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February 8, 2022

Consolidated Financial Results for the Nine Months Ended December 31, 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
Contact:	Kazuhiro Kojima, Director, Group CFO and Group CAO TEL: +81-3-3275-6300

Scheduled date to file quarterly securities report:	February 10, 2022
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 nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2021	167,879	11.5	318	(93.3)	2,009	(65.3)	1,072	(70.5)
December 31, 2020	150,575	(14.1)	4,793	14.6	5,784	17.1	3,635	26.7

Note: Comprehensive income For the nine months ended December 31, 2021: ¥(3,926) million [–%]
For the nine months ended December 31, 2020: ¥15,820 million [406.8%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2021	17.51	–
December 31, 2020	58.75	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2021	157,039	89,067	56.5	1,448.83
March 31, 2021	145,189	93,289	64.0	1,517.47

Reference: Equity
As of December 31, 2021: ¥88,705 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	250,000	10.4	400	(92.4)	2,100	(65.0)	240	(92.9)	3.92

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): Yes

Newly included: 1 company (Shizuoka JA Foods Co., Ltd)
Excluded: 1 company (Shizuoka JA Foods Co., Ltd)

Shizuoka JA Foods Co., Ltd. was converted to the Company's significant subsidiary on November 1, 2021, as the subsidiary's capital amounted to 10/100 or more of the Company's capital. The subsidiary, however, went out of specified subsidiary status, as the company reduced its capital on December 31, 2021.

(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 "(3) Notes to quarterly consolidated financial statements, Changes in accounting policies" of "2. Quarterly consolidated financial statements and significant notes" on page 12 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 December 31, 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 December 31, 2021	1,107,167 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)

Nine months ended December 31, 2021	61,225,329 shares
Nine months ended December 31, 2020	61,881,700 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 December 31, 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 nine months ended December 31, 2020, 267,900 shares for nine months ended December 31, 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 "(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements" in "1. Qualitative information regarding financial results for the period" on page 7 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 nine months ended December 31, 2021, the Japanese economy remained in a severe situation primarily due to stagnant economic activity and weak consumer spending amid the novel coronavirus (COVID-19). Economic and social activities had been gradually recovering, as the number of newly infected people decreased significantly because of the COVID-19 vaccine roll-out. However, the new variant Omicron has kept the recovery slow, and the uncertain situation continues.

Progress has been made in integrated reforms in the electricity, gas and heat supply fields in the trends of decarbonization, decentralization, digitalization after 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, the 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 in September 2021 with SingPost Investments Pte. Ltd., a subsidiary of Singapore Post Limited, to acquire a 100% stake in General Storage Company Pte. Ltd. ("GSC"), and acquired 100% of its shares (now a subsidiary) in December 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 December 2021, the Company converted Triforce Corporation, a sub-subsidiary into a direct subsidiary to enhance the agility of the organizational operation. The Company expects this change will further enhance digital transformation (DX) to improve the entire Mitsuuroko Group's customer experience (CX). The Company promotes across-the-group marketing projects to improve the Group's integrated competitiveness. This will be achieved through constructing an ecosystem by digitally integrating services and tangible/ intangible assets in various fields that the Group provides, such as Energy Solutions, Power & Electricity, Foods, Living & Wellness and Others.

In addition, the Company's core Energy Business takes various initiatives to accommodate diversified customer needs and preferences. As an entity responsible for stable supply in the regions, the Company also maintains and improves supply infrastructure to ensure the supply even in case of emergencies. Those should be achieved by the Group's solid business foundation and integrated competence rooted in the regions.

The Company takes initiatives for environmental issues and the entire Mitsuuroko Group is promoting ESG initiatives to achieve a sustainable society through the more use of renewable energy, suppressing the use of fuel, and reducing CO_2 emissions. They are driven by providing services for customers concerned with CO_2 emissions with the growing environmental awareness; environmentally-friendly electricity plan, "Mitsuuroko Green Plan" addressing both CO_2 emissions and renewable energy; a newly launched planning tool, "SmartOWL delivery operation streamlining solution," which offers optimal tank replacement timing and delivery plans by applying remotely measured meter data through LPWA connection. We have also introduced initiatives to promote health management to construct and maintain a safe and secure work environment for employees.

Tokyo Stock Exchange, Inc. (TSE) will restructure its current stock market segments in April 2022. As announced in "Notice of selection of new market segment according to the new TSE structure: from "Prime Market" to "Standard Market"" on December 24, 2021, the Company decided to choose "Standard Market" rather than "Prime Market." Considering the speed of a business environment, market trends and its business condition, the Company has decided to focus financial investments, business developments and human resources developments in the existing core businesses and new value creation businesses, such as "environmental business field," "realization of carbon neutral" and "global field" to increase long-term corporate value. The Company believes the focus should increase its shareholders value.

The Company continues to take initiatives for sustainable growth and improving corporate value through further advancing corporate governance and sustainability.

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 nine months ended December 31, 2021, net sales increased 11.5% year on year to ¥167,879 million, operating profit decreased 93.3% year on year to ¥318 million, ordinary profit decreased 65.3% year on year to ¥2,009 million, and profit attributable to owners of parent decreased 70.5% year on year to ¥1,072 million. Those changes are primarily due to an increase of fuel price in the Energy Solutions Business and of electricity procurement cost in the Power & Electricity Business. Fixed costs (including personnel expenses, depreciation, and rent) incurred during the period of temporary store closure in the Foods Business due to requests from both central and local governments as COVID-19 countermeasures, were recorded as loss on COVID-19 of ¥8 million in extraordinary losses in the nine months ended December 31, 2021 (During the same period of the prior fiscal year, ¥197 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 since the beginning of the first quarter of the current fiscal year. Accordingly, net sales of the nine months ended December 31, 2021 decreased by ¥5,788 million, and operating profit, ordinary profit and profit before income taxes each increased by ¥486 million. Please refer to "2. Quarterly consolidated financial statements and significant notes, (3) 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, as demand for commercial and industrial use, which was impacted by the COVID-19 pandemic in the prior fiscal year, has been on a recovery trend, the LPG retail sales volume for industrial use was 103.7% of the prior year's level. In addition, although the Company has been actively engaged in new customer acquisition, LPG retail sales volume for home use during the nine months ended December 31, 2021 was 99.3% of the prior year's level. This is caused by the easing of last year's stay-at-home demand.

In the petroleum business, household heating oil sales volume was 92.9% of that for the same period of the previous fiscal year. Though people still refrain from going out due to the spread of COVID-19, a rise in sales prices linked to the soaring crude oil price resulted in decreasing demand for heating oil.

In the residential equipment business, delivery of overall gas appliances has been delayed due to delay in procurement from overseas component manufacturers affected by COVID-19 bottleneck problem, as well as global shortages of semiconductors and harness. As a result, net sales for the period were 94.4% of that of the prior year.

Net sales of coking coal increased 198.1% year on year to ¥126 million.

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, the Company made a change in an accounting treatment for revenue recognition from the beginning of the first quarter of the current fiscal year. Accordingly, the Company has changed the method of measuring profit or loss of the operating segments. As a result, compared with the previous method, net sales and operating profit of the Energy Solutions Business for the nine months of the current fiscal year decreased by ¥174 million and increased by ¥6 million, respectively.

In addition to the above factors, as a result of higher sales prices due to higher purchase prices, net sales increased 25.3% year on year to ¥93,937 million, while operating profit decreased 37.6% year on year to ¥1,264 million.

As a rise in awareness of environmental issues is expected to accelerate, the Company positions energy creation/ storage system of solar energy/ storage battery as a key arena. The Company is taking initiatives for low-carbon future through establishing internal system and employee training to further accommodate new energy products. We will continue to take all possible measures to prevent the spread of COVID-19 and continue our infrastructure business without interruption.

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. As a result, compared with the previous method, net sales of the Power & Electricity Business for the first nine months of the current fiscal year decreased by ¥5,498 million and operating profit increased by ¥480 million. 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 fiscal year, are excluded from operating revenue. As a result, net sales decreased 3.1% year on year to ¥ 61,471 million. Operating loss was ¥461 million (compared to an operating profit of ¥ 3,077 million in the same period of the previous fiscal year) as a result of increases in procurement prices for power purchase and import prices of fuels for power generation, such as LNG, natural gas and coal, amid increasing demand of electricity as economy recovers.

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

Shizuoka JA Foods Co., Ltd. joined the Mitsuuroko Group in November 2021, and has been developing its business around the outsourced production of various soft drinks from major beverage manufacturers. It is also working with major beverage manufacturers to develop new products that will please our customers. Shizuoka JA Foods Co., Ltd. serves as a driving force that further propels the efforts of the Mitsuuroko Group’s beverage business, which aims to build its brand by placing the highest priority on earning the trust of its customers.

The sales volume at the Mitsuuroko Beverage Yamanakako Factory and the Gifu Yoro Factory, including production outsourced to external cooperating plants, was steady at 109% of the prior fiscal year’s level, and the factories have been operating at full capacity at all times. The Company will continue to cultivate business opportunities by developing external cooperating plants and building its own system to increase production.

AzabuJuban Mont-Thabor, a bakery with stores all over Japan, actively participated in events planned at commercial facilities in metropolitan areas, and is working to improve its name recognition and its sales. In terms of products, as part of our ESG activities, the Company has started sale of its “*Kodawari pan*” (“specialty bread”) made from wheat (Yumeshihou) grown by students at an agricultural high school and milled in a stone mill. The products are sold in stores that specialize in health-conscious and environmentally-friendly products made with wheat grown in Japan (emphasizing quality and reduction of transportation energy). The Company is focusing on the development of unprecedented kinds of products to promote the enhancement of its sales capabilities.

Carl’s Jr. Japan, a hamburger chain, continues to implement measures such as scaling up take-out delivery services and enhancing in-store hygiene management, placing “customer safety as the top priority.” In addition, as there have been many requests to provide food trucks, on weekends and holidays the company operates food trucks in the Roppongi Hills area, commercial facilities, and the Tokyo Bay Area, which contribute to sales and name recognition. In addition, the monthly specials on the side menu at existing restaurants have been popular and have helped to increase the number of repeat customers.

For the Foods Business as a whole, net sales increased by 7.8% year on year to ¥9,342 million, and operating profit was ¥4 million, (compared to an operating loss of ¥73 million in the same period of the previous fiscal year) primarily due to shortened business hours and other operating constraints resulting from the spread of COVID-19 in the food sales business centered on store development, partially offset by strong performance in the drinking water business as a result of expanding sales channels.

Living & Wellness Business

In accordance with the lift of state of emergency, SPA EAS and Hamabowl in the wellness business have been extending business hours in stages. As winter is a high season for hot springs and recreational facilities, the sales and number of visitors for SPA EAS and Hamabowl has been gradually increasing, with the highest number of visitors in FY2021 recorded in December. During community based event “Thank you event for Yokohama citizens (Good Yokohama Day)” in November (four days), SPA EAS recorded outstanding results: the number of visitors increased by 205.6% compared to the average of weekdays, sales by 168.0%, and unit price per customer by 81.3%, bringing potential customers back even in the COVID-19 pandemic.

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.

The real estate business has improved profitability by reducing expenses through changes in the leasing method as well as investing additional capital expenditure to the existing buildings. 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. “BlancCiel NISHIJIN,” a rental condominium in Fukuoka acquired by the Company as part of this effort in October 2021, steadily improved its occupancy rate and was fully booked at the end of January 2022. The Company will construct and maintain sites in an environmentally friendly approach while pursuing profit.

Although the number of visitors to the Hamabowl EAS Building had been decreasing mainly among food and beverage tenants due to an impact of the semi-state of emergency from April 2021, followed by the state of emergency in August 2021, it has been recovering steadily after the state was lifted. The Company will continue to conduct sales promotion activities while closely monitoring the COVID-19 situation to ensure a 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, the Company made a change in an 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 nine months of the current fiscal year, each decreased by ¥115 million.

For the Living & Wellness Business as a whole, net sales decreased 0.5% year on year to ¥1,632 million, and operating profit decreased 33.4% year on year to ¥247 million due to 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, for other business as a whole, net sales decreased 18.1% year on year to ¥1,494 million and operating profit decreased 66.9% year on year to ¥12 million.

(2) Explanation regarding the financial position

Assets

Total assets as of December 31, 2021, increased by ¥11,849 million compared to the end of the previous fiscal year to ¥157,039 million. This was mainly due to a decrease of ¥3,249 million in cash and deposits resulting from payments for the acquisition of shares in subsidiaries, etc., an increase of ¥10,439 million in notes and accounts receivable - trade, and contract assets resulting from an increase in net sales, etc., an increase of ¥8,013 million in other under property, plant and equipment resulting from the start of consolidation of GSC and Shizuoka JA Foods Co., Ltd., etc., an increase of ¥2,639 million in goodwill resulting from the business combination through acquisitions, and a decrease of ¥6,890 million in investment securities resulting from a decline in the market price of shares.

Liabilities

Total liabilities increased by ¥16,072 million compared to the end of the previous fiscal year to ¥67,972 million. This was mainly due to an increase of ¥7,874 million in notes and accounts payable - trade associated with an increase in cost of sales, an increase of ¥1,560 million in short-term borrowings that were transferred from long-term borrowings, an increase of ¥4,348 million in other under current liabilities due to the start of consolidation of GSC and Shizuoka JA Foods Co., Ltd., etc., an increase of ¥2,159 million in long-term borrowings associated with an increase in demand for funds for the acquisition of subsidiary shares, a decrease of ¥2,056 million in deferred tax liabilities due to a decrease in valuation differences on available-for-sale securities, and an increase of ¥2,650 million in other under non-current liabilities due to the start of consolidation of GSC and Shizuoka JA Foods Co., Ltd.

Net assets

Net assets decreased by ¥4,222 million compared to the end of the previous fiscal year to ¥89,067 million. This was mainly due to an increase in retained earnings of ¥776 million, and a decrease in valuation differences on available-for-sale securities of ¥5,103 million associated with a decrease in value of investment securities.

As a result, the equity-to-asset ratio decreased by 7.5 percentage points from the end of the previous fiscal year to 56.5%.

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

Net sales are expected to exceed the initial forecasts mainly because unit sales prices are rising in the energy business due to the prolonged high prices of LPG and oil fuels.

On the other hand, the Company expects operating profit, ordinary profit, and profit attributable to owners of parent to be significantly lower than the initial forecasts due to a large increase in cost of sales in the Power & Electricity Business as a result of a sharp rise in import prices of fuels for power generation and a substantial increase in procurement prices for power purchase, amid an increase in power demand due to the economic recovery since September 2021, as well as the fact that purchase prices in the Energy Solutions Business have remained high due to such fuel price trends.

Under these circumstances, the Company has made a downward revision to the consolidated financial forecasts for the fiscal year ending March 31, 2022, which were announced at the first quarter earnings release on May 9, 2021. For more details, please refer to the "Notice of Revision to Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2022," which was announced on January 20, 2022.

As for the year-end dividend forecast for the fiscal year ending March 31, 2022, although the Company has revised its earnings forecasts downward due to the impact of a temporary increase in procurement prices in the current fiscal year, the Company's shareholders' equity has been enhanced against the backdrop of its strong performance in recent years, and its financial foundation has grown to a level that enables it to maintain its ability to raise funds for growth while also enhancing shareholder returns. Therefore, as of the day of this publication the Company does not plan to change the amount of ¥25 on an annual basis, an increase of ¥2 from the previous fiscal year.

With regard to the impact of the spread of COVID-19, the Company expects 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 it 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 December 31, 2021
Assets		
Current assets		
Cash and deposits	25,480	22,230
Notes and accounts receivable - trade	17,504	–
Notes and accounts receivable - trade, and contract assets	–	27,943
Merchandise and finished goods	4,936	5,305
Raw materials and supplies	400	413
Other	7,588	7,636
Allowance for doubtful accounts	(72)	(88)
Total current assets	55,837	63,442
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,218	10,658
Machinery, equipment and vehicles, net	4,132	4,017
Land	13,515	13,913
Construction in progress	14	17
Other, net	1,587	9,591
Total property, plant and equipment	29,468	38,199
Intangible assets		
Goodwill	1,141	3,781
Other	660	1,025
Total intangible assets	1,801	4,806
Investments and other assets		
Investment securities	48,506	41,616
Deferred tax assets	1,623	1,458
Other	8,177	7,720
Allowance for doubtful accounts	(226)	(205)
Total investments and other assets	58,082	50,590
Total non-current assets	89,352	93,597
Total assets	145,189	157,039

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,540	25,414
Short-term borrowings	4,207	5,768
Income taxes payable	947	375
Provisions	831	461
Other	4,695	9,044
Total current liabilities	28,221	41,064
Non-current liabilities		
Long-term borrowings	5,827	7,987
Deferred tax liabilities	9,344	7,287
Provisions	439	463
Retirement benefit liability	2,078	2,507
Asset retirement obligations	1,212	1,236
Other	4,774	7,425
Total non-current liabilities	23,678	26,907
Total liabilities	51,900	67,972
Net assets		
Shareholders' equity		
Share capital	7,077	7,077
Capital surplus	2,275	2,268
Retained earnings	66,471	67,247
Treasury shares	(1,160)	(1,160)
Total shareholders' equity	74,664	75,434
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,481	13,378
Deferred gains or losses on hedges	(201)	(180)
Foreign currency translation adjustment	0	101
Remeasurements of defined benefit plans	(36)	(28)
Total accumulated other comprehensive income	18,243	13,270
Non-controlling interests	382	362
Total net assets	93,289	89,067
Total liabilities and net assets	145,189	157,039

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

Quarterly consolidated statement of income

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	150,575	167,879
Cost of sales	125,939	146,954
Gross profit	24,635	20,925
Selling, general and administrative expenses	19,842	20,606
Operating profit	4,793	318
Non-operating income		
Interest income	18	15
Dividend income	665	1,041
Share of profit of entities accounted for using equity method	298	370
Compensation income	113	59
Gain on derivatives trading	–	103
Other	265	464
Total non-operating income	1,360	2,055
Non-operating expenses		
Interest expenses	146	104
Commission expenses	122	215
Loss on derivatives trading	53	–
Other	46	43
Total non-operating expenses	369	364
Ordinary profit	5,784	2,009
Extraordinary income		
Gain on sale of non-current assets	1	4
Gain on sale of investment securities	–	0
Compensation for expropriation	87	–
Total extraordinary income	88	4
Extraordinary losses		
Loss on sale of non-current assets	–	0
Loss on retirement of non-current assets	165	75
Loss on valuation of investment securities	20	–
Loss on sale of investment securities	1	–
Impairment losses	10	–
Loss on store closings	41	9
Soil contamination treatment measure costs	28	–
Loss on COVID-19	197	8
Total extraordinary losses	466	93
Profit before income taxes	5,406	1,921
Income taxes - current	1,797	1,141
Income taxes - deferred	(3)	(266)
Total income taxes	1,794	875
Profit	3,612	1,046
Loss attributable to non-controlling interests	(22)	(26)
Profit attributable to owners of parent	3,635	1,072

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	3,612	1,046
Other comprehensive income		
Valuation difference on available-for-sale securities	12,188	(5,104)
Deferred gains or losses on hedges	7	3
Foreign currency translation adjustment	–	101
Remeasurements of defined benefit plans, net of tax	8	7
Share of other comprehensive income of entities accounted for using equity method	4	18
Total other comprehensive income	12,208	(4,973)
Comprehensive income	15,820	(3,926)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,843	(3,900)
Comprehensive income attributable to non-controlling interests	(22)	(26)

(3) Notes to quarterly consolidated financial statements

Notes on the premise of going concerns

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 of the amount expected to be received upon the 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. The previous method was to recognize revenue based on the date of meter reading. The new method is also to recognize revenue based on the date of meter reading and, if the date of meter reading differs from the end of the fiscal year, recognize 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 the 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 ¥5,788 million and cost of sales decreased by ¥6,279 million, while selling, general and administrative expenses increased by ¥5 million. Consequently, for the first nine months of the current fiscal year, gross profit increased by ¥491 million, and operating profit, ordinary profit, and profit before income taxes each increased by ¥486 million respectively. 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 have 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 presentations.

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 from 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.

Please refer to "2. Quarterly consolidated financial statements and significant notes, (3) Notes to quarterly consolidated financial statements, Changes in accounting policies" for details.

Segment information

[Segment information]

I Nine months ended December 31, 2020 (From April 1, 2020, to December 31, 2020)

1. Information regarding the amount 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	74,997	63,441	8,670	1,639	148,749	1,825	150,575	–	150,575
Intersegment sales or transfers	113	132	8	7	262	126	388	(388)	–
Total	75,111	63,573	8,679	1,647	149,011	1,952	150,963	(388)	150,575
Segment profit (loss)	2,024	3,077	(73)	371	5,399	38	5,438	(645)	4,793

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

2. The segment income (loss) adjustment of ¥(645) million includes intersegment eliminations of ¥(15) million, corporate expenses of ¥(630) 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 Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

1. Information regarding the amount 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	93,937	61,471	9,342	1,632	166,384	1,494	167,879	–	167,879
Intersegment sales or transfers	115	146	9	8	280	138	418	(418)	–
Total	94,053	61,618	9,352	1,640	166,664	1,633	168,297	(418)	167,879
Segment profit (loss)	1,264	(461)	4	247	1,053	12	1,066	(747)	318

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

2. The segment income (loss) adjustment of ¥(747) million includes intersegment eliminations of ¥(17) million, corporate expenses of ¥(730) 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 nine 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. The Company has made a change in the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring the 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 ¥174 million, segment profit increased by ¥6 million, net sales in the Power & Electricity Business decreased by ¥5,498 million, segment profit increased by ¥480 million, and net sales in the Living & Wellness Business decreased by ¥115 million in the first nine months of the current fiscal year.

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

Significant change in goodwill amount

General Storage Company Pte. Ltd. was included in the scope of consolidation in the “Others” segment, as the Company acquired all the outstanding shares of GSC during the third quarter of the current fiscal year. This resulted in an increase of ¥2,778 million in goodwill for the nine months ended December 31, 2021.

The amount of goodwill is provisional, as the purchase price allocation has not been completed.