr. Hiroshi Sato possesses a certain level of independence as he meets the definitions of outside directors set forth in Article 2, Item 15 of the Companies Act. In addition, having engaged in the management of a corporation with a wide range of business domains including materials centering around iron and steel, machinery and energy, he has extensive experience and broad insight regarding corporate management as a whole. He has supervised the Company's management properly from an independent position and has given meaningful advice on management policies and strategies. He has also made efforts as a member of the Nomination and Compensation Committee to ensure transparency, objectivity and fairness of the director election and compensation. Furthermore, the Company expects him to appropriately provide advice also on business administration including affiliates management and plants management, contributing to the enhancement of the corporate value of the Company. For these reasons, the Company has nominated him as an Outside Member of the Board.

The Company has a transaction relationship for selling/purchasing products with Kobe Steel Ltd., where Mr. Hiroshi Sato serves as Advisor, and with Sumitomo Electric Industries, Ltd., where he serves as Outside Director. The respective transaction amounts account for less than 1% of the sales of the Company and less than 1% of the sales of Kobe Steel or Sumitomo Electric Industries. The Company has no transaction relationship with the Kobe International House Inc., where he serves as President.

Mr. Hiroyuki Suzuki possesses a certain level of independence as he meets the definitions of outside directors set forth in Article 2, Item 15 of the Companies Act. In addition, having engaged in the management of a general pipe manufacturer developing a wide range of production and sales of pipes home and abroad and served as Representative Director of Kansai Association of Corporate Executives (general incorporated association), he has extensive experience and broad insight concerning corporate management as a whole. He has supervised the Company's management properly from an independent position and has given meaningful advice on management policies and strategies. He has also made efforts as a member of the Nomination and Compensation Committee to ensure transparency, objectivity and fairness of the director election and compensation. Furthermore, the Company expects him to appropriately provide advice also on global business development, contributing to the enhancement of the corporate value of the Company. For these reasons, the Company has nominated him as an Outside Member of the Board.

The Company has a transaction relationship for selling products with Maruichi Steel Tube Ltd., where Mr. Hiroyuki Suzuki serves as Chairman and CEO. The transaction amount accounts for less than 1% of the sales of the Company and less than 1% of the sales of Maruichi Steel Tube. The Company has no transaction relationship with Maruichi Kohan Ltd. or Kyushu Maruichi Steel Tube Ltd., where he serves as President, or with Nippon Venture Capital Co., Ltd. where he serves as Outside Member of the Board.

Ms. Yuki Saito possesses a certain level of independence as she meets the definitions of outside directors set forth in Article 2, Item 15 of the Companies Act. In addition, she possesses extensive experience as an attorney-at-law and broad insight concerning legal matters. She has supervised the Company's management properly from an independent position and has given useful advice on management policies and strategies. She has also made efforts as a member of the Nomination and Compensation Committee to ensure transparency, objectivity and fairness of the director election and compensation. Furthermore, the Company expects her to appropriately provide advice also on further enhancement of corporate governance, contributing to the enhancement of the corporate value of the Company. For these reasons, the Company has nominated her as Outside Member of the Board.

The Company has a transaction relationship including legal advisory agreement with Sakura Law Office, where Ms. Yuki Saito serves as a Partner. The transaction amount accounts for less than 1% of the sales of the Company and less than 6% of the sales of Sakura Law Office. The Company judges that there is no threat to independence as she is not engaged in services relating to the Company. The Company has no transaction relationship with KURIYAMA HOLDINGS CORPORATION, where she serves as Outside Director (Audit & Supervisory Committee Member).

The Company has two Outside Audit & Supervisory Board Members: Messrs. Yoshinori Shinohara and Yasushi Yokoi.

Mr. Yoshinori Shinohara possesses a certain level of independence as he meets the definitions of outside company auditors set forth in Article 2, Item 16 of the Companies Act. In addition, the Company expects him to draw on his expertise and experience as a certified public accountant to strengthen the Company's audit system, as well as to monitor the execution of duties by Members of the Board and provide recommendations and advice from a broad perspective by

leveraging his wealth of experience as a Director and Audit & Supervisory Board Member and other roles at many companies. For these reasons, the Company has nominated him as Outside Audit & Supervisory Board Member.

Mr. Yasushi Yokoi possesses a certain level of independence as he meets the definitions of outside company auditors set forth in Article 2, Item 16 of the Companies Act. In addition, the Company expects him to draw on his expertise and experience as a certified public accountant to strengthen the Company's audit system, as well as to monitor the execution of duties by Members of the Board and provide recommendations and advice from a broad perspective by leveraging his experience as Outside Member of the Board (Audit & Supervisory Committee Member) of another company. For these reasons, the Company has nominated him as Outside Audit & Supervisory Board Member.

ASICS Corporation, where he concurrently serves as Outside Member of the Board (Audit & Supervisory Committee Member), is not a major business partner of the Company.

The Company has registered the seven corporate officers above as independent directors/auditors with the Tokyo Stock Exchange.

With respect to the independence of Outside Members of the Board and Outside Audit & Supervisory Board Members, the Company places importance on ensuring their independence based on requirements under the Companies Act and judgement criteria for independent officers stipulated by financial instruments exchanges. Outside Audit & Supervisory Board Members, together with Full-time Audit & Supervisory Board Members, hold separate meetings with the Representative Members of the Board and the Accounting Auditor on a regular basis. In addition, they receive regular reports on the implementation status and results of internal audits.

The status of shareholding in the Company by the above seven corporate officers is presented in (i) List of directors and other officers.

(iii) Mutual cooperation between supervision or audits by Outside Members of the Board or Outside Audit & Supervisory Board Members and internal audits, audits by Audit & Supervisory Board Members and accounting audits, and relationship with the internal control division

Outside Members of the Board attend the Board of Directors meetings and receive reports on the status of risk management, including the establishment and operation of internal control systems. Based on their understanding of the status of these operations, they supervise the management at Board of Directors meetings.

Internal audits are conducted under the Audit Department. The results of these audits are reported regularly to the President and the Audit & Supervisory Board Members, and concrete exchanges of opinions are conducted as necessary.

Outside Audit & Supervisory Board Members attend the Board of Directors meetings, and also receive reports from the Full-time Audit & Supervisory Board Members on the status of the establishment and operation of internal control systems. In addition, they regularly meet with the Accounting Auditor to receive reports on the audits and exchange opinions, thereby facilitating cooperation.

(3) Audits

(i) Audits by Audit & Supervisory Board Members

(a) Organization and personnel

The Company has adopted a company structure with an Audit & Supervisory Board. The Audit & Supervisory Board consists of four members, including two Full-time Audit & Supervisory

Board Members and two Outside Audit & Supervisory Board Members. In addition, a dedicated staff member has been assigned to assist with auditing work and the operation of the Audit & Supervisory Board, ensuring independence and effectiveness under the direction of the Audit & Supervisory Board Members.

(b) Attendance at the meetings of the Audit & Supervisory Board by Audit & Supervisory Board Members during the fiscal year under review is as follows:

Title and position	Name	Past experience	Attendance at meetings of the Audit & Supervisory Board in FY2023
Audit & Supervisory Board Member (Full-time)	Toyofumi Ohama	He has worked for many years on budget control operations and other areas in the Company's corporate planning division, and has considerable knowledge of finance and accounting. He also has experience working at overseas affiliates and has knowledge of international businesses.	14/14 (100%)
Audit & Supervisory Board Member (Full-time)	Naoki Iwatani	He has extensive practical experience working in sales in the Integrated Energy Business, Industrial Gases & Machinery Business, and at overseas business locations, as well as experience working on budget control, internal audits, and other duties in the Corporate Planning & Coordination Department and the Audit Department, and he has considerable knowledge based on these experiences.	14/14 (100%)
Audit & Supervisory Board Member	Yoshinori Shinohara	He is expected to leverage his specialized knowledge and experience as a certified public accountant for strengthening the Company's audit systems and to conduct audits of the Company based on a wide-ranging perspective by leveraging his experience as a director, Audit and Supervisory Board member and other roles at many companies.	14/14 (100%)
Audit & Supervisory Board Member	Yasushi Yokoi	He is expected to leverage his specialized knowledge and experience as a certified public accountant for strengthening the Company's audit systems, and to monitor the execution of duties by Members of the Board and provide recommendations and advice from a broad perspective by leveraging his experience as Outside Member of the Board (Audit & Supervisory Committee Member) of another company.	14/14 (100%)

(c) Activities of the Audit & Supervisory Board Members and the Audit & Supervisory Board

1) The Audit & Supervisory Board Members conducted audits based on the audit methods and allocation of audit duties in accordance with the basic plan for audits by Audit & Supervisory Board Members as resolved by the Audit & Supervisory Board. The audit activities placed priority on the following items.

- i) To verify the appropriateness of execution of duties by Directors and management decisions at the Board of Directors meetings and other important meetings
- ii) To audit the legitimacy of business operations and status of compliance with the code of conduct for the business activities of the Group
- iii) To verify the status of establishment and operation of internal control system including group companies
- iv) To confirm the transparency and soundness of intra-group transactions
- v) To review measures to comply with the Revised Companies Act enforced in March 2021
- vi) To verify compliance with the disclosure items under the guidelines of the Corporate Governance Code revised by the Tokyo Stock Exchange in June 2021
- vii) To audit the reasonableness of accounting audits through enhanced cooperation with the Accounting Auditor
- viii) To confirm the proper operation of the accounting procedures over Key Audit Matters (KAM)

2) Major activities of Audit & Supervisory Board Members

- i) Attend meetings of the Board of Directors and the Board of Corporate Officers, and other important meetings. In addition, they audit the management decision-making process as well as the development and operation of an environment for internal controls through the inspection of important documents such as proposal documents.
- ii) Conduct interviews on the status of operational activities at head office divisions, block branches and branch offices and also audit the status of internal controls and thorough compliance.
- iii) Visit important domestic affiliates and meet with representative directors and corporate auditors to audit the general status of business, the status of implementation of audit work, the status of establishment and operation of internal controls, and thorough compliance.
- iv) Inspected the general status of business and the status of risk management and internal control of overseas subsidiaries through interview with responsible persons during on-site visits. Two subsidiaries were audited.
- v) Held the Group Audit & Supervisory Council twice a year (in the first and second half of the year respectively) with the Audit & Supervisory Board Members of important domestic affiliates to exchange information on auditing methods and audit quality improvement, and to promote cooperation by reviewing revisions to laws and regulations, thereby ensuring the effectiveness of audits.

- vi) Met regularly with the Audit Department, which is the internal audit division, to share issues on audit results and to share information on the development and operation of internal controls, thorough compliance, and other initiatives.
- vii) Collaborated with the Accounting Auditor in audit activities by holding regular briefings and opinion-exchange meetings, as well as exchanging information as appropriate. Also verified the independence of the Accounting Auditor and the implementation of appropriate audit activities, and audited the reasonableness of the audit methods and audit results.

During the fiscal year under review, the Audit & Supervisory Board meetings had 7 items for resolution, 20 items for discussion, and 78 items for reporting, with an average duration of 1 hour and 14 minutes per meeting. The major agenda items were as follows.

Items resolved

Election of the Chairperson of the Audit & Supervisory Board, election of full-time Audit & Supervisory Board Member, audit policy and implementation plan, budget for audit expenses, reappointment of the Accounting Auditor, consent to audit fees

for the Accounting Auditor, and Audit Report by the Audit & Supervisory Board, etc.

Items discussed

Compensation of Audit & Supervisory Board Members, evaluation and reappointment/non-reappointment of the Accounting Auditor, Audit Report (draft), appropriateness of the amount of audit fees for the Accounting Auditor, comprehensive and individual preliminary understanding of non-assurance services by the Accounting Auditor, items to report from the Audit & Supervisor Board to the Board of Directors, etc.

Items reported

Summary of the meetings of the Board of Directors and the Board of Corporate Officers, and other important meetings; results of on-site audits by Full-time Audit & Supervisory Board Members, overview of the Audit Department's evaluation of internal control system, proposals to be submitted to the Board of Directors, quarterly reviews from the Accounting Auditor, summary of audit results, summary of the results of audit under the Financial Instruments and Exchange Act, interviews with the Accounting Auditor, financial results report from the Accounting Department, repurchase and disposal of treasury shares, work schedule, etc.

Attendance at important meetings

	Toyofumi Ohama	Naoki Iwatani	Yoshinori Shinohara	Yasushi Yokoi
Meetings of the Audit & Supervisory Board	100% (14/14)	100% (14/14)	100% (14/14)	100% (14/14)
Meetings of the Board of Directors	100% (17/17)	100% (17/17)	100% (17/17)	100% (17/17)
Management Strategy Meeting	100% (1/1)	100% (1/1)	—	—
Management Meetings	100% (2/2)	100% (2/2)	—	—
Overseas Managers Meeting	100% (1/1)	100% (1/1)	—	—
Meetings of the Board of Corporate Officers	100% (12/12)	100% (12/12)	—	—
Monthly Settlement of Accounts Meeting of General Managers and Block Branch Managers	100% (4/4)	100% (4/4)	—	—
Audit Department's Audit Report Meetings	100% (14/14)	100% (14/14)	100% (3/3)	100% (3/3)

(d) Scope of responsibilities among Audit & Supervisory Board Members

1) Full-time Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Members attended the meetings of the Board of Directors and the Board of Corporate Officers and other important meetings in accordance with the annual activity plan. In addition, they conducted audits in collaboration with the Audit Department, which is the internal audit division, and with the Accounting Auditor, and also shared information with Outside Audit & Supervisory Board Members. Furthermore, they visited important subsidiaries in and outside of Japan to conduct on-site audits, and also conducted accounting audits accompanying the Accounting Auditor.

2) Outside Audit & Supervisory Board Members

Outside Audit & Supervisory Board Members attended and expressed opinions at the meetings of the Board of Directors and the Audit & Supervisory Board as well as the Group Audit & Supervisory Council and other important meetings. In addition, they inspected important documents. Furthermore, they heard full-time Audit & Supervisory Board Members' reports on the Board of Corporate Officers and other important meetings, as

well as the results of on-site audits conducted by the full-time Audit & Supervisory Board Members, and provided opinions from high-level perspectives as appropriate based on professional expertise.

(e) Cooperation between Audit & Supervisory Board Members and the Accounting Auditor

The table below summarizes the status of cooperation with the Accounting Auditor. In addition, the Accounting Department and the Accounting Auditor (KPMG AZSA LLC) provided explanations and answered questions on "Appropriateness of the Company's determination of the accounting period in which revenue was recognized," which was recognized as a KAM in the accounting audit.

Status of cooperation with the Accounting Auditor

Description of cooperation	Overview	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Report on quarterly reviews	Explanation on the status of audits of financial results, etc.					●			●			●	
Explanation on audit plan, etc.	Draft audit plan and proposed audit fees				●								
Three-pillar audits	Share audit activities and exchange opinions		●	●		●	●		●			●	
Audit Report	Report on the results of audit under the Companies Act		●										
Report on the internal control audits	Report on the results of audit under the Financial Instruments and Exchange Act			●									
Exchange of information and opinion	KAM and group governance	●	●	●	●	●	●	●	●			●	
Accompanying on-site accounting audits in and outside of Japan	Accompany, witness, and confirm accounting audits						●						●

(ii) Internal Audits

(a) Organization, personnel and audit procedures

- The Company has established the Audit Department (13 members as of April 2024) as the internal audit division reporting directly to the President. The Department consists of (i) the internal control team in charge of the evaluation of internal controls over financial reporting under the Financial Instruments and Exchange Act, (ii) the internal audit team for conducting audits of operations of the Company's internal divisions and its subsidiaries in and outside of Japan, and (iii) the safety control audit team for conducting safety control audits of LP gas centers and gas sales offices in the Group.
- Internal audits and internal control evaluations are conducted on the Company and its domestic and overseas group companies based on an annual plan. These audits cover the status of compliance with laws, regulations, and internal rules, the status of the development and operation of internal controls, the appropriateness and efficiency of operational processing, the reliability of financial reporting, and the status of preservation and management of corporate assets. In addition, the teams evaluate the validity and effectiveness of risk control management and governance processes of each organizational entity, and provide advice and recommendations on how to improve these processes.
- The results of internal audits are directly reported to the President each month, together with explanations of the audit findings and the progress of improvements.

(b) Cooperation among the Internal Audit Department, Audit & Supervisory Board Members and Accounting Auditor

- Audit & Supervisory Board Members and the Audit Department regularly hold meetings each month to report on the results of internal audits, audit findings and recommendations, as well as on the status of the development and operation of internal control systems, etc., to closely exchange information and collaborate with each other through mutual reviews and exchange of opinions. In addition, the evaluation of internal controls is regularly reported to the Audit & Supervisory Board (three times a year).
- The Accounting Auditor and the Audit Department also collaborate with each other through regular exchanges of information and opinions.

(c) Cooperation with Internal Audit Division of Group Companies

- The Audit Department periodically holds meetings with Group companies that have established audit divisions (internal audit/ safety control audit) to exchange information on the status of audit implementation at each company, key findings and status of improvements, and issues to be addressed by each company, thereby seeking to raise the level of audits within the Group. In addition, the Department checks the quality of audits by reviewing the audit reports and activity reports of each company.

(iii) Accounting Audits

(a) Name of the Audit Corporation

KPMG AZSA LLC

(b) Continuous audit period

14 years

(c) Certified public accountants who carried out the services

Yoshinori Tatsuta
Tatsuo Amekawa
Hiroshi Kubota

(d) Composition of assistants involved in the accounting audit work

18 certified public accountants, 6 persons who have passed the certified public accountant examination, and 20 other staff members.

(e) Policy and reason for the selection of an audit corporation

In selecting an accounting auditor, the Company makes a comprehensive judgment. This includes consideration of whether the accounting auditor has a system in place for performing audit services suited to the scale of the businesses of the Company's domestic and overseas operations, has established a global network, has an extensive system for controlling audit quality, and ensures that the number of auditing days, audit implementation guidelines, and audit expenses are reasonable and appropriate.

(f) Evaluation of the audit corporation by Audit & Supervisory Board Members and the Audit & Supervisory Board
 Board Members and the Audit & Supervisory Board Audit & Supervisory Board Members and the Audit & Supervisory Board evaluate the Accounting Auditor. In conducting this evaluation, they implement a comprehensive evaluation. This involves monitoring and examining whether the Accounting Auditor maintained its independence and properly conducted the audit, and receiving reports from the Accounting

Auditor concerning the status of performance of its duties. In addition, they received explanations that a system is in place to ensure proper execution of duties (matters provided for in each item of Article 131 of the Rules of Corporate Accounting) in accordance with the Standards on Quality Control for Audits (Business Accounting Council), and requested explanations as necessary.

(iv) Details of Audit Fees

(a) Compensations for certified public accountants, etc. for the auditing

Category	Previous Fiscal Year		Fiscal Year under Review	
	Audit certification work (Million ¥) [Thousand \$]	Non-audit work (Million ¥) [Thousand \$]	Audit certification work (Million ¥) [Thousand \$]	Non-audit work (Million ¥) [Thousand \$]
Reporting company	102	195	99 [653]	138 [911]
Consolidated subsidiaries	38	6	13 [85]	14 [92]
Total	141	201	112 [739]	152 [1,003]

Previous fiscal year

Non-audit work provided to the Company includes advisory services regarding introduction of systems.
 Non-audit work provided to consolidated subsidiaries includes agreed-upon procedures.

Fiscal year under review

Non-audit work provided to the Company includes advisory services regarding introduction of systems.
 Non-audit work provided to consolidated subsidiaries includes agreed-upon procedures.

(b) Compensations for KPMG Group's member firms in the same network as the certified public accountants, etc. for auditing (excluding (a))

Category	Previous Fiscal Year		Fiscal Year under Review	
	Audit certification work (Million ¥) [Thousand \$]	Non-audit work (Million ¥) [Thousand \$]	Audit certification work (Million ¥) [Thousand \$]	Non-audit work (Million ¥) [Thousand \$]
Reporting company	—	7	— [—]	11 [72]
Consolidated subsidiaries	33	47	62 [409]	34 [224]
Total	33	55	62 [409]	46 [303]

Previous fiscal year

Non-audit work provided to the Company includes advisory services regarding tax.
 Non-audit work provided to consolidated subsidiaries includes financial due diligence services and advisory services regarding tax.

Fiscal year under review

Non-audit work provided to the Company includes advisory services regarding tax.
 Non-audit work provided to consolidated subsidiaries includes advisory services regarding tax.

(c) Details of fees for other significant audit certification work

Previous fiscal year
 Nothing to report in this regard.

Fiscal year under review
 Nothing to report in this regard.

(d) Policy for determining audit fees

The Company determines audit fees for certified public accountants, etc., for auditing by taking into consideration the actual audit structure (personnel, hours of auditing, and

reporting) and other factors.

(e) Reasons for Audit & Supervisory Board's consent to fees, etc. for the Accounting Auditor

The Audit & Supervisory Board gave consent, judging that fees were appropriate after obtaining necessary materials and receiving reports from Members of the Board, relevant internal departments and the Accounting Auditor, confirming the independence of the Accounting Auditor and its audit quality, and verifying the status of performance of duties during the previous fiscal year, the basis for estimating fees, and the audit plan.

(4) Officer Compensation

(i) Matters pertaining to the policy on determining the amount of compensation for officers and the calculation methods thereof

To develop a compensation scheme to serve as an incentive for sustained growth in corporate value and reflect the medium-term management plan, in its meeting held on June 21, 2023, the Board of Directors approved a policy on the details of compensation and other treatment of individual Members of the Board. The details of this policy are described below.

(Overview)

Compensation of Members of the Board consists of fixed compensation and bonuses as compensation linked to business results and share-based compensation. The 80th Annual General Meeting of Shareholders held on June 21, 2023, approved fixed compensation and bonuses not to exceed the maximum of ¥1.8 billion/year [\$11,888 thousand/year] (including a maximum of ¥200 million [\$1,320 thousand] for Outside Members of the Board) for Members of the Board, excluding the portions of compensation for employee duties of Members of the Board serving concurrently in employee positions. There were 13 Members of the Board (five (5) of whom were Outside Members of the Board) at the conclusion of the 2023 Annual General Meeting of Shareholders. The 69th Annual General Meeting of Shareholders held on June 26, 2012, approved compensation for Audit & Supervisory Board Members not to exceed the maximum of ¥300 million/year [\$1,981 thousand/year]. There were four Audit & Supervisory Board Members at the conclusion of the 2012 Annual General Meeting of Shareholders.

To enhance the fairness, transparency, and objectivity of procedures related to compensation and other treatment of Members of the Board, the Company has established a Nomination and Compensation Committee, the majority of whose members are Outside Members of the Board.

The Board of Directors has delegated to Chairman and CEO Akiji Makino all authority for making appropriate decisions on fixed compensation and bonuses for individual Members of the Board within the limits of the total compensation amounts described above, based on the report by the Nomination and

Compensation Committee. The reason for delegating authority to the Chairman and CEO is because it was determined that he would be able to take an over-arching view of the Company's entire performance, evaluate the scope of responsibility and duties of the individual Members of the Board, and make comprehensive decisions on compensation amounts. Compensation of Audit & Supervisory Board Members is determined through consultation among Audit & Supervisory Board Members.

On the share-based compensation, the 76th Annual General Meeting of Shareholders held on June 19, 2019, approved the adoption of compensation in the form of shares of transfer-restricted stock. The number of Members of the Board at the conclusion of the 2019 Annual General Meeting of Shareholders was 10 (excluding Outside Members of the Board). Specific conditions on the timing of payment and distribution to individual eligible Members of the Board are decided by the Board of Directors based on the report by the Nomination and Compensation Committee, within the approved compensation limit (up to ¥260 million/year [\$1,717 thousand/year]).

(Fixed compensation)

Fixed compensation is paid monthly in fixed amounts, with consideration for the years of experience of each Member of the Board and job grades reflecting matters such as the scope of his or her duties and responsibilities, as reward for efforts toward sustained corporate growth and increasing corporate value.

(Compensation linked to business results)

For compensation linked to business results, using the target key performance indicators in the medium-term management plan as shared performance benchmarks for all Members of the Board (excluding Outside Members of the Board), general bonus amounts are determined through consideration of the degree of achievement of these targets, and bonuses are paid at fixed times each year. These numerical targets were chosen as indicators of business performance because they are considered appropriate medium-term incentives to realize sustained growth in corporate value.

Numerical management targets and results of the medium-term management plan are as follows.

Item	FY2023 Results	FY2023 Forecasts (Note)	Targets for final year of PLAN27
Operating profit (Billion ¥)	50.6	45.0	65.0
Operating profit (Thousand \$)	[334,191]	[297,206]	[429,297]
ROE	14.3%	—	10% or higher
ROIC	6.7%	—	6% or higher

Note: The FY2023 forecasts stated here are the figures announced on May 15, 2023.

(Non-monetary compensation (share-based compensation))

This compensation program awards shares of transfer-restricted stock to Members of the Board (excluding Outside Members of the Board) as incentives toward sustained growth in corporate value and to promote further sharing of value with shareholders. Numbers of shares awarded to each Member of the Board are decided by the Board of Directors after the Annual General Meeting of Shareholders with consideration for the years of experience of each Member of the Board and job grades reflecting matters such as the scope of his or her duties

and responsibilities, and the shares are awarded within one month after this decision.

To ensure objectivity and appropriateness of the ratios of fixed compensation, compensation linked to business results, and non-monetary compensation (share-based compensation), the compensation ratios of a considerable number of other companies of similar industries and scale are compared and verified, and the compensation ratios for the Company are set based on the Company's financial status and other considerations. This content has also been deliberated on by

the Nomination and Compensation Committee, which has confirmed the objectivity and appropriateness of the compensation ratios. The amount of compensation for each individual Member of the Board has been set based on the

above, and the Board of Directors has determined that the content is in line with the decision-making policy and is appropriate.

(ii) Total amount of compensation and other treatment by category of officers, total amount of compensation and other treatment by category, and number of recipient officers

Category of officers	Total amount of compensation and other treatment (Million ¥) [Thousand \$]	Total amount of compensation and other treatment by category (Million ¥) [Thousand \$]			Number of recipient officers (Persons)
		Fixed compensation	Compensation linked to business results	Non-monetary compensation (Share-based compensation)	
Members of the Board (excluding Outside Members of the Board)	1,424 [9,404]	744 [4,913]	626 [4,134]	54 [356]	8
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	147 [970]	147 [970]	—	—	2
Outside officers	234 [1,545]	234 [1,545]	—	—	7

(iii) Total amount of compensation and other treatment for officers whose total compensation and other treatment is ¥100 million [\$660 thousand] or more

Name (Title)	Total amount of compensation and other treatment (Million ¥) [Thousand \$]	Company name	Total amount of compensation and other treatment by category (Million ¥) [Thousand \$]		
			Fixed compensation	Compensation linked to business results	Non-monetary compensation (Share-based compensation)
Akiji Makino (Representative Member of the Board)	389 [2,569]	Iwatani Corporation	191 [1,261]	186 [1,228]	12 [79]
Toshio Watanabe (Representative Member of the Board)	266 [1,756]	Iwatani Corporation	121 [799]	134 [885]	10 [66]
Hiroshi Majima (Representative Member of the Board)	229 [1,512]	Iwatani Corporation	107 [706]	114 [752]	8 [52]
Makoto Horiguchi (Member of the Board)	134 [885]	Iwatani Corporation	78 [515]	51 [336]	5 [33]
Hirozumi Hirota (Member of the Board)	104 [686]	Iwatani Corporation	61 [402]	39 [257]	4 [26]

Note: Only persons whose total consolidated compensation and other treatment is ¥100 million [\$660 thousand] or more are listed.

(5) Status of Shareholdings

(i) Standards and concept applied to the classification of investment shares

The Company holds shares of other companies (hereinafter "investment shares") either for the purpose of pure investment or other purposes that are not for pure investment and classifies them separately according to this difference. The shares classified as those for pure investment are held for the purpose of capital gain from the stock price fluctuations or dividend income from the company that issued the shares. The Company also holds shares in other companies for other purposes, such as reinforcing the relationship with business partners and stabilizing transactions, and these holdings are considered significant in its business strategy.

(ii) Investment shares that are held for other purposes that are not for pure investment

(a) The policy of shareholding, method of verifying the rationality of holding the shares, and the result of the verification by the Board of Directors, etc. on the validity of holding the shares of individual issues

The Company has a policy of maintaining strategic shareholdings only when it deems such shareholdings to be

effective in enhancing corporate value of the Company.

Regarding the rationality of holding the shares, the Company determines the appropriateness of each shareholding by examining the consistency with the purpose of the shareholding, suitability for the Company's cost of equity, and the status of business transactions, among others. The Board of Directors verifies the qualitative effects of the shareholding at least once a year from the perspective of whether it meets the purpose of the shareholding, namely, to strengthen relationships with the business partner and stabilize transactions, as well as its strategic importance to the business, and the quantitative effects from the perspective of whether the relevant earnings and dividend income are commensurate with the Company's cost of equity. The Company strives to reduce the number of strategic shareholdings by selling stocks for which it finds no significance or rationality in holding them.

The results of the verification confirmed that, for the majority of the individual issues examined, the purpose of the shareholding was to strengthen relationships with business partners and stabilize transactions, and that the relevant earnings and dividend income were commensurate with the Company's cost of equity. For issues that neither meet the

purpose of shareholding nor the cost of equity, the Company will consider strengthening the business relationship or selling such issues in the future.

(b) Number of issues held and the amount recorded on the balance sheet

	Number of issues (Issue)	Total amount recorded on balance sheet (Millions of yen) [Thousands of dollars]
Unlisted shares	55	1,638 [10,818]
Shares other than unlisted shares	60	69,457 [458,734]

Issues for which the Company increased the number of shares in the fiscal year 2023

	Number of issues (Issue)	Total acquisition cost for the increase in number of shares (Millions of yen) [Thousands of dollars]	Reasons for increase in number of shares
Unlisted shares	2	28 [184]	The Company increased the numbers of shares through purchases aiming mainly to strengthen business relationships.
Shares other than unlisted shares	—	—	—

Issues for which the Company decreased the number of shares in the fiscal year 2023

	Number of issues (Issue)	Total proceeds from the sales associated with the decrease in number of shares (Millions of yen) [Thousands of dollars]
Unlisted shares	2	28 [184]
Shares other than unlisted shares	19	2,181 [14,404]

Note: Reclassification of investments in subsidiaries and affiliates is not stated here.

(c) Number of shares, balance sheet amounts and other information of specified investment shares and deemed holdings of equity securities

Specified investment shares

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding, summary of business alliance, etc., quantitative effects of holding, and reasons for the increase in the number of shares (Note 2)	Whether the counterparty holds the Company's shares or not
	Number of shares (Shares)			
	Amount recorded on balance sheet (Millions of yen) [Thousands of dollars]			
DAIKIN INDUSTRIES, LTD.	505,300	535,300	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business, and the Materials Business. Mainly through the purchase of home energy components and sale of chemical raw materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	No
	10,409 [68,747]	12,662		
Mitsubishi UFJ Financial Group, Inc.	3,553,720	3,553,720	The company is a major financial institution partner with which the Company has business transactions, mainly in the area of financing. In addition, our activities have contributed to the enhancement of corporate value of the Company, mainly through collaboration with Zeroboard Inc. in which the Company has an equity stake, and by receiving sales information and business matching opportunities including those related to decarbonization. The Company holds the shares to maintain and strengthen positive business relationships.	No (Note 3)
	5,533 [36,543]	3,013		

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding, summary of business alliance, etc., quantitative effects of holding, and reasons for the increase in the number of shares (Note 2)	Whether the counterparty holds the Company's shares or not
	Number of shares (Shares)			
	Amount recorded on balance sheet (Millions of yen) [Thousands of dollars]			
Daifuku Co., Ltd.	1,506,753	502,251	The company is a business partner in the Industrial Gases & Machinery Business. Through the sale of industrial gases and industrial robots, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships. The increase in the number of shares is resulted from a stock split.	Yes
	5,400 [35,664]	3,680		
OSAKA SODA CO., LTD.	529,100	529,100	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business, and the Materials Business. Mainly through the purchase of industrial gases and sale of liquefied natural gas and chemical raw materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	5,111 [33,756]	2,304		
The Kansai Electric Power Company, Incorporated.	2,305,000	2,305,000	The company is a business partner in the Integrated Energy Business and the Industrial Gases & Machinery Business. Mainly through the sale of LPG and facilities for power plants, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The company is also a member of the Japan Hydrogen Association (JH2A), and we are promoting collaboration to realize a carbon-free society. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	5,058 [33,405]	2,975		
Murata Manufacturing Co., Ltd.	1,485,000	495,000	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business, and the Materials Business. Mainly through the sale of LPG, industrial gases, and chemical raw materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships. The increase in the number of shares is resulted from a stock split.	Yes
	4,193 [27,693]	3,979		
Nordic Mining ASA	15,979,133	319,582,667	The Company holds shares in the company to secure rights to titanium ore, a rare resource, in Europe and strengthening its stable supply system by diversifying the procurement sources for the Materials Business. The decrease in the number of shares is resulted from a stock consolidation.	No
	3,775 [24,932]	2,519		
DAIHEN Corporation	349,600	349,600	The company is a business partner in the Industrial Gases & Machinery Business and the Materials Business. Mainly through the purchase of welding equipment and sale of resin raw materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	3,247 [21,445]	1,550		
Nippon Sanso Holdings Corporation	674,150	674,150	The company is a business partner in the Industrial Gases & Machinery Business. Through the purchase and sale of industrial gases, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	No
	3,200 [21,134]	1,605		

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding, summary of business alliance, etc., quantitative effects of holding, and reasons for the increase in the number of shares (Note 2)	Whether the counterparty holds the Company's shares or not
	Number of shares (Shares)			
	Amount recorded on balance sheet (Millions of yen) [Thousands of dollars]			
HIROSHIMA GAS CO., LTD	7,607,428	7,607,428	The company is a business partner in the Integrated Energy Business for sale of LPG. In addition, through mutual cooperation with the Hiroshima Gas Group in cooperative LPG refilling business and streamlining of delivery, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain positive business relationships and establish a strong business foundation.	No
	2,906 [19,192]	2,693		
MITSUBISHI GAS CHEMICAL COMPANY, INC.	1,105,500	1,105,500	The company is a business partner in the Industrial Gases & Machinery Business and the Materials Business. Mainly through the sale of industrial gases and purchase of resin raw materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	2,863 [18,908]	2,170		
TOYOTA MOTOR CORPORATION	499,800	499,800	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business and the Materials Business. Mainly through the sale of industrial gases, and machinery and equipment, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. In addition, as co-representatives of the Japan Hydrogen Association (JH2A), we have been working together to realize a carbon-free society. The Company holds the shares to maintain and strengthen positive business relationships.	No
	1,895 [12,515]	939		
The Chiba Bank, Ltd.	1,061,865	1,061,865	The company is a financial institution partner, with which the Company has business transactions mainly in the area of financing such as fund procurement. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	1,339 [8,843]	907		
AIR WATER INC.	500,000	500,000	The company is a business partner in the Industrial Gases & Machinery Business. Through the purchase and sale of industrial gases, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	1,197 [7,905]	830		
Kurimoto, Ltd.	289,845	289,845	The company is a business partner in the Materials Business. Through the sale of metal materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	1,178 [7,780]	589		
MORY INDUSTRIES INC.	159,600	159,600	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business and the Materials Business. Mainly through the sale of metal materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	1,019 [6,730]	552		

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding, summary of business alliance, etc., quantitative effects of holding, and reasons for the increase in the number of shares (Note 2)	Whether the counterparty holds the Company's shares or not
	Number of shares (Shares)			
	Amount recorded on balance sheet (Millions of yen) [Thousands of dollars]			
NIKKISO CO., LTD.	672,000	672,000	The company is a business partner in the Industrial Gases & Machinery Business. Through the purchase of electronic component manufacturing equipment, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	865 [5,712]	631		
DAIICHI KIGENSO KAGAKU KOGYO CO., LTD.	861,000	861,000	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business and the Materials Business. Mainly through the sale of industrial gases, machinery and equipment, and chemical raw materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	828 [5,468]	872		
TOELL CO., Ltd.	860,000	860,000	The company is a business partner in the Integrated Energy Business for the sale of LPG and supply equipment. Through a cooperative framework we have built in the Kanto area, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	722 [4,768]	717		
MIURA CO., LTD.	240,000	240,000	The company is a business partner in the Integrated Energy Business. Through the purchase of LPG supply facilities and sale of LPG, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	702 [4,636]	811		
Sumitomo Mitsui Financial Group, Inc.	75,409	75,409	The company is a major financial institution partner with which the Company has business transactions, mainly in the area of financing such as fund procurement. In addition, by receiving sales information including those related to decarbonization, we have been able to reinforce our activities that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	No (Note 4)
	671 [4,431]	399		
Rinnai Corporation	174,000	58,000	The company is a business partner in the Integrated Energy Business and the Industrial Gases & Machinery Business. Mainly through the purchase of home energy components and sale of industrial gases, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships. The increase in the number of shares is resulted from a stock split.	Yes
	606 [4,002]	562		
Namura Shipbuilding Co., Ltd.	300,000	300,000	The company is a business partner in the Integrated Energy Business and the Industrial Gases & Machinery Business mainly for the sale of industrial gases. In addition, we have contracted the company to build a liquefied hydrogen marine carrier, which we plan to operate for passenger transport at the Expo 2025 Osaka, Kansai, Japan. As such, we have been able to realize activities that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	No
	597 [3,942]	104		

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding, summary of business alliance, etc., quantitative effects of holding, and reasons for the increase in the number of shares (Note 2)	Whether the counterparty holds the Company's shares or not
	Number of shares (Shares)			
	Amount recorded on balance sheet (Millions of yen) [Thousands of dollars]			
SINFONIA TECHNOLOGY CO., LTD.	182,400	182,400	The company is a business partner in the Industrial Gases & Machinery Business for the sale of industrial gases. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	590 [3,896]	287		
NITTAN Corporation	1,300,000	1,300,000	The company is a business partner in the Integrated Energy Business and the Industrial Gases & Machinery Business. Mainly through the sale of industrial gases, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	483 [3,190]	327		
Zeon Corporation	337,700	337,700	The company is a business partner in the Integrated Energy Business and the Industrial Gases & Machinery Business. Mainly through the sale of industrial gases, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	446 [2,945]	472		
KYOCERA Corporation	210,400	52,600	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business and the Materials Business mainly for the sale of LPG, LNG, industrial gases, machinery and equipment, and metal materials. The Company holds the shares to maintain and strengthen positive business relationships. The increase in the number of shares is resulted from a stock split.	No
	425 [2,806]	362		
TAKARA STANDARD CO., LTD.	208,500	208,500	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business and the Materials Business. Mainly through the purchase of home energy components and the sale of welding equipment and metal materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	407 [2,688]	306		
Ushio Inc.	195,000	195,000	The company is a business partner in the Industrial Gases & Machinery Business. Through the sale of industrial gases, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	380 [2,509]	324		
KAKEN PHARMACEUTICAL CO., LTD.	103,000	103,000	The company is a business partner in the Industrial Gases & Machinery Business. Through the sale of machinery and equipment, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	356 [2,351]	380		

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding, summary of business alliance, etc., quantitative effects of holding, and reasons for the increase in the number of shares (Note 2)	Whether the counterparty holds the Company's shares or not
	Number of shares (Shares)			
	Amount recorded on balance sheet (Millions of yen) [Thousands of dollars]			
Mizuho Financial Group, Inc.	102,456	102,456	The company is a major financial institution partner with which the Company has business transactions, mainly in the area of financing such as fund procurement. In addition, by receiving sales information including those related to decarbonization, we have been able to reinforce our activities that contribute to the enhancement of corporate value. The Company holds the shares to maintain and strengthen positive business relationships.	No (Note 5)
	312 [2,060]	192		
T&D Holdings, Inc.	96,400	96,400	The company is a financial institution partner, with which the Company has business transactions mainly in the area of financing such as fund procurement. In addition, we have entrusted insurance transactions and the management of pension assets to the company. The Company holds the shares to maintain and strengthen positive business relationships.	No (Note 6)
	250 [1,651]	158		
Koike Sanso Kogyo Co., Ltd.	36,300	36,300	The company is a business partner in the Integrated Energy Business and the Industrial Gases & Machinery Business mainly for the sale of industrial gases. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	239 [1,578]	83		
Noritz Corporation	127,300	127,300	The company is a business partner in the Integrated Energy Business and the Materials Business. Mainly through the purchase of home energy components, and the sale of metal materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	222 [1,466]	221		
TOAGOSEI CO., LTD.	136,187	136,187	The company is a business partner in the Industrial Gases & Machinery Business and the Materials Business. Mainly through the sale of industrial gases, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	217 [1,433]	167		
Mitsubishi Electric Corporation	81,000	81,000	The company is a business partner in the Integrated Energy Business and the Industrial Gases & Machinery Business. Mainly through the sale of semiconductor manufacturing equipment, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	No
	203 [1,340]	127		
Mitsubishi Heavy Industries, Ltd.	10,000	10,000	The company is a business partner in the Integrated Energy Business and the Industrial Gases & Machinery Business mainly for the sale of industrial gases, and machinery and equipment. In addition, we have signed a memorandum of agreement for the development and sale of liquid hydrogen pressurizing pumps. As such, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	No
	144 [951]	48		

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding, summary of business alliance, etc., quantitative effects of holding, and reasons for the increase in the number of shares (Note 2)	Whether the counterparty holds the Company's shares or not
	Number of shares (Shares)			
	Amount recorded on balance sheet (Millions of yen) [Thousands of dollars]			
Resona Holdings, Inc.	143,150	143,150	The company is a major financial institution partner with which the Company has business transactions, mainly in the area of financing such as fund procurement. In addition, by receiving sales information including those related to decarbonization, we have been able to reinforce our activities that contribute to the enhancement of corporate value. The Company holds the shares to maintain and strengthen positive business relationships. The Company holds the shares to maintain and strengthen positive business relationships.	No (Note 7)
	136 [898]	91		
Kawasaki Heavy Industries, Ltd.	22,000	22,000	The company is a business partner in the Integrated Energy Business and the Industrial Gases & Machinery Business. Mainly through the Liquefied Hydrogen Supply Chain Commercialization Demonstration Project, which was adopted for the Large-scale Hydrogen Supply Chain Establishment of the Green Innovation Fund Projects and collaborative demonstration in HySTRA (CO ₂ -free Hydrogen Energy Supply-chain Technology Research Association), we have been able to reinforce activities that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to facilitate collaboration for further expansion of the hydrogen business.	No
	112 [739]	63		
AGC Inc.	20,000	20,000	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business, and the Materials Business. Mainly through the sale of industrial gases and chemical raw materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	No
	110 [726]	98		
KANTO DENKA KOGYO CO.,LTD.	100,000	100,000	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business, and the Materials Business. Mainly through the sale of industrial gases and battery-related materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	100 [660]	103		
New Japan Chemical Co., Ltd.	512,100	512,100	The company is a business partner in the Integrated Energy Business and the Industrial Gases & Machinery Business. Mainly through the purchase of chemical products and the sale of industrial gases, we have been able to reinforce activities that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	96 [634]	108		
Tokyo Electric Power Company Holdings, Inc.	100,000	100,000	The company is a business partner in the Integrated Energy Business and the Industrial Gases & Machinery Business. Mainly through the purchase of LNG and the sale of machinery and equipment, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	No
	94 [620]	47		
Sumitomo Seika Chemicals Company, Limited.	16,000	16,000	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business, and the Materials Business. Mainly through the sale and purchase of industrial gases and the purchase of resin raw materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	81 [534]	69		

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding, summary of business alliance, etc., quantitative effects of holding, and reasons for the increase in the number of shares (Note 2)	Whether the counterparty holds the Company's shares or not
	Number of shares (Shares)			
	Amount recorded on balance sheet (Millions of yen) [Thousands of dollars]			
Nippon Electric Glass Co., Ltd.	20,820	20,820	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business, and the Materials Business. Mainly through the sale of machinery and equipment, and chemical raw materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	80 [528]	53		
HAMAI INDUSTRIES LTD.	63,248	63,248	The company is a business partner in the Integrated Energy Business and the Industrial Gases & Machinery Business mainly for the purchase of valves. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	70 [462]	62		
NAGAOKA INTERNATIONAL CORPORATION	44,000	44,000	The company is a business partner in the Materials Business for the sale of metal materials. The Company had held the shares to maintain and strengthen positive business relationships, but has sold all of the shares as of the date of filing the Annual Securities Report.	No
	68 [449]	31		
Denkyo Group Holdings Co., Ltd.	50,000	50,000	The company is a business partner in the Integrated Energy Business. Through the sale of LPG-related equipment and daily necessities, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	64 [422]	59		
Central Glass Co., Ltd.	21,000	21,000	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business, and the Materials Business. Mainly through the sale of industrial gases and the purchase of chemical raw materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	No
	60 [396]	61		
The 77 Bank, Ltd.	14,000	14,000	The company is a financial institution partner, with which the Company has business transactions mainly in the area of financing such as fund procurement. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	58 [383]	30		
Nissan Motor Co., Ltd.	87,000	87,000	The company is a business partner in the Integrated Energy Business and the Industrial Gases & Machinery Business. Mainly through the sale of welding materials, and machinery and equipment, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	No
	52 [343]	43		

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding, summary of business alliance, etc., quantitative effects of holding, and reasons for the increase in the number of shares (Note 2)	Whether the counterparty holds the Company's shares or not
	Number of shares (Shares)			
	Amount recorded on balance sheet (Millions of yen) [Thousands of dollars]			
ISHIHARA CHEMICAL CO., LTD.	28,400	28,400	The company is a business partner in the Industrial Gases & Machinery Business. Through the purchase of welding materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	52 [343]	40		
TOKYO KOATSU Co., Ltd.	11,000	11,000	The company is a business partner in the Integrated Energy Business and the Industrial Gases & Machinery Business. Mainly through the sale of industrial gases and welding materials, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	51 [336]	51		
DAIICHI KOUTSU SANGYO Co., Ltd.	54,000	54,000	The company is a business partner in the Integrated Energy Business. Through the sale of LPG for Autogas use, we have been able to realize transactions that contribute to the enhancement of the corporate value of the Company. The Company holds the shares to maintain and strengthen positive business relationships.	No
	45 [297]	43		
The Dai-ichi Life Insurance Company, Limited	11,200	11,200	The company is a financial institution partner, with which the Company has business transactions mainly in the area of finance such as fund procurement. In addition, we have entrusted insurance transactions and the management of pension assets to the company. The Company holds the shares to maintain and strengthen positive business relationships.	Yes
	43 [283]	27		
Sompo Holdings, Inc.	10,631	10,631	The company is a financial institution partner, with which the Company has insurance transactions. The Company holds the shares to maintain and strengthen positive business relationships.	No (Note 8)
	33 [217]	55		
NIPPON CHEMICAL INDUSTRIAL CO., LTD.	7,000	*	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business and the Materials Business mainly for the sale of rare earths. The Company had held the shares to maintain and strengthen positive business relationships, but has sold all of the shares as of the date of filing the Annual Securities Report. (Note 1)	Yes
	17 [112]	*		
UACJ Corporation	2,422	*	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business and the Materials Business mainly for the sale of industrial gases and the purchase of aluminum. The Company holds the shares to maintain and strengthen positive business relationships. (Note 1)	No
	10 [66]	*		

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding, summary of business alliance, etc., quantitative effects of holding, and reasons for the increase in the number of shares (Note 2)	Whether the counterparty holds the Company's shares or not
	Number of shares (Shares)			
	Amount recorded on balance sheet (Millions of yen) [Thousands of dollars]			
Nippon Tungsten Co., Ltd.	6,400	*	The company is a business partner in the Integrated Energy Business, the Industrial Gases & Machinery Business and the Materials Business mainly for the sale of LPG and industrial gases. The Company had held the shares to maintain and strengthen positive business relationships, but has sold all of the shares as of the date of filing the Annual Securities Report. (Note 1)	No
	8 [52]	*		
DIJET INDUSTRIAL CO., LTD	3,900	*	The company is a business partner in the Industrial Gases & Machinery Business mainly for the sales of industrial gases. Company had held the shares to maintain and strengthen positive business relationships, but has sold all of the shares as of the date of filing the Annual Securities Report. (Note 1)	No
	3 [19]	*		
GUNZE LIMITED	—	137,900	The Company had held the shares to maintain and strengthen positive business relationships, but sold all of the shares during the fiscal year under review.	Yes
	— [—]	618		
Nitto Denko Corporation	—	47,000	The Company had held the shares to maintain and strengthen positive business relationships, but sold all of the shares during the fiscal year under review.	No
	— [—]	401		
COSMO ENERGY HOLDINGS CO., LTD.	—	59,000	The company is a business partner in the Integrated Energy Business and the Industrial Gases & Machinery Business. Through projects such as establishing Iwatani Cosmo hydrogen station LLC to construct and operate hydrogen-refueling stations targeted for commercial fuel cell electric vehicles, aiming at realizing decarbonized society, we have been able to realize transactions and activities that contribute to the enhancement of the corporate value of the Company. During the fiscal year under review, the Company acquired additional shares of the company to make it an affiliate accounted for using the equity method.	No (Note 9)
	— [—]	252		
OSAKA GAS CO., LTD.	—	15,750	The Company had held the shares to maintain and strengthen positive business relationships, but sold all of the shares during the fiscal year under review.	No
	— [—]	34		

- Notes: 1. The asterisk “*” indicates that information is omitted because the balance sheet amount of the issue is no more than 1% of the Company’s share capital, and the issue does not constitute one of the top 60 issues with the largest balance sheet amount.
2. Quantitative effects of shareholdings are difficult to disclose due to trade secrets, confidentiality obligations with business partners, among other reasons. We verify the quantitative effect of shareholdings from the perspective of whether the relevant earnings and dividend income are commensurate with the cost of equity as considered by the Company, and the qualitative effect of shareholdings from the perspective of whether the purpose of the shareholdings matches the purpose of strengthening relationships with the business partners and stabilizing transactions.
3. Mitsubishi UFJ Financial Group, Inc. does not hold shares of the Company, but MUFG Bank, Ltd., a subsidiary of Mitsubishi UFJ Financial Group holds shares of the Company.
4. Sumitomo Mitsui Financial Group, Inc. does not hold shares of the Company, but Sumitomo Mitsui Banking Corporation, a subsidiary of Sumitomo Mitsui Financial Group holds shares of the Company.
5. Mizuho Financial Group, Inc. does not hold shares of the Company, but Mizuho Bank, Ltd., a subsidiary of Mizuho Financial Group holds shares of the Company.
6. T&D Holdings, Inc. does not hold shares of the Company, but DAIDO LIFE INSURANCE COMPANY, a subsidiary of T&D Holdings holds shares of the Company.
7. Resona Holdings, Inc. does not hold shares of the Company, but Resona Bank, Limited, a subsidiary of Resona Holdings holds shares of the Company.
8. Sompo Holdings, Inc. does not hold shares of the Company, but Sompo Japan Insurance Inc., a subsidiary of Sompo Holdings, Inc. holds shares of the Company.
9. COSMO ENERGY HOLDINGS CO., LTD. does not hold shares of the Company, but COSMO OIL CO., LTD., a subsidiary of COSMO ENERGY HOLDINGS holds shares of the Company as assets entrusted in employee retirement benefit trust.

Deemed holdings of equity securities

Not applicable.

(iii) Investment shares held for the purpose of pure investment

Not applicable.

Consolidated Balance Sheets

Iwatani Corporation and Its Consolidated Subsidiaries
As of March 31, 2023 and 2024

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 5)
	March 31, 2023	March 31, 2024	March 31, 2024
Current assets:			
Cash and cash equivalents (Note 8)	¥ 33,256	¥ 33,614	\$ 222,006
Time deposits (Note 8)	474	322	2,126
Notes and accounts receivable (Note 8)			
Trade, and contract assets	150,389	145,981	964,143
Electronically recorded monetary claims—operating	23,903	26,852	177,346
Other	6,612	5,979	39,488
Allowance for doubtful accounts	(177)	(177)	(1,169)
Inventories (Note 10)	69,611	74,464	491,803
Other	19,120	22,536	148,840
Total current assets	303,189	309,573	2,044,600
Property, plant and equipment:			
Land (Notes 11 and 16)	73,910	73,937	488,323
Buildings and structures (Note 11 and 16)	157,648	163,257	1,078,244
Machinery, vehicles, equipment and tools (Note 16)	228,763	247,789	1,636,543
Lease assets	6,179	6,074	40,116
Construction in progress	13,941	22,802	150,597
	480,443	513,861	3,393,837
Accumulated depreciation	(273,000)	(288,449)	(1,905,085)
Net property, plant and equipment	207,442	225,412	1,488,752
Intangible assets:			
Goodwill	23,958	19,569	129,245
Other (Note 16)	12,909	16,932	111,828
Total intangible assets	36,868	36,502	241,080
Investments and other assets:			
Investments in securities (Notes 8, 9 and 11)	59,948	77,966	514,932
Investments in nonconsolidated subsidiaries and affiliates (Note 8)	25,741	147,460	973,911
Net defined benefit asset (Note 13)	3,641	5,624	37,144
Deferred tax assets (Note 12)	3,625	3,666	24,212
Other	16,057	28,726	189,723
Allowance for doubtful accounts	(512)	(541)	(3,573)
Total investments and other assets	108,502	262,903	1,736,364
Total assets	¥ 656,003	¥ 834,391	\$ 5,510,805

See the accompanying Notes to the Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 5)
LIABILITIES AND NET ASSETS	March 31, 2023	March 31, 2024	March 31, 2024
Current liabilities:			
Short-term borrowings (Notes 8 and 11)	¥ 25,747	¥ 129,161	\$ 853,054
Current portion of long-term debt (Notes 8 and 11)	12,144	12,734	84,102
Notes and accounts payable–trade (Note 8)	73,071	66,067	436,345
Electronically recorded obligations–operating (Note 8)	40,801	34,935	230,731
Income taxes payable	8,362	12,542	82,834
Accrued bonuses	6,434	6,765	44,680
Provision for loss on liquidation of subsidiaries and associates (Note 2)	—	68	449
Contract liabilities	10,500	7,201	47,559
Other	35,406	43,036	284,234
Total current liabilities	212,469	312,513	2,064,018
Long-term liabilities:			
Long-term debt (Notes 8 and 11)	98,457	110,100	727,164
Deferred tax liabilities (Note 12)	14,904	21,836	144,217
Net defined benefit liability (Note 13)	6,892	5,884	38,861
Allowance for retirement benefits for directors and statutory auditors	1,280	1,385	9,147
Other	9,768	9,740	64,328
Total long-term liabilities	131,303	148,947	983,732
Total liabilities	343,773	461,461	3,047,757
Contingent liabilities (Note 14)			
Net assets (Note 19)			
Shareholders' equity:			
Common stock			
Authorized—120,000,000 shares in 2023 and 2024	35,096	35,096	231,794
Issued—58,561,649 shares in 2023 and 2024			
Capital surplus	31,904	32,043	211,630
Retained earnings	203,801	245,694	1,622,706
Treasury stock, at cost			
1,033,325 shares in 2024	(1,530)	(1,546)	(10,210)
1,037,177 shares in 2023			
Total shareholders' equity	269,271	311,288	2,055,927
Accumulated other comprehensive income:			
Unrealized gains on securities	24,148	37,375	246,846
Deferred gains or losses on hedges	2,730	4,317	28,511
Foreign currency translation adjustments	5,764	8,201	54,164
Remeasurements of defined benefit plans	61	1,145	7,562
Total accumulated other comprehensive income	32,704	51,039	337,091
Noncontrolling interests	10,254	10,601	70,015
Total net assets	312,230	372,930	2,463,047
Total liabilities and net assets	¥656,003	¥834,391	\$5,510,805

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Income

Iwatani Corporation and Its Consolidated Subsidiaries
Years ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 5)
	March 31, 2023	March 31, 2024	March 31, 2024
Net sales	¥906,261	¥847,888	\$5,599,947
Cost of sales	693,335	618,413	4,084,360
Gross profit	212,925	229,475	1,515,586
Selling, general and administrative expenses (Note 20)	172,890	178,839	1,181,157
Operating income	40,035	50,635	334,423
Other income (expenses):			
Interest and dividend income	1,800	1,948	12,865
Interest expense	(1,191)	(1,843)	(12,172)
Equity in earnings of nonconsolidated subsidiaries and affiliates (Note 4)	927	10,105	66,739
Impairment loss on fixed assets (Note 16)	(89)	(1,028)	(6,789)
Other, net (Note 22)	5,839	7,392	48,821
	7,286	16,575	109,470
Income before income taxes	47,322	67,210	443,894
Income taxes (Note 12):			
Current	14,479	18,764	123,928
Deferred	(376)	92	607
	14,103	18,856	124,536
Net income	33,218	48,353	319,351
Net income attributable to noncontrolling interests	1,196	990	6,538
Net income attributable to owners of parent	¥ 32,022	¥ 47,363	\$ 312,812

	Yen		U.S. dollars (Note 5)
	March 31, 2023	March 31, 2024	March 31, 2024
Per share (Note 18):			
Basic net income	¥ 556.69	¥ 823.31	\$ 5.43
Cash dividends applicable to the period	95.00	130.00	0.85

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Iwatani Corporation and Its Consolidated Subsidiaries
Years ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 5)
	March 31, 2023	March 31, 2024	March 31, 2024
Net income	¥33,218	¥48,353	\$ 319,351
Other comprehensive income (loss):			
Unrealized gains (losses) on securities	1,722	13,039	86,117
Deferred gains or losses on hedges	102	1,583	10,455
Foreign currency translation adjustments	3,325	2,434	16,075
Remeasurements of defined benefit plans, net of tax	(439)	1,049	6,928
Share of other comprehensive income of associates accounted for using equity method	71	501	3,308
Total other comprehensive income	4,783	18,607	122,891
Comprehensive income	¥38,002	¥66,961	\$ 442,249
Comprehensive income attributable to:			
Owners of the parent	36,648	65,698	433,907
Noncontrolling interests	¥ 1,354	¥ 1,263	\$ 8,341

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, 2023 and 2024

	Number of shares of common stock (thousands)	Millions of yen									Total
		Shareholders' equity				Accumulated other comprehensive income					
		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	
Balance as of March 31, 2022	58,561	¥35,096	¥31,809	¥176,672	¥(1,528)	¥22,450	¥2,635	¥2,478	¥ 513	¥10,179	¥280,307
Net income attributable to owners of parent for the year	—	—	—	32,022	—	—	—	—	—	—	32,022
Cash dividends	—	—	—	(4,893)	—	—	—	—	—	—	(4,893)
Purchase of treasury stock	—	—	—	—	(16)	—	—	—	—	—	(16)
Disposal of treasury stock	—	—	38	—	14	—	—	—	—	—	52
Purchase of shares of consolidated subsidiaries	—	—	56	—	—	—	—	—	—	—	56
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	—	(0)	—	—	—	—	—	(0)
Net changes in items other than shareholders' equity	—	—	—	—	—	1,697	95	3,285	(452)	74	4,700
Balance as of March 31, 2023	58,561	¥35,096	¥31,904	¥203,801	¥(1,530)	¥24,148	¥2,730	¥5,764	¥ 61	¥10,254	¥312,230
Net income attributable to owners of parent for the year	—	—	—	47,363	—	—	—	—	—	—	47,363
Cash dividends	—	—	—	(5,470)	—	—	—	—	—	—	(5,470)
Purchase of treasury stock	—	—	—	—	(25)	—	—	—	—	—	(25)
Disposal of treasury stock	—	—	45	—	9	—	—	—	—	—	55
Purchase of shares of consolidated subsidiaries	—	—	93	—	—	—	—	—	—	—	93
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	—	0	—	—	—	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	—	13,227	1,587	2,437	1,083	347	18,682
Balance as of March 31, 2024	58,561	¥35,096	¥32,043	¥245,694	¥(1,546)	¥37,375	¥4,317	¥8,201	¥1,145	¥10,601	¥372,930

	Number of shares of common stock (thousands)	Thousands of U.S. dollars (Note 5)									Total
		Shareholders' equity				Accumulated other comprehensive income					
		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	
Balance as of March 31, 2023	58,561	\$231,794	\$210,712	\$1,346,020	\$(10,105)	\$159,487	\$18,030	\$38,068	\$ 402	\$67,723	\$2,062,149
Net income attributable to owners of parent for the year	—	—	—	312,812	—	—	—	—	—	—	312,812
Cash dividends	—	—	—	(36,127)	—	—	—	—	—	—	(36,127)
Purchase of treasury stock	—	—	—	—	(165)	—	—	—	—	—	(165)
Disposal of treasury stock	—	—	297	—	59	—	—	—	—	—	363
Purchase of shares of consolidated subsidiaries	—	—	614	—	—	—	—	—	—	—	614
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	—	0	—	—	—	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	—	87,358	10,481	16,095	7,152	2,291	123,386
Balance as of March 31, 2024	58,561	\$231,794	\$211,630	\$1,622,706	\$(10,210)	\$246,846	\$28,511	\$54,164	\$7,562	\$70,015	\$2,463,047

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Iwatani Corporation and Its Consolidated Subsidiaries
Years ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 5)
	March 31, 2023	March 31, 2024	March 31, 2024
Cash flows from operating activities:			
Income before income taxes	¥ 47,322	¥ 67,210	\$ 443,894
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	27,557	29,317	193,626
Impairment loss on fixed assets	89	1,028	6,789
Loss on reduction of noncurrent assets	713	153	1,010
Gain on receipt of donated non-current assets	—	(49)	(323)
Gain on bargain purchase	(465)	—	—
Increase (decrease) in allowance for doubtful accounts	(48)	26	171
Increase (decrease) in allowance for employees' bonuses	174	330	2,179
Increase (decrease) in net defined benefit liability	284	(1,016)	(6,710)
Decrease (increase) in net defined benefit asset	154	(1,983)	(13,096)
Increase (decrease) in allowance for retirement benefits to directors and statutory auditors	(249)	104	686
Interest and dividend income	(1,800)	(1,948)	(12,865)
Interest expense	1,191	1,843	12,172
Foreign exchange (gains) losses	(5)	(243)	(1,604)
Equity in earnings of nonconsolidated subsidiaries and affiliates	(927)	(10,105)	(66,739)
Loss (gain) on sales and disposals of fixed assets	426	(452)	(2,985)
Loss (gain) on sales of investments in securities	(528)	(1,612)	(10,646)
Loss on valuation of investments in securities	169	95	627
Loss on liquidation of subsidiaries and affiliates	6	68	449
Changes in assets and liabilities			
Decrease (increase) in trade receivables and contract assets	(9,843)	2,425	16,016
Decrease (increase) in inventories	(9,794)	(3,935)	(25,989)
Increase (decrease) in notes and accounts payable—trade	7,198	(13,755)	(90,846)
Decrease (increase) in advance payments to suppliers	(2,390)	2,224	14,688
Increase (decrease) in contract liabilities	5,790	(3,352)	(22,138)
Other, net	1,063	2,564	16,934
Subtotal	¥ 66,087	¥ 68,939	\$ 455,313
Interest and dividends received	1,852	2,155	14,232
Dividends received from equity method subsidiaries and affiliates	204	242	1,598
Interest paid	(1,085)	(1,736)	(11,465)
Income taxes paid	(15,586)	(14,745)	(97,384)
Net cash provided by (used in) operating activities	¥ 51,471	¥ 54,854	\$ 362,287
Cash flows from investing activities:			
Payments for purchase of investments in securities	(5,670)	(112,288)	(741,615)
Proceeds from sales and redemption of investments in securities	1,345	2,383	15,738
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(24,367)	—	—
Proceeds from sales of investments in capital	44	5	33
Payments for purchases of fixed assets	(30,912)	(40,940)	(270,391)
Proceeds from sales of fixed assets	988	2,645	17,469
Investments in loans receivable	(2,257)	(3,968)	(26,206)
Collection of loans receivable	1,981	2,496	16,485
Other, net	(1,437)	(11,600)	(76,613)
Net cash provided by (used in) investing activities	¥(60,286)	¥(161,266)	\$(1,065,094)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(9,795)	102,757	678,667
Proceeds from long-term debt	46,160	23,067	152,347
Repayment of long-term debt	(18,354)	(12,291)	(81,176)
Cash dividends paid	(4,884)	(5,458)	(36,047)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(249)	(281)	(1,855)
Other, net	(1,844)	(2,360)	(15,586)
Net cash provided by (used in) financing activities	¥ 11,032	¥ 105,433	\$ 696,341
Effect of exchange rate changes on cash and cash equivalents	867	1,247	8,235
Net increase (decrease) in cash and cash equivalents	3,085	269	1,776
Cash and cash equivalents at beginning of year	29,574	33,256	219,642
Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	596	87	574
Increase (decrease) in cash and cash equivalents resulting from merger with nonconsolidated subsidiaries	—	1	6
Cash and cash equivalents at end of period	¥ 33,256	¥ 33,614	\$ 222,006

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 2023 and 2024. 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 105 of its subsidiaries for the year ended March 31, 2024. 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, 2024, the Company has 59 nonconsolidated subsidiaries and 77 affiliates (Companies over which the Company exercises significant influence over operating and financial policies). The equity method is applied to the investments in 59 of the subsidiaries and 39 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, 2023 and 2024, the Companies did not hold any trading securities.

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

(6) Allowance for doubtful accounts

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

(7) Inventories

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

(8) Property, plant and equipment and depreciation

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

Principal estimated useful lives are as follows:

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

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

Lease assets are depreciated using the straight-line method over the lease term as the useful life, with 0 residual value. However, finance lease transactions that do not transfer ownership of the lease assets and have total lease payments of not more than ¥3 million (\$19 thousand) under a single lease contract are accounted for by the method that is applicable to ordinary operating leases.

(9) 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.

(10) 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.

(11) 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.

(12) 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 mainly 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 mainly 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.

(13) Provision for loss on liquidation of subsidiaries and associates

To provide for losses to be incurred in the future due to liquidation of subsidiaries and affiliates, the estimated amount of such losses is recorded.

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

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

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

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

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

In cases in which a group company is involved in the sale of goods as an agent, such as in the Integrated Energy Business segment and the Materials Business segment, revenue is recognized on a net basis.

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

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

(15) Goodwill

Goodwill is amortized on a straight-line basis over the period during which the investment is expected to have its effect based on a reasonable estimate of the length of the period.

(16) Derivative financial instruments

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

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

(17) Expenses for research and development

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

3. Significant Accounting Estimates

(1) Recoverability of deferred tax assets

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

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

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

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

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

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

(2) Impairment of fixed assets

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

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

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

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

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

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

4. Additional Information

(Make It an Affiliate Accounted for Using the Equity Method through Share Purchase)

The Company purchased additional 17,400,525 shares of Cosmo Energy Holdings Co., Ltd. (hereafter, "Cosmo Energy HD") and became its leading shareholder on December 1, 2023. Subsequently, the Company received a notice from the Japan Fair Trade Commission that, following their examination, they would not issue a cease and desist order. The Company then purchased additional 250,000 shares of Cosmo Energy HD on March 27, 2024. The purchase has made the ratio of the voting rights held by the Company 20.07%, and Cosmo Energy HD has become an affiliate of the Company.

Consequently, in the fiscal year under review, Cosmo Energy HD is included in the scope of entities accounted for using the equity method.

1. Overview of the Share Purchase

1) Company Name and Business Description of the Investee Company

Name of the investee company:
Cosmo Energy Holdings Co., Ltd.

Business description:
Management of subsidiaries involved in oil ranging from upstream to downstream and other businesses

2) Main reason for making it an affiliate

The main reasons for making it an affiliate is listed in Note 26, "Significant Subsequent Events, (Capital and Business Alliance Agreement with Cosmo Energy Holdings Co., Ltd.), 1. Purpose of capital and business alliance."

3) Date of application of equity method

March 31, 2024

4) Shareholding ratio after purchase

20.22%

2. Period of Results of the Investee Company Included in the Consolidated Statement of Income for the Fiscal Year under Review

The results of the investee company are not included in the consolidated statement of income for the fiscal year under review as March 31, 2024 is the deemed purchased date of the investee company.

3. Amount Equivalent to Gain on Bargain Purchase and Reason for Occurrence

1) Amount equivalent to gain on bargain purchase

¥9,378 million (\$61,937 thousand)

2) Reason for occurrence

Since the purchase cost was less than the Company's share of the fair value of net assets of the investee company as of the purchase date, the difference was recognized as the amount equivalent to gain on bargain purchase. The allocation of the purchase cost has not been finalized at the end of the fiscal year under review; therefore, the purchase was provisionally accounted for.

5. U.S. Dollar Amounts

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2024, which was ¥151.41 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

6. Accounting Standards for Presentation of Comprehensive Income

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

	2023	2024	2024
Unrealized gains on securities			
Increase (decrease) during the year	¥2,637	¥20,352	\$134,416
Reclassification adjustments	(44)	(1,576)	(10,408)
Subtotal, before tax	2,592	18,776	124,007
Tax (expense) or benefit	(869)	(5,737)	(37,890)
Subtotal, net of tax	1,722	13,039	86,117
Deferred gains or losses on hedges			
Increase (decrease) during the year	143	2,272	15,005
Subtotal, before tax	143	2,272	15,005
Tax expense	(40)	(689)	(4,550)
Subtotal, net of tax	102	1,583	10,455
Foreign currency translation adjustments			
Increase (decrease) during the year	3,325	2,434	16,075
Subtotal, before tax	3,325	2,434	16,075
Subtotal, net of tax	3,325	2,434	16,075
Remeasurements of defined benefit plans, net of tax			
Increase (decrease) during the year	(468)	1,567	10,349
Reclassification adjustments	(163)	(58)	(383)
Subtotal, before tax	(632)	1,509	9,966
Tax benefit	192	(460)	(3,038)
Subtotal, net of tax	(439)	1,049	6,928
Share of other comprehensive income of associates accounted for using equity method			
Increase during the year	71	501	3,308
Subtotal, net of tax	71	501	3,308
Total other comprehensive income	¥4,783	¥18,607	\$122,891

Tables show ¥ in millions and US\$ in thousands.

7. Supplemental Information on the Consolidated Statements of Cash Flows

1. Major breakdown of assets and liabilities of the company newly consolidated in the previous consolidated fiscal year due to the acquisition of its shares or equity shares

- (1) Breakdown of assets and liabilities of Tokico System Solutions, Ltd. at the time of its consolidation due to the acquisition of its shares and the relationship between the acquisition cost of the shares and the expenditure for the acquisition of the shares (net amounts) are as follows.
- Current assets: ¥8,818 million
Non-current assets: ¥14,821 million
Goodwill: ¥9,424 million
Current liabilities: ¥(6,493) million
Non-current liabilities: ¥(9,753) million
Acquisition cost of the shares: ¥16,819 million
Cash and cash equivalents: ¥(2,257) million
Difference: purchase of shares: ¥14,561 million
- (2) Breakdown of assets and liabilities of Tokyo Gas Energy Co., Ltd. (currently, ENELIFE CORPORATION) at the time of its consolidation due to the acquisition of its shares and the relationship between the acquisition cost of the shares and the expenditure for the acquisition of the shares (net amounts) are as follows.
- Current assets: ¥7,843 million
Non-current assets: ¥6,896 million
Gain on bargain purchase: ¥(465) million
Current liabilities: ¥(7,990) million
Non-current liabilities: ¥(897) million
Acquisition cost of the shares: ¥5,385 million
Cash and cash equivalents: ¥(732) million
Difference: purchase of shares: ¥4,653 million
- (3) Breakdown of assets and liabilities of Aspen Air U.S., LLC at the time of its consolidation due to the acquisition of its equity shares and the relationship between the acquisition cost of the equity shares and the expenditure for the acquisition of the equity shares (net amounts) are as follows.
- Current assets: ¥342 million
Non-current assets: ¥1,567 million
Goodwill: ¥3,354 million
Current liabilities: ¥(80) million
Non-current liabilities: ¥- million
Acquisition cost of the equity shares: ¥5,183 million
Cash and cash equivalents: ¥(31) million
Difference: purchase of equity shares: ¥5,151 million

2. Significant noncash transaction

There is no significant noncash transaction to report for the years ended March 31, 2023 and 2024.

8. Financial Instruments

Information on financial instruments as of March 31, 2023 and 2024 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. and commercial paper (CP). 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 - trade, and contract assets 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 6 months. Some notes and accounts payable are denominated in foreign currencies. If necessary, the Companies utilize foreign exchange forward contracts to reduce foreign currency risk.

Borrowings are used mainly to procure funds for capital expenditures. The longest redemption period is 14 years after the fiscal year closing date. Because some of these instruments have a variable interest rate, they are exposed to interest rate fluctuation risk.

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

(3) Risk management of financial instruments

(i) Management of credit risk

(risk of default by customers and counterparties)

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

derivatives themselves is insignificant as they enter into derivatives only with financial institutions which have a high credit rating.

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

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

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

The accounting department, etc., enter into and manage derivative transactions within the requirements of the

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

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

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

(4) Supplementary explanation of fair value of financial instruments

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

2. Fair values of financial instruments

"For financial instruments, amounts recorded on the consolidated balance sheet, the fair values as of March 31, 2023 and 2024 and the difference between the two are set forth in the following table.

"Cash and deposits" are not included in the table above because items included in the caption are either cash, or deposits that are expected to be settled shortly and their carrying amounts are a reasonable approximation of fair value.

"Notes and accounts receivable - trade, and contract assets," "Electronically recorded monetary claims—operating," "Notes and accounts payable—trade," "Electronically recorded obligations—operating" and "Short-term borrowings" are not included in the table above because their carrying amounts are a reasonable approximation of fair value as items included in the caption are expected to be settled in a short period of time."

	2023		
	Amounts on consolidated balance sheet	Fair value	Difference
Investments in securities* ¹			
Other securities	¥ 57,249	¥ 57,249	¥ —
Subsidiaries and affiliates	8,192	7,387	(805)
Held-to-maturity debt securities	180	161	(18)
Total assets	65,621	64,797	(824)
(1) Bonds	30,000	29,711	(288)
(2) Long-term borrowings	80,602	79,886	(715)
Total liabilities	110,602	109,598	(1,004)
Derivative transactions* ²			
Hedge accounting not applied	(216)	(216)	—
Hedge accounting applied	3,921	3,921	—
Total derivative transactions	¥ 3,705	¥ 3,705	¥ —

Tables show ¥ in millions and US\$ in thousands.

	2024		
	Amounts on consolidated balance sheet	Fair value	Difference
Investments in securities* ¹			
Other securities	¥ 75,291	¥ 75,291	¥ —
Subsidiaries and affiliates	125,392	144,194	18,801
Held-to-maturity debt securities	180	149	(30)
Total assets	200,864	219,635	18,771
(1) Bonds	40,000	39,444	(555)
(2) Long-term borrowings	82,835	81,970	(864)
Total liabilities	122,835	121,415	(1,420)
Derivative transactions* ²			
Hedge accounting not applied	37	37	—
Hedge accounting applied	6,187	6,187	—
Total derivative transactions	¥ 6,225	¥ 6,225	¥ —

	2024		
	Amounts on consolidated balance sheet	Fair value	Difference
Investments in securities* ¹			
Other securities	\$ 497,265	\$ 497,265	\$ —
Subsidiaries and affiliates	828,161	952,341	124,172
Held-to-maturity debt securities	1,188	984	(198)
Total assets	1,326,623	1,450,597	123,974
(1) Bonds	264,183	260,511	(3,665)
(2) Long-term borrowings	547,090	541,377	(5,706)
Total liabilities	811,274	801,895	(9,378)
Derivative transactions* ²			
Hedge accounting not applied	244	244	—
Hedge accounting applied	40,862	40,862	—
Total derivative transactions	\$ 41,113	\$ 41,113	\$ —

*1 Investments in equity securities without market prices are not included in the table above. The carrying amounts of those financial instruments as of March 31, 2023 and 2024 are as follows:

	2023	2024	2024
Unlisted securities	¥ 2,518	¥ 2,494	\$ 16,471
Investments in subsidiaries and affiliates	13,655	17,595	116,207
Investments in capital of subsidiaries and affiliates	3,893	4,472	29,535
Investments in capital of limited partnership	—	9,999	66,039
Investments in capital	—	317	2,093

*2 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.

(Note 1) The maturity profile of the anticipated future contractual cash flows in relation to the Companies' financial assets as of March 31, 2023 and 2024 is as follows:

	2023			
	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	¥ 33,730	¥ —	¥ —	¥ —
Notes and accounts receivable - trade, and contract assets	150,389	—	—	—
Electronically recorded monetary claims—operating	23,903	—	—	—
Investment in securities				
Held-to-maturity debt securities (Bonds)	—	—	—	180
Total	¥208,023	¥ —	¥ —	¥180

Tables show ¥ in millions and US\$ in thousands.

	2024			
	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	¥ 33,937	¥ —	¥ —	¥ —
Notes and accounts receivable - trade, and contract assets	145,981	—	—	—
Electronically recorded monetary claims—operating	26,852	—	—	—
Investment in securities				
Held-to-maturity debt securities (Bonds)	—	—	—	180
Total	¥206,771	¥ —	¥ —	¥180

	2024			
	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	\$ 224,139	\$ —	\$ —	\$ —
Notes and accounts receivable - trade, and contract assets	964,143	—	—	—
Electronically recorded monetary claims—operating	177,346	—	—	—
Investment in securities				
Held-to-maturity debt securities (Bonds)	—	—	—	1,188
Total	\$1,365,636	\$ —	\$ —	\$1,188

(Note 2) The aggregate annual maturities of bonds, long-term borrowings as of March 31, 2023 and 2024 are as follows:

	2023					
	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	¥25,747	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	—	—	—	30,000
Long-term borrowings	12,144	12,382	17,902	11,902	5,927	20,342
Lease liabilities	863	885	545	308	87	156
Total	¥38,756	¥13,267	¥18,448	¥12,210	¥6,015	¥50,499

	2024					
	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	¥129,161	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	—	—	5,000	35,000
Long-term borrowings	12,734	18,657	12,002	10,497	8,090	20,852
Lease liabilities	881	723	425	144	94	1
Total	¥142,778	¥19,380	¥12,428	¥10,642	¥13,184	¥55,854

	2024					
	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	\$853,054	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds	—	—	—	—	33,022	231,160
Long-term borrowings	84,102	123,221	79,268	69,328	53,431	137,718
Lease liabilities	5,818	4,775	2,806	951	620	6
Total	\$942,989	\$127,996	\$82,081	\$70,285	\$87,074	\$368,892

Tables show ¥ in millions and US\$ in thousands.

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

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

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: the fair value measured using observable inputs other than Level 1.

Level 3 fair value: fair values measured using unobservable inputs.

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

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

	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	¥57,249	¥ —	¥ —	¥57,249
Total assets	57,249	—	—	57,249
Derivative transactions				
Currency related	—	3,705	—	3,705
Commodity derivatives	—	—	—	—
Total derivatives	¥ —	¥3,705	¥ —	¥ 3,705

	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	¥75,291	¥ —	¥ —	¥75,291
Total assets	75,291	—	—	75,291
Derivative transactions				
Currency related	—	6,225	—	6,225
Commodity derivatives	—	—	—	—
Total derivatives	¥ —	¥6,225	¥ —	¥ 6,225

	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	\$497,265	\$ —	\$ —	\$497,265
Total assets	497,265	—	—	497,265
Derivative transactions				
Currency related	—	41,113	—	41,113
Commodity derivatives	—	—	—	—
Total derivatives	\$ —	\$41,113	\$ —	\$ 41,113

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

	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Subsidiaries and affiliates	¥7,387	¥ —	¥ —	¥ 7,387
Held-to-maturity debt securities	—	161	—	161
Total assets	7,387	161	—	7,548
(1) Bonds	—	29,711	—	29,711
(2) Long-term borrowings	—	79,886	—	79,886
Total liabilities	¥ —	¥109,598	¥ —	¥109,598

Tables show ¥ in millions and US\$ in thousands.

	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Subsidiaries and affiliates	¥144,194	¥ —	¥ —	¥144,194
Held-to-maturity debt securities	—	149	—	149
Total assets	144,194	149	—	144,344
(1) Bonds	—	39,444	—	39,444
(2) Long-term borrowings	—	81,970	—	81,970
Total liabilities	¥ —	¥121,415	¥ —	¥121,415

	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Subsidiaries and affiliates	\$952,341	\$ —	\$ —	\$952,341
Held-to-maturity debt securities	—	984	—	984
Total assets	952,341	984	—	953,325
(1) Bonds	—	260,511	—	260,511
(2) Long-term borrowings	—	541,377	—	541,377
Total liabilities	\$ —	\$801,895	\$ —	\$801,895

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

Investments in securities

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

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

Derivative transactions

Fair values are calculated using observable inputs, such as interest rates and exchange rates, and classified as Level 2.

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

Bonds

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

Long-term borrowings

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

Tables show ¥ in millions and US\$ in thousands.

9. Investments in Securities

Investments in other securities with fair value as of March 31, 2023 and 2024 consist of the following:

	2023		
	Book value	Acquisition cost	Unrealized gains (losses)
Securities with book value exceeding acquisition cost			
Securities	¥53,679	¥18,317	¥35,361
Securities with book value not exceeding acquisition cost			
Securities	3,569	3,848	(278)
Total	¥57,249	¥22,166	¥35,082

	2024					
	Book value	Acquisition cost	Unrealized gains (losses)	Book value	Acquisition cost	Unrealized gains (losses)
Securities with book value exceeding acquisition cost						
Securities	¥74,724	¥20,776	¥53,947	\$493,520	\$137,216	\$356,297
Securities with book value not exceeding acquisition cost						
Securities	567	654	(86)	3,744	4,319	(567)
Total	¥75,291	¥21,430	¥53,860	\$497,265	\$141,536	\$355,722

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

Total sale of other securities as of March 31, 2023 and 2024 consist of the following:

	2023	2024	2024
Amount sold	¥1,187	¥2,344	\$15,481
Total gain on sales	583	1,596	10,540
Total loss on sales	¥ 68	¥ 4	\$ 26

Impairment losses on investments in securities are ¥169 million and ¥95 million (\$627 thousand) for the years ended March 31, 2023 and 2024, respectively.

10. Inventories

Inventories as of March 31, 2023 and 2024 are as follows:

	2023	2024	2024
Merchandise and finished goods	¥55,751	¥58,510	\$386,434
Work-in-process	6,106	5,204	34,370
Raw materials and supplies	7,753	10,749	70,992
Total	¥69,611	¥74,464	\$491,803

Tables show ¥ in millions and US\$ in thousands.

11. Short-term Borrowings and Long-term Debt

The weighted average interest rate of short-term bank borrowings outstanding as of March 31, 2023 and 2024 is 1.3% and 0.79%, respectively.

Short-term borrowings as of March 31, 2023 and 2024 consist of the following:

	2023	2024	2024
Secured	¥ 140	¥ 140	\$ 924
Unsecured	25,607	129,021	852,129
Total	¥25,747	¥129,161	\$853,054

Long-term debts as of March 31, 2023 and 2024 consist of the following:

	2023	2024	2024
Loans, principally from banks and maturing serially through 2038 with interest ranging from 0.145% to 5.38%			
Secured	¥ 53	¥ 33	\$ 217
Unsecured	80,549	82,802	546,872
Unsecured bonds			
0.200% bonds, due December 2028	5,000	5,000	33,022
0.270% bonds, due December 2031	5,000	5,000	33,022
0.714% bonds, due September 2029	10,000	10,000	66,045
0.809% bonds, due September 2032	10,000	10,000	66,045
0.836% bonds, due January 2031	—	5,000	33,022
1.218% bonds, due January 2034	—	5,000	33,022
Subtotal	110,602	122,835	811,274
Current portion of long-term debt	(12,144)	(12,734)	(84,102)
Total	¥ 98,457	¥110,100	\$727,164

As of March 31, 2023 and 2024, the following assets are pledged as security.

Net book value	2023	2024	2024
Land	¥ 507	¥ 180	\$ 1,188
Buildings and structures	708	701	4,629
Investments in securities	665	797	5,263
Total	¥1,881	¥1,679	\$11,089

The aggregate annual maturities of long-term debt as of March 31, 2024 are as follows:

Year ending March 31,	2024	2024
2026	¥ 18,657	\$123,221
2027	12,002	79,268
2028	10,497	69,328
2029	13,090	86,453
2030 and thereafter	55,852	368,879
Total	¥110,100	\$727,164

Tables show ¥ in millions and US\$ in thousands.

12. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on earnings which, in the aggregate, resulted in a statutory rate of approximately 30.5% for both years ended March 31, 2023 and 2024. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

Deferred tax assets and liabilities consist of the following:

	2023	2024	2024
Deferred tax assets			
Tax loss carryforwards	¥ 1,405	¥ 807	\$ 5,329
Allowance for doubtful accounts	179	204	1,347
Accrued bonuses	1,959	2,069	13,664
Net defined benefit liability	1,637	756	4,993
Accrued enterprise taxes	462	727	4,801
Intercompany profits and write-downs (inventories, investments in securities and fixed assets)	1,466	1,487	9,821
Loss on valuation of securities	368	371	2,450
Loss on cancellation of real estate trust	328	328	2,166
Impairment loss	696	801	5,290
Other	3,572	5,218	34,462
Valuation allowance	(3,060)	(3,391)	(22,396)
Total deferred tax assets	¥ 9,015	¥ 9,380	\$ 61,950
Deferred tax liabilities			
Reserve for advanced depreciation of noncurrent assets	(176)	(242)	(1,598)
Unrealized gains on securities	(10,537)	(16,296)	(107,628)
Valuation of assets and liabilities of consolidated subsidiaries on acquisition	(4,618)	(4,319)	(28,525)
Deferred gains on hedges	(1,196)	(1,909)	(12,608)
Other	(3,765)	(4,782)	(31,583)
Total deferred tax liabilities	(20,294)	(27,550)	(181,956)
Net deferred tax assets	¥(11,278)	¥(18,169)	\$(119,998)

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

	2023	2024
Statutory tax rate	—	30.5%
Permanently nondeductible expenses	—	1.7
Permanently nontaxable gain	—	(0.4)
Change in valuation allowance	—	0.5
Taxation on per capita basis	—	0.3
Equity in earnings of nonconsolidated subsidiaries and affiliates	—	(4.6)
Retained earnings of foreign consolidated subsidiaries	—	0.8
Other	—	(0.7)
Effective tax rate	—	28.1%

Note: Information for the year ended March 31, 2023 is not provided because the difference between the statutory tax rate and the effective tax rate was less than 5%.

Tables show ¥ in millions and US\$ in thousands.

13. Employees' Retirement Benefits

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

In the current consolidated fiscal year, some domestic consolidated subsidiaries transferred a part of their defined benefit pension plan to a defined contribution corporate pension plan, and a gain on revision of retirement benefit plan of ¥128 million (\$845 thousand) was recorded as a result of this change.

1. Defined benefit plans

(1) Movement in retirement benefit obligations

	2023	2024	2024
Balance as of April 1,	¥23,086	¥27,717	\$183,059
Service cost	2,081	1,869	12,343
Interest cost	200	206	1,360
Actuarial loss (gain)	(190)	27	178
Prior service cost	—	105	693
Benefits paid	(1,794)	(1,466)	(9,682)
Increase due to new consolidation	4,335	—	—
Decrease due to transfer to a defined contribution corporate pension plan	—	(1,419)	(9,371)
Other	(1)	2	13
Balance as of March 31,	¥27,717	¥27,042	\$178,601

(2) Movements in plan assets

	2023	2024	2024
Balance as of April 1,	¥19,758	¥24,466	\$161,587
Expected return on plan assets	391	389	2,569
Actuarial loss (gain)	(658)	1,691	11,168
Contributions paid by the employer	1,292	1,279	8,447
Benefits paid	(1,136)	(854)	(5,640)
Increase due to new consolidation	4,858	—	—
Decrease due to transfer to a defined contribution corporate pension plan	—	(295)	(1,948)
Other	(39)	106	700
Balance as of March 31,	¥24,466	¥26,782	\$176,883

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

	2023	2024	2024
Funded retirement benefit obligations	¥ 20,091	¥ 20,200	\$ 133,412
Plan assets	(24,466)	(26,782)	(176,883)
	(4,375)	(6,582)	(43,471)
Unfunded retirement benefit obligations	7,626	6,841	45,181
Total net defined benefit liability as of March 31,	3,251	259	1,710
Net defined benefit liability	6,892	5,884	38,861
Net defined benefit asset	(3,641)	(5,624)	(37,144)
Total net defined benefit liability as of March 31,	¥ 3,251	¥ 259	\$ 1,710

(4) Retirement benefit costs

	2023	2024	2024
Service cost	¥2,081	¥1,869	\$12,343
Interest cost	200	206	1,360
Expected return on plan assets	(391)	(389)	(2,569)
Amortization of actuarial differences	(163)	(77)	(508)
Amortization of prior service cost	—	15	99
Other	39	(106)	(700)
Total retirement benefit costs for the year ended March 31,	¥1,767	¥1,518	\$10,025

Note: In addition to the above retirement benefit costs, a gain on revision of retirement benefit plan of ¥128 million [\$845 thousand] was recorded in other income in the current fiscal year.

Tables show ¥ in millions and US\$ in thousands.

(5) Remeasurements of defined benefit plans

	2023	2024	2024
Actuarial differences	¥(632)	¥1,598	\$10,554
Prior service cost	—	(89)	(587)
Total balance as of March 31,	¥(632)	¥1,509	\$ 9,966

(6) Accumulated remeasurements of defined benefit plans

	2023	2024	2024
Unrecognized actuarial differences	¥(45)	¥(1,644)	\$(10,857)
Unrecognized prior service cost	—	89	587
Total balance as of March 31,	¥(45)	¥(1,555)	\$(10,270)

(7) Plan assets

(i) Plan assets comprise

	2023	2024
Bonds	50.2%	48.8%
Equity securities	24.1%	26.8%
Cash and cash equivalents	5.8%	4.7%
General account	17.7%	16.5%
Other	2.2%	3.2%
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:

	2023	2024
Discount rate	1.0%	1.0%
Expected return on plan assets	0.0–2.2%	0.0–2.2%
Expected rate of salary increase	2.5–7.8%	4.1–7.8%

2. Defined contribution plans

The Company and some domestic consolidated subsidiaries expended ¥486 million and ¥549 million (\$3,625 thousand) on contributions for defined contribution plans for the years ended March 31, 2023 and 2024, respectively.

3. Multi-employer pension plans

The funded status of the multi-employer pension plans as of March 31, 2022 and 2023 (based on information available as of March 31, 2023 and 2024) to which contributions were recorded as net periodic retirement benefit costs is as follows:

	2023	2024	2024
Fair value of plan assets	¥19,756	¥19,737	\$130,354
Total of actuarial liabilities and minimum reserves in the calculation of pension financing	17,220	17,637	116,485
Difference	¥ 2,536	¥ 2,099	\$ 13,863

The contribution ratio of the Companies to the multi-employer pension plans from April 1, 2021 to March 31, 2022 and from April 1, 2022 to March 31, 2023 was 11.0% and 10.4%, respectively. Some domestic consolidated subsidiaries expended ¥72 million and ¥70 million (\$462 thousand) on contributions for the multi-employer pension plans for the years ended March 31, 2023 and 2024, respectively.

14. Contingent Liabilities

Contingent liabilities as of March 31, 2023 and 2024 are as follows:

	2023	2024	2024
Notes receivable discounted	¥256	¥252	\$1,664
Notes receivable endorsed	—	411	2,714
Total	¥256	¥664	\$4,385

	2023	2024	2024
Guarantees of loans made by:			
Nonconsolidated subsidiaries and affiliates	¥51	¥55	\$363
Other	0	2	13
Total	¥52	¥58	\$383

15. Leases

As lessee

Future minimum lease payments under noncancelable operating leases as of March 31, 2023 and 2024 are as follows:

	2023	2024	2024
Due within 1 year	¥ 2,213	¥ 2,129	\$14,061
Due over 1 year	11,276	9,794	64,685
Total	¥13,490	¥11,924	\$78,753

As lessor

Lease investment assets as of March 31, 2023 and 2024 are as follows:

	2023	2024	2024
Amount of lease payments receivable	¥1,292	¥1,323	\$8,737
Estimated residual value	—	—	—
Amount equivalent to interest receivable	(146)	(164)	(1,083)
Lease investment assets	¥1,145	¥1,159	\$7,654

The collection schedule for lease payments from lease investment assets after March 31, 2024 is as follows:

Year ending March 31,	2024	2024
2025	¥ 394	\$2,602
2026	304	2,007
2027	244	1,611
2028	166	1,096
2029	105	693
2030 and thereafter	108	713
Total	¥1,323	\$8,737

Tables show ¥ in millions and US\$ in thousands.

Future minimum lease receipts from noncancelable operating lease transactions as of March 31, 2023 and 2024 are as follows:

	2023	2024	2024
Due within 1 year	¥141	¥142	\$ 937
Due over 1 year	204	198	1,307
Total	¥345	¥341	\$2,252

16. Impairment Loss on Fixed Assets

“Impairment loss” represents the amount by which the book value of fixed assets was reduced to the recoverable amount. This was due to the fact that idle assets were determined to be of no future use, and business assets and assets for lease were no longer expected to generate the initially anticipated earnings.

(Method of grouping)

The Company groups assets based on operating segments on which the Company reviews the performance and profitability regularly. Idle assets not in operation and rental assets are assessed individually.

Impairment loss recognized for the years ended March 31, 2023 and 2024 is as follows:

2023				
Use	Location	Type	Impairment Loss	Method of estimating recoverable amounts
Idle assets	Yokosuka, Kanagawa and others.	Land	¥89	Net realizable value (Real estate appraisal, etc.)
Total amount			¥89	

2024				
Use	Location	Type	Impairment Loss	Method of estimating recoverable amounts
Idle assets	Hagi, Yamaguchi and others.	Land	¥ 44	Net realizable value (Assessed value, etc.)
Integrated Energy Business assets	Yokohama, Kanagawa and others.	Building and structures	620	Value in use*
		Machinery, vehicles, equipment and tools	15	
		Land	212	Net realizable value (Real estate appraisal, etc.)
		Sub-total	848	
Industrial Gases & Machinery Business assets	Singapore	Building and structures	39	Value in use*
Materials Business assets	Australia	Land	40	Net realizable value (Sale price)
Others Business assets	Chuo-ku, Osaka City	Intangible assets (Software)	39	Value in use*
Integrated Energy Assets for lease	Yaita, Tochigi	Land	14	Net realizable value (Sale price)
		Building and structures	0	
		Sub-total	15	
Total amount			¥1,028	

Tables show ¥ in millions and US\$ in thousands.

2024				
Use	Location	Type	Impairment Loss	Method of estimating recoverable amounts
Idle assets	Hagi, Yamaguchi and others.	Land	\$ 290	Net realizable value (Assessed value, etc.)
Integrated Energy Business assets	Yokohama, Kanagawa and others.	Building and structures	4,094	Value in use*
		Machinery, vehicles, equipment and tools	99	
		Land	1,400	Net realizable value (Real estate appraisal, etc.)
		Sub-total	5,600	
Industrial Gases & Machinery Business assets	Singapore	Building and structures	257	Value in use*
Materials Business assets	Australia	Land	264	Net realizable value (Sale price)
Others Business assets	Chuo-ku, Osaka City	Intangible assets (Software)	257	Value in use*
Integrated Energy Assets for lease	Yaita, Tochigi	Land	92	Net realizable value (Sale price)
		Building and structures	0	
		Sub-total	99	
Total amount			\$6,789	

*Since the estimated period of future cash flows is one year or less, the discount rate is not calculated.

17. Derivative Transactions

Derivative transactions to which hedge accounting is not applied

Currency related transactions

	2023			
	Contract amount	Contract amount over 1 year	Fair value	Valuation gain (loss)
Foreign exchange forward contracts				
To sell				
U.S. dollars	¥ 538	¥ —	¥ 11	¥ 11
Other currencies	405	—	(6)	(6)
To buy				
U.S. dollars	3,464	—	(164)	(164)
Other currencies	1,759	—	(56)	(56)
	¥6,167	¥ —	¥(216)	¥(216)

	2024							
	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	¥ 2,478	¥ —	¥ 97	¥97	\$ 16,366	\$ —	\$ 640	\$ 640
Chinese Yuan	5,716	—	(0)	(0)	37,751	—	(0)	(0)
Other currencies	463	—	(4)	(4)	3,057	—	(26)	(26)
To buy								
U.S. dollars	397	—	(9)	(9)	2,622	—	(59)	(59)
Chinese Yuan	6,754	—	(36)	(36)	44,607	—	(237)	(237)
Other currencies	1,203	—	(8)	(8)	7,945	—	(52)	(52)
	¥17,012	¥ —	¥ 37	¥37	\$112,357	\$ —	\$ 244	\$ 244

Tables show ¥ in millions and US\$ in thousands.

Derivative transactions to which hedge accounting is applied

(1) Currency related transactions

2023				
	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Principle method / Allocation method	Foreign exchange forward transactions			
Foreign exchange forward contracts				
To sell				
U.S. dollars		¥11,606	¥ 2,928	¥ 409
Other currencies		2,942	—	(57)
To buy				
U.S. dollars		33,558	7,272	3,568
Other currencies		610	—	1
Allocation method				
Foreign exchange forward contracts				
To sell				
U.S. dollars	Accounts receivable	5,170	—	(23)
Other currencies	Accounts receivable	305	—	(3)
To buy				
U.S. dollars	Accounts payable	2,911	—	32
Other currencies	Accounts payable	166	—	(0)
		¥57,271	¥10,201	¥3,927

2024								
	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Principle method / Allocation method	Foreign exchange forward transactions				Foreign exchange forward transactions			
Foreign exchange forward contracts								
To sell								
U.S. dollars		¥12,673	¥2,813	¥ 735		\$ 83,699	\$18,578	\$ 4,854
Other currencies		241	—	(9)		1,591	—	(59)
To buy								
U.S. dollars		28,717	6,667	5,443		189,663	44,032	35,948
Other currencies		281	—	18		1,855	—	118
Allocation method								
Foreign exchange forward contracts								
To sell								
U.S. dollars	Accounts receivable	5,298	—	(112)	Accounts receivable	34,991	—	(739)
Other currencies	Accounts receivable	784	—	(4)	Accounts receivable	5,177	—	(26)
To buy								
U.S. dollars	Accounts payable	3,257	—	121	Accounts payable	21,511	—	799
Other currencies	Accounts payable	132	—	(12)	Accounts payable	871	—	(79)
		¥51,388	¥9,480	¥6,179		\$339,396	\$62,611	\$40,809

Tables show ¥ in millions and US\$ in thousands.

(2) Commodity related transactions

Commodity related transactions had not been presented as of March 2023 and 2024.

(3) Interest related transactions

Interest rate swap contracts have not been presented as of March 2023 and 2024.

18. Earnings Per Share

The basis of calculating net income per share for the years ended March 31, 2023 and 2024 is as follows:

	2023	2024	2024
Net income	¥32,022	¥47,363	\$312,812
Net income attributable to common stockholders	32,022	47,363	312,812
Net income not attributable to common stockholders	¥ —	¥ —	\$ —

	(Thousands)	
Weighted average number of shares outstanding	57,522	57,528

*Diluted net income per share has not been presented for the year ended March 31, 2023 and 2024 because the Company had no potential ordinary share outstanding as of the balance sheet date.

19. Net Assets

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

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with the Law. Cash dividends charged to retained earnings during the 2 years ended March 31, 2024 represent dividends paid out during those periods. The accompanying consolidated financial statements do not include any provision for the year-end dividend of ¥130 (\$0.85) per share, aggregating to ¥7,485 million (\$49,435 thousand), which was approved at the Company's shareholders' meeting on June 19, 2024 in respect to the year ended March 31, 2024.

20. Expenses for Research and Development

Research and development expenses charged to selling, general and administrative expenses for the years ended March 31, 2023 and 2024 were ¥2,056 million and ¥2,248 million (\$14,847 thousand), respectively.

21. Equity in earnings of nonconsolidated subsidiaries and affiliates

The Company has purchased additional shares of Cosmo Energy Holdings Co., Ltd. (hereinafter referred to as "Cosmo Energy HD"). As a result Cosmo Energy HD has become an affiliate accounted for using the equity method and a gain on bargain purchase of ¥9,378 million (\$61,937 thousand) is recognized. The figure has been included in the current consolidated fiscal year. Details are presented in Note 4, "Additional Information."

Tables show ¥ in millions and US\$ in thousands.

22. Other Income (Expenses)

Other, net consisted of the following:

	2023	2024	2024
Gain (loss) on sales of investments in securities	¥ 528	¥1,612	\$10,646
Loss on valuation of investments in securities	(169)	(95)	(627)
Gain (loss) on sales and disposals of fixed assets	(426)	452	2,985
Gain on receipt of donated non-current assets	—	49	323
Loss on liquidation of subsidiaries and affiliates	(6)	(68)	(449)
Foreign exchange gains (losses)	493	658	4,345
Gain on bargain purchase	465	—	—
Subsidy income	2,670	2,077	13,717
Gain on revision of retirement benefit plan	—	128	845
Outsourcing service income	869	824	5,442
Loss on reduction of noncurrent assets	(713)	(153)	(1,010)
Other, net	2,128	1,906	12,588
Total	¥5,839	¥7,392	\$48,821

23. Business Combinations

Finalization of provisional accounting treatment for a business combination

The business combination with Aspen Air U.S., LLC, which was effected on December 23, 2022, was provisionally accounted for in FY2022 and was finalized in the fiscal year under review. The revised amount of goodwill due to the finalization of the provisional accounting treatment is as follows.

	2024	2024
Goodwill (before revision)	¥ 3,354	\$ 22,151
Revised amount of goodwill		
Property, plant and equipment (machinery, equipment, etc.)	(2,130)	(14,067)
Intangible assets (customer-related assets, etc.)	(242)	(1,598)
Inventories (merchandise, etc.)	(46)	(303)
Total revised amount	(2,419)	(15,976)
Goodwill (after revision)	¥ 934	\$ 6,168

IWATANI CORPORATION OF AMERICA, a consolidated subsidiary of the Company that acquired Aspen Air U.S., LLC, complies with U.S. GAAP and has adopted Accounting Standards Updates (hereinafter referred to as "ASU") 2015-16. ASU 2015-16 requires that an acquiring company recognize, in the reporting period in which the revised amount is determined, any provisional accounting revisions that are recognized during the measurement period. Accordingly, the revision of the amount allocated to acquisition costs is not reflected in the comparative information.

24. Revenue Recognition

1. Information that disaggregates revenue from contracts with customers

	2023					
	Reportable Segments				Others*1	Total
	Integrated Energy	Industrial Gases & Machinery	Materials	Subtotal		
Japan	¥378,875	¥175,859	¥199,759	¥754,494	¥28,735	¥783,229
East Asia	13,650	39,430	14,093	67,174	521	67,695
Southeast Asia	120	15,633	13,452	29,206	0	29,207
Others	573	9,478	15,124	25,176	—	25,176
Revenue from contracts with customers	393,218	240,403	242,430	876,052	29,257	905,309
Other revenue	—	—	—	—	951	951
Net sales to outside customers	¥393,218	¥240,403	¥242,430	¥876,052	¥30,209	¥906,261

Tables show ¥ in millions and US\$ in thousands.

	2024					
	Reportable Segments				Others*1	Total
	Integrated Energy	Industrial Gases & Machinery	Materials	Subtotal		
Japan	¥343,556	¥189,539	¥150,384	¥683,480	¥28,430	¥711,911
East Asia	12,752	42,564	17,148	72,465	964	73,430
Southeast Asia	316	17,630	13,593	31,540	4	31,545
Others	508	12,435	17,116	30,059	—	30,059
Revenue from contracts with customers	357,133	262,169	198,243	817,546	29,399	846,946
Other revenue	—	—	—	—	942	942
Net sales to outside customers	¥357,133	¥262,169	¥198,243	¥817,546	¥30,341	¥847,888

	2024					
	Reportable Segments				Others*1	Total
	Integrated Energy	Industrial Gases & Machinery	Materials	Subtotal		
Japan	\$2,269,044	\$1,251,826	\$993,223	\$4,514,100	\$187,768	\$4,701,875
East Asia	84,221	281,117	113,255	478,601	6,366	484,974
Southeast Asia	2,087	116,438	89,776	208,308	26	208,341
Others	3,355	82,127	113,044	198,527	—	198,527
Revenue from contracts with customers	2,358,714	1,731,517	1,309,312	5,399,550	194,168	5,593,725
Other revenue	—	—	—	—	6,221	6,221
Net sales to outside customers	\$2,358,714	\$1,731,517	\$1,309,312	\$5,399,550	\$200,389	\$5,599,947

*1 "Others" is an operating segment not included in reportable segments. "Others" represents businesses in foods, livestock industry, finance, insurance, transportation, safety, information processing, etc.

*2 Main countries and regions outside Japan are grouped as follows:

- (1) East Asia China, Taiwan, South Korea
- (2) Southeast Asia Singapore, Thailand, Malaysia, Indonesia, Vietnam
- (3) Others United States, Australia

*3 As stated in Note 25, "Segment Information, etc.", effective from the fiscal year under review, reportable segments have changed. The segment information for the previous fiscal year is presented based on the new segmentation.

2. Revenues from contracts with customers

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

3. Revenue in the current and subsequent consolidated fiscal years

(1) Balance of contract assets and contract liabilities, etc.

	2023	2024	2024
Receivables from contracts with customers (opening balance)	¥151,490	¥172,969	\$1,142,388
Receivables from contracts with customers (closing balance)	172,969	172,121	1,136,787
Contract assets (opening balance)	—	870	5,745
Contract assets (closing balance)	870	712	4,702
Contract liabilities (opening balance)	4,286	10,500	69,348
Contract liabilities (closing balance)	¥ 10,500	¥ 7,201	\$ 47,559

Contract assets relate to rights to unbilled consideration for recognized revenues in transactions in which performance obligations are satisfied over a specified period of time. When the right to the consideration to be received becomes unconditional, it is transferred to the receivables from contracts with customers.

Contract liabilities relate mainly to advances received from customers from the obligation to transfer goods or services to customers. The contractual liability balances recorded at the beginning of the period are generally recognized as revenue within 1 year.

(2) The transaction prices allocated to remaining performance obligations

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

Tables show ¥ in millions and US\$ in thousands.

25. Segment Information, etc. (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.

Effective from the fiscal year under review, the business segmentation changed in accordance with changes in the organization of the Company. As a result, the four business segments of the Integrated Energy Business, the Industrial Gases & Machinery Business, the Materials Business, and the Agri-bio & Foods Business were reorganized into three business segments of the Integrated Energy Business, the Industrial Gases & Machinery Business, and the Materials Business.

The segment information for the previous fiscal year is presented based on the new segmentation.

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

- (1) Integrated 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 gas cooking stoves and cassette gas canisters, mineral water, detergent, health foods, electricity, etc.
- (2) Industrial Gases & Machinery: Air-separation gases, hydrogen, helium, other specialty gases, gas supply facilities, welding materials, welding and cutting equipment, industrial robots, pumps and compressors, facilities for hydrogen-refueling stations, disaster prevention equipment, high pressure gas containers, semiconductor manufacturing equipment, electronic component manufacturing equipment, machine tools and sheet metal machinery, pharmaceutical and environmental equipment, etc.
- (3) Materials: PET resins, biomass fuels, battery-related materials, electronic display film, semiconductor materials, mineral sands, rare earths, ceramics materials, stainless steel, aluminum, etc.

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

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

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

	Reportable Segments				Others*1	Total	Adjustments*2	Consolidated statements of operations*3
	Integrated Energy	Industrial Gases & Machinery	Materials	Subtotal				
2023								
Net sales								
Outside customers	¥393,218	¥240,403	¥242,430	¥876,052	¥30,209	¥906,261	¥ —	¥906,261
Intersegment	4,266	5,476	2,176	11,920	25,346	37,266	(37,266)	—
Total	397,485	245,879	244,606	887,972	55,556	943,528	(37,266)	906,261
Segment income	¥ 14,301	¥ 16,561	¥ 12,604	¥ 43,468	¥ 1,995	¥ 45,463	¥ (5,428)	¥ 40,035
Segment assets	¥206,038	¥207,475	¥110,257	¥523,770	¥82,810	¥606,580	¥ 49,422	¥656,003
Other items:								
Depreciation and amortization	¥ 6,030	¥ 8,566	¥ 2,002	¥ 16,600	¥ 5,913	¥ 22,513	¥ 1,702	¥ 24,215
Impairment loss on fixed assets	0	—	—	0	—	0	88	89
Amortization of goodwill	2,412	884	—	3,297	45	3,342	—	3,342
Increase in fixed assets and intangible assets	12,994	39,259	3,292	55,546	10,766	66,312	3,955	70,268

Tables show ¥ in millions and US\$ in thousands.

	2024							
	Reportable Segments				Others* ¹	Total	Adjustments* ²	Consolidated statements of operations* ³
	Integrated Energy	Industrial Gases & Machinery	Materials	Subtotal				
Net sales								
Outside customers	¥357,133	¥262,169	¥198,243	¥817,546	¥30,341	¥847,888	¥ —	¥847,888
Intersegment	4,396	5,319	1,943	11,659	25,572	37,232	(37,232)	—
Total	361,529	267,489	200,187	829,206	55,914	885,120	(37,232)	847,888
Segment income	¥ 20,173	¥ 21,705	¥ 12,305	¥ 54,184	¥ 2,776	¥ 56,961	¥ (6,325)	¥ 50,635
Segment assets	¥212,718	¥224,861	¥110,290	¥547,870	¥84,948	¥632,819	¥201,571	¥834,391
Other items:								
Depreciation and amortization	¥ 6,070	¥ 9,774	¥ 2,256	¥ 18,101	¥ 6,296	¥ 24,398	¥ 1,634	¥ 26,032
Impairment loss on fixed assets	898	39	40	978	39	1,018	9	1,028
Amortization of goodwill	2,313	926	—	3,239	45	3,285	—	3,285
Increase in fixed assets and intangible assets	8,790	18,680	2,170	29,641	7,853	37,494	10,745	48,239

	2024							
	Reportable Segments				Others* ¹	Total	Adjustments* ²	Consolidated statements of operations* ³
	Integrated Energy	Industrial Gases & Machinery	Materials	Subtotal				
Net sales								
Outside customers	\$2,358,714	\$1,731,517	\$1,309,312	\$5,399,550	\$200,389	\$5,599,947	\$ —	\$5,599,947
Intersegment	29,033	35,129	12,832	77,002	168,892	245,901	(245,901)	—
Total	2,387,748	1,766,653	1,322,151	5,476,560	369,288	5,845,849	(245,901)	5,599,947
Segment income	\$ 133,234	\$ 143,352	\$ 81,269	\$ 357,862	\$ 18,334	\$ 376,203	\$ (41,773)	\$ 334,423
Segment assets	\$1,404,913	\$1,485,113	\$ 728,419	\$3,618,453	\$561,046	\$4,179,505	\$1,331,292	\$5,510,805
Other items:								
Depreciation and amortization	\$ 40,089	\$ 64,553	\$ 14,899	\$ 119,549	\$ 41,582	\$ 161,138	\$ 10,791	\$ 171,930
Impairment loss on fixed assets	5,930	257	264	6,459	257	6,723	59	6,789
Amortization of goodwill	15,276	6,115	—	21,392	297	21,696	—	21,696
Increase in fixed assets and intangible assets	58,054	123,373	14,331	195,766	51,865	247,632	70,966	318,598

*1 "Others" is an operating segment not included in reportable segments. "Others" represents businesses in foods, livestock industry, finance, insurance, transportation, safety, information processing, etc.

*2 Adjustments are as follows:

(1) Adjustments for segment income include company-wide 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 service

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

2023				
Japan	East Asia	Southeast Asia	Others	Total
¥784,181	¥67,695	¥29,207	¥25,176	¥906,261

2024				
Japan	East Asia	Southeast Asia	Others	Total
¥712,853	¥73,430	¥31,545	¥30,059	¥847,888

2024				
Japan	East Asia	Southeast Asia	Others	Total
\$4,708,097	\$484,974	\$208,341	\$198,527	\$5,599,947

*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

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)

	2023						Total
	Reportable Segments				Others*	Corporate assets and elimination	
	Integrated Energy	Industrial Gases & Machinery	Materials	Subtotal			
Goodwill							
Amortization	¥ 2,412	¥ 884	¥ —	¥ 3,297	¥ 45	¥ —	¥ 3,342
Balance at end of year	10,644	12,939	—	23,584	374	—	23,958

	2024						Total
	Reportable Segments				Others*	Corporate assets and elimination	
	Integrated Energy	Industrial Gases & Machinery	Materials	Subtotal			
Goodwill							
Amortization	¥2,313	¥ 926	¥ —	¥ 3,239	¥ 45	¥ —	¥ 3,285
Balance at end of year	9,492	9,748	—	19,240	329	—	19,569

	2024						Total
	Reportable Segments				Others*	Corporate assets and elimination	
	Integrated Energy	Industrial Gases & Machinery	Materials	Subtotal			
Goodwill							
Amortization	\$15,276	\$ 6,115	\$ —	\$ 21,392	\$ 297	\$ —	\$ 21,696
Balance at end of year	62,690	64,381	—	127,072	2,172	—	129,245

*"Others" is an operating segment not included in reportable segments. "Others" represents businesses in foods, livestock industry, finance, insurance, transportation, safety, information processing, etc.

(2) Tangible fixed assets

2023				
Japan	East Asia	Southeast Asia	Others	Total
¥174,791	¥8,547	¥7,790	¥16,312	¥207,442

2024				
Japan	East Asia	Southeast Asia	Others	Total
¥182,210	¥10,187	¥13,056	¥19,957	¥225,412

2024				
Japan	East Asia	Southeast Asia	Others	Total
\$1,203,421	\$67,280	\$86,229	\$131,807	\$1,488,752

Tables show ¥ in millions and US\$ in thousands.

(Information on gain on bargain purchase by reportable segment)

There is no significant gain on bargain purchase to report for the years ended March 31, 2023.

There is no gain on bargain purchase to report for the year ended March 31, 2024.

(Notes - Related parties)

1. Transactions with Related Parties

There is no significant transactions with related parties to report for the years ended March 31, 2023.

There is no significant transactions with related parties to report for the years ended March 31, 2024.

2. Notes on the Parent Company or any Significant Affiliated Company

(1) The Parent Company Information
None.

(2) Summary Financial Statements of any Significant Affiliated Company

In the year ended March 31, 2024, Cosmo Energy Holdings Co., Ltd. is a significant affiliated company, whose summary consolidated financial statements are presented below.

	2024	2024
Total current assets	¥1,122,740	\$ 7,415,230
Total non-current assets	1,089,123	7,193,203
Total deferred assets	77	508
Total current liabilities	1,007,628	6,654,963
Total non-current liabilities	477,542	3,153,966
Total net assets	726,771	4,800,019
Net sales	2,729,570	18,027,673
Profit before income taxes	154,952	1,023,393
Profit attributable to owners of parent	¥ 82,060	\$ 541,972

*Cosmo Energy Holdings Co., Ltd. became the significant affiliate company in the year ended March 31, 2024, therefore, summary consolidated financial statements for the year ended March 31, 2023, are not presented.

26. Significant Subsequent Events

(Capital and Business Alliance Agreement with Cosmo Energy Holdings Co., Ltd.)

At the Board of Directors meeting held on April 23, 2024, the Company resolved to conclude a capital and business alliance agreement with Cosmo Energy Holdings Co., Ltd. (hereinafter referred to as "Cosmo Energy HD.")

1. Purpose of capital and business alliance

The Company and Cosmo Energy HD have agreed to work together under a capital and business alliance after reaching the shared understanding that by pooling their respective management resources and expertise, deepening collaboration further can create new synergies and contribute to the enhancement of enterprise value of both companies. The alliance aims to ensure a smooth transition from fossil fuels such as LPG and oil to hydrogen and renewable energy against the backdrop of changing energy demands as the world strives

to achieve carbon neutrality by 2050.

In the hydrogen field, the Company and Cosmo Energy HD have already strengthened their collaborative relationship by signing a basic agreement regarding possible collaboration in the hydrogen business on March 8, 2022. This was followed by the establishment of Iwatani Cosmo Hydrogen Station LLC in February 2023, with the aim of collaborating in the hydrogen station business, as well as Cosmo Iwatani Hydrogen Engineering LLC in November 2023, for the purpose of collaborating in the hydrogen-related project engineering business. With the conclusion of this capital and business alliance agreement, the two companies will further strengthen and accelerate these efforts.

2. Details of business alliance

Under this business alliance, the Company and Cosmo Energy HD have agreed to explore opportunities to collaborate in the following fields. Going forward, the two companies established an alliance promotion committee to discuss and drive specific areas of collaboration.

In the hydrogen field in particular, in addition to the existing cooperative relationship, the Company and Cosmo Energy HD will consider building a hydrogen supply network that encompasses production through supply and retail sales by expanding the number of hydrogen stations by utilizing Cosmo Energy HD's service stations network and making full use of their respective hydrogen business expertise, infrastructure, and other management resources.

(1) Initiatives to realize a decarbonized society

- Development of infrastructure for a hydrogen energy society
- Production of green hydrogen in Japan
- Expansion of their decarbonization-related businesses
- Promotion of next-generation fuel development

(2) Strengthening of their relationship in existing business sectors

- Strengthening and optimization of their procurement functions in the energy sector
- Strengthening of their production functions in the industrial gases sector
- Strengthening of their production and sales functions in the chemicals and resources sectors
- Joint marketing leveraging their respective customer bases

<Establishment of an alliance promotion committee>

The Company and Cosmo Energy HD established an alliance promotion committee, chaired by the representative director of both companies, as an organization to promote their business alliance. In addition, the two companies will also consider collaboration in areas other than those mentioned above.

3. Details of capital alliance

Details are presented in "Business Overview 5 Important Business Contracts (Purchase of additional shares of Cosmo Energy Holdings Co., Ltd. and borrowing of funds), 1. Purchase of additional shares of Cosmo Energy HD."

Tables show ¥ in millions and US\$ in thousands.

4. Schedule

(1) Iwatani Board of Directors resolution date	April 23, 2024
(2) Cosmo Energy HD Board of Directors resolution date	April 23, 2024
(3) Capital and business alliance conclusion date	April 23, 2024
(4) Capital and business alliance commencement date	April 23, 2024

(Share Split and Partial Amendment to the Articles of Incorporation in conjunction with the Share Split)

At the Board of Directors meeting held on June 19, 2024, the Company resolved to conclude a share split and partially amend its Articles of Incorporation in conjunction with the share split.

1. Purpose of the Share Split

The purpose of the share split is to lower the share price per investment unit to develop a more investor-friendly environment, encouraging the expansion of our investor base and increase in liquidity of the Company's shares.

2. Outline of the Share Split

(1) Method of the share split

The Company will conduct a share split at a ratio of four shares for every one share of the Company's common stock held by shareholders listed or recorded in the final shareholder register on Monday, September 30, 2024, the record date.

(2) Number of shares to be increased by the share split

Total number of issued shares before the share split	58,561,649 shares
Number of shares to be increased by this share split	175,684,947 shares
Total number of issued shares after the share split	234,246,596 shares
Total number of authorized shares after the share split	480,000,000 shares

(3) Timetable

Date of public notice of the record date	September 13, 2024 (TBD)
Record date	September 30, 2024 (TBD)
Effective date	October 1, 2024 (TBD)

(4) Effect on per share information

Per share information based on the assumption that the share split was conducted at the beginning of the previous fiscal year is as follows.

	The previous fiscal year (As of March 31, 2023)	The fiscal year under review (As of March 31, 2024)
Net assets per share	¥1,312.38 (\$8.66)	¥1,574.56 (\$10.39)

	The previous fiscal year (Ended March 31, 2023)	The fiscal year under review (Ended March 31, 2024)
Basic earnings per share	¥139.17 (\$0.91)	¥205.83 (\$1.35)

3. Partial Amendment to the Articles of Incorporation

(1) Reasons for amendment to the Articles of Incorporation

In conjunction with this share split, the total number of authorized shares as stipulated in Article 6 of the Company's Articles of Incorporation will be changed as of October 1, 2024 pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act.

(2) Details of amendment to the Articles of Incorporation

(Amended parts are underlined.)

Current Articles of Incorporation	After Amendments Articles of Incorporation
(Total Number of Authorized Shares) Article 6	(Total Number of Authorized Shares) Article 6
The total number of authorized shares of the Company shall be 120,000,000 shares.	The total number of authorized shares of the Company shall be 480,000,000 shares.

Tables show ¥ in millions and US\$ in thousands.

(3) Timetable

Date of resolution by the Board of Directors	June 19, 2024
Effective date	October 1, 2024 (TBD)

4. Other

(1) Change in the amount of capital

There will be no change to the Company's capital as a result of the share split.

(2) Dividends

As the effective date for this share split is October 1, 2024, the year-end dividend of the fiscal year ended March 31, 2024, whose record date is March 31, 2024, will be paid based on the number of shares before the share split.

Independent Auditor's Report

Independent Auditor's Report

To the Board of Directors of Iwatani Corporation:

Report on the Audit of the Consolidated Financial Statements

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, 2024 and 2023, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years then ended, and notes, comprising a summary of major 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, 2024 and 2023, 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
<p>As described in the Notes to consolidated Financial Statements - Note 25. “Segment Information , etc., 3. Information related to sales, operating income (loss), assets and other items by reportable segment,” the Group's net sales to external customers by segment amounted to ¥357,133 million for Integrated Energy, ¥262,169 million for Industrial Gases & Machinery, ¥198,243 million for Materials, and ¥30,341 million for other businesses. The Company's net sales accounted for a significant portion of each of these sales amounts.</p> <p>Under the core principles of the Revenue Recognition Standards, entities shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the</p>	<p>The primary procedures we performed to assess whether revenue was recognized in the appropriate accounting period included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of recognizing revenue. In this assessment, we focused our testing on controls used to ensure that revenue is recognized for each transaction based on supporting documents evidencing that a performance obligation was satisfied.</p> <p>(2) Assessment of whether revenue was recognized in the appropriate accounting period</p>

<p>consideration to which the entities expect to be entitled in exchange for those goods or services.</p> <p>As described in Note 2. “Summary of Major Accounting Policies, (14) Accounting policy for recognition of significant revenues and expenses,” the Company recognizes revenue from the sale of products and goods at the time of delivery as the performance obligations are deemed to be satisfied upon delivery. However, for sales of products and goods in Japan, the Group recognizes revenue at the time of shipment when control is transferred to the customer within a normal period of time.</p> <p>In this regard, there is a potential risk that revenue from sales may be recognized at a time when performance obligations are not yet satisfied for the following reasons:</p> <ul style="list-style-type: none"> ● The Company sells a wide variety of goods to a number of different customers, including domestic consumers, domestic small and medium-sized businesses to large-scale corporations, and overseas enterprises. Accordingly, there are various types of sales contracts; and ● A certain degree of pressure exists to achieve the Medium-term Management Plan, or “PLAN27,” which started in the fiscal year ended March 31, 2024. <p>We, therefore, determined that our assessment of the appropriateness of the Company’s determination of which accounting period revenue was recognized was the most significant matter in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>In order to assess whether revenue was recognized in the appropriate accounting period, we performed the following procedures among others:</p> <ul style="list-style-type: none"> ● We selected sales transactions that had a higher risk of exception using various analyses, including a budget vs. actual results analysis and a unit price analysis, and traced selected transactions to the supporting documents evidencing that the performance obligation for the transaction was satisfied; and ● We analyzed sales transactions for any unusual items, such as those recorded before the year-end but subsequently reversed after the year-end.
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Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements, and our auditor’s report thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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, actions taken to eliminate threats or safeguards applied.

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.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in "(3) Audits" included in "4. Status of Corporate Governance, etc." of the disclosure documents that contain or accompany the audited consolidated financial statements.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5 to the consolidated financial statements.

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

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

Yoshinori Tatsuta
Designated Engagement Partner
Certified Public Accountant

Tatsuo Amekawa
Designated Engagement Partner
Certified Public Accountant

Hiroshi Kubota
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Osaka Office, Japan
July 12, 2024

Notes to the Reader of Independent Auditor's Report:

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

Iwatani Corporation

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