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Consolidated Financial Results for the Six Months Ended June 30, 2023 [Japanese GAAP]



August 14, 2023

Company name: K & O Energy Group Inc.
 Stock exchange listings: Tokyo Stock Exchange
 Securities code: 1663
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 Quarterly securities report filing date (as planned): August 14, 2023
 Dividend payable date (as planned): September 1, 2023
 Supplemental material of quarterly results: Yes
 Convening briefing of quarterly results: Yes (for analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended June 30, 2023 (January 1, 2023 – June 30, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2023	50,392	2.8	5,180	32.3	5,615	33.3	3,376	30.6
June 30, 2022	49,028	60.9	3,914	44.7	4,213	44.2	2,586	32.4

(Note) Comprehensive income: Six months ended June 30, 2023: ¥3,937 million [40.0%]

Six months ended June 30, 2022: ¥2,813 million [22.5%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2023	126.87	126.22
June 30, 2022	97.31	96.75

(2) Consolidated Financial Positions

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
As of June 30, 2023	105,112	89,729	83.0
As of December 31, 2022	109,823	86,385	76.6

(Reference) Equity: As of June 30, 2023: ¥87,229 million

As of December 31, 2022: ¥84,080 million

2. Dividends

	Annual dividend per share				
	First quarter end	Second quarter end	Third quarter end	Fiscal year-end	Total
Fiscal year ended December 31, 2022	Yen —	Yen 15.00	Yen —	Yen 17.00	Yen 32.00
Fiscal year ending December 31, 2023	—	17.00			
Fiscal year ending December 31, 2023 (Forecast)			—	17.00	34.00

(Note) Correction of dividend forecast from the most recent dividend forecast: None

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending December 31, 2023 (January 1, 2023 - December 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	
Full year	95,600	(10.0)	8,600	17.7	9,400	18.5	5,700	19.6	Yen 214.11

(Note) Correction of financial forecast from the most recent financial forecast: Yes

*** Notes:**

- (1) Material changes in subsidiaries during this period: None
(Changes in scope of consolidations resulting from change in subsidiaries)
- (2) Applying of specific accounting of the consolidated quarterly financial statements: Yes
(Note) For details, please refer to “2. Consolidated Quarterly Financial Statements and Principal Notes, (4) Notes to Consolidated Quarterly Financial Statements (Applying of specific accounting of the consolidated quarterly financial statements)” on page 9 of the attachment (in Japanese).
- (3) Changes in accounting policies, accounting estimates and retrospective restatement
- 1) Changes in accounting policies based on revisions of accounting standard: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of issued shares (common stock)
- 1) Number of issued shares at the end of the period (including treasury shares):

June 30, 2023:	28,336,061 shares
December 31, 2022:	28,336,061 shares
 - 2) Number of treasury shares at the end of the period:

June 30, 2023:	1,709,734 shares
December 31, 2022:	1,736,853 shares
 - 3) Average number of shares outstanding during the period:

Six months ended June 30, 2023:	26,616,881 shares
Six months ended June 30, 2022:	26,582,395 shares

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

*** Notes for using forecasted information and other notes**

- Forward-looking statements and other statements about the future in this document are based on information currently available to the Company and certain assumptions deemed reasonable. Actual performance and other results may differ significantly due to various factors. For the financial results forecast, etc., please refer to “1. Qualitative Information on Quarterly Financial Results for the Period under Review, (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the attachment (in Japanese).
- Due to the nature of the Group’s business, which is heavily weighted toward gas business, the Group’s performance is subject to significant seasonal fluctuations caused by temperatures and other factors.

Consolidated Quarterly Financial Statements and Principal Notes

(1) Consolidated Quarterly Balance Sheets

(Million yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	21,572	12,138
Notes and accounts receivable - trade, and contract assets	14,924	8,076
Securities	2,999	13,744
Inventories	1,754	2,214
Other	1,708	2,173
Allowance for doubtful accounts	(9)	(5)
Total current assets	42,949	38,342
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,841	9,614
Machinery, equipment and vehicles, net	18,445	17,850
Other, net	12,139	12,787
Total property, plant and equipment	40,426	40,251
Intangible assets	1,553	1,462
Investments and other assets		
Investment securities	12,282	12,885
Long-term loans receivable from subsidiaries and associates	10,930	10,543
Other	1,714	1,660
Allowance for doubtful accounts	(34)	(34)
Total investments and other assets	24,893	25,054
Total non-current assets	66,874	66,769
Total assets	109,823	105,112
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,233	4,513
Provisions	57	27
Income taxes payable	2,015	1,733
Other	5,332	3,351
Total current liabilities	17,639	9,625
Non-current liabilities		
Retirement benefit liability	4,433	4,193
Provisions	250	294
Other	1,114	1,268
Total non-current liabilities	5,798	5,757
Total liabilities	23,438	15,383

(Million yen)

	As of December 31, 2022	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	8,000	8,000
Capital surplus	13,915	13,942
Retained earnings	62,466	65,391
Treasury shares	(1,230)	(1,211)
Total shareholders' equity	83,151	86,121
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	672	837
Remeasurements of defined benefit plans	256	269
Total accumulated other comprehensive income	929	1,107
Share acquisition rights	195	182
Non-controlling interests	2,109	2,316
Total net assets	86,385	89,729
Total liabilities and net assets	109,823	105,112

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

Consolidated Quarterly Statements of Income

Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Net sales	49,028	50,392
Cost of sales	40,414	40,219
Gross profit	8,614	10,172
Selling, general and administrative expenses	4,699	4,992
Operating profit	3,914	5,180
Non-operating income		
Interest income	95	136
Dividend income	134	211
Other	83	96
Total non-operating income	313	444
Non-operating expenses		
Interest expenses	4	4
Donations	6	4
Other	3	0
Total non-operating expenses	14	9
Ordinary profit	4,213	5,615
Extraordinary losses		
Loss on retirement of non-current assets	147	141
Other	—	14
Total extraordinary losses	147	156
Profit before income taxes	4,065	5,459
Income taxes	1,254	1,703
Profit	2,811	3,755
Profit attributable to non-controlling interests	224	378
Profit attributable to owners of parent	2,586	3,376

Consolidated Quarterly Statements of Comprehensive Income
Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Profit	2,811	3,755
Other comprehensive income		
Valuation difference on available-for-sale securities	(30)	170
Remeasurements of defined benefit plans, net of tax	32	12
Total other comprehensive income	2	182
Comprehensive income	2,813	3,937
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,592	3,554
Comprehensive income attributable to non-controlling interests	220	382

(3) Consolidated Quarterly Statements of Cash Flows

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	4,065	5,459
Depreciation	2,696	2,706
Interest and dividend income	(230)	(348)
Interest expenses	4	4
Decrease (increase) in trade receivables	1,614	6,817
Decrease (increase) in inventories	(197)	(459)
Increase (decrease) in trade payables	(1,687)	(5,720)
Increase (decrease) in retirement benefit liability	(15)	(239)
Increase (decrease) in other provisions	19	8
Loss on retirement of non-current assets	17	34
Other, net	1,294	(972)
Subtotal	7,582	7,290
Interest and dividends received	241	358
Interest paid	(5)	(5)
Income taxes refund (paid)	(423)	(1,896)
Net cash provided by (used in) operating activities	7,395	5,747
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,168)	(3,983)
Purchase of short-term and long-term investment securities	(30,989)	(35,870)
Proceeds from sale and redemption of short-term and long-term investment securities	22,072	24,767
Loan advances to subsidiaries and associates	(2,451)	(65)
Other, net	(59)	395
Net cash provided by (used in) investing activities	(14,596)	(14,756)
Cash flows from financing activities		
Proceeds from long-term borrowings	405	405
Repayments of long-term borrowings	(228)	(218)
Dividends paid	(396)	(450)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(900)	—
Other, net	(3)	(161)
Net cash provided by (used in) financing activities	(1,124)	(425)
Net increase (decrease) in cash and cash equivalents	(8,325)	(9,434)
Cash and cash equivalents at beginning of period	20,291	20,920
Cash and cash equivalents at end of period	11,966	11,485