# Notice of Extraordinary Income by Transfer of Fixed Asset and Extraordinary Losses

March 16th, 2020

Company name: NIPPON GAS CO., LTD.
Representative: Shinji Wada, President and Representative Director
Code number: 8174
Stock exchange listing: Tokyo Stock Exchange
Contact: Shinichi Kiyota, Director
(Tel.: +81-3-5308-2116)

Nippon Gas Co., Ltd. ("NICIGAS") hereby announces that it will report an extraordinary income and extraordinary losses in FYE 03/20. The following are significant items of extraordinary income and extraordinary losses to be reported in FYE 03/20 financial statement.

| Impacts on NICIGAS' FYE 03/20 consolidated financial results | ¥ billion |
|---|---|
| 1. Extraordinary income | |
| (1) Gain from the transfer of adjacent lot of large-scale LP gas filling hub base in Kawasaki | 7.9(*) |
| 2. Extraordinary losses | |
| (1) Provision for bad debts for overseas business | △3.2 |
| (2) Impairment loss on unused asset | △2.8 |
| (3) Write-off of customer acquisition cost | △1.3 |
| (4) Loss on revaluation of investment securities and loss on the disposal of investment securities | △0.6 |
| 3. Tax effects | 1.0 |
| 4. Impact on profit attributable to owners of parent | 1.0 |

(*) A part of the ¥ 7.9 billion will be recognized on March 26th, 2020.

1. Transfer of Fixed Asset and Report of an Extraordinary Income

(1) Transfer of adjacent lot of large-scale LP gas filling hub base in Kawasaki (Consolidated: ¥ 7.9 billion, Non-consolidated: ¥ 7.9 billion) (the "Transaction")

NICIGAS resolved at its board meeting held today to transfer its fixed asset. Consequently, NICIGAS will report an extraordinary income for the gain of ¥ 7.9 billion from the Transaction on the 4Q of FYE 03/20 consolidated financial statement and Non-consolidated financial statement, respectively.

① Reason for the Transaction

NICIGAS has acquired about 95,500 ㎡ of land in December 2018 to construct large-scale LP gas filling hub base "YUME NO KIZUNA" in Kawasaki, Kanagawa prefecture, as it announced at the press release of "Notice on Acquisition of Asset" on September 27th, 2018. Afterwards, NICIGAS revaluated appropriate size for the hub base and concluded that it will hold only about 28,800 ㎡ (Lot A) for the hub base and will transfer the rest of about 66,700 ㎡ of land (Lot B and Lot C) to other parties .

Regarding YUME NO KIZUNA, construction started in December 2019 and will be completed in December 2020 (plan).

② The details of land to transfer

| The details of land to transfer | Gain from the Transaction | Current situation |
|---|---|---|
| ・Adjacent lot of large-scale LP gas filling hub base in Kawasaki<br>・Lot B: about 34,500 ㎡<br>・Lot C: about 32,200 ㎡<br>・Ukishima, Kawasaki, Kanagawa, Japan | ¥7.9 billion | Land Lease |

(Note) 1. The transfer price and the book value are confidential, respecting the intentions of transferees.
2. The gain from the Transaction is an approximate amount (transfer price minus (book value plus costs for the Transaction))

③ Overview of transferees

Information regarding transferees is confidential, respecting the intentions of transferees. There is no important capital relationship, personal relationship, trading relationship or any other special interests between transferees and NICIGAS.

④ Schedule of the Transaction

| | | |
|---|---|---|
| ・Resolution at board meeting: | Lot B:March 16th, 2020 | Lot C: March 16th, 2020 |
| ・Signing contract: | Lot B: March 16th, 2020 | Lot C: March 16th, 2020 |
| ・Delivery: | Lot B: March 16th, 2020 | Lot C: March 26th, 2020 (Plan) |

2. Report of Extraordinary Losses

(1) Provision for bad debts for overseas business

① The amount of provision for bad debts (Consolidated: ¥3.2 billion)

NICIGAS' affiliated company "Strategic Power Holdings, L.L.C." and its subsidiary companies (the "Companies") have been implementing efforts for business improvement through organizational restructuring and cost reduction. However, NICIGAS revaluated the collectibility of loan through considering 1) the Companies' financial situation that has been deteriorating with two consecutive years record of loss, and 2) the possibility of business recovery in short-term with current forecast of financial result of FYE 12/19, and concluded that NICIGAS will report an extraordinary loss for provision for bad debts for overseas business of ¥3.2 billion on the 4Q of FYE 03/20 financial statement.

② Loss on revaluation of affiliated companies' equity value and provision for bad debts (Non-consolidated: ¥6.1 billion)

With the same reason above, NICIGAS will report an extraordinary loss for affiliated companies on revaluation of the equity value of ¥1.1 billion on FYE 03/20 financial statement and it will also report an extraordinary loss of ¥5.0 billion for the provision for bad debt on the 4Q of FYE 03/20 financial statement.

(2) Impairment loss on unused asset (Consolidated: ¥2.8 billion, Non-consolidated: ¥2.5 billion)

NICIGAS has reexamined the purpose of holding of NICIGAS group's fixed asset, and revised the purpose of some fixed assets (lands) from business assets to unused assets. With the revisions, NICIGAS will write-down their book value to the value of recoverable amount, based on "Accounting Standard for Impairment of Fixed Assets". As a result, NICIGAS will report an extraordinary loss of ¥2.8 billion (Consolidated) and ¥2.5 billion (Non-consolidated) for the impairment loss, respectively on the 4Q of FYE 03/20 financial statement.

(3) Write-off of customer acquisition cost (Consolidated: ¥ 1.3 billion)

NICIGAS' subsidiary companies have been reporting customer acquisition cost, such as commission fees, as an asset item on financial statement and depreciating it over estimated contract period. However, considering the environment after the deregulation of city gas market, NICIGAS concluded that it will write-off ¥ 1.3 billion for this impairment loss and will report an extraordinary loss on the 4Q of FYE 03/20 financial statement. NICIGAS itself has been historically booking customer acquisition cost as an expense item, and it will standardize customer acquisition cost treatment among NICIGAS group companies.

(4) Loss on revaluation of investment securities and loss on the disposal of investment securities (Consolidated: ¥ 0.6 billion, Non-consolidated: ¥ 0.6 billion)

Revaluating the deviation of fair value from book value, NICIGAS will report an extraordinary loss of ¥ 0.6 billion for loss on revaluation and loss on the disposal of investment securities on the 4Q of FYE 03/20.

3. Forward-looking Statement

Consolidated and Non-consolidated financial results forecast for FYE 03/20 are under examination. They will be disclosed as soon as appropriate in case any revision is required.