Consolidated Financial Results for the Six Months Ended September 30, 2020 [Japanese GAAP]

November 2, 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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Phone: 03-5308-2111
Scheduled date of filing quarterly securities report: November 13, 2020
Scheduled date of commencing dividend payments: November 27, 2020
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: Scheduled (for institutional investors)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2020 (April 1, 2020 to September 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	%
Six Months ended Sep. 30, 2020	61,489	3.7	3,745	16.7	3,925	34.6	2,421	20.2
Six Months ended Sep. 30, 2019	59,294	14.2	3,210	155.0	2,917	242.5	2,013	425.8

(Note) Comprehensive income: Six Months ended Sep. 30, 2020 ¥2,696 million [51.1%]
Six Months ended Sep. 30, 2019 ¥1,784 million [862.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six Months ended Sep. 30, 2020	60.77	—
Six Months ended Sep. 30, 2019	48.76	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2020	132,756	68,432	51.5
As of Mar. 31, 2020	132,521	68,355	51.6

(Reference) Equity: As of Sep. 30, 2020 ¥68,428 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	—	62.50			
Fiscal year ending Mar. 31, 2021 (Forecast)			—	62.50	125.00

(Note) Revision of dividend projection from recently announced figures: Yes

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
Full-year	140,000	5.7	13,000	12.9	13,100	22.6	8,500	9.8	213.35

(Note) Revision of financial results projection from recently announced figures: Yes

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):

Sep. 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:

Sep. 30, 2020	2,115,198 shares
Mar. 31, 2020	1,863,980 shares

3) Average number of shares during the period:

Six months ended Sep. 30, 2020	39,841,352 shares
Six months ended Sep. 30, 2019	41,293,928 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 September 30, 2020: 491,398 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 "Notice of Differences between Results Forecasts and Actual Results for the Second Quarter of Fiscal Year Ending March 31, 2021, and Revision to the Full-Year Consolidated Forecast," which was disclosed separately today, 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 second quarter under review, there were no signs of an end to the global spread of the novel coronavirus disease (COVID-19) and it was likely to be prolonged. Although economic activities were showing some signs of recovery, there were concerns about an economic recession worldwide. Meanwhile, recent changes in the way people live, called the new normal, such as prevalence of remote learning and telework, brought about an unprecedented acceleration of digital transformation (DX) in Japan. We are in the midst of a pivotal moment in history, and the energy industry is also required to redefine its business at an unprecedented speed. 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, and services that reflect new social issues are beginning to be provided. The Company believes that liberalization of energy is a challenge for creating new innovations and offering the resulting benefits to the society.

The spread of COVID-19 has made steadier the global trend of emphasizing Environment, Society and Governance (ESG) and Sustainable Development Goals (SDGs) in corporate management. The Company has had a policy of solving issues of local communities with technology and achieving sustainable enhancement of corporate value over the medium to long term, and been actively working on ESG and SDGs initiatives. The DX projects such as "*Space Hotaru*," which makes unmanned meter-reading possible and transforms figures on the meters into big data, and "Yume no Kizuna Kawasaki," which brings about a paradigm shift of the concept of business from competition to co-creation, are efforts made possible as the Company anticipated a data-driven society, recognized that secure protection of various big data is a major prerequisite for promoting data democratization, standardized individual data of various business operators, and succeeded in mounting blockchain technology, the X-ROAD encryption authentication system from Estonia, an advanced check system for digital currency access logs, etc. on an integrated data platform with heightened security and a sharing economy platform for data value creation. Through these efforts, the Company strives to realize peace and justice for all, which is sought after in SDG 16, and to realize a co-creative society in which the goals are achieved through partnership, which is pursued in SDG 17. In response to overwhelming changes in social issues, the Company will redefine an ideal state of the next era and make further efforts to create ideal forms of working styles and private communities with consumers. Instead of using innovation, which is common property of society, for the benefit of an individual company, the Company will share the innovation and collaborate with the entire energy industry regardless of whether they are partners or competitors, and provide the costs saved by breaking away from the "in-house development principle" to local communities. The Company intends to contribute to local communities and strive to accelerate the speed of sustainable growth as a company by sharing the fruits of its efforts in ICT for co-creation with other suppliers, rather than using them to differentiate itself from other suppliers.

"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 technology. “Yume no Kizuna Kawasaki” is due for completion in the fiscal year ending March 31, 2021. “Yume no Kizuna Kawasaki” will be offered to other operators in a form of microservices as important functions of wheeling service of LP gas (including filling, delivery and meter-reading) which the Company will start in the future. Users of the service can use only the functions they need without having their own systems for filling and delivery. It is a groundbreaking revenue model as it facilitates entry into the LP gas business.
Additionally, “Yume no Kizuna Kawasaki,” together with “*Space Hotaru*,” is also a collection point for IoT data, and the data collected will be linked to “Nichigas Stream,” an integrated infrastructure for collecting big data. “Nichigas Stream,” which is a product of codevelopment with SORACOM, INC., mainly features encryption of individual data, an encryption authentication system, and blockchain technology.
Investments in leading edge technologies that support these DX initiatives 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. In the second quarter under review, the Group jointly developed a fraud detection system with Basset Inc. By utilizing the compliance technology of Basset Inc. based on blockchain analysis, we have succeeded in strengthening the security of the information management system with the same level of mechanism as the fraud detection engines used in financial businesses. This development enhances the traceability and transparency of transactions, and makes it possible to provide highly transparent information to LP gas retailers who will be the users of the data provision service by “*Space Hotaru*” and the LPG wheeling business.
In the infrastructure industry, a conservative industry, the Company is constantly taking on the challenge of fundamentally changing the scheme of business through digitalization, and building a new system. 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 second quarter under review. The restrictions on face-to-face marketing due to the spread of COVID-19 have been relaxed, and currently we are also actively performing non-face-to-face marketing activities using digital technology in keeping with the needs of the “post-COVID-19” era. In addition, 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.
Furthermore, in the platform business jointly established with TEPCO Energy Partner, Incorporated, efforts to digitally collaborate with local government services by utilizing new innovation technology have already started in some municipalities. The Company will continue to strive to achieve next objectives.

In quantitative terms, gross profit increased by ¥1,454 million or 5.1% year on year to ¥29,744 million, operating income increased by ¥535 million or 16.7% year on year to ¥3,745 million, and profit attributable to owners of parent increased by ¥407 million or 20.2% year on year to ¥2,421 million, resulting in an increase in every level of profit.
The increase in gross profit resulted from an increase in the sales volume of household gas, a better margin due to lower prices of raw materials for LP gas, and the expansion of the electricity business and the platform business. In addition, the increase in operating income stemmed from a reduction in operating expenses and proper control of selling, general and administrative expenses in the scope of the plan.

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

[LP Gas Business (including electricity business and platform business as well as LP equipment and construction as ancillary business)]
Gross profit from the LP gas business segment amounted to ¥17,973 million (up by ¥587 million year on year) from the LP gas business and ¥2,056 million (up by ¥626 million year on year) from the ancillary business.
The increase in gross profit from the LP gas business arose from an increase in the sales volume of household gas (up by 5.9% year on year) due to an increase in the number of customers and stay-at-home consumption, and lower prices of raw materials for LP gas. The Company had refrained from marketing activities of the LP gas business due to the spread of COVID-19, but after taking measures against infection, we have now returned to our normal marketing system, which has led to a steady increase in the number of customers. While refraining from marketing activities, the Company focused on acquisition of trading areas, and as a result, achieved an increase of 27,000 households in the number of customers in the six months under review, compared to the annual target of 40,000 households.
Additionally, the increase in gross profit from the ancillary business came from an increase in electricity sales (up by ¥424 million year on year) and the expansion of the platform business (up by ¥137 million year on year). In the electricity business, the Company increased the number of customers by 59,000 households through package sales centering on existing customers of gas. As a result, the ratio of customers packaging electricity with gas rose to 9.9% from 6.4% at the end of the previous fiscal year.

[City Gas Business (including city gas equipment and construction as ancillary business)]
Gross profit from the city gas business segment amounted to ¥9,159 million (up by ¥183 million year on year) from the city gas business and ¥555 million (up by ¥55 million year on year) from the ancillary business.
The increase in gross profit from the city gas business is the result of an increase in the sales volume of household gas (up by 6.2% year on year). The Company concentrated on increasing the number of profitable contracts, and the number of customers increased by 14,000 households.

(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 second quarter of the fiscal year ending March 31, 2021 increased by ¥235 million or 0.2% from the end of the previous fiscal year and stood at ¥132,756 million.

The increase in total assets is due to an increase in non-current assets as a result of partial payment associated with the construction of Yume no Kizuna, the installation of *Space Hotaru*, and investment for acquisition of trading areas, despite decreases in notes and accounts receivable - trade and merchandise and finished goods due to seasonal factors.

Total liabilities as of the end of the second quarter of the fiscal year ending March 31, 2021 increased by ¥157 million or 0.2% from the end of the previous fiscal year and stood at ¥64,323 million. Net assets as of the end of the second quarter of the fiscal year ending March 31, 2021 increased by ¥77 million or 0.1% from the end of the previous fiscal year and stood at ¥68,432 million. The increase in total liabilities is attributable to an increase in long-term loans payable despite seasonal decreases in notes and accounts payable - trade, income taxes payable, etc. The increase in net assets is owing to increases primarily in profit attributable to owners of parent exceededing decreases in purchase of treasury shares for the “Directors’ Compensation BIP Trust,” payment of dividends, etc.

Equity ratio amounted to 51.5%, maintaining a sufficiently stable financial condition even amid the COVID-19 pandemic.

2) Analysis of Cash Flows

Balance of cash and cash equivalents as of the end of the second quarter of the fiscal year ending March 31, 2021 increased by ¥1,391 million from the end of the previous fiscal year to ¥17,920 million.

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

Net cash provided by operating activities amounted to ¥4,344 million, down by ¥68 million year on year. An increase in profit before income taxes (up by ¥593 million year on year) and decreases in notes and accounts receivable - trade and inventories increased net cash provided by operating activities. Due to an increase in income taxes paid, however, net cash provided by operating activities remained almost the same year on year.

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

Net cash used in investing activities amounted to ¥7,394 million, up by ¥2,284 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 ¥2,733 million year on year) and an increase in trading areas (goodwill) acquired (up by ¥891 million year on year).

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

Net cash provided by financing activities amounted to ¥4,415 million, (net cash used in financing activities of ¥5,753 million in the corresponding period of the previous fiscal year). The cash inflow was due to an increase in long-term loans payable.

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

For full-year financial results forecast for the fiscal year ending March 31, 2021, the Company revised the full-year forecast announced on April 30, 2020 by taking into consideration the results and other factors for the six months ended September 30, 2020.

For details, please refer to “Notice of Differences between Results Forecasts and Actual Results for the Second Quarter of Fiscal Year Ending March 31, 2021, and Revision to the Full-year Consolidated Forecast” released separately today.

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)	Six months ended Sep. 30, 2020 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	16,589	17,932
Notes and accounts receivable - trade	11,026	8,116
Merchandise and finished goods	4,830	3,202
Raw materials and supplies	182	164
Other	2,125	1,265
Allowance for doubtful accounts	(222)	(89)
Total current assets	34,532	30,592
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,445	9,567
Machinery, equipment and vehicles, net	32,439	32,405
Tools, furniture and fixtures, net	898	855
Land	29,875	30,209
Leased assets, net	2,397	3,936
Construction in progress	3,982	5,318
Total property, plant and equipment	79,038	82,292
Intangible assets		
Goodwill	3,017	4,308
Other	4,204	4,136
Total intangible assets	7,222	8,445
Investments and other assets		
Investment securities	2,399	2,338
Other	14,048	13,713
Allowance for doubtful accounts	(4,721)	(4,626)
Total investments and other assets	11,726	11,426
Total non-current assets	97,988	102,164
Total assets	132,521	132,756

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2020 (As of Mar. 31, 2020)	Six months ended Sep. 30, 2020 (As of Sep. 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,566	3,945
Electronically recorded obligations - operating	3,887	3,345
Short-term loans payable	11,314	11,202
Income taxes payable	5,374	1,257
Provision for bonuses	346	398
Other	8,268	6,642
Total current liabilities	35,758	26,792
Non-current liabilities		
Long-term loans payable	20,679	28,360
Provision for share-based compensation	591	656
Provision for gas holder repairs	348	378
Provision for loss on voluntary recall of products	369	354
Net defined benefit liability	2,853	2,710
Other	3,564	5,070
Total non-current liabilities	28,407	37,531
Total liabilities	64,165	64,323
Net assets		
Shareholders' equity		
Capital stock	7,070	7,070
Capital surplus	5,860	5,860
Retained earnings	61,020	62,033
Treasury shares	(6,075)	(7,284)
Total shareholders' equity	67,875	67,678
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	230	473
Foreign currency translation adjustment	303	324
Remeasurements of defined benefit plans	(58)	(47)
Total accumulated other comprehensive income	475	750
Non-controlling interests	4	3
Total net assets	68,355	68,432
Total liabilities and net assets	132,521	132,756

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

Account	For the six months ended Sep. 30, 2019 (from Apr. 1, 2019 to Sep. 30, 2019)	For the six months ended Sep. 30, 2020 (from Apr. 1, 2020 to Sep. 30, 2020)
Net sales	59,294	61,489
Cost of sales	31,004	31,745
Gross profit	28,290	29,744
Selling, general and administrative expenses	25,080	25,999
Operating income	3,210	3,745
Non-operating income		
Interest income	221	5
Dividend income	27	19
Foreign exchange gains	–	20
Real estate rent	34	37
Insurance income	19	22
Dividend income of insurance	18	21
Other	143	146
Total non-operating income	465	273
Non-operating expenses		
Interest expenses	152	79
Share of loss of entities accounted for using equity method	1	–
Foreign exchange losses	80	–
Provision of allowance for doubtful accounts	515	–
Other	7	13
Total non-operating expenses	758	92
Ordinary income	2,917	3,925
Extraordinary income		
Gain on sales of non-current assets	4	11
Gain on sales of investment securities	67	224
Gain on extinguishment of tie-in shares	52	–
Total extraordinary income	124	236
Extraordinary losses		
Loss on sales of non-current assets	6	2
Loss on retirement of non-current assets	50	81
Loss on sales of investment securities	15	–
Impairment loss	–	464
Reorganization cost	–	49
Total extraordinary losses	72	597
Profit before income taxes	2,970	3,563
Income taxes - current	1,300	1,148
Income taxes - deferred	(342)	(5)
Total income taxes	957	1,143
Profit	2,012	2,420
Loss attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	2,013	2,421

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

Account	For the six months ended Sep. 30, 2019 (from Apr. 1, 2019 to Sep. 30, 2019)	For the six months ended Sep. 30, 2020 (from Apr. 1, 2020 to Sep. 30, 20)
Profit	2,012	2,420
Other comprehensive income		
Valuation difference on available-for-sale securities	(292)	243
Remeasurements of defined benefit plans, net of tax	11	10
Share of other comprehensive income of entities accounted for using equity method	53	20
Total other comprehensive income	(227)	275
Comprehensive income	1,784	2,695
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,785	2,696
Comprehensive income attributable to non-controlling interests	(0)	(0)

(3) Consolidated Statement of Cash Flows

(Millions of yen)

Account	For the six months ended Sep. 30, 2019 (from Apr. 1, 2019 to Sep. 30, 2019)	For the six months ended Sep. 30, 2020 (from Apr. 1, 2020 to Sep. 30, 20)
Cash flows from operating activities		
Profit before income taxes	2,970	3,563
Depreciation	4,403	4,693
Impairment loss	–	464
Amortization of goodwill	396	567
Increase (decrease) in allowance for doubtful accounts	513	(45)
Increase (decrease) in net defined benefit liability	93	(126)
Increase (decrease) in provision for share-based compensation	46	64
Increase (decrease) in allowance for loss on voluntary recall of products	(16)	(14)
Interest and dividend income	(249)	(24)
Interest expenses	152	79
Foreign exchange losses (gains)	48	(60)
Share of (profit) loss of entities accounted for using equity method	1	–
Loss (gain) on sales of non-current assets	1	(8)
Loss on retirement of non-current assets	50	81
Loss (gain) on sales of investment securities	(52)	(224)
Decrease (increase) in notes and accounts receivable - trade	915	2,910
Decrease (increase) in inventories	1,305	1,646
Increase (decrease) in notes and accounts payable - trade	(3,419)	(3,163)
Increase (decrease) in accrued consumption taxes	(199)	(810)
Increase (decrease) in advances received	49	(6)
Other, net	412	149
Subtotal	7,425	9,735
Interest and dividend income received	28	24
Interest expenses paid	(149)	(79)
Income taxes paid	(2,892)	(5,336)
Net cash provided by (used in) operating activities	4,412	4,344
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,379)	(6,112)
Proceeds from sales of property, plant and equipment	17	35
Purchase of intangible assets	(1,079)	(572)
Purchase of goodwill	(370)	(1,262)
Purchase of investment securities	(0)	(0)
Proceeds from sales of investment securities	278	594
Payments of loans receivable	(558)	(8)
Collection of loans receivable	9	7
Other, net	(26)	(76)
Net cash provided by (used in) investing activities	(5,109)	(7,394)

(Millions of yen)

Account	For the six months ended Sep. 30, 2019 (from Apr. 1, 2019 to Sep. 30, 2019)	For the six months ended Sep. 30, 2020 (from Apr. 1, 2020 to Sep. 30, 20)
Cash flows from financing activities		
Increase in short-term loans payable	6,790	11,000
Decrease in short-term loans payable	(9,945)	(11,000)
Proceeds from long-term loans payable	10,000	15,000
Repayments of long-term loans payable	(8,227)	(7,430)
Purchase of treasury shares	(1,936)	(1,205)
Cash dividends paid	(1,960)	(1,405)
Other, net	(473)	(543)
Net cash provided by (used in) financing activities	(5,753)	4,415
Effect of exchange rate change on cash and cash equivalents	(29)	26
Net increase (decrease) in cash and cash equivalents	(6,480)	1,391
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	11,769	17,920

(4) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

None.

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

In the six months ended September 30, 2020, with the extension of trust period of the "Directors' Compensation BIP (Board Incentive Plan) Trust" ("the Trust") as a performance-linked stock remuneration plan, the Trust acquired the Company's stocks. The stocks the Trust holds are recorded as treasury shares. As a result, in the six months ended September 30, 2020, treasury shares increased by ¥1,258 million to ¥7,284 million at the end of the first half of the fiscal year ending March 31, 2021.

(Significant Subsequent Events)

Purchase and retirement of treasury shares

The Company resolved at the meeting of the Board of Directors held on November 2, 2020 to purchase treasury shares pursuant to the provisions Article 156, Paragraph 1 of the Companies Act applied *mutatis mutandis* pursuant to the provisions of Article 165, Paragraph 3 of the same Act, and to retire treasury shares pursuant to the provisions of Article 178 of the Companies Act.

1) Reasons for the purchase and retirement of treasury shares

In view of the progress in enhancement of the financial base for achieving growth and in an effort to enhance shareholder returns and increase capital efficiency.

2) Details of the matters associated with the purchase

i) Type of shares to be purchased:	Common stock in the Company
ii) Total number of shares to be purchased:	Up to 700,000 shares
iii) Total value of shares to be purchased:	Up to ¥3.5 billion
iv) Purchase period:	From November 4, 2020 to March 31, 2021
v) Purchase method:	Market purchase based on a discretionary trading contract regarding purchase of treasury shares

3) Details of the matters associated with the retirement

i) Type of shares to be retired:	Common stock in the Company
ii) Total number of shares to be retired:	1,576,300 shares (3.8% of the total issued shares including treasury shares)
iii) Date of retirement:	November 27, 2020

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 six months ended September 30, 2020 are as follows:

Sales results by reportable segment (Millions of yen)

Reportable segments	For the six months ended Sep. 30, 2019 (from Apr. 1, 2019 to Sep. 30, 2019)	For the six months ended Sep. 30, 2020 (from Apr. 1, 2020 to Sep. 30, 2020)
LP gas Business	32,628	36,377
City gas Business	26,665	25,112
Total	59,294	61,489

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

Reportable segments	For the six months ended Sep. 30, 2019 (from Apr. 1, 2019 to Sep. 30, 2019)	For the six months ended Sep. 30, 2020 (from Apr. 1, 2020 to Sep. 30, 2020)
Gas	25,636	25,014
Equipment, construction contracts, etc.	6,992	11,363
Total	32,628	36,377

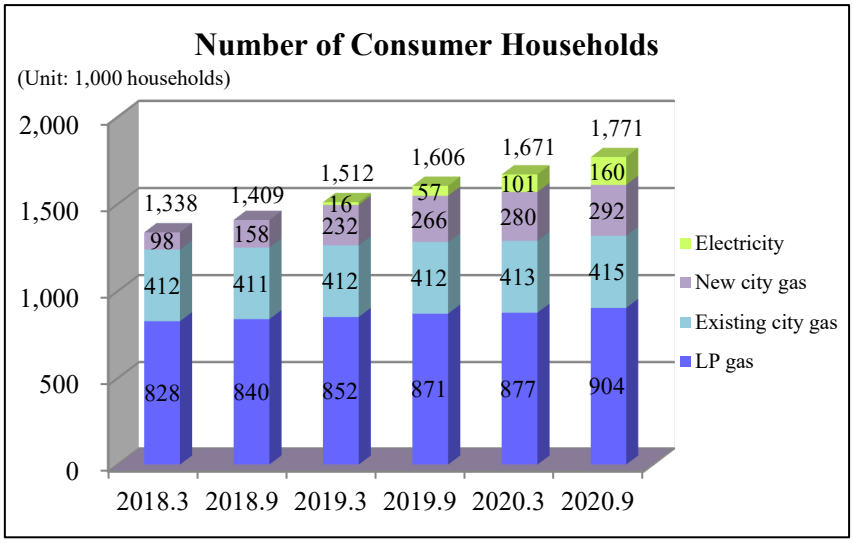
3) Sales results of city gas business (Millions of yen)

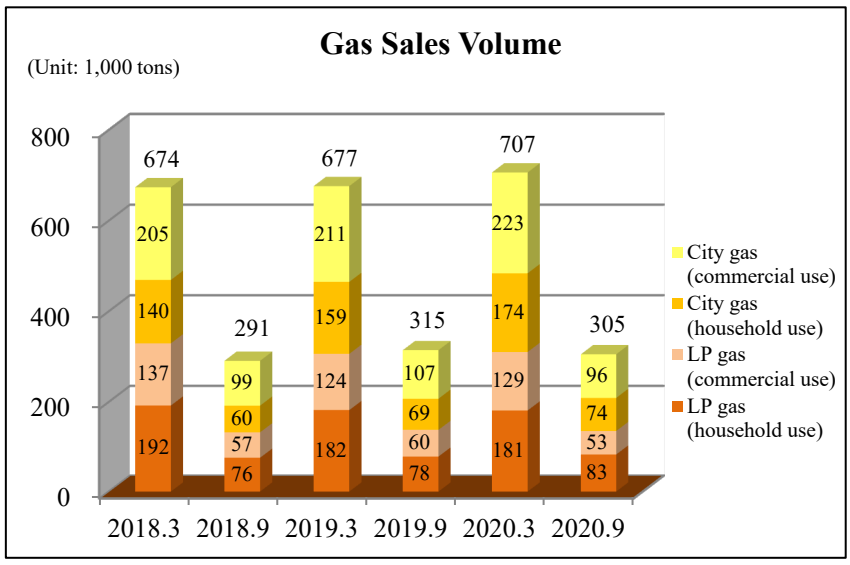
Reportable segments	For the six months ended Sep. 30, 2019 (from Apr. 1, 2019 to Sep. 30, 2019)	For the six months ended Sep. 30, 2020 (from Apr. 1, 2020 to Sep. 30, 2020)
Gas	23,145	22,077
Equipment, construction contracts, etc.	3,520	3,035
Total	26,665	25,112

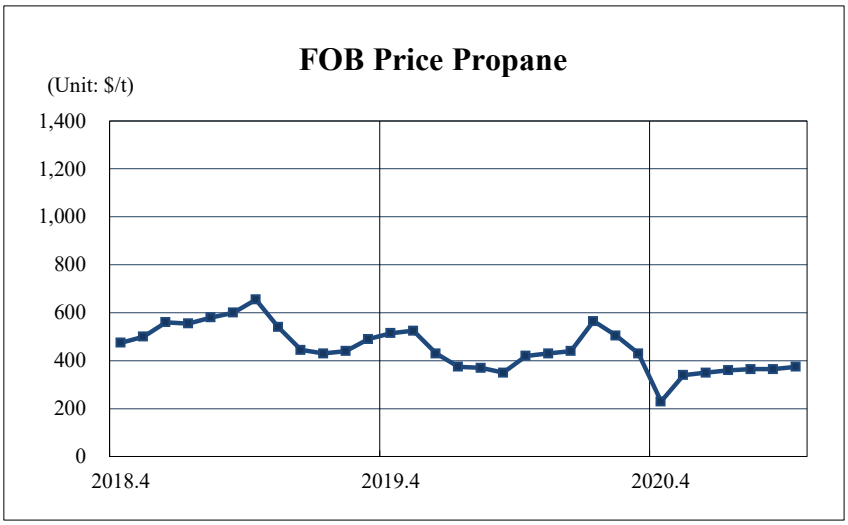
(Notes) 1. Above figures are stated net of consumption taxes, etc.

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).