NIPPON SANSO

Consolidated Financial Statements

For the Fiscal Year Ended March 31, 2026

CONTENTS

This document has been extracted and translated from the Japanese original report (Yukashoken-Hokokusho) issued on June 15, 2026 for reference purposes only. If there is any discrepancy between this translated document and the Japanese version, the Japanese version shall prevail.

Consolidated Financial Statements

(1) Nippon Sanso Holdings and Consolidated Subsidiaries

1) Consolidated Statement of Financial Position

(Millions of yen)

	Notes	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Assets			
Current assets			
Cash and cash equivalents	6	144,528	165,348
Trade receivables	7	263,080	292,977
Inventories	8	99,509	109,018
Other financial assets	13	14,588	27,026
Other current assets	14	42,148	28,933
Subtotal		563,854	623,304
Assets held for sale	24	1,921	–
Total current assets		565,776	623,304
Non-current assets			
Property, plant and equipment	9	899,306	1,041,801
Goodwill	10	575,289	684,970
Intangible assets	10	240,967	276,351
Investments accounted for using the equity method	12	61,171	67,314
Other financial assets	13	58,482	55,474
Retirement benefit asset	19	5,201	6,683
Other non-current assets	14	8,427	8,362
Deferred tax assets	30	3,574	3,417
Total non-current assets		1,852,421	2,144,375
Total assets		2,418,197	2,767,679

(Millions of yen)

	Notes	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	15	133,822	144,729
Bonds and borrowings	16	92,630	151,111
Income taxes payable		14,070	23,108
Other financial liabilities	17	93,378	115,663
Provisions	20	296	2,807
Other current liabilities	21	61,088	66,166
Total current liabilities		395,285	503,586
Non-current liabilities			
Bonds and borrowings	16	757,936	730,949
Other financial liabilities	17	44,703	52,124
Retirement benefit liability	19	15,337	16,874
Provisions	20	5,304	7,378
Other non-current liabilities	21	19,293	20,131
Deferred tax liabilities	30	159,405	175,963
Total non-current liabilities		1,001,982	1,003,421
Total liabilities		1,397,267	1,507,007
Equity			
Share capital	22	37,344	37,344
Capital surplus	22	39,803	40,599
Treasury shares	22	(260)	(270)
Retained earnings	22	709,068	817,744
Other components of equity	22	194,495	321,940
Total equity attributable to owners of parent		980,451	1,217,357
Non-controlling interests		40,478	43,313
Total equity		1,020,930	1,260,671
Total liabilities and equity		2,418,197	2,767,679

2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(Millions of yen)

	Notes	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Revenue	4, 27	1,308,024	1,359,611
Cost of sales		(762,581)	(777,192)
Gross profit		545,442	582,419
Selling, general and administrative expenses		(359,318)	(385,343)
Other operating income	28	11,439	6,890
Other operating expenses	28	(36,671)	(10,637)
Share of profit of investments accounted for using the equity method	12	5,014	4,553
Operating profit		165,906	197,882
Finance income	29	3,886	2,816
Finance costs	29	(24,520)	(23,912)
Profit before income taxes		145,272	176,786
Income taxes	30	(43,326)	(48,904)
Profit		101,945	127,882
Profit attributable to:			
Owners of parent		98,779	123,891
Non-controlling interests		3,166	3,990
Earnings per share			
Basic earnings per share (Yen)	31	228.20	286.22

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Notes	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Profit		101,945	127,882
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	25	(3,484)	6,609
Remeasurements of defined benefit plans	25	778	1,317
Share of other comprehensive income of investments accounted for using the equity method	25	100	14
Total of items that will not be reclassified to profit or loss		(2,605)	7,940
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	25	(11,351)	128,094
Effective portion of net change in fair value of cash flow hedges	25	(362)	2,238
Share of other comprehensive income of investments accounted for using the equity method	25	2,199	644
Total of items that may be reclassified subsequently to profit or loss		(9,514)	130,976
Total other comprehensive income		(12,119)	138,917
Comprehensive income		89,826	266,799
Comprehensive income attributable to:			
Owners of parent		86,253	261,942
Non-controlling interests		3,572	4,856

3) Consolidated Statement of Changes in Equity

FYE2025 (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Notes	Share capital	Capital surplus	Treasury shares	Retained earnings
Balance at April 1, 2024		37,344	39,233	(242)	627,544
Profit		–	–	–	98,779
Other comprehensive income	25	–	–	–	–
Comprehensive income		–	–	–	98,779
Purchase of treasury shares	22	–	–	(18)	–
Disposal of treasury shares	22	–	0	0	–
Dividends	23	–	–	–	(20,779)
Changes in ownership interest in subsidiaries		–	569	–	–
Business combinations or business divestitures		–	–	–	–
Transfer from other components of equity to retained earnings		–	–	–	3,580
Transfer from other components of equity to non-financial assets		–	–	–	–
Change in scope of consolidation		–	–	–	(56)
Other changes		–	–	–	–
Total transactions with owners		–	570	(18)	(17,255)
Balance at March 31, 2025		37,344	39,803	(260)	709,068

	Notes	Other components of equity					Total equity attributable to owners of parent	Non-controlling interests	Total equity
		Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
Balance at April 1, 2024		188,017	291	22,292	–	210,601	914,481	31,630	946,112
Profit		–	–	–	–	–	98,779	3,166	101,945
Other comprehensive income	25	(9,557)	(361)	(3,359)	752	(12,525)	(12,525)	406	(12,119)
Comprehensive income		(9,557)	(361)	(3,359)	752	(12,525)	86,253	3,572	89,826
Purchase of treasury shares	22	–	–	–	–	–	(18)	–	(18)
Disposal of treasury shares	22	–	–	–	–	–	0	–	0
Dividends	23	–	–	–	–	–	(20,779)	(1,251)	(22,031)
Changes in ownership interest in subsidiaries		–	–	–	–	–	569	(979)	(410)
Business combinations or business divestitures		–	–	–	–	–	–	7,674	7,674
Transfer from other components of equity to retained earnings		–	–	(2,827)	(752)	(3,580)	–	–	–
Transfer from other components of equity to non-financial assets		–	–	–	–	–	–	–	–
Change in scope of consolidation		–	–	–	–	–	(56)	–	(56)
Other changes		–	–	–	–	–	–	(167)	(167)
Total transactions with owners		–	–	(2,827)	(752)	(3,580)	(20,284)	5,275	(15,008)
Balance at March 31, 2025		178,459	(69)	16,105	–	194,495	980,451	40,478	1,020,930

FYE2026 (From April 1, 2025 to March 31, 2026)

(Millions of yen)

	Notes	Share capital	Capital surplus	Treasury shares	Retained earnings
Balance at April 1, 2025		37,344	39,803	(260)	709,068
Profit		–	–	–	123,891
Other comprehensive income	25	–	–	–	–
Comprehensive income		–	–	–	123,891
Purchase of treasury shares	22	–	–	(9)	–
Disposal of treasury shares	22	–	0	0	–
Dividends	23	–	–	–	(24,242)
Changes in ownership interest in subsidiaries		–	795	–	–
Business combinations or business divestitures		–	–	–	–
Transfer from other components of equity to retained earnings		–	–	–	8,988
Transfer from other components of equity to non-financial assets		–	–	–	–
Change in scope of consolidation		–	–	–	38
Other changes		–	–	–	–
Total transactions with owners		–	795	(9)	(15,215)
Balance at March 31, 2026		37,344	40,599	(270)	817,744

	Notes	Other components of equity					Total equity attributable to owners of parent	Non-controlling interests	Total equity
		Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
Balance at April 1, 2025		178,459	(69)	16,105	–	194,495	980,451	40,478	1,020,930
Profit		–	–	–	–	–	123,891	3,990	127,882
Other comprehensive income	25	128,012	2,237	6,533	1,268	138,051	138,051	866	138,917
Comprehensive income		128,012	2,237	6,533	1,268	138,051	261,942	4,856	266,799
Purchase of treasury shares	22	–	–	–	–	–	(9)	–	(9)
Disposal of treasury shares	22	–	–	–	–	–	0	–	0
Dividends	23	–	–	–	–	–	(24,242)	(2,532)	(26,774)
Changes in ownership interest in subsidiaries		–	–	–	–	–	795	(1,173)	(377)
Business combinations or business divestitures		–	–	–	–	–	–	(121)	(121)
Transfer from other components of equity to retained earnings		–	–	(7,720)	(1,268)	(8,988)	–	–	–
Transfer from other components of equity to non-financial assets		–	(1,618)	–	–	(1,618)	(1,618)	–	(1,618)
Change in scope of consolidation		–	–	–	–	–	38	40	78
Other changes		–	–	–	–	–	–	1,765	1,765
Total transactions with owners		–	(1,618)	(7,720)	(1,268)	(10,606)	(25,036)	(2,021)	(27,058)
Balance at March 31, 2026		306,472	549	14,918	–	321,940	1,217,357	43,313	1,260,671

4) Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Cash flows from operating activities			
Profit before income taxes		145,272	176,786
Depreciation and amortization		116,196	126,904
Impairment losses		27,145	407
Interest and dividend income		(3,748)	(2,816)
Interest expenses		24,389	22,859
Share of (profit) loss of investments accounted for using the equity method		(5,014)	(4,553)
Loss (gain) on sales and retirement of property, plant and equipment and intangible assets		(4,622)	(523)
(Increase) decrease in trade receivables		17,742	(8,676)
(Increase) decrease in inventories		926	461
Increase (decrease) in trade payables		(3,118)	252
(Increase) decrease in retirement benefit asset		(635)	(666)
Increase (decrease) in retirement benefit liability		1,045	1,243
Other		(13,252)	21,361
Subtotal		302,327	333,040
Interest received		2,749	1,817
Dividends received		2,194	1,594
Interest paid		(25,099)	(23,237)
Income taxes refund (paid)		(47,024)	(40,620)
Net cash provided by operating activities		235,147	272,594
Cash flows from investing activities			
Purchase of property, plant and equipment		(146,825)	(109,154)
Proceeds from sales of property, plant and equipment		7,257	4,290
Purchase of investments		(520)	(300)
Proceeds from sales and redemption of investments		5,792	13,198
Payments for acquisition of subsidiaries		(343)	(98,479)
Proceeds from sales of subsidiaries		610	168
Payments for acquisition of businesses		(5,645)	(1,038)
Other		(3,251)	(11,461)
Net cash used in investing activities		(142,926)	(202,776)

(Millions of yen)

	Notes	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		2,756	(13,842)
Net increase (decrease) in commercial papers		(17,000)	–
Proceeds from long-term borrowings		155,875	46,921
Repayments of long-term borrowings		(178,582)	(75,288)
Proceeds from issuance of bonds		19,898	29,695
Redemption of bonds		(20,000)	–
Repayments of lease liabilities		(13,748)	(16,176)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation		(557)	(3,631)
Dividends paid	23	(20,779)	(24,242)
Dividends paid to non-controlling interests		(1,251)	(2,532)
Other		101	(133)
Net cash used in financing activities		(73,287)	(59,230)
Effect of exchange rate changes on cash and cash equivalents		(624)	10,050
Net increase (decrease) in cash and cash equivalents		18,308	20,637
Balance of cash and cash equivalents at beginning of the fiscal year		126,100	144,528
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation		16	99
Increase in cash and cash equivalents resulting from merger		101	83
Balance of cash and cash equivalents at end of the fiscal year	6	144,528	165,348

Notes to Consolidated Financial Statements

1. Reporting Entity

Nippon Sanso Holdings Corporation (the “Company”) is a company located in Japan and is listed on the Prime Market of the Tokyo Stock Exchange. The registered address of the Company’s head office is disclosed on its website (https://jp.nipponsanso.com). The consolidated financial statements of the Company and its subsidiaries (collectively, the “NSHD Group”) comprise interests in the NSHD Group, its associates, and joint arrangements, with March 31 as the end of the fiscal year. The NSHD Group conducts gas businesses in Japan and overseas, mainly for customers in the steel, chemical, and electronics industries. In addition, the NSHD Group manufactures and sells housewares such as stainless steel vacuum-insulated bottles. Details are described in Note “4. Segment Information.”

2. Basis of Preparation

(1) Conformity with IFRS Accounting Standards

The consolidated financial statements of the NSHD Group have been prepared in compliance with IFRS Accounting Standards issued by the International Accounting Standards Board. Since the Company meets the requirements of a “Specified Company Applying Designated IFRS” prescribed under Article 1-2 of the Japanese Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, the Company has adopted the provisions of Article 312 of said ordinance.

(2) Approval of financial statements

The NSHD Group’s consolidated financial statements were approved by Toshihiko Hamada, President CEO of the Company, and Koichiro Kubo, Chief Financial Officer, on June 15, 2026.

(3) Presentation currency

The NSHD Group’s consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company, and amounts are rounded down to the nearest million yen.

(4) Use of judgments, estimates, and assumptions

In preparing the NSHD Group’s consolidated financial statements in accordance with IFRS Accounting Standards, management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The impacts of changes in accounting estimates are recognized in the accounting period in which the estimates are changed and in future accounting periods affected.

Major information on accounting judgments, estimates, and assumptions that may have material impacts on the NSHD Group’s consolidated financial statements is as follows:

- Impairment of non-financial assets (Note “11. Impairment Losses”)
- Recoverability of deferred tax assets (Note “30. Income Taxes”)
- Measurement of defined benefit obligations (Note “19. Post-employment Benefits”)
- Fair value of financial instruments (Note “33. Financial Instruments”)
- Fair value valuation of customer-related intangible assets from business combination of Coregas Group as of the acquisition date (Note “5. Business Combinations”)

(5) New accounting standards applied

The NSHD Group has applied the accounting standards and interpretations that were made mandatory in FYE2026. There are no material impacts on the NSHD Group's consolidated financial statements from the said application.

(6) New accounting standards and interpretations that are not yet applied

Regarding major accounting standards and interpretations issued prior to the approval date of the consolidated financial statements as of and for FYE2026, the following are the accounting standards and interpretations which the NSHD Group has not applied as of the end of the fiscal year because their application is not mandatory. The NSHD Group is currently assessing the impact of application of IFRS 18.

Accounting standards and interpretations		Timing of mandatory application (the fiscal year starting after the date)	Fiscal year in which the NSHD Group plans to implement	Overview of establishment and amendment to standard
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	FYE2028	A new standard that replaces IAS 1, which is the current accounting standard related to presentation and disclosure in financial statements. It is aimed at improving entities' reporting of financial results and offering investors a better base for corporate analysis and comparisons.

3. Material Accounting Policies

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries refer to companies controlled by the NSHD Group. The NSHD Group judges that it controls a company if the NSHD Group has the exposure or rights to variable returns arising from its involvement in the investee and has the ability to influence such returns due to power over the investee.

In preparing the consolidated financial statements, the financial statements of each Group company prepared at the same closing date based on the unified accounting policies of the NSHD Group are used. If accounting policies applied by a subsidiary are different from the accounting policies applied by the NSHD Group, adjustments are made to the financial statements of such subsidiary as necessary.

If there is a change in interests in consolidated subsidiaries not involving a loss of control, it is accounted for as an equity transaction. The difference between the adjustment amount of the non-controlling interests and the fair value of the consideration is recognized directly in equity as equity attributable to owners of parent.

In the event of a loss of control, the NSHD Group measures and recognizes the remaining investment at fair value on the date when the control has been lost. Gains and losses arising from the loss of control are recognized in profit or loss.

2) Associates

Associates refer to companies over which the NSHD Group has a material influence on their financial and operating policies but does not have control or joint control.

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

Financial statements of associates are prepared for the same reporting period as the NSHD Group. Adjustments are made to make accounting policies of the associates consistent with the NSHD Group's accounting policies.

In the event of loss of material influence over associates, the NSHD Group measures and recognizes the remaining investment at fair value on the date when material influence is lost. Gains and losses arising from the loss of material influence are recognized in profit or loss.

3) Joint arrangements

Joint arrangements refer to arrangements that require the unanimous consent of the parties sharing control over decision-making on relevant activities.

A joint venture (jointly controlled entity) refers to a joint agreement where parties with joint control over the arrangement have the right to the net assets of such arrangement.

If the NSHD Group has a share in a joint venture, the NSHD Group accounts for such share using the equity method.

A joint operation (jointly controlled business) refers to a business in which parties with joint control substantially have the right to assets and the obligation to liabilities related to joint arrangements.

If the NSHD Group has a share in a joint operation, the NSHD Group recognizes the investment in such joint operation only at the equivalent amount of the NSHD Group's interests in the assets, liabilities, income, and expenses arising from jointly controlled operating activities.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

The consideration transferred in a business combination is calculated as the sum of acquisition-date fair value of assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree, and equity interests issued by the acquirer.

Non-controlling interests in the acquiree are measured for each business combination either at fair value or at the amount equivalent to the non-controlling interests in proportion to the fair value of identifiable net assets of the acquiree.

When the NSHD Group acquires a business, it classifies and designates assets to be acquired and liabilities to be assumed based on contract terms, economic conditions, and related conditions at the acquisition date. In addition, identifiable assets acquired and liabilities assumed are in principle measured at fair value on the acquisition date.

If a business combination is achieved in stages, the interest held before acquiring the control of the acquiree is revalued at fair value at the acquisition date, and the difference is recognized in profit or loss. The amount of the interest in the acquiree that was recorded in other comprehensive income before the acquisition date is accounted for in the same manner as in the case where the acquirer disposed of its interests.

Goodwill is measured as the amount of the aggregate amount of the consideration transferred and the amount recognized as non-controlling interests exceeding the net of identifiable assets acquired and liabilities assumed.

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

After the initial recognition, goodwill acquired through a business combination is not amortized.

(3) Foreign currency translation

Each company within the NSHD Group designates its own functional currency, and transactions of each company are measured in its functional currency.

Transactions denominated in a foreign currency are translated into functional currencies at the spot exchange rate at the transaction date or at a rate similar thereto.

Monetary assets and liabilities denominated in a foreign currency are translated into functional currencies at the spot exchange rate at the end of the reporting period. Translation differences arising from such translation and settlement are recognized in profit or loss. However, when gains or losses on such assets and liabilities are recognized as other comprehensive income, the NSHD Group recognizes the translation difference of the said gains or losses as other comprehensive income.

The assets and liabilities of foreign operations are translated into Japanese yen at the spot exchange rate at the end of the reporting period, and the income and expenses of foreign operations are translated into Japanese yen at the spot exchange rate at the transaction date or at a rate similar thereto (the average rate during the term, in principle). The translation differences are recognized in other comprehensive income.

If a foreign operation is disposed of, the cumulative translation differences related to such foreign operation are recognized in profit or loss for the period in which the disposal occurs.

(4) Financial instruments

1) Financial assets (excluding derivatives)

(i) Initial recognition and measurement

The NSHD Group initially recognizes trade receivables at a point in time when a performance obligation is satisfied and an unconditional right to consideration is acquired in accordance with IFRS 15 "Revenue from Contracts with Customers." All other financial assets are initially recognized at the transaction date when the NSHD Group becomes a contractual party to such financial assets.

The NSHD Group classifies its financial assets into (a) financial assets measured at amortized cost and (b) financial assets measured at fair value through other comprehensive income. The classification is determined at the time of initial recognition of the financial assets.

(a) Financial assets measured at amortized cost

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

- They are held to collect contractual cash flows.
- Contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on a specified date.

Financial assets measured at amortized cost are measured at fair value plus transaction costs directly attributable to the acquisition of such financial assets.

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

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

- They are held to collect contractual cash flows and to sell financial assets.
- Contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on a specified date.

Equity financial assets are designated as financial assets measured at fair value through other comprehensive income, and such designation is applied on an ongoing basis.

Financial assets measured at fair value through other comprehensive income are measured at fair value plus transaction costs directly attributable to the acquisition of such financial assets.

(ii) Subsequent measurement

After initial recognition of financial assets, they are measured according to their classification as follows:

(a) Financial assets measured at amortized cost

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

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

Financial assets other than financial assets measured at amortized cost are measured at fair value.

For financial assets measured at fair value through other comprehensive income, changes in fair value are recognized in other comprehensive income. If they are derecognized or their fair value significantly declines, they are transferred to retained earnings.

(iii) Derecognition

The NSHD Group derecognizes financial assets if contractual rights to cash flows arising from the financial assets cease to exist, or if the financial assets are transferred and substantially all the risks and rewards have been transferred.

(iv) Impairment losses

The NSHD Group recognizes impairment of financial assets based on whether there is a significant increase in credit risk from the time of initial recognition in financial assets or financial asset groups measured at amortized cost at the end of each reporting period.

For financial assets or financial asset groups measured at amortized cost, expected credit losses for 12 months are recognized as allowance for doubtful accounts if credit risk has not significantly increased from the time of initial recognition. However, for trade receivables, expected credit losses over the remaining period are recognized.

If there is a significant increase in credit risk from the time of initial recognition, expected credit losses over the remaining period are recognized as allowance for doubtful accounts.

Whether or not the credit risk has significantly increased is judged based on a change in the default risk. In judging whether there is any change in the default risk, overdue status (past-due information) is mostly considered.

In addition, expected credit losses are measured based on the discounted present value of the difference between the amount receivable on a contract basis and the amount expected to be received based on past credit losses, etc.

2) Financial liabilities (excluding derivatives)

(i) Recognition and measurement

Financial liabilities (excluding derivatives) are mainly classified as financial liabilities measured at amortized cost. When the NSHD Group becomes a contractual party, financial liabilities measured at amortized cost are initially recognized as the amount obtained by deducting transaction costs directly attributable to such financial liabilities from fair value.

After the initial recognition, they are measured at amortized cost using the effective interest method. Amortization by the effective interest method and gains or losses from derecognition are recognized in profit or loss.

(ii) Derecognition

The NSHD Group derecognizes financial liabilities in cases of the performance, exemption, or expiration of the obligation of financial liabilities, and when the exchange occurs under substantially different terms, or when there has been a substantial modification of the terms.

3) Derivatives and hedge accounting

The NSHD Group uses derivatives such as forward exchange contracts and interest rate swap contracts to hedge currency risks and interest rate risks, respectively. These derivatives are initially measured at fair value at the time when the contracts were entered and remeasured at fair value thereafter.

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

At inception of the hedge, the NSHD Group formally designates and documents the hedging relationships to which hedge accounting is applied and the risk management objective and strategy for undertaking the hedge. The NSHD Group evaluates whether or not derivatives used for hedging transactions are effective for offsetting changes in fair value or cash flows of the hedged items at inception of the hedge and on an ongoing basis. Specifically, the NSHD Group determines that a hedge is effective in the case where the economic relationship between the hedged item and the hedging instruments results in an offset.

Hedges that meet criteria for hedge accounting are classified and accounted for under IFRS 9 “Financial Instruments” as follows.

(i) Fair value hedges

Fair value changes in derivatives are recognized in profit or loss. For fair value changes in the hedged items attributable to the risks to be hedged, the carrying amount of the hedged items is adjusted and recognized in profit or loss.

(ii) Cash flow hedges

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

The amount related to the hedging instruments recorded in other comprehensive income is transferred to profit or loss when hedged transactions affect profit or loss. If the hedged item results in the recognition of non-financial assets or non-financial liabilities, the amount recognized in other comprehensive income is treated as an adjustment of the initial carrying amount of the non-financial assets or non-financial liabilities.

(iii)Hedges of net investments in foreign operations

As to hedges of net investments in foreign operations, the NSHD Group applies the same accounting treatment as to cash flow hedges. The effective portion of gain or loss on the hedging instruments is recognized in other comprehensive income, and the ineffective portion is immediately recognized in profit or loss. When a foreign operation is disposed, cumulative gain or loss previously recognized in equity through other comprehensive income is reclassified to profit or loss.

4) Fair value of financial instruments

The fair value of financial instruments traded in active financial markets as of the end of the reporting period refers to quoted prices in markets or dealer prices.

The fair value of financial instruments for which active markets do not exist is calculated by referring to appropriate valuation techniques or prices provided by counterparty financial institutions.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments with a maturity of three months or less from the acquisition date that are readily convertible into cash and subject to an insignificant risk of changes in value.

(6) Inventories

Inventories are measured at the lower of cost and net realizable value. The weighted average method is principally used to calculate the cost. In addition, the net realizable value is calculated at the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(7) Property, plant and equipment (excluding right-of-use assets)

The NSHD Group adopts the cost model for measurement of property, plant and equipment.

Property, plant and equipment are presented at cost less accumulated depreciation and accumulated impairment losses.

All property, plant and equipment other than land and construction in progress are depreciated so that the depreciable amount, which is cost less the residual value at the end of the fiscal year, is allocated on a systematic basis using the straight-line method.

Estimated useful lives of major property, plant and equipment are as follows:

Buildings and structures:	3 to 50 years
Machinery and vehicles:	3 to 20 years
Tools, furniture and fixtures:	2 to 25 years

(8) Intangible assets

The NSHD Group adopts the cost model for measurement of intangible assets.

Intangible assets are presented at cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired through business combinations is measured at fair value as of the acquisition date. For internally generated intangible assets, except for development costs that qualify for capitalization, all expenditures are recognized as expenses for the periods when they are incurred.

Intangible assets with finite useful lives are amortized over their estimated useful lives using the straight-line method.

Estimated useful lives of major intangible assets are as follows:

Customer-related intangible assets: 5 to 30 years

Intangible assets with indefinite useful lives, and intangible assets not available for use are not amortized.

(9) Leases

A contract is, or contains, a lease when the right to control the use of an identified asset is transferred for a period of time in the exchange for consideration, and the NSHD Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease.

The lease liability is measured at the discounted present value of the total lease payments payable at the commencement date of the lease. The right-of-use asset is initially measured at the amount of the lease liability, adjusted for any initial direct costs and other costs such as prepaid lease payments as well as costs such as restoration obligations as required by the lease contract.

The lease payments are allocated between repayments of the lease liability and finance charges so as to achieve a constant rate of interest on the outstanding balance of the lease liability, and the finance charges are recognized in profit or loss.

A right-of-use asset is depreciated over its useful life on a systematic basis if ownership of the underlying asset is transferred to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects the exercise of a purchase option, otherwise it is depreciated over the shorter of its useful life or the term of the lease.

In addition, for leases with a lease term of 12 months or less and leases for which the underlying asset is of low value, lease payments associated with such leases are recognized as an expense on a regular basis over the lease term.

(10) Impairment of assets

1) Impairment of non-financial assets

The NSHD Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, and if assets need to be annually tested for impairment, the NSHD Group estimates the recoverable amount of the asset. The recoverable amount of the asset is the higher of an asset’s fair value less costs of disposal and its value in use. If the recoverable amount of each asset cannot be estimated, the recoverable amount of a cash-generating unit or a group of cash-generating units to which the asset belongs is estimated. If the carrying amount of a cash-generating unit or a group of cash-generating units exceeds the recoverable amount, impairment loss of the asset is recognized and write-downs of the asset are recorded up to the recoverable amount. In measuring the value in use, the discounted present value of expected future cash flows is calculated using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In calculating fair value less costs of disposal, the NSHD Group uses an appropriate valuation model that is supported by indices of fair value available.

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

Goodwill or intangible assets with indefinite useful lives, and intangible assets not available for use, are tested for impairment annually or whenever there is an indication of impairment.

2) Reversal of an impairment loss

Impairment recognized in the past is reversed up to the recoverable amount when there is an indicator of reversal of impairment and there is a change to the estimate used for determination of the recoverable amount and the reversed amount of impairment loss is recognized as profit or loss.

However, impairment loss on goodwill is not reversed.

The upper limit of the reversed amount of impairment loss is the carrying amount as of the reversal of impairment loss if impairment loss was not recognized in prior periods.

(11) Assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as “assets held for sale” if their carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. The above requirements only apply if the sale is highly probable within one year and such assets (or disposal groups) are available for immediate sale in their present condition. Non-current assets (or disposal groups) classified as assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets classified as assets held for sale are not depreciated or amortized.

Discontinued operations include a component of an entity that has already been disposed of or classified as assets held for sale, and they are recognized if they constitute one operation of the NSHD Group and if there is a plan to dispose of one of the operations.

(12) Post-employment benefits

The NSHD Group provides defined benefit plans and defined contribution plans as retirement benefit plans for employees.

- Defined benefit plans

The NSHD Group separately calculates the present value of the defined benefit obligations, related current service costs, and past service costs for each plan using the projected unit credit method.

The discount rate is calculated based on market yields at the end of the reporting period on high-quality corporate bonds.

Liabilities or assets related to the defined benefit plans are presented in net amount of the present value of defined benefit obligations and the fair value of plan assets.

Remeasurements of liabilities or assets relating to the defined benefit plans are all recognized in other comprehensive income for the period when they are incurred, and immediately reflected in retained earnings. In addition, past service costs are recognized as expenses for the period when they are incurred.

- Defined contribution plans

Expenses under defined contribution plans are recognized in the period for which employees offered related service.

(13) Provisions

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

The NSHD Group measures the provisions at the amount of expenditures expected to be required to settle the obligation, and discounts them to the present value if the effect of the time value of money is material.

(14) Equity

1) Ordinary shares

The issue price of ordinary shares is recorded in share capital and capital surplus.

2) Treasury shares

When the NSHD Group purchases treasury shares, the consideration paid is recognized as a deduction from equity. When the NSHD Group disposes of treasury shares, the difference between the carrying amount and the consideration at the time of disposal is recognized in capital surplus.

(15) Revenue

The NSHD Group recognizes revenue in an amount that reflects the compensation to which the entities expect to be entitled in exchange for goods and services transferred to customers based on the following five-step model.

Step 1: Identify the contract with the customer
Step 2: Identify performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the performance obligations are satisfied

The NSHD Group conducts gas businesses in Japan and overseas, mainly for customers in the steel, chemical, and electronics industries, and has built production and sales structures for its main products in Japan, the United States, Europe, and Asia and Oceania. In addition, the NSHD Group manufactures and sells housewares such as stainless steel vacuum-insulated bottles.

Regarding product sales in these businesses, because a customer acquires control over a product at the time the product is delivered, the NSHD Group judges that its performance obligations have been satisfied and recognizes revenue at the time the product is delivered.

Revenue is measured at the price promised in the contract with the customer, after deducting such amounts as discounts, rebates, and returns.

The amount of the price in the sales contract of a product is generally collected within one year from the time when control over the product is transferred to a customer, and does not include a material financing component.

(16) Government grants

A government grant is recognized at fair value when there is reasonable assurance that the NSHD Group will comply with any conditions attached to the grant and the grant will be received.

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

Government grants related to assets are recorded by deducting the amount of such grants from the cost of the assets.

(17) Income taxes

Current taxes for the current and prior periods are calculated at the amount expected to be paid to (or recovered from) taxation authorities. The rates and laws used to calculate the tax amount are those that have been enacted or substantively enacted at the end of the reporting period.

Deferred taxes are recorded as the difference between the tax bases and the carrying amounts of assets and liabilities at the end of the reporting period (temporary difference) using the asset and liability method.

Deferred tax liabilities are in principle recognized for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences, unused tax losses, and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

However, there are exceptions in which deferred tax assets and liabilities are not recorded for the following temporary differences:

- Arising from initial recognition of goodwill
- Arising from initial recognition of an asset or liability in a transaction other than a business combination which does not affect neither the accounting income nor the taxable profit (or loss) at the time of the transaction and does not generate taxable temporary differences or deductible temporary differences of the same amount
- For deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, when it is probable that the reversal will not occur in the foreseeable future, or it is less probable that

taxable profit will be available against which the deductible temporary differences can be utilized, and

- For taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, when the NSHD Group is able to control the timing of the reversal of the temporary differences and it is probable that the reversal will not occur in the foreseeable future.

The carrying amount of deferred tax assets and liabilities (including unrecognized deferred tax assets) is reviewed at the end of each reporting period. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the assets are realized or liabilities are settled, based on tax rates and laws that have been enacted or substantively enacted at the end of the reporting period.

4. Segment Information

(1) Overview of reportable segments

The reportable segments of the NSHD Group are those for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance. The operating segments are not consolidated for reporting.

The NSHD Group conducts gas businesses in Japan and overseas, mainly for customers in the steel, chemical, and electronics industries, and has built production and sales structures for its main products in Japan, the United States, Europe, and Asia and Oceania. In addition, the NSHD Group manufactures and sells housewares such as stainless steel vacuum-insulated bottles. Therefore, the NSHD Group has established the following five reportable segments: Japan, United States, Europe, Asia & Oceania, and Thermos.

The principal products and services included in the five segments are shown in the table below.

<table>
<tr><th>Reportable segments</th><th>Major products and services</th></tr>
<tr><td>Japan</td><td rowspan="4">Oxygen, nitrogen, argon, carbon dioxide, helium, hydrogen, acetylene, dry ice, gas-related equipment, specialty gases (electronic materials gases, pure gases, etc.), electronics-related equipment and installation, compound semiconductor manufacturing equipment, cutting and welding equipment, welding materials, plants and machinery, liquefied petroleum gas (LPG) and related equipment, medical-use gases (oxygen, nitrous oxide, etc.), medical equipment, stable isotopes</td></tr>
<tr><td>United States</td></tr>
<tr><td>Europe</td></tr>
<tr><td>Asia & Oceania</td></tr>
<tr><td>Thermos</td><td>Housewares</td></tr>
</table>

The accounting methods adopted for the reportable operating segments are the same as the accounting policies adopted for the preparation of the consolidated financial statements.

Revenue from intersegment transactions and transfers is based primarily on prevailing market prices.

(2) Revenue and profit (loss) amounts by reportable segment

FYE2025 (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reportable segments						Reconciling items (Note 1)	Amounts on the consolidated statement of profit or loss
	Japan	United States	Europe	Asia & Oceania	Thermos	Total		
Revenue								
Revenues from external customers	410,009	360,200	328,601	176,538	32,593	1,307,944	80	1,308,024
Intersegment revenues and transfers	16,887	25,396	354	3,231	15	45,884	(45,884)	–
Total	426,897	385,597	328,955	179,770	32,608	1,353,828	(45,804)	1,308,024
Segment profit (Note 2)	47,090	59,761	62,419	15,047	6,286	190,605	(1,455)	189,149
Other items								
Depreciation and amortization	18,341	43,974	40,468	11,692	1,694	116,171	25	116,196
Impairment losses	–	–	–	5	–	5	–	5
Share of profit (loss) of investments accounted for using the equity method	863	–	746	305	3,099	5,014	(0)	5,014

Notes: 1. The reconciling item for segment profit, in the amount of ¥(1,455) million, is comprised of ¥85 million of intersegment eliminations and companywide expenses of ¥(1,540) million that were not allocated to any particular reportable segment. These companywide expenses related principally to the Company's group administrative expenses that were not allocated to a particular reportable segment.

2. Segment profit represents core operating profit, which is calculated as operating profit excluding certain gains or losses attributable to non-recurring factors (losses incurred by business withdrawals, streamlining, and others).

FYE2026 (From April 1, 2025 to March 31, 2026)

(Millions of yen)

	Reportable segments						Reconciling items (Note 1)	Amounts on the consolidated statement of profit or loss
	Japan	United States	Europe	Asia & Oceania	Thermos	Total		
Revenue								
Revenues from external customers	406,296	360,557	350,978	208,452	33,263	1,359,547	63	1,359,611
Intersegment revenues and transfers	20,255	21,452	480	2,820	15	45,025	(45,025)	–
Total	426,552	382,010	351,458	211,272	33,279	1,404,573	(44,961)	1,359,611
Segment profit (Note 2)	54,182	52,914	70,426	19,746	6,511	203,782	(697)	203,084
Other items								
Depreciation and amortization	19,706	46,211	44,556	14,743	1,676	126,894	9	126,904
Impairment losses	–	–	–	–	–	–	–	–
Share of profit (loss) of investments accounted for using the equity method	945	–	598	347	2,662	4,554	(0)	4,553

Notes: 1. The reconciling item for segment profit, in the amount of ¥(697) million, is comprised of ¥904 million of intersegment eliminations and companywide expenses of ¥(1,601) million that were not allocated to any particular reportable segment. These companywide expenses related principally to the Company's group administrative expenses that were not allocated to a particular reportable segment.

2. Segment profit represents core operating profit, which is calculated as operating profit excluding certain gains or losses attributable to non-recurring factors (losses incurred by business withdrawals, streamlining, and others).

Reconciliation of segment profit with profit before income taxes is as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Segment profit	189,149	203,084
Gain on sale of fixed assets	5,340	667
Loss on liquidation of subsidiaries and associates	(1,396)	(1,301)
Impairment losses	(27,140)	(407)
Rebranding costs	–	(791)
Special retirement expense	–	(1,843)
Provision for loss on discontinued business	–	(1,481)
Other	(46)	(42)
Operating profit	165,906	197,882
Finance income	3,886	2,816
Finance costs	(24,520)	(23,912)
Profit before income taxes	145,272	176,786

(3) Information about geographical areas

A breakdown of revenues from external customers and non-current assets by geographical area are as follows:

Revenues from external customers

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Japan	419,258	416,474
United States	356,675	359,260
Europe	336,277	355,627
Asia, Oceania and others	195,813	228,248
Total	1,308,024	1,359,611

Note: Revenue is classified by country or region based on the customers' location.

Non-current assets

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Japan	162,200	167,684
United States	527,030	557,280
Europe	854,294	984,611
Asia, Oceania and others	180,465	301,909
Total	1,723,991	2,011,485

Note: Non-current assets are classified by their location, and they do not include financial instruments, deferred tax assets, or retirement benefit asset.

(4) Information about major customers

Information about major customers is not disclosed since there is no single external customer that accounts for 10% or more of revenue.

5. Business Combinations

FYE2025 (From April 1, 2024 to March 31, 2025)

There were no material business combinations.

FYE2026 (From April 1, 2025 to March 31, 2026)

Acquisition of industrial gases business (turning into subsidiary) by Australian subsidiary

(1) Overview of the business combination

1) Name of the acquiree and its business

Name of the acquiree: Coregas Pty Ltd, and three others

Business description: Industrial gases business conducted by Wesfarmers Limited in Australia and New Zealand

2) Acquisition date

July 1, 2025

3) Primary reason for the business combination

Supagas Pty Ltd (hereinafter, "Supagas"), the Group's operating company in Australia, operates a wide-ranged industrial gases supply business mainly centered on LPG in Australia. The acquisition targets, Coregas Pty Ltd, Blacksmith Jacks Pty Ltd, and Coregas NZ Limited (hereinafter collectively, the "Coregas Group"), have an extensive sales network across Australia and New Zealand and are engaged in the manufacture and sale of industrial gases (industrial, medical, and specialty gases) and related services, as well as welding-related businesses.

Through the acquisition of the Coregas Group, whose customer base and product portfolio differ from Supagas, the Group will strive to create further customer value between its LPG business and industrial gases business and enhance its presence in Australia and New Zealand.

4) Percentage of voting equity interests acquired

100.0%

5) Method for obtaining control of the acquiree

The Group obtained control through the acquisition of acquiree shares by the Group's consolidated subsidiaries, including NSC (Australia) Pty Ltd, in exchange for cash consideration.

(2) Fair value of the consideration for acquisition

(Millions of yen)

	Acquisition date (July 1, 2025)
Cash	71,521
Total consideration	71,521

(3) Assets acquired, liabilities assumed, and goodwill

	(Millions of yen)
	Acquisition date (July 1, 2025)
Current assets	
Cash and cash equivalents	89
Trade receivables (Note 2)	3,741
Other	3,516
Non-current assets	
Property, plant and equipment (Note 3)	37,314
Intangible assets (Note 4)	13,524
Other	788
Assets acquired	58,975
Current liabilities	
Other financial liabilities	6,318
Other	1,795
Non-current liabilities	
Deferred tax liabilities	5,596
Other	1,229
Liabilities assumed	14,940
Assets acquired and liabilities assumed (net)	44,035
Goodwill (Notes 5 and 6)	27,485

Notes: 1. Adjustment of provisional amount
While the Group applied a provisional accounting treatment during the first half of FYE2026, it completed the initial accounting treatment for the business combination as of the end of the fiscal year. The impact of this adjustment is immaterial.

2. Fair value of acquired receivables, contractual amounts receivable, and expected credit losses
The fair value of the acquired receivables and the contractual amounts receivable are approximately the same. There are no contractual amounts receivable expected to be uncollectible.

3. Breakdown of property, plant and equipment
Property, plant and equipment consists mainly of tools, furniture and fixtures of ¥19,810 million.

4. Breakdown of intangible assets
Intangible assets consist mainly of customer-related intangible assets of ¥12,929 million.
The acquisition-date fair value of the customer-related intangible assets was measured using a valuation model based on the income approach (excess earnings method), with the assistance of external valuation specialists.
The valuation model includes key assumptions such as the acquiree's future EBITDA margin, attrition rate of existing customers, and the discount rate.

5. Goodwill
Goodwill mainly represents synergies with existing businesses and excess earning power expected to arise from the acquisition, which do not meet the criteria for separate recognition. Goodwill is not deductible for tax purposes.

6. Basis adjustment
Forward exchange contracts were executed to hedge foreign exchange risk related to the investment in the acquiree. The forecast transactions are designated as cash flow hedges and hedge accounting has been applied. The fair value of the hedging instruments at the acquisition date, ¥1,618 million, was accounted for as a basis adjustment and used to adjust the initial recognized amount of goodwill arising from the business combination; as a result, the initial recognized amount of goodwill decreased by the same amount.

(4) Acquisition-related costs

Acquisition-related costs amounted to ¥1,222 million and were all recorded in “selling, general and administrative expenses.” Of this amount, ¥410 million was recorded in the previous fiscal year and ¥812 million was recorded in the current fiscal year.

(5) Impact on the Group’s financial results

The consolidated statement of profit or loss includes revenue and profit for the period generated by the acquiree after the acquisition date of ¥20,998 million and ¥1,600 million, respectively.

If the business combination had occurred at the beginning of the current fiscal year (April 1, 2025), the Group’s revenue and profit for the period (pro forma information) would have been ¥1,365,828 million and ¥128,491 million, respectively. The pro forma information has not been audited.

Acquisition of home therapy service company (turning into subsidiary) by European subsidiary

(1) Overview of the business combination

1) Name of the acquiree and its business

Name of the acquiree: Esteve Teijin Healthcare, S.L.

Business description: Homecare and respiratory services in Spain

2) Acquisition date

March 3, 2026

3) Primary reason for the business combination

Oximesa S.L.U. (hereinafter, “Oximesa”), the Group’s operating company in Europe, provides homecare and respiratory services in Spain.

The acquisition target, Esteve Teijin Healthcare, S.L. (hereinafter, “ETH,” which was renamed Nippon Sanso Homecare España, S.L.U. upon the business combination), provides excellent homecare and innovative home medical services in Spain. Through the acquisition of ETH, which has a business platform and services highly compatible with Oximesa, the Group will strive to further strengthen its business base in Spain, enhance its presence in the homecare and respiratory market, and expand its service network.

4) Percentage of voting equity interests acquired

100.0%

5) Method for obtaining control of the acquiree

The Group obtained control through the acquisition of shares of the acquiree by the Group’s consolidated subsidiary, Oximesa, in exchange for cash consideration.

(2) Fair value of the consideration for acquisition

(Millions of yen)

	Acquisition date (March 3, 2026)
Cash	22,432
Total consideration	22,432

(3) Assets acquired, liabilities assumed, and goodwill

(Millions of yen)

	Acquisition date (March 3, 2026)
Current assets	
Cash and cash equivalents	414
Trade receivables (Note 1)	1,145
Other	1,055
Non-current assets	
Property, plant and equipment (Note 2)	6,649
Intangible assets (Note 2)	7,425
Other	48
Assets acquired	16,739
Current liabilities	2,974
Non-current liabilities	2,162
Liabilities assumed	5,136
Assets acquired and liabilities assumed (net)	11,602
Goodwill (Note 3)	10,830

As the initial accounting for the business combination has not been completed, the amounts above represent provisional fair values based on the best estimates currently available. If additional information relating to facts and circumstances that existed as of the acquisition date becomes available and is evaluated, the above amounts may be revised during the measurement period, which is up to one year from the acquisition date.

Notes: 1. Fair value of acquired receivables, contractual amounts receivable, and expected credit losses
The fair value of the acquired receivables and the contractual amounts receivable are approximately the same. There are no contractual amounts receivable expected to be uncollectible.

2. Breakdown of property, plant and equipment and intangible assets
Property, plant and equipment consists mainly of machinery and vehicles of ¥6,457 million. Intangible assets consist mainly of customer-related intangible assets of ¥7,252 million.

3. Goodwill
Goodwill mainly represents synergies with existing businesses and excess earning power expected to arise from the acquisition, which do not meet the criteria for separate recognition. Goodwill is not deductible for tax purposes.

(4) Acquisition-related costs
Acquisition-related costs amounted to ¥199 million and were all recorded in “selling, general and administrative expenses.”

(5) Impact on the Group’s financial results
Information on results after the acquisition date and pro forma information, assuming the business combination had occurred at the beginning of the fiscal year (April 1, 2025), are not disclosed because the impact on the consolidated financial statements is immaterial. The pro forma information has not been audited.

6. Cash and Cash Equivalents

A breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Cash and deposits	144,528	165,348

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Total	144,528	165,348

7. Trade Receivables

A breakdown of trade receivables is as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Notes and accounts receivable–trade	273,144	303,552
Allowance for doubtful accounts	(10,064)	(10,575)
Total	263,080	292,977

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

8. Inventories

A breakdown of inventories is as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Merchandise and finished goods	61,825	67,196
Work in process	15,953	16,847
Raw materials and supplies	21,731	24,975
Total	99,509	109,018

Amounts of inventories measured based on net realizable value at March 31, 2026 and 2025 were ¥3,182 million and ¥3,239 million, respectively.

Amounts of write-downs of inventories recognized as expenses for FYE2026 and FYE2025 were ¥307 million and ¥160 million, respectively.

9. Property, Plant and Equipment

(1) Table of changes

Changes in costs, accumulated depreciation and accumulated impairment losses, and the carrying amounts of property, plant and equipment are as follows:

FYE2025 (From April 1, 2024 to March 31, 2025)

Costs

(Millions of yen)

	Machinery and vehicles	Buildings and structures	Land	Construction in progress	Tools, furniture and fixtures	Total
Balance at April 1, 2024	1,215,729	242,968	68,455	116,519	246,563	1,890,236
Individual acquisition (Note)	97,502	25,395	5,710	15,174	17,625	161,408
Impairment losses	–	–	–	(25,842)	–	(25,842)
Business combinations, business divestitures, etc.	2,535	1,781	1,797	439	550	7,103
Sale and disposal	(36,851)	(12,820)	(842)	(193)	(4,720)	(55,428)
Transfer	(3,326)	(2,520)	(1,390)	(2,143)	1,695	(7,685)
Exchange differences on translation of foreign operations, etc.	(8,922)	(944)	(67)	(1,994)	(3,965)	(15,893)
Balance at March 31, 2025	1,266,667	253,860	73,662	101,958	257,749	1,953,898

Note: Individual acquisition in the construction in progress column represents the net amount of an increase due to new acquisitions after reclassifying to respective accounts of property, plant and equipment.

Accumulated depreciation and accumulated impairment losses

	Machinery and vehicles	Buildings and structures	Land	Construction in progress	Tools, furniture and fixtures	Total
Balance at April 1, 2024	(738,568)	(132,751)	(6,002)	–	(135,513)	(1,012,836)
Depreciation	(71,906)	(11,624)	(509)	–	(13,764)	(97,804)
Impairment losses	–	–	–	–	(5)	(5)
Business divestitures, etc.	–	–	–	–	–	–
Sale and disposal	31,995	9,022	44	–	4,574	45,636
Transfer	2,050	1,439	580	–	(726)	3,342
Exchange differences on translation of foreign operations, etc.	4,793	292	42	–	1,947	7,075
Balance at March 31, 2025	(771,635)	(133,621)	(5,845)	–	(143,489)	(1,054,591)

Carrying amount

	Machinery and vehicles	Buildings and structures	Land	Construction in progress	Tools, furniture and fixtures	Total
Balance at April 1, 2024	477,160	110,217	62,452	116,519	111,050	877,400
Balance at March 31, 2025	495,031	120,238	67,817	101,958	114,260	899,306

FYE2026 (From April 1, 2025 to March 31, 2026)

Costs

(Millions of yen)

	Machinery and vehicles	Buildings and structures	Land	Construction in progress	Tools, furniture and fixtures	Total
Balance at April 1, 2025	1,266,667	253,860	73,662	101,958	257,749	1,953,898
Individual acquisition (Note)	99,690	13,414	1,897	(2,570)	17,574	130,006
Impairment losses	–	–	–	–	–	–
Business combinations, business divestitures, etc.	13,594	3,573	2,779	4,514	20,135	44,596
Sale and disposal	(19,047)	(6,805)	(630)	(6)	(4,479)	(30,969)
Transfer	2,834	(600)	(442)	(2,079)	(941)	(1,229)
Exchange differences on translation of foreign operations, etc.	90,277	14,471	4,344	8,094	24,904	142,092
Balance at March 31, 2026	1,454,017	277,914	81,610	109,911	314,943	2,238,395

Note: Individual acquisition in the construction in progress column represents the net amount of an increase due to new acquisitions after reclassifying to respective accounts of property, plant and equipment.

Accumulated depreciation and accumulated impairment losses

	Machinery and vehicles	Buildings and structures	Land	Construction in progress	Tools, furniture and fixtures	Total
Balance at April 1, 2025	(771,635)	(133,621)	(5,845)	–	(143,489)	(1,054,591)
Depreciation	(78,903)	(12,505)	(392)	–	(14,962)	(106,763)
Impairment losses	–	–	–	–	–	–
Business divestitures, etc.	–	–	–	–	–	–
Sale and disposal	17,700	5,873	87	–	4,347	28,009
Transfer	(1,484)	38	60	–	2,349	963
Exchange differences on translation of foreign operations, etc.	(47,673)	(5,961)	(312)	–	(10,264)	(64,212)
Balance at March 31, 2026	(881,996)	(146,176)	(6,402)	–	(162,018)	(1,196,594)

Carrying amount

	Machinery and vehicles	Buildings and structures	Land	Construction in progress	Tools, furniture and fixtures	Total
Balance at April 1, 2025	495,031	120,238	67,817	101,958	114,260	899,306
Balance at March 31, 2026	572,020	131,737	75,207	109,911	152,924	1,041,801

The right-of-use assets (capital expenditure amount) increased by ¥19,925 million and ¥21,420 million for FYE2026 and FYE2025, respectively.

Depreciation of property, plant and equipment is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

(2) Right-of-use assets

Carrying amounts of right-of-use assets included in property, plant and equipment are as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Machinery and vehicles	26,389	37,267
Buildings and structures	19,647	19,990
Land	1,093	944
Tools, furniture and fixtures	2,266	2,808
Total	49,397	61,010

10. Goodwill and Intangible Assets

(1) Table of changes

Changes in costs, accumulated amortization and accumulated impairment losses, and the carrying amounts of goodwill and intangible assets are as follows:

FYE2025 (From April 1, 2024 to March 31, 2025)

Costs

(Millions of yen)

	Goodwill	Intangible assets		
		Customer-related intangible assets	Other	Total
Balance at April 1, 2024	578,308	351,051	29,054	380,106
Individual acquisition	–	207	339	547
Business combinations, business divestitures, etc.	7,103	2,558	3,762	6,321
Sale and disposal	(1,491)	–	(412)	(412)
Exchange differences on translation of foreign operations, etc.	(4,862)	(2,672)	1,300	(1,372)
Balance at March 31, 2025	579,059	351,145	34,044	385,190

Accumulated amortization and accumulated impairment losses

	Goodwill	Intangible assets		
		Customer-related intangible assets	Other	Total
Balance at April 1, 2024	(2,499)	(110,552)	(17,204)	(127,757)
Amortization	–	(15,644)	(2,747)	(18,391)
Impairment losses	(1,297)	–	–	–
Business divestitures, etc.	–	–	–	–
Sale and disposal	–	–	397	397
Exchange differences on translation of foreign operations, etc.	27	1,214	314	1,528
Balance at March 31, 2025	(3,769)	(124,982)	(19,240)	(144,222)

Carrying amount

	Goodwill	Intangible assets		
		Customer-related intangible assets	Other	Total
Balance at April 1, 2024	575,809	240,499	11,849	252,348
Balance at March 31, 2025	575,289	226,163	14,804	240,967

FYE2026 (From April 1, 2025 to March 31, 2026)

Costs

(Millions of yen)

	Goodwill	Intangible assets		
		Customer-related intangible assets	Other	Total
Balance at April 1, 2025	579,059	351,145	34,044	385,190
Individual acquisition	–	11	1,200	1,211
Business combinations, business divestitures, etc.	38,991	20,812	1,031	21,843
Sale and disposal	–	–	(286)	(286)
Exchange differences on translation of foreign operations, etc.	71,274	42,838	6,237	49,075
Balance at March 31, 2026	689,325	414,807	42,227	457,034

Accumulated amortization and accumulated impairment losses

	Goodwill	Intangible assets		
		Customer-related intangible assets	Other	Total
Balance at April 1, 2025	(3,769)	(124,982)	(19,240)	(144,222)
Amortization	–	(16,802)	(3,338)	(20,140)
Impairment losses	(407)	–	–	–
Business divestitures, etc.	–	–	–	–
Sale and disposal	–	–	153	153
Exchange differences on translation of foreign operations, etc.	(177)	(14,121)	(2,351)	(16,472)
Balance at March 31, 2026	(4,354)	(155,906)	(24,775)	(180,682)

Carrying amount

	Goodwill	Intangible assets		
		Customer-related intangible assets	Other	Total
Balance at April 1, 2025	575,289	226,163	14,804	240,967
Balance at March 31, 2026	684,970	258,900	17,451	276,351

There were no material internally generated intangible assets for FYE2026 or FYE2025.

Amortization of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Research and development costs recognized as expenses for FYE2026 and FYE2025 were ¥5,741 million and ¥4,946 million, respectively.

The carrying amount of assets with indefinite useful lives in the intangible assets above was ¥3,591 million and ¥2,963 million at March 31, 2026 and 2025, respectively. Principally, the assets were trademarks acquired at the time of a business combination, and the NSHD Group determined that their useful lives cannot be estimated because the assets will exist for as long as the business continues.

(2) Material intangible assets

Material intangible assets recorded in the consolidated statement of financial position are customer-related intangible assets held by Nippon Gases Euro-Holding S.L.U., Matheson Tri-Gas, Inc., and NSC (Australia) Pty Ltd, which are consolidated subsidiaries. Their carrying amounts and the remaining period of amortization are as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)	Remaining period of amortization
Nippon Gases Euro-Holding S.L.U.	189,333	208,900	Mainly 22 years
Matheson Tri-Gas, Inc.	31,420	30,328	Mainly 10 years
NSC (Australia) Pty Ltd	2,509	17,049	Mainly 26 years

Note: The following companies changed their trade names effective on April 1, 2026, as follows.
- Nippon Gases Euro-Holding S.L.U. changed its trade name to Nippon Sanso Euro-Holding S.L.U.
- Matheson Tri-Gas, Inc. changed its trade name to Nippon Sanso Matheson, Inc.

11. Impairment Losses

The NSHD Group groups assets into the smallest cash-generating units that generate cash flows largely independently. For idle assets, recognition of impairment loss is determined by individual assets.

Impairment losses for FYE2026 and FYE2025 were ¥407 million and ¥27,145 million, respectively. Impairment losses were included in "Other operating expenses" in the consolidated statement of profit or loss.

Major assets for which impairment losses were recognized are as follows:

FYE2025 (From April 1, 2024 to March 31, 2025)

Use	Place	Type	Reportable segments	Impairment losses (Millions of yen)
Hydrogen production facility	Alabama, United States	Construction in progress	United States	25,842
Goodwill pertaining to Nippon Sanso (Thailand) Co., Ltd.	–	Goodwill	Asia & Oceania	1,297

Breakdown of impairment losses

- Hydrogen production facility

¥25,842 million

The NSHD Group suspended the construction plan of the hydrogen production facility that had been underway in the United States and thus reduced the carrying amount to the recoverable amount. The recoverable amount is measured at fair value less costs of disposal. As it is difficult to sell the concerned asset, the fair value less costs of disposal is deemed zero and the fair value is categorized as Level 3 of the fair value hierarchy.

- Goodwill pertaining to Nippon Sanso (Thailand) Co., Ltd.

¥1,297 million

The profitability of the industrial gas manufacturing and distribution business of Nippon Sanso (Thailand) Co., Ltd. is expected to decline due to changes in the business environment in Thailand. The Group thus reduced the carrying amount of the group of cash-generating units including goodwill of the said subsidiary to ¥9,702 million, a recoverable amount, and recognized impairment loss on goodwill of ¥1,297 million. The recoverable amount is measured at value in use. The value in use was calculated by discounting estimated cash flows projected based on the business plan, which is prepared by reflecting past experience and external information and approved by the management. The long-term growth rate used for measurement of the value in use is 2.7% and the discount rate is 9.8%.

FYE2026 (From April 1, 2025 to March 31, 2026)

There were no individually material impairment losses.

Carrying amounts of goodwill and intangible assets with indefinite useful lives allocated to cash-generating units (group of cash-generating units) are as follows:

(Millions of yen)

Cash-generating units (group of cash-generating units)	FYE2025 (March 31, 2025)		FYE2026 (March 31, 2026)	
	Goodwill	Intangible assets with indefinite useful lives	Goodwill	Intangible assets with indefinite useful lives
Nippon Gases Euro-Holding S.L.U.	398,015	1,685	461,477	1,907
Matheson Tri-Gas, Inc.	134,893	–	144,233	–
NSC (Australia) Pty Ltd	27,195	1,277	31,513	1,491
Coregas Group	–	–	31,898	192
Other	15,185	–	15,846	–
Total	575,289	2,963	684,970	3,591

Note: The following companies changed their trade names effective on April 1, 2026, as follows.
- Nippon Gases Euro-Holding S.L.U. changed its trade name to Nippon Sanso Euro-Holding S.L.U.
- Matheson Tri-Gas, Inc. changed its trade name to Nippon Sanso Matheson, Inc.

As to goodwill and intangible assets with indefinite useful lives, the NSHD Group performs impairment tests every year and each time when there is an indicator of impairment. The recoverable amount of a cash-generating unit (group of cash-generating units) is measured at value in use.

An asset's value in use is calculated by discounting estimated future cash flows projected based on the business plan, which is prepared by reflecting past experience and external information and approved by the management. The discount rate used is a rate reflecting current market assessments of the time value of money and the risks specific to the asset. The estimated period of future cash flows is five years in principle. Cash flows exceeding the estimated period are determined by referring to the long-term average growth rate of a market or a country to which the cash-generating unit (group of cash-generating units) belongs.

The business plan prepared and approved by the management, the long-term growth rates, and the discount rates are the major assumptions used for impairment tests of goodwill. The business plan may be affected mainly by the growth rate of revenue, and these major assumptions may be affected by the results of changes in future uncertain conditions of the economy. Thus, when the assumed circumstances were changed, the result of calculation of the recoverable amount may differ.

Long-term growth rates and discount rates used in the measurement of the recoverable amount are as follows:

Cash-generating units (group of cash-generating units)	FYE2025 (March 31, 2025)		FYE2026 (March 31, 2026)	
	Long-term growth rate	Discount rate	Long-term growth rate	Discount rate
Nippon Gases Euro-Holding S.L.U.	2.1%	7.1%	2.1%	7.3%
Matheson Tri-Gas, Inc.	3.5%	9.0%	3.5%	9.0%
NSC (Australia) Pty Ltd	2.5%	8.2%	2.5%	8.3%
Coregas Group	–	–	2.5%	8.3%

Note: The following companies changed their trade names effective on April 1, 2026, as follows.
- Nippon Gases Euro-Holding S.L.U. changed its trade name to Nippon Sanso Euro-Holding S.L.U.
- Matheson Tri-Gas, Inc. changed its trade name to Nippon Sanso Matheson, Inc.

The recoverable amount measured by value in use of Nippon Gases Euro-Holding S.L.U. at March 31, 2026 exceeded its carrying amount by ¥704,226 million; it is estimated that if the discount rate rises by 4.1% these amounts would be approximately the same.

12. Investments Accounted for Using the Equity Method

The carrying amount of investments in joint ventures accounted for using the equity method that are individually immaterial is as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Carrying amount of investments in joint ventures	10,601	12,691

Share of comprehensive income of joint ventures accounted for using the equity method is as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Share of profit	902	608
Share of other comprehensive income	16	12
Total share of comprehensive income	918	620

The carrying amount of investments in associates accounted for using the equity method that are individually immaterial is as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Carrying amount of investments in associates	50,570	54,622

Share of comprehensive income of associates accounted for using the equity method is as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Share of profit	4,112	3,945
Share of other comprehensive income	2,284	646
Total share of comprehensive income	6,396	4,591

13. Other Financial Assets

A breakdown of other financial assets is as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Equity securities and investments in capital	34,423	32,334
Other	40,039	51,598
Allowance for doubtful accounts	(1,392)	(1,432)
Total	73,070	82,500
Current assets	14,588	27,026
Non-current assets	58,482	55,474
Total	73,070	82,500

Equity securities and investments in capital are classified as equity financial assets measured at fair value through other comprehensive income. Other is classified mainly as financial assets measured at amortized cost.

Equity securities are designated as equity financial assets measured at fair value through other comprehensive income because they are held mainly for the purpose of maintaining and strengthening business and collaborative relationships and financial transaction relationships, etc. Names of issuers and fair value of principal equity financial assets measured at fair value through other comprehensive income are as follows:

FYE2025 (March 31, 2025)

(Millions of yen)

Name	Amount
Tosoh Corporation	4,594
IBIDEN CO., LTD.	3,537
Koatsu Gas Kogyo Co., Ltd.	3,043
RIKEN KEIKI Co., Ltd.	1,757
Koike Sanso Kogyo Co., Ltd.	1,698

FYE2026 (March 31, 2026)

(Millions of yen)

Name	Amount
Tosoh Corporation	4,164
Koatsu Gas Kogyo Co., Ltd.	3,779
Koike Sanso Kogyo Co., Ltd.	2,110
Mitsubishi Electric Corporation	1,959
Nagano Keiki Co., Ltd.	1,901

In order to improve the efficiency and effective utilization of assets held, the NSHD Group conducts sales (derecognition) of equity financial assets measured at fair value through other comprehensive income. The fair value at the time of sales and cumulative gains or losses on sales are as follows. Cumulative gains or losses (after tax) recognized in other comprehensive income in equity were transferred to retained earnings at the time of sales.

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Fair value	5,586	13,198
Cumulative gains or losses	3,265	7,701

For equity financial assets measured at fair value through other comprehensive income, dividends received were recognized as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Financial assets that were derecognized	166	134
Financial assets held at end of the fiscal year	848	774

14. Other Assets

A breakdown of other assets is as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Prepaid expenses	17,815	18,216
Contract assets (Note)	14,734	6,515
Other	18,024	12,563
Total	50,575	37,296
Current assets	42,148	28,933
Non-current assets	8,427	8,362
Total	50,575	37,296

Note: Details are described in “27. Revenue.”

15. Trade Payables

(1) Breakdown of trade payables

A breakdown of trade payables is as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Notes and accounts payable–trade	133,822	144,729
Total	133,822	144,729

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

(2) Supplier finance arrangements

The NSHD Group has established supplier finance arrangements with third-party financial institutions, under which the Group pays the third-party financial institutions based on agreements signed with individual suppliers. The suppliers may receive upfront payment at a discount from the third-party financial institutions at their own discretion. The Group does not pledge any assets as collateral or offer guarantee by a third party for the supplier finance arrangements.

The carrying amounts of financial liabilities pertaining to supplier finance arrangements are as follows:

(Millions of yen)

	At the Beginning of FYE2025 (April 1, 2024)	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Carrying amounts of financial liabilities that are part of the supplier finance arrangements			
Trade payables	23,034	16,792	21,971
Amount of the above for which suppliers have already received payments	(Note)	9,689	14,241

The ranges of payment due dates pertaining to supplier finance arrangements are as follows:

	At the Beginning of FYE2025 (April 1, 2024)	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Liabilities under supplier finance arrangements	(Note)	Zero to 180 days after invoice issue date	Zero to 180 days after invoice issue date
Comparable trade payables that are not part of supplier finance arrangements	(Note)	Zero to 120 days after invoice issue date	Zero to 120 days after invoice issue date

Note: The Group has applied a transitional measure based on the "Supplier Finance Arrangements" (amendments to IAS 7 and IFRS 7) and has not disclosed the information as of the beginning of the previous fiscal year, which is the first fiscal year of application.

The supplier finance arrangements concluded by the Group do not cause concentration of due dates or a significant extension of due dates compared with the regular payment conditions agreed with suppliers who did not take part in the said arrangements, and therefore the Group does not have significant liquidity risk from supplier finance arrangements.

There were no significant non-cash changes in the carrying amounts of financial liabilities subject to supplier finance arrangements in FYE2026 or FYE2025.

16. Bonds and Borrowings

A breakdown of bonds and borrowings is as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Short-term borrowings	31,672	21,150
Current portion of long-term borrowings	60,957	59,982
Current portion of bonds	–	69,977
Long-term borrowings	560,434	573,426
Bonds	197,501	157,522
Total	850,566	882,060
Current liabilities	92,630	151,111
Non-current liabilities	757,936	730,949
Total	850,566	882,060

Bonds and borrowings are classified as financial liabilities measured at amortized cost.

The average interest rates applicable to short-term borrowings and long-term borrowings at March 31, 2025 were 4.75% and 2.97%, respectively.

The average interest rates applicable to short-term borrowings and long-term borrowings at March 31, 2026 were 3.17% and 2.90%, respectively.

The repayment term of long-term borrowings at March 31, 2026 is from 2026 to 2059.

There are no financial covenants that have a significant impact on financing activities of the NSHD Group in relation to bonds and borrowings.

A breakdown of bonds is as follows:

(Millions of yen)

Company name	Name	Issuance date	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)	Interest rate (%)	Collateral	Maturity date
The Company	The 14th Domestic Unsecured Straight Corporate Bonds	December 15, 2016	15,000	15,000	0.39	None	December 15, 2026
The Company	The 2nd Series Deferrable Interest and Callable Unsecured Subordinated Bonds	January 29, 2019	7,963	7,972	1.87 (Note)	None	January 29, 2059
The Company	The 16th Domestic Unsecured Straight Corporate Bonds	October 16, 2019	9,987	9,995	0.19	None	October 16, 2026
The Company	The 17th Domestic Unsecured Straight Corporate Bonds	October 16, 2019	19,951	19,962	0.30	None	October 16, 2029
The Company	The 1st Domestic Unsecured Straight Corporate Bonds	October 14, 2021	15,000	15,000	0.11	None	October 14, 2026
The Company	The 2nd Domestic Unsecured Straight Corporate Bonds	October 14, 2021	10,000	10,000	0.28	None	October 14, 2031
The Company	The 3rd Domestic Unsecured Straight Corporate Bonds	August 31, 2023	29,938	29,981	0.33	None	August 31, 2026
The Company	The 4th Domestic Unsecured Straight Corporate Bonds	August 31, 2023	59,805	59,861	0.60	None	August 31, 2028
The Company	The 5th Domestic Unsecured Straight Corporate Bonds	August 31, 2023	9,953	9,959	1.05	None	August 31, 2033
The Company	The 6th Domestic Unsecured Straight Corporate Bonds	February 27, 2025	19,900	19,920	1.36	None	February 27, 2030
The Company	The 7th Domestic Unsecured Straight Corporate Bonds	March 11, 2026	–	25,876	1.93	None	March 11, 2031
The Company	The 8th Domestic Unsecured Straight Corporate Bonds	March 11, 2026	–	3,970	2.17	None	March 11, 2033
	Total		197,501	227,500			

Note: A fixed interest rate is applied to the period between the day following January 29, 2019 and January 29, 2029, while a variable interest rate is to be applied from the day following January 29, 2029 (step-up in interest rate occurring on January 30, 2029).

Assets pledged as collateral and secured obligations are as follows:

Assets pledged as collateral

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Property, plant and equipment	737	769
Total	737	769

Secured obligations

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Bonds and borrowings	295	185
Total	295	185

17. Other Financial Liabilities

A breakdown of other financial liabilities is as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Lease liabilities	52,082	64,321
Accrued expenses	64,922	72,574
Accounts payable–other	19,961	21,630
Other	1,115	9,261
Total	138,082	167,787
Current liabilities	93,378	115,663
Non-current liabilities	44,703	52,124
Total	138,082	167,787

Other financial liabilities are mainly classified as financial liabilities measured at amortized cost.

18. Lease Transactions

(1) Gain or loss and cash outflows related to lease transactions

Gain or loss and cash outflows related to lease transactions are as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Depreciation charges for right-of-use assets		
Land, buildings and structures as underlying assets	5,337	5,417
Tools, furniture and fixtures as underlying assets	1,117	1,180
Machinery and vehicles as underlying assets	6,030	7,856
Total	12,485	14,454
Interest expenses on lease liabilities	1,855	2,276
Expenses relating to leases of low-value assets	2,596	2,303
Total cash outflows for leases	13,748	16,176

Please see Note “9. Property, Plant and Equipment” for information on increases in right-of-use assets.
Please see Note “33. Financial Instruments” for information on balances of lease liabilities by due date.

(2) Additional information related to lease transactions

The majority of the NSHD Group’s lease transactions involve property leases, primarily leasing land and buildings as office and factory sites. Some of these leases are covered by options to extend or terminate the leases to ensure business flexibility. The NSHD Group determines the term of the leases after evaluating whether it is reasonably certain that the NSHD Group will exercise the options to extend the leases or will not exercise the options to terminate the leases.

The NSHD Group’s leasing activities do not include material sales and lease-back transactions and restrictions or covenants imposed by leases.

19. Post-employment Benefits

Certain consolidated subsidiaries of the Company have funded and unfunded retirement defined benefit plans and defined contribution plans for employees' retirement benefits, and the plans cover substantially all the employees.

(1) Defined benefit plans

Major defined benefit plans of the Company's consolidated subsidiaries are cash balance plans. Benefits under the cash balance plans are set based on various conditions such as years of service, points based on achievements during the service period, etc. The investment yield is determined taking into consideration the yield on government bonds.

In accordance with laws and regulations, the pension plans are managed by the Company's consolidated subsidiaries or a pension fund that is legally separate from the Company's consolidated subsidiaries. The Company's consolidated subsidiaries, or the Board of Directors of the pension fund and the trustees of pension fund management, are required by laws and regulations to act in the best interest of policyholders and are responsible for operating plan assets based on the prescribed policies.

Amounts related to defined benefit plans in the consolidated statement of financial position are as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Present value of defined benefit obligations	40,536	41,254
Fair value of plan assets	(30,400)	(31,063)
Net amount of defined benefit obligations and assets	10,136	10,190
Retirement benefit liability	15,337	16,874
Retirement benefit asset	(5,201)	(6,683)
Net amount of defined benefit obligations and assets	10,136	10,190

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

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Current service cost	2,124	2,040
Interest expenses	787	970
Interest income	(476)	(758)
Total	2,435	2,252

Changes related to the present value of defined benefit obligations are as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Balance at beginning of the fiscal year	41,886	40,536
Current service cost	2,124	2,040
Interest expenses	787	970
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	(2)	4
Actuarial gains and losses arising from changes in financial assumptions	(2,039)	(1,468)
Retirement benefits paid	(2,038)	(2,684)
Other	(180)	1,855
Balance at end of the fiscal year	40,536	41,254

Changes related to the fair value of plan assets are as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Balance at beginning of the fiscal year	31,246	30,400
Interest income	476	758
Remeasurements		
Return on plan assets	(850)	311
Contributions from companies	1,425	1,581
Retirement benefits paid	(1,705)	(2,244)
Other	(191)	255
Balance at end of the fiscal year	30,400	31,063

The key actuarial assumption used to calculate the present value of defined benefit obligations is as follows:

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Discount rate	2.10%	2.73%

If the discount rate, which is the key actuarial assumption, fluctuates, the present value of defined benefit obligations at March 31, 2026 and 2025 changes as follows. This sensitivity analysis is based on the assumption that all actuarial assumptions, other than actuarial assumptions subject to the analysis, remain constant. However, there is a possibility of changes in other actuarial assumptions affecting sensitivity analysis.

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Increase by 0.5%	(1,250)	(1,147)
Decrease by 0.5%	1,352	1,218

The fair value of plan assets at March 31, 2025 is as follows:

(Millions of yen)

	Plan assets for which there are quoted market prices in an active market	Plan assets for which there are no quoted market prices in an active market	Total
Cash and cash equivalents	3,348	–	3,348
Equity financial instruments			
Jointly managed trusts	–	3,920	3,920
Total equity financial instruments	–	3,920	3,920
Debt financial instruments			
Jointly managed trusts	–	13,316	13,316
Total debt financial instruments	–	13,316	13,316
Life insurance general accounts	–	9,059	9,059
Other	–	755	755
Total	3,348	27,051	30,400

The fair value of plan assets at March 31, 2026 is as follows:

(Millions of yen)

	Plan assets for which there are quoted market prices in an active market	Plan assets for which there are no quoted market prices in an active market	Total
Cash and cash equivalents	2,161	–	2,161
Equity financial instruments			
Jointly managed trusts	–	5,366	5,366
Total equity financial instruments	–	5,366	5,366
Debt financial instruments			
Jointly managed trusts	–	12,740	12,740
Total debt financial instruments	–	12,740	12,740
Life insurance general accounts	–	8,486	8,486
Other	–	2,308	2,308
Total	2,161	28,902	31,063

Under the NSHD Group's plan asset management policy, the purpose of management is to secure the required combined returns over the medium and long term to the extent of allowable risks in order to ensure payments of the benefits of the defined benefit obligations in the future.

For plan assets, the NSHD Group seeks to reduce risks by diversifying investments widely in domestic and foreign equity securities, debt securities, and life insurance general accounts based on asset allocation objectives of a policy asset mix that is formulated to achieve management objectives.

For asset allocation, the NSHD Group sets the allocation to be maintained for the medium and long term, based on the correlation between expected risks and returns for the medium and long term and actual management results of each asset. The NSHD Group reviews asset allocation according to the situation as necessary, such as when there is a significant change in the market environment.

Contributions to the defined benefit plans are readjusted based on periodic actuarial reviews in order to ensure balanced pension finance in the future. In such actuarial reviews, the adequacy of the contribution is verified by reviewing the basic rates for determining contributions (such as expected rate of interest, expected mortality, and expected rate of withdrawal).

For FYE2027, the NSHD Group plans to contribute ¥1,881 million to plan assets.

The weighted average durations of the defined benefit obligation at March 31, 2026 and 2025 were 10.6 years and 11.3 years, respectively.

(2) Defined contribution plans and public pension systems

Amounts recognized as expenses under defined contribution plans and public pension systems are as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Expenses under defined contribution plans	6,992	7,244
Expenses under public pension systems	4,405	4,649

20. Provisions

A breakdown of changes in provisions is as follows:

FYE2025 (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Provision for construction warranties	Asset retirement obligations	Provision for structural reform	Provision for loss on discontinued business	Total
Balance at April 1, 2024	375	5,740	–	–	6,115
Increase during the fiscal year	–	82	–	–	82
Discounted periodic interest expenses	–	475	–	–	475
Decrease during the fiscal year (Intended use)	(62)	(629)	–	–	(692)
Decrease during the fiscal year (Reversal)	(16)	(297)	–	–	(313)
Exchange differences on translation of foreign operations	–	(66)	–	–	(66)
Other	–	–	–	–	–
Balance at March 31, 2025	296	5,304	–	–	5,601
Current liabilities	296	–	–	–	296
Non-current liabilities	–	5,304	–	–	5,304
Total	296	5,304	–	–	5,601

FYE2026 (From April 1, 2025 to March 31, 2026)

(Millions of yen)

	Provision for construction warranties	Asset retirement obligations	Provision for structural reform	Provision for loss on discontinued business	Total
Balance at April 1, 2025	296	5,304	–	–	5,601
Increase during the fiscal year	502	52	1,843	1,481	3,880
Discounted periodic interest expenses	–	541	–	–	541
Decrease during the fiscal year (Intended use)	(315)	(48)	–	–	(364)
Decrease during the fiscal year (Reversal)	(1)	(1)	–	–	(3)
Exchange differences on translation of foreign operations	–	456	82	86	625
Other	–	(95)	–	–	(95)
Balance at March 31, 2026	483	6,209	1,925	1,567	10,185
Current liabilities	483	15	1,925	382	2,807
Non-current liabilities	–	6,193	–	1,185	7,378
Total	483	6,209	1,925	1,567	10,185

Provision for construction warranties

In order to prepare for construction-related compensation expenses for machinery and device products, provision for construction warranties is recorded based on the latest actual amount of compensation arising from shipment amounts of machinery and device products in the previous fiscal year. Of these, amounts expected to be paid within one year are recorded. However, the occurrence of construction-related compensation expenses is subject to uncertainty.

Asset retirement obligations

If the NSHD Group has legal obligations required by laws and regulations or contracts concerning retirement of fixed assets that are used for the ordinary course of business, such as obligations to restore the original condition accompanying lease contracts of factory facilities and properties used by the NSHD Group, asset retirement obligations are recognized based on the estimated amount of future expenditures calculated based on historical results, etc.

Although these expenses are expected to be paid mainly after one year or more, they will be affected by future business plans, etc.

Provision for structural reform

The Group has recorded a provision for costs of implementing a structural reform decided by the management in the Europe segment to improve business efficiency and realize a cost structure that is consistent with the prevailing market environment and strategic goals.

The said provision mainly consists of employee-related costs such as special retirement expense and reflects the best reasonable estimate of expenses expected to be incurred in the future.

These costs are expected to be paid within a year but the amount and timing of payment may change depending on the labor-related laws and regulations in the respective regions and the progress in the business plan of the NSHD Group.

Provision for loss on discontinued business

In the United States segment, the NSHD Group recorded a provision to prepare for future losses following review of the business.

The said provision primarily is for loss from commitments in existing contracts.

The expenses incurred for the provision are expected to continue for a few years going forward, and the payment period and amounts may be affected by future market environment and business plans among other factors.

21. Other Liabilities

A breakdown of other liabilities is as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Advances received	11,123	15,085
Deferred income	5,139	5,885
Employees’ bonuses	7,318	7,600
Employees’ paid absence	6,060	7,735
Other	50,740	49,991
Total	80,382	86,297
Current liabilities	61,088	66,166
Non-current liabilities	19,293	20,131
Total	80,382	86,297

22. Equity

(1) Share capital and treasury shares

Numbers of shares authorized and shares issued are as follows:

(Thousands of shares)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Number of shares authorized	1,600,000	1,600,000
Number of shares issued		
Beginning of the fiscal year	433,092	433,092
Changes during the fiscal year	–	–
End of the fiscal year	433,092	433,092

All shares are ordinary shares with no par value. Shares issued are fully paid.

Changes in the number of treasury shares during the fiscal year are as follows:

(Thousands of shares)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Beginning of the fiscal year	235	237
Increase	2	1
Decrease	0	0
End of the fiscal year	237	239

The main factors causing changes during the fiscal year are buyback and demand for sale of shares less than one unit.

The numbers of shares in the Company held by its associates at March 31, 2026 and 2025 were 49,000 shares and 48,000 shares, respectively.

(2) Capital surplus and retained earnings

Capital surplus consists of amounts not included in share capital as part of the amounts arising from capital transactions, and the main component is capital reserve. Retained earnings consist of legal retained earnings and other reserves.

The Companies Act of Japan (the "Act") stipulates that more than one-half of payments or delivery in relation to the issuance of shares shall be included in share capital, and the remaining shall be included in capital reserve. Capital reserve may be incorporated into share capital by resolutions of the shareholders' meeting.

In addition, the Act stipulates that one-tenth of the amount to be paid as cash dividends from surplus shall be appropriated as capital reserve or legal retained earnings until the total amount of capital reserve and legal retained earnings equals one-fourth of share capital.

The accumulated legal retained earnings may be used to eliminate or reduce a deficit, and the legal retained earnings may be reversed by resolution of the shareholders' meeting.

(3) Other components of equity

Other components of equity are as follows:

(Exchange differences on translation of foreign operations)

Exchange differences on translation of foreign operations are translation differences arising when consolidating the financial statements of foreign operations prepared in foreign currencies and cumulative amounts of effective portion of gain or loss on hedging instruments designated as hedges of net investments in foreign operations.

(Effective portion of net change in fair value of cash flow hedges)
The effective portion of net change in fair value of cash flow hedges is the cumulative amount of the effective portion of hedges as part of gains or losses arising from changes in fair value of the hedging instrument related to cash flow hedges.

(Financial assets measured at fair value through other comprehensive income)
Other components of equity include valuation differences in fair value of financial assets measured at fair value through other comprehensive income.

(Remeasurements of defined benefit plans)
Remeasurements of defined benefit plans are the effect of differences between actuarial assumptions at the beginning of the fiscal year and the actual results and the effect of changes in actuarial assumptions. These are recognized in other comprehensive income when incurred and immediately transferred from other components of equity to retained earnings.

23. Dividends

Payments of dividends are as follows:

FYE2025 (From April 1, 2024 to March 31, 2025)

Resolution	Type of stock	Total cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 19, 2024	Ordinary shares	10,389	24	March 31, 2024	June 20, 2024
Board of Directors' meeting held on October 31, 2024	Ordinary shares	10,389	24	September 30, 2024	December 2, 2024

FYE2026 (From April 1, 2025 to March 31, 2026)

Resolution	Type of stock	Total cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 18, 2025	Ordinary shares	11,688	27	March 31, 2025	June 19, 2025
Board of Directors' meeting held on October 30, 2025	Ordinary shares	12,554	29	September 30, 2025	December 1, 2025

Dividends whose effective date falls in the following fiscal year are as follows:

FYE2025 (From April 1, 2024 to March 31, 2025)

Resolution	Type of stock	Total cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 18, 2025	Ordinary shares	11,688	27	March 31, 2025	June 19, 2025

FYE2026 (From April 1, 2025 to March 31, 2026)

The Company plans to submit the following proposal to the Ordinary General Meetings of Shareholders to be held on June 17, 2026.

Expected resolution	Type of stock	Total cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 17, 2026	Ordinary shares	14,285	33	March 31, 2026	June 18, 2026

24. Assets Held for Sale

Assets held for sale are as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Assets held for sale		
Other financial assets	1,921	–
Total	1,921	–

The NSHD Group continuously reviews the significance of its stock holding policy of stocks. Out of the stocks that the NSHD Group decided to sell due to lack of significance to hold as a result of the continuous review, those to be sold within one year are classified as assets held for sale. The stocks classified as assets held for sales are listed stocks and classified as Level 1 of the fair value hierarchy. As the sale of the said stocks was completed in FYE2026, the NSHD Group does not have any assets held for sale as of March 31, 2026.

As of March 31, 2025, other components of equity related to assets held for sale amounted to ¥1,361 million.

25. Other Comprehensive Income

Changes in each item in other comprehensive income during the fiscal year are as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Financial assets measured at fair value through other comprehensive income		
Amount arising during the fiscal year	(4,912)	8,921
Tax effects	1,427	(2,311)
Net amount	(3,484)	6,609
Remeasurements of defined benefit plans		
Amount arising during the fiscal year	1,190	1,776
Tax effects	(411)	(459)
Net amount	778	1,317
Exchange differences on translation of foreign operations		
Amount arising during the fiscal year	(11,351)	128,094
Net amount	(11,351)	128,094
Effective portion of net change in fair value of cash flow hedges		
Amount arising during the fiscal year	498	1,997
Reclassification adjustments	(999)	472
Tax effects	138	(232)
Net amount	(362)	2,238
Share of other comprehensive income of investments accounted for using the equity method		
Amount arising during the fiscal year	2,300	658
Net amount	2,300	658
Total other comprehensive income	(12,119)	138,917

26. Employee Benefit Expenses

Employee benefit expenses other than post-employment benefits are as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Wages and salaries	181,414	196,358
Total	181,414	196,358

27. Revenue

(1) The disaggregation of revenue

FYE2025 (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Japan	United States	Europe	Asia & Oceania	Thermos	Reconciling items	Total
Revenue							
Gas	234,353	276,773	290,887	150,290	–	–	952,306
Equipment and other	175,656	83,427	37,713	26,247	–	80	323,124
Housewares	–	–	–	–	32,593	–	32,593
Total	410,009	360,200	328,601	176,538	32,593	80	1,308,024

FYE2026 (From April 1, 2025 to March 31, 2026)

(Millions of yen)

	Japan	United States	Europe	Asia & Oceania	Thermos	Reconciling items	Total
Revenue							
Gas	229,654	278,844	300,117	180,458	–	–	989,074
Equipment and other	176,642	81,712	50,860	27,994	–	63	337,273
Housewares	–	–	–	–	33,263	–	33,263
Total	406,296	360,557	350,978	208,452	33,263	63	1,359,611

Determination of the timing of the fulfillment of performance obligations in contracts with customers, and the method for calculating the transaction price and its allocation to performance obligations, are as described in Note “3. Material Accounting Policies.” The amount of revenue recognized arising from other revenue sources is immaterial.

(2) Contract balances

Contract assets mainly comprise consideration for construction in progress. Contract liabilities mainly comprise consideration received from customers prior to the delivery of products. Receivables, contract assets, and contract liabilities derived from contracts with customers are as follows:

(Millions of yen)

	At the Beginning of FYE2025 (April 1, 2024)	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Receivables arising from contracts with customers	292,888	273,144	303,552
Contract assets	9,613	14,734	6,515
Contract liabilities	21,579	20,273	26,511

Of the outstanding amounts of contract liabilities, as of the beginning of FYE2026 and FYE2025, the amounts recognized as revenue for the fiscal years are immaterial. For FYE2026 and FYE2025, the amounts of revenue recognized based on the performance obligations that were fulfilled in prior periods are also immaterial. Balances of contract assets and contract liabilities have not undergone any significant changes.

(3) Transaction price allocated to remaining performance obligations

The following is a breakdown of the total transaction price allocated to remaining performance obligations and the period for which revenue is expected to be recognized. These amounts do not include any transaction whose expected contractual term is within one year. In addition, all material considerations are included in the transaction price arising from contracts with customers.

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
One year or less	26,563	21,567
More than one year	12,663	18,786
Total	39,227	40,353

28. Other Operating Income and Other Operating Expenses

A breakdown of other operating income is as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Grant income	357	401
Gain on sales of property, plant and equipment	5,604	1,634
Gain on release of liabilities	1,698	–
Other	3,779	4,854
Total	11,439	6,890

A breakdown of other operating expenses is as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Impairment losses	27,145	407
Loss on sales and retirement of property, plant and equipment	981	1,111
Loss on reduction of property, plant and equipment	348	374
Special retirement expense	–	1,843
Provision for loss on discontinued business	–	1,481
Other	8,195	5,417
Total	36,671	10,637

29. Finance Income and Finance Costs

A breakdown of finance income is as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Interest income		
Financial assets measured at amortized cost	2,732	1,907
Dividend income		
Financial assets measured at fair value through other comprehensive income	1,015	909
Foreign exchange gains	138	–
Total	3,886	2,816

A breakdown of finance costs is as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Interest expenses		
Financial liabilities measured at amortized cost	24,389	22,859
Foreign exchange losses	–	1,009
Other	130	43
Total	24,520	23,912

30. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

A breakdown of deferred tax assets and deferred tax liabilities by major causes behind their occurrence and the changes are as follows:

The NSHD Group has applied the temporary exceptional accounting treatment of "International Tax Reform–Pillar Two Model Rules" (amended in May 2023) under IAS 12 "Income Taxes" and does not recognize or disclose associated deferred tax assets and liabilities for income taxes arising from the global minimum tax rules.

FYE2025 (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	April 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	March 31, 2025
Deferred tax assets					
Employees' bonuses	2,606	146	–	(1)	2,751
Accrued expenses	4,420	(349)	–	(36)	4,034
Property, plant and equipment and intangible assets	3,564	1,461	–	(46)	4,979
Retirement benefit liability	3,198	281	1,100	37	4,617
Tax loss carryforwards	626	(122)	–	15	519
Unrealized gains (inventories and property, plant and equipment)	2,873	145	–	(1)	3,016
Other	7,558	(1,077)	14	494	6,990
Total	24,848	485	1,115	460	26,909
Deferred tax liabilities					
Securities and other investments	(9,701)	–	1,232	1,071	(7,397)
Property, plant and equipment and intangible assets	(154,803)	(143)	–	898	(154,047)
Undistributed earnings of overseas consolidated subsidiaries, etc.	(11,949)	(2,461)	–	–	(14,410)
Other	(5,421)	332	(1,194)	(601)	(6,884)
Total	(181,876)	(2,271)	38	1,368	(182,740)
Net deferred tax liabilities	(157,027)	(1,786)	1,153	1,829	(155,830)

FYE2026 (From April 1, 2025 to March 31, 2026)

(Millions of yen)

	April 1, 2025	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	March 31, 2026
Deferred tax assets					
Employees' bonuses	2,751	188	–	1,194	4,134
Accrued expenses	4,034	1,054	–	280	5,369
Property, plant and equipment and intangible assets	4,979	(1,453)	–	8,536	12,061
Retirement benefit liability	4,617	(111)	(1,419)	346	3,433
Tax loss carryforwards	519	(258)	–	244	506
Unrealized gains (inventories and property, plant and equipment)	3,016	(159)	–	–	2,857
Other	6,990	3,837	(66)	1,905	12,666
Total	26,909	3,097	(1,485)	12,507	41,029
Deferred tax liabilities					
Securities and other investments	(7,397)	11	(2,305)	2,573	(7,118)
Property, plant and equipment and intangible assets	(154,047)	3,662	–	(33,486)	(183,871)
Undistributed earnings of overseas consolidated subsidiaries, etc.	(14,410)	(2,312)	–	–	(16,723)
Other	(6,884)	(1,390)	787	1,625	(5,862)
Total	(182,740)	(29)	(1,517)	(29,287)	(213,575)
Net deferred tax liabilities	(155,830)	3,067	(3,003)	(16,779)	(172,545)

Note: Other includes exchange differences on translation of foreign operations and changes from business combinations, etc.

For recognition of deferred tax assets, the NSHD Group considers the possibility that some or all deductible temporary differences and unused tax losses will be available for future taxable income. For the assessment of the recoverability of deferred tax assets, the NSHD Group considers the planned reversal of deferred tax liabilities, projected future taxable income, and tax planning. For deferred tax assets recognized, the NSHD Group believes that it is probable the tax benefits will be realized based on historical taxable income levels and the projection of future taxable income during periods when deductible temporary differences and unused tax losses may be used.

Deductible temporary differences for which deferred tax assets have not been recognized and the amount of tax loss carryforwards (on an income basis) are as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Deductible temporary differences	24,054	26,425
Tax loss carryforwards	38,779	42,938

Unrecognized deferred tax assets corresponding to the above are as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Deductible temporary differences	7,576	8,380
Tax loss carryforwards	3,183	3,215

The breakdown of tax loss carryforward for which deferred tax assets have not been recognized (on an income basis) by expiration period are as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
One year or less	–	570
More than one year but within five years	1,978	1,735
More than five years but within 10 years	36,087	39,712
More than 10 years	–	–
No expiration	713	919
Total	38,779	42,938

(2) Income taxes

A breakdown of income taxes is as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Current income taxes	41,540	51,972
Deferred income taxes	1,786	(3,067)
Total	43,326	48,904

(3) Table of reconciliation of effective tax rates

The Company is mainly subject to corporate income tax, inhabitant tax, and enterprise tax. The statutory tax rate based on these taxes for FYE2026 and FYE2025 was 30.62%. Overseas subsidiaries are subject to the corporate income tax, etc., of their location.

A breakdown of major items that caused differences between the statutory tax rate and the effective tax rate is as follows:

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Statutory tax rate	30.62%	30.62%
Permanently non-deductible or non-taxable items	1.38	1.07
Unrecognized deferred tax assets	0.20	0.58
Differences in tax rates for overseas consolidated subsidiaries	(4.14)	(4.47)
Tax effects on undistributed earnings	1.45	1.27
Share of profit of investments accounted for using the equity method	(1.06)	(0.79)
Other	1.37	(0.62)
Effective tax rate	29.82%	27.66%

(4) Global minimum tax system

In Japan, where the Company is located, the Income Inclusion Rule (IIR), which is one of the global minimum tax rules of BEPS, was introduced in the Tax Reform of fiscal 2023. As for the NSHD Group, the Company is additionally taxed until the tax burden of its subsidiaries reaches the minimum tax rate (15%).

The Group recorded ¥6 million in income taxes as income taxes resulting from the application of the global minimum tax rules for FYE2026. The said income tax expense is pertaining to Ireland. The country’s effective tax rate is below 15% and the Group is additionally taxed based on the Qualified Domestic Minimum Top-up Tax (QDMTT) of the country.

Please see “(1) Deferred tax assets and deferred tax liabilities” for information on recognition and disclosure of deferred tax assets and liabilities for income taxes arising from the global minimum tax rules.

31. Earnings per Share

Basic earnings per share and the basis of calculation are as follows:

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Profit attributable to owners of parent (Millions of yen)	98,779	123,891
Average number of shares during the fiscal year (Thousands of shares)	432,856	432,854
Basic earnings per share (Yen)	228.20	286.22

Note: Diluted earnings per share are not presented as there are no dilutive potential shares.

32. Cash Flow Information

Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

FYE2025 (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Balance at April 1, 2024	Changes from cash flows	Non-cash changes			Balance at March 31, 2025
			Changes from business combinations, etc.	New lease transactions and changes in lease contracts, etc.	Exchange differences on translation of foreign operations, etc.	
Short-term borrowings	29,158	2,756	650	–	(892)	31,672
Commercial papers	17,000	(17,000)	–	–	–	–
Long-term borrowings (Note)	646,643	(22,707)	20	–	(2,562)	621,392
Bonds (Note)	197,457	(101)	–	–	144	197,501
Lease liabilities (Note)	46,667	(13,748)	2	20,340	(1,178)	52,082

Note: Balances include the current portion.

FYE2026 (From April 1, 2025 to March 31, 2026)

(Millions of yen)

	Balance at April 1, 2025	Changes from cash flows	Non-cash changes			Balance at March 31, 2026
			Changes from business combinations, etc.	New lease transactions and changes in lease contracts, etc.	Exchange differences on translation of foreign operations, etc.	
Short-term borrowings	31,672	(13,842)	1,390	–	1,930	21,150
Commercial papers	–	–	–	–	–	–
Long-term borrowings (Note)	621,392	(28,367)	–	–	40,384	633,409
Bonds (Note)	197,501	29,695	–	–	303	227,500
Lease liabilities (Note)	52,082	(16,176)	2,072	22,243	4,099	64,321

Note: Balances include the current portion.

33. Financial Instruments

(1) Equity management

The NSHD Group manages equity aiming at maximizing corporate value through sustainable growth. The major indices used by the Company in equity management are return on capital employed (ROCE) after tax and Net debt to EBITDA ratio.

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
ROCE after tax (Note 1)	7.2%	7.1%
Net debt to EBITDA (Note 2)	2.48	2.37

Notes: 1. It is a capital efficiency index calculated as follows: [NOPAT (core operating profit after tax) (+ Dividend income)] ((Core operating profit - Share of profit (loss) of investments accounted for using the equity method included in core operating profit) x (1 - Effective tax rate) + Share of profit (loss) of investments accounted for using the equity method included in core operating profit + Dividend income) / [Capital employed] (Interest bearing liabilities + Total equity attributable to owners of parent).

2. It is an indicator of financial soundness and is calculated using the following formula: Net interest-bearing liabilities / EBITDA.

(2) Matters related to risk management

The NSHD Group is exposed to financial risks in the course of conducting business activities in various countries and regions throughout a wide range of fields. In order to reduce or avoid such risks, the NSHD Group manages risks based on certain policies, etc.

In addition, derivative transactions are used to hedge currency fluctuation risk, interest rate fluctuation risk, or price fluctuation risk. In principle, derivative transactions are only conducted based on actual demand and not used for speculative purposes.

(3) Credit risk

Trade receivables, etc., which are receivables arising from the NSHD Group's business activities, are exposed to the credit risk of customers. In addition, derivative transactions that the NSHD Group uses to hedge financial risks are exposed to the credit risk of financial institutions that are counterparties to the transactions.

In accordance with internal policies of each Group company, such as credit management regulations, the NSHD Group monitors due dates and outstanding balances of individual customers and establishes a system to periodically assess credit status. The NSHD Group thereby aims to identify and alleviate collection concerns due to a deteriorating financial situation at an early stage. In addition, derivative transactions are limited to financial institutions with high creditworthiness in order to minimize counterparties' credit risk related to contract default.

The NSHD Group records allowance for doubtful accounts at an unrecoverable amount for individually material financial assets, and at an amount based on historical experience, etc., for individually immaterial financial assets, at the end of each fiscal year. Allowance for doubtful accounts related to such financial assets is included in "Trade receivables" and "Other financial assets" in the consolidated statement of financial position.

Allowance for doubtful accounts is as follows. Since the amount of expected credit losses for 12 months is not material, it is included in the amount of the expected credit losses for the entire period.

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Balance at beginning of the fiscal year	12,177	11,456
Increase during the fiscal year	2,962	2,951
Decrease during the fiscal year (Intended use)	(2,683)	(2,659)
Decrease during the fiscal year (Reversal)	(897)	(964)
Other changes	(101)	1,224
Balance at end of the fiscal year	11,456	12,007

The maximum exposure to credit risk of financial assets is the carrying amount after impairment that is presented in the consolidated financial statements.

(4) Liquidity risk

The NSHD Group's trade payables and borrowings, etc., are exposed to liquidity risk. The NSHD Group manages the risk by preparing cash management plans and secures liquidity by establishing commitment lines with several financial institutions.

Balances of financial liabilities (including derivative instruments) by due date are as follows:

FYE2025 (March 31, 2025)

(Millions of yen)

	Carrying amount	Undiscounted contractual cash flows	One year or less	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years	More than five years
Non-derivative financial liabilities								
Trade payables	133,822	133,822	133,822	–	–	–	–	–
Accounts payable–other	19,961	19,961	16,282	–	3,635	–	–	43
Short-term borrowings	31,672	31,672	31,672	–	–	–	–	–
Long-term borrowings	621,392	622,897	60,957	54,860	69,208	100,291	138,482	199,096
Bonds	197,501	198,000	–	70,000	–	60,000	40,000	28,000
Lease liabilities	52,082	58,601	13,012	11,360	9,440	8,073	5,746	10,967
Accrued expenses	64,922	64,922	64,922	–	–	–	–	–
Other	1,026	1,026	539	4	3	2	3	472
Derivative liabilities								
Forward exchange contracts	8	8	8	–	–	–	–	–
Currency swaps	0	0	0	–	–	–	–	–
Interest rate currency swaps	79	79	–	–	–	79	–	–

FYE2026 (March 31, 2026)

(Millions of yen)

	Carrying amount	Undiscounted contractual cash flows	One year or less	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years	More than five years
Non-derivative financial liabilities								
Trade payables	144,729	144,729	144,729	–	–	–	–	–
Accounts payable–other	21,630	21,630	20,227	–	1,335	–	–	67
Short-term borrowings	21,150	21,150	21,150	–	–	–	–	–
Long-term borrowings	633,409	634,552	59,982	83,006	111,883	145,269	161,878	72,530
Bonds	227,500	228,000	70,000	–	60,000	40,000	26,000	32,000
Lease liabilities	64,321	74,005	17,052	14,893	12,644	9,603	6,015	13,795
Accrued expenses	72,574	72,574	72,574	–	–	–	–	–
Other	8,148	8,148	7,672	3	2	1	2	465
Derivative liabilities								
Forward exchange contracts	4	4	4	–	–	–	–	–
Currency swaps	0	0	0	–	–	–	–	–
Interest rate currency swaps	1,107	1,107	42	115	115	115	719	–

(5) Currency risk

Receivables and payables denominated in foreign currencies arising from the NSHD Group's global business development are exposed to the risk of exchange rate fluctuations. The NSHD Group hedges trade receivables and payables denominated in foreign currencies, borrowings, and loans by using forward exchange contracts and currency swaps as necessary.

The NSHD Group's net investments in foreign operations are exposed to the risk of exchange rate fluctuations. The NSHD Group hedges the risk by using borrowings denominated in foreign currencies as necessary.

Currency sensitivity analysis

The following is the impact on profit before income taxes on the consolidated statement of profit or loss from the foreign currency financial instruments held by the NSHD Group at the end of the fiscal year, if the yen appreciates by 1% against the U.S. dollar and euro, respectively, at the end of the fiscal year.

This analysis is calculated by multiplying each exposure of currency risk by 1%. It is assumed that there is no impact of the fluctuation of each exchange rate on other variables (foreign exchange rates of other currencies, interest rates, etc.).

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
U.S. dollar (1% appreciation of the yen)	(62)	(76)
Euro (1% appreciation of the yen)	43	(68)

(6) Interest rate risk

The NSHD Group's interest rate risk arises from interest-bearing liabilities, net of cash equivalents, etc. Borrowings and corporate bonds that are based on floating interest rates are exposed to interest rate fluctuation risk.

The NSHD Group hedges such risks by using derivative transactions (interest rate swaps) as necessary.

Interest rate sensitivity analysis

The following is the impact on profit before income taxes on the consolidated statement of profit or loss if the interest rate rises by 1% for financial instruments held by the NSHD Group at the end of the fiscal year.

This analysis is intended for financial instruments impacted by fluctuations in interest rates, and it is assumed that other factors, such as the impact of exchange rate fluctuations, remain constant.

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Profit before income taxes	(2,294)	(2,228)

(7) Risk of market price fluctuations

Securities, etc., held by the NSHD Group are exposed to the risk of market price fluctuations.

The NSHD Group periodically evaluates the fair value and the financial status of issuers (business partners) for securities, etc., and each supervising department reviews the holding status taking into consideration the relationship with the business partners on an ongoing basis.

(8) Fair value of financial instruments

For fair value hierarchy of financial instruments, Level 1 to Level 3 is categorized as follows:

Level 1: Fair value measured by the unadjusted quoted prices in active markets of identical assets or liabilities
Level 2: Fair value calculated using observable prices directly or indirectly, other than Level 1
Level 3: Fair value calculated by valuation techniques including inputs not based on significant observable market data

Transfers between levels of financial instruments are determined at the end of each reporting period.
In FYE2026 and FYE2025, there was no material reclassification of financial instruments between levels.

1) Financial instruments measured at fair value on a recurring basis
Financial instruments measured at fair value are as follows:

FYE2025 (March 31, 2025)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets				
Equity securities and investments in capital	23,943	370	10,109	34,423
Equity securities and investments in capital held for sale	1,921	–	–	1,921
Derivative assets	–	229	–	229
Total	25,865	599	10,109	36,574
Liabilities				
Derivative liabilities	–	88	–	88
Total	–	88	–	88

FYE2026 (March 31, 2026)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets				
Equity securities and investments in capital	20,684	370	11,279	32,334
Equity securities and investments in capital held for sale	–	–	–	–
Derivative assets	–	3,559	–	3,559
Total	20,684	3,930	11,279	35,893
Liabilities				
Derivative liabilities	–	1,112	–	1,112
Total	–	1,112	–	1,112

Equity securities and investments in capital

The fair value of marketable equity securities categorized as Level 1 is based on unadjusted quoted prices in active markets of identical assets or liabilities.

The fair value of marketable equity securities categorized as Level 2 is calculated using quoted prices of the same or similar assets or liabilities in inactive markets.

The fair value of unlisted stocks categorized as Level 3, for which quoted prices are not available in active markets, is calculated using the similar company comparison method or other appropriate valuation techniques based on reasonably available inputs. In addition, certain illiquidity discounts, etc., are considered as necessary.

Derivative assets and liabilities

The fair value of derivative assets and derivative liabilities categorized as Level 2 is calculated based on observable inputs such as prices provided by counterparty financial institutions or exchange rates and interest rates.

For financial instruments categorized as Level 3, the evaluator determines the valuation techniques to measure each financial instrument covered in accordance with valuation policies and procedures including valuation techniques to measure fair value approved by the appropriate authorized person, and the fair value is calculated. The results are reviewed and approved by the appropriate authorized person.

Changes in financial instruments classified as Level 3 are as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Balance at beginning of the fiscal year	9,991	10,109
Other comprehensive income (Note)	286	1,219
Purchase	141	120
Sale	(63)	(114)
Change in scope of consolidation	(250)	(148)
Other changes	4	93
Balance at end of the fiscal year	10,109	11,279

Note: This is included in “Financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

2) Financial instruments measured at amortized cost

The carrying amount and fair value of financial instruments measured at amortized cost are as follows:

FYE2025 (March 31, 2025)

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Liabilities					
Long-term borrowings	621,392	–	620,227	–	620,227
Bonds	197,501	–	193,265	–	193,265
Total	818,893	–	813,493	–	813,493

FYE2026 (March 31, 2026)

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Liabilities					
Long-term borrowings	633,409	–	627,754	–	627,754
Bonds	227,500	–	221,471	–	221,471
Total	860,909	–	849,226	–	849,226

For financial instruments measured at amortized cost other than long-term borrowings and bonds, their fair value reasonably approximates the carrying amount.

Long-term borrowings

The fair value of long-term borrowings is calculated based on the present value calculated by discounting the total amount of principal and interest by the interest rate assumed when similar borrowings are newly made.

Bonds

The fair value of bonds is calculated based on market price.

(9) Derivative transactions

1) Derivative transactions for which hedge accounting is applied

Analysis of contract amounts, etc., of the hedging instruments by due date is as follows:

FYE2025 (March 31, 2025)

(Millions of yen)

	Contract amounts, etc.	One year or less	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years	More than five years
Cash flow hedges							
Price risk							
Commodity swaps	5,597	5,597	–	–	–	–	–
Currency risk							
Forward exchange contracts	1,822	1,822	–	–	–	–	–
Interest rate and currency risks							
Interest rate currency swaps	12,383	–	–	448	11,935	–	–
Hedges of net investments							
Currency risk							
Borrowings denominated in foreign currencies	101,300	–	–	–	–	–	101,300

FYE2026 (March 31, 2026)

(Millions of yen)

	Contract amounts, etc.	One year or less	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years	More than five years
Cash flow hedges							
Price risk							
Commodity swaps	6,889	6,889	–	–	–	–	–
Currency risk							
Forward exchange contracts	2,670	2,670	–	–	–	–	–
Interest rate and currency risks							
Interest rate currency swaps	36,026	606	2,124	21,367	1,645	10,282	–
Hedges of net investments							
Currency risk							
Borrowings denominated in foreign currencies	114,631	–	–	–	–	114,631	–

Major forward rates of foreign exchange contracts and interest rate currency swaps and interest expense for interest rate currency swaps are as follows:

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Cash flow hedges		
Currency risk		
Forward exchange contracts		
U.S. dollar	¥140.60–¥150.59	¥138.53–¥159.51
Euro	¥154.69–¥167.10	¥161.34–¥183.50
Interest rate and currency risks		
Interest rate currency swaps		
Receive in INR, pay in USD	82.90–86.98 INR/USD	82.90–90.19 INR/USD
Receive in AUD, pay in USD	–	1.53 AUD/USD
Pay fixed rate, receive floating rate	7.05–8.75%	4.47–8.75%

Amounts related to items designated as hedging instruments are as follows:

FYE2025 (March 31, 2025)

(Millions of yen)

	Contract amounts, etc.	Carrying amount		Items on the consolidated statement of financial position	Changes in fair value used to calculate ineffective portion of hedges for the fiscal year
		Assets	Liabilities		
Cash flow hedges					
Price risk					
Commodity swaps	5,597	217	–	Other financial assets	(257)
Currency risk					
Forward exchange contracts	1,822	6	8	Other financial assets Other financial liabilities	(82)
Interest rate and currency risks					
Interest rate currency swaps	12,383	–	79	Other financial liabilities	(29)
Hedges of net investments					
Currency risk					
Borrowings denominated in foreign currencies	101,300	–	101,300	Bonds and borrowings	725

FYE2026 (March 31, 2026)

(Millions of yen)

	Contract amounts, etc.	Carrying amount		Items on the consolidated statement of financial position	Changes in fair value used to calculate ineffective portion of hedges for the fiscal year
		Assets	Liabilities		
Cash flow hedges					
Price risk					
Commodity swaps	6,889	1,568	–	Other financial assets	1,351
Currency risk					
Forward exchange contracts	2,670	113	4	Other financial assets Other financial liabilities	110
Interest rate and currency risks					
Interest rate currency swaps	36,026	1,877	1,107	Other financial assets Other financial liabilities	849
Hedges of net investments					
Currency risk					
Borrowings denominated in foreign currencies	114,631	–	114,631	Bonds and borrowings	(13,331)

Amounts related to items designated as hedged items are as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)			FYE2026 (March 31, 2026)		
	Changes in fair value used to calculate ineffective portion of hedges for the fiscal year	Cash flow hedge reserves	Foreign currency translation reserve	Changes in fair value used to calculate ineffective portion of hedges for the fiscal year	Cash flow hedge reserves	Foreign currency translation reserve
Cash flow hedges						
Price risk						
Planned purchase	257	148	–	(1,351)	1,090	–
Currency risk						
Planned purchase	82	(30)	–	(110)	16	–
Interest rate and currency risks						
Borrowings denominated in foreign currencies and interests on borrowings	29	(187)	–	(849)	(557)	–
Hedges of net investments						
Currency risk						
Effect of exchange rate changes on net investments	(725)	–	(25,643)	13,331	–	(38,975)

Details of cash flow hedges are as follows:

FYE2025 (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Changes in fair value of hedging instruments recognized in other comprehensive income	Ineffective portion of hedges recognized in profit or loss	Items on the consolidated statement of profit or loss that include ineffective portion of gain or loss on hedges	Reclassification adjustments from cash flow hedge reserves to profit or loss	Items on the consolidated statement of profit or loss that include gain or loss due to reclassification adjustments
Cash flow hedges					
Price risk					
Commodity swaps	(257)	–	–	(626)	Finance costs
Currency risk					
Forward exchange contracts	(82)	–	–	(72)	Finance costs
Interest rate and currency risks					
Interest rate currency swaps	(29)	–	–	–	–
Hedges of net investments					
Currency risk					
Borrowings denominated in foreign currencies	725	–	–	–	–

FYE2026 (From April 1, 2025 to March 31, 2026)

(Millions of yen)

	Changes in fair value of hedging instruments recognized in other comprehensive income	Ineffective portion of hedges recognized in profit or loss	Items on the consolidated statement of profit or loss that include ineffective portion of gain or loss on hedges	Reclassification adjustments from cash flow hedge reserves to profit or loss	Items on the consolidated statement of profit or loss that include gain or loss due to reclassification adjustments
Cash flow hedges					
Price risk					
Commodity swaps	1,351	–	–	408	Cost of sales
Currency risk					
Forward exchange contracts	110	–	–	(77)	Finance costs
Interest rate and currency risks					
Interest rate currency swaps	849	–	–	–	–
Hedges of net investments					
Currency risk					
Borrowings denominated in foreign currencies	(13,331)	–	–	–	–

2) Derivative transactions for which hedge accounting is not applied

Amounts related to items not designated as hedging instruments are as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)			FYE2026 (March 31, 2026)		
	Contract amounts, etc.	More than one year	Fair value	Contract amounts, etc.	More than one year	Fair value
Forward exchange contracts	3,236	–	2	13,413	121	0
Interest rate swaps	190	–	2	–	–	–
Currency swaps	236	–	(0)	642	573	(0)

34. Subsidiaries

Status of major subsidiaries as of March 31, 2026, are as described in Section 4 titled "Status of Subsidiaries and Associates" in Item 1 "Overview of the Group" in the annual securities report.

For FYE2026 or FYE2025, there were no subsidiaries with individually material non-controlling interests.

35. Related Parties

Remuneration for major executives

Remuneration for the NSHD Group's major executives is as follows:

(Millions of yen)

	FYE2025 (From April 1, 2024 to March 31, 2025)	FYE2026 (From April 1, 2025 to March 31, 2026)
Remuneration and bonuses	330	333
Total	330	333

36. Commitments

Commitments on acquisition of property, plant and equipment and intangible assets are as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Acquisition of property, plant and equipment and intangible assets	17,517	17,372

37. Contingent Liabilities

Guaranteed obligations

Guarantees and quasi-guarantees for borrowings from financial institutions are as follows:

(Millions of yen)

	FYE2025 (March 31, 2025)	FYE2026 (March 31, 2026)
Joint ventures	95	136
Associates	583	495
Other (Note)	593	503
Total	1,271	1,135

Note: It mainly consists of guarantees for employees' bank loans based on the employees' house ownership support system.

38. Subsequent Events

(Transfer of significant assets)

At a meeting of the Board of Directors held on April 27, 2026, the Company resolved to transfer fixed assets it owns. The Company signed the real estate sales contract on April 28, 2026 and transferred the said fixed asset on May 28, 2026.

(1) Reason for the transfer

As announced in the September 24, 2025 news release "Head Office Relocation to the World Trade Center Building Main Tower," the Company plans to relocate its head office to the World Trade Center Building Main Tower, which is currently undergoing a reconstruction project. Accordingly, it has decided to transfer the following fixed assets it owns.

Until the relocation is completed, the building will continue to be used as the Company's head office.

(2) Details of the assets to be transferred

Location	3-26, Koyama 1-chome, Shinagawa-ku, Tokyo
Details	Land: 5,150.95 m^2
Current use	The Company headquarters
Gain on transfer (Note)	¥12,421 million

Note: The transfer price and the carrying amount have not been disclosed pursuant to an agreement with the transferee. Gain on transfer is an approximate amount calculated by deducting the carrying amount and expenses related to the transfer from the transfer price.

The Company also plans to record an impairment loss of ¥1,865 million (estimate) on the head office building due to the relocation of the head office.

(3) Overview of the transferee

The transferee has not been disclosed pursuant to an agreement with the transferee. There are no matters requiring disclosure regarding capital relationships, personnel relationships, business transactions, or related party relationships between the NSHD Group and the transferee.

(4) Timing of transfer

1) Board of Directors resolution: April 27, 2026
2) Closure of the contract: April 28, 2026
3) Transfer (handover): May 28, 2026
4) Headquarters relocation: December 2027 (scheduled)

(2) Other

Semi-annual information for FYE2026 (From April 1, 2025 to March 31, 2026)

	First half of FYE2026	FYE2026
Revenue (Millions of yen)	650,829	1,359,611
Profit before income taxes (Millions of yen)	83,261	176,786
Profit attributable to owners of parent (Millions of yen)	57,426	123,891
Basic earnings per share (Yen)	132.67	286.22

English Translation

Independent Auditor's Report

June 15, 2026

The Board of Directors
Nippon Sanso Holdings Corporation

Ernst & Young ShinNihon LLC
Tokyo, Japan

Motoaki Ikeuchi
Designated Engagement Partner
Certified Public Accountant

Takao Yamamoto
Designated Engagement Partner
Certified Public Accountant

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Nippon Sanso Holdings Corporation(the Company) and its subsidiaries (collectively, the Group), which comprise the consolidated statement of financial position as at March 31, 2026, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

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, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

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, including those applicable to audits of financial statements of public interest entities, 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 the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill recorded at Nippon Gases Euro-Holding S.L.U.	
Description of Key Audit Matter	**Auditor’s Response**
The Company recorded goodwill of ¥684,970 million in its consolidated statement of financial position as of March 31, 2026. Of this amount, goodwill attributable to Nippon Gases Euro-Holding S.L.U., a consolidated subsidiary in Europe (renamed Nippon Sanso Euro-Holding S.L.U. effective April 1, 2026), amounted to ¥461,477 million, representing approximately 16.7% of the Company’s total assets. The assumptions used in impairment tests of goodwill are disclosed in Note 11 to the consolidated financial statements. In the impairment test, the Company measures the recoverable amount of the cash-generating unit including goodwill based on value in use. The value in use is measured using discounted future cash flows. The future cash flows are based on the five-year projections reflecting the business plan approved by management. The cash flows after the fifth year are estimated using a long-term growth rate (the “LTGR”) incorporating future uncertainties. The Company uses the discount rate that reflects current market assessments of the time value of money and risks specific to the asset. The significant assumptions in estimating the value in use are the growth rate used for future cash flows for the five-year period, the LTGR and the discount rate. The process of measuring value in use for the impairment test of goodwill is complex and the estimation of the growth rate used for future cash flows for the five-year period, the LTGR and the discount rate, which could significantly affect its measurement, involve uncertainty due to changes in economic conditions whilst the determination of these assumptions requires management’s judgment. Further, as the audit of the goodwill impairment test required us to apply professional judgment, we determined that the matter to be a key audit matter.	In assessing impairment test of goodwill, we involved the component auditor and performed audit procedures that included, among others, the following: -Valuation methodology ・ With the involvement of valuation specialists of our network firm, we assessed the consistency of the valuation methodology with valuation methodologies that are generally accepted in practice and that are used in similar circumstances. - The future cash flows based on the five-year projections ・ We assessed the future cash flows for the five-year period by evaluating consistency with the business plan approved by management. ・ With the involvement of valuation specialists of our network firm, we compared the growth rate for the five-year period with the forecasts of peer group similar by analysts. ・ In order to evaluate the effectiveness of management’s projection process, we compared the actual results with the estimated future cash flows the Company used in its impairment test of goodwill in prior year. - LTGR after the fifth year and discount rate ・ With the involvement of valuation specialists of our network firm, we independently calculated the LTGR and the discount rate and compared the results of our own calculations with those of management. ・ With the involvement of valuation specialists of our network firm, we performed sensitivity analyses for the LTGR and the discount rate and verified that the value in use wouldn’t be less than its carrying value even when taking certain risks into account.

Accounting for the business combination related to the acquisition of the industrial gas business by the Australian subsidiaries	
Description of Key Audit Matter	**Auditor’s Response**
As described in Note 5 to the consolidated financial statements, NSC (Australia) Pty Ltd and one of its subsidiaries, both consolidated subsidiaries of the Company, acquired the industrial gas business in Australia and New Zealand on July 1, 2025. The purchase consideration was ¥71,521 million, and the Company used external valuation specialists to recognize and measure the identifiable assets acquired and liabilities assumed. As a result, the Company recognized intangible assets of ¥13,524 million and goodwill of ¥27,485 million. As described in Note 3 (2) to the consolidated financial statements, identifiable assets acquired and liabilities assumed in a business combination are measured at the acquisition date fair value. In addition, goodwill is measured as the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests over the net fair value of the identifiable assets acquired and liabilities assumed. The identified intangible assets primarily comprise customer-related intangible assets. The customer-related intangible assets were measured using the income approach (excess earnings method), and the significant assumptions used in the measurement included the EBITDA margin, the attrition rate of existing customers and the discount rate. These measurements involve significant judgment and estimation by management, and the valuation methodology is complex. Therefore, we determined that the accounting for the business combination of the consolidated subsidiaries to be a key audit matter.	In considering the accounting for the business combination, we involved the component auditor and performed audit procedures that included, among others, the following: ・We inquired of management and inspected relevant documents, including materials submitted to board of directors and agreements, to obtain an understanding of the transaction relating to the acquisition of the business. ・We evaluated the competence, capabilities and objectivity of the external valuation specialists engaged by management. In addition, with the involvement of valuation specialists of our network firm, we assessed the valuation methodology for the customer-related intangible assets and evaluated the significant assumptions used in estimating future cash flows. ・With respect to the EBITDA margin, through discussions with management, we obtained an understanding of the assumptions adopted by management regarding future margin growth based on historical results. We also assessed whether the growth rate was consistent with historical performance and the business environment surrounding the acquired business. ・With respect to the attrition rate of existing customers, we obtained an understanding of the qualitative factors supporting the assumption, such as the customer composition of the acquired business and the continuity of trading relationships. We also performed an independent benchmark analysis of the attrition rate using comparable businesses and external data and compared the results with the assumptions adopted by management.

	・With respect to the discount rate, we evaluated its reasonableness by considering whether the level of the cost of capital used in the valuation and its components were consistent with general benchmarks.

Other Information

The other information comprises the information included in the annual report (Yukashoken Hokokusho) that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Audit & Supervisory Board are responsible for overseeing the Group’s reporting process of 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, the Corporate Auditor and the Audit & Supervisory Board for the Consolidated Financial Statements

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

The Corporate Auditor and the Audit & Supervisory Board are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an 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.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing 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 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 in accordance with IFRS Accounting Standards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to 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 to reduce threats to an acceptable level.

From the matters communicated with the Corporate Auditor and the Audit & Supervisory Board, 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

The fees for the audits of the financial statements of the Group and other services provided by us and other EY member firms for the year ended March 31, 2026 are presented in paragraph (3) titled “Audit” in Section 4 “Corporate Governance” included in Item 4 “Information about Reporting Company” in Part 1 of the annual securities report for the year ended March 31, 2025 of the Group.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners 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.

Notes to the Reader of Independent Auditor's Report:

Other information described in the Independent Auditor's Report and information referenced above in fee-related information relate to the Japanese annual securities report and the Independent Auditor's Report therein, and thus solely represent the English translation of the original Independent Auditor's Report in accordance with the Financial Instruments and Exchange Act of Japan.

NIPPON SANSO

1-3-26 Koyama, Shinagawa-ku, Tokyo 142-0062, Japan

Tel: +81-3-5788-8512

https://jp.nipponsanso.com/en/