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February 7, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022 <under Japanese GAAP>

Name of the Listed Company:	**Mitsuuroko Group Holdings Co., Ltd.**
Listing:	Tokyo Stock Exchange
Securities Code:	8131
URL:	https://www.mitsuuroko.com/
Representative:	Kohei Tajima, Representative Director, President and Chief Executive Officer
Contact:	Kazuhiro Kojima, Director, Group Chief Financial Officer and Head of Group Functions TEL: +81-3-3275-6300

Scheduled date to file quarterly securities report:	February 10, 2023
Scheduled date to commence dividend payments:	–
Preparation of supplementary material on quarterly financial results:	None
Holding of quarterly financial results briefing:	None

(Millions of yen with fractional amounts rounded down)

1. Consolidated financial results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	234,614	39.8	7,246	–	8,819	338.8	4,451	315.1
December 31, 2021	167,879	11.5	318	(93.3)	2,009	(65.3)	1,072	(70.5)

Note: Comprehensive income For the nine months ended December 31, 2022: ¥5,206 million [–%]
For the nine months ended December 31, 2021: ¥(3,926) million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	74.23	–
December 31, 2021	17.51	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2022	179,229	91,369	51.0	1,523.38
March 31, 2022	155,170	87,687	56.2	1,455.30

Reference: Equity
As of December 31, 2022: ¥91,357 million   As of March 31, 2022: ¥87,274 million

Note: During the third quarter ended December 31, 2022, the Company finalized the provisional accounting treatment for business combinations. As a result, figures as of March 31, 2022, reflect the finalization of the provisional accounting treatment.

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	–	–	25.00	25.00
Fiscal year ending March 31, 2023	–	–	–		
Fiscal year ending March 31, 2023 (Forecast)				32.00	32.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

Breakdown of year-end dividend for the fiscal year ending March 31, 2023 (Forecast): Ordinary dividend of ¥30.00 and commemorative dividend of ¥2.00 (the 60th anniversary of listing)

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	340,000	36.0	7,800	852.4	9,500	225.2	4,800	151.7	80.04

Note: Revisions to the earnings forecasts most recently announced: Yes

* Notes

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

Newly included: –
Excluded: –

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

(3) Changes in accounting policies, changes in accounting estimates, and restatement
a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
b. Changes in accounting policies due to other reasons: None
c. Changes in accounting estimates: Yes
d. Restatement: None

Note: For more details, please refer to the section of "(3) Notes to quarterly consolidated financial statements, Changes in accounting policies and Changes in accounting estimates" of "2. Quarterly consolidated financial statements and significant notes" on page 14 of the attached material.

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

As of December 31, 2022	60,634,566 shares
As of March 31, 2022	60,634,566 shares

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

As of December 31, 2022	664,256 shares
As of March 31, 2022	664,091 shares

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

Nine months ended December 31, 2022	59,970,387 shares
Nine months ended December 31, 2021	61,225,329 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) (567,900 shares as of March 31, 2022, 567,900 shares as of December 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 nine months ended December 31, 2021, 567,900 shares for nine months ended December 31, 2022).

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

* Proper use of earnings forecasts, and other special matters

(Cautions on forward-looking statements, etc.)

The forward-looking statements contained in this material, including earnings forecasts, are based on information currently available to the Company and on certain assumptions deemed to be reasonable. However, the Company makes no guarantee that these forecasts will be achieved. Actual business and other results may differ substantially due to various factors. Please refer to "(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements" in "1. Qualitative information regarding financial results for the period" on pages 8 to 9 of the attached material for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

Attached Material

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1. Qualitative information regarding financial results for the period

(1) Explanation regarding operating results

During the nine months ended December 31, 2022, Japanese economic conditions showed signs of steady progress toward the normalization of socioeconomic activity, although the novel coronavirus (COVID-19) issue has not been resolved entirely. However, the economic outlook remains uncertain due not only to the prolongation of the situation in Ukraine and other geopolitical risks but also soaring resource prices globally and the sharp increase in prices caused by the rapid depreciation of the yen in the foreign exchange markets.

Since the liberalization of electricity and gas, a comprehensive energy market that crosses the boundaries of the energy market has been created, and the improvement of consumer convenience has advanced, such as expansion of the level of freedom in the choice of energy and reductions in tariffs, through innovations such as the introduction of innovative technologies, development of competition between business operators and integration of different services. Moreover, there has been a rapid change of the Group’s business environment, such as requests for decarbonization on a global scale and demand to strengthen the infrastructure for stable energy supply, which is becoming stronger with the increase in frequency and intensity of natural disasters, as well as the changes in demand due to the aging society and declining population, and lifestyle changes owing to the COVID-19 pandemic.

Under such circumstances, we believe that energy business operators need to make advanced and swift 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.

The Group’s core Energy Solutions Business takes various initiatives to accommodate diversified customer needs and preferences. As an entity responsible for stable supply in the regions, the Group 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 consolidated subsidiary Mitsuuroko Vessel Co., Ltd. began selling “carbon neutral LPG,” which offsets the CO_2 generated from LPG mining until combustion, using carbon credit certified by an international NGO in the U.S.

Moreover, aiming to further enhance digital transformation (DX) to improve the entire Mitsuuroko Group’s customer experience (CX), the Company concluded a DX strategy promotion partnership with giftee, Inc., which develops the e-gift platform business, on May 31, 2022, and began selling “Shared eGift,” which can be used at a number of brands within the Group. The Company will promote 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 order to continue creating new value with our diverse stakeholders and contribute to building a sustainable society, the Company has identified six material issues that management should prioritize from among all social issues, taking into consideration the business of our Group in the long-term view from an ESG (Environment, Social, and Governance) perspective. The Company is taking steps to tackle environmental issues and the entire Mitsuuroko Group is promoting ESG initiatives to achieve a sustainable society through the more use of renewable energy, restricting the use of fuel, and reducing CO_2 emissions. They are driven by joining the Japan TCFD Consortium, and by providing services for customers concerned with CO_2 emissions with the growing environmental awareness; an environmentally-friendly electricity plan, “Mitsuuroko Green Plan” addressing both CO_2 emissions and renewable energy; a newly launched planning tool, “SmartOWL delivery operation streamlining solution,” which offers optimal tank replacement timing and delivery plans by applying remotely measured meter data through LPWA connection. We continue to introduce initiatives for our ongoing efforts to promote health-focused management for the purpose of constructing and maintaining a safe and secure work environment for employees.

Tokyo Stock Exchange, Inc. (TSE) restructured its stock market segments on April 4, 2022. Considering market trends and the speed and condition of changes of the Company’s business environment, the Company has decided to focus limited management resources not only on the existing core businesses, but also on new business investments, business developments, organizational strengthening, and human resources development in the “environmental business field,” “realization of carbon neutral” and “global field" to increase medium- to long-term corporate value. As the Company believes the focus should increase its shareholders value, it moved to the "Standard Market" in April. 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 reducing indirect operational costs within the Group through the automation of operations using the Robotic Process Automation (RPA) under the DX concept at the Mitsuuroko Administration Center, the Group's shared center. We have also shifted toward paperless operations through the use of AI-OCR, and realized the transition to remote work at the shared center. We will continue to promote the use of operational efficiency tools with cutting-edge technologies and strive to further improve the Group's productivity.

With regard to financial results in the nine months ended December 31, 2022, in the Power & Electricity Business, one of the Company's core businesses, profitability improved due to not only our efforts at diversification of our electricity suppliers, thereby effectively reducing the percentage of electricity procured from the electric power exchange where prices have soared, and at improving and normalizing sales prices in response to rising purchase prices, but also an increase in the number of retail users. Furthermore, there were contributions to the entire Group's performance by the strong results of General Storage Company Pte. Ltd. and Shizuoka Mitsuuroko Foods Co., Ltd., which were added to the Group's consolidated financial results from the fourth quarter of the fiscal year ended March 31, 2022. Against the backdrop of those factors, net sales increased by 39.8% year on year to ¥234,614 million, operating profit increased by 2,172.7% year on year to ¥7,246 million, ordinary profit increased by 338.8% year on year to ¥8,819 million, and profit attributable to owners of parent increased by 315.1% year on year to ¥4,451 million.

Operating results by segment are as follows.

Effective from the fourth quarter of the fiscal year ended March 31, 2022, the "Overseas Business," which was previously included in the "Others" segment, has been presented as a reportable segment because its quantitative importance has increased due to the start of consolidation of overseas subsidiaries. With regard to the following comparisons to the same period of the previous fiscal year, the figures in the same period of the previous fiscal year were compared and analyzed against the reclassified figures after changes to segment classifications.

Energy Solutions Business

In the LPG Business, as demand for commercial use including restaurants remained on a recovery trend following the easing of restrictions on movement by local governments, the LPG sales volume for commercial use grew to 105% of the level for the same period of the previous fiscal year. With regard to home use, although we actively conducted activities to secure new customers, sales volume was 96% of the level for the same period of the previous fiscal year, due to the impact of easing of restrictions on movement in response to the COVID-19 pandemic, and reduced stay-at-home demand, compared to the previous fiscal year. On the other hand, due to the increase in sales prices as a result of the increase in LPG price, net sales for the LPG Business increased overall.

In the Petroleum Business, gross margin per unit increased from the same period of the previous fiscal year due to an increase in the delivered unit price of household heating oil, but the strengthening tendency to economize that has affected all petroleum products, together with the decline in demand caused by higher temperatures, resulted in sales volume declining to 97% of the level for the same period of the previous fiscal year. For the Petroleum Business overall, both net sales and operating profit decreased in a situation that continued to be difficult to make a profit due to the rising crude oil prices.

In the Residential Equipment Business, although we have not yet been able to resolve extended delivery periods for certain water heaters, delivery periods are recovered to normal levels, primarily for kitchen equipment. In addition, as part of our strategy of growth toward decarbonization, we actively promoted sales of eco-friendly water heaters with a main emphasis on CO_2 reduction, focusing on hybrid models and the "Eco Jozu" gas water heaters. As a result, net sales rose to 105% of the level for the same period of the previous year.

Overall, purchase prices for energy remain at high levels, and we are working to pass these on to sales prices.

As a result, net sales increased by 6.2% year on year to ¥99,731 million, and operating profit decreased by 40.1% year on year to ¥757 million.

As environmental awareness in Japan and overseas continues to increase, we have been participating in Tokyo Stock Exchange's "Carbon Credit Market," a pilot project to trial trading commissioned by the Ministry of Economy, Trade and Industry, since December 2022. Moreover, as part of our commitment to promoting the popularization of renewable energy, we are promoting both home installation of solar panels and sales of storage batteries, while we contribute to reducing CO_2 and strengthening the resilience of companies that use our energy. We will continue to use various systems, etc., and actively promote our strategy of growth toward decarbonization, with an eye to achieving carbon neutrality.

Power & Electricity Business

In the retail electricity business, the fact that customers chose "Mitsuuroko electricity" not only because of their desire to cut costs, but also because of the growing trend regarding measures against global warming, led to an increase in the number of electricity contracts.

However, the situation for electric power supply remains extremely difficult, with the government issuing a power usage warning for the areas serviced by Tokyo Electric Power Company and Tohoku Electric Power Company in March 2022, which was followed by the first national summer power saving request in seven years for the period from July to September, and in turn by the issuing of a winter power saving request from December. Furthermore, rising prices of oil, LNG, and coal, which are power sources, have resulted in electricity procurement costs remaining high in the Japan Electric Power Exchange, and the Power & Electricity Business is working to minimize the impact of price rises and improve sales prices by increasing the number of our electricity suppliers.

As a result of the above factors, net sales increased by 89.0% year on year to ¥116,179 million, and operating profit was ¥6,827 million (compared to an operating loss of ¥461 million in the same period of the previous fiscal year).

With the increasing gravity of the impact of climate change, CO_2 reduction has become a major issue. 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 must remain vigilant with regard to electricity supply, and we will contribute to the stable supply of electricity and economical use of energy through power saving, peak shifting, and energy efficiency and conservation, and we will contribute to the expansion of renewable energy with the aim of achieving a decarbonized society, provide electricity to many customers as "a Lifestyle Producer," and endeavor to provide services that are beneficial to society and customers' lifestyles.

Foods Business

During the nine months ended December 31, 2022, the beverage business entered an extremely challenging phase of the business environment, with prices for its major raw materials incurring significant increases caused by soaring resource prices and energy, the rapid depreciation of the yen, and other factors. In the event that these trends continue for a prolonged period, increases in manufacturing and distribution costs will be unavoidable and may affect business performance. As well as running the business to respond even more promptly to changes in the environment while scrutinizing macroeconomic trends and the speed at which costs increase, we will work to reduce costs by further increasing manufacturing capacity and raising production efficiency. In addition, by launching countermeasures that include revisions to product prices, we aim to achieve stable growth in businesses.

In terms of sales, shipment volume of mineral water exceeded our initial forecast, with a solid performance of 117% of the level of the previous fiscal year. In April 2022, we installed mineral water manufacturing equipment that uses the famous water of Shimizu at the soft drink production line of the Ihara Factory of Shizuoka Mitsuuroko Foods Co., Ltd., which joined the Group in November 2021, and as a result of adding the second manufacturing line in October 2022, we succeeded in significantly increasing manufacturing capacity. Moreover, the mineral water product made possible by the strong technical capabilities of Shizuoka Mitsuuroko Foods Co., Ltd. received high marks from clients, leading to additional orders, etc., which in turn lead to investments for increasing supply capability and to an increase in sales volume. This significantly mitigated the pressure on profit caused by higher costs.

The positive response to the mineral water produced by Shizuoka Mitsuuroko Foods Co., Ltd. has also generated a virtuous circle, whereby the market is once more focusing its attention on our in-house developed green tea, which uses only tea leaves from Shizuoka prefecture, which has led in turn to growth in sales volumes for the soft drink division.

The basis for these increases in sales volume is the positive reception of the Company's attitude towards integrated "Safety and Security" initiatives, and going forward, we will aim to improve results through repeated efforts from our customers' perspectives.

In the foods business, the campaign to commemorate the 45th anniversary of the founding of the "AzabuJuban Mont-Thabor," a bakery with stores all over Japan, successfully used the "Chibi Maruko-chan" character made famous by the eponymous television series, and gained wide recognition among customers of frozen bread made with wheat grown in Japan, which enabled us to increase sales volumes. The manufacture and sale of products using wheat grown in Japan as an ingredient is being supported by many customers for the new value they provide. By continuing to try new ideas such as these, we seek to maintain our branding and further raise awareness of it among customers.

Investment in shops and restaurants run by Mitsuuroko Provisions Co., Ltd. has been resumed after being suppressed by the effects of the COVID-19 pandemic. Looking ahead to the post-COVID-19 era, we aim to generate a recovery in earnings by focusing on renewing stores and developing and launching new merchandise.

We are working to bolster the positioning of the "Carl's Jr. Japan" hamburger chain as a space for leisurely relaxation where customers can experience the California dining of the chain's birthplace, through such measures as reopening the Jiyugaoka branch (Tokyo) in a location equipped with a more spacious terraced area. The impact of the COVID-19 pandemic continues, but by preparing a take-out and delivery menu and continuing to scrap and build branches, we seek to raise efficiency and profitability while accumulating experience that can be used for the development of multiple stores.

For the Foods Business as a whole, although the COVID-19 pandemic had an impact on the food business, net sales increased by 44.1% year on year to ¥13,462 million, and operating profit increased by 8,590.2% year on year to ¥373 million, due to reinforced shipment capacity and increased sales mainly in the beverage business.

Living & Wellness Business

In the Real Estate Business, rental real estate consisting primarily of residential properties has performed well, and is generating stable profits. The three rental apartment complexes of "Prasio Hirao," "View Heights Takayama," and "Cosmos Reid Kokubunji," which we acquired in September 2022, are contributing to earnings, and helped drive net sales growth of 12% year on year. Of particular note is "Prasio Hirao," a new property that was completed in August 2022, fully lent by November.

In addition to implementing an ongoing program of repairs and upgrades prioritizing safety for all properties, including existing assets, we are steadily investing in facilities to ensure that properties keep pace with the values of the times. We place particular emphasis on sustainability, centered on decarbonization, by switching to the use of electricity generated using renewable energy, installing water-saving facilities, and implementing other initiatives. While bearing the optimal portfolio structure in mind, we will actively acquire and develop new revenue-generating properties going forward.

The number of visitors to the HAMABOWL EAS Building during the quarter was at the same level with that of the same period of the previous year. Towards the goal of increasing the number of visitors to the building as a whole, we implemented a receipt marketing campaign using LINE app during the year-end and New Year holiday season. By offering SPA EAS entry gifts, Hamabowl pair gifts for a single play, and eGift certificates that can be used on our "solemo" e-commerce site, we also seek to generate synergies within the Group. In aiming for the integrated revitalization of the area, in October 2022 we participated in the 10th YOKOHAMA EKIMATSURI, or station festival, which marked the milestone of the 150th anniversary since the opening of the railway. Going forward, we will continue to implement sales promotions while looking for the right opportunity.

SPA EAS and Hamabowl, in the wellness business, has seen a recovery in both visitors and sales, with SPA net sales at 138.3% and Hamabowl at 132.5% of the level for the same period of the previous fiscal year.

In response to the effects of the recent surge in prices, at SPA EAS we revised entrance fees in October 2022, raising the basic fee by ¥316. As a result of this, we saw a temporary decline in visitor numbers, but customers have responded positively to our reasonable new pricing plans tailored to their purposes and our new services, and there has been an increase in users of the sauna and those using the facilities for workcations. Moreover, in the “17th Nifty Onsen Annual Ranking 2022” conducted by NIFTY Lifestyle Co., Ltd., which records approximately 16,000 hot spring facilities nationwide, the facility won overall 3rd place nationally, as well as the trifecta in Kanagawa Prefecture for overall 1st place in Kanagawa, 1st place for best bedrock bath, and 1st place for word-of-mouth recommendations.

In December, Hamabowl reached the 10th anniversary of the renewal of its facilities, to celebrate which, it sponsored a “Charity Bowling Tournament” attended by former Yokohama DeNA BayStars manager Alex Ramírez. This contribution to social welfare was widely reported by the media, resulting in topical headlines appropriate to an anniversary event.

Approximately 100 people applied for the second “Health Bowling Classes” this fiscal year, which is attracting attention as a health promotion initiative that utilizes exercise and communication.

At the Wellness Lab, we held events on the theme of “utilizing discarded bowling pins,” with participation from universities and elementary schools within Yokohama city. At the “Craft Art Born from Bowling Pins” exhibition directed by the craft course of Yokohama University of Art and Design, discarded bowling pins reincarnated as a variety of works of art and daily products caught the attention of visitors. (Venue: SPA EAS, Hamabowl) A bowling workshop for discarded bowling pins was held at Yokohama City Yamoto Elementary School for 4th grade students, which got an excellent response.

We will continue our efforts to improve the value and presence of our facilities in the Yokohama area by focusing on consumer needs related to wellbeing, health, and sports, we are working to drive a recovery in customer numbers and sales.

Based on the above reasons, for the Living & Wellness Business as a whole, although net sales increased by 13.3% year on year to ¥1,849 million, operating loss was ¥40 million (compared to an operating profit of ¥247 million in the same period of the previous fiscal year) as a result of recording the costs associated with the acquisition of the aforementioned three new rental apartment complexes as prior investment tied to future net sales.

Overseas Business

Profits and losses from the self-storage business of General Storage Company Pte. Ltd. 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 fiscal year ended March 31, 2022. During the nine months ended December 31, 2022, net sales were ¥1,835 million (¥– million in the same period of the previous fiscal year), operating profit was ¥159 million (compared to an operating loss of ¥39 million in the same period of the previous fiscal year).

The business performance of Siamgas & Petrochemicals Public Company Limited, with which the Company has concluded a strategic business alliance agreement, was favorable due to the impact of soaring crude oil prices, etc., and dividend income from the said company for the nine months ended December 31, 2022, increased by 81.9% year on year to ¥1,163 million, and recorded non-operating income.

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.

In the leasing business, MITSUUROKO LEASE Co., Ltd. was selected by Ministry of the Environment as a specified lease operator for ESG lease promotion projects. By promoting initiatives that take into account the elements of ESG (Environment, Social, and Governance), we support leasing demand among small and medium-sized enterprises that contribute to decarbonization in the supply chain as a whole.

For other business as a whole, net sales increased by 4.1% year on year to ¥1,556 million, while operating profit decreased by 70.6% year on year to ¥15 million, mainly due to a decrease in the profit margin on sales in the leasing business under the COVID-19 pandemic.

(2) Explanation regarding the financial position

Since the provisional accounting treatment for the business combination conducted in the third quarter of the previous fiscal year was finalized in the third quarter of the current fiscal year, comparisons and analyses with the previous fiscal year are based on the amount after the reflection of a significant review of the acquisition cost amounts initially allocated due to the finalization of the provisional accounting treatment.

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022	Change
Assets	155,170	179,229	+24,058
Liabilities	67,483	87,860	+20,377
Net assets	87,687	91,369	+3,681
Shareholders’ equity	87,274	91,357	+4,082
Equity ratio (%)	56.2	51.0	(5.2)

Assets

Total assets increased by ¥24,058 million compared to the end of the previous fiscal year to ¥179,229 million.

The main factors for change were an increase of ¥8,378 million in cash and deposits resulting from borrowings for long-term working capital, an increase in current balance, etc., an increase of ¥9,289 million in notes and accounts receivable - trade resulting from an increase in sales, etc., an increase of ¥1,505 million in buildings and structures, and an increase of ¥2,221 million in land, etc. resulting from acquisition of rental properties, etc.

Liabilities

Total liabilities increased by ¥20,377 million compared to the end of the previous fiscal year to ¥87,860 million.

The main factors for change included an increase of ¥7,331 million in notes and accounts payable - trade resulting from increased cost of sales, etc., an increase of ¥1,276 million in income taxes payable resulting from higher taxable income, an increase of ¥3,839 million in long-term borrowings and an increase of ¥4,880 million in bonds payable resulting from increased demand for capital to acquire rental properties, etc., and an increase of ¥1,971 million in asset retirement obligations recognized at the AzuchiOshima Wind Power Station, etc.

Net assets

Net assets increased by ¥3,681 million compared to the end of the previous fiscal year to ¥91,369 million.

The main factor for change was an increase of ¥2,935 million in retained earnings.

As a result, the equity ratio decreased by 5.2 percentage points from the end of the previous fiscal year to 51.0%.

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

The Power & Electricity Business, which is one of the core businesses of the Group, procures its electricity through bilateral contracts with power producers, from in-house sources of renewable energy, and from the market. Because electricity from bilateral contacts with power producers accounts for the bulk of procurement, we were able to keep the impact of soaring market prices caused by electricity shortages to a minimum. Furthermore, due to the success of significantly reducing the cost of sales by promoting to customers “Demand Response Service,” a system that adjusts balance between demand and supply of electricity, earnings are projected to exceed the forecasts disclosed at the time of the financial results announcement on May 10, 2022.

On the other hand, despite prolonged efforts to maintain safety at the Group’s AzuchiOshima Wind Power Station Co., Ltd., where an accident involving damage to a wind turbine blade occurred after the major typhoons No. 9 (Maysak) and No. 10 (Haishen) in September 2020, we reached the point of recognizing asset retirement obligations in the third quarter of the current fiscal year, and recorded an extraordinary loss of ¥1,740 million.

Under these circumstances, having taken into account the outlook for the fourth quarter of the fiscal year ending March 31, 2023, the Company has revised consolidated earnings forecasts for the fiscal year ending March 31, 2023, as disclosed at the time of the results announcement on May 10, 2022.

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

2. Quarterly consolidated financial statements and significant notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	21,502	29,881
Notes and accounts receivable - trade	28,337	37,626
Merchandise and finished goods	5,331	5,894
Raw materials and supplies	631	779
Other	7,975	8,687
Allowance for doubtful accounts	(90)	(33)
Total current assets	63,687	82,835
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,593	15,099
Machinery, equipment and vehicles, net	3,895	3,764
Land	15,979	18,200
Construction in progress	36	112
Other, net	5,311	5,423
Total property, plant and equipment	38,817	42,600
Intangible assets		
Trademark right	2,559	2,793
Goodwill	1,167	1,392
Other	1,285	1,219
Total intangible assets	5,012	5,405
Investments and other assets		
Investment securities	38,916	39,745
Deferred tax assets	1,669	1,546
Other	7,265	7,373
Allowance for doubtful accounts	(197)	(277)
Total investments and other assets	47,654	48,388
Total non-current assets	91,483	96,394
Total assets	155,170	179,229

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	25,003	32,334
Short-term borrowings	5,522	5,089
Current portion of bonds payable	–	764
Income taxes payable	869	2,146
Provisions	910	471
Other	8,445	9,515
Total current liabilities	40,751	50,322
Non-current liabilities		
Bonds payable	–	4,880
Long-term borrowings	7,852	11,691
Deferred tax liabilities	7,033	7,240
Provisions	540	530
Retirement benefit liability	2,493	2,556
Asset retirement obligations	1,278	3,249
Other	7,533	7,389
Total non-current liabilities	26,731	37,538
Total liabilities	67,483	87,860
Net assets		
Shareholders' equity		
Share capital	7,077	7,077
Capital surplus	320	320
Retained earnings	68,083	71,019
Treasury shares	(533)	(533)
Total shareholders' equity	74,948	77,883
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,894	12,287
Deferred gains or losses on hedges	(121)	(45)
Foreign currency translation adjustment	572	1,243
Remeasurements of defined benefit plans	(19)	(11)
Total accumulated other comprehensive income	12,326	13,473
Non-controlling interests	413	11
Total net assets	87,687	91,369
Total liabilities and net assets	155,170	179,229

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

Quarterly consolidated statement of income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	167,879	234,614
Cost of sales	146,954	204,989
Gross profit	20,925	29,624
Selling, general and administrative expenses	20,606	22,378
Operating profit	318	7,246
Non-operating income		
Interest income	15	14
Dividend income	1,041	1,543
Share of profit of entities accounted for using equity method	370	267
Compensation income	59	53
Gain on derivatives trading	103	–
Other	464	282
Total non-operating income	2,055	2,160
Non-operating expenses		
Interest expenses	104	216
Commission expenses	215	186
Loss on derivatives trading	–	15
Other	43	169
Total non-operating expenses	364	587
Ordinary profit	2,009	8,819
Extraordinary income		
Gain on sale of non-current assets	4	140
Gain on receipt of donated non-current assets	–	48
Gain on sale of investment securities	0	–
Total extraordinary income	4	188
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on retirement of non-current assets	75	73
Impairment losses	–	1,916
Loss on store closings	9	35
Loss on subsidy repayment	–	13
Litigation settlement	–	10
Loss on COVID-19	8	–
Total extraordinary losses	93	2,049
Profit before income taxes	1,921	6,957
Income taxes - current	1,141	2,801
Income taxes - deferred	(266)	95
Total income taxes	875	2,897
Profit	1,046	4,060
Loss attributable to non-controlling interests	(26)	(391)
Profit attributable to owners of parent	1,072	4,451

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	1,046	4,060
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,104)	381
Deferred gains or losses on hedges	3	–
Foreign currency translation adjustment	101	670
Remeasurements of defined benefit plans, net of tax	7	8
Share of other comprehensive income of entities accounted for using equity method	18	86
Total other comprehensive income	(4,973)	1,146
Comprehensive income	(3,926)	5,206
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,900)	5,598
Comprehensive income attributable to non-controlling interests	(26)	(391)

(3) Notes to quarterly consolidated financial statements

Notes on the premise of going concerns

Not applicable.

Changes in accounting policies

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the fiscal year under review. And it has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact of this on the quarterly consolidated financial statements.

Changes in accounting estimates

Change in estimates for asset retirement obligations

In the nine months ended December 31, 2022, there was a change in estimates as a result of updated information on the cost of repair to original condition following the decision on removal of the wind turbine blade damaged by the major typhoons No. 9 (Maysak) and No. 10 (Haishen) that struck in September 2020 at the consolidated subsidiary AzuchiOshima Wind Power Station Co., Ltd. An amount of ¥1,750 million due to the change in the estimate was recorded as asset retirement obligations.

Note that part of the property, plant and equipment recorded as part of this change in the estimate was recorded under impairment losses, and profit before income taxes for the nine months ended December 31, 2022, was reduced by ¥1,687 million.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Business combinations

Finalization of the provisional accounting treatment for business combinations

With regard to the business combination with General Storage Company Pte. Ltd. and its six subsidiaries conducted on December 22, 2021, although provisional accounting treatment was carried out in the previous consolidated fiscal year, it was finalized in the third quarter of the current fiscal year.

Following the finalization of the provisional accounting treatment, comparative information included in the quarterly consolidated financial statements for the nine months ended December 31, 2022, reflects the material revisions to the acquisition cost amounts initially allocated. As a result, the final calculation for goodwill amounted to ¥197 million, which was a decrease of ¥2,678 million from the provisional calculation of ¥2,875 million. In addition, amounts for the end of the fiscal year ended March 31, 2022, were increased ¥560 million for other property, plant and equipment, ¥2,559 million for trademark right, ¥126 million for other intangible assets and ¥439 million for deferred tax liabilities.

This change has no impact on the quarterly consolidated statement of income for the nine months ended December 31, 2021.

Segment information

[Segment information]

I Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

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

(Millions of yen)

	Reportable segments						Others (Note 1)	Total	Adjustments (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
	Energy Solutions Business	Power & Electricity Business	Foods Business	Living & Wellness Business	Overseas Business	Subtotal				
Net sales										
Sales to external customers	93,937	61,471	9,342	1,632	–	166,384	1,494	167,879	–	167,879
Intersegment sales or transfers	115	146	9	8	–	280	138	418	(418)	–
Total	94,053	61,618	9,352	1,640	–	166,664	1,633	168,297	(418)	167,879
Segment profit (loss)	1,264	(461)	4	247	(39)	1,013	52	1,066	(747)	318

(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 segment profit (loss) adjustment of ¥(747) million includes intersegment eliminations of ¥(17) million, corporate expenses of ¥(730) million that are not allocated to each reportable segment, and other adjustments of ¥0 million. Corporate expenses are mainly general and administrative expenses that do not belong to any reportable segment.

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

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

Significant change in goodwill amount

General Storage Company Pte. Ltd. (GSC) was included in the scope of consolidation in the “Overseas Business” segment, as the Company acquired all the outstanding shares of GSC during the third quarter ended December 31, 2021. This resulted in an increase of ¥197 million in goodwill for the nine months ended December 31, 2021. The figure for goodwill reflects material revisions to the acquisition cost amounts initially allocated due to the finalization of the provisional accounting treatment of business combinations.

II Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

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

(Millions of yen)

	Reportable segments						Others (Note 1)	Total	Adjustments (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
	Energy Solutions Business	Power & Electricity Business	Foods Business	Living & Wellness Business	Overseas Business	Subtotal				
Net sales										
Sales to external customers	99,731	116,179	13,462	1,849	1,835	233,058	1,556	234,614	–	234,614
Intersegment sales or transfers	131	574	12	6	–	725	187	912	(912)	–
Total	99,862	116,754	13,475	1,856	1,835	233,783	1,743	235,526	(912)	234,614
Segment profit (loss)	757	6,827	373	(40)	159	8,077	15	8,093	(846)	7,246

(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 segment profit (loss) adjustment of ¥(846) million includes intersegment eliminations of ¥(13) million, corporate expenses of ¥(832) million that are not allocated to each reportable segment, and other adjustments of ¥0 million. Corporate expenses are mainly general and administrative expenses that do not belong to any reportable segment.

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

4. Following the finalization of provisional accounting treatment, amounts displayed in segment information for the nine months ended December 31, 2021, reflect material revisions to the acquisition cost amounts initially allocated described in "Business combinations" under "Notes."

2. Information regarding changes in reportable segments, etc.

Effective from the fourth quarter of the fiscal year ended March 31, 2022, the Overseas Business, which was previously included in the "Others" segment, has been presented as a reportable segment because its quantitative importance has increased due to the start of consolidation of overseas subsidiaries.

Please note that the segment information disclosed for the nine months ended December 31, 2021, was prepared based on the new reporting segment classification.

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

<u>Material loss on impairment related to non-current assets</u>

In the Power & Electricity Business, the Company recorded loss on impairment of non-current assets due to the suspension of operations of the Gumihara Wind Power Station and the recording of asset retirement obligations for AzuchiOshima Wind Power Station. The amount of the said loss on impairment recorded in the nine months ended December 31, 2022, is ¥1,901 million.

In the Foods Business, the Company recorded loss on impairment of non-current assets of the previous "Carl's Jr. Jiyugaoka Restaurant," due to the relocation thereof. The amount of the said loss on impairment recorded in the nine months ended December 31, 2022, is ¥14 million.