November 7, 2023

Consolidated Financial Results
for the Six Months Ended September 30, 2023
<under Japanese GAAP>

Name of the Listed Company: **Mitsuuroko Group Holdings Co., Ltd.**
Listing: Tokyo Stock Exchange
Securities Code: 8131
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Scheduled date to file quarterly securities report: November 9, 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 six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	141,325	(4.4)	7,007	166.0	7,673	89.6	5,422	92.6
September 30, 2022	147,799	46.3	2,634	133.0	4,046	73.6	2,815	74.8

Note: Comprehensive income For the six months ended September 30, 2023: ¥4,095 million [(47.7)%]
For the six months ended September 30, 2022: ¥7,837 million [32.9%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	91.15	–
September 30, 2022	46.95	–

Note: During the third quarter ended December 31, 2022, the Company finalized the provisional accounting treatment for business combinations. As a result, figures for the six months ended September 30, 2022, reflect the finalization of the provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2023	170,335	94,794	55.6	1,592.55
March 31, 2023	173,999	92,884	53.4	1,561.61

Reference: Equity
As of September 30, 2023: ¥94,784 million As of March 31, 2023: ¥92,869 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	–	–	37.00	37.00
Fiscal year ending March 31, 2024	–	–			
Fiscal year ending March 31, 2024 (Forecast)			–	39.00	39.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	360,000	11.2	11,400	(7.4)	12,000	(14.6)	7,200	(7.6)	121.07

Note: Revisions to the earnings forecasts most recently announced: None
The Company has not prepared the earnings forecasts for the six months ended September 30, 2023 after taking into consideration the seasonal factors.

* 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: None
 b. Changes in accounting policies due to other reasons: None
 c. Changes in accounting estimates: None
 d. Restatement: None

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

As of September 30, 2023	60,134,401 shares
As of March 31, 2023	60,134,401 shares

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

As of September 30, 2023	616,680 shares
As of March 31, 2023	664,091 shares

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

Six months ended September 30, 2023	59,494,128 shares
Six months ended September 30, 2022	59,970,424 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, 2023, 520,300 shares as of September 30, 2023). 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 (567,900 shares for six months ended September 30, 2022, 543,969 shares for six months ended September 30, 2023).

* 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 "(4) Explanation regarding consolidated earnings forecasts and other forward-looking statements" in "1. Qualitative information regarding financial results for the period" on page 8 of the attached material for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

Attached Material

Index

1. Qualitative information regarding financial results for the period

In the third quarter of the previous fiscal year, the provisional accounting treatment for the business combination conducted was finalized. For figures for the same period of the previous fiscal year that we herein describe comparative analyses against, we use revised figures after such final accounting treatment.

(1) Explanation regarding operating results

During the six months ended September 30, 2023, economic conditions in Japan showed a moderate recovery trend due to progressive normalization of economic activity. However, the economic outlook remains uncertain due to factors that include prolonged geopolitical risk encompassing the situation in Ukraine and escalating tensions in the Middle East situation attributable to the Israel-Gaza conflict, rapidly depreciating yen, and price hikes.

In the domestic energy market, there has been a rapid change of the Group's business environment, such as demand 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 low birth rate and aging society and population decline, 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 ensuring environmental friendliness, 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 desire for choices. 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. In addition, Mitsuuroko Green Energy Co., Ltd., another consolidated subsidiary of the Company, has installed grid storage batteries in Tahara-shi, Aichi, and initiated their operation on September 20, 2023, as an initiative for promoting use of renewable energy as a mainstay power source and stabilizing the power grid. Mitsuuroko Green Energy Co., Ltd. will endeavor to contribute to further expansion of renewable energy and stabilization of the power grid by engaging in operations using its in-house systems as an aggregator and entering the balancing market, capacity market, and other markets.

We have adopted Oracle Fusion Cloud Enterprise Resource Planning (ERP) and its product line, Oracle Fusion Cloud Enterprise Performance Management (EPM), as the core systems to support the diversification of our business, a pillar of our growth strategy. These systems operate for 36 group subsidiaries.

The introduction of the new systems provides a globally standardized process integrating operations of multiple companies, which enabled us to achieve operation streamlining. As the systems are a Pure SaaS model, they reduced the burden of maintenance work that was previously outsourced or performed in-house. In addition, we have digitalized inefficient accounting operations in which data had previously been manually collected from general ledgers of the respective accounting systems among the Group's consolidated subsidiaries. Besides, they also contribute to the improvement of the working environment by helping reducing dependency on personal skills and increasing productivity.

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

For the operation streamlining 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 operation streamlining tools with cutting-edge technologies and strive to further improve the Group's productivity.

With regard to financial results in the six months ended September 30, 2023, efforts to increase productivity and cut costs in the bottled water business and efforts to improve profitability in the Power &

Electricity Business contributed to the Group's earnings, despite a decrease in sales volume in the Energy Solutions Business due to higher average temperatures and increased tendency to economize, a temporary suspended operations at a bottled water plant in the Foods Business, and a temporary closure of a commercial facility in the Living & Wellness Business. As a result, net sales decreased by 4.4% year on year to ¥141,325 million, operating profit increased by 166.0% year on year to ¥7,007 million, ordinary profit increased by 89.6% year on year to ¥7,673 million, and profit attributable to owners of parent increased by 92.6% year on year to ¥5,422 million.

Gross profit, operating profit, ordinary profit and profit attributable to owners of parent were at record highs for the first six months of a fiscal year.

Operating results by segment are as follows.

Energy Solutions Business

In the LPG business, as demand for use including restaurants was on a continue steady recovery trend, the LPG sales volume for commercial use grew to 102% of the level of the same period of the previous fiscal year. On the other hand, although we actively undertook measures to acquire new customers, LPG sales volume for home use fell to 97% of the level of the same period of the previous fiscal year due to a year-on-year increase in average temperatures and soaring prices that have resulted in a strengthening tendency to economize. In addition, to contribute to the local communities, we implement measures to curb the rise in LPG rates in respective prefectures by utilizing a special regional revitalization grant. We will cooperate with national and local governments by participating in their initiatives to reduce the burden on customers.

In the petroleum business, sales volume for household heating oil declined due to the strengthening tendency to economize in the same way as LPG, together with the decline in demand caused by higher temperatures, but sales volume for gasoline and diesel fuel increased due to ongoing subsidies to mitigate sudden price fluctuations and expanded sales channels. In addition, results in our directly operated gasoline service station business also gained with gasoline volume and diesel fuel volume at 111% and 113% of the level of the same period of the previous fiscal year, respectively, mainly due to our having introduced customer retention tools utilizing social media.

In the housing equipment business, the situation of excess inventories remains unresolved in part due to effects of an increase in sales in the previous fiscal year, resulting from a recoil effect upon having eliminated delays in the delivery of water heaters. However, sales of high-value-added products have been steadily increasing as a result of holding in-person exhibitions for the first time in four years now that the COVID-19 pandemic has been brought under control. We will keep striving to reduce CO_2 emissions throughout the Group by promoting sales of eco-friendly products and sales of fuel conversion systems for switching from petroleum fuels to LPG water heaters.

For the Energy Solutions Business as a whole, net sales decreased by 1.3% year on year to ¥59,999 million, and operating loss amounted to ¥260 million (compared to an operating profit of ¥16 million in the same period of the previous fiscal year), mainly due to a decrease in LPG sales volume as a result of the increased tendency to economize and higher average temperatures, a decrease in profit margins year on year in the wholesale business due to a certain amount of time lag until the impact of the drop in the LPG procurement cost is reflected in the inventory unit price, and an increase in the basic wage rate as investment in human resources for future growth.

Power & Electricity Business

In the electricity retail business, the situation for electric power supply remains difficult due to a sharp rise in the electricity procurement cost with rising resource prices caused by the prolonged situation in Ukraine and the weak yen, as well as the issuance of a power saving request by the government this summer as well. Although market prices in the electric power exchange have settled to a certain degree, uncertainties abound regarding the supply and demand of electricity in the current fiscal year, which may result in a challenging business environment.

In this business, we have been working to improve profitability by mitigating the impact of soaring prices, and improving unit selling prices. The specific efforts include supplying power according to the amount procured, as well as proceeding with the diversification of our electricity suppliers, such as reducing our dependency on electricity procured from the electric power exchange.

As a result, net sales decreased by 10.9% year on year to ¥66,403 million, and operating profit increased by 159.2% year on year to ¥7,234 million.

Based on our participation in the Ministry of Economy, Trade and Industry’s “Operation to Mitigate Sudden Fluctuations in Electricity and Gas Prices,” we implemented discounts for electricity and gas charges using the discounted selling price set by the government in accordance with the respective amounts of energy used between January and September 2023 (based on meter readings between February and October). Given the continuation of the Operation to Mitigate Sudden Fluctuations in Electricity and Gas Prices, we will continue to offer discounts on electricity and city gas charges for respective amounts of energy to be used between October and December 2023 (based on meter readings between November 2023 and January 2024).

In addition, we have installed grid storage batteries in Tahara-shi, Aichi, and initiated their operation on September 20, 2023, as an initiative for making renewable energy a mainstay power source and stabilizing the power grid.

In utilizing these grid storage batteries, we seek to stabilize the power grid through the implementation of the Demand Response Service that the Group excels in. Also, we will further engage in initiatives to introduce more renewable energy power generation equipment with an eye to achieving carbon neutrality. In so doing, we will contribute to balancing supply and demand in the process of expanding renewable energy, as well as saving electricity and energy leading to the reduction of the burden of electricity charges.

Foods Business

In the beverage business, the sales volume of mineral water sold by Mitsuuroko Beverage Co., Ltd. exceeded our forecast, with a solid performance of approximately 109% of the level of the previous fiscal year. By increasing manufacturing capacity for mineral water and building a system for mass production, our subsidiary Shizuoka Mitsuuroko Foods Co., Ltd., which owns a high-quality water source, was rated highly by clients who require high quality and have high volume demand. As a result, we maintained the upward trend in business performance. In addition, our in-house developed green tea that uses only tea leaves from Shizuoka has served as a driver of sales growth for other beverages and, as a pillar of the business alongside mineral water, has led to growth of beverages overall.

Although the business environment continued to place downward pressure from soaring costs on business performance, we were able to maintain strong performance through these efforts.

In the foods business, for the Mitsuuroko Grocery that it operates, Mitsuuroko Provisions Co., Ltd. strengthened its collaboration system with an external brand and enhanced its product lineup according to local characteristics. In addition, it focused on developing new menus for in-store cooking, resulting in boosting its business performance.

Azabujuban Mont-Thabor, a bakery, actively participated in large food events and implemented other such measures for raising brand awareness, which had the effect of promoting customer visits to its stores. In addition, sales utilizing the continually advancing refrigeration technology are making a greater contribution to improved business performance as awareness spreads among customers.

Motomachi Coffee, which operates the coffee shop business, was able to raise the number of visitors to its stores through a collaborative plan using products from an external brand company, a good match for coffee. It also focused on store development using new formats and proposed store operation to new franchisee candidates based on a model with a small investment and short recovery period.

The Carl’s Jr. Japan burger chain increased the number of visitors to its stores and maintained its recovery trend in business performance with the recovery in demand from inbound tourists and the increasing number of various events held.

For the Foods Business as a whole, although in the bottled water business, operations at the Ihara Factory of Shizuoka Mitsuuroko Foods were temporarily suspended for partial facility renewal, the impact of soaring cost of products manufactured was mitigated by the expansion of sales volume through aggressive sales activities. As a result, net sales increased by 21.5% year on year to ¥11,122 million, and operating profit increased by 25.3% year on year to ¥439 million.

Living & Wellness Business

In the real estate business, rental real estate consisting primarily of residential properties has performed well, and is securing stable sales. The three rental apartment complexes that we acquired in September 2022 (Prasio Hirao, View Heights Takayama, and Cosmos Reid Kokubunji), have performed well, and occupancy rates have increased at VIP Sendai Futsukamachi, which benefited from a renovation of its common area and some rooms during the previous fiscal year. As a result, net sales rose 14.6% year on year. In August, we acquired the rental apartment complex Ouju Takayama located in Setagaya-ku, Tokyo.

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, resource conservation, etc., 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.

Towards the goal of increasing awareness of, and the number of visitors to the HAMABOWL EAS Building, we regularly participate in a stamp rally project run by a free paper distributed at stations and commercial facilities in Yokohama-shi. The number of visitors to the entire building has been recovering steadily, with each of the months from July to September seeing an increase in the number of visitors compare to the same month of the previous year.

In the wellness business, the number of visitors and sales steadily recovered for Hamabowl, helped by leisure demand over a summer holiday period not subject to restrictions on movement for the first time in four years. As a result, sales of Hamabowl were 125.7% year on year. SPA EAS also saw a recovery trend with its number of visitors and sales from July to September at 104.0% and 101.8% year on year, respectively.

In August, SPA EAS held a collaborative campaign with the Suntory Non-aru Sakaba (non-alcoholic bar) as a joint project with Nifty Hot Spring (NIFTY Lifestyle Co., Ltd.). EAS CAFÉ, which is directly operated by SPA EAS, achieved record-high sales in part due to the improved food order rate in conjunction with distribution of non-alcoholic beverages such as Suntory's recommended ALL-FREE brand.

In addition, we encountered steady growth in customer use of plans for sauna enthusiasts against a backdrop of the prevailing boom in sauna popularity, thereby culminating in record-high instances of sauna use in September. Going forward, we will engage in facility management that generates buzz while also proposing options for fulfilling lifestyles centered around health enhancement and relaxation.

At Hamabowl, sales to general customers grew substantially from mid-July to mid-September. Performance in terms of group use has remained strong particularly amid increasing use of the facility by corporate clients for their employee benefits and welfare and in-house events. In addition, Hamabowl plans to offer its Health Bowling Class for a third time as part of its ongoing measures to increase the number of members. All six time slots of the class are fully booked with 158 people having enrolled. We will keep striving to maximize sales by tapping demand for activities, which has been gradually rising after the change of COVID-19's category to Class 5.

In the sports business, the sports studio "EIGHT ANGLE" was launched in Jiyugaoka on April 12, 2023. Its diverse team of coaches, which includes professional golf player Momoka Miura who is affiliated with Mitsuuroko Group, offer customers private golf lessons with their own personal instructors. Going forward, we intend to broaden the field of lessons offered by EIGHT ANGLES to include not only golf but also baseball and other sports to give it further depth in its function as a sports studio.

For the Living & Wellness Business as a whole, whereas we encountered effects of factors that included temporary closure of facilities and increased renovation expenses in the wellness business as well as investments for new businesses in the sports business, we also achieved steady operations with respect to rental properties acquired in September 2022 in the real estate business. As a result, net sales increased by 9.4% year on year to ¥1,310 million and operating profit was ¥61 million (compared to an operating loss of ¥85 million in the same period of the previous fiscal year).

Overseas Business

In this business, mainly General Storage Company Pte. Ltd. and six other companies operate the self-storage business in Asia. During the six months ended September 30, 2023, at the "Self Storage Awards Asia 2023" hosted by the Self Storage Association Asia, an industry organization in Asia, one site and three individuals from the Group companies were awarded in two of the seven categories ("Multi-site Operation Store of the Year" and "Manager of the Year"). In addition, a solar power generation system has been installed and continues to steadily generate electricity at Chai Chee, where a headquarters and self-storage facility are located. Going forward, we will accordingly proceed with efforts that include contributing to our local communities while making effective use of our facilities.

During the six months ended September 30, 2023, net sales increased by 7.8% year on year to ¥1,290 million and operating profit increased by 36.4% to ¥144 million year on year, mainly due to the yen's depreciation.

Dividend income from Siamgas & Petrochemicals Public Company Limited, with which the Company has concluded a strategic business alliance agreement, for the six months ended September 30, 2023, decreased by 67.2% year on year to ¥381 million mainly due to the company's decrease in profit, and was recorded in non-operating income.

Others

In the ICT telecommunications business, we encountered substantial market needs for the introduction of "Mitsuuroko net," an Internet service specifically tailored to rental apartments and condominiums. As a result, the number of household installations of the service amounted to 124% of the level of the same period of the previous fiscal year. As we continue to supply LPG to multi-unit residences going forward, we will also develop various solutions closely aligned with customer needs particularly in terms of developing cloud cameras and high-speed Internet communication devices.

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.

As for the leasing business, the Group contributes to the promotion of ESG through its leasing operations by popularizing decarbonization equipment while expanding the share of EV vehicles in the vehicles it leases as EV vehicles grow in popularity. In addition, since we have selected as designated leasing business operators, we will actively promote the use of leasing in energy-saving projects being advocated by various government ministries and LPG organizations, as well as in our efforts to streamline business.

In the content business, we are co-producing TV programs and movies, planning TV dramas and theatrical performances, etc. In September, we broadcast and distributed "Kono Doga wa Saisei Dekimasen (This Video Is Not Available) 2," the second installment of the horror mystery drama which was developed as a fully original MITSUUROKO production. The drama trended in social media rankings and otherwise attracted a lot of attention immediately after it was revealed in its final installment that a movie version is to be produced. The movie version of "Kono Doga wa Saisei Dekimasen" is slated for release in the year 2024. As of October 2023, the travel program "Hakko Danshi 2," which introduces traditional Japanese technology, is being broadcast. We participated in this program as an executive of the production committee.

For Other Business as a whole, net sales increased by 24.2% year on year to ¥1,199 million, while operating profit was ¥32 million (compared to an operating loss of ¥13 million in the same period of the previous fiscal year) mainly due to an improvement in the profit margin on sales in the leasing business.

(2) Explanation regarding the financial position

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023	Change
Assets	173,999	170,335	(3,664)
Liabilities	81,115	75,540	(5,574)
Net assets	92,884	94,794	+1,909
Shareholders' equity	92,869	94,784	+1,915
Equity ratio (%)	53.4	55.6	+2.3

Assets

Total assets decreased by ¥3,664 million compared to the end of the previous fiscal year to ¥170,335 million.

The main factors for change were an increase of ¥2,380 million in cash and deposits resulting from increased profit in the Power & Electricity Business, a decrease of ¥3,277 million in notes and accounts receivable - trade and a decrease of ¥1,375 million in merchandise and finished goods resulting from seasonal changes in the sales amount and a lull in fuel procurement price hikes, etc., an increase of ¥896 million in land resulting from acquisition of rental properties, and a decrease of ¥2,817 million in investment securities following a drop in the market price of shares.

Liabilities

Total liabilities decreased by ¥5,574 million compared to the end of the previous fiscal year to ¥75,540 million.

The main factors for change included a decrease of ¥2,530 million in notes and accounts payable - trade due to seasonal changes in the purchase amount and a lull in fuel procurement price hikes, etc., a decrease of ¥869 million in income taxes payable and a decrease of ¥2,286 million in other under current liabilities due to tax payment, etc., an increase of ¥2,457 million in long-term borrowings resulting from increased demand for capital for acquisition of rental properties and facilities renewal, etc., and a decrease of ¥928 million in deferred tax liabilities resulting from a decrease in the amount of investment securities.

Net assets

Net assets increased by ¥1,909 million compared to the end of the previous fiscal year to ¥94,794 million.

The main factors for change were an increase of ¥3,190 million in retained earnings, a decrease of ¥2,103 million in valuation difference on available-for-sale securities resulting from a decrease in the amount of investment securities, and an increase of ¥748 million in foreign currency translation adjustment.

As a result, the equity ratio increased by 2.3 percentage point from the end of the previous fiscal year to 55.6%.

(3) Explanation regarding cash flows

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change
Cash flows from operating activities	256	6,742	+6,486
Cash flows from investing activities	(5,336)	(3,847)	+1,489
Cash flows from financing activities	3,307	(1,506)	(4,814)
Effect of exchange rate change on cash and cash equivalents	232	101	(130)
Net increase (decrease) in cash and cash equivalents	(1,539)	1,490	+3,030
Cash and cash equivalents at beginning of period	21,267	31,450	+10,182
Cash and cash equivalents at end of period	19,728	32,940	+13,212

Cash flows from operating activities

Net cash provided by operating activities was ¥6,742 million (compared to ¥256 million net cash provided in the same period of the previous fiscal year). This was mainly due to profit before income taxes of ¥7,578 million, depreciation of ¥2,272 million, a decrease in trade receivables of ¥3,280 million, a decrease in inventories of ¥1,359 million, a decrease in trade payables of ¥2,534 million, a decrease in accrued consumption taxes of ¥1,133 million, and income taxes paid of ¥3,715 million.

Cash flows from investing activities

Net cash used in investing activities was ¥3,847 million (compared to ¥5,336 million net cash used in the same period of the previous fiscal year). This was mainly due to expenditures for the acquisition of rental property, plant and equipment in the Living & Wellness Business.

Cash flows from financing activities

Net cash used in financing activities was ¥1,506 million (compared to ¥3,307 million net cash provided in the same period of the previous fiscal year). This was mainly due to the payment of dividends.

In addition, the effect of exchange rate change on cash and cash equivalents increased by ¥101 million. As a result, the balance of cash and cash equivalents as of September 30, 2023 increased by ¥1,490 million compared to the end of the previous fiscal year to ¥32,940 million.

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

We have not revised the financial results forecast announced at the time of the financial results announcement on May 10, 2023, due to some uncertain factors arising from future trends in fuel prices and temperatures.

2. Quarterly consolidated financial statements and significant notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	32,538	34,918
Notes and accounts receivable - trade	31,033	27,756
Merchandise and finished goods	6,175	4,799
Raw materials and supplies	795	811
Other	9,628	9,169
Allowance for doubtful accounts	(30)	(38)
Total current assets	80,141	77,417
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,842	14,950
Machinery, equipment and vehicles, net	3,855	3,798
Land	18,179	19,076
Construction in progress	56	495
Other, net	5,216	5,169
Total property, plant and equipment	42,150	43,490
Intangible assets		
Trademark right	2,845	3,096
Goodwill	1,341	1,317
Other	1,254	1,227
Total intangible assets	5,441	5,642
Investments and other assets		
Investment securities	37,506	34,688
Deferred tax assets	1,664	2,013
Other	7,365	7,348
Allowance for doubtful accounts	(269)	(266)
Total investments and other assets	46,266	43,784
Total non-current assets	93,858	92,917
Total assets	173,999	170,335

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,573	22,042
Short-term borrowings	5,491	4,766
Current portion of bonds payable	764	764
Income taxes payable	3,356	2,486
Provisions	1,087	911
Other	9,780	7,494
Total current liabilities	45,054	38,466
Non-current liabilities		
Bonds payable	4,698	4,316
Long-term borrowings	11,331	13,789
Deferred tax liabilities	6,654	5,726
Provisions	498	538
Retirement benefit liability	2,559	2,620
Asset retirement obligations	3,062	3,089
Other	7,255	6,993
Total non-current liabilities	36,060	37,074
Total liabilities	81,115	75,540
Net assets		
Shareholders' equity		
Share capital	7,077	7,077
Capital surplus	307	313
Retained earnings	73,793	76,984
Treasury shares	(533)	(494)
Total shareholders' equity	80,645	83,881
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,899	8,796
Deferred gains or losses on hedges	(61)	(28)
Foreign currency translation adjustment	1,391	2,139
Remeasurements of defined benefit plans	(5)	(3)
Total accumulated other comprehensive income	12,224	10,903
Non-controlling interests	15	9
Total net assets	92,884	94,794
Total liabilities and net assets	173,999	170,335

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

Quarterly consolidated statement of income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	147,799	141,325
Cost of sales	130,448	118,355
Gross profit	17,350	22,970
Selling, general and administrative expenses	14,716	15,963
Operating profit	2,634	7,007
Non-operating income		
Interest income	13	35
Dividend income	1,392	624
Share of profit of entities accounted for using equity method	216	212
Compensation income	34	41
Other	197	136
Total non-operating income	1,854	1,049
Non-operating expenses		
Interest expenses	146	154
Commission expenses	121	126
Loss on derivatives trading	32	68
Other	140	34
Total non-operating expenses	442	383
Ordinary profit	4,046	7,673
Extraordinary income		
Gain on sale of non-current assets	102	23
Gain on receipt of donated non-current assets	–	3
Total extraordinary income	102	27
Extraordinary losses		
Loss on sale of non-current assets	0	36
Loss on retirement of non-current assets	60	45
Impairment losses	176	22
Loss on store closings	19	17
Loss on subsidy repayment	13	–
Total extraordinary losses	270	122
Profit before income taxes	3,878	7,578
Income taxes - current	1,486	2,564
Income taxes - deferred	(379)	(402)
Total income taxes	1,106	2,162
Profit	2,772	5,416
Loss attributable to non-controlling interests	(43)	(5)
Profit attributable to owners of parent	2,815	5,422

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	2,772	5,416
Other comprehensive income		
Valuation difference on available-for-sale securities	4,058	(2,110)
Foreign currency translation adjustment	966	748
Remeasurements of defined benefit plans, net of tax	5	1
Share of other comprehensive income of entities accounted for using equity method	34	39
Total other comprehensive income	5,064	(1,320)
Comprehensive income	7,837	4,095
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,880	4,101
Comprehensive income attributable to non-controlling interests	(43)	(5)

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	3,878	7,578
Depreciation	2,357	2,272
Amortization of goodwill	29	28
Impairment losses	176	22
Loss on subsidy repayment	13	–
Loss on store closings	19	17
Increase (decrease) in provision for share awards	0	(22)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(50)	15
Increase (decrease) in allowance for doubtful accounts	4	4
Increase (decrease) in retirement benefit liability	1	62
Gain on receipt of donated non-current assets	–	(3)
Interest and dividend income	(1,405)	(659)
Interest expenses	146	154
Share of loss (profit) of entities accounted for using equity method	(216)	(212)
Loss (gain) on sale and retirement of non-current assets	(42)	58
Decrease (increase) in trade receivables	(4,980)	3,280
Decrease (increase) in investments in leases	(51)	(134)
Decrease (increase) in inventories	(509)	1,359
Increase (decrease) in trade payables	954	(2,534)
Increase (decrease) in accrued consumption taxes	37	(1,133)
Other, net	(446)	(465)
Subtotal	(80)	9,688
Interest and dividends received	1,587	811
Interest paid	(141)	(152)
Income taxes paid	(1,367)	(3,715)
Income taxes refund	258	111
Net cash provided by (used in) operating activities	256	6,742
Cash flows from investing activities		
Payments into time deposits	(42)	(2,997)
Proceeds from withdrawal of time deposits	74	2,198
Purchase of property, plant and equipment	(4,847)	(2,569)
Proceeds from sale of property, plant and equipment	126	122
Payments for retirement of property, plant and equipment	(46)	(15)
Purchase of intangible assets	(276)	(395)
Payments for asset retirement obligations	–	(12)
Purchase of investment securities	(4)	(121)
Long-term loan advances	(11)	(36)
Proceeds from collection of long-term loans receivable	7	5
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(301)	–
Other, net	(14)	(25)
Net cash provided by (used in) investing activities	(5,336)	(3,847)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Proceeds from long-term borrowings	4,310	3,643
Repayments of long-term borrowings	(2,428)	(1,931)
Proceeds from issuance of bonds	3,579	–
Redemption of bonds	–	(382)
Repayments of lease liabilities	(631)	(612)
Purchase of treasury shares	(0)	(0)
Dividends paid	(1,501)	(2,218)
Other, net	(19)	(4)
Net cash provided by (used in) financing activities	3,307	(1,506)
Effect of exchange rate change on cash and cash equivalents	232	101
Net increase (decrease) in cash and cash equivalents	(1,539)	1,490
Cash and cash equivalents at beginning of period	21,267	31,450
Cash and cash equivalents at end of period	19,728	32,940

(4) Notes to quarterly consolidated financial statements

Notes on the premise of going concerns

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Business combinations

Significant revision of initial allocation of acquisition cost in comparative information

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

Following the finalization of the provisional accounting treatment, comparative information included in the quarterly consolidated financial statements for the six months ended September 30, 2023, reflects the material revisions to the acquisition cost amounts initially allocated.

As a result, in the quarterly consolidated statement of income for the six months ended September 30, 2022, cost of sales (depreciation) increased by ¥101 million and selling, general and administrative expenses (amortization of goodwill) decreased by ¥89 million, resulting in a ¥11 million decrease in each of operating profit, ordinary profit and profit before income taxes.

Segment information, etc.

[Segment information]

I Six months ended September 30, 2022 (From April 1, 2022 to September 30, 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	60,766	74,521	9,152	1,198	1,196	146,834	965	147,799	–	147,799
Intersegment sales or transfers	82	387	9	4	–	484	102	586	(586)	–
Total	60,848	74,908	9,161	1,202	1,196	147,318	1,067	148,386	(586)	147,799
Segment profit (loss)	16	2,790	350	(85)	105	3,178	(13)	3,164	(530)	2,634

(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 ¥(530) million includes intersegment eliminations of ¥0 million, corporate expenses of ¥(530) 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

Material loss on impairment related to non-current assets

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. The amount of the said loss on impairment recorded in the six months ended September 30, 2022 is ¥161 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 six months ended September 30, 2022 is ¥14 million.

II Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

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	59,999	66,403	11,122	1,310	1,290	140,126	1,199	141,325	–	141,325
Intersegment sales or transfers	74	407	11	4	–	497	180	677	(677)	–
Total	60,074	66,810	11,134	1,315	1,290	140,624	1,379	142,003	(677)	141,325
Segment profit (loss)	(260)	7,234	439	61	144	7,618	32	7,651	(643)	7,007

(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 ¥(643) million includes intersegment eliminations of ¥(6) million, corporate expenses of ¥(637) million that are not allocated to each reportable segment, and other adjustments of ¥(0) million. Corporate expenses are mainly general and administrative expenses that do not belong to any reportable segment.

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

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

Not applicable.