November 5, 2021

Consolidated Financial Results for the Six Months Ended September 30, 2021 <under Japanese GAAP>

Name of the Listed Company:	**Mitsuuroko Group Holdings Co., Ltd.**
Listing:	Tokyo Stock Exchange
Securities Code:	8131
URL:	https://www.mitsuuroko.com/
Representative:	Kohei Tajima, President, Representative Director and Group CEO
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Scheduled date to file quarterly securities report:	November 9, 2021
Scheduled date to commence dividend payments:	–
Preparation of supplementary material on quarterly financial results:	None
Holding of quarterly financial results briefing:	None

(Millions of yen with fractional amounts rounded down)

1. Consolidated financial results for the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2021	101,037	6.8	1,130	(67.1)	2,330	(46.7)	1,611	(42.9)
September 30, 2020	94,573	(17.6)	3,434	42.8	4,370	47.0	2,821	58.8

Note: Comprehensive income For the six months ended September 30, 2021: ¥5,898 million [10.0%]
For the six months ended September 30, 2020: ¥5,363 million [–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2021	26.31	–
September 30, 2020	45.57	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2021	151,624	98,882	65.0	1,609.29
March 31, 2021	145,189	93,289	64.0	1,517.47

Reference: Equity
As of September 30, 2021: ¥98,529 million As of March 31, 2021: ¥92,907 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	–	–	–	23.00	23.00
Fiscal year ending March 31, 2022	–	–			
Fiscal year ending March 31, 2022 (Forecast)			–	25.00	25.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2022	220,000	(2.9)	5,300	1.3	6,300	4.9	3,700	9.8	60.43

Note: Revisions to the earnings forecasts most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
b. Changes in accounting policies due to other reasons: None
c. Changes in accounting estimates: None
d. Restatement: None

Note: For more details, please refer to the section of "(4) Notes to quarterly consolidated financial statements, Changes in accounting policy" of "2. Quarterly consolidated financial statements and significant notes" on page 15 of the attached material.

(4) Number of shares issued (common shares)

a. Total number of shares issued at the end of the period (including treasury shares)

As of September 30, 2021	62,332,388 shares
As of March 31, 2021	62,332,388 shares

b. Number of treasury shares at the end of the period

As of September 30, 2021	1,107,080 shares
As of March 31, 2021	1,106,913 shares

c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2021	61,225,375 shares
Six months ended September 30, 2020	61,916,734 shares

Note: The number of treasury shares at the end of the period includes the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) (267,900 shares as of March 31, 2021, 267,900 shares as of September 30, 2021). Also, the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) are included in treasury shares that are deducted for calculation of the average number of shares outstanding during the period (267,900 shares for six months ended September 30, 2020, 267,900 shares for six months ended September 30, 2021).

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Cautions on forward-looking statements, etc.)

The forward-looking statements contained in this material, including earnings forecasts, are based on information currently available to the Company and on certain assumptions deemed to be reasonable. However, the Company makes no guarantee that these forecasts will be achieved. Actual business and other results may differ substantially due to various factors. Please refer to "(4) Explanation regarding consolidated earnings forecasts and other forward-looking statements" in "1. Qualitative information regarding financial results for the period" on page 8 of the attached material for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

Attached Material

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1. Qualitative information regarding financial results for the period

(1) Explanation regarding operating results

During the six months ended September 30, 2021, with the worldwide spread of the novel coronavirus (COVID-19), the Japanese economy remained in a severe situation primarily due to stagnant economic activity and weak consumer spending. Despite a recent rise in expectations for a recovery due to the rollout of the COVID-19 vaccines, the extension of states of emergency declarations have dampened the recovery in economic and social activities and the severe situation persists.

Progress has been made in integrated reforms in the electricity, gas and heat supply fields with the trends for decarbonization, decentralization, digitalization since the liberalization of electricity and gas. The Group's business environment has been challenged by the introduction of innovative technologies such as AI and IoT and vigorous competition between business operators with the creation of a comprehensive energy market that crosses the boundaries of the energy market. Consumer convenience is being improved with greater freedom in the choice of energy and reductions in tariffs to the maximum extent possible through innovations such as the integration of different services.

Meanwhile, decarbonization and stronger initiatives to reduce CO_2 have been called for on a global scale, with declarations to achieve carbon neutral by 2050, and increased demand to strengthen the infrastructure for stable energy supply associated with the increase in frequency and intensity of natural disasters. Furthermore, there have been large and dramatic changes in the structural environment for the energy business such as changes in the international demand and supply structure, changes in demand associated with the aging society and declining population as well as lifestyle changes associated with COVID-19. Responses need to adapt to the diverse changes in the environment in Japan and overseas. Consequently, energy business operators need to make further progress from the perspective of being environmentally-friendly, ensuring stable supply and economic efficiencies. This includes reducing carbon emissions and decarbonization for a sustainable society, strengthening resilience for a safe and secure society, and strengthening the business foundation for ongoing stable supply and business continuity.

Under such circumstances, the Company's wholly-owned subsidiary, TRIFORCE INVESTMENTS PTE. LTD., entered into an agreement with SingPost Investments Pte. Ltd., a subsidiary of Singapore Post Limited, to acquire a 100% stake in General Storage Company Pte. Ltd. ("GSC") in September 2021 enabling the Company to enter the self-storage industry in Asia. With the acquisition of GSC, the Group aims to offer self-storage, warehousing facilities and serviced offices with unique value add to the local communities and businesses in the Asia Pacific region, and expand our market share in Asia.

In Japan, the Company's wholly-owned subsidiary Mitsuuroko Beverage Co., Ltd. acquired 100% of the shares of Shizuoka JA Foods Co., Ltd. (becoming a subsidiary) in November 2021. We acquired production capacity for soft drinks through this transaction, and entered the soft drink market, which boasts a market size of approximately ¥3.8 trillion, from the mineral water market, which is said to have a market size of approximately ¥300 billion, and are aiming for further business expansion in new business areas.

In addition, based on our solid business foundation, and as an entity responsible for stable supply in regions, we aim to continue using the Group's comprehensive power, which is embedded in regions, to maintain and improve supply infrastructure to ensure supply is also available during emergencies, while implementing various initiatives that align with the diversification of customer needs and preferences.

In term of environmental initiatives, the entire Mitsuuroko Group is promoting ESG initiatives to achieve a sustainable society through reductions in CO_2, promoting renewable energy and reducing fuel consumption. For customers who are focused on reducing CO_2 as environmental awareness increases, we not only address CO_2 emissions but offer environmentally-friendly electricity plans that stipulate the use of renewable energy. We utilize monitoring information obtained by remote automatic meter readings through LPWA communications, and provide a delivery operation streamlining solution that proposes the optimal delivery plans. We have also introduced initiatives to promote health management to maintain a safe and secure work environment for employees.

The Company is striving to build an energy supply chain that is sustainable under any changes in conditions irrespective of normal times or emergencies and enhance our safe and secure services that are closely related to regions, and we will continue to provide customers with new value.

To improve operational efficiency of the entire Group, we have been proactively using RPA (Robotic Process Automation) and AI-OCR under the DX (digital transformation) concept at the Mitsuuroko Administration Center, the Group's shared center. We are also implementing initiatives to reduce indirect operating costs based on the digitalization of operations. In particular, in the order management operations of the Energy Solutions Business, we have continuously promoted automation of operations with RPA while shortening the duration of operating processes, digitizing books, and integrating forms since 2014, when we were first commissioned for such operations. By last fiscal year, 90% of entry operations had been automated, increasing the data processed per person 2.9-fold and cutting unit costs by 66%.

We are currently focused on the active use of AI-OCR able to read and convert printed text on paper and in images to digital data to expand the scope of RPA utilization. All operations in order management operations can be completed without producing a single piece of paper, so the transition to remote work for the shared center, which is generally said to be difficult, has been comparatively smooth. Even now, the proportion of employees attending the office remains below 40%. The Mitsuuroko Administration Center will continue to promote the use of operational efficiency tools with cutting-edge technologies and contribute to improving the Group's productivity.

Furthermore, leading the industry in May 2017, we announced SmartOWL, an LPG operation streamlining solution, utilizing AI and IoT through a collaboration with NEC Corporation and KYOCERA Communication Systems Co., Ltd. As part of this initiative, in April 2019, we commenced a service to remotely read and provide LPG meters to LPG sales business operators nationwide. This has been followed in October 2021 with the start of commercial use of the "SmartOWL delivery operation streamlining solution" that effectively uses daily measurements and commenced an initiative to solve the issues of all LPG business operators that are acquiring daily measurements with LPWA, etc. Mitsuuroko Creative Solutions Co., Ltd. has obtained the patent for this solution. In demonstration experiments spanning a year, the LPG Delivery Planning System demonstrated a 29.1% drop in the number of deliveries and a 30.9% drop in the operational time for deliveries. Many business operators have expressed their reactions and hopes, so we anticipate usage to expand.

In the six months ended September 30, 2021, net sales increased 6.8% year-on-year to ¥101,037 million, operating profit decreased 67.1% year-on-year to ¥1,130 million, ordinary profit decreased 46.7% year-on-year to ¥2,330 million, and profit attributable to owners of parent decreased 42.9% to ¥1,611 million, primarily due to the rise in the price of fuel in the Energy Solutions Business and the rise in the procurement cost for electricity in the Power & Electricity Business. Fixed costs (including personnel expenses, depreciation, rent) incurred during the period of temporary closure of stores in the Foods Business due to various requests from the government and local government bodies to deal with COVID-19, were recorded as loss on COVID-19 as ¥7 million in extraordinary losses in the six months ended September 30, 2021 (in the same period in the previous fiscal year a figure of ¥188 million was recorded for stores in the Foods Business and facilities in the Living & Wellness Business).

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and accordingly, net sales for the six months ended September 30, 2021 decreased by ¥4,789 million, and operating profit, ordinary profit and profit before income taxes each decreased by ¥196 million. Please refer to "2. Quarterly consolidated financial statements and significant notes, (4) Notes to quarterly consolidated financial statements, Changes in accounting policies" for details.

Operating results by segment are as follows.

Energy Solutions Business

In the LPG business, demand for commercial and industrial use, which was impacted by the COVID-19 pandemic in the prior fiscal year, is on a recovery trend, and the retail sales volume of LPG for commercial and industrial use was 105.8% of the prior year's level. In addition, although the Company is actively engaged in new customer acquisition activity, the retail sales volume of LPG for the period from April to September 2021 was 99.8% of the prior year's level due to a decrease in household volume caused by the easing of last year's stay-at-home demand.

In the petroleum business, gasoline sales volume was 95.9% of that for the same period of the previous fiscal year due to people refraining from going out as a result of the government's intermittent declarations of a state of emergency and the drop in demand caused by the sharp rise in crude oil prices. However, diesel fuel sales volume was 107.7% of that for the same period of the previous fiscal year due to the increase in logistics demand accompanying the recovery of economic activities. We will continue to take all possible measures to prevent the spread of COVID-19 and continue our infrastructure business without interruption.

In residential equipment sales, we refrained from face-to-face sales activities during the last fiscal year due to efforts to prevent the spread of COVID-19, but we resumed those sales activities this fiscal year while taking sufficient measures to prevent infection, and net sales for the period from July to September 2021 were steady at 103.9% of the prior year's level.

However, as described in "Changes in accounting policies," the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of operating segments, and as a result, compared with the previous method, net sales and operating profit of the Energy Solutions Business for the first six months of the current fiscal year decreased by ¥617 million and ¥128 million, respectively.

As a result of the above factors and the impact of higher fuel prices, net sales increased 23.1% year on year to ¥55,300 million, while operating profit decreased 79.8% year on year to ¥178 million.

Power & Electricity Business

In the retail electric power business, although COVID-19 had a negative impact on electricity demand, the number of customers who chose "Mitsuuroko electricity" increased due to their desire to cut costs under the impact of the overall stagnation in economic activity. As a result, the number of electricity contracts increased despite a decrease in the unit price of electricity.

However, as described in "Changes in accounting policies," the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of operating segments, and as a result, compared with the previous method, net sales and operating profit in the Power & Electricity Business for the first six months of the current fiscal year decreased by ¥4,105 million and ¥67 million, respectively. In light of the application of the said standards, the amounts of the renewable energy special measures act levy under Article 36, paragraph (1) and the renewable energy special measures act grant under Article 28, paragraph (1) of the "Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities" (Act No. 108 of 2011), which were recorded in operating revenues until the previous consolidated fiscal year, are excluded from operating revenue. As a result, net sales decreased 9.8% year on year to ¥37,477 million. In addition, operating profit decreased 55.6% year on year to ¥1,216 million as a result of a rise in electricity procurement prices compared to the prior fiscal year.

With the increasing gravity of the impact of climate change, CO_2 reduction has become a major issue. We have been selected as a retail electricity provider for the "Let's Use Natural Electricity" campaign, which targets households and individual businesses that want to use "electricity derived from nature" such as solar and wind power and is aimed at consumers living in the five prefectures and cities of Tokyo, Kanagawa, Yokohama, Kawasaki, and Sagamihara. In addition, from March 2021, we have expanded the service area of the "EV Green Plan (100% renewable energy)," a rate plan for customers who use or purchase electric vehicles (EVs), to the entire country except for Okinawa and some remote islands. Since July 2021, in order to balance the supply and demand of electricity by decreasing or increasing the consumption of electricity, we have started offering "Demand Response Service," a system that allows consumers to change their electricity consumption patterns in response to electricity pricing or incentive payments in order to curb the use of electricity during times of high wholesale market prices or low grid reliability, starting with special high voltage and high voltage customers. We will contribute to the stability of electricity and economical use of energy through power saving, peak shifting, and energy efficiency and conservation, and expand the introduction of renewable energy toward a decarbonized society.

In the future, we will continue to expand the number of eligible customers and secure coordination power by utilizing storage batteries, EVs, and other resources to deliver electricity to as many customers as possible as "A Lifestyle Producer" and provide services that are useful to society and customers' lifestyles.

Foods Business

In the beverage business, sales of label-less 550ml PET, an environmentally friendly product, continued to be strong in the first quarter, driving sales for Mitsuuroko Beverage Co., Ltd. The overall shipment volume was 106% of the prior fiscal year's level, reflecting steady growth due to the recovery trend in orders from consumer households. In addition, on November 1, 2021, the Company acquired all shares of Shizuoka JA Foods Co., Ltd. This transaction integrates the high level of contract manufacturing capacity of Shizuoka JA Foods with the logistics network, production capacity, and sales force of Mitsuuroko Beverage and is expected to generate significant synergies. With the acquisition of soft drink production capacity, Mitsuuroko Beverage has entered the soft drink market, which boasts a market size of approximately ¥3.8 trillion, from a company that only operates in the mineral water market, which is said to have a market size of approximately ¥300 billion. The Company plans to further expand the scale of its business. In addition, since "Quality First" is the common philosophy of both companies, we will continue to study and improve the quality of our products as a company that delivers safety and security.

In the bakery and café business, Sweet Style Co., Ltd. has continued to strengthen its countermeasures against the spread of COVID-19. In terms of products, as part of our ESG activities, the Company has started selling its "*Kodawari shokupan*/*shokuji pan*" made from wheat (Yumeshihou) grown by students at an agricultural high school and milled in a stone mill plant. In addition, the Company's standard melon bread, which is often featured in the mass media, has been well received, increasing its name recognition and driving sales. In addition, we are focusing on the development of new types of products and store planning and development, such as the development of new stores based on the concept of "health-friendly products" and "environmentally friendly products (attention to quality and reduction of transportation energy)" using domestic wheat, in order to strengthen our sales capabilities.

Hamburger restaurant chain Carl's Jr. Japan Inc. experienced some stagnation in the number of customers visiting existing stores due to the impact of the spread of COVID-19. However, newly introduced food trucks (scheduled for November: at locations including Roppongi Hills Arena) will greatly contribute to increasing our name recognition and attracting new customers. By participating in these events, we will be able to provide more customers with the opportunity to enjoy our hearty California-style hamburgers.

While the impacts of COVID-19 have not abated, Mitsuuroko Provisions Co., Ltd. by continuing to implement thorough countermeasures against the spread of COVID-19 is striving to strengthen its business base by attracting more customers and increasing the rate of repeat business, steadily promoting its local community-based stores with "safety and security" and developing the business with a strong awareness of the "customer's perspective."

For the Foods Business as a whole, net sales increased 6.8% year on year to ¥6,219 million and operating profit was ¥53 million (compared to an operating loss of ¥28 million in the same period of the previous fiscal year) due to strong performance in the drinking water business as a result of expanded sales channels.

Living & Wellness Business

In accordance with emergency declaration policy, the SPA EAS and Hamabowl in the wellness business had been reducing business hours and refraining from serving alcoholic beverages. However, that policy has been gradually relaxed since late October 2021. After the declaration of the state of emergency was lifted in March of the same year, the number of visitors tended to recover. However, the number of people infected with COVID-19 surged nationwide from the beginning of August, and when the number of newly infected people in Kanagawa Prefecture reached a national record, the number of visitors was temporarily affected. At present, we are preparing to improve profits by focusing on attracting customers in the neighboring areas through corporate contracts with adjacent condominiums and expansion of coworking spaces while enhancing bathroom facilities for women, and considering the introduction of dynamic pricing (a pricing strategy whereby prices of goods and services fluctuate according to supply and demand conditions).

We will continue to use the video of the sterilizing, antibacterial, and antiviral glass coating (Dr. HardoLass, SIAA certified) applied throughout the SPA EAS and Hamabowl building as a countermeasure against COVID-19, as well as the SPA EAS “Onsen IoT” (facility congestion visualization service) to ensure that customers can use the facilities safely and avoid congestion and overcrowding. We will continue to improve the value of our facilities and attract more customers by developing new measures that reflect the needs of the times.

In the real estate business, we have improved profitability by increasing rental revenues and reducing rental expenses through changes in the leasing method and reduction of property management fees and building management fees. In addition, we will proactively pursue the acquisition of new properties and the sale of older properties in order to replace the assets we own with the aim of optimizing our portfolio. As part of this effort, on October 29, 2021, the Company invested in “BlancCiel NISHIJIN,” a rental condominium under the brand of ANA FACILITIES CO., LTD. which was completed on the same day. The Company will lease the property to ANA FACILITIES CO., LTD. and at the same time entrust property management services to that company, which will operate the property under the BlancCiel brand. We will create new value for our customers by combining the asset management expertise that the Company has cultivated in the real estate business as part of its Living & Wellness Business with the property management expertise and brand power of ANA FACILITIES CO., LTD.

Although the number of visitors to the Hamabowl EAS Building has been decreasing mainly among food and beverage tenants due to the impact of the declaration of a state of emergency in August 2021, following the implementation of the semi-state of emergency coronavirus measures from April 2021, stores in lifestyle-related facilities and sports facilities are steadily attracting customers. After the declaration of the state of emergency is lifted, the Company will conduct sales promotion activities while closely monitoring the infection situation to ensure recovery.

As described in “Changes in accounting policies,” the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of operating segments, and as a result, compared with the previous method, net sales and cost of sales in the Living & Wellness Business for the first six months of the current fiscal year each decreased by ¥66 million.

For the Living & Wellness Business as a whole, net sales increased 0.7% year on year to ¥1,066 million, but operating profit decreased 22.2% year on year to ¥178 million due to the impact of such factors as shortened business hours.

Others

In the information system development and sales business, we expanded sales of the COSMOS Series, an LPG sales management system designed to further improve reliability and customer engagement in the age of energy liberalization. However, due to a decrease in transaction volume in the leasing business and other factors, net sales decreased 21.1% year on year to ¥973 million, with an operating loss of ¥3 million (compared to an operating profit of ¥35 million in the same period of the previous fiscal year).

(2) Explanation regarding financial position

Assets

Total assets as of September 30, 2021 increased by ¥6,434 million compared to the end of the previous fiscal year, to ¥151,624 million. This was mainly due to an increase of ¥1,715 million in notes and accounts receivable - trade, and contract assets, a decrease of ¥670 million in merchandise and finished goods, a decrease of ¥446 million in other current assets, and an increase of ¥6,471 million in investment securities.

Liabilities

Total liabilities increased by ¥841 million compared to the end of the previous fiscal year, to ¥52,741 million. This was mainly due to a decrease in notes and accounts payable-trade of ¥1,454 million, an increase in short-term borrowings of ¥1,095 million, an increase in other current liabilities of ¥980 million, a decrease in long-term borrowings of ¥2,078 million, and an increase in deferred tax liabilities of ¥1,877 million.

Net assets

Net assets increased by ¥5,592 million compared to the end of the previous fiscal year, to ¥98,882 million. This was mainly due to an increase in retained earnings of ¥1,315 million and an increase in valuation difference on available-for-sale securities of ¥4,291 million.

As a result, the equity-to-asset ratio increased by 1.0 percentage point from the end of the previous fiscal year to 65.0%.

(3) Explanation regarding cash flows

The status of cash flows for the first six months of the current fiscal year and the factors behind them are as follows.

Cash flows from operating activities

Net cash provided by operating activities was ¥3,624 million, a decrease of 30.0% from the same period of the previous fiscal year. This was mainly due to profit before income taxes of ¥2,268 million, depreciation of ¥1,325 million, an increase in trade receivables of ¥1,715 million, a decrease in trade payables of ¥1,454 million, and income taxes paid of ¥1,596 million.

Cash flows from investing activities

Net cash used in investing activities was ¥1,441 million, a decrease of 27.0% from the same period of the previous fiscal year. This was mainly due to expenditures of ¥736 million for the purchase of property, plant and equipment, ¥471 million for the purchase of intangible assets, and ¥210 million for the purchase of investment securities.

Cash flows from financing activities

Net cash used in financing activities was ¥2,492 million, a decrease of 30.5% from the same period of the previous fiscal year. This was mainly due to the repayments of long-term borrowings of ¥983 million and dividends paid of ¥1,409 million.

As a result of the above, the balance of cash and cash equivalents as of September 30, 2021 decreased by ¥348 million compared to the end of the previous fiscal year, to ¥24,949 million.

(4) Explanation regarding consolidated earnings forecasts and other forward-looking statements

We have not revised the financial results forecast announced at the time of the financial results announcement on May 7, 2021, due to some uncertain factors arising from future trends in fuel prices and temperatures.

With regard to the impact of the spread of COVID-19, we expect that although the Living & Wellness Business and the Foods Business will be affected to a certain extent, the impact on the Group as a whole will be limited and is not expected to have a significant impact on our business performance, cash flow, or financial position.

2. Quarterly consolidated financial statements and significant notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	25,480	25,119
Notes and accounts receivable - trade	17,504	–
Notes and accounts receivable - trade, and contract assets	–	19,220
Merchandise and finished goods	4,936	4,265
Raw materials and supplies	400	388
Other	7,588	7,141
Allowance for doubtful accounts	(72)	(88)
Total current assets	55,837	56,046
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,218	10,134
Machinery, equipment and vehicles, net	4,132	3,857
Land	13,515	13,505
Construction in progress	14	189
Other, net	1,587	1,669
Total property, plant and equipment	29,468	29,357
Intangible assets		
Goodwill	1,141	1,026
Other	660	851
Total intangible assets	1,801	1,877
Investments and other assets		
Investment securities	48,506	54,978
Deferred tax assets	1,623	1,795
Other	8,177	7,788
Allowance for doubtful accounts	(226)	(219)
Total investments and other assets	58,082	64,342
Total non-current assets	89,352	95,577
Total assets	145,189	151,624

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,540	16,085
Short-term borrowings	4,207	5,302
Income taxes payable	947	1,055
Provisions	831	1,049
Other	4,695	5,676
Total current liabilities	28,221	29,170
Non-current liabilities		
Long-term borrowings	5,827	3,749
Deferred tax liabilities	9,344	11,221
Provisions	439	442
Retirement benefit liability	2,078	2,099
Asset retirement obligations	1,212	1,259
Other	4,774	4,798
Total non-current liabilities	23,678	23,571
Total liabilities	51,900	52,741
Net assets		
Shareholders’ equity		
Share capital	7,077	7,077
Capital surplus	2,275	2,268
Retained earnings	66,471	67,786
Treasury shares	(1,160)	(1,160)
Total shareholders’ equity	74,664	75,973
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,481	22,772
Deferred gains or losses on hedges	(201)	(185)
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans	(36)	(30)
Total accumulated other comprehensive income	18,243	22,556
Non-controlling interests	382	353
Total net assets	93,289	98,882
Total liabilities and net assets	145,189	151,624

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	94,573	101,037
Cost of sales	78,143	86,223
Gross profit	16,430	14,813
Selling, general and administrative expenses	12,996	13,683
Operating profit	3,434	1,130
Non-operating income		
Interest income	14	11
Dividend income	531	891
Share of profit of entities accounted for using equity method	216	228
Compensation income	76	40
Gain on derivatives trading	169	–
Other	146	303
Total non-operating income	1,154	1,475
Non-operating expenses		
Interest expenses	106	75
Commission expenses	82	98
Loss on derivatives trading	–	36
Other	30	65
Total non-operating expenses	219	275
Ordinary profit	4,370	2,330
Extraordinary income		
Gain on sale of non-current assets	2	3
Compensation for expropriation	87	–
Total extraordinary income	89	3
Extraordinary losses		
Loss on sale of non-current assets	–	0
Loss on retirement of non-current assets	135	50
Loss on sale of investment securities	1	–
Impairment losses	10	–
Loss on store closings	34	7
Loss on COVID-19	188	7
Total extraordinary losses	370	65
Profit before income taxes	4,088	2,268
Income taxes - current	1,471	1,390
Income taxes - deferred	(189)	(707)
Total income taxes	1,282	682
Profit	2,806	1,586
Loss attributable to non-controlling interests	(15)	(24)
Profit attributable to owners of parent	2,821	1,611

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	2,806	1,586
Other comprehensive income		
Valuation difference on available-for-sale securities	2,536	4,291
Deferred gains or losses on hedges	4	2
Foreign currency translation adjustment	–	(0)
Remeasurements of defined benefit plans, net of tax	5	5
Share of other comprehensive income of entities accounted for using equity method	9	13
Total other comprehensive income	2,556	4,312
Comprehensive income	5,363	5,898
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,378	5,923
Comprehensive income attributable to non-controlling interests	(15)	(24)

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	4,088	2,268
Depreciation	1,390	1,325
Loss on store closings	34	7
Amortization of goodwill	17	16
Impairment losses	10	–
Loss on COVID-19	188	7
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(4)	(6)
Increase (decrease) in provision for share awards	23	9
Increase (decrease) in allowance for doubtful accounts	(10)	9
Increase (decrease) in retirement benefit liability	13	28
Compensation for expropriation	(87)	–
Interest and dividend income	(545)	(902)
Interest expenses	106	75
Share of loss (profit) of entities accounted for using equity method	(216)	(228)
Loss (gain) on sale of investment securities	1	–
Loss (gain) on sale and retirement of non-current assets	133	47
Decrease (increase) in trade receivables	2,837	(1,715)
Decrease (increase) in investments in leases	10	184
Decrease (increase) in inventories	617	683
Increase (decrease) in trade payables	(1,791)	(1,454)
Increase (decrease) in accrued consumption taxes	(67)	125
Other, net	(54)	3,364
Subtotal	6,695	3,846
Interest and dividends received	670	1,065
Interest paid	(111)	(76)
Proceeds from compensation for expropriation	87	–
Loss on COVID-19 paid	(152)	(6)
Income taxes paid	(2,185)	(1,596)
Income taxes refund	169	392
Net cash provided by (used in) operating activities	5,174	3,624
Cash flows from investing activities		
Payments into time deposits	(42)	(42)
Proceeds from withdrawal of time deposits	48	54
Purchase of property, plant and equipment	(760)	(736)
Proceeds from sale of property, plant and equipment	6	19
Payments for retirement of property, plant and equipment	(68)	(30)
Purchase of intangible assets	(172)	(471)
Payments for asset retirement obligations	(26)	(5)
Purchase of investment securities	(977)	(210)
Proceeds from sale of investment securities	27	–
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(9)
Proceeds from collection of long-term loans receivable	4	4
Other, net	(14)	(14)
Net cash provided by (used in) investing activities	(1,974)	(1,441)

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(430)	–
Proceeds from long-term borrowings	400	–
Repayments of long-term borrowings	(1,835)	(983)
Repayments of lease obligations	(118)	(87)
Purchase of treasury shares	(166)	(0)
Dividends paid	(1,425)	(1,409)
Other, net	(11)	(11)
Net cash provided by (used in) financing activities	(3,587)	(2,492)
Effect of exchange rate change on cash and cash equivalents	(3)	(38)
Net increase (decrease) in cash and cash equivalents	(390)	(348)
Cash and cash equivalents at beginning of period	28,327	25,297
Cash and cash equivalents at end of period	27,937	24,949

(4) Notes to quarterly consolidated financial statements

Notes on premise of going concern

Not applicable.

Changes in accounting policies

Application of accounting standard for revenue recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. As a result, in the LPG Business and Power & Electricity Business, the Company has changed its method of recognizing revenue based on customer usage from the previous method of recognizing revenue based on the date of meter reading to the method of recognizing revenue based on the date of meter reading and, if the date of meter reading differs from the end of the fiscal year, recognizing revenue for the period from the date of meter reading to the end of the fiscal year using a reasonable estimate.

In addition, as the surcharge for the promotion of renewable energy generation corresponds to the amount to be collected on behalf of a third party, it was previously recorded as net sales, and the corresponding payment under the Act on Special Measures concerning Renewable Energy was recorded as cost of sales, but the said surcharge is not included in the transaction price in revenue recognition, and the corresponding payment is also deducted from the cost of sales.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year was added to or deducted from the opening balance of retained earnings of the first quarter of the fiscal year under review, and thus the new accounting policy was applied from such opening balance.

As a result, net sales decreased by ¥4,789 million and cost of sales decreased by ¥4,594 million, while selling, general and administrative expenses increased by ¥0 million. As a result, for the first six months of the current fiscal year, gross profit decreased by ¥195 million, while operating profit, ordinary profit, and profit before income taxes each decreased by ¥196 million. In addition, retained earnings as of the beginning of the current fiscal year increased by ¥1,120 million.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, "Notes and accounts receivable - trade" under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in "Notes and accounts receivable - trade, and contract assets" under current assets from the quarterly consolidated balance sheet as of the end of the first quarter of the fiscal year under review. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

Application of accounting standard for fair value measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no impact of this on the quarterly consolidated financial statements.

Notes on significant changes in the amount of shareholders' equity

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the first quarter of the current fiscal year.

For details, please refer to "(4) Notes to quarterly consolidated financial statements, Changes in accounting policies" of "2. Quarterly consolidated financial statements and significant notes."

Segment information

[Segment information]

I Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

1. Information regarding the amounts of net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjustments (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
	Energy Solutions Business	Power & Electricity Business	Foods Business	Living & Wellness Business	Subtotal				
Net sales									
Sales to external customers	44,910	41,547	5,822	1,059	93,339	1,233	94,573	–	94,573
Intersegment sales or transfers	74	90	8	5	178	84	263	(263)	–
Total	44,984	41,637	5,831	1,065	93,518	1,318	94,837	(263)	94,573
Segment profit (loss)	883	2,743	(28)	229	3,828	35	3,863	(429)	3,434

(Notes) 1. The "Others" category is a business segment that is not included in the reportable segments and includes Overseas Business, Leasing Business, Insurance Agency Business and sales of other services.

2. The segment income (loss) adjustment of ¥(429) million includes intersegment eliminations of ¥(11) million, corporate expenses of ¥(418) million that are not allocated to each reportable segment, and other adjustments of ¥0 million. Corporate expenses are mainly general and administrative expenses that do not belong to any reportable segment.

3. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statement of income.

2. Information regarding loss on impairment of non-current assets and goodwill by reportable segment

Not applicable.

II Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

1. Information regarding the amounts of net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjustments (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
	Energy Solutions Business	Power & Electricity Business	Foods Business	Living & Wellness Business	Subtotal				
Net sales									
Sales to external customers	55,300	37,477	6,219	1,066	100,064	973	101,037	–	101,037
Intersegment sales or transfers	70	93	9	6	179	90	270	(270)	–
Total	55,371	37,571	6,228	1,072	100,244	1,063	101,307	(270)	101,037
Segment profit (loss)	178	1,216	53	178	1,628	(3)	1,625	(494)	1,130

(Notes) 1. The “Others” category is a business segment that is not included in the reportable segments and includes Overseas Business, Leasing Business, Insurance Agency Business and sales of other services.

2. The segment income (loss) adjustment of ¥(494) million includes intersegment eliminations of ¥(9) million, corporate expenses of ¥(485) million that are not allocated to each reportable segment, and other adjustments of ¥0 million. Corporate expenses are mainly general and administrative expenses that do not belong to any reportable segment.

3. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statement of income.

2. Information regarding changes in reportable segments, Etc.

Change in reportable segments

As a result of a review of business management classifications within the Group, the Briquette and Pea Charcoal Sales Business, which was previously included in the “Others” segment, was changed to the “Energy Solutions Business” segment from the first quarter of the current fiscal year.

Please note that the segment information disclosed for the first six months of the previous fiscal year was prepared based on the new reporting segment classification.

Application of accounting standard for revenue recognition, etc.

As described in “Changes in accounting policies,” the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of operating segments.

As a result of this change, compared with the previous method, net sales in the Energy Solutions Business decreased by ¥617 million, segment income decreased by ¥128 million, net sales in the Power & Electricity Business decreased by ¥4,105 million, segment income decreased by ¥67 million, and net sales in the Living & Wellness Business decreased by ¥66 million in the first six months of the current fiscal year.

3. Information regarding loss on impairment of non-current assets and goodwill by reportable segment

Not applicable.