Consolidated Financial Results for the Three Months Ended June 30, 2020 [Japanese GAAP]

July 30, 2020

Company name: NIPPON GAS CO., LTD.
Code number: 8174
URL: https://www.nichigas.co.jp/
Stock exchange listing: Tokyo Stock Exchange
Representative: Wada Shinji, President and Representative Director
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Scheduled date of filing quarterly securities report: August 13, 2020
Scheduled date of commencing dividend payments: —
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: None

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three Months ended Jun. 30, 2020	33,620	2.6	3,722	8.3	3,803	24.1	2,642	22.8
Three Months ended Jun. 30, 2019	32,768	14.3	3,436	90.4	3,065	93.3	2,151	111.4

(Note) Comprehensive income: Three Months ended Jun. 30, 2020 ¥2,807 million [44.5%]
Three Months ended Jun. 30, 2019 ¥1,942 million [97.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three Months ended Jun. 30, 2020	66.21	—
Three Months ended Jun. 30, 2019	51.90	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2020	132,741	69,793	52.6
As of Mar. 31, 2020	132,521	68,355	51.6

(Reference) Equity: As of Jun. 30, 2020 ¥69,788 million As of Mar. 31, 2020 ¥68,350 million

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2020	—	35.00	—	35.00	70.00
Fiscal year ending Mar. 31, 2021	—				
Fiscal year ending Mar. 31, 2021 (Forecast)		50.00	—	50.00	100.00

(Note) Revision of dividend projection from recently announced figures: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending Sep. 30, 2020	63,000	6.3	2,900	(9.7)	2,850	(2.3)	1,800	(10.5)	45.1
Full-year	140,000	5.7	12,500	8.5	12,200	14.2	8,000	3.3	200.45

(Note) Revision of financial results projection from recently announced figures: No

4. Notes

(1) Significant changes of subsidiaries during the period under review: No

(2) Adoption of special accounting processes for preparing quarterly consolidated financial statements: No

(3) Changes to accounting policies, changes to accounting estimates, and revision restatements

1) Changes to accounting policies accompanying the revision of accounting standards, etc.: No

2) Changes to accounting policies other than 1) above: No

3) Changes to accounting estimates: No

4) Revision restatements: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares (including treasury shares):

Jun. 30, 2020	41,773,466 shares
Mar. 31, 2020	41,773,466 shares

2) Total number of treasury shares at the end of the period:

Jun. 30, 2020	1,854,454 shares
Mar. 31, 2020	1,863,980 shares

3) Average number of shares during the period:

Three months ended Jun. 30, 2020	39,912,521 shares
Three months ended Jun. 30, 2019	41,459,879 shares

(Note) The number of treasury shares includes the shares of the Company held by the “Directors’ Compensation BIP (Board Incentive Plan) Trust” (As of June 30, 2020: 230,798 shares, as of March 31, 2020: 240,498 shares).

* These financial results are outside the scope of quarterly review by a certified public accountant or an audit corporation.

* Explanation of the proper use of performance forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as of the date of publication of this document, but not intended to deliver the Company's commitment to fulfilling them. Actual results may differ significantly from these forecasts due to a wide range of factors. Please refer to "Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on page 6 of the attached Appendix for the notes on the use of preconditions for the earnings forecast and the use of the earnings forecast.

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1. Qualitative Information on Consolidated Performance for the Period under Review

(1) Explanation of Results of Operations

During the first quarter under review, economic activities were substantially restrained by the global spread of the novel coronavirus disease (COVID-19), with increasing concerns about an economic recession worldwide. Meanwhile, changes in the way people live, such as temporary closure of schools nationwide, restrictions on outings, and calls for more use of telework, brought about an unprecedented acceleration of digital transformation (DX) in Japan. We are in the midst of a pivotal moment in history, undergoing a paradigm shift occurring at an unprecedented speed. The energy industry is no exception. Amid changes in a social structure, such as an increasing number of elderly people living alone and diversifying local communities, the industry has faced strong calls for a service that is safe, inexpensive, convenient, and stress-free for consumers through new innovations, shifting from a service that is conservative and standardized, since the liberalization of the city gas retail business. In other words, the liberalization of energy is a challenge for creating new innovations and offering the resulting benefits to the society.

In the time of transition, the emphasis on Environment, Society and Governance (ESG) in corporate management remains a global steady trend, and the Group adheres to its policy for achieving sustainable enhancement of corporate value over the medium to long term based on ESG initiatives. Our DX devices that applied leading edge technologies, such as "*Space Hotaru*" and "Yume no Kizuna Kawasaki," are the means by which the Group transforms itself from a comprehensive energy company to a provider of comfortable services to customers, with an eye toward the arrival of the non-fossil fuel era in the near future. Besides that, these devices present solutions to social and environmental issues, such as the shortages of LP gas cylinders deliverers, meter readers and other workers, as well as a reduction in CO_2 emissions through unmanned meter-reading and efficient deliveries. The Company sets forth "Contributing to Local Communities" in its management philosophy. In order to realize this philosophy, the Company will commercially provide such technology to other suppliers as its services for the purpose of sharing innovation with the entire energy industry regardless of whether they are partners or competitors and providing returns to local communities. The Company will contribute to local communities and strive to accelerate the speed of sustainable growth as a company by offering the fruits of its efforts in ICT for co-creation with other suppliers, rather than using them to differentiate itself from other suppliers.

Space Hotaru, which was developed in collaboration with SORACOM, INC., is an NCU that puts gas meters online. This IoT device facilitates the real-time automatic measurement of gas usage and allows gas valves to be controlled remotely. One of its most important features is the flexibility in communication, with the transmission method being the hybrid of Sigfox and LTE-M. With global marketing of the platform in mind, *Space Hotaru* was designed to provide finely tuned communication services according to the radio wave conditions by acquiring data without limitations of transmission methods or carriers. Currently, *Space Hotaru* is compatible with 240 telecommunications carriers in 130 countries around the world.

"Yume no Kizuna Kawasaki" is one of the world's largest LP gas filling bases that incorporates technologies to facilitate real-time monitoring of the levels of remaining gas in storage tanks, the number of gas cylinders, and the operational condition of gas fillers, as well as technologies to monitor the delivery routes and location

information of gas cylinders through RFIDs and automatic authentication. ”Yume no Kizuna Kawasaki” is due for completion in the fiscal year ending March 31, 2021.

By connecting everything in the LPG logistics chain in real time through the technologies and DX described above, the Group will evolve the concept of LPG logistics from one previously based on “estimation” to one based on “actual results,” and bring about an LPG DX by managing “production” and “consumption” in real time, linking data to “Nichigas Stream,” an integrated infrastructure for collecting big data. Nichigas Stream, which was codeveloped with SORACOM, INC., mainly features encryption of individual data, an encryption authentication system, and blockchain technology.

Investments in leading edge technologies that support DX are the most important source of innovation for the Group, which we believe will increase net sales and support the sustainable growth of corporate value. The city gas business of the Group is not subject to the legal separation, but the Group recently announced that it would separate the pipeline business and retail business, and also separate the wheeling function and retailing function in its LP gas business, prior to the legal separation of pipeline service and retailing service operated by major city gas providers scheduled to be effected in April 2022. Efficient integration of data collected from Group companies through DX, which is the fruit of our investments made thus far, allows for this swift business separation ahead of the legal separation, which aims not only to enhance corporate value through further operational rationalization, but also to break away from legacies and redefine energy business in an upcoming new economic environment. In the infrastructure industry, a conservative industry, we will take on the challenge of fundamentally changing the scheme of business through digitalization, and building a new social system. Our “LPG wheeling business,” which provides wheeling service of LP gas (including filling, delivery and meter-reading functions) as a platform to other operators, is just one example.

The “LPG wheeling business,” which will be offered to many suppliers in a form of microservices, is a platform incorporating highly efficient gas filling and delivery based on the LP gas filling hub base, “Yume no Kizuna Kawasaki,” gas meters that are put online with the use of “*Space Hotaru,*” and a system to centrally manage the data obtained therefrom. New market entrants can use only the functions they need without having their own systems for filling and delivery. It is a groundbreaking revenue model as it faciliates entery into the LP gas business.

Although there remain economic uncertainties caused by the corona virus, the Company believes that now is the time to launch initiatives to fundamentally redefine the concept of energy business, and to create a new platform for the benefit of society.

While promoting business innovation and digitalization, the Company continued to invest management resources in the mainstay LP gas business, positioned as a top priority business for the first quarter under review. While the state of emergency declared to counter the spread of COVID-19 caused certain effects such as restrictions on face-to-face marketing with customers, business trading in the industry is becoming very active. Our marketing activities responding to this trend have steadily borne fruit in the form of an increase in the number of customers. The Company foresees that the city gas business post-liberalization will grow through profitability in line with the progress in liberalization. The electric power business has steadily expanded business profitably, with a growing number of customers centering on the family segment that matches the

product characteristics of this business. This electricity retailing also functions as a leading product that extends the contract period and increases revenue per customer while offering customers convenience through package sales with gas.
The spread of COVID-19 has caused a decline in sales volume of commercial use gas. However, as the Company's mainstay business is household gas sales, financial results for the first quarter under review were not substantially affected. It is still unclear how long it takes for COVID-19 to stop spreading, but given the financial results for the first quarter under review, we estimate a limited impact on our future financial results. We also manage our funds and take all possible measures to be financially prepared for unexpected situations. Although circumstances as described above are projected to continue for the time being, the Company will take the situation as an opportunity for change and strive to further create business value with a strong ambition toward growth.

In quantitative terms, the number of customers of the Group as of June 30, 2020 significantly increased by 53,000 households to 1,724,000 households from the end of the previous fiscal year.
Gross profit for the period under review amounted to ¥16,260 million, a year-on-year increase of 2.3%, supported by stay-at-home consumption of household gas and the expansion of electricity business and the platform business, as well as an increase in the number of customers. Furthermore, the Company properly controlled selling, general and administrative expenses in the scopre of the plan. As a result, operating income increased by 8.3% year on year to ¥3,722 million, ordinary income increased by 24.1% year on year to ¥3,803 million, and profit attributable to owners of parent increased by 22.8% year on year to ¥2,642 million, resulting in increases in profit.

Business performance by segment for the period under review is as follows:

1) LP Gas Business (including electricity business and platform business as well as LP equipment and construction as ancillary business)
Our marketing activities were partially restrained due to the spread of COVID-19, including the temporary suspension of face-to-face marketing activities. However, as a result of steadily acquiring commercial rights giving priority to the LP gas business, we achieved a net increase of 16,000 households in the number of customers at a speed faster than anticipated.
The number of customers of electricity also increased by 29,000 households centering on existing customers of gas, and the ratio of customers packaging electricity with gas rose to 8.2% from 6.4% at the end of the previous fiscal year.
Gross profit increased by ¥317 million (3.0% increase) year on year owing to an increase in sales volume of household gas (7.4% increase) and increases in sales of electricity and platform businesses that offset an anticipated decrease in sales volume of commercial use gas (15.8% decrease) due to the spread of COVID-19.

2) City Gas Business

The city gas business saw an increase in the number of customers by 8,000 households by promoting package sales with electricity continuously from the previous period, and concentrating on increasing the number of profitable contracts.

Gross profit increased by ¥40 million (0.8% increase) year on year owing to an increase in sales volume of household gas (7.5% increase) that offset an anticipated decrease in sales volume of commercial use gas (10.5% decrease) due to the spread of COVID-19.

(2) Explanation of Financial Position and Cash Flows

1) Analysis of Assets, Liabilities and Net Assets

The Company values capital efficiency, and controls total assets and equity ratio to the appropriate level, while balancing investments in growth and shareholder returns backed by steady financial results.

Total assets as of the end of the first quarter of the fiscal year ending March 31, 2021 increased by ¥220 million or 0.2% from the end of the previous fiscal year and stood at ¥132,741 million. This is due to an increase in non-current assets as a result of the construction of Yume no Kizuna, the installation of *Space Hotaru* and M&A, despite decreases in notes and accounts receivable - trade and merchandise and finished goods due to seasonal factors. Total liabilities as of as of the end of the first quarter of the fiscal year ending March 31, 2021 decreased by ¥1,217 million or 1.9% from the end of the previous fiscal year and stood at ¥62,948 million, as a result of seasonal decreases in notes and accounts payable – trade and electronically recorded obligations - operating. Net assets as of the end of the first quarter of the fiscal year ending March 31, 2021 increased by ¥1,438 million or 2.1% from the end of the previous fiscal year and stood at ¥69,793 million due to payment of dividends, despite the recording of profit attributable to owners of parent.

The spread of COVID-19 remains unpredictable and the Company continues to put first priority on the stability of financial base and raising equity ratio in order to prepare for the unexpected situation.

Equity ratio amounted to 52.6%, maintaining a stable financial condition according to the plan.

2) Analysis of Cash Flows

Balance of cash and cash equivalents as of the end of the first quarter of the fiscal year ending March 31, 2021 increased by ¥2,263 million from the end of the previous fiscal year to ¥18,127 million.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities amounted to ¥2,008 million, up by ¥159 million year on year. This was due to an increase in profit before income taxes (up by ¥671 million year on year), despite seasonal decreases in notes and accounts receivable - trade and inventories.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities amounted to ¥3,907 million, up by ¥1,389 million year on year. This was mainly due to an increase in investments in property, plant and equipment such as “Yume no Kizuna Kawasaki”

(up by ¥1,368 million year on year) and an increase in investments in intangible assets such as M&A (up by ¥711 million year on year).

(Net cash provided by (used in) financing activities)

Net cash provided by financing activities amounted to ¥3,469 million, (net cash used in financing activities of ¥1,695 million in the corresponding period of the previous fiscal year). The cash inflow is due to an increase in short-term loans payable.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

While the Company projected a decrease in gas sales volume for commercial use due to the impact of COVID-19 in the first half of the fiscal year ending March 31, 2021, the Company did not expect household use gas sales volume to be affected. According to the actual results for the first quarter under review, however, the decrease in gas sales volume for commercial use was less than the forecast, while growth in demand for household use gas was higher than anticipated. Projections of gas demand have been made by taking these situations into account. Raw material prices are bouncing back earlier than initially expected, but supported by steady customer acquisition and solid demand for household use gas, the Company projects operating income of ¥12,500 million (8.5% increase), ordinary income of ¥12,200 million (14.2% increase), and profit attributable to owners of parent of ¥8,000 million (3.3% increase) for the fiscal year ending March 31, 2021. No revision has been made to the consolidated financial results forecast announced on April 30, 2020.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2020 (As of Mar. 31, 2020)	Three months ended Jun. 30, 2020 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	16,589	18,195
Notes and accounts receivable - trade	11,026	8,957
Merchandise and finished goods	4,830	3,189
Raw materials and supplies	182	163
Other	2,125	1,596
Allowance for doubtful accounts	(222)	(222)
Total current assets	34,532	31,879
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,445	9,658
Machinery, equipment and vehicles, net	32,439	32,064
Tools, furniture and fixtures, net	898	874
Land	29,875	30,105
Leased assets, net	2,397	3,254
Construction in progress	3,982	4,437
Total property, plant and equipment	79,038	80,395
Intangible assets		
Goodwill	3,017	4,662
Other	4,204	4,242
Total intangible assets	7,222	8,904
Investments and other assets		
Investment securities	2,399	2,538
Other	14,048	13,682
Allowance for doubtful accounts	(4,721)	(4,659)
Total investments and other assets	11,726	11,562
Total non-current assets	97,988	100,862
Total assets	132,521	132,741

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2020 (As of Mar. 31, 2020)	Three months ended Jun. 30, 2020 (As of Jun. 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,566	4,242
Electronically recorded obligations - operating	3,887	2,930
Short-term loans payable	11,314	18,869
Income taxes payable	5,374	955
Provision for bonuses	346	396
Other	8,268	8,771
Total current liabilities	35,758	36,165
Non-current liabilities		
Long-term loans payable	20,679	18,259
Provision for share-based compensation	591	595
Provision for gas holder repairs	348	364
Provision for loss on voluntary recall of products	369	362
Net defined benefit liability	2,853	2,798
Other	3,564	4,401
Total non-current liabilities	28,407	26,782
Total liabilities	64,165	62,948
Net assets		
Shareholders' equity		
Capital stock	7,070	7,070
Capital surplus	5,860	5,860
Retained earnings	61,020	62,258
Treasury shares	(6,075)	(6,039)
Total shareholders' equity	67,875	69,148
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	230	377
Foreign currency translation adjustment	303	315
Remeasurements of defined benefit plans	(58)	(53)
Total accumulated other comprehensive income	475	640
Non-controlling interests	4	4
Total net assets	68,355	69,793
Total liabilities and net assets	132,521	132,741

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

Account	For the three months ended Jun. 30, 2019 (from Apr. 1, 2019 to Jun. 30, 2019)	For the three months ended Jun. 30, 2020 (from Apr. 1, 2020 to Jun. 30, 2020)
Net sales	32,768	33,620
Cost of sales	16,865	17,360
Gross profit	15,902	16,260
Selling, general and administrative expenses	12,465	12,537
Operating income	3,436	3,722
Non-operating income		
Interest income	107	0
Dividend income	20	10
Real estate rent	15	18
Insurance income	6	3
Foreign exchange gains	–	25
Other	75	64
Total non-operating income	225	123
Non-operating expenses		
Interest expenses	74	37
Share of loss of entities accounted for using equity method	45	–
Provision of allowance for doubtful accounts	406	–
Other	70	5
Total non-operating expenses	597	42
Ordinary income	3,065	3,803
Extraordinary income		
Gain on sales of non-current assets	1	2
Gain on sales of investment securities	32	53
Gain on extinguishment of tie-in shares	52	–
Total extraordinary income	87	56
Extraordinary losses		
Loss on retirement of non-current assets	22	57
Other	–	1
Total extraordinary losses	22	59
Profit before income taxes	3,129	3,800
Income taxes - current	1,091	937
Income taxes - deferred	(113)	221
Total income taxes	977	1,158
Profit	2,151	2,642
Loss attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	2,151	2,642

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

Account	For the three months ended Jun. 30, 2019 (from Apr. 1, 2019 to Jun. 30, 2019)	For the three months ended Jun. 30, 2020 (from Apr. 1, 2020 to Jun. 30, 2020)
Profit	2,151	2,642
Other comprehensive income		
Valuation difference on available-for-sale securities	(211)	147
Remeasurements of defined benefit plans, net of tax	5	5
Share of other comprehensive income of entities accounted for using equity method	(2)	11
Total other comprehensive income	(208)	164
Comprehensive income	1,942	2,807
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,942	2,807
Comprehensive income attributable to non-controlling interests	(0)	(0)

(3) Consolidated Statement of Cash Flows

(Millions of yen)

Account	For the three months ended Jun. 30, 2019 (from Apr. 1, 2019 to Jun. 30, 2019)	For the three months ended Jun. 30, 2020 (from Apr. 1, 2020 to Jun. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	3,129	3,800
Depreciation	2,155	2,290
Amortization of goodwill	191	247
Increase (decrease) in allowance for doubtful accounts	439	(62)
Increase (decrease) in net defined benefit liability	39	(47)
Increase (decrease) in provision for share-based compensation	10	3
Increase (decrease) in allowance for loss on voluntary recall of products	(8)	(6)
Interest and dividend income	(128)	(11)
Interest expenses	74	37
Foreign exchange losses (gains)	36	24
Share of (profit) loss of entities accounted for using equity method	45	–
Loss (gain) on sales of non-current assets	(1)	(0)
Loss on retirement of non-current assets	22	57
Loss (gain) on sales of investment securities	(32)	(53)
Decrease (increase) in notes and accounts receivable - trade	(261)	2,068
Decrease (increase) in inventories	667	1,660
Increase (decrease) in notes and accounts payable - trade	(2,744)	(3,281)
Increase (decrease) in accrued consumption taxes	60	(187)
Increase (decrease) in advances received	163	411
Other, net	929	681
Subtotal	4,789	7,633
Interest and dividend income received	21	11
Interest expenses paid	(71)	(37)
Income taxes paid	(2,890)	(5,598)
Net cash provided by (used in) operating activities	1,848	2,008
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,648)	(3,016)
Proceeds from sales of property, plant and equipment	3	7
Purchase of intangible assets	(680)	(90)
Purchase of goodwill	(181)	(893)
Purchase of investment securities	(0)	(0)
Proceeds from sales of investment securities	–	127
Payments of loans receivable	(4)	(7)
Collection of loans receivable	4	3
Other, net	(9)	(37)
Net cash provided by (used in) investing activities	(2,517)	(3,907)

(Millions of yen)

Account	For the three months ended Jun. 30, 2019 (from Apr. 1, 2019 to Jun. 30, 2019)	For the three months ended Jun. 30, 2020 (from Apr. 1, 2020 to Jun. 30, 2020)
Cash flows from financing activities		
Increase in short-term loans payable	3,124	10,000
Decrease in short-term loans payable	(7,090)	–
Proceeds from long-term loans payable	10,000	–
Repayments of long-term loans payable	(5,342)	(4,864)
Purchase of treasury shares	(190)	(0)
Cash dividends paid	(1,960)	(1,405)
Other, net	(236)	(259)
Net cash provided by (used in) financing activities	(1,695)	3,469
Effect of exchange rate change on cash and cash equivalents	(22)	27
Net increase (decrease) in cash and cash equivalents	(2,386)	1,598
Cash and cash equivalents at beginning of period	18,193	16,528
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	56	–
Cash and cash equivalents at end of period	15,863	18,127

(4) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

None.

(Notes in Case of Significant Changes in Shareholder's Equity)

None.

(Significant Subsequent Events)

(Extension of Trust Period of and Additional Contribution to the "Directors' Compensation BIP Trust")

The Company decided at the meeting of the Board of Directors held on July 30, 2020 to extend the trust period of the "Directors' Compensation BIP Trust"(hereinafter referred to as the "Trust") and to make additional cash contribution to the Trust.

Overview of the Trust is described in "Part 1. Corporate Information IV. Status of Reporting Entity 1. Status of Shares, etc. (8) Contents of Stock Ownership Plan for Officers and Employees" of the Securities Report for the 66th Fiscal Year.

1. Reasons for the extension of period and additional contribution

The Company decided to partially amend and continue the Trust plan pursuant to the resolution at the 66th Ordinary General Meeting of Shareholders held on June 24, 2020. The trust period, which was scheduled to terminate on August 31, 2020, will be extended by five years, and additional cash contribution will be made to secure funds necessary for acquiring shares in the Trust.

2. Overview of additional contribution

(1)	Type of trust:	Cash trust other than specified individually managed cash trust (Third party benefit trust)
(2)	Purpose of trust:	Grant of incentives to eligible Directors, etc.
(3)	Entruster:	The Company
(4)	Trustee:	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
(5)	Beneficiaries:	Eligible Directors, etc. who satisfy the requirements for eligible beneficiaries
(6)	Contract date of trust extension:	July 31, 2020 (Scheduled)
(7)	Trust period:	From September 10, 2015 to August 31, 2025 (Scheduled to be extended until August 31, 2025 pursuant to the amendments to be made to the trust agreement on July 31, 2020)
(8)	Total amount of shares to be acquired:	1,259 million yen (Planned)
(9)	Period for share acquisition:	From August 5, 2020 to August 31, 2020 (Scheduled)
(10)	Method for share acquisition:	Acquisition at stock exchange market

(Note) Before extending the trust period, an agreement concerning the extension of trust period will be concluded among the Company, the trustee and the trust administrator. After the conclusion of the agreement, additional contribution will be made to the Trust within the maximum range of trust money and number of shares to be acquired which were approved at the above-mentioned General Meeting of Shareholders.

3. Others

(1) Production, Order and Sales Status

The Group is mainly engaged in sales and consequently does not indicate amounts and volumes representing its production and orders received for each reportable segment. In terms of the net sales and profits of the Group, the gas business, which by nature is characterized by sharp seasonal fluctuations, accounts for a major part of the Group's business. Therefore, sales and profits tend to rise disproportionately in the second half of the year.

1) Sales results

Sales by reportable segment for the three months ended Jun 30, 2020 are as follows:

Sales results by reportable segment (Millions of yen)

Reportable segments	For the three months ended Jun. 30, 2019 (from Apr. 1, 2019 to Jun. 30, 2019)	For the three months ended Jun. 30, 2020 (from Apr. 1, 2020 to Jun. 30, 2020)
LP gas Business	17,989	19,649
City gas Business	14,778	13,971
Total	32,768	33,620

2) Sales results of LP gas business (Millions of yen)

Reportable segments	For the three months ended Jun. 30, 2019 (from Apr. 1, 2019 to Jun. 30, 2019)	For the three months ended Jun. 30, 2020 (from Apr. 1, 2020 to Jun. 30, 2020)
Gas	14,941	14,455
Equipment, construction contracts, etc.	3,048	5,193
Total	17,989	19,649

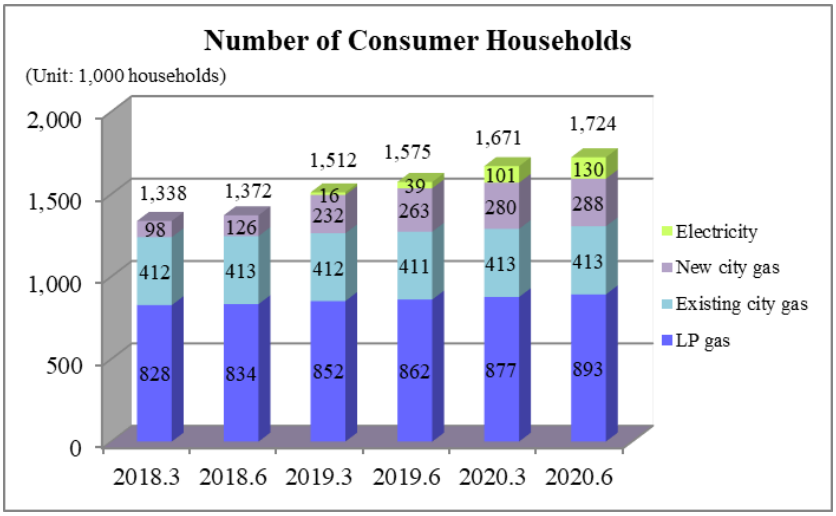
3) Sales results of city gas business (Millions of yen)

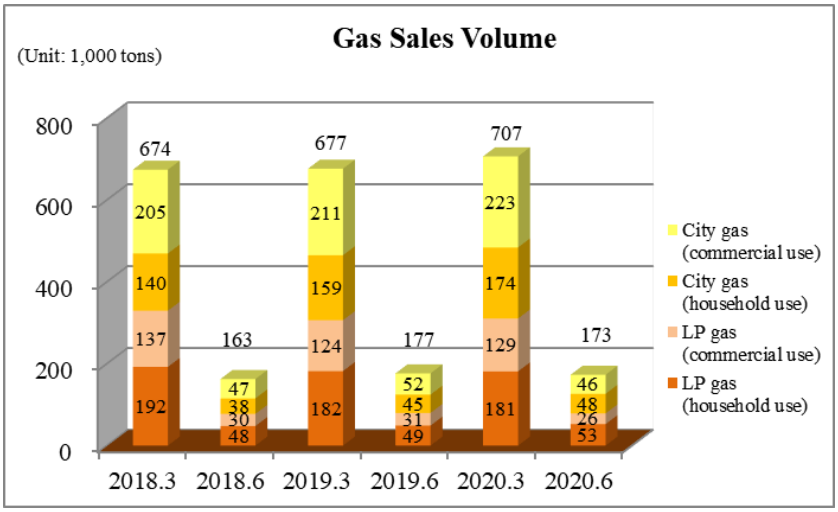
Reportable segments	For the three months ended Jun. 30, 2019 (from Apr. 1, 2019 to Jun. 30, 2019)	For the three months ended Jun. 30, 2020 (from Apr. 1, 2020 to Jun. 30, 2020)
Gas	13,211	12,641
Equipment, construction contracts, etc.	1,567	1,330
Total	14,778	13,971

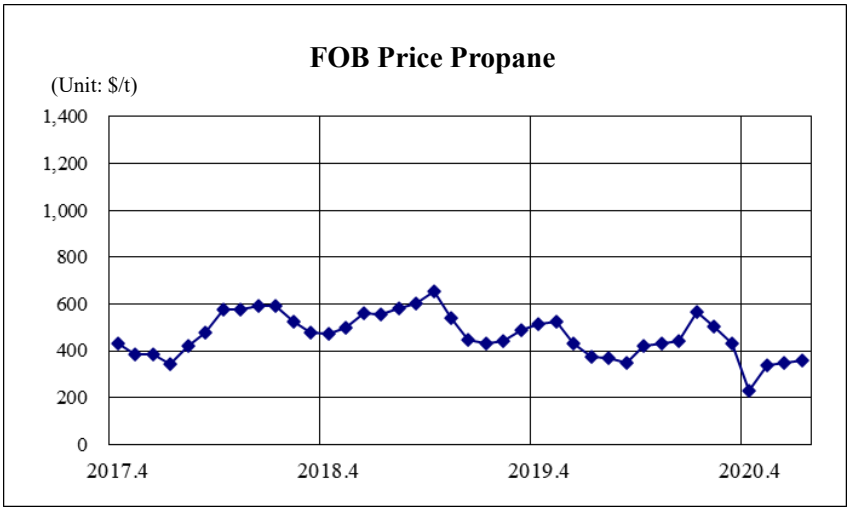
(Notes) 1. Above figures are stated net of consumption taxes, etc.

2. Inter-segment transactions are offset.

(2) Trends in the Number of Houses, etc.







(Note) Gas sales volume includes the sales volume of city gas (LNG) of the city gas business, which has been converted into the calorie value equivalent of LPG gas sales volume (1,000 tons).