

Consolidated Financial Results Bulletin for the 3rd Quarter Ended December 31, 2021**(J-GAAP)****Tokyo Gas Co., Ltd.**

Securities code: 9531

(URL <https://www.tokyo-gas.co.jp/IR/english/index.html>)

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Stock listings:

Tokyo Stock Exchange, Nagoya Stock Exchange

Location of head office: Tokyo

Scheduled date of the filing of quarterly report: February 14, 2022

Scheduled date of the start of dividend payments: —

Preparation of 3Q earnings presentation material (yes/no): **Yes**Holding of 3Q earnings announcement (yes/no): **Yes** (for institutional investors)

(Amounts are rounded down to the nearest million yen)

1. Consolidated Performance for 3rd Quarter (from April 1, 2021 to December 31, 2021)

(Unit: million yen)

(1) Consolidated Business Performance

(% of change from the corresponding period of previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change
Nine months ended Dec. 31, 2021	1,387,506	12.4%	37,528	-43.4%	46,271	-24.1%	33,852	-20.3%
Nine months ended Dec. 31, 2020	1,234,153	-9.4%	66,291	21.0%	60,963	7.1%	42,449	26.1%

Note: Total comprehensive income

Nine months ended December 31, 2021: 20,725 million yen (-15.4%) Nine months ended December 31, 2020: 24,505 million yen (-22.0%)

	Profit per share	Diluted profit per share
Nine months ended Dec. 31, 2021	76.99 yen	—
Nine months ended Dec. 31, 2020	96.26 yen	—

Note: As provisional accounting treatments on business combinations were confirmed in the FY2020 ended March 31, 2021, the figures for the nine months ended December 31, 2020 reflect the confirmed details of the provisional accounting treatments.

(2) Consolidated Financial Position

(Unit: million yen)

	Total assets	Total net assets	Equity ratio
As of Dec. 31, 2021	3,144,050	1,170,700	36.8%
As of Mar. 31, 2021	2,738,348	1,178,271	42.1%

Reference: Shareholders' equity

As of December 31, 2021: 1,155,875 million yen As of March 31, 2021: 1,153,813 million yen

2. Dividend

	Dividend per share (Unit: yen)				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual
FY2020 ended Mar. 31, 2021	—	30.00	—	30.00	60.00
FY2021 ending Mar. 31, 2022	—	30.00	—		
FY2021 ending Mar. 31, 2022 (Forecast)				35.00	65.00

Note: Revision to the dividend forecast that has been disclosed lastly: *None*

3. Consolidated Results Forecast for FY2021 ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(Unit: million yen)

(% of change from the corresponding period of previous year)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to owners of parent		Profit per share
Full-year	2,090,000	18.4%	105,000	35.2%	103,000	46.1%	76,000	53.5%	172.86

Note: Revision to the consolidated results forecast that has been disclosed lastly: *Yes*

*Notes

(1) Significant changes in consolidated subsidiaries (changes in specified subsidiaries resulting in change of scope of consolidation during the quarter) (yes/no): *No*

Reference: Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 108 (Increased: 3, decreased: 2)

Number of subsidiaries and affiliates accounted for by equity method: 15

(2) Application of accounting treatment peculiar to quarterly consolidated financial statement preparation (yes/no): *Yes*

Note: Please see page 9 of the Attachment, “2. Consolidated Financial Statements and Main Notes: (3) Notes on consolidated financial statements (Application of accounting treatment peculiar to quarterly consolidated financial statement preparation)” for details.

(3) Change in accounting policies or estimates and retrospective restatements

1) Change in accounting policies in accordance with revision of accounting standards: *Yes*

2) Change in accounting policies other than item 1) above: *No*

3) Change in accounting estimates: *No*

4) Retrospective restatements: *No*

(4) Number of issued shares (common stock)

(Unit: share)

1) Number of issued shares at end of period (including treasury stock):	Dec. 31, 2021	440,996,559	Mar. 31, 2021	442,436,059
2) Number of shares of treasury stock at end of period:	Dec. 31, 2021	1,446,213	Mar. 31, 2021	1,437,924
3) Average number of shares during period:	Apr. – Dec. 2021	439,714,082	Apr. – Dec. 2020	441,007,553

* Quarterly review procedures by a certified public accountant or an audit firm do not apply to quarterly consolidated financial results bulletins.

* Explanation related to appropriate use of results forecasts and other items warranting special mention

1. The consolidated and non-consolidated results forecasts include numerous elements of uncertainty, including the impact of the COVID-19 pandemic. Therefore, the forecasts are subject to drastic changes depending on future developments. For details of the above forecasts, please refer to “1. Overview of Business Performance, etc. (2) Future outlook” on page 3 of the Attachment.

2. The information related to this Financial Results will be posted on the Web site of the Company.

Non-Consolidated Results Forecast for FY2021 ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(Unit: million yen)

(% of change from the corresponding period of previous year)

	Net sales		Operating profit		Ordinary profit		Net income		Profit per share
	Full-year	1,887,000	17.0%	41,000	-12.9%	35,000	-25.2%	29,000	-31.8%

Note: Revision to the non-consolidated results forecast that has been disclosed lastly: *Yes*

Contents of Attachment

1. Overview of Business Performance, etc.....	2
(1) Overview of business performance of the 3rd quarter.....	2
(2) Future outlook	3
2. Consolidated Financial Statements and Main Notes.....	4
(1) Consolidated balance sheets.....	4
(2) Consolidated statements of income and comprehensive income.....	6
Consolidated statement of income.....	6
(Nine months ended December 31, 2021)	
Consolidated statement of comprehensive income	7
(Nine months ended December 31, 2021)	
(3) Notes on consolidated financial statements.....	8
(Note on going concerns' premise).....	8
(Additional information)	8
(Significant changes in shareholders' equity).....	9
(Application of accounting treatment peculiar to quarterly consolidated financial statement preparation).....	9
(Change in accounting policies)	10

1. Overview of Business Performance, etc.

(1) Overview of business performance of the 3rd quarter

<Summary by segment>

(Unit: million yen)

		Gas	Electric power	Overseas	Energy-related	Real estate	Others
Sales	FY2021	892,059	308,615	62,430	227,548	43,348	73,781
	(% of total)	(55.4%)	(19.2%)	(3.9%)	(14.2%)	(2.7%)	(4.6%)
	FY2020	795,847	282,337	31,768	236,149	35,573	78,999
	(% of total)	(54.5%)	(19.3%)	(2.2%)	(16.2%)	(2.4%)	(5.4%)
	Amount of change	96,212	26,278	30,662	-8,601	7,775	-5,218
	(Rate of change)	12.1%	9.3%	96.5%	-3.6%	21.9%	-6.6%
Operating expenses	FY2021	875,625	296,988	44,450	216,622	31,245	72,424
	(% of total)	(57.0%)	(19.3%)	(2.9%)	(14.1%)	(2.0%)	(4.7%)
	FY2020	731,410	267,484	28,987	224,361	29,645	76,552
	(% of total)	(53.9%)	(19.7%)	(2.1%)	(16.5%)	(2.2%)	(5.6%)
	Amount of change	144,215	29,504	15,463	-7,739	1,600	-4,128
	(Rate of change)	19.7 %	11.0%	53.3%	-3.4%	5.4%	-5.4%
Segment profit/loss	FY2021	16,433	11,626	21,709	10,925	12,818	1,415
	(% of total)	(21.9%)	(15.5%)	(29.0%)	(14.6%)	(17.1%)	(1.9%)
	FY2020	64,436	14,853	2,329	11,787	6,674	2,439
	(% of total)	(62.8%)	(14.5%)	(2.3%)	(11.5%)	(6.5%)	(2.4%)
	Amount of change	-48,003	-3,227	19,380	-862	6,144	-1,024
	(Rate of change)	-74.5%	-21.7%	831.8%	-7.3%	92.1%	-42.0%

Notes:

- Figures for sales include internal transactions. Figures for operating expenses do not include expenses that cannot be allocated to specific segments. Figures for segment profit/loss are adjusted against the amount based on operating profit/loss of consolidated financial statements plus or minus investment income or loss on equity method.
- As provisional accounting treatments on business combinations were confirmed in the FY2020 ended March 31, 2021, the figures for the nine months ended December 31, 2021 reflect the confirmed details of the provisional accounting treatments.

< Consolidated City Gas Sales Volume, etc.>

		Apr. – Dec. 2021	Apr. – Dec. 2020	Change	% change	
No. of customers for city gas retail sales	Thousands	8,733	8,935	-202	-2.3	
No. of customers (meters)	Thousands	12,161	12,041	120	1.0	
City gas sales volume	Residential	Mil. m ³	1,827	1,962	-135	-6.9
	Commercial	Mil. m ³	1,514	1,572	-58	-3.7
	Industrial	Mil. m ³	4,532	4,105	427	10.4
	Subtotal	Mil. m ³	6,046	5,677	369	6.5
	Supplies to other utilities	Mil. m ³	1,149	1,273	-124	-9.8
	Total	Mil. m ³	9,022	8,912	110	1.2
Average temperature	°C	19.7	19.4	0.3	—	

Notes:

- No. of customers for city gas retail sales indicates the number of billed customers for city gas retail sales.
 - No. of customers (meters) indicates the number of meters that includes inactive meters and meters for gas supply from other retail companies.
 - “Commercial” indicates sales to commercial, public and medical institutions.
 - City gas sales volumes are on the basis of 45MJ/m³.
 - Average temperature is the average temperature during the period of use by each customer (from date of initial month’s meter reading to final month’s meter reading).
- The aforementioned notes also apply to the relevant tables.

< Consolidated Electric Power Sales Volume, etc.>

			Apr. – Dec. 2021	Apr. – Dec. 2020	Change	% change
No. of customers for electric power retail sales		Thousands	2,934	2,629	305	11.6
Electric power sales volume	Retail	million kWh	7,687	7,152	535	7.5
	Wholesale etc.	million kWh	12,339	10,533	1,806	17.1
	Total	million kWh	20,025	17,685	2,340	13.2

Note: No. of customers for electric power retail sales indicates the number of billed customers for electric power retail sales.

<Foreign Exchange Rate and Crude Oil Price>

¥/\$ rate	Apr. – Dec. 2021	Apr. – Dec. 2020	Change	Crude oil price (\$/bbl)	Apr. – Dec. 2021	Apr. – Dec. 2020	Change
	111.14	106.10	5.04		73.95	39.05	34.90

(2) Future outlook

a. Consolidated city gas sales volume forecast for FY2021

			FY2021 (Forecast)	FY2020 (Results)	Change	% change
City gas sales volume	Residential	Mil. m ³	3,084	3,207	-123	-3.8%
	Others	Mil. m ³	9,879	9,783	96	1.0%
	Total	Mil. m ³	12,963	12,990	-27	-0.2%
Average temperature		°C	16.4	16.5	-0.1	—

b. Consolidated electric power sales volume forecast for FY2021

			FY2021 (Forecast)	FY2020 (Results)	Change	% change
Total electric power sales volume	million kWh		27,874	24,761	3,113	12.6

c. Consolidated earnings forecast for FY2021

(Unit: hundred million yen)

	Net sales			Operating profit	Ordinary profit	Profit attributable to owners of parent
	Gas sales	Other sales				
FY2021 (forecast)	20,900	13,758	7,142	1,050	1,030	760
FY2020 (results)	17,651	11,467	6,183	776	705	495
Change	3,249	2,291	959	274	325	265
% change	18.4%	20.0%	15.5%	35.2%	46.1%	53.5%

Note: Internal sales between segments are adjusted in the “Other sales” column.

< Foreign exchange rate and crude oil price forecast for FY2021>

¥/\$ rate	FY2021 (Forecast)	FY2020 (Results)	Change	Crude oil price (\$/bbl)	FY2021 (Forecast)	FY2020 (Results)	Change
	112.11	106.10	6.01		74.21	43.35	30.86

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

As of March 31,2021 As of December 31,2021

Assets	As of March 31,2021	As of December 31,2021
Non-current assets		
Property, plant and equipment		
Production facilities	231,177	221,888
Distribution facilities	594,662	573,659
Service and maintenance facilities	15,992	14,322
Other facilities	564,495	572,766
Inactive facilities	316	316
Construction in progress	89,283	120,868
Total property, plant and equipment	1,495,927	1,503,821
Intangible assets		
Goodwill	5,320	5,871
Other intangible assets	290,316	289,144
Total intangible assets	295,637	295,016
Investments and other assets		
Investment securities	230,782	246,437
Long-term loans receivable	57,279	65,195
Retirement benefit asset	114	10,703
Deferred tax assets	47,368	47,762
Other investments	60,814	95,299
Allowance for doubtful accounts	(301)	(282)
Total investments and other assets	396,057	465,114
Total non-current assets	2,187,623	2,263,951
Current assets		
Cash and deposits	157,881	157,155
Notes and accounts receivable - trade	218,985	-
Notes and accounts receivable - trade, and contract assets	-	287,798
Lease receivables and investments in leases	19,618	18,904
Securities	1,210	10
Merchandise and finished goods	1,980	3,330
Work in process	11,595	22,797
Raw materials and supplies	46,464	85,251
Other current assets	93,848	307,255
Allowance for doubtful accounts	(857)	(2,405)
Total current assets	550,725	880,098
Total assets	2,738,348	3,144,050

(Million yen)

As of March 31,2021

As of December 31,2021

	As of March 31,2021	As of December 31,2021
Liabilities		
Non-current liabilities		
Bonds payable	474,998	528,523
Long-term borrowings	458,881	562,723
Deferred tax liabilities	24,269	33,138
Retirement benefit liability	58,416	66,601
Provision for share awards for directors (and other officers)	-	57
Provision for gas holder repairs	3,172	3,192
Provision for safety measures	349	195
Provision for appliance warranties	10,843	-
Provision for point card certificates	1,635	423
Asset retirement obligations	23,313	26,660
Other noncurrent liabilities	89,188	105,126
Total non-current liabilities	1,145,067	1,326,641
Current liabilities		
Current portion of non-current liabilities	108,704	52,387
Notes and accounts payable - trade	84,265	124,450
Short-term borrowings	5,706	6,582
Income taxes payable	11,710	12,264
Other current liabilities	204,623	451,022
Total current liabilities	415,010	646,708
Total liabilities	1,560,077	1,973,350
Net assets		
Shareholders' equity		
Share capital	141,844	141,844
Capital surplus	1,145	846
Retained earnings	990,762	999,527
Treasury shares	(3,907)	(3,519)
Total shareholders' equity	1,129,845	1,138,699
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,990	20,550
Deferred gains or losses on hedges	(11,240)	(28,813)
Foreign currency translation adjustment	4,322	23,460
Remeasurements of defined benefit plans	7,895	1,977
Total accumulated other comprehensive income	23,968	17,175
Non-controlling interests	24,457	14,824
Total net assets	1,178,271	1,170,700
Total liabilities and net assets	2,738,348	3,144,050

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the nine months)d

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Net sales	1,234,153	1,387,506
Cost of sales	831,224	1,007,732
Gross profit	402,928	379,773
Selling, general and administrative expenses		
Supply and sales expenses	290,311	297,156
General and administrative expenses	46,325	45,088
Total selling, general and administrative expenses	336,636	342,244
Operating profit	66,291	37,528
Non-operating income		
Interest income	1,226	864
Dividend income	1,822	1,255
Share of profit of entities accounted for using equity method	286	4,502
Foreign exchange gains	537	9,626
Gain on sales of raw materials	-	6,817
Miscellaneous income	10,394	10,604
Total non-operating income	14,267	33,672
Non-operating expenses		
Interest expenses	8,925	10,918
Miscellaneous expenses	10,669	14,011
Total non-operating expenses	19,595	24,929
Ordinary profit	60,963	46,271
Extraordinary income		
Gain on bargain purchase	2,008	-
Gain on sale of investment securities	4,728	3,691
Total extraordinary income	6,736	3,691
Extraordinary losses		
Impairment losses	7,538	-
Loss on valuation of investment securities	4,608	-
Total extraordinary losses	12,146	-
Profit before income taxes	55,553	49,962
Income taxes	12,470	15,023
Profit	43,083	34,939
Profit attributable to non-controlling interests	634	1,086
Profit attributable to owners of parent	42,449	33,852

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Profit	43,083	34,939
Other comprehensive income		
Valuation difference on available-for-sale securities	4,898	(2,453)
Deferred gains or losses on hedges	(11,016)	(26,741)
Foreign currency translation adjustment	(5,723)	17,475
Remeasurements of defined benefit plans, net of tax	(598)	(5,905)
Share of other comprehensive income of entities accounted for using equity method	(6,137)	3,411
Total other comprehensive income	(18,578)	(14,213)
Comprehensive income	24,505	20,725
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	24,140	27,094
Comprehensive income attributable to non-controlling interests	364	(6,368)

(3) Notes on consolidated financial statements

(Note on going concerns' premise)

Not applicable

(Additional information)

Accounting estimates on the impact of COVID-19

It is difficult to determine the impact of the COVID-19 pandemic on the Group since we cannot currently foresee when the pandemic will abate.

Accounting treatments require estimations to be made based on certain assumptions. The Group has made accounting estimates by assuming that the impact of the COVID-19 pandemic will continue to a certain extent during FY2021, in view of the impact of each business on the operating results for the nine months ended December 31, 2021.

Share-based compensation plan for directors, corporate executive officers and executive officers

At its Compensation Committee held on June 29, 2021, the Company resolved to introduce a trust-type share-based Compensation Plan for its directors and corporate executive officers with the aim of providing incentives to improve the Company's corporate value over the medium to long term. The Company has also decided to introduce a similar share-based compensation plan for its executive officers (the two share-based compensation plans are hereinafter collectively referred to as the "Plan"; the directors, corporate executive officers and executive officers are hereinafter collectively referred to as the "Executives").

Accounting for the Plan is based on the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (PITF No. 30, March 26, 2015).

(1) Overview of transaction

The Plan is a trust-type share-based compensation plan under which a trust established by the Company by contributing cash (hereinafter, the "Trust") acquires Company shares equivalent to the number of points granted by the Company to each Executive, who then receives delivery of the shares.

Under the Plan, Company shares will be delivered to Executives in office during the three fiscal years from the fiscal year ending March 31, 2022, to the fiscal year ending March 31, 2024 (hereinafter, the "Applicable Period"). As a general rule, Executives shall receive the Company shares when they resign/retire.

(2) Company shares remaining in trust

Company shares remaining in trust have been recorded as treasury stock at their carrying amount in the trust (excluding the amount of incidental expenses) under net assets. The carrying amount and number of shares of said treasury stock at the end of the third quarter ended December 31, 2021, were ¥461 million and 224,600 shares, respectively.

(Significant changes in shareholders' equity)

Purchase of treasury stock

The Company purchases treasury stock from the market as per the provisions of Article 156 of the Companies Act that is applied in an alternative interpretation of Article 165, Section 3 of the Companies Act.

The purchase of treasury stock that was decided at the Board of Directors meeting held on April 28, 2021, has ended with the purchases of up to May 18, 2021.

- | | |
|--------------------------------|---|
| (1) Purchase period | May 10 – May 18, 2021 (contract basis) |
| (2) Number of shares purchased | 1,439,500 shares |
| (3) Total amount of purchase | ¥3,299,881,550 |
| (4) Purchase method | Market purchase on the Tokyo Stock Exchange |

Retirement of treasury stock

At its Board of Directors meeting held on July 28, 2021, the Company resolved to retire its treasury stock pursuant to Article 178 of the Companies Act and carried out the retirement as follows.

- | | |
|------------------------------|------------------|
| (1) Class of shares retired | Common stock |
| (2) Number of shares retired | 1,439,500 shares |
| (3) Date of retirement | August 17, 2021 |

(Application of accounting treatment peculiar to quarterly consolidated financial statement preparation)

Calculation of taxes

Taxes are calculated by multiplying profit before income taxes for the third-quarter period under review by the reasonably estimated effective tax rate subsequent to the application of tax effect accounting to the profit income before income taxes for the current consolidated fiscal year ending March 31, 2022 including the third quarter under review.

(Change in accounting policies)

Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ No. 29, March 31, 2020) and others effective the start of the three months ended June 30, 2021, and has decided to recognize the amount expected to be received in exchange for goods or services as revenue when the control of the promised goods or services has been transferred to the customer.

Therefore, revenues associated with the electric power business, which had been recognized on the basis of the date of meter reading, are now recognized on the basis of delivery by reasonably estimating the performance obligation that is fulfilled at the end of the term. For the provision of certain gas equipment maintenance services, the maintenance cost expected to be incurred in the future had been booked as provision for appliance warranties, and the amount provided had been booked as expenses. However, said services are now identified as a performance obligation, and the amount expected as consideration for future provision of the services is now treated as a contractual liability. The advanced billing use to promote renewable energy power generation is no longer included in the transaction price upon revenue recognition as it is collected for a third party. It is now accounted for as a liability item instead of the previous operating revenue item. The corresponding payments in accordance with the Act on Special Measures concerning the Procurement of Renewable Electric Energy are now also accounted for as said liability item instead of an operating expense. With regard to points that are granted according to the purchase amount of gas and electricity, the amount expected to be used in the future had been booked as provision for point card certificates and the amount provided had been booked as expenses. The points granted are now identified as a performance obligation, and the amount expected to be received in exchange for future services are now booked as a contractual liability.

The Accounting Standard for Revenue Recognition, etc. are applied in accordance with the transitional procedures set forth in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. Under this application method, the cumulative effect of retroactively applying the new accounting policies to before the start of the three months ended June 30, 2021, is added to or deducted from the retained earnings at the start of the three months ended June 30, 2021, and the new accounting policies are applied from said starting balance.

However, by applying the method set forth in paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policies have not been applied retroactively to contracts for which almost all revenues had been recognized in accordance with the previous treatment before the start of the three months ended June 30, 2021. In addition, by applying the method set forth in proviso (1) of paragraph 86 of the Accounting Standard for Revenue Recognition, changes to contracts carried out before the start of the three months ended June 30, 2021, have been accounted for based on the contract terms after all contract changes have been reflected, and their cumulative effects have been added to or deducted from retained earnings at the start of the three months ended June 30, 2021.

As a result, retained earnings at the start of the nine months ended December 31, 2021, increased by ¥5,255 million, net sales for the nine months ended December 31, 2021, decreased by ¥26,566 million, and operating profit, ordinary profit, and profit before income taxes increased by ¥5,782 million each.

Due to the application of the Accounting Standard for Revenue Recognition, etc., “notes and accounts receivable - trade,” which were presented under “current assets” in the consolidated balance sheet for the previous fiscal year, have been included in “notes and accounts receivable - trade, and contractual assets,” starting the beginning of the three months ended June 30, 2021. The “provision for appliance warranties,” which was presented under “non-current liabilities” in the consolidated balance sheet for the previous fiscal year, has been included as “contractual liabilities” under “other current liabilities,” starting the beginning of the three months ended June 30, 2021. Of the “provision for point card certificates” that was presented under “non-current liabilities” in the consolidated balance sheet for the previous fiscal year, the amount corresponding to contractual liabilities under the Accounting Standard for Revenue Recognition, etc. has been included as “contractual liabilities” under “other current liabilities,” starting the beginning of the three months ended June 30, 2021. In accordance with the transitional procedures set forth in paragraph 89-2 of the Accounting Standard for Revenue Recognition, reclassification based on the new presentation method has not been carried out for the previous fiscal year.

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and others effective the start of the three months ended June 30, 2021, and has decided to apply the new accounting policy set forth by the Accounting Standard for Fair Value Measurement, etc. into the future in accordance with the transitional procedures stipulated in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This will have no impact on quarterly consolidated financial statements.