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# Notice of the 114th Ordinary General Meeting of Shareholders Matters Excluded From Paper-Based Documents Delivered

**Notes to Consolidated Financial Statements**

**Notes to Non-consolidated Financial Statements**

(from April 1, 2022 to March 31, 2023)

**Mitsuuroko Group Holdings Co., Ltd.**

## 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: | 45 |
| • Names of major consolidated subsidiaries: | Mitsuuroko Vessel Co., Ltd.<br>Logitri Holdings Co., Ltd.<br>Mitsuuroko Green Energy Co., Ltd.<br>Mitsuuroko Foods Co., Ltd.<br>MITSUUROKO Co., Ltd.<br>Mitsuuroko Creative Solutions Co., Ltd.<br>TRIFORCE INVESTMENTS PTE. LTD. |
| • Changes in the scope of consolidation: | Daiichi Gas Co., Ltd. was included in the scope of consolidation from the current fiscal year through the acquisition of its shares. |

(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. |

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

| | |
|---|---|
| • Names of major companies: | Ikaho Gas Co., Ltd.<br>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 moving average cost method. |

Available-for-sale securities

Securities other than shares that do not have a market value

The fair value method (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). Trademark rights are not depreciated as they have indefinite useful lives at overseas consolidated subsidiaries. |
| 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, diesel fuel, 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 and beverages, store and restaurant businesses such as in-facility stalls and cafeterias, the operation of burger restaurant chains, and the operation of fresh bakeries and cafés, 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 rental apartments, and the operation of establishments for living and wellness such as hot bath 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 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 ¥1,860 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 trademark rights and goodwill of overseas self-storage businesses

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

The business combination that took place on December 22, 2021, between TRIFORCE INVESTMENTS PTE. LTD., a consolidated subsidiary of the Company, and General Storage Company Pte. Ltd. and its six subsidiaries, which were accounted for on a provisional basis in the previous fiscal year, were finalized in the current fiscal year, and as a result, trademark rights and goodwill related to Overseas Business were recorded. The relevant trademark rights is a brand with a long history that is well known in the market. In addition, based on the fact that the self-storage business is not susceptible to obsolescence due to technological innovation and has high barriers to entry for new businesses, it is classified as an intangible asset with an indefinite useful life. Book values of ¥2,845 million for trademark rights and ¥150 million for goodwill were recorded, and TRIFORCE INVESTMENTS PTE. LTD. conducted an impairment test at least once a year to determine whether an impairment loss should be recorded.

As a result of the test, it was determined that the recoverable amount, value in use, would exceed the book value of the group of cash-generating units, including trademark rights and goodwill, in the Overseas 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

The Lock+Store brand of General Storage Company Pte. Ltd. is used in Singapore and Malaysia, and the trademark rights and goodwill arise from the consolidated subsidiaries based in Singapore and Malaysia. Therefore, the consolidated subsidiaries in Singapore and Malaysia are grouped together as one.

For such trademark rights and goodwill, the necessity of recognizing an impairment loss is determined by comparing the total discounted future cash flows obtained from the cash-generating unit 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 discounted future cash flows, the book value is reduced to the recoverable amount, and the decrease in the book value is recognized as an impairment loss. The discount rate used to calculate discounted future cash flows is the weighted average cost of capital calculated by an external expert.

Estimates of future cash flows for the overseas self-storage business are based on the business plan and the long-term average growth rate after the business plan period. If these assumptions require revision due to future changes in economic or market conditions, impairment losses may be recognized in the next fiscal year or later.

## 3. Notes Regarding Changes in Accounting Policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

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 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.

## 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 | ¥2,668 million |
| Land | ¥2,236 million |
| Total | ¥4,905 million |

(ii) Collateral-related liabilities

| | |
|---|---|
| Current portion of long-term borrowings | ¥256 million |

Apart from the above, shares of subsidiaries and associates worth ¥723 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 ¥57,060 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 ¥152 million for buildings and structures, ¥2,025 million for machinery, equipment and vehicles, and ¥62 million for others, which in total amounted to ¥2,240 million.

## 6. Notes Regarding the Consolidated Statement of Income

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

| | |
|---|---|
| Salaries | ¥7,474 million |
| Provision for bonuses | ¥1,083 million |
| Provision for bonuses for directors (and other officers) | ¥4 million |
| Provision for retirement benefits for directors (and other officers) | ¥38 million |
| Provision for share awards | ¥39 million |
| Retirement benefit expenses | ¥332 million |
| Depreciation | ¥1,674 million |
| Provision of allowance for doubtful accounts | ¥15 million |
| Amortization of goodwill | ¥54 million |

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

| | |
|---|---|
| Buildings and structures | ¥17 million |
| Machinery, equipment and vehicles | ¥5 million |
| Land | ¥117 million |
| Total | ¥141 million |

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

| | |
|---|---|
| Buildings and structures | ¥0 million |
| Land | ¥0 million |
| Total | ¥0 million |

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

| | |
|---|---|
| Buildings and structures | ¥84 million |
| Machinery, equipment and vehicles | ¥20 million |
| Removal expenses, etc. associated with removal | ¥57 million |
| Other | ¥43 million |
| Total | ¥205 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. | Funabashi-shi, Chiba, etc. | 55 |
| Carl’s Jr. Japan Inc. | Business assets | Buildings, etc. | Koto-ku, Tokyo, etc. | 135 |
| Mitsuuroko Provisions Co., Ltd. | Business assets | Buildings, etc. | Hachioji-shi, Tokyo, etc. | 9 |
| Hama Estate Co., Ltd. | Business assets | Land, buildings, etc. | Yokohama-shi, Kanagawa, etc. | 107 |
| Azuchi-Oshima Wind Power Plant Co., Ltd. | Business assets | Wind power generation facility | Hirado-shi, Nagasaki | 1,740 |
| Mitsuuroko Green Energy Co., Ltd. | Business assets | Wind power generation facility | Tahara-shi, Aichi | 161 |
| Lock+Store (Tanjong Pagar) Pte. Ltd. | Business assets | Property, plant and equipment and others | Serangoon North, Singapore | 47 |
| The Store House Limited. | Business assets | Property, plant and equipment and others | Hong Kong, China | 40 |

In recognizing impairment losses, the Group groups assets in the Energy Solutions Business and Other Business 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, Living & Wellness Business, and Overseas Business by property. 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: ¥179 million for buildings and structures, ¥1,740 million for machinery, equipment and vehicles, ¥77 million for land, ¥300 million for property, plant and equipment and others, and ¥0 million for intangible assets and others.

Further, the recoverable amount of asset group was measured in terms of its net selling value or value in use. Net selling value is estimated based on real estate appraisal standards for highly significant assets. Value in use is calculated by discounting future cash flows by the weighted average cost of capital (4.17% to 11.45%). However, some assets have negative future cash flows, and the entire book value of the assets is recognized as an impairment loss.

(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. 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 | 60,634 | – | 500 | 60,134 |

(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 | 664 | 500 | 500 | 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 500 thousand shares of treasury shares.

2. The breakdown of the increase of 500 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 and increase of 500 thousand shares due to acquisition of treasury shares by the resolution of a Board of Directors meeting.

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 10, 2022

• 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).

(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, 2023, a resolution was made as follows:

• Matters concerning dividends of common shares

| | |
|---|---|
| Total amount of dividends | ¥2,224 million |
| Dividend per share | ¥37 |
| Record date | March 31, 2023 |
| Effective date | June 19, 2023 |

Note: The total dividends include the ¥21 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 and bonds, short-term borrowings primarily represent the financing relating to business transactions and long-term borrowings mainly concern the funding relating to capital investment. Bonds primarily represent the financing relating to acquisition of rental real estate. 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, bonds, and lease liabilities are exposed to liquidity risk, but in the Group, each company manages them through means such as creating a cash flow 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, 2023 (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 | 2,407 | 2,405 | (1) |
| (ii) Investment securities | | | |
| Other securities | 32,731 | 32,731 | – |
| Total assets | 35,138 | 35,137 | (1) |
| (i) Long-term borrowings | 14,383 | 14,289 | (93) |
| (ii) Bonds | 5,462 | 5,453 | (9) |
| (iii) Lease liabilities | 3,969 | 3,811 | (157) |
| Total liabilities | 23,815 | 23,554 | (260) |
| Derivative transactions (*) | | | |
| (i) Those to which hedge accounting was not applied | 5 | 5 | – |
| (ii) Those to which hedge accounting was applied | (8) | (8) | – |
| Total derivative transactions | (2) | (2) | – |

(*) 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, etc. without a market price

(Millions of yen)

| Classification | Amount recorded on Consolidated Balance Sheet |
|---|---|
| Investment securities | |
| Unlisted shares, etc. (*1) | 996 |
| Shares of subsidiaries and associates | |
| Unlisted shares, etc. (*2) | 3,778 |

(*1) Among investment securities, unlisted shares, etc. are not included in "(ii) Investment securities" as their market prices are not available.

(*2) The shares of subsidiaries and associates are not included in the above table as their market prices are not available.

Note 2. Derivative transactions

(i) Those to which hedge accounting was not applied

(Millions of yen)

| Type | Contract amount, etc. | Contract amount over 1 year | Fair value | Valuation profit or loss |
|---|---|---|---|---|
| Market transactions<br>Commodity futures trading<br>Petroleum products<br>Long positions<br>Short positions | <br><br><br>1,547<br>1,463 | <br><br><br>–<br>– | <br><br><br>(20)<br>26 | <br><br><br>(20)<br>26 |
| Total | 3,010 | – | 5 | 5 |

(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. | Over 1 year | Fair value | Method of calculating the relevant fair value |
|---|---|---|---|---|---|---|
| Special treatment for interest rate swaps | Interest rate swaps Paid/fixed and received/floating | Long-term borrowings | 1,725 | 1,304 | (8) | It is based on the price, etc. offered by the counterparty financial institution. |
| Total | | | 1,725 | 1,304 | (8) | |

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 | 755 | 562 | 389 | 307 | 220 | 171 |
| Total | 755 | 562 | 389 | 307 | 220 | 171 |

Note 4. Amount of long-term borrowings, bonds, 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 | 3,051 | 2,057 | 1,552 | 1,675 | 2,609 | 3,436 |
| Bonds | 764 | 764 | 764 | 764 | 764 | 1,640 |
| Lease liabilities | 1,201 | 983 | 652 | 470 | 421 | 239 |
| Total | 5,017 | 3,805 | 2,969 | 2,910 | 3,795 | 5,316 |

(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 | 32,646 | – | – | 32,646 |
| Other | – | 85 | – | 85 |
| Derivative transactions | | | | |
| Interest rate-related | – | (8) | – | (8) |
| Merchandise-related | – | 5 | – | 5 |
| Total assets | 32,646 | 82 | – | 32,729 |

(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 | – | 2,405 | – | 2,405 |
| Total assets | – | 2,405 | – | 2,405 |
| Long-term borrowings | – | 14,289 | – | 14,289 |
| Bonds | | 5,453 | | 5,453 |
| Lease liabilities | – | 3,811 | – | 3,811 |
| Total liabilities | – | 23,554 | – | 23,554 |

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.

Bonds

The fair value of bonds is calculated based on the present value discounted at the interest rate that would be applicable to a new similar transaction and classified as Level 2 fair value.

## 9. Notes Regarding Investment and Rental Property

The Company and some consolidated subsidiaries have health and sports establishments such as hot bath facilities and properties for rent, such as rental apartments 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 ¥1,945 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 | |
| 19,011 | 3,729 | 22,740 | 33,369 |

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 effects of real estate acquisition and exchange rate changes.

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.

## 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 2.6%).

(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 | ¥1,366 million |
| Increase due to acquisition of property, plant and equipment | ¥130 million |
| Adjustment due to passage of time | ¥7 million |
| Increase/decrease due to change in estimate | ¥1,727 million |
| Decrease due to fulfillment of asset retirement obligations | (¥193 million) |
| Other increases (decreases) | ¥143 million |
| Balance at end of term | ¥3,180 million |

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

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 Azuchi-Oshima Wind Power Plant 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 fiscal year under review, was reduced by ¥1,687 million.

There was a change in estimates as a result of updated information on the cost of repair to original condition following the closure of a plant for asset retirement obligations recorded as demolition costs for buildings on leased land at Mitsuuroko Group Holdings Co., Ltd. An amount of ¥124 million due to the change in the estimate was deducted from asset retirement obligations. Note that operating profit, ordinary profit, and profit before income taxes increased by ¥124 million for the fiscal year under review as part of this change in the estimate.

There was a change in estimates as a result of updated information on the asset retirement obligations recorded as the cost of repair to original condition following the signing of a real estate lease contract for a store at the consolidated subsidiary Sweet Style Co., Ltd. An amount of ¥89 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 fiscal year under review, was reduced by ¥52 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 | 55,944 | – | – | – | – | 55,944 | – | 55,944 |
| Petroleum | 72,479 | – | – | – | – | 72,479 | – | 72,479 |
| Electricity | – | 157,181 | – | – | – | 157,181 | – | 157,181 |
| Other | 12,648 | – | 18,346 | 600 | – | 31,595 | 1,237 | 32,833 |
| Revenue recognized from contracts with customers | 141,072 | 157,181 | 18,346 | 600 | – | 317,201 | 1,237 | 318,439 |
| Revenue recognized from other sources (Note) 4 | – | – | – | 1,911 | 2,456 | 4,367 | 893 | 5,261 |
| Net sales to external customers | 141,072 | 157,181 | 18,346 | 2,512 | 2,456 | 321,569 | 2,130 | 323,700 |

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 contracts with customers in the Power & Electricity Business includes subsidies of ¥2,523 million received through the "Operation to Mitigate Sudden Fluctuations in Electricity and Gas Prices" implemented based on the "Comprehensive Economic Measures to Overcome Rising Prices and Realize Economic Revival."

4. 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, diesel fuel, 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 and beverages, store and restaurant businesses such as in-facility stalls and cafeterias, the operation of burger restaurant chains, and the operation of fresh bakeries and cafés, 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 rental apartments, and the operation of establishments for living and wellness such as hot bath 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) | 28,337 |
| Receivables arising from contracts with customers (balance at end of term) | 31,033 |
| Contractual assets (balance at beginning of term) | – |
| Contractual assets (balance at end of term) | – |
| Contractual liabilities (balance at beginning of term) | 248 |
| Contractual liabilities (balance at end of term) | 225 |

Contractual liabilities relate to advances received from customers based on individual payment terms agreed to in sales contracts with customers, primarily in the Energy Solutions Business, where revenue is recognized upon delivery of goods and products, and are reversed upon recognition of revenue.

(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 ¥1,561.61

(2) Basic earnings per share ¥130.06

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 (567,900 shares in the current fiscal year).

## 13. Notes Regarding Significant Subsequent Events

Not applicable.

## 14. Notes on Business Combination

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 fiscal year under review.

Following the finalization of the provisional accounting treatment, material revisions are reflected 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 as of 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.

Note that the impact of this on the consolidated statements of income for the previous fiscal year was immaterial.

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. |
| Provision for loss on guarantees | To make provisions for loss on guarantees for subsidiaries and associates, the estimated amount of losses to be incurred is recorded, taking into consideration the financial position of the guaranteed parties and other factors. |

(5) Recognition criteria for revenues and expenses

The income of the Company comprises of the Group operating income, etc., real estate rent income, and dividend income of subsidiaries and 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 subsidiaries and 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.<br>In addition, the execution of transactions is managed intensively in the 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. |

(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. Notes Regarding Accounting Estimates

Important accounting estimates

Accounting estimates are calculated at reasonable amounts based on the information available during the preparation of the Non-consolidated Financial Statements. Of the amounts recorded in the Non-consolidated Financial Statements for the current fiscal year, which are based on accounting estimates, the items that may have a material impact on the Non-consolidated Financial Statements for the next fiscal year are as follows.

Valuation of Shares of Subsidiaries and Associates

(1) Amount recorded in the Non-consolidated Financial Statements for the current fiscal year

Shares of subsidiaries and associates amounted to ¥31,343 million at the end of the current fiscal year.

This includes an investment of ¥7,340 million in TRIFORCE INVESTMENTS PTE. LTD.

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

Shares of subsidiaries and associates with no quoted market prices are impaired when their real value declines significantly, unless the recoverability of such shares is supported by sufficient evidence. Significant estimates in the valuation of shares of subsidiaries and associates are excess earning power, etc. based on the issuing company’s business plan, etc. The key assumptions are described in “Notes Regarding Accounting Estimates (Important accounting estimates), 2. Necessity of recognizing impairment losses of trademark rights and goodwill of overseas self-storage businesses” in the Consolidated Financial Statements.

## 3. Notes Regarding Changes in Accounting Policies

Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement

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 current fiscal year, 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.

## 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 Non-consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment ¥23,181 million

(2) Guarantee obligations

The Company provides debt guarantees worth ¥590 million for loans received from the financial institutions of its subsidiaries and associates.

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

| | | |
|---|---|---|
| (i) | Short-term monetary claims | ¥110 million |
| (ii) | Short-term monetary obligations | ¥61 million |
| (iii) | Long-term monetary obligations | ¥202 million |

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

(1) Amount of transactions with subsidiaries and associates

| | | |
|---|---|---|
| (i) | Operating revenue | ¥5,867 million |
| (ii) | Operating expenses | ¥603 million |
| (iii) | Amount of transactions from transactions other than operating transactions | ¥107 million |

(2) Breakdown of operating revenue

| | | |
|---|---|---|
| (i) | Group operating income, etc. | ¥2,103 million |
| (ii) | Real estate rent income | ¥2,737 million |
| (iii) | Dividend income of subsidiaries and associates | ¥1,096 million |

(3) Breakdown of operating expenses

| | |
|---|---|
| (i) Real estate rent expenses | ¥1,332 million |
| (ii) General administrative costs | ¥2,952 million |

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

| | |
|---|---|
| Land | ¥117 million |
| Total | ¥117 million |

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

| | |
|---|---|
| Buildings | ¥5 million |
| Structures | ¥0 million |
| Machinery and equipment | ¥0 million |
| Tools, furniture and fixtures | ¥0 million |
| Removal expenses, etc. associated with retirement | ¥47 million |
| Total | ¥54 million |

(6) Impairment losses

In the current fiscal year, the Company recorded impairment losses on the following asset groups.

| Use | Type | Location | Impairment loss (Millions of yen) |
|---|---|---|---|
| Business assets | Land, etc. | Ashikaga-shi, Tochigi | 10 |

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

As for the above assets group, 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 recoverable amount of the above asset groups is measured by value in use, which is calculated by discounting future cash flows at 3.95%.

## 7. 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 | 568 | 500 | 500 | 568 |

Notes: 1. The breakdown of the increase of 500 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 and increase of 500 thousand shares due to acquisition of treasury shares by the resolution of a Board of Directors meeting.

2. The decrease of 500 thousand shares in the number of treasury shares of common shares was due to the cancellation of 500 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).

## 8. 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 | 301 |
| Asset retirement obligations | 153 |
| Impairment losses | 117 |
| Allowance for doubtful accounts | 622 |
| Accrued enterprise tax | 17 |
| Other | 114 |
| Subtotal of deferred tax assets | 3,917 |
| Valuation allowance | (3,358) |
| Total of deferred tax assets | 558 |
| Deferred tax liabilities | |
| Reserve for tax purpose reduction entry of non-current assets | (1,203) |
| Valuation difference on available-for-sale securities | (4,525) |
| Shares of subsidiaries | (49) |
| Removal costs for asset retirement obligations | (43) |
| Other | (28) |
| Total of deferred tax liabilities | (5,850) |
| Net amount of deferred tax liabilities | (5,291) |

## 9. 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 | 1,110 | – | – |
| Subsidiary | MITSUUROKO Co., Ltd. | Chuo-ku, Tokyo | 10 | Living & Wellness | (Owned) Directly 100.0 | Concurrent post of Officer, etc. | Borrowing of funds | 649 | Short-term borrowings from subsidiaries and associates | 1,966 |
| Subsidiary | Mitsuuroko Vessel Co., Ltd. | Chuo-ku, Tokyo | 25 | Energy Solutions | (Owned) Directly 100.0 | Concurrent post of Officer, etc. | Income from management fees | 1,113 | – | – |
| Subsidiary | Mitsuuroko Vessel Co., Ltd. | Chuo-ku, Tokyo | 25 | Energy Solutions | (Owned) Directly 100.0 | Concurrent post of Officer, etc. | Real estate rent income | 1,057 | – | – |
| Subsidiary | Mitsuuroko Vessel Co., Ltd. | Chuo-ku, Tokyo | 25 | Energy Solutions | (Owned) Directly 100.0 | Concurrent post of Officer, etc. | Borrowing of funds | 5,810 | Short-term borrowings from subsidiaries and associates | 6,749 |
| 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. | 406 | 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 | 140 | Long-term loans receivable from subsidiaries and associates | 1,217 |
| Subsidiary | Carl's Jr. Japan Inc. | Chuo-ku, Tokyo | 95 | Foods | (Owned) Directly 100.0 | Concurrent post of Officer, etc. | Collection of funds | 10 | – | – |
| Subsidiary | Mitsuuroko Foods Co., Ltd. | Chuo-ku, Tokyo | 100 | Foods | (Owned) Directly 100.0 | Concurrent post of Officer, etc. | Lending of funds | – | Long-term loans receivable from subsidiaries and associates | 1,623 |

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 Foods Co., Ltd., an allowance for doubtful accounts of ¥2,022 million was recorded at the end of the current fiscal year. In addition, a gain on reversal of allowance for doubtful accounts of ¥60 million was recorded in the current fiscal year.

## 10. 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., restoration costs of leased land, and soil restoration costs.

(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 (0.4% to 2.6%).

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

| | |
|---|---|
| Balance at beginning of term | ¥707 million |
| Increase due to acquisition of property, plant and equipment | ¥14 million |
| Adjustment due to passage of time | ¥3 million |
| Decrease due to fulfillment of asset retirement obligations | (¥99 million) |
| Decrease due to change in estimate | (¥124 million) |
| Balance at end of term | ¥501 million |

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

There was a change in estimates as a result of updated information on the cost of repair to original condition following the closure of a plant for asset retirement obligations recorded as obligation to repair to original condition due to demolition costs of a building on land leased by the Company in the current fiscal year.

A decrease of ¥124 million due to the change in the calculation was subtracted from 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 increased by ¥124 million.

**11. 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."

**12. Notes Regarding Per Share Information**

(1) Net assets per share ¥1,177.16

(2) Basic earnings per share ¥45.59

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 (567,900 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.