Consolidated Financial Results for the Three Months Ended June 30th, 2024 [Japanese GAAP]

July 30th, 2024

Company name: NIPPON GAS CO., LTD.
Code number: 8174
URL: https://www.nichigas.co.jp/en/
Stock exchange listing: Tokyo Stock Exchange
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Scheduled date of commencing dividend payments: —
Availability of supplementary briefing material on financial results: Available
Schedule of financial results briefing session: Scheduled (for institutional investors)

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

1. Consolidated Financial Results for the Three Months Ended June 30th, 2024 (April 1st, 2024 to June 30th, 2024)

(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. 30th, 2024	44,601	(3.2)	2,088	(44.0)	2,147	(43.5)	1,453	(45.4)
Three Months ended Jun. 30th, 2023	46,053	5.1	3,725	9.4	3,797	10.4	2,661	11.7

(Note) Comprehensive income: Three Months ended Jun. 30th, 2024 ¥916 million [(63.1)%]
Three Months ended Jun. 30th, 2023 ¥2,481 million [14.8%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three Months ended Jun. 30th, 2024	13.03	–
Three Months ended Jun. 30th, 2023	23.37	–

(Note) Figures for the three months ended June 30th, 2023 represent figures after the retroactive application following a change in accounting policies.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30th, 2024	143,432	68,655	47.9
As of Mar. 31st, 2024	159,219	72,723	45.7

(Reference) Equity: As of Jun. 30th, 2024 ¥68,655 million As of Mar. 31st, 2024 ¥72,723 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. 31st, 2024	—	37.50	—	37.50	75.00
Fiscal year ending Mar. 31st, 2025	—				
Fiscal year ending Mar. 31st, 2025 (Forecast)		46.25	—	46.25	92.50

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31st, 2025 (April 1st, 2024 to March 31st, 2025)

(% 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. 30th, 2024	90,000	3.7	3,200	(35.8)	3,200	(37.6)	2,200	(38.4)	19.79
Full-year	200,000	2.9	20,000	14.7	20,000	13.6	14,000	29.3	126.71

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

4. Notes

(1) Significant changes in the scope of consolidation during the period: 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: Yes

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. 30th, 2024	115,317,098 shares
Mar. 31st, 2024	115,317,098 shares

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

Jun. 30th, 2024	3,788,070 shares
Mar. 31st, 2024	3,525,481 shares

3) Average number of shares during the period:

Three months ended Jun. 30th, 2024	111,576,778 shares
Three months ended Jun. 30th, 2023	113,871,332 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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 "1. Qualitative Information on Consolidated Performance for the Period under Review (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on page 5 of the attached Appendix and "Financial Results Briefing Materials for the 1Q of FY Ending in March 2025," 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

[Business Environment Surrounding the Group]

The Japanese economy is currently going through an inflation against the backdrop of the yen's historic weakness, global surge in resource prices, and other factors. Despite the widespread pay rises to cope with soaring living costs as well as to attract and retain human resources, real wages have fallen from the same months of the previous year.

The energy industry is faced with a variety of social issues ranging from logistics bottleneck such as the shortage of delivery vehicle drivers due to the "2024 issue," hovering raw material prices, prospective rise in retail prices with the end of government subsidies on electricity and gas, rise in materials prices, to addressing decarbonization.

What became clear in the face of these issues is that the traditional business model of relying on the volume of sales has reached its limit. In the LP gas industry, the number of providers nationwide has fallen to about three-quarters of what it was ten years ago, revealing the fact that it is difficult to continue business if you cannot adapt to change in the business environment. The Company believes that the trend of industry consolidation will gather pace going forward.

[Resolving Social Issues and Industry Consolidation]

For the Company, solving social issues means to make proposals for optimal energy use with the bundled gas and electricity to satisfy its customers and contribute to the local community. We intend to bring our services to more customers so as to contribute more widely to local communities. One way of doing this is to offer our platform services for use by other companies in the same industry and pursue growth together. Another way is to merge with other providers within the retail business domain via M&A.

In particular, we position industrial integration by way of M&As, or exponential growth, as a target that must be met without fail in addition to achieving continuous growth (three-year plan). However, the fractionalized and multilayered structure of the industry stands in our way as a high barrier. We will address this by using as magnetism the three themes of (1) retail growth, (2) expanded sharing of platform services, and (3) high capital efficiency and growing corporate value to work together with other companies who agree with our idea to create a large current. We have the will to change, the determination to merge with companies with whom we share the same goals, the employees at the front line who are trusted by our customers, and the platform that provides optimal solutions in preparation for a greater reorganization or a large-scale M&A. In full awareness of how great a chance we have been given, we aim to jump the hurdles of competition and co-creation to make a further leap forward.

The Company has been growing for 70 years by accumulating the trust of its customers in the local community and in the midst of the deregulation of the retail energy market. This past May, the number of LP gas customers exceeded one million and the total number of contracts, including those with customers for city gas and electricity, is about to surpass two million soon.

Even when the Company is faced with difficult social issues and stereotyped knowledge that seemingly cannot be solved or changed with conventional ideas, the Company will ceaselessly transform itself while leveraging its DNA to tackle those challenges and continue to work in efforts toward a growth in medium- to long-term corporate value. The Company will continue to do its utmost to earn the support of its stakeholders by leveraging its closest relationship with customers as an energy supplier.

[Consolidated Financial Results]

Financial results during the three months ended June 30th, 2024 are as follows.

(Millions of yen)

	Three months ended June 30th, 2023	Three months ended June 30th, 2024	YoY change	YoY change (%)
Net sales	46,053	44,601	(1,451)	(3.2)%
Gross profit	17,036	16,948	(87)	(0.5)%
Operating income	3,725	2,088	(1,637)	(44.0)%
Ordinary income	3,797	2,147	(1,650)	(43.5)%
Profit attributable to owners of parent	2,661	1,453	(1,207)	(45.4)%

For the three months ended June 30th, 2024, all stages of profit from operating income and below decreased drastically owing to an increase in selling, general and administrative expenses including expenses for acquiring customers. This is because during the three months ended June 30th, 2024, the Company expanded the new customer base at a pace exceeding the target of the number of LP gas customers of 40 thousand over a year, with a net increase of 13 thousand,

which is well above the net increase of five thousand achieved in the same period of the previous fiscal year.

An expansion of customer base causes a temporary decline in operating income as it requires costs at the point of customer acquisition, but eventually leads to growth in gross profit through sales of gas, electricity and equipment over the long duration of contracts.

Although we recorded a decline in profit in the three months ended June 30th, 2024, we will work from the second quarter onward to boost gross profit by promoting services targeting new gas customers, including sales of bundled gas and electricity plan and equipment sales.

[Results by Segment]

◇ LP Gas Business (including platform business as well as LP equipment and construction)

In the LP gas business segment, gross profit from the LP gas business was ¥10,485 million (up ¥223 million year on year), and gross profit from the ancillary business was ¥857 million (up ¥9 million year on year).

The increase in gross profit from the LP gas business was due to an increase in margin on sales of LP gas for commercial use, although gas sales volume decreased from the same period of the previous fiscal year due to hot temperatures.

Regarding sales, the total number of customers grew by 13 thousand from the end of the previous fiscal year to 1,010 thousand households, which the Company believes to be a fruit of the reorganization achieved through the integration of sales operations of NICIGAS and our former Group companies that united the strengths of each party. In April, the amended ministerial ordinance on the Liquefied Petroleum Gas Act was promulgated to control the provision of excessive benefits by LPG business operators to owners of multifamily housing properties. We will further strengthen sales efforts targeting single-family homes and continue working to expand new customer base, focusing on families with a view to offering bundled service of gas and electricity.

		Three months ended June 30th, 2023	Three months ended June 30th, 2024	YoY change	YoY change (%)
Gross profit (millions of yen)	LP gas	10,261	10,485	223	2.2%
	Equipment, construction, platform, etc.	848	857	9	1.2%
Gas sales volume (1,000 tons)*	Household use	41.7	40.9	(0.9)	(2.1)%
	Commercial use	28.3	27.8	(0.5)	(1.8)%
No. of customers (1,000 customers)		977	1,010	33	3.4%

* In accordance with the adoption of the Accounting Standard for Revenue Recognition, sales volume on a meter reading basis is adjusted to the sales volume until the end of the period under review.

◇ Electricity Business

Gross profit from the electricity business segment totaled ¥714 million (down ¥32 million year on year).

The reason for the slight fall in gross profit, despite a rise in sales volume, is the decline in margin due to the incurrence of compensation for capacity resources and other fixed costs of sales starting in the period under review.

Since the beginning of 2024, customers have become increasingly conscious of their electricity costs against the backdrop of an increase in the renewable energy levy and nationwide electricity rate hike. The Company, since it began sales of electricity, has been expanding its customer base by following the strategy of bundled sales of gas and electricity, offering menus that are price-advantageous to prospective high users (monthly usage of 200 kWh or more). In addition, in April, we broadened the range of this service by launching a menu that gives price advantage to medium users such as two-person households, which has spurred the pace of acquisition of new contracts.

The percentage of customers bundling gas and electricity services increased from 20.0% at the end of the first three months of the previous fiscal year to 22.1% at the end of period under review, and the number of customers increased by 9 thousand from the end of the previous fiscal year to 355 thousand.

In July, we also released an electricity-only menu that is sold not in bundle with gas. Leveraging on our price competitiveness and by promoting online application, we will reach out to the customers of other gas providers, all-electric households, and other customer segments that we have not been able to develop into, and increase the number of subscriptions.

		Three months ended June 30th, 2023	Three months ended June 30th, 2024	YoY change	YoY change (%)
Gross profit (millions of yen)	Electricity	746	714	(32)	(4.3)%
Electricity sales volume (GWh)*	Household use	258	285	27	10.6%
No. of customers (1,000 customers)		327	355	28	8.6%

* In accordance with the adoption of the Accounting Standard for Revenue Recognition, sales volume on a meter reading basis is adjusted to the sales volume until the end of the period under review.

◇ City Gas Business (including city gas equipment and construction as ancillary business)

Gross profit from the city gas business segment was ¥4,615 million (down ¥350 million year on year), and gross profit from the ancillary business was ¥275 million (up ¥61 million year on year).

The decrease in gross profit from the city gas business was due to the diminished positive impact of the slide time lag caused by the downward trend in raw material prices for city gas.

* Slide time lag is a time lag in profit recovery caused by the raw material cost adjustment formula introduced in the city gas business. In this formula, a time lag is caused as a raw material price fluctuation is borne in cost of sales earlier and in retail price later. Slide time lag has a positive impact when there is a downward trend in raw material prices.

		Three months ended June 30th, 2023	Three months ended June 30th, 2024	YoY change	YoY change (%)
Gross profit (millions of yen)	Gas	4,965	4,615	(350)	(7.0)%
	Equipment, construction, etc.	214	275	61	28.7%
Gas sales volume (1,000 tons)	Household use*1	34.6	34.1	(0.4)	(1.3)%
	Commercial use*1	50.1	45.4	(4.7)	(9.4)%
No. of customers (1,000 customers)*2		625	593	(32)	(5.1)%

*1 In accordance with the adoption of the Accounting Standard for Revenue Recognition, sales volume on a meter reading basis is adjusted to the sales volume until the end of the period under review.

*2 The number of customers is listed as the number of retail customers (number of accounts supplied).

(2) Explanation of Financial Position and Cash Flows

[Analysis of Assets, Liabilities and Net Assets]

With the aim of increasing the return on equity, or ROE, the Company has set return on invested capital (ROIC) as a KPI and is working to improve it in order to increase the profitability of its assets as a priority.

• Total assets as of the end of the first quarter of the fiscal year ending March 31st, 2025 decreased by ¥15,700 million or 9.9% from the end of the previous fiscal year to ¥143,400 million. The decrease in assets was mainly due to decreases of ¥8,300 million in trade receivables caused by seasonal factors and ¥5,600 million in cash on hand needed.

• Total liabilities as of the end of the first quarter of the fiscal year ending March 31st, 2025 decreased by ¥11,700 million or 13.6% from the end of the previous fiscal year to ¥74,700 million, and net assets decreased by ¥4,000 million or 5.6% from the end of the previous fiscal year to ¥68,600 million. The main factors for the decrease in liabilities were a ¥6,300 million decrease in notes and accounts payable - trade and a ¥3,000 million decrease in income taxes payable due to seasonal factors, as well as a ¥3,100 million decrease in interest-bearing liabilities to ¥44,000 million from the end of the previous fiscal year. The main factor for the decrease in net assets was progress in return of profits to shareholders in the form of dividend payments of ¥4,200 million.

• As of the end of the first quarter of the fiscal year ending March 31st, 2025, the debt-to-equity ratio was 0.6 times, and the shareholders' equity ratio was 47.9%. While ensuring the stability of its financial base, the Company will pursue purchase of treasury shares at appropriate times to raise capital with an awareness of its funding costs (WACC) toward an optimal capital structure (plans to be 40% at the end of the fiscal year ending March 31st, 2026).

(Millions of yen)

	March 31st, 2024	June 30th, 2024	Change
Current assets	56,646	41,707	(14,938)
Of which, Cash and deposits	18,990	13,349	(5,641)
Trade receivables	28,990	20,600	(8,390)
Inventories	4,594	4,327	(267)
Non-current assets	102,572	101,725	(847)
Interest-bearing liabilities	47,192	44,043	(3,149)
Equity (Equity ratio)	72,723 (45.7%)	68,655 (47.9%)	(4,068)
Total assets	159,219	143,432	(15,786)

[Analysis of Cash Flows]

Balance of cash and cash equivalents as of the end of the first quarter of the fiscal year ending March 31st, 2025 increased by ¥1,075 million from the end of the first three months of the previous fiscal year to ¥13,027 million.

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

Net cash provided by operating activities amounted to ¥5,338 million, down by ¥1,473 million of an inflow year on year. The main cause of the decreased cash inflow was a decrease in profit before income taxes of ¥1,600 million.

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

Net cash used in investing activities amounted to ¥1,760 million, down by ¥503 million of an outflow year on year. The decrease was due to the lower capital investments in plants and depots compared with the same period of the previous fiscal year.

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

Net cash used in financing activities amounted to ¥9,269 million, up by ¥3,803 million of an outflow year on year. The main causes of the increased cash outflow were the increases in repayments of loans payable and returning of profits to shareholders including through dividends.

(Millions of yen)

	Three months ended June 30th, 2023	Three months ended June 30th, 2024	Change
Cash flows from operating activities	6,812	5,338	(1,473)
Cash flows from investing activities	(2,263)	(1,760)	503
Free Cash Flow	4,548	3,578	(969)
Cash flows from financing activities	(5,465)	(9,269)	(3,803)
Net increase (decrease) in cash and cash equivalents	(912)	(5,686)	(4,774)
Cash and cash equivalents at end of period	11,951	13,027	1,075

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

Regarding the financial results forecasts for the full year ending March 31st, 2025, no change has been made to those stated in the full-year consolidated financial results forecast released on April 30th, 2024.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

Account	Fiscal year ended Mar. 31st, 2024 (As of Mar. 31st, 2024)	Three months ended Jun. 30th, 2024 (As of Jun. 30th, 2024)
Assets		
Current assets		
Cash and deposits	18,990	13,349
Notes and accounts receivable - trade	28,990	20,600
Merchandise and finished goods	4,480	4,222
Raw materials and supplies	114	104
Other	4,202	3,547
Allowance for doubtful accounts	(132)	(116)
Total current assets	56,646	41,707
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,341	15,197
Machinery, equipment and vehicles, net	27,885	27,480
Tools, furniture and fixtures, net	518	539
Land	29,991	29,941
Leased assets, net	6,823	7,447
Construction in progress	1,045	922
Total property, plant and equipment	81,606	81,528
Intangible assets		
Goodwill	1,698	1,470
Other	6,536	6,577
Total intangible assets	8,235	8,048
Investments and other assets		
Investment securities	3,718	3,141
Long-term loans receivable	5,029	5,359
Deferred tax assets	8,550	8,684
Other	2,969	3,124
Allowance for doubtful accounts	(7,537)	(8,161)
Total investments and other assets	12,730	12,147
Total non-current assets	102,572	101,725
Total assets	159,219	143,432

(Millions of yen)

Account	Fiscal year ended Mar. 31st, 2024 (As of Mar. 31st, 2024)	Three months ended Jun. 30th, 2024 (As of Jun. 30th, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,327	10,468
Electronically recorded obligations - operating	4,057	3,546
Short-term loans payable	4,000	3,500
Current portion of long-term debt	10,472	9,458
Lease obligations	1,472	1,532
Income taxes payable	3,763	731
Provision for bonuses	268	389
Other	7,053	7,756
Total current liabilities	47,415	37,383
Non-current liabilities		
Long-term loans payable	25,199	22,878
Lease obligations	6,048	6,673
Deferred tax liabilities for land revaluation	203	203
Provision for share-based compensation	1,247	1,259
Provision for gas holder repairs	262	275
Provision for loss on voluntary recall of products	43	22
Net defined benefit liability	4,021	4,057
Other	2,053	2,023
Total non-current liabilities	39,080	37,393
Total liabilities	86,495	74,777
Net assets		
Shareholders' equity		
Capital stock	7,070	7,070
Capital surplus	5,860	5,860
Retained earnings	66,407	63,594
Treasury shares	(7,070)	(7,790)
Total shareholders' equity	72,266	68,734
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	670	241
Foreign currency translation adjustment	(170)	(280)
Remeasurements of defined benefit plans	(42)	(39)
Total accumulated other comprehensive income	457	(79)
Total net assets	72,723	68,655
Total liabilities and net assets	159,219	143,432

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

Account	For the three months ended Jun. 30th, 2023 (from Apr. 1st, 2023 to Jun. 30th, 2023)	For the three months ended Jun. 30th, 2024 (from Apr. 1st, 2024 to Jun. 30th, 2024)
Net sales	46,053	44,601
Cost of sales	29,017	27,652
Gross profit	17,036	16,948
Selling, general and administrative expenses	13,310	14,860
Operating income	3,725	2,088
Non-operating income		
Interest income	0	0
Dividend income	1	1
Real estate rent	17	21
Insurance income	5	–
Foreign exchange gains	12	10
Share of profit of entities accounted for using equity method	31	41
Other	36	34
Total non-operating income	105	110
Non-operating expenses		
Interest expenses	31	49
Other	2	2
Total non-operating expenses	34	52
Ordinary income	3,797	2,147
Extraordinary income		
Gain on sales of non-current assets	3	19
Gain on sales of investment securities	–	0
Total extraordinary income	3	20
Extraordinary losses		
Loss on retirement of non-current assets	21	11
Total extraordinary losses	21	11
Profit before income taxes	3,780	2,155
Income taxes – current	1,046	599
Income taxes – deferred	72	103
Total income taxes	1,118	702
Profit	2,661	1,453
Loss attributable to non-controlling interests	(0)	–
Profit attributable to owners of parent	2,661	1,453

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

Account	For the three months ended Jun. 30th, 2023 (from Apr. 1st, 2023 to Jun. 30th, 2023)	For the three months ended Jun. 30th, 2024 (from Apr. 1st, 2024 to Jun. 30th, 2024)
Profit	2,661	1,453
Other comprehensive income		
Valuation difference on available-for-sale securities	–	(429)
Deferred gains or losses on hedges	(172)	–
Remeasurements of defined benefit plans, net of tax	1	2
Share of other comprehensive income of entities accounted for using equity method	(9)	(110)
Total other comprehensive income	(180)	(536)
Comprehensive income	2,481	916
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,481	916
Comprehensive income attributable to non-controlling interests	(0)	–

(3) Consolidated Statement of Cash Flows

(Millions of yen)

Account	For the three months ended Jun. 30th, 2023 (from Apr. 1st, 2023 to Jun. 30th, 2023)	For the three months ended Jun. 30th, 2024 (from Apr. 1st, 2024 to Jun. 30th, 2024)
Cash flows from operating activities		
Profit before income taxes	3,780	2,155
Depreciation	2,392	2,473
Amortization of goodwill	230	248
Increase (decrease) in allowance for doubtful accounts	689	608
Increase (decrease) in net defined benefit liability	69	35
Increase (decrease) in provision for share-based compensation	(52)	11
Increase (decrease) in allowance for loss on voluntary recall of products	(35)	(21)
Interest and dividend income	(2)	(2)
Interest expenses	31	49
Foreign exchange losses (gains)	(4)	(3)
Share of (profit) loss of entities accounted for using equity method	(31)	(41)
Loss (gain) on sales of non-current assets	(3)	(19)
Loss on retirement of non-current assets	21	11
Loss (gain) on sales of investment securities	–	(0)
Decrease (increase) in notes and accounts receivable – trade	9,060	8,390
Decrease (increase) in inventories	1,217	267
Decrease (increase) in accounts receivable - other	1,284	495
Increase (decrease) in notes and accounts payable - trade	(7,618)	(6,309)
Increase (decrease) in accrued consumption taxes	(317)	341
Other, net	(647)	72
Subtotal	10,063	8,763
Interest and dividend income received	2	2
Interest expenses paid	(33)	(51)
Income taxes paid	(3,220)	(3,376)
Net cash provided by (used in) operating activities	6,812	5,338
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,531)	(1,080)
Proceeds from sales of property, plant and equipment	4	49
Purchase of intangible assets	(1,003)	(665)
Purchase of goodwill	–	(45)
Purchase of investment securities	(67)	–
Proceeds from sales of investment securities	334	1
Payments of loans receivable	(0)	–
Collection of loans receivable	4	4
Other, net	(4)	(23)
Net cash provided by (used in) investing activities	(2,263)	(1,760)

(Millions of yen)

Account	For the three months ended Jun. 30th, 2023 (from Apr. 1st, 2023 to Jun. 30th, 2023)	For the three months ended Jun. 30th, 2024 (from Apr. 1st, 2024 to Jun. 30th, 2024)
Cash flows from financing activities		
Increase in short-term loans payable	11,000	17,750
Decrease in short-term loans payable	(9,500)	(18,250)
Repayments of long-term loans payable	(2,860)	(3,334)
Purchase of treasury shares	–	(771)
Cash dividends paid	(3,732)	(4,238)
Other, net	(372)	(424)
Net cash provided by (used in) financing activities	(5,465)	(9,269)
Effect of exchange rate change on cash and cash equivalents	4	3
Net increase (decrease) in cash and cash equivalents	(912)	(5,686)
Cash and cash equivalents at beginning of period	12,863	18,713
Cash and cash equivalents at end of period	11,951	13,027

(4) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

None.

(Notes in Case of Significant Changes in Shareholders' Equity)

Purchase of treasury shares

The Company resolved at the meeting of the Board of Directors held on February 1st, 2024 to purchase treasury shares pursuant to the provisions of Article 156 of the Companies Act applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the same Act. Therefore, the Company advanced the purchase of up to 1,800,000 treasury shares on the market of the Tokyo Stock Exchange from February 2nd, 2024 to July 31st, 2024, with the upper limit of ¥3,500 million in acquisition value. As a result, the Company acquired 298,200 treasury shares in the three months ended June 30th, 2024, and treasury shares increased by ¥770 million.

(Changes to Accounting Policies)

Changes in Revenue Recognition Standards in Gas Business

In the sale of city gas, the obligation to deliver gas under a supply contract with a customer is satisfied by the supply of city gas. However, the Company traditionally complies with the "Regulation on Accounting at Gas Utilities," and recognizes revenue based on the "meter reading date standard," whereby the amount of gas supplied is measured based on the monthly meter reading and the rate calculated based on that reading is used as revenue for the current month.

Effective January 1st, 2024, due to our reorganization that consolidated the gas pipeline business, etc. into our wholly owned subsidiary, Energy Sola Platforms Co., Ltd., we are no longer a general gas pipeline service provider defined by the Regulation on Accounting at Gas Utilities. Accordingly, effective from the fourth quarter of the previous fiscal year, the Company changed its method of recognizing revenue from sales of city gas to the delivery basis by reasonably estimating the performance obligation that will be satisfied at the end of the fiscal year.

The change in accounting policy has been applied retrospectively, and the consolidated financial statements for the three months ended June 30th, 2023 have been prepared on a retrospective basis.

As a result, compared to before the retrospective application, net sales decreased by ¥1,078 million, gross profit, operating profit, and ordinary profit decreased by ¥307 million, and profit decreased by ¥213 million in the three months ended June 30th, 2023.

(Segment Information, etc.)

1. Information on net sales and income (loss) by reportable segment and breakdown of revenue

For the three months ended June 30th, 2023 (from April 1st, 2023 to June 30th, 2023)

(Millions of yen)

	Reportable segments			Total
	LP Gas Business	Electricity Business	City Gas Business	
Net sales				
(1) LP gas, electricity and city gas				
a. Revenue generated from April 1st, 2023 to the June meter reading date	13,435	7,106	14,586	35,128
b. Revenue generated from the June meter reading date to June 30th, 2023	3,779	1,784	1,267	6,831
Total	17,214	8,891	15,854	41,960
(2) Equipment, construction contracts, platform, etc.	2,856	–	1,236	4,093
Revenue from contracts with customers	20,070	8,891	17,091	46,053
Net sales to outside customers	20,070	8,891	17,091	46,053
Segment income	11,110	746	5,179	17,036

For the three months ended June 30th, 2024 (from April 1st, 2024 to June 30th, 2024)

(Millions of yen)

	Reportable segments			Total
	LP Gas Business	Electricity Business	City Gas Business	
Net sales				
(1) LP gas, electricity and city gas				
a. Revenue generated from April 1st, 2024 to the June meter reading date	13,437	7,294	12,248	32,980
b. Revenue generated from the June meter reading date to June 30th, 2024	3,710	1,797	1,388	6,895
Total	17,147	9,091	13,637	39,876
(2) Equipment, construction contracts, platform, etc.	3,509	—	1,215	4,725
Revenue from contracts with customers	20,657	9,091	14,852	44,601
Net sales to outside customers	20,657	9,091	14,852	44,601
Segment income	11,343	714	4,890	16,948

2. Differences between income (loss) of reportable segment totals and amounts in the quarterly consolidated statement of income and the main components of those differences (matters related to difference adjustments)

(Millions of yen)

Income	Three months ended June 30th, 2023	Three months ended June 30th, 2024
Reporting segment total	17,036	16,948
Selling, general and administrative expenses	13,310	14,860
Operating income in the consolidated statement of income	3,725	2,088

3. Change of reportable segment

As stated in “Notes (Changes to Accounting Policies),” the revenue recognition standards for city gas business have been changed beginning in the fourth quarter of the previous fiscal year, and the change in accounting policy has been applied retrospectively. As a result, for the three months ended June 30th, 2023, net sales and segment income for “LP Gas Business” decreased by ¥78 million and ¥49 million, respectively, and net sales and segment income for “City Gas Business” decreased by ¥1,000 million and ¥257 million, respectively, compared with the figures based on the previous method.

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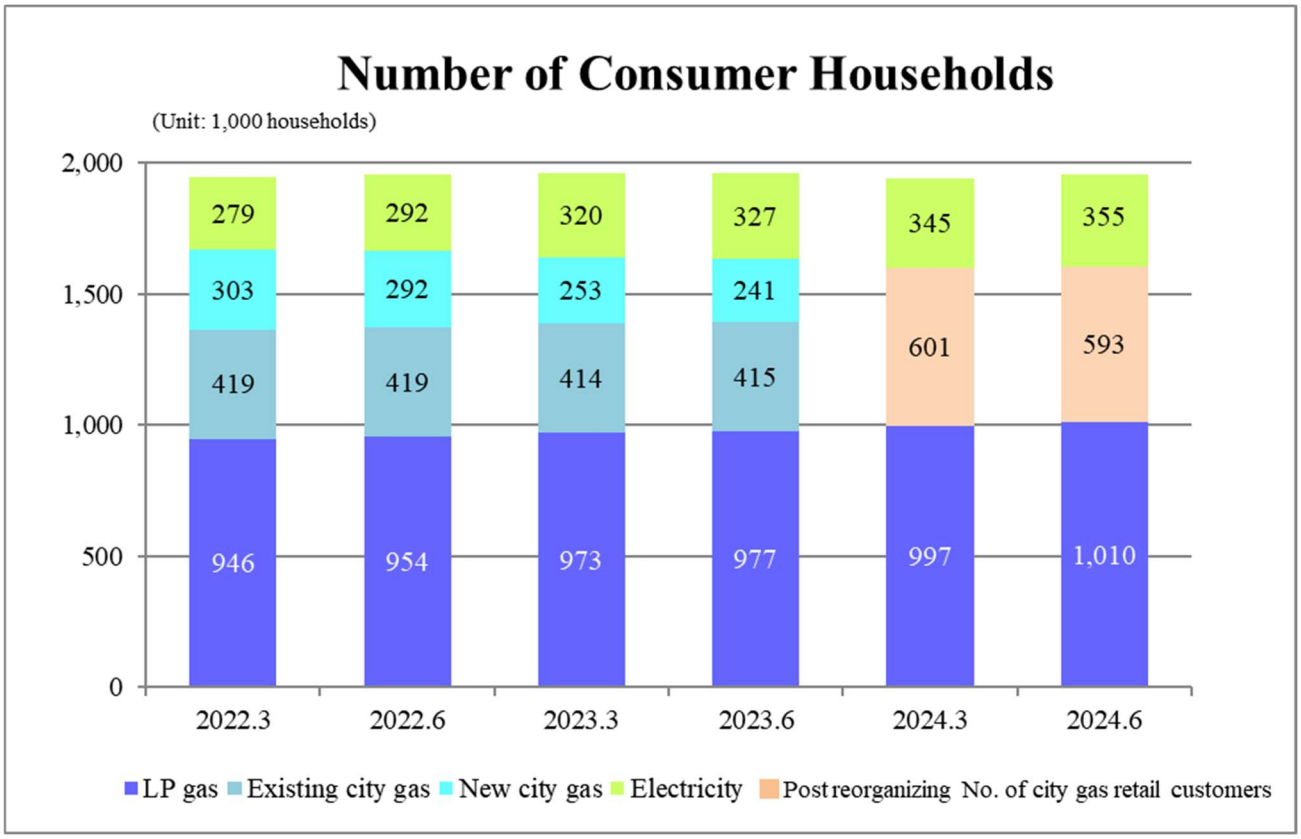
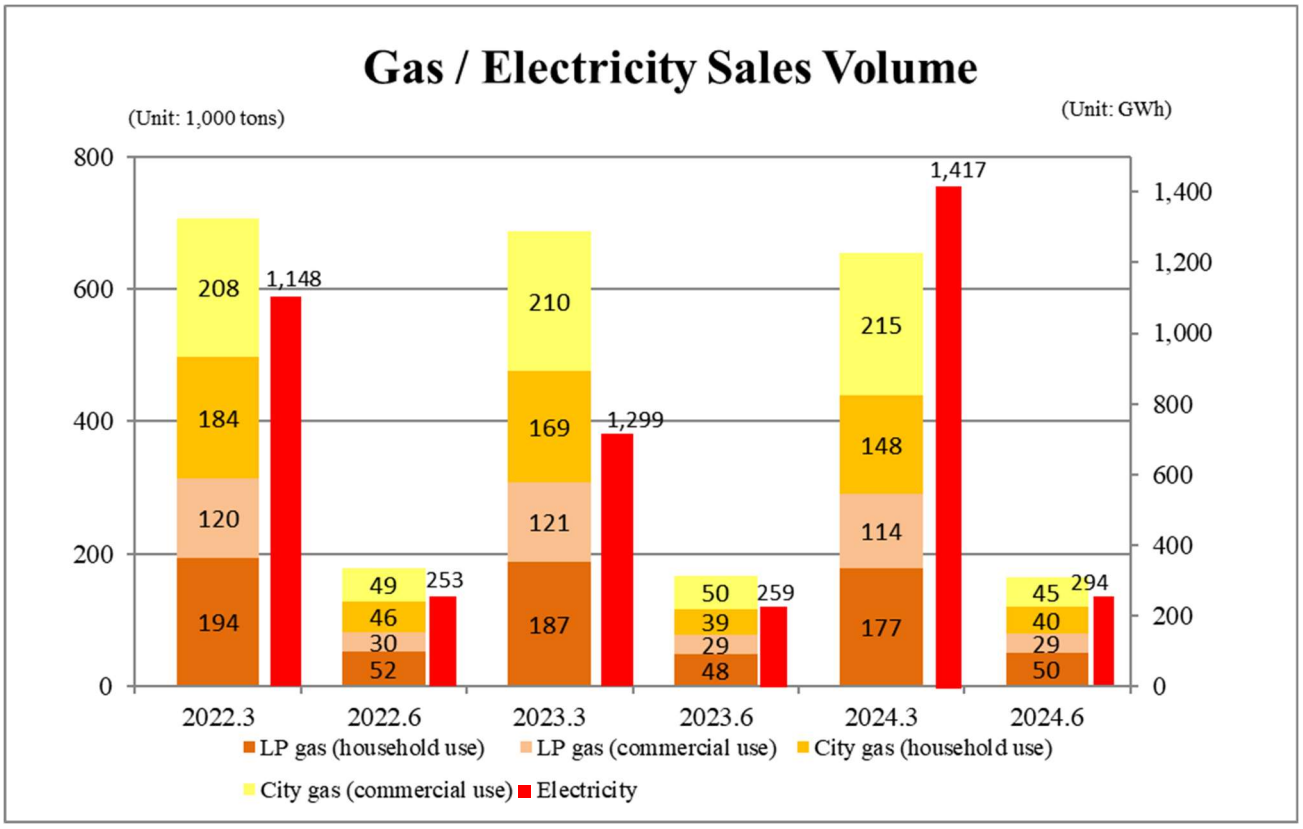
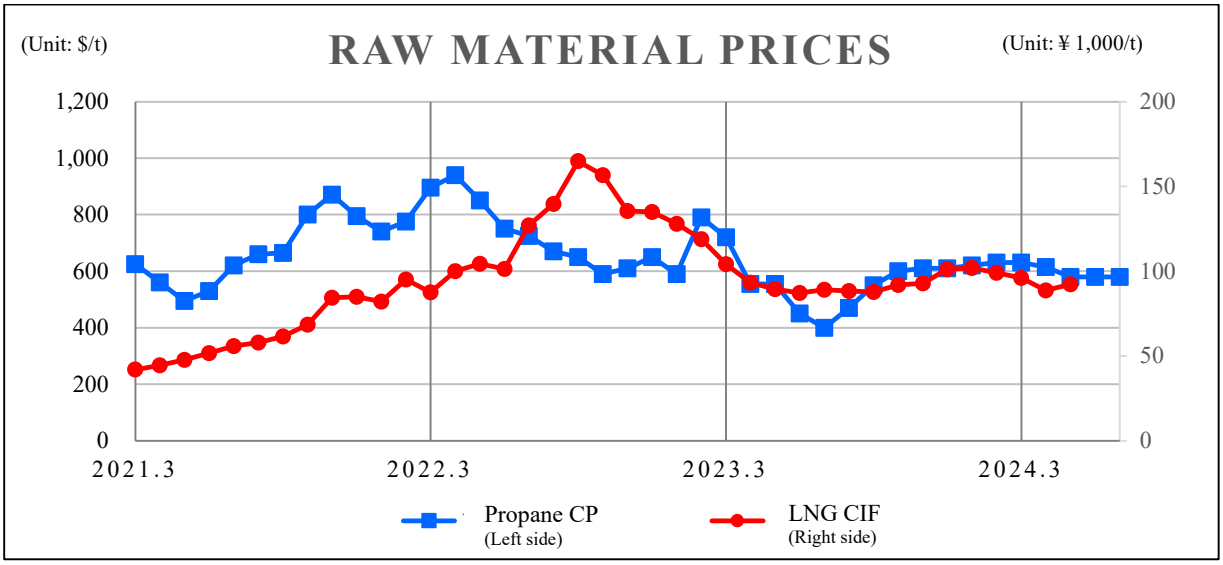
3. Others


Number of Consumer Households
(Unit: 1,000 households)
2,000
1,500
1,000
500
0
279
303
419
946
292
292
419
954
320
253
414
973
327
241
415
977
345
601
997
355
593
1,010
2022.3
2022.6
2023.3
2023.6
2024.3
2024.6
LP gas
Existing city gas
New city gas
Electricity
Post reorganizing No. of city gas retail customers


Gas / Electricity Sales Volume
(Unit: 1,000 tons)
(Unit: GWh)
800
600
400
200
0
1,400
1,200
1,000
800
600
400
200
0
208
184
120
194
1,148
49
46
30
52
253
210
169
121
187
1,299
50
39
29
48
259
215
148
114
177
1,417
45
40
29
50
294
2022.3
2022.6
2023.3
2023.6
2024.3
2024.6
LP gas (household use)
LP gas (commercial use)
City gas (household use)
City gas (commercial use)
Electricity



(Note) Gas/Electricity volume is the sales volume based on the meter reading sales date standard.