# Disclosure through the Internet regarding Notice of the 113th Ordinary General Meeting of Shareholders

**Notes to Consolidated Financial Statements**

**Notes to Non-consolidated Financial Statements**

(from April 1, 2021 to March 31, 2022)

## Mitsuuroko Group Holdings Co., Ltd.

The “Notes to Consolidated Financial Statements” and “Notes to Non-Consolidated Financial Statements” are made available to shareholders on the Company’s website (https://www.mitsuuroko.com/) pursuant to laws and regulations and the Company’s Articles of Incorporation.

## Notes to Consolidated Financial Statements

### 1. Notes Regarding Significant Accounting Policies for Preparation of Consolidated Financial Statements

(1) Scope of consolidation

(i) Status of consolidated subsidiaries

| | |
|---|---|
| • Number of consolidated subsidiaries: | 44 |
| • Names of major consolidated subsidiaries: | Mitsuuroko Vessel Co., Ltd.<br>Logitri Holdings Co., Ltd.<br>Mitsuuroko Green Energy Co., Ltd.<br>Mitsuuroko Voyagers Co., Ltd.<br>MITSUUROKO Co., Ltd.<br>Mitsuuroko Creative Solutions Co., Ltd.<br>On April 1, 2022, Mitsuuroko Voyagers Co., Ltd. changed its trade name to Mitsuuroko Foods Co., Ltd. |
| • Changes in the scope of consolidation: | In the current fiscal year, Mitsuuroko Sports Co., Ltd. and Motomachi Coffee Co., Ltd. were established, and Shizuoka JA Foods Co., Ltd., General Storage Company Pte. Ltd., Lock+Store (Chai Chee) Pte. Ltd., Lock+Store (Ayer Rajah) Pte. Ltd., Lock+Store (Tanjong Pagar) Pte. Ltd., L+S Self Storage Pte. Ltd., Lock And Store (Glenmarie) Sdn Bhd, and The Store House Limited were included in the scope of consolidation through share acquisitions. On April 1, 2022, Shizuoka JA Foods Co., Ltd. changed its trade name to Shizuoka Mitsuuroko Foods Co., Ltd.<br>In addition, Mitsuuroko Energy Force Co., Ltd. was excluded from the scope of consolidation in the current fiscal year. This was due to its merger with Mitsuuroko Vessel Co., Ltd. |

(ii) Status of non-consolidated subsidiaries

Not applicable.

(2) Application of equity method

(i) Status of associates to which equity method is applied

| | |
|---|---|
| • Number of associates to which equity method is applied: | 7 |
| • Names of associates: | Niigata Sanrin Co., Ltd.<br>Futtsu Solar Co., Ltd.<br>Suigo-Itako Solar Co., Ltd.<br>IRUMA GAS CO., LTD.<br>Japan Enagic Co., Ltd.<br>Daijyou Energy Co., Ltd.<br>Tanno Shouten Co., Ltd. |
| • Change in the scope of associates to which equity method is applied: | In the current fiscal year, a share acquisition was conducted to include Tanno Shouten Co., Ltd. in the scope of associates to which equity method is applied. |

(ii) Status of non-consolidated subsidiaries and associates to which equity method is not applied

- Names of major companies: Ikaho Gas Co., Ltd.
  Higashimatsuyama Gas Co., Ltd.
- Reason for not applying equity method: Even if they are excluded from equity method's target of application, companies to which equity method is not applied only exert a minimal and overall insignificant impact on the Consolidated Financial Statements in terms of net income (amount corresponding to equity), retained earnings (amount corresponding to equity) and other such items. It is for this reason that the said companies are excluded from the scope of application of equity method.

(3) Fiscal years of consolidated subsidiaries

The fiscal years of all consolidated subsidiaries end on the day of the Company's fiscal year-end.

(4) Accounting policies

(i) Basis and method for valuation of securities

Subsidiaries and associates: The shares of associates to which equity method is not applied are valued at cost method determined by moving-average method.

Available-for-sale securities

Securities other than shares that do not have a market value: The fair value method based on the market price on the consolidated closing date (with the entire amount of valuation differences recorded directly into net assets, and the cost of sales calculated using the moving average method) is used.

Shares that do not have a market value: Moving average cost method is used

(ii) Basis and method for valuation of derivatives

Derivatives: Fair value method is used.

(iii) Basis and method for valuation of inventories

Cost method is used as the basis of valuation (with amount shown on balance sheet written down as profitability declines).

| | |
|---|---|
| Merchandise | Moving-average method is primarily used. |
| Finished goods | Moving-average method is primarily used. |
| Raw materials and supplies | First-in, first-out method is primarily used. |

(iv) Depreciation method for non-current assets

| | |
|---|---|
| Property, plant and equipment (excluding leased assets) | The declining balance method is applied to the Company and its consolidated subsidiaries in Japan, while the straight-line method is applied to the consolidated subsidiaries outside Japan. However, the straight-line method is applied for buildings (excluding facilities) acquired on or after April 1, 1998, and for facilities attached to buildings and for structures acquired on or after April 1, 2016. The straight-line method is also used for the machinery and equipment of some consolidated subsidiaries engaged in the Power & Electricity Business.<br>Further, the useful life and salvage value are mainly determined based on the standards stipulated in the Corporation Tax Act. |
| Intangible assets (excluding leased assets) | The straight-line method is applied.<br>Goodwill is depreciated by the straight-line method over its period of effect. Software for sales in the market is depreciated in the larger of either the amount calculated based on estimated sales volume or the amount calculated by the straight-line method over the remaining effective life (within three years). Further, the software used in-house is depreciated by the straight-line method over its usable period within the company (five years). |
| Leased assets | The straight-line method is applied using the lease term as service life and a residual value of zero. |

(v) Recognition criteria for provisions

| | |
|---|---|
| Allowance for doubtful accounts | To make allowances for the non-payment of trade receivables, loans receivable, and other receivables, the historical default rate is used for general receivables, the actual default rates on an individual claim basis are used for receivables designated as potentially irrecoverable, and an allowance is made for the amounts deemed irrecoverable. |
| Provision for bonuses | A provision is set up to allow for the payment of bonuses for employees, and is recorded by using the required amount to be paid based on corporate rules. |
| Provision for bonuses for directors (and other officers) | To make provisions for the payment of bonuses for directors (and other officers), some consolidated subsidiaries record the amount based on the estimated amount of payments of the current fiscal year. |
| Provision for share awards | To make provisions for the share awards to officers, the amount of awards required at the end of the current fiscal year based on internal regulations is recorded. |
| Provision for retirement benefits for directors (and other officers) | To make provisions for the payment of retirement benefits for directors (and other officers), some consolidated subsidiaries record the amount of payment due as of the fiscal year-end based on internal regulations. |

(vi) Recognition criteria for revenue and expenses

Recognition criteria for revenue

A. Energy Solutions Business

The Energy Solutions Business engages in the sales of petroleum products such as LPG, gasoline, light oil, and heating oil, as well as housing equipment, etc.

When control of merchandise and finished goods is transferred, or more specifically, delivered to customers in the transactions of these merchandise and finished goods, excluding LPG, the legal ownership and physical possessory right of the merchandise and finished goods, and the material risks and economic value associated with the possession of the merchandise and finished goods are transferred, and revenues are recognized so as to obtain the right to receive consideration from customers for the merchandise and finished goods. Further, revenues are recognized based on the trading prices stated under agreements with customers, and consideration for transactions is received within one year after the delivery of merchandise and finished goods, and therefore does not include significant financial components.

In the transactions of LPG, obligations are deemed to be performed over a certain period of time in accordance with the terms of an agreement, and revenues are recognized according to the supply of LPG over the agreement period. Also, revenues are recognized as the amount of consideration promised in agreements with customers minus rebates, etc. Consideration for obligations is primarily received within one year of the obligations being performed and does not include significant financial components.

Further, revenues generated by consumers using LPG are recognized based on the date of meter reading, but if the date of meter reading and the end of the fiscal year are different, the revenues for the period spanning from the date of meter reading to the end of the fiscal year are recorded by using a reasonable estimate.

B. Power & Electricity Business

The Power & Electricity Business engages in the wholesale of electricity by generating wind power and the retail of electricity to general consumers, etc.

In the transactions of these services, obligations are deemed to be performed over a certain period of time in accordance with the terms of an agreement, and revenues are recognized according to the supply of electricity over the agreement period. Also, revenues are recognized as the amount of consideration promised in agreements with customers minus rebates, etc. Consideration for obligations is primarily received within one year of the obligations being performed and does not include significant financial components.

Further, revenues generated by consumers using electricity are recognized based on the date of meter reading, but if the date of meter reading and the end of the fiscal year are different, the revenues for the period spanning from the date of meter reading to the end of the fiscal year are recorded by using a reasonable estimate.

C. Foods Business

The Foods Business engages in the manufacture and sale of bottled water, store and restaurant businesses such as in-facility stalls and cafeterias, the operation of burger restaurant chains, and the operation of fresh bakeries and cafes, etc.

When control of merchandise and finished goods is transferred, or more specifically, delivered to customers in the transactions of these merchandise and finished goods, the legal ownership and physical possessory right of the merchandise and finished goods, and the material risks and economic value associated with the possession of the merchandise and finished goods are transferred, and revenues are recognized so as to obtain the right to receive consideration from customers for the merchandise and finished goods. Further, revenues are recognized based on the trading prices stated under agreements with customers, and consideration for transactions is received within one year after the delivery of merchandise and finished goods, and therefore does not include significant financial components.

D. Living & Wellness Business

The Living & Wellness Business engages in the leasing of real estate such as office buildings and condominiums, and the operation of establishments for living and wellness such as bathing facilities.

When the benefits of these services are transferred, or more specifically, when the services are provided to customers in the transactions thereof, excluding the leasing of real estate, the material risks and economic value associated with the provision of the services are transferred, and revenues are recognized so as to obtain the right to receive consideration for the services from customers. Further, revenues are recognized based on the trading prices stated under agreements with customers, and consideration for transactions is received within one year after providing the services, and therefore does not include significant financial components.

Revenues from transactions of leasing real estate are recognized for their leasing period.

E. Overseas Business

The Overseas Business engages in self-storage services, warehousing, and so forth in the Asia region.

Revenues from these transactions are recognized for their leasing period.

F. Others

Other businesses engage in the sales of products and services that are not included in the aforementioned reportable segments.

When control of merchandise is transferred, or more specifically, delivered to customers in the transactions of these services, excluding leasing, the legal ownership and physical possessory right of the merchandise, and the material risks and economic value associated with the possession of the merchandise are transferred, and revenues are recognized so as to obtain the right to receive consideration from customers for the merchandise. Further, revenues are recognized based on the trading prices stated under agreements with customers, and consideration for transactions is received within one year after the delivery of merchandise, and therefore does not include significant financial components.

(vii) Hedge accounting method

| | |
|---|---|
| Hedge accounting method | In principle, deferred hedge accounting is applied.<br>Also, if the requirements for special treatment are met for interest rate swaps, special treatment is applied. |

Hedging instruments and hedged items

| Hedging instruments | Hedged items |
|---|---|
| Interest rate swaps | Interest on borrowings |

| | |
|---|---|
| Hedging policy | Hedging is carried out for the purpose of reducing the possibility of loss due to interest rate fluctuations.<br>Note that hedging transactions are conducted with the approval of the Board of Directors pursuant to the Rules on Managing Market Risk. In addition, the execution of transactions is managed intensively in Finance & Control. |
| Method of evaluating the effectiveness of hedging | In principle, the cumulative cash flow fluctuations of hedging instruments and hedged items are compared semi-annually, and the effectiveness of hedging is evaluated based on the fluctuation amounts of both, etc.<br>Note that for the interest rate swaps at the end of the current fiscal year, the effectiveness of hedging was extremely high and was therefore omitted from evaluation. |

(viii)Other basic policies and important items for the preparation of Consolidated Financial Statements

| | |
|---|---|
| Basis for recording revenues related to finance lease transactions | Net sales and cost of sales are recorded upon receipt of lease payments. |
| Accounting treatment related to retirement benefits | To make allowances for the payment of retirement benefits to employees, a provision for retirement benefits is recorded in the amount deemed to be accrued at the end of the current fiscal year, based on the amount of projected liabilities as of the end of the consolidated fiscal year under review. When calculating pension benefit liabilities, the method for attributing expected benefit payments for the period to the consolidated fiscal year under review is as per the benefit formula basis. Actuarial gains and losses are treated as expenses in the consolidated fiscal year following the fiscal year in which they arise, in an amount proportionally divided using the straight-line method over a fixed number of years (in mainly ten years) that is within the average number of years of remaining service of employees at the time the differences emerge each fiscal year. Unrecognized actuarial gains and losses are adjusted for tax effect, and recorded under net assets as remeasurements of defined benefit plans in accumulated other comprehensive income. Further, in the calculation of retirement benefit liability and retirement benefit expenses, some consolidated subsidiaries apply the simplified method that uses the amount of retirement benefits required for voluntary resignations at the end of the term as retirement benefit liabilities. |

## 2. Notes Regarding 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 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 current fiscal year under review, and thus the new accounting policy was applied from such opening balance.

Further, “Notes and accounts receivable - trade” under “current assets” of the Consolidated Balance Sheet as of the end of the previous fiscal year has been included in “Notes receivable - trade” and “Accounts receivable - trade” from the current fiscal year.

As a result, compared to before the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, the Consolidated Balance Sheet for the current fiscal year shows that the balance of accounts receivable - trade increased by ¥3,297 million and the balance of inventories decreased by ¥1,111 million. In addition, the Consolidated Statement of Income for the current fiscal year shows that net sales decreased by ¥8,931 million and cost of sales decreased by ¥9,322 million, while selling, general and administrative expenses increased by ¥1 million. Consequently, gross profit increased by ¥390 million, and operating profit, ordinary profit, and profit before income taxes each increased by ¥389 million respectively.

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 the information per share is described 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 current 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 Consolidated Financial Statements.

## 3. Notes Regarding Accounting Estimates

Important accounting estimates

Accounting estimates are calculated at reasonable amounts based on the information available during the preparation of the Consolidated Financial Statements.

Of the amounts recorded in the Consolidated Financial Statements for the current fiscal year, which are based on accounting estimates, the items that may have a material impact on the Consolidated Financial Statements for the next fiscal year are as follows.

1. Estimated net sales of LPG during the unread meter period from the date of meter reading to the end of the fiscal year

(1) Amount recorded in the Consolidated Financial Statements for the current fiscal year

Net sales generated by consumers using LPG were recognized based on the date of meter reading, but if the date of meter reading and the end of the fiscal year were different, the net sales for the period spanning from the date of meter reading to the end of the fiscal year were recorded by using a reasonable estimate. In the current fiscal year, the net sales of LPG were recorded at ¥1,777 million.

(2) Other information about the details of accounting estimates that aids the understanding of those who use the Consolidated Financial Statements

The estimated sales volume was calculated by performing a regression analysis using the least-squares method, and the net sales corresponding to the unread meter period spanning from the date of meter reading to the end of the fiscal year was calculated, under the assumption that LPG usage correlates with fluctuations in temperature and number of users.

If any of these accounting estimates and the assumptions used in these estimates differ from the actual results, it may affect the net sales calculated in the Consolidated Financial Statements for the next fiscal year.

2. Necessity of recognizing impairment losses of non-current assets

(1) Amount recorded in the Consolidated Financial Statements for the current fiscal year

The book value of non-current assets before recording impairment losses for stores related to the Foods Business stood at ¥457 million, and since operating losses were continuously recorded at some stores due to the effects of COVID-19, the Group deemed that there were signs of impairment losses and examined whether or not it was necessary to record an impairment loss.

As a result of the examination, it was determined that the undiscounted future cash flows would exceed the book value of non-current assets for some stores in the Foods Business, and therefore no impairment losses were recorded.

(2) Other information about the details of accounting estimates that aids the understanding of those who use the Consolidated Financial Statements

As a general rule, the Group groups together business assets based on stores.

If indications of impairment are observed, the necessity of recognizing an impairment loss is determined by comparing the total undiscounted future cash flows obtained from the asset group and the book value. If, as a result of the comparison, it is determined that an impairment loss needs to be recognized due to the book value exceeding the total undiscounted future cash flows, the book value is reduced to the recoverable amount (the higher of either the net selling value or value in use), and the decrease in the book value is recognized as an impairment loss.

In addition, future cash flows in the Foods Business are estimated based on the mid-term business plan. In particular, the main assumption made during estimation is that net sales will increase on the premise that the number of store visitors will gradually recover after suffering a decline due to COVID-19, given the demand for home-based services and diversifying needs such as takeout and delivery. On the other hand, the assumption of cost reductions associated with the revision of labor costs, rent and other expenses is also incorporated during estimation. If these assumptions require revision, additional impairment losses may be recognized in the next fiscal year.

## 4. Additional Information

Performance-linked stock remuneration plan for Directors

The Company has adopted a performance-linked stock remuneration plan called “Board Benefit Trust (BBT)” (the “Plan”), for the purpose of raising awareness among its Directors, other than those who are Audit and Supervisory Committee Members (excluding external Directors; the “Target Directors”), to contribute to improving business performance and increasing corporate value over the medium- to long-term.

(1) Overview of transactions

The Plan is a performance-linked stock remuneration plan where the Company’s shares are first acquired through a trust by using the money contributed by the Company as the source of funds, then in accordance with the Officers’ Board Benefit Regulations established by the Company, the Company’s shares and the money equivalent to the amount obtained by converting the Company’s shares at the fair value are paid to the Target Directors of the Company through the trust. Also, as a general rule, the Company’s Target Directors receive the benefits of Company shares during their resignation.

(2) Company shares remaining in the trust

The Company’s shares that remain in the trust are recorded as treasury shares in the net assets, based on the book value in the trust (excluding the amount of incidental expenses). At the end of the current fiscal year, the book value and number of treasury shares stood at ¥477 million and 567,900, respectively.

## 5. Notes Regarding the Consolidated Balance Sheet

(1) Pledged assets and collateral-related liabilities

(i) Pledged assets

| | |
|---|---|
| Buildings and structures | ¥2,562 million |
| Land | ¥2,044 million |
| Total | ¥4,607 million |

(ii) Collateral-related liabilities

| | |
|---|---|
| Current portion of long-term borrowings | ¥134 million |
| Long-term borrowings | ¥382 million |
| Total | ¥516 million |

Apart from the above, shares of associates worth ¥686 million are provided as collateral for liabilities, in accordance with the loan agreements that were concluded between associates to which equity method is applied and financial institutions.

(2) Accumulated depreciation of property, plant and equipment ¥54,078 million

(3) Accumulated tax purpose reduction entry due to receipt of national subsidies pertaining to property, plant and equipment, etc.

The accumulated tax purpose reduction entry due to the receipt of national subsidies pertaining to property, plant and equipment, etc. was ¥154 million for buildings and structures, ¥2,100 million for machinery, equipment and vehicles, and ¥62 million for others, which in total amounted to ¥2,317 million.

## 6. Notes Regarding the Consolidated Statement of Income

(1) Major items and amounts among selling, general and administrative expenses

| | |
|---|---|
| Salaries | ¥6,654 million |
| Provision for bonuses | ¥905 million |
| Provision for bonuses for directors (and other officers) | ¥4 million |
| Provision for retirement benefits for directors (and other officers) | ¥28 million |
| Provision for share awards | ¥87 million |
| Retirement benefit expenses | ¥337 million |
| Depreciation | ¥1,460 million |
| Provision of allowance for doubtful accounts | ¥26 million |
| Amortization of goodwill | ¥76 million |

(2) Breakdown of gain on sale of non-current assets

| | |
|---|---|
| Buildings and structures | ¥1 million |
| Machinery, equipment and vehicles | ¥0 million |
| Land | ¥0 million |
| Other | ¥3 million |
| Total | ¥5 million |

(3) Breakdown of loss on sale of non-current assets

| | |
|---|---|
| Buildings and structures | ¥0 million |
| Land | ¥0 million |
| Other | ¥1 million |
| Total | ¥2 million |

(4) Breakdown of loss on retirement of non-current assets

| | |
|---|---|
| Buildings and structures | ¥12 million |
| Machinery, equipment and vehicles | ¥30 million |
| Removal expenses, etc. associated with removal | ¥31 million |
| Other | ¥19 million |
| Total | ¥93 million |

(5) Impairment losses

In the current fiscal year, the Group recorded impairment losses for the following asset groups.

| Company | Use | Type | Location | Impairment losses (Millions of yen) |
|---|---|---|---|---|
| Sweet Style Co., Ltd. | Business assets | Buildings, etc. | Kunitachi-shi, Tokyo, etc. | 61 |
| Carl’s Jr. Japan Inc. | Business assets | Buildings, etc. | Chofu-shi, Tokyo, etc. | 86 |

In recognizing impairment losses, the Group groups assets in the Energy Solutions Business and other businesses mainly by branch group, which is a unit in decision-making for investments, and groups idle assets, and assets of the Power & Electricity Business, Foods Business and Living & Wellness Business by property, and assets of Overseas Business by company. In addition, the headquarters and welfare facilities of the Company are treated as shared assets since they do not generate independent cash flow.

As for business assets, the investment amount was projected to be unrecoverable due to a decline in profitability. Therefore, the book value was reduced to its recoverable amount and the reduction was recorded as an impairment loss. The main breakdown thereof is as follows: ¥127 million for buildings and structures, ¥13 million for property, plant and equipment and others, and ¥5 million for intangible assets and others.

Further, the recoverable amount of each asset group was measured in terms of its value in use. For the values in use, their entire book values were recorded as impairment losses as future cash flows are negative.

(6) Loss on store closings

This is the loss on disposal of inventories, loss on retirement of non-current assets, and costs of removing closed stores, etc., associated with the closings of stores in the consolidated subsidiaries.

(7) Loss on disaster

This is the repair cost that arose due to typhoon damage and an accident involving machinery at the consolidated subsidiary AzuchiOshima Wind Power Station Co., Ltd.

(8) Loss on COVID-19

Due to various demands from the central and local governments concerning COVID-19, temporarily closures had been implemented on stores in the Foods Business. Fixed costs (including personnel expenses, depreciation, and rent) incurred during the period of temporary store closure were recorded as loss on COVID-19 under extraordinary losses.

## 7. Notes Regarding Consolidated Statement of Changes in Equity

(1) Matters concerning class and total number of issued shares

(Thousands of shares)

| Class of shares | Number of shares at beginning of current fiscal year | Number of shares increased in current fiscal year | Number of shares decreased in current fiscal year | Number of shares at end of current fiscal year |
|---|---|---|---|---|
| Common shares | 62,332 | – | 1,697 | 60,634 |

(2) Matters concerning class and number of treasury shares

(Thousands of shares)

| Class of shares | Number of shares at beginning of current fiscal year | Number of shares increased in current fiscal year | Number of shares decreased in current fiscal year | Number of shares at end of current fiscal year |
|---|---|---|---|---|
| Common shares | 1,106 | 1,255 | 1,697 | 664 |

Notes: 1. The decrease in the total number of issued common shares and the number of treasury shares was due to the cancellation of 1,697 thousand shares of treasury shares.

2. The breakdown of the increase of 1,255 thousand shares in the number of treasury shares of common shares is as follows: Increase of 0 thousand shares due to purchase of fractional shares, increase of 954 thousand shares due to acquisition of treasury shares by the resolution of a Board of Directors Meeting, and increase of 300 thousand shares in the number of Company shares owned by Custody Bank of Japan, Ltd. (Trust E account) in relation to the Board Benefit Trust (BBT).

3. The number of shares at the end of the current fiscal year includes 567 thousand shares of the Company owned by Custody Bank of Japan, Ltd. (Trust E account) in relation to the Board Benefit Trust (BBT).

(3) Matters concerning dividends of surplus

(i) Dividend payment amounts

Matters concerning dividends determined by the resolution of the Board of Directors Meeting held on May 7, 2021

• Matters concerning dividends of common shares

| | |
|---|---|
| Total amount of dividends | ¥1,416 million |
| Dividend per share | ¥23 |
| Record date | March 31, 2021 |
| Effective date | June 21, 2021 |

Note: The total dividends include the ¥6 million dividends for the shares of the Company owned by Custody Bank of Japan, Ltd. (Trust E account).

(ii) Among dividends with a record date that falls under the consolidated fiscal year, for those with an effective date in the subsequent period

At the Board of Directors Meeting held on May 10, 2022, a resolution was made as follows:

• Matters concerning dividends of common shares

| | |
|---|---|
| Total amount of dividends | ¥1,515 million |
| Dividend per share | ¥25 |
| Record date | March 31, 2022 |
| Effective date | June 20, 2022 |

Note: The total dividends include the ¥14 million dividends for the shares of the Company owned by Custody Bank of Japan, Ltd. (Trust E account).

## 8. Notes Regarding Financial Instruments

(1) Matters concerning the status of financial instruments

(i) Policy on dealing with financial instruments

The Group secures necessary funds (mainly bank loans) in accordance with its capital investment plans. Temporary surplus funds are managed in highly secure financial assets, and short-term working capital needs are met through bank loans. Derivative transactions are mainly used to deter the risk of interest rate fluctuations for loans and the risk of price fluctuations for petroleum products, etc.

(ii) Details of financial instruments and risk management system

Notes and accounts receivable, lease receivables and investments in leases, which are all trade receivables, are exposed to the credit risk of customers. With regard to this risk, the Sales Representative manages the settlement dates and balances of each trade partner on a monthly basis, in accordance with the “Group Accounting Rules.”

Shares, which are investment securities, are exposed to the risk of fluctuations in market prices. However, these are primarily the shares of companies with which the Group has a business relationship, and are reported to the Board of Directors at their fair values, which are analyzed periodically.

Payment terms of notes and accounts payable, which are trade payables, are primarily no longer than one month.

Among borrowings, short-term borrowings primarily represent the funding relating to business transactions and long-term borrowings mainly concern the funding relating to capital investment. Borrowings with variable interest rates are exposed to the risk of cash flow fluctuations, but are hedged through derivative transactions (interest rate swaps) for each individual contract.

In addition to interest rate swaps, other derivative transactions such as commodity futures trading are carried out, for the purpose of avoiding the risk of price fluctuations in petroleum products, etc. Based on the “Rules on Managing Market Risk,” derivative transactions are executed and managed in accordance with the approval of the Board of Directors of the Company. Interest rate swaps are principally performed and managed at the Company’s Finance & Control, while commodity futures trading and other derivative transactions are principally performed at consolidated subsidiaries, and managed at Finance & Control and consolidated subsidiaries.

In addition, trade payables, borrowings, and lease liabilities are exposed to liquidity risk, but in the Group, each company manages them through means such as creating a financing plan on a monthly basis.

(iii) Supplementary explanation on matters concerning the fair values of financial instruments, etc.

The fair values of financial instruments are measured based on market prices or prices calculated by other rational valuation techniques if market prices are not available. Since the calculation of said prices incorporates variable factors, they may fluctuate when different preconditions, etc. are adopted. Further, in “(2) Matters concerning the fair values of financial instruments, etc.,” the contract amount, etc. with respect to derivative transactions do not indicate the market risk that is exposed to derivative transactions.

(2) Matters concerning the fair values of financial instruments

The carrying amounts, the fair values, and the differences between them as of March 31, 2022 (the consolidated account closing date of the fiscal year) are as follows. Note that shares that do not have market prices are not included in the following table (Refer to "(Note) 1."). Also, for cash the notes are omitted, and for deposits because the fair values approach the book values since they are settled in the short term, the notes are omitted.

(Millions of yen)

| | Carrying amount | Fair value | Difference |
|---|---|---|---|
| (i) Lease receivables and investments in leases | 2,187 | 2,184 | (2) |
| (ii) Investment securities | | | |
| Other securities | 34,196 | 34,196 | – |
| Total assets | 36,384 | 36,381 | (2) |
| (i) Long-term borrowings | 10,955 | 10,882 | (72) |
| (ii) Lease liabilities | 4,107 | 4,085 | (22) |
| Total liabilities | 15,062 | 14,967 | (95) |
| Derivative transactions (*) | | | |
| (i) Those to which hedge accounting was not applied | 0 | 0 | – |
| (ii) Those to which hedge accounting was applied | (28) | (28) | – |
| Total derivative transactions | (28) | (28) | – |

(*) The receivables and payables that arose from derivative transactions on a net basis are shown in net amounts, and items that when totaled are payables on a net basis are shown in parentheses ( ).

Note 1. Shares without a market price

(Millions of yen)

| Classification | Amount recorded on Consolidated Balance Sheet |
|---|---|
| Investment securities | |
| Unlisted shares, etc. (*1) | 996 |
| Shares of associates | |
| Unlisted shares, etc. (*2) | 3,723 |

(*1) Among investment securities, unlisted shares, etc. are not included in "(ii) Investment securities" as their market prices are not available and their fair values are deemed to be extremely difficult to measure.

(*2) The shares of associates are not included in the above table as their market prices are not available and their fair values are deemed to be extremely difficult to measure because they are not listed shares.

Note 2. Derivative transactions

(i) Those to which hedge accounting was not applied

(Millions of yen)

| Type | Contract amount, etc. | Over 1 year of the contract amount | Fair value | Valuation profit or loss |
|---|---|---|---|---|
| Market transactions<br>Commodity futures trading<br>Petroleum products | | | | |
| Long positions | 941 | – | 224 | 224 |
| Short positions | 1,407 | – | (224) | (224) |
| Total | 2,348 | – | 0 | 0 |

(ii) Those to which hedge accounting was applied

With regard to derivative transactions to which hedge accounting was applied, the contract amount, amount equivalent to the principal provided in the contract, etc. as of the consolidated settlement date for each hedge accounting method are as follows.

(Millions of yen)

| Classification | Derivative transaction type, etc. | Main hedged item | Contract amount, etc. | | Fair value | Method of calculating the relevant fair value |
|---|---|---|---|---|---|---|
| | | | | Over 1 year | | |
| Special treatment for interest rate swaps | Interest rate swaps Paid/fixed and received/floating | Long-term borrowings | 2,341 | 1,725 | (28) | It is based on the price, etc. offered by the counterparty financial institution. |
| Total | | | 2,341 | 1,725 | (28) | |

Note 3. Amount of monetary claims and securities with maturity dates to be redeemed after the consolidated settlement date

(Millions of yen)

| Classification | 1 year or below | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Lease receivables and investments in leases | 734 | 584 | 385 | 211 | 133 | 138 |
| Total | 734 | 584 | 385 | 211 | 133 | 138 |

Note 4. Amount of long-term borrowings, lease liabilities and other interest-bearing liabilities to be repaid after the consolidated settlement date

(Millions of yen)

| Classification | 1 year or below | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Long-term borrowings | 3,102 | 2,389 | 1,359 | 809 | 953 | 2,339 |
| Lease liabilities | 1,102 | 917 | 707 | 501 | 318 | 560 |
| Total | 4,205 | 3,306 | 2,067 | 1,311 | 1,271 | 2,900 |

(3) Matters concerning the breakdown of financial instruments by fair value level, etc.

The fair values of financial instruments are categorized into the following three levels in accordance with the observability and importance of the inputs used in the fair value calculation.

Level 1 fair value: Fair value calculated using the (unadjusted) market price in an active market for an identical asset or liability.

Level 2 fair value: Fair value calculated using inputs that are directly or indirectly observable, other than the Level 1 inputs.

Level 3 fair value: Fair value calculated using important inputs that cannot be observed.

When multiple inputs that have a significant influence on the calculation of fair value are used, the fair value is classified into the level in which the inputs have the lowest priority in the calculation of fair value, among the levels to which said inputs belong.

(i) Financial assets and liabilities that are recorded on the Consolidated Balance Sheet by their fair value

(Millions of yen)

| Classification | Fair value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | | | | |
| Other securities | | | | |
| Shares | 34,097 | – | – | 34,097 |
| Other | – | 99 | – | 99 |
| Derivative transactions | | | | |
| Interest rate-related | – | (28) | – | (28) |
| Merchandise-related | – | 0 | – | 0 |
| Total assets | 34,097 | 72 | – | 34,169 |

(ii) Financial assets and liabilities that are not recorded on the Consolidated Balance Sheet by their fair value

(Millions of yen)

| Classification | Fair value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Lease receivables and investments in leases | – | 2,184 | – | 2,184 |
| Total assets | – | 2,184 | – | 2,184 |
| Long-term borrowings | – | 10,882 | – | 10,882 |
| Lease liabilities | – | 4,085 | – | 4,085 |
| Total liabilities | – | 14,967 | – | 14,967 |

Note: Explanation of valuation techniques and inputs used to calculate fair value

Lease receivables and investments in leases

The fair values of lease receivables and investments in leases are calculated at present value determined by discounting the sum of principle and interest at a presumable interest rate used for similar new lease transactions, and are classified as level 2 fair values.

Investment securities

Since listed shares are traded in active markets, their fair value is classified as a level 1 fair value. As for investment trusts, since they have no trading price in the market and no major restrictions on contract cancellations, etc., the base price offered by a counterparty financial institution is used as their fair value, and this is classified as a level 2 fair value.

Derivative transactions

The fair values of futures trading and interest rate swaps are calculated on the basis of the closing prices at the futures trading market, etc. and of the market prices offered by the client financial institutions, which are classified as level 2 fair values.

Lease liabilities

The fair value of lease liabilities is calculated with the present value discounted at a presumable interest rate used for similar new transactions, and is classified as a level 2 fair value.

Long-term borrowings

For long-term borrowings with fixed interest rates, the fair value adopted is the present value discounted at a presumable interest rate used for similar new loans. For long-term borrowings with variable interest rates, the fair value adopted is the book value as it is deemed to approximate the book value due to the fact that the variable interest rates reflect the market prices over a short term and the Group's credit standing has not changed significantly since implementing the loans. These are classified as level 2 fair values.

## 9. Notes Regarding Investment and Rental Property

The Company and some consolidated subsidiaries have health and sports establishments such as bathing facilities and properties for rent, such as condominiums and self-storage (including land) in Kanagawa Prefecture and other regions in Japan and overseas (mainly Singapore). In the current fiscal year, the rent income from the real estate for rent, etc. amounted to ¥1,866 million (rent income is recorded in net sales, and main rent expenses are recorded in cost of sales, as well as selling, general and administrative expenses).

In addition, with regards to the real estate for rent, etc., the amount recorded on the Consolidated Balance Sheet, the increase/decrease in the current fiscal year, and the fair value are as follows.

(Millions of yen)

| Amount recorded on Consolidated Balance Sheet | | | Fair value at end of current fiscal year |
|---|---|---|---|
| Balance at beginning of current fiscal year | Increase/decrease in the current fiscal year | Balance at end of current fiscal year | |
| 11,422 | 7,589 | 19,011 | 30,299 |

Notes: 1. The carrying amount is the amount of the acquisition cost minus the accumulated depreciation and the accumulated impairment losses.

2. The main increase/decrease in the current fiscal year was due to the acquisition of real estate and consolidated subsidiaries.

3. The fair value at the end of the current fiscal year was attributed to the following.

(1) For domestic real estate, it was the amount based mainly on the "Real Estate Appraisal Standards."

(2) For overseas real estate, it was the appraisal value given by a local appraiser.

4. As for the fair value at the end of the current fiscal year, the amount is presented that is prior to the time when the significant review is reflected of the initial distribution cost in the acquisition cost confirmed by preliminary accounting as stated in "14. Notes on business combination."

## 10. Asset Retirement Obligations Recorded on the Consolidated Balance Sheet

(1) Outline of the relevant asset retirement obligations

These are asbestos removal costs, restoration costs of leased offices, etc., restoration costs of leased land, soil restoration costs, etc.

(2) Method of calculating the relevant asset retirement obligations

The asset retirement obligations are calculated by estimating the expected usage period as the depreciation period of the relevant buildings (mainly 17 to 43 years), and using the yields of the national government bonds, which correspond to the said depreciation period, as the discount rate (mainly 0.4% to 2.3%).

(3) Total increase/decrease in the relevant asset retirement obligations in the current fiscal year

The changes in the balance of asset retirement obligations are as follows.

| | |
|---|---|
| Balance at beginning of term | ¥1,212 million |
| Increase due to acquisition of property, plant and equipment | ¥25 million |
| Adjustment due to passage of time | ¥7 million |
| Increase/decrease due to change in estimate | ¥170 million |
| Decrease due to fulfillment of asset retirement obligations | (¥49 million) |
| Balance at end of term | ¥1,366 million |

(4) Change in calculating the amount of relevant asset retirement obligations

In the current fiscal year, new data on restoration costs was obtained and accordingly a change was made in calculating restoration costs for asset retirement obligations that were recorded as restoration obligations incurred when a real estate lease contract was made.

An increase of ¥170 million due to the change in the calculation was added to the balance of asset retirement obligations before the change. Due to said change in calculation, operating profit, ordinary profit, and profit before income taxes for the current fiscal year decreased by ¥13 million.

## 11. Notes Regarding Revenue Recognition

(1) Information that breaks-down revenue generated from contracts with customers

(Millions of yen)

| | Reportable segments | | | | | | Others (Note) 1 | Total |
|---|---|---|---|---|---|---|---|---|
| | Energy Solutions Business | Power & Electricity Business | Foods Business | Living & Wellness Business | Overseas Business | Subtotal | | |
| Gas | 50,786 | – | – | – | – | 50,786 | – | 50,786 |
| Petroleum | 76,149 | – | – | – | – | 76,149 | – | 76,149 |
| Electricity | – | 94,057 | – | – | – | 94,057 | – | 94,057 |
| Other | 10,904 | – | 13,476 | 435 | – | 24,816 | 1,190 | 26,006 |
| Revenue recognized from contracts with customers | 137,840 | 94,057 | 13,476 | 435 | – | 245,810 | 1,190 | 247,000 |
| Revenue recognized from other sources (Note) 3 | – | – | – | 1,771 | 508 | 2,279 | 753 | 3,033 |
| Net sales to external customers | 137,840 | 94,057 | 13,476 | 2,206 | 508 | 248,089 | 1,943 | 250,033 |

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 amount obtained after deducting internal transactions between Group companies is displayed.

3. Revenue recognized from other sources includes real estate rent income, lease payment income, income from self-storage business etc.

(2) Information that serves as the basis for understanding revenue generated from contracts with customers

The details of the main obligations in major businesses and the usual times where revenues are recognized are as follows.

(i) Energy Solutions Business

The Energy Solutions Business engages in the sales of petroleum products such as LPG, gasoline, light oil, and heating oil, as well as housing equipment, etc.

When control of merchandise and finished goods is transferred, or more specifically, delivered to customers in the transactions of these merchandise and finished goods, excluding LPG, the legal ownership and physical possessory right of the merchandise and finished goods, and the material risks and economic value associated with the possession of the merchandise and finished goods are transferred, and revenues are recognized so as to obtain the right to receive consideration from customers for the merchandise and finished goods. Further, revenues are recognized based on the trading prices stated under agreements with customers, and consideration for transactions is received within one year after the delivery of merchandise and finished goods, and therefore does not include significant financial components.

In the transactions of LPG, obligations are deemed to be performed over a certain period of time in accordance with the terms of an agreement, and revenues are recognized according to the supply of LPG over the agreement period. Also, revenues are recognized as the amount of consideration promised in agreements with customers minus rebates, etc. Consideration for obligations is primarily received within one year of the obligations being performed and does not include significant financial components.

Further, revenues generated by consumers using LPG are recognized based on the date of meter reading, but if the date of meter reading and the end of the fiscal year are different, the revenues for the period spanning from the date of meter reading to the end of the fiscal year are recorded by using a reasonable estimate.

(ii) Power & Electricity Business

The Power & Electricity Business engages in the wholesale of electricity by generating wind power and the retail of electricity to general consumers, etc.

In the transactions of these services, obligations are deemed to be performed over a certain period of time in accordance with the terms of an agreement, and revenues are recognized according to the supply of electricity over the agreement period. Also, revenues are recognized as the amount of consideration promised in agreements with customers minus rebates, etc. Consideration for obligations is primarily received within one year of the obligations being performed and does not include significant financial components.

Further, revenues generated by consumers using electricity are recognized based on the date of meter reading, but if the date of meter reading and the end of the fiscal year are different, the revenues for the period spanning from the date of meter reading to the end of the fiscal year are recorded by 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, neither the said price is included in the transaction price in revenue recognition nor the corresponding payment is included in the cost of sales.

(iii) Foods Business

The Foods Business engages in the manufacture and sale of bottled water, store and restaurant businesses such as in-facility stalls and cafeterias, the operation of burger restaurant chains, and the operation of fresh bakeries and cafes, etc.

When control of merchandise and finished goods is transferred, or more specifically, delivered to customers in the transactions of these merchandise and finished goods, the legal ownership and physical possessory right of the merchandise and finished goods, and the material risks and economic value associated with the possession of the merchandise and finished goods are transferred, and revenues are recognized so as to obtain the right to receive consideration from customers for the merchandise and finished goods. Further, revenues are recognized based on the trading prices stated under agreements with customers, and consideration for transactions is received within one year after the delivery of merchandise and finished goods, and therefore does not include significant financial components.

(iv) Living & Wellness Business

The Living & Wellness Business engages in the leasing of real estate such as office buildings and condominiums, and the operation of establishments for living and wellness such as bathing facilities.

When the benefits of these services are transferred, or more specifically, when the services are provided to customers in the transactions thereof, excluding the leasing of real estate, the material risks and economic value associated with the provision of the services are transferred, and revenues are recognized so as to obtain the right to receive consideration for the services from customers. Further, revenues are recognized based on the trading prices stated under agreements with customers, and consideration for transactions is received within one year after providing the services, and therefore does not include significant financial components.

(v) Others

Other businesses engage in the sales of products and services that are not included in the aforementioned reportable segments.

When control of merchandise is transferred, or more specifically, delivered to customers in the transactions of these services, excluding leasing, the legal ownership and physical possessory right of the merchandise, and the material risks and economic value associated with the possession of the merchandise are transferred, and revenues are recognized so as to obtain the right to receive consideration from customers for the merchandise. Further, revenues are recognized based on the trading prices stated under agreements with customers, and consideration for transactions is received within one year after the delivery of merchandise, and therefore does not include significant financial components.

(3) Information that aids understanding of the revenues for the current fiscal year, the following fiscal year and beyond

(i) Balance of contractual assets and contractual liabilities, etc.

(Millions of yen)

| | |
|---|---|
| Receivables arising from contracts with customers (balance at beginning of term) | 17,504 |
| Receivables arising from contracts with customers (balance at end of term) | 28,337 |
| Contractual assets (balance at beginning of term) | – |
| Contractual assets (balance at end of term) | – |
| Contractual liabilities (balance at beginning of term) | 233 |
| Contractual liabilities (balance at end of term) | 248 |

(ii) Recognized revenue included in the balance of contractual liabilities at the beginning of the term and revenue recognized from obligations fulfilled in the past period

The balance of contractual liabilities as of the beginning of the current fiscal year was generally recognized as the revenue for the current fiscal year, and the amount carried forward was insignificant. In addition, in the current fiscal year, the revenue recognized from obligations fulfilled in the past period was insignificant.

(iii) Trading prices allocated to the remaining obligations

Since there were no important transactions with a contract period exceeding one year, information on the remaining obligations was omitted.

**12. Notes Regarding Per Share Information**

| | |
|---|---|
| (1) Net assets per share | ¥1,455.33 |
| (2) Basic earnings per share | ¥31.29 |

The shares of the Company owned by Custody Bank of Japan, Ltd. (Trust E account) in relation to the Board Benefit Trust (BBT) were included in the treasury shares deducted from the total number of issued shares at the end of the fiscal year, in the calculation of net assets per share (567,900 shares at the end of the current fiscal year). In addition, the said shares were also included in the treasury shares deducted in calculating the average number of shares during the current fiscal year, in the calculation of basic earnings per share in said fiscal year (316,392 shares in the current fiscal year).

As stated in the notes on changes in accounting policies, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations were applied, and the transitional treatment stipulated in the proviso to paragraph 84 of the "Accounting Standard for Revenue Recognition" were abided by. As a result, net assets per share and basic earnings per share increased by ¥27.55 and ¥8.70, respectively, in the current fiscal year.

**13. Notes Regarding Significant Subsequent Events**

Not applicable.

**14. Notes on Business Combination**

Business combination through acquisition

On September 2, 2021, the Company's wholly-owned subsidiary, TRIFORCE INVESTMENTS PTE. LTD., entered into a sale and purchase agreement with SingPost Investments Pte. Ltd., a subsidiary of Singapore Post Limited, to acquire a 100% stake in General Storage Company Pte. Ltd. ("GSC"), in accordance with the resolution of the Board of Directors Meeting held on July 6, 2021.

Further, all the shares were acquired on December 22, 2021.

(i) Outline of business combination

A. Name of the acquired company and details of its business

| | |
|---|---|
| Name of the acquired company: | General Storage Company Pte. Ltd.<br>This includes Lock+Store (Chai Chee) Pte. Ltd., Lock+Store (Ayer Rajah) Pte. Ltd., Lock+Store (Tanjong Pagar) Pte. Ltd., L+S Self Storage Pte. Ltd., Lock And Store (Glenmarie) Sdn. Bhd., and The Store House Limited, which are wholly owned subsidiaries of the said company. |
| Business details: | Self-storage business |

B. Main reasons for conducting the business combination

Founded in 2010, GSC started its business in Singapore and is considered to be one of the pioneers of self-storage services in Asia. Operating a total of 18 bases in Singapore, Malaysia and Hong Kong, it has grown as one of the largest self-storage companies in Asia, under the brand of Lock+Store. In addition to self-storage, GSC also offers warehousing services.

Currently, in the Asia region, the demand for self-storage among individual users is increasing due to the declining sizes of housing and changes in lifestyle. On the other hand, corporate users are also demanding flexible services that are different from conventional warehousing due to the rise of e-commerce and the digitalization of companies.

With the acquisition of GSC, the Group aims to offer self-storage and warehousing facilities with unique value added to the local communities and businesses in the Asia Pacific region. In addition, it also aims to be at the forefront of structural changes in the world economy.

C. Business combination date

December 22, 2021 (share acquisition date)

D. Legal form of the business combination

Share acquisition

E. Name of the company after the business combination

There is no name change after the business combination.

F. Acquired voting rights ratio

100%

G. Main basis for deciding the acquiring company

This was based on the Company's acquisition of shares with cash offered as consideration.

(ii) Breakdown of the acquisition cost and consideration of each type for the acquired company

| | |
|---|---|
| Acquisition cost: | ¥7,326 million |
| Consideration for acquisition: | ¥7,326 million in cash |

(iii) Details and amount of major acquisition-related costs

| | |
|---|---|
| Advisor costs, etc.: | ¥107 million |

(iv) Amount of goodwill generated, cause of goodwill generated, and method and period of amortizing goodwill

A. Amount of goodwill generated

¥2,875 million

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

B. Cause of goodwill generated

Since the acquisition cost exceeded the net amount allocated to the acquired assets and the assumed liabilities, the excess amount thereof was recorded as goodwill.

C. Method and period of amortizing goodwill

Amortization over a 17 year period on a straight-line basis

Note: The amounts stated in the Consolidated Financial Statements are rounded down to the nearest unit presented, and the ratios are rounded to the nearest unit presented.

## Notes to Non-consolidated Financial Statements

### 1. Notes Regarding Significant Accounting Policies

(1) Basis and method for valuation of securities

| | |
|---|---|
| Subsidiaries and associates | Moving average cost method is used. |
| Available-for-sale securities | |
| Securities other than shares that do not have a market value | Fair value method (with the entire amount of valuation differences inserted directly into net assets, and the cost of sales calculated using the moving average method) is used. |
| Shares that do not have a market value | Moving average cost method is used. |

(2) Basis and method for valuation of derivatives

| | |
|---|---|
| Derivatives | Fair value method is used. |

(3) Depreciation method for non-current assets

| | |
|---|---|
| Property, plant and equipment (excluding leased assets) | The declining balance method is applied. However, the straight-line method is applied for buildings (excluding facilities) acquired on or after April 1, 1998, and for facilities attached to buildings and for structures acquired on or after April 1,2016.<br>Further, the useful life and salvage value are mainly determined based on the standards stipulated in the Corporation Tax Act. |
| Intangible assets (excluding leased assets) | The straight-line method is used.<br>For software used in-house, the straight-line method is used based on the usable period (five years) within a company. |
| Leased assets | The straight-line method is applied using the lease term as service life and a residual value of zero. |

(4) Recognition criteria for provisions

| | |
|---|---|
| Allowance for doubtful accounts | To make allowances for the non-payment of trade receivables, loans receivable, and other receivables, the historical default rate is used for general receivables, the actual default rates on an individual claim basis are used for receivables designated as potentially irrecoverable, and an allowance is made for the amounts deemed irrecoverable. |
| Provision for bonuses | A provision is set up to allow for the payment of bonuses for employees, and is recorded by using the required amount to be paid based on corporate rules. |
| Provision for share awards | To make provisions for the share awards to officers, the amount of awards required at the end of the current fiscal year based on internal regulations is recorded. |
| Provision for retirement benefits | To make provisions for the payment of retirement benefits for employees, the amount deemed to be accrued at the end of the current fiscal year is recorded based on the estimated amount of retirement benefit obligations as of that date. In addition, actuarial gains and losses are amortized by the straight-line method over a certain period within the average remaining service years for employees (14 years) at the time of recognition, and are allocated proportionally from the fiscal year following the respective fiscal year of recognition. |

(5) Recognition criteria for revenues and expenses

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations. 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.

The income of the Company comprises of the Group operating income, etc., real estate rent income, and dividend income of associates. For the Group operating income, etc. and real estate rent income, it is the Company's obligation to provide entrusted services according to the details of its contracts with subsidiaries, and this obligation is fulfilled when the services are carried out. Therefore, revenues and expenses were recognized during the performance of entrusted services. Also, the dividend income of associates was recognized on the effective date of dividends.

(6) Hedge accounting method

| | |
|---|---|
| Hedge accounting method | In principle, deferred hedge accounting is applied.<br>Also, if the requirements for special treatment are met for interest rate swaps, special treatment is applied. |

Hedging instruments and hedged items

| (Hedging instruments) | (Hedged items) |
|---|---|
| Interest rate swaps | Interest on borrowings |

| | |
|---|---|
| Hedging policy | Hedging is carried out for the purpose of reducing the possibility of loss due to interest rate fluctuations.<br>Note that hedging transactions are conducted with the approval of the Board of Directors pursuant to the Rules on Managing Market Risk. In addition, the execution of transactions is managed intensively in the Finance & Control Center. |
| Method of evaluating the effectiveness of hedging | In principle, the cumulative cash flow fluctuations of hedging instruments and hedged items are compared semi-annually, and the effectiveness of hedging is evaluated based on the fluctuation amounts of both, etc.<br>Note that for the interest rate swaps at the end of the current fiscal year, the effectiveness of hedging was extremely high and was therefore omitted from evaluation. |

(7) Other basic policies and important items for the preparation of Non-Consolidated Financial Statements

Accounting for retirement benefits

The method of accounting for unrecognized actuarial gains and losses related to retirement benefits is different from the method of accounting used for Consolidated Financial Statements.

## 2. 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. There is no impact from this on the Non-consolidated Financial Statements.

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 current 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 Non-consolidated Financial Statements.

## 3. Additional Information

Performance-linked stock remuneration plan for Directors

The Company has adopted a performance-linked stock remuneration plan called "Board Benefit Trust (BBT)" (the "Plan"), for the purpose of raising awareness among its Directors, other than those who are Audit and Supervisory Committee Members (excluding external Directors; the "Target Directors"), to contribute to improving business performance and increasing corporate value over the medium- to long-term.

(1) Overview of transactions

The Plan is a performance-linked stock remuneration plan where the Company's shares are first acquired through a trust by using the money contributed by the Company as the source of funds, then in accordance with the Officers' Board Benefit Regulations established by the Company, the Company's shares and the money equivalent to the amount obtained by converting the Company's shares at the fair value are paid to the Target Directors of the Company through the trust. Also, as a general rule, the Company's Target Directors receive the benefits of Company shares during their resignation.

(2) Company shares remaining in the trust

The Company's shares that remain in the trust are recorded as treasury shares in the net assets, based on the book value in the trust (excluding the amount of incidental expenses). At the end of the current fiscal year, the book value and number of treasury shares stood at ¥477 million and 567,900, respectively.

## 4. Notes Regarding Non-consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment ¥23,214 million

(2) Accumulated reduced-value entry due to receipt of government subsidies pertaining to property, plant and equipment, etc.

The accumulated reduced-value entry due to receipt of government subsidies pertaining to property, plant and equipment, etc. was ¥1 million for structures, for a total of ¥1 million.

(3) Guarantee obligations

The Company provides debt guarantees worth ¥851 million for loans received from the financial institutions of its subsidiaries and associates.

(4) Monetary claims and obligations to subsidiaries and associates (excluding items presented separately)

| | | |
|---|---|---|
| (i) | Short-term monetary claims | ¥98 million |
| (ii) | Short-term monetary obligations | ¥86 million |
| (iii) | Long-term monetary obligations | ¥201 million |

## 5. Notes Regarding Non-consolidated Statement of Income

(1) Amount of transactions with subsidiaries and associates

| | | |
|---|---|---|
| (i) | Operating revenue | ¥6,096 million |
| (ii) | Operating expenses | ¥554 million |
| (iii) | Amount of transactions from transactions other than operating transactions | ¥106 million |

(2) Breakdown of operating revenue

| | |
|---|---|
| (i) Group operating income, etc. | ¥2,001 million |
| (ii) Real estate rent income | ¥2,741 million |
| (iii) Dividend income of subsidiaries and associates | ¥1,423 million |

(3) Breakdown of operating expenses

| | |
|---|---|
| (i) Real estate rent expenses | ¥1,279 million |
| (ii) General administrative costs | ¥2,647 million |

(4) Breakdown of gain on sale of non-current assets

| | |
|---|---|
| Land | ¥0 million |
| Total | ¥0 million |

(5) Breakdown of loss on sale of non-current assets

| | |
|---|---|
| Land | ¥0 million |
| Total | ¥0 million |

(6) Breakdown of loss on sale of non-current assets

| | |
|---|---|
| Buildings | ¥6 million |
| Structures | ¥0 million |
| Machinery and equipment | ¥2 million |
| Vehicles | ¥4 million |
| Tools, furniture and fixtures | ¥0 million |
| Removal expenses, etc. associated with retirement | ¥20 million |
| Total | ¥34 million |

## 6. Notes Regarding Non-consolidated Statement of Changes in Equity

Matters concerning class and number of treasury shares

(Thousands of shares)

| Class of shares | Number of shares at beginning of current fiscal year | Number of shares increased in current fiscal year | Number of shares decreased in current fiscal year | Number of shares at end of current fiscal year |
|---|---|---|---|---|
| Common shares | 1,011 | 1,255 | 1,697 | 568 |

Notes: 1. The breakdown of the increase of 1,255 thousand shares in the number of treasury shares of common shares is as follows: Increase of 0 thousand shares due to purchase of fractional shares, increase of 954 thousand shares due to acquisition of treasury shares by the resolution of a Board of Directors Meeting, and increase of 300 thousand shares due to the acquisition of the Board Benefit Trust (BBT).

2. The decrease of 1,697 thousand shares in the number of treasury shares of common shares was due to the cancellation of 1,697 thousand shares of treasury shares.

3. The number of shares at the end of the current fiscal year includes 567 thousand shares of the Company owned by Custody Bank of Japan, Ltd. (Trust E account) in relation to the Board Benefit Trust (BBT).

## 7. Notes Regarding Tax Effect Accounting

Breakdown of deferred tax assets and liabilities by main causes

| | (Millions of yen) |
|---|---|
| Deferred tax assets | |
| Shares of subsidiaries | 1,827 |
| Loss on valuation of shares of subsidiaries | 763 |
| Loss on valuation of investment securities | 321 |
| Asset retirement obligations | 216 |
| Impairment losses | 131 |
| Allowance for doubtful accounts | 637 |
| Accrued enterprise tax | 36 |
| Other | 95 |
| Subtotal of deferred tax assets | 4,030 |
| Valuation allowance | (3,473) |
| Total of deferred tax assets | 557 |
| Deferred tax liabilities | |
| Reserve for tax purpose reduction entry of non-current assets | (1,222) |
| Valuation difference on available-for-sale securities | (4,987) |
| Shares of subsidiaries | (49) |
| Removal costs for asset retirement obligations | (53) |
| Other | (28) |
| Total of deferred tax liabilities | (6,343) |
| Net amount of deferred tax liabilities | (5,785) |

## 8. Notes Regarding Transactions with Related Parties

Subsidiary, etc.

| Category | Company name | Location | Share capital (Millions of yen) | Business details | Voting rights ownership (owned) ratio (%) | Relationship with related party | Transaction details | Transaction amount (Millions of yen) | Description | Balance at end of term (Millions of yen) |
|---|---|---|---|---|---|---|---|---|---|---|
| Subsidiary | MITSUUROKO Co., Ltd. | Chuo-ku, Tokyo | 10 | Living & Wellness | (Owned) Directly 100.0 | Concurrent post of Officer, etc. | Real estate rent income | 1,053 | – | – |
| | | | | | | | Borrowing of funds | 680 | Short-term borrowings from subsidiaries and associates | 2,523 |
| Subsidiary | Mitsuuroko Vessel Co., Ltd. | Chuo-ku, Tokyo | 25 | Energy Solutions | (Owned) Directly 100.0 | Concurrent post of Officer, etc. | Income from management fees | 1,022 | – | |
| | | | | | | | Real estate rent income | 1,100 | – | |
| | | | | | | | Borrowing of funds | 7,109 | Short-term borrowings from subsidiaries and associates | 6,553 |
| Subsidiary | Mitsuuroko Creative Solutions Co., Ltd. | Omiya-ku, Saitama-shi Saitama | 30 | Energy Solutions | (Owned) Directly 100.0 | Concurrent post of Officer, etc. | Outsourcing of system operation, etc. | 410 | Accrued expenses | 42 |
| Subsidiary | Carl's Jr. Japan Inc. | Chuo-ku, Tokyo | 95 | Foods | (Owned) Directly 100.0 | Concurrent post of Officer, etc. | Lending of funds | – | Long-term loans receivable from subsidiaries and associates | 1,077 |
| Subsidiary | Mitsuuroko Voyagers Co., Ltd. | Chuo-ku, Tokyo | 100 | Foods | (Owned) Directly 100.0 | Concurrent post of Officer, etc. | Lending of funds | 50 | Long-term loans receivable from subsidiaries and associates | 1,623 |
| Subsidiary | TRIFORCE INVESTMENTS PTE. LTD. | Singapore | 7,442 | Overseas | (Owned) Directly 100.0 | Concurrent post of Officer, etc. | Underwriting of capital increases | 7,332 | – | – |

Note: Transaction terms and policy on determination of transaction terms

1. The borrowing of funds was provided through the Cash Management System (CMS). Note that the transaction amount states the average balance of borrowings during the term.
2. The interest rate was determined in consideration of the market interest rate.
3. The trading prices for income from management fees and real estate rent income were determined based on a contract.
4. The trading price for the fee of outsourcing system operation was determined based on a contract.
5. For long-term loans receivable to Carl's Jr. Japan Inc. and Mitsuuroko Voyagers Co., Ltd. (as of March end), an allowance for doubtful accounts of ¥2,082 million was recorded at the end of the current fiscal year. In addition, a provision of allowance for doubtful accounts of ¥159 million was recorded in the current fiscal year.

## 9. Asset Retirement Obligations Recorded on Non-consolidated Balance Sheet

(1) Outline of the relevant asset retirement obligations

These are asbestos removal costs, restoration costs of leased offices, etc., and restoration costs of leased land.

(2) Method of calculating the relevant asset retirement obligations

The asset retirement obligations were calculated by estimating the expected usage period as the depreciation period of the relevant buildings (18 to 43 years), and using the yields of the national government bonds, which correspond to the said depreciation period, as the discount rate (1.3% to 2.3%).

(3) Total increase/decrease in the relevant asset retirement obligations in the current fiscal year

| | |
|---|---|
| Balance at beginning of term | ¥598 million |
| Increase due to acquisition of property, plant and equipment | ¥8 million |
| Adjustment due to passage of time | ¥3 million |
| Decrease due to fulfillment of asset retirement obligations | (¥16 million) |
| Increase due to change in estimate | ¥113 million |
| Balance at end of term | ¥707 million |

(4) Change in calculating the amount of relevant asset retirement obligations

In the current fiscal year, new data on restoration costs was obtained and accordingly a change was made in calculating restoration costs for asset retirement obligations that were recorded as restoration obligations incurred when a real estate lease contract was made.

An increase of ¥113 million due to the change in the calculation was added to the balance of asset retirement obligations before the change. Due to said change in calculation, operating profit, ordinary profit, and profit before income taxes for the current fiscal year decreased by ¥13 million.

## 10. Notes Regarding Revenue Recognition

Information that serves as the basis for understanding revenue generated from contracts with customers

As stated in "Recognition criteria for revenues and expenses" in "Notes Regarding Significant Accounting Policies."

## 11. Notes Regarding Per Share Information

(1) Net assets per share ¥1,173.27

(2) Basic earnings per share ¥48.05

The shares of the Company owned by Custody Bank of Japan, Ltd. (Trust E account) in relation to the Board Benefit Trust (BBT) were included in the treasury shares deducted from the total number of issued shares at the end of the fiscal year, in the calculation of net assets per share (567,900 shares at the end of the current fiscal year). In addition, the said shares were also included in the treasury shares deducted in calculating the average number of shares during the current fiscal year, in the calculation of basic earnings per share in said fiscal year (316,392 shares in the current fiscal year).

Note: The amounts stated in the Non-consolidated Financial Statements are rounded down to the nearest unit presented, and the ratios are rounded to the nearest unit presented.