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Translation



May 10, 2022

**Consolidated Financial Results
for the Fiscal Year Ended March 31, 2022
<under Japanese GAAP>**

Name of the Listed Company: **Mitsuuroko Group Holdings Co., Ltd.**
 Listing: Tokyo Stock Exchange
 Securities Code: 8131
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Scheduled date of ordinary general meeting of shareholders: June 17, 2022
 Scheduled date to commence dividend payments: June 20, 2022
 Scheduled date to submit Securities Report: June 17, 2022
 Preparation of supplementary materials on financial results: None
 Holding of financial results presentation meeting: None

(Millions of yen with fractional amounts rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2022

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	250,033	10.4	823	(84.3)	2,925	(51.3)	1,909	(43.3)
March 31, 2021	226,462	(5.7)	5,232	(27.5)	6,003	(27.3)	3,369	(5.0)

Note: Comprehensive income
 Fiscal year ended March 31, 2022: ¥(3,982) million [- %]
 Fiscal year ended March 31, 2021: ¥17,346 million [- %]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	Yen	Yen	%	%	%
March 31, 2022	31.29	—	2.1	2.0	0.3
March 31, 2021	54.54	—	3.9	4.4	2.3

Reference: Share of profit (loss) of entities accounted for using equity method
 Fiscal year ended March 31, 2022: ¥511 million
 Fiscal year ended March 31, 2021: ¥486 million

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2022	154,735	87,689	56.4	1,455.33
March 31, 2021	145,189	93,289	64.0	1,517.47

Reference: Equity
 As of March 31, 2022: ¥87,276 million As of March 31, 2021: ¥92,907 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	5,013	(8,417)	(759)	21,267
March 31, 2021	5,340	(3,523)	(4,858)	25,297

2. Cash dividends

	Annual dividends per share					Total dividend payments (Total)	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2021	–	–	–	23.00	23.00	1,416	42.2	1.7
Fiscal year ended March 31, 2022	–	–	–	25.00	25.00	1,515	79.9	1.7
Fiscal year ending March 31, 2023 (Forecast)	–	–	–	25.00	25.00		55.5	

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	280,000	12.0	3,100	276.7	4,700	60.1	2,700	41.4	45.02

Note: The Company has announced only the full-year consolidated earnings forecasts for the fiscal year ending March 31, 2023 after taking into consideration the seasonal factors (increased demand in the second half) in financial results in the energy business, which is a core business of the Group.

* 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 Mitsuuroko Foods Co., Ltd.)

Excluded: 1 company (Shizuoka Mitsuuroko Foods Co., Ltd.)

Shizuoka Mitsuuroko Foods Co., Ltd. (former 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) Changes in accounting policies, changes in accounting estimates, and restatement
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - Changes in accounting policies due to other reasons: None
 - Changes in accounting estimates: None
 - Restatement: None
- (3) Number of shares issued (common shares)
- Total number of shares issued at the end of the period (including treasury shares)

As of March 31, 2022	60,634,566 shares
As of March 31, 2021	62,332,388 shares

- Number of treasury shares at the end of the period

As of March 31, 2022	664,091 shares
As of March 31, 2021	1,106,913 shares

c. Average number of shares outstanding during the period

Fiscal year ended March 31, 2022	61,022,469 shares
Fiscal year ended March 31, 2021	61,769,698 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, 567,900 shares as of March 31, 2022). 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 fiscal year ended March 31, 2021, 567,900 shares for fiscal year ended March 31, 2022).

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

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. Actual business and other results may differ substantially due to various factors. Please refer to "(4) Future outlook" in "1. Overview of Operating Results and Others" on page 8 for the suppositions that form the assumptions for earnings forecasts.

Attached Material

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1. Overview of Operating Results and Others

(1) Summary of operating results

During the fiscal year ended March 31, 2022, 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 the 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 CO₂ 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 surging resource prices due to the changes in Ukraine situation, etc., 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 and warehousing facilities 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. (which changed its name to Shizuoka Mitsuuroko Foods Co., Ltd. on April 1, 2022) and made it 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-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's wholly-owned subsidiary Mitsuuroko Green Energy Co., Ltd. has begun preparations for the construction of the "Kitahiroshima No.1 and No.2 Storage Stations" in Kitahiroshima-City, Hokkaido, aiming to start operation on December 2022, as a measure to promote the use of renewable energy as a primary power source and stabilize the power grid.

In order to continue creating new value with our diverse stakeholders and contribute to building a sustainable society, the Company have identified six material issues that management should prioritize from among all social issues, taking into consideration the business of our group in long-term view from an ESG (Environmental, Social, and Governance) perspective. 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 CO₂ emissions. They are driven by providing services for customers concerned with CO₂ emissions with the growing environmental awareness; environmentally-friendly electricity plan, “Mitsuuroko Green Plan” addressing both CO₂ 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) restructured its stock market segments on April 4, 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” and moved to “Standard Market” in April 2022. 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 in the 30% range. 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, as part of “SmartOWL” initiative, an LPG operation streamlining solution utilizing AI and IoT through a collaboration with NEC Corporation and KYOCERA Communication Systems Co., Ltd., we commenced a service to remotely read and provide LPG meters. 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 made inquiries, so we anticipate usage to expand further.

In the fiscal year ended March 31, 2022, net sales increased 10.4% year on year to ¥250,033 million, operating profit decreased 84.3% year on year to ¥823 million, ordinary profit decreased 51.3% year on year to ¥2,925 million, and profit attributable to owners of parent decreased 43.3% year on year to ¥1,909 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 ¥9 million in extraordinary losses in the current fiscal year. (In the previous fiscal year, a loss of ¥206 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 current fiscal year.

Accordingly, net sales for the current fiscal year decreased by ¥8,931 million, and operating profit, ordinary profit and profit before income taxes each increased by ¥389 million. Please refer to “5.

Consolidated financial statements and significant notes, (5) Notes to consolidated financial statements, Changes in accounting policies” for details.

Operating results by segment are as follows.

Effective from the current consolidated fiscal year, the Overseas Business, which was previously included in the “Others” segment, is now presented a reportable segment because its quantitative importance has increased due to the start of consolidation of overseas subsidiaries. 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 current fiscal year. For details regarding reportable segments, please refer to “5. Consolidated financial statements and significant notes, (5) Notes to consolidated financial statements (Segment information), 1. Overview of reportable segments.”

Energy Solutions Business

In the LPG Business, as demand for commercial use including restaurants, which was impacted by the COVID-19 pandemic in the prior fiscal year, has been on a recovery trend, and the LPG sales volume for commercial use was 103.8% 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 in the current year was 96.9% of the prior year’s level due to the dissipation of the prior year’s stay-at-home demand.

In the petroleum business, household heating oil sales volume was 95.2% of the prior year’s level.

Though people still refrain from going out, a rise in sales prices linked to the soaring crude oil prices resulted in decreasing demand for heating oil and heavy snowfall caused delivery delay.

In the residential equipment business, delays in delivery of overall gas appliances have continued due to delay in procurement from overseas component manufacturers affected by the COVID-19 bottleneck problem, as well as global shortages of semiconductors and harnesses. As a result, net sales was 92.0% of the prior year’s level.

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 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 current fiscal year decreased by ¥404 million and ¥47 million respectively.

In addition to the above factors, as a result of higher sales prices due to higher purchase prices, net sales increased 24.0% year on year to ¥137,840 million, while operating profit decreased 33.7% year on year to ¥2,791 million due to higher cost-to-sales ratio.

As environmental awareness continues to rise further, the Company positions energy creation/storage system of solar energy/storage battery as a key arena. The Company will accelerate its efforts to achieve carbon neutral by promoting energy creation, energy storage, and energy conservation that are effective in decarbonization and reducing CO2 emissions.

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 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 current fiscal year decreased by ¥8,368 million and operating profit increased by ¥437 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 5.4% year on year to ¥94,057 million. Operating loss was ¥1,343 million (compared to an operating profit of ¥ 1,590 million for 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 since September 2021.

With the increasing gravity of the impact of climate change, CO₂ 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 Sagami-hara. 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, the addition of Shizuoka Mitsuuroko Foods Co., Ltd. (formerly known as Shizuoka JA Foods Co., Ltd.) to the Group in November 2021 brought the number of soft drink production sites to five, significantly increasing manufacturing capacity. The company’s business is centered on the outsourced production of various soft drinks. The company is also collaborating with major beverage manufacturers to develop new products that please our customers. The company’s commitment to quality improvement and its advanced manufacturing technology contribute greatly to the quality improvement of the entire Group. This contributes to the “safety and security” initiatives that the Mitsuuroko Group advocates, and is a basic strategy for further increasing production. We will live up to our customers’ trust by making quality improvement our top priority.

The sales volume of Mitsuuroko Beverage Co., Ltd., which operates in the mineral water business, was steady at 109% of the prior year’s level with constant full operation of its own plants and outsourcing of production to external plants. In addition, by extending our products menu in cooperation with Shizuoka Mitsuuroko Foods Co., Ltd., we are now able to respond to various customer requests that we had not been able to meet before. We will continue to improve our services to meet our customers’ expectations. AzabuJuban Mont-Thabor, a bakery with stores all over Japan, has renewed its e-commerce site to make it friendlier and more customer-oriented, and to improve access to customers outside the areas it operates its stores, which it had previously missed. In product development, we commercialized a bread invented by students of Setagaya Junior High School attached to Tokyo Gakugei University. The product incorporates ideas from the junior high school’s “Marketing and Product Development of AzabuJuban Mont-Thabor’s Bread” class. We will diversify our product development by developing new products that have never been seen before, based on the thinking of growing the brand with promising students.

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, the new product introduction for both burgers and drinks has been well received by customers, helping to increase the number of repeat customers.

For the Foods Business as a whole, net sales increased by 18.7% year on year to ¥13,476 million, and operating profit was ¥127 million, (compared to an operating loss of ¥95 million in the previous fiscal year) primarily because the bottled water business performed well by expanding sales channels although the food sales business centered on stores was affected to some extent by the spread of COVID-19.

Living & Wellness Business

SPA EAS and Hamabowl in the wellness business saw its number of visitors had performed well until the end of last year but temporarily stagnated due to the impact of the semi-state of emergency from January 21 to March 21, 2022. By mid-March, SPA EAS showed a recovery trend with an increase in demand for sauna reflecting health-consciousness and co-working space users, and Hamabowl saw an increase in student use during spring break.

In addition, SPA EAS sold original sauna hats officially approved by the Yokohama DeNA BayStars to commemorate the 13th anniversary of its founding, attracting attention from various media. Hamabowl is developing the Rain-Bowling project under the leadership of Wellness Lab to reuse discarded bowling pins. As part of this project, we are preparing to hold the “Reuse Contest,” a public call for reuse ideas (cooperative project with Kanagawa Shimbun) (Scheduled to be held from May to the end of June 2022).

We will continue our efforts to improve the value and presence of our facilities in the Yokohama area and recover the number of customers by utilizing SPA EAS’s “Onsen IoT” (facility congestion visualization service) and other measures to prevent the transmission of COVID-19.

The real estate business has improved profitability by reducing expenses through changes in the leasing method as well as defraying additional capital expenditure to the existing buildings. In addition, we have proactively pursued the acquisition of new properties to expand our portfolio. “BlancCiel NISHIJIN,” a rental condominium in Fukuoka acquired by the Company in October 2021, steadily improved its occupancy rate and was almost fully booked at the end of March 2022. In addition, as a measure to increase the value of existing properties, we are renovating rental condominium (some offices and stores) owned in Aoba-ku, Sendai City. In addition to remodeling the rooms, we are creating a lounge with a theater room and library in the common area to create a space where users can relax. We are making efforts to minimize disposal and other environmental burdens by utilizing subscription services for furniture to be installed in the condominium.

The number of visitors to the Hamabowl EAS Building had been gradually improving after the state of emergency was lifted in September 2021 and the building-wide sales promotion accelerated visitors attendance, but the number of visitors was weak in February and March due to an impact of the semi-state of emergency from January to March 2022.

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 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 current fiscal year, each decreased by ¥159 million.

For the Living & Wellness Business as a whole, net sales increased 0.5% year on year to ¥2,206 million, and operating profit decreased 21.9% year on year to ¥324 million due to such factors as shortened business hours.

Overseas Business

Profits and losses from the self-storage business of GSC and six other companies, which joined the Mitsuuroko Group in December 2021, were included in the consolidated financial statements from the fourth quarter of the current fiscal year. In the first year of consolidation, the Overseas Business as a whole posted net sales of ¥508 million (¥– million in the previous fiscal year), but an operating loss of ¥77 million (compared to an operating loss of ¥19 million in the previous fiscal year) was recorded due to the amortization of goodwill of ¥42 million incurred at the time of acquisition and one-time expenses of ¥107 million incurred for due diligence, etc.

Business performance of Siamgas & Petrochemicals Public Company Limited, with which the Company has concluded a strategic business alliance agreement, was favorable due to soaring crude oil prices and other factors. The Company recorded non-operating income as dividend income from the said company for the current fiscal year increased 109.5% year on year to ¥639 million.

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 sales volume in the leasing business, etc., for other business as a whole, net sales decreased 17.3% year on year to ¥1,943 million, while operating profit was ¥46 million (compared to an operating loss of ¥11 million in the previous fiscal year) due to a decrease in allowance for doubtful accounts in the leasing business.

(2) Summary of financial position

Assets

Total assets as of the end of the fiscal year ended March 31, 2022 increased by ¥9,545 million compared to the end of the previous fiscal year to ¥154,735 million. This was mainly due to a decrease of ¥3,977 million in cash and deposits resulting from payments for the acquisition of shares in subsidiaries, etc., an increase of ¥10,836 million in accounts receivable - trade resulting from an increase in net sales, etc., an increase of ¥3,383 million in buildings and structures, an increase of ¥2,463 million in land and an increase of ¥2,768 million of in other under property, plant and equipment resulting from the start of consolidation of GSC and Shizuoka Mitsuuroko Foods Co., Ltd., etc., an increase of ¥2,829 million in goodwill resulting from the business combination through acquisition, and a decrease of ¥9,799 million in investment securities resulting from a decline in the market price of shares and sales thereof.

Liabilities

Total liabilities increased by ¥15,145 million compared to the end of the previous fiscal year to ¥67,045 million. This was mainly due to an increase of ¥7,463 million in accounts payable - trade associated with an increase in cost of sales, an increase of ¥1,315 million in current portion of long-term borrowings that were transferred from long-term borrowings, an increase of ¥2,024 million in long-term borrowings associated with an increase in demand for funds for the acquisition of subsidiary shares, a decrease of ¥2,749 million in deferred tax liabilities due to a decrease in valuation differences on available-for-sale securities, an increase of ¥842 million in short-term lease liabilities due to the start of consolidation of GSC and Shizuoka Mitsuuroko Foods Co., Ltd., an increase of ¥2,643 million in other under current liabilities, and an increase of ¥2,164 million in long-term lease liabilities.

Net assets

Net assets decreased by ¥5,600 million compared to the end of the previous fiscal year to ¥87,689 million. This was mainly due to a ¥1,954 million decrease in capital surplus as a result of the cancellation of treasury shares, a ¥1,613 million increase in retained earnings due to the cumulative effect of the change in accounting policy reflected in net assets at the beginning of the current fiscal year resulting from the Company applying the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, as described in "Changes in accounting policies," in addition to profit attributable to owners of parent and dividends of surplus, and a ¥6,586 million decrease in valuation difference on available-for-sale securities associated with a decrease in value of investment securities.

(3) Summary of cash flows

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

Cash flows from operating activities

Net cash gained by operating activities was ¥5,013 million, a decrease of 6.1% from the previous fiscal year. This was mainly due to profit before income taxes of ¥3,437 million, depreciation of ¥3,082 million, an increase in trade receivables of ¥9,633 million, an increase in trade payables of ¥6,877 million, and income taxes paid of ¥2,345 million, etc.

Cash flows from investing activities

Net cash used in investing activities was ¥8,417 million (compared to ¥3,523 million net cash used in the previous fiscal year). This was mainly due to expenditures of ¥2,637 million for the purchase of property, plant and equipment, ¥1,068 million for the purchase of intangible assets, and ¥5,786 million for the purchase of shares of subsidiaries resulting in changes in the scope of consolidation, etc.

Cash flows from financing activities

Net cash gained by financing activities was ¥759 million (compared to ¥4,858 million net cash used in the previous fiscal year). This was mainly due to proceeds from long-term borrowing of ¥4,852 million, repayment of long-term borrowing of ¥2,021 million, purchase of treasury shares of ¥1,321 million, and cash dividends paid of ¥1,410 million, etc.

As a result of the above, the balance of cash and cash equivalents at the end of current fiscal year decreased by ¥4,030 million compared to the end of the previous fiscal year to ¥21,267 million.

Trends in the Group's cash flow indicators and other indicators are shown below.

(Trends in cash flow-related indicators)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equity Ratio (%)	59.8	62.1	64.0	56.4
Equity ratio based on market value (%)	39.7	56.1	57.2	40.1
Ratio of interest-bearing debt to cash flow (years)	10.3	1.4	2.4	3.8
Interest coverage ratio (times)	6.3	39.5	27.3	29.0

Equity ratio; shareholders' equity/total assets

Equity ratio based on market value: Market capitalization/Total assets

Ratio of interest-bearing debt to cash flow: interest-bearing debt/cash flow

Interest coverage ratio: cash flow/interest payments

(Note 1) All calculations are based on consolidated financial figures.

(Note 2) Market capitalization is calculated based on the number of shares outstanding excluding treasury shares

(Note 3) Cash flows from operating activities are used for cash flows.

(Note 4) Interest-bearing debt includes all liabilities on the consolidated balance sheets for which interest is paid.

(4) Future outlook

Energy Solutions Business

The business environment surrounding the Group's mainstay LPG and petroleum products is extremely challenging due to such factors as the prolonged rise in crude oil prices and a decrease in demand caused by growing awareness of energy conservation through decarbonization. However, we will work to become an energy provider that can be responsible for 10% of household consumption expenditure by expanding our new service menu centered on the provision of lifestyle infrastructure products while aggressively promoting the "further evolution of the Energy Solution Business" and driving expansion of user accounts and also quickly responding to changes in the business environment.

We will also strengthen our efforts to achieve carbon neutrality as an energy provider and link our decarbonization business to our growth strategy through aggressive business reforms in the environmental and new energy divisions, and focus on establishing new revenue sources to build a strong and sustainable business foundation.

Power & Electricity Business

In the Power & Electricity Business, we have steadily gained "Mitsuuroko electricity" customers in line with the full deregulation of electric power retailing that started in April 2016, but the current situation in Ukraine has triggered a sharp rise in prices of crude oil, LNG, and coal, which are used as power sources, and there is no prospect for their stabilization. Against this backdrop, market prices in the Japan Electric Power Exchange ("JEPX") have remained at high levels.

In order not to be affected by the market fluctuation risk of JEPX, we will continue to increase procurement of power sources through direct contracts with independent power producers and former general electric utilities, thereby reducing our dependence on the market as much as possible. We will also utilize load-following power sources that can increase or decrease the amount of electricity generated at different times of the day, achieving both a balance between supply and demand as well as cost control.

As a new initiative, the installation of grid storage batteries in Kitahiroshima City, Hokkaido, has enabled storing electricity during daytime hours when solar power generation is high, and discharging it during the morning and evening hours when the electricity demand is rapidly rising. This will contribute to the stabilization of the power grid and achieve a better balance between supply and demand as well as cost control.

With the expansion of these initiatives as a backdrop, we will respond to the new phase after the deregulation of electric power by the sales strategy that emphasizes the balance between supply and demand of electric power and the realized portfolio of procured power sources.

We have been providing 100% renewable energy derived electricity for some time, and with the recent increase in public awareness of that, we are now providing 100% renewable energy derived electricity to many companies. We expect for sales to further expand through seizing opportunities regarding measures against global warming.

Foods Business

Mitsuuroko Beverage Co., Ltd. has been performing steadily, capturing demand from the fast-growing online shopping market due to COVID-19, in addition to solid orders for private labels. Shizuoka Mitsuuroko Foods Co., Ltd. (formerly Shizuoka JA Foods Co., Ltd.) became a wholly-owned subsidiary in November 2021, creating business synergies with the existing mineral water business and providing momentum for business development in the next fiscal year and beyond. Foods business, which operates AzabuJuban Mont-Thabor and Carl's Jr. Japan, is gradually recovering its performance following the scrap-and-build of existing stores with an emphasis on efficiency, the lifting of the semi-state of emergency, and the rollout of vaccinations. We expect the business performance to improve from the current situation, although it is still under the influence of the pandemic.

Living & Wellness Business

In the wellness business, Mitsuuroko Sports Co., Ltd. was established on May 10, 2021 to operate Yokohama Onsen -Natural Hot-spring SPA EAS and Hamabowl, and the Sports Division was established on April 1, 2022 as a new division. Going forward, in addition to facility operation, we intend to collaborate with outside companies through sports content, aiming to become a company that sends out energy to society with Yokohama as its core. We will continue to strive to improve our corporate value and attract customers by implementing new measures that reflect the needs of the times, based on the premise of providing the value of "sense of security" so that we can contribute to the sustainable and prosperous lives of our customers.

In the real estate business, in order to optimize our portfolio, we will conduct orderly sales of older properties and strengthen our procurement system to acquire new properties. Going forward, we will continue to build and operate properties that are not only profitable but also environmentally friendly, with the aim for sustainable real estate management. At the Hamabowl EAS building, we will strive to maintain and improve the functions of the building while facilitating a building management that pays attention to making the building more attractive, so that customers can use the building comfortably with sense of security. In addition, the Company will conduct building-wide sales promotion activities to recover customer traffic.

Overseas Business

In the Overseas Business, we aim to further increase corporate value through expansion of market share in Asia for the self-storage business of GSC, which joined the Group from the current fiscal year. Through our consolidated subsidiary TRIFORCE INVESTMENTS PTE. LTD., we will continue to explore new technology and emerging business opportunities centered on Asian economies.

Others

In Others, we will further expand sales of the COSMOS Series, an easy-to-understand and easy-to-operate LPG sales management system that responds to the diversification of LPG rates, on the strength of its meticulous support for customers. In addition to the use of RPA technology, we are currently focusing on

the active use of AI-OCR, which can read and convert printed text on paper and in images to digital data, and we will continue to contribute to the reduction of indirect operational costs for the entire group by improving productivity through the advancement of operations. As for the leasing business, the Group contributes to the promotion of ESG through its leasing operations by promoting initiatives targeting leasing of decarbonization equipment while expanding the share of EV vehicles in the vehicles it leases.

With regards to the impact of COVID-19, we expect that although the Living & Wellness and the Foods Business will be affected to a certain extent, the Group as a whole will not be significantly affected.

Based on the above, for the fiscal year ending March 31, 2023, we project consolidated net sales of ¥280,000 million, operating profit of ¥3,100 million, ordinary profit of ¥4,700 million, and profit attributable to owners of parent of ¥2,700 million. The Company has announced only the full-year consolidated earnings forecasts for the fiscal year ending March 31, 2023 after taking into consideration the seasonal factors (increased demand in the second half) in financial results in the energy business, which is a core business of the Group.

(5) Basic policy on profit distribution and dividends for the current and next fiscal years

Our basic objective is to implement a stable dividend policy with a target payout ratio of 40% per year, while positioning the return of profits to shareholders as one of the most important management issues, and taking into consideration the enhancement of internal reserves necessary for strengthening our financial position and aggressive business development.

In the current fiscal year, profit attributable to owners of parent decreased due to the impact of soaring fuel prices and electricity procurement prices. Although the dividend payout ratio was exceeded 40% as a result, in light of the current financial position, and from the perspective of strengthening shareholder returns and implementing a stable dividend policy, the Company will pay a year-end dividend of 25 yen per share, an increase of 2 yen from the previous fiscal year.

For the next fiscal year, we plan to pay a dividend of 25 yen per share in order to maintain a stable dividend policy.

The Company acquired and disposed of treasury shares in the current fiscal year in order to enhance shareholder returns and improve capital efficiency. Regarding the cancellation of treasury shares, the Company disposed of all the remaining shares after retaining the minimum number of shares necessary for the Board Benefit Trust (BBT), etc.

We will continue to strive for sustainable growth, improvement of corporate value, and increase of shareholder value by allocating management resources to business fields where growth is expected from a medium- to long-term perspective.

2. Status of the Corporate Group

The Group comprises the Company, 44 subsidiaries, and 17 affiliates. The Group's main businesses and the positioning of each company within the Group's business are as follows. The following business segments are the same as "reportable segments."

(1) Energy Solutions Business

Wholesale Division: Mitsuuroko Vessel Co., Ltd. and seven other consolidated subsidiaries conduct wholesale of petroleum products, various fuels such as LPG, and housing equipment, etc.

Service station Division: Mitsuuroko Drive Co., Ltd. mainly conducts retail sales of gasoline and diesel, etc., procured mainly from Mitsuuroko Vessel Co., Ltd.

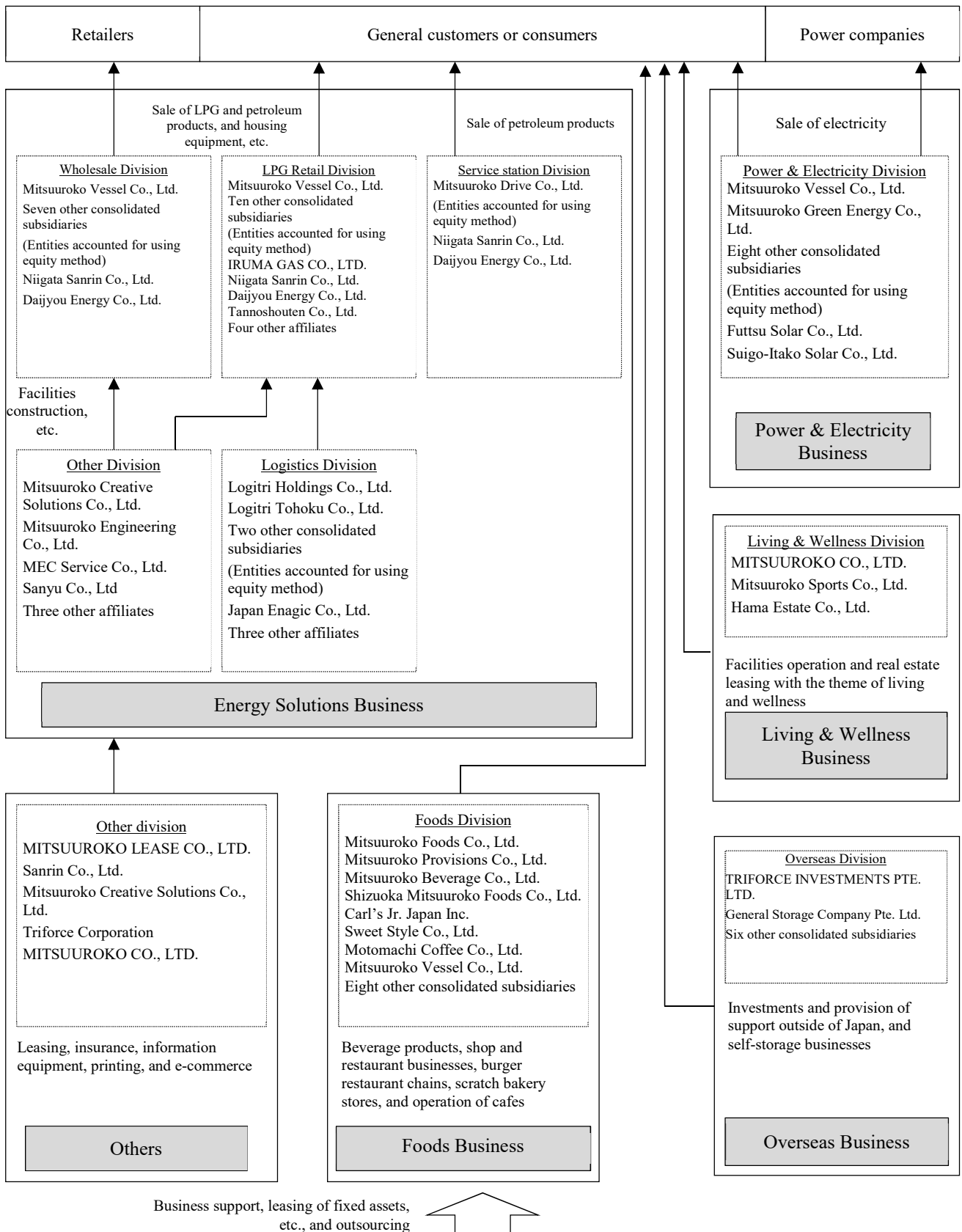
LPG Retail Division: Mitsuuroko Vessel Co., Ltd. and ten other consolidated subsidiaries conduct sales of LPG to general customers.

Logistics Division: Logitri Holdings Co., Ltd. and three other consolidated subsidiaries, as well as Japan Enagic Co., Ltd., conduct delivery of LPG, etc.

Other Division: Mitsuuroko Creative Solutions Co., Ltd., Mitsuuroko Engineering Co., Ltd. and MEC Service Co., Ltd., conduct energy-related support activities.

- (2) Power & Electricity Business: Mitsuuroko Green Energy Co., Ltd. conducts wholesale of electrical power from wind power generation to power companies, and retail sales to general customers. AzuchiOshima Wind Power Station Co., Ltd. conducts wholesale of electrical power from wind power generation to power companies. Mitsuuroko Iwakuni Power Station Co., Ltd. conducts biomass power generation as an energy source of retail sales for Mitsuuroko Green Energy Co., Ltd. Mitsuuroko Vessel Co., Ltd. conducts power retail sales to general customers. Futtsu Solar Co., Ltd. and Suigo-Itako Solar Co., Ltd. provide power from solar power generation for retail sales by Mitsuuroko Green Energy Co., Ltd. and conduct electricity wholesale to power companies.
- (3) Foods Business: Mitsuuroko Beverage Co., Ltd. manufactures and sells bottled water. Mitsuuroko Vessel Co., Ltd. sells bottled water to general customers. Shizuoka Mitsuuroko Foods Co., Ltd. manufactures and sells soft drinks, etc. Mitsuuroko Provisions Co., Ltd. operates shops and restaurants such as on-site kiosks and cafeterias with the business theme of “Natural Handmade DELICATERIA” and manages voluntary chain stores. Carl’s Jr. Japan Inc. operates a burger restaurant chain. Sweet Style Co., Ltd. operates scratch bakery stores. Motomachi Coffee Co., Ltd. operates cafe stores.
- (4) Living & Wellness Business: MITSUUROKO CO., LTD. and Hama Estate Co., Ltd. lease office buildings and condominium, etc., to general customers. Mitsuuroko Sports Co., Ltd. operates health and sporting facilities such as Yokohama Onsen -Natural Hot-spring SPA EAS at the Yokohama amusement facility HAMABOWL EAS.
- (5) Overseas Business: TRIFORCE INVESTMENTS PTE. LTD. conducts investments and provides support outside of Japan. General Storage Company Pte. Ltd. and six other consolidated subsidiaries operate self-storage businesses in the Asian region.
- (6) Others: MITSUUROKO LEASE CO., LTD. conducts leasing operations. Sanrin Co., Ltd. operates an insurance agency. Mitsuuroko Creative Solutions Co., Ltd. conducts sales of information equipment. Triforce Corporation operates a printing business. MITSUUROKO CO., LTD. operates an e-commerce business.

The business organizational chart is as follows.



Company submitting annual securities report: Mitsuuroko Group Holdings Co., Ltd.

3. Management policy

(1) Basic policy of corporate management

The Group's management philosophy is "as a lifestyle producer, we consistently conduct our business with integrity and from the customer's perspective." We aim to provide services related to everyday lifestyles, focusing on energy.

Not only will we constantly expand new services from the perspective of consumers, but we will continue to contribute to conservation of the global environment by promoting the use of natural energy and the installation of energy-saving housing equipment.

We will also continually enhance our maintenance and quality control initiatives that prioritize safety and security, and fulfil our corporate social responsibility based on high ethical standards.

(2) Medium to long-term corporate management strategy

The Group will focus on the following matters while maintaining competitiveness of our core energy-related businesses, in order to become "a lifestyle producer" as expressed in our management philosophy.

- (i) Increasing the profitability of the Power & Electricity Business by leveraging the strength of owning our own power sources

In order to maximize the advantage of owning our own power sources, we will aim to increase the profitability of the Power & Electricity Business through the sale and supply of electricity, and focus on the diffusion of residential-use fuel cells and energy storage devices.

- (ii) Expanding the customer base by leveraging strength in lifestyle-related services

For the Group, which has a strength of lifestyle-related services, customers are the basis of sales activities for both our existing and next-generation businesses, and increasing the number of customers is the foundation of the Group's management. Going forward, the Group will work to increase the number of customer homes so that the number of fans of our group will increase by one.

- (iii) Actively developing stores in the Foods Business and further enhancing quality control and hospitality

We will work to actively develop stores in the Foods Business, expand sales channels for the bottled water business, and strengthen our stable business foundation. We will continue to provide products that satisfy our customers, while working to further enhance quality control and hospitality.

- (iv) Contributing to the creation of a sustainable society

Taking a long-term view of the Group's businesses from an ESG perspective, we have identified the following six materialities and set KPIs for each of them, based on our consideration of issues that management ought to give priority from among all social issues in existence.

1) Contribution to the environment: The Company's CO₂ reduction rate and our customers' CO₂ reduction rate

2) Contribution to the local community: Conduct activities that contribute to the local community such as expanding fundraising activities and conducting cleanup activities

3) Thorough compliance: Number of trainings conducted in relation to IT compliance, harassment, and human rights

4) Enhancement of safety and disaster response measures: Number of drills conducted in relation to confirmation of safety in the event of a disaster

5) Health management: Rate of receiving regular medical examinations, rate of receiving thorough examinations, rate of maintaining proper weight, rate of undergoing stress checks, rate of smoking, rate of regular exercise

6) Promotion of diversity: Rate of parental leave taken, rate of female employees, rate of female managers, number of diversity training conducted, number of career seminars conducted, number of maternity leave training conducted

By setting quantitative targets and target years for each KPI and aiming to achieve them, we will continue to create new value with our diverse stakeholders and contribute to the creation of a

sustainable society.

- (v) Further global evolution, with a focus on the Asian region

We will conduct investment and support for global businesses through TRIFORCE INVESTMENTS PTE. LTD., which is a consolidated subsidiary of the Company, and work to provide sustainable value to people around the world, particularly in Asia.

(3) Issues to be addressed

The Group has a management structure as a corporate group consisting of a total of 11 companies, including 8 operating companies and 3 common function companies within the group, under the holding company, Mitsuuroko Group Holdings Co., Ltd. The operating companies consist of Mitsuuroko Vessel Co., Ltd., which focuses on energy and lifestyle-related services, Logitri Holdings Co., Ltd., which conducts optimization and integrated management of logistics businesses for energy-related products, Mitsuuroko Green Energy Co., Ltd. and Mitsuuroko Vessel Co., Ltd., which operate wind power stations and biomass power stations, and conduct retail electric power business, Mitsuuroko Foods Co., Ltd., which is for the purpose of integrated management of the Foods Business, Carl's Jr. Japan Inc., which operates a hamburger restaurant chain, MITSUUROKO CO., LTD., which conducts facility management and real estate leasing with the theme of living and wellness, TRIFORCE INVESTMENTS PTE. LTD., which is in charge of overseas operations, and the leasing company MITSUUROKO LEASE CO., LTD. The common function companies consist of Mitsuuroko Creative Solutions Co., Ltd., Sanrin Co., Ltd., and Triforce Corporation.

Energy Solutions Business is the core business of the Group, and LPG, which maintains particularly high profitability, has drawn attention as a decentralized energy source for use in times of disaster. However, going forward, there will be declining demand for petroleum products such as heating oil and gasoline as this market trend has reached maturity, and due to the expected decline in population, we do not expect a dramatic increase in market scale. In this environment, in order to maintain competitiveness and secure stable profit, it is important to develop markets that may become core businesses in the next generation and have a growth strategy based on increasing profitability, as well as to reduce business expenses through thorough rationalization.

Through the management structure based on a holding company system, authority and responsibility will be delegated to each operating companies, without distinction between existing and next-generation businesses, in order to swiftly make management decisions and respond to changes in conditions, while the holding company plays the role of supervising each company and strategically determining priority investment targets for personnel, assets, and money, with the primary focus on the growth of the Group as a whole.

With regard to initiatives to address environmental issues, we will work to establish a sustainable supply chain and expand safe and secure services in close collaboration with local communities, in order to achieve both carbon neutrality and stable supply through the Company's businesses, which focus on energy. We will strive to spread renewable energy, effort to reduce fuel consumption and CO₂ emissions through digital transformation in delivery operations, and actively promote reduction of environmental impact by making PET bottles label-free.

In addition, we will promote health management for employees to work in good physical and mental health, who play an important role to support the Company with the following five pillars: (1) 100% of employees receiving medical examinations, (2) preventing passive smoking, (3) women's health, (4) mental health, and (5) response to new lifestyles, based on the "Mitsuuroko Group Healthcare Declaration." Going forward, we will continue to undertake a range of initiatives to improve the health of employees.

Furthermore, the Group has established the "Mitsuuroko Group Human Rights Policy," and will work to respect the human rights of various stakeholders on an ongoing basis, while promoting diversity and inclusion with a particular focus on promoting female workforce participation.

We will continue to strive for sincere management and business activities based on high ethical standards, and contribute to the sustainable development of society as "a lifestyle producer," while maintaining the perspective of corporate social responsibility.

We appreciate our shareholders' understanding of the Group's management activities and ongoing support.

4. Basic approach to the selection of accounting standards

For the time being, the Group's policy is to prepare consolidated financial statements in accordance with Japanese generally accepted accounting principles (GAAP). The Company intends to consider the application of International Financial Reporting Standards (IFRS) in consideration of various domestic and overseas circumstances in the future.

5. Consolidated financial statements and significant notes

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	25,480	21,502
Notes and accounts receivable - trade	17,504	–
Notes receivable - trade	–	224
Accounts receivable - trade	–	28,112
Lease receivables and investments in leases	2,270	2,187
Merchandise and finished goods	4,936	5,331
Raw materials and supplies	400	631
Other	5,317	5,788
Allowance for doubtful accounts	(72)	(90)
Total current assets	55,837	63,687
Non-current assets		
Property, plant and equipment		
Buildings and structures	32,555	36,563
Accumulated depreciation	(22,337)	(22,961)
Buildings and structures, net	10,218	13,601
Machinery, equipment and vehicles	25,517	26,386
Accumulated depreciation	(21,384)	(22,490)
Machinery, equipment and vehicles, net	4,132	3,895
Land	13,515	15,979
Leased assets	1,720	2,748
Accumulated depreciation	(994)	(1,628)
Leased assets, net	726	1,120
Construction in progress	14	36
Other	3,279	10,628
Accumulated depreciation	(2,418)	(6,998)
Other, net	861	3,630
Total property, plant and equipment	29,468	38,264
Intangible assets		
Goodwill	1,141	3,970
Other	660	1,158
Total intangible assets	1,801	5,129
Investments and other assets		
Investment securities	44,992	35,193
Shares of subsidiaries and associates	3,514	3,723
Insurance funds	1,535	906
Deferred tax assets	1,623	1,669
Other	6,641	6,359
Allowance for doubtful accounts	(226)	(197)
Total investments and other assets	58,082	47,654
Total non-current assets	89,352	91,047
Total assets	145,189	154,735

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,540	25,003
Short-term borrowings	2,420	2,420
Current portion of long-term borrowings	1,787	3,102
Lease liabilities	260	1,102
Income taxes payable	947	869
Accrued consumption taxes	545	720
Provision for bonuses	824	905
Provision for bonuses for directors (and other officers)	6	4
Asset retirement obligations	–	87
Other	3,890	6,533
Total current liabilities	28,221	40,751
Non-current liabilities		
Long-term borrowings	5,827	7,852
Lease liabilities	840	3,004
Deferred tax liabilities	9,344	6,595
Provision for share awards	139	227
Provision for retirement benefits for directors (and other officers)	299	312
Retirement benefit liability	2,078	2,493
Asset retirement obligations	1,212	1,278
Other	3,933	4,528
Total non-current liabilities	23,678	26,293
Total liabilities	51,900	67,045
Net assets		
Shareholders' equity		
Share capital	7,077	7,077
Capital surplus	2,275	320
Retained earnings	66,471	68,084
Treasury shares	(1,160)	(533)
Total shareholders' equity	74,664	74,949
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,481	11,894
Deferred gains or losses on hedges	(201)	(121)
Foreign currency translation adjustment	0	572
Remeasurements of defined benefit plans	(36)	(19)
Total accumulated other comprehensive income	18,243	12,327
Non-controlling interests	382	413
Total net assets	93,289	87,689
Total liabilities and net assets	145,189	154,735

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	226,462	250,033
Cost of sales	194,507	221,173
Gross profit	31,954	28,859
Selling, general and administrative expenses	26,722	28,036
Operating profit	5,232	823
Non-operating income		
Interest income	22	21
Dividend income	699	1,068
Purchase discounts	46	41
Share of profit of entities accounted for using equity method	486	511
Insurance claim income	107	425
Compensation income	136	86
Gain on derivatives trading	–	51
Other	200	454
Total non-operating income	1,697	2,661
Non-operating expenses		
Interest expenses	192	168
Sales discounts	7	–
Commission expenses	161	348
Loss on derivatives trading	483	–
Other	80	43
Total non-operating expenses	925	560
Ordinary profit	6,003	2,925
Extraordinary income		
Gain on sale of non-current assets	58	5
Gain on sale of investment securities	–	768
Insurance claim income	–	140
Compensation for expropriation	87	–
Total extraordinary income	145	914
Extraordinary losses		
Loss on sale of non-current assets	175	2
Loss on retirement of non-current assets	227	93
Loss on sale of investment securities	1	–
Loss on valuation of investment securities	50	–
Impairment losses	124	147
Loss on store closings	48	22
Soil contamination treatment measure costs	23	–
Loss on disaster	–	127
Loss on COVID-19	206	9
Total extraordinary losses	857	401
Profit before income taxes	5,291	3,437
Income taxes - current	2,149	2,040
Income taxes - deferred	(224)	(536)
Total income taxes	1,924	1,503
Profit	3,366	1,933
Profit (loss) attributable to non-controlling interests	(2)	24
Profit attributable to owners of parent	3,369	1,909

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	3,366	1,933
Other comprehensive income		
Valuation difference on available-for-sale securities	13,890	(6,587)
Deferred gains or losses on hedges	8	3
Foreign currency translation adjustment	0	572
Remeasurements of defined benefit plans, net of tax	30	16
Share of other comprehensive income of entities accounted for using equity method	50	78
Total other comprehensive income	13,980	(5,916)
Comprehensive income	17,346	(3,982)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,349	(4,007)
Comprehensive income attributable to non-controlling interests	(2)	24

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,077	2,275	64,535	(219)	73,668
Cumulative effects of changes in accounting policies					–
Restated balance	7,077	2,275	64,535	(219)	73,668
Changes during period					
Dividends of surplus			(1,433)		(1,433)
Profit attributable to owners of parent			3,369		3,369
Capital increase of consolidated subsidiaries		(0)			(0)
Purchase of treasury shares				(940)	(940)
Net changes in items other than shareholders' equity					–
Total changes during period	–	(0)	1,935	(940)	995
Balance at end of period	7,077	2,275	66,471	(1,160)	74,664

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	4,584	(253)	–	(66)	4,263	384	78,317
Cumulative effects of changes in accounting policies					–		–
Restated balance	4,584	(253)	–	(66)	4,263	384	78,317
Changes during period							
Dividends of surplus					–		(1,433)
Profit attributable to owners of parent					–		3,369
Capital increase of consolidated subsidiaries					–		(0)
Purchase of treasury shares					–		(940)
Net changes in items other than shareholders' equity	13,897	52	0	30	13,980	(2)	13,977
Total changes during period	13,897	52	0	30	13,980	(2)	14,972
Balance at end of period	18,481	(201)	0	(36)	18,243	382	93,289

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,077	2,275	66,471	(1,160)	74,664
Cumulative effects of changes in accounting policies			1,120		1,120
Restated balance	7,077	2,275	67,591	(1,160)	75,784
Changes during period					
Dividends of surplus			(1,416)		(1,416)
Profit attributable to owners of parent			1,909		1,909
Capital increase of consolidated subsidiaries		(6)			(6)
Purchase of treasury shares				(1,321)	(1,321)
Cancellation of treasury shares		(1,947)		1,947	–
Net changes in items other than shareholders' equity					–
Total changes during period	–	(1,954)	492	626	(835)
Balance at end of period	7,077	320	68,084	(533)	74,949

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	18,481	(201)	0	(36)	18,243	382	93,289
Cumulative effects of changes in accounting policies					–		1,120
Restated balance	18,481	(201)	0	(36)	18,243	382	94,410
Changes during period							
Dividends of surplus					–		(1,416)
Profit attributable to owners of parent					–		1,909
Capital increase of consolidated subsidiaries					–		(6)
Purchase of treasury shares					–		(1,321)
Cancellation of treasury shares					–		–
Net changes in items other than shareholders' equity	(6,586)	80	572	16	(5,916)	30	(5,885)
Total changes during period	(6,586)	80	572	16	(5,916)	30	(6,720)
Balance at end of period	11,894	(121)	572	(19)	12,327	413	87,689

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	5,291	3,437
Depreciation	2,821	3,082
Amortization of goodwill	34	76
Impairment losses	124	147
Loss on store closings	48	22
Soil contamination treatment measure costs	23	–
Loss on COVID-19	206	9
Increase (decrease) in provision for share awards	39	87
Increase (decrease) in provision for retirement benefits for directors (and other officers)	2	2
Increase (decrease) in allowance for doubtful accounts	(35)	(11)
Increase (decrease) in retirement benefit liability	59	43
Compensation for expropriation	(87)	–
Insurance claim income	(107)	(566)
Interest and dividend income	(721)	(1,090)
Interest expenses	192	168
Share of loss (profit) of entities accounted for using equity method	(486)	(511)
Loss (gain) on sale of investment securities	1	(768)
Loss (gain) on valuation of investment securities	50	–
Loss (gain) on sale and retirement of non-current assets	344	90
Decrease (increase) in trade receivables	(851)	(9,633)
Decrease (increase) in investments in leases	244	83
Decrease (increase) in inventories	(569)	(531)
Increase (decrease) in trade payables	1,428	6,877
Increase (decrease) in accrued consumption taxes	17	160
Other, net	(496)	3,893
Subtotal	7,578	5,069
Interest and dividends received	1,082	1,485
Interest paid	(195)	(172)
Proceeds from compensation for expropriation	87	–
Proceeds from insurance income	107	566
Loss on COVID-19 paid	(167)	(8)
Income taxes paid	(3,320)	(2,345)
Income taxes refund	169	419
Net cash provided by (used in) operating activities	5,340	5,013

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from investing activities		
Payments into time deposits	(54)	(184)
Proceeds from withdrawal of time deposits	48	184
Purchase of property, plant and equipment	(1,433)	(2,637)
Proceeds from sale of property, plant and equipment	129	33
Payments for retirement of property, plant and equipment	(150)	(12)
Purchase of intangible assets	(580)	(1,068)
Payments for asset retirement obligations	(74)	(45)
Purchase of investment securities	(1,224)	(214)
Proceeds from sale of investment securities	27	1,315
Purchase of shares of subsidiaries and associates	(40)	(12)
Long-term loan advances	–	(27)
Proceeds from collection of long-term loans receivable	8	34
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(5,786)
Other, net	(180)	2
Net cash provided by (used in) investing activities	(3,523)	(8,417)
Cash flows from financing activities		
Proceeds from long-term borrowings	400	4,852
Repayments of long-term borrowings	(2,640)	(2,021)
Repayments of lease liabilities	(234)	(768)
Purchase of treasury shares	(940)	(1,321)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(9)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	–	10
Dividends paid	(1,427)	(1,410)
Other, net	(15)	(90)
Net cash provided by (used in) financing activities	(4,858)	(759)
Effect of exchange rate change on cash and cash equivalents	11	133
Net increase (decrease) in cash and cash equivalents	(3,029)	(4,030)
Cash and cash equivalents at beginning of period	28,327	25,297
Cash and cash equivalents at end of period	25,297	21,267

(5) Notes to 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 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 current fiscal year, was added to or deducted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance.

In addition, “Notes and accounts receivable - trade” presented as “Current assets” in the consolidated balance sheets for the previous fiscal year are presented as “Notes receivable - trade” and “Accounts receivable - trade” from the current fiscal year. 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.

As a result, the balance of accounts receivable - trade increased by ¥3,297 million and the balance of inventories decreased by ¥1,111 million in the consolidated balance sheet for the current fiscal year compared to the balance sheet before the application of the revenue recognition accounting standard, etc. In the consolidated statement of income for the current fiscal year, net sales and cost of sales decreased by ¥8,931 million and ¥9,322 million respectively, while selling, general and administrative expenses increased by ¥1 million. As a result, gross profit increased by ¥390 million, and operating profit, ordinary profit, and profit before income taxes each increased by ¥389 million respectively.

The consolidated statement of cash flows for the current fiscal year shows an increase in profit before income taxes of ¥389 million, an increase of ¥3,297 million in notes and accounts receivable - trade, and a decrease of ¥1,111 million in inventories.

The cumulative effect of the change in accounting policy reflected in net assets at the beginning of the current fiscal year increased the beginning balance of retained earnings in the consolidated statement of changes in equity by ¥1,120 million after retrospective application.

The impact on per share information is stated in the relevant section.

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 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 consolidated financial statements.

Segment information

[Segment information]

1. Overview of reportable segments

The Group’s reportable segments are components of the Group for which separate financial information is available and which are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

The Group has established business divisions by product and service at its headquarters, and each division formulates comprehensive strategies for the products and services it handles and develops business activities.

Accordingly, the group has five reportable segments: Energy Solutions Business, Power & Electricity Business, Foods Business, Living & Wellness Business, and Overseas Business, which are aggregated business segments with similar economic characteristics by products and services based on business divisions.

The Energy Solutions Business sells LPG and petroleum products such as gasoline, diesel fuel, and heating oil, as well as combustion and kitchen appliances; the Power and Electricity Business wholesales wind-generated electricity and retails electricity to general consumers, mainly through biomass power generation; the Foods Business manufactures and sells soft drinks, operates cafeterias in hospitals and companies, operates the Carl’s Jr. burger restaurant chain, operates a grocery business, and operates scratch bakeries and cafes; the Living & Wellness Business leases office buildings, condominiums, and other real estate, and operates hot spring and other living and wellness-themed facilities; the Overseas Business is engaged in business investment, support service, and self-storage business outside of Japan. The Others sells products and services that are not included in the aforementioned reportable segments.

Effective from the current consolidated fiscal year, the Overseas Business, which was previously included in the “Others” segment, is now presented a reportable segment because its quantitative importance has increased due to the start of consolidation of overseas subsidiaries. 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 current fiscal year. Please note that the segment information disclosed for the previous fiscal year was prepared based on the new reporting segment classification.

2. Calculation of net sales, profit or loss, assets and other items by reportable segment

The accounting method for reported business segments is in accordance with the accounting policies used to prepare the consolidated financial statements.

Profit by reportable segment is based on operating profit.

Intersegment revenues and transfers within the Group are based on prevailing market prices.

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 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 ¥404 million, segment profit decreased by ¥47 million, net sales in the Power & Electricity Business decreased by ¥8,368 million, segment profit increased by ¥437 million, and net sales in the Living & Wellness Business decreased by ¥159 million in the current fiscal year.

3. Information on net sales, profit or loss, assets and other items by reportable segment

Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments						Others (Note 1)	Total	Adjustments (Note 2)	Amount in the consoli- dated financial statements (Note 3)
	Energy Solutions Business	Power & Electricity Business	Foods Business	Living & Wellness Business	Overseas Business	Subtotal				
Net sales										
Sales to external customers	111,184	99,380	11,351	2,195	–	224,112	2,350	226,462	–	226,462
Intersegment sales or transfers	158	172	8	9	–	349	180	529	(529)	–
Total	111,342	99,552	11,360	2,205	–	224,461	2,530	226,992	(529)	226,462
Segment profit (loss)	4,210	1,590	(95)	415	(19)	6,101	(11)	6,090	(858)	5,232
Segment assets	43,839	17,212	4,603	12,154	12,594	90,404	3,886	94,290	50,899	145,189
Other items										
Depreciation	1,373	610	247	415	–	2,645	65	2,711	109	2,821
Amortization of goodwill	29	2	2	–	–	34	–	34	–	34
Investments in entities accounted for using equity method	2,873	593	–	–	–	3,466	–	3,466	–	3,466
Increase in property, plant and equipment and intangible assets	1,728	242	255	58	–	2,284	85	2,370	116	2,487

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments						Others (Note 1)	Total	Adjustments (Note 2)	Amount in the consoli- dated financial statements (Note 3)
	Energy Solutions Business	Power & Electricity Business	Foods Business	Living & Wellness Business	Overseas Business	Subtotal				
Net sales										
Sales to external customers	137,840	94,057	13,476	2,206	508	248,089	1,943	250,033	–	250,033
Intersegment sales or transfers	161	207	9	10	–	389	189	578	(578)	–
Total	138,002	94,264	13,486	2,217	508	248,478	2,132	250,611	(578)	250,033
Segment profit (loss)	2,791	(1,343)	127	324	(77)	1,823	46	1,870	(1,046)	823
Segment assets	50,324	22,292	8,237	12,591	26,235	119,682	3,845	123,527	31,207	154,735
Other items										
Depreciation	1,351	539	300	450	265	2,909	63	2,972	109	3,082
Amortization of goodwill	29	2	1	–	42	76	–	76	–	76
Investments in entities accounted for using equity method	2,989	686	–	–	–	3,676	–	3,676	–	3,676
Increase in property, plant and equipment and intangible assets	1,537	524	207	870	12	3,151	106	3,258	658	3,916

- (Notes) 1. The “Others” category is a business segment that is not included in the reportable segments and includes Leasing Business, Insurance Agency Business and sales of other services.
2. The Overseas Business posted segment losses in both the previous and the current fiscal year due to one-time expenses (¥19 million in the previous fiscal year and ¥107 million in the current fiscal year) such as due diligence costs incurred at the time of acquiring shares of subsidiaries.
3. The details of adjustments are as follows.

(1) Segment profit (loss)

(Millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Elimination of intersegment transactions	(16)	(27)
Corporate expenses (Note)	(841)	(1,019)
Other adjustments	0	0
Total	(858)	(1,046)

(Note) Corporate expenses are mainly general and administrative expenses that do not belong to any reportable segment.

(2) Segment assets

(Millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Elimination of receivables from corporate administrative departments	(124)	(98)
Corporate assets (Note)	51,006	31,287
Other adjustments	18	18
Total	50,899	31,207

(Note) Corporate assets consist mainly of surplus operating funds (cash and deposits), long-term investment funds (investment securities), and assets related to administrative departments that do not belong to the reportable segments.

(3) Adjustment of increase in property, plant and equipment and intangible assets (¥116 million in the previous consolidated fiscal year and ¥658 million in the current consolidated fiscal year) represents capital investment in head office and other facilities.

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

[Information about impairment losses of non-current assets by reportable segment]

Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Energy Solutions Business	Power & Electricity Business	Foods Business	Living & Wellness Business	Overseas Business	Others	Corporate and elimination	Total
Impairment losses	13	–	111	–	–	–	–	124

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Energy Solutions Business	Power & Electricity Business	Foods Business	Living & Wellness Business	Overseas Business	Others	Corporate and elimination	Total
Impairment losses	–	–	147	–	–	–	–	147

[Information about amortization and unamortized balance of goodwill by reportable segment]

Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Energy Solutions Business	Power & Electricity Business	Foods Business	Living & Wellness Business	Overseas Business	Others	Corporate and elimination	Total
Amortization in the fiscal year	29	2	2	–	–	–	–	34
Unamortized balance at end of the fiscal year	208	13	–	–	–	–	–	222

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Energy Solutions Business	Power & Electricity Business	Foods Business	Living & Wellness Business	Overseas Business	Others	Corporate and elimination	Total
Amortization in the fiscal year	29	2	1	–	42	–	–	76
Unamortized balance at end of the fiscal year	178	10	–	–	3,009	–	–	3,198

Per share information

Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)		Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)	
Net assets per share	1,517.47 yen	Net assets per share	1,455.33 yen
Profit per share	54.54 yen	Profit per share	31.29 yen

(Notes) 1. Diluted profit per share adjusted is not shown because there are no latent shares.

2. 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 at the end of the previous fiscal year, 567,900 shares at the end of the current fiscal year). 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 the previous fiscal year, 567,900 shares for the current fiscal year)

3. 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 followed the transitional treatment prescribed in the proviso of paragraph 84 of the "Accounting Standard for Revenue Recognition." As a result, net assets per share and profit per share for the current fiscal year increased by ¥27.55 and ¥8.70 respectively.

4. The basis for calculating profit per share is as follows

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (Millions of yen)	3,369	1,909
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common shares (Millions of yen)	3,369	1,909
Average number of shares outstanding during the period (thousand shares)	61,769	61,022

Significant subsequent events

Not applicable.

6. Other

(1) Change of Directors and Executive Officers

(i) Change of Representative

Not applicable.

(ii) Change on other Directors and Executive Officers

Other changes (effective April 1, 2022) have already been disclosed in the “Notice of organizational and personnel changes” on March 16, 2022.