Consolidated Financial Results for the Six Months Ended September 30th, 2024 [Japanese GAAP]

October 29th, 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: November 19th, 2024
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 Six Months Ended September 30th, 2024 (April 1st, 2024 to September 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	%
Six Months ended Sep. 30th, 2024	86,049	0.6	2,307	(49.5)	2,412	(48.8)	1,609	(51.0)
Six Months ended Sep. 30th, 2023	85,497	1.6	4,567	92.8	4,710	93.8	3,282	90.4

(Note) Comprehensive income: Six Months ended Sep. 30th, 2024 ¥402 million [(89.4)%]
Six Months ended Sep. 30th, 2023 ¥3,807 million [177.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six Months ended Sep. 30th, 2024	14.49	–
Six Months ended Sep. 30th, 2023	28.86	–

(Note) Figures for the six months ended September 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 Sep. 30th, 2024	142,388	65,265	45.8
As of Mar. 31st, 2024	159,219	72,723	45.7

(Reference) Equity: As of Sep. 30th, 2024 ¥65,265 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	—	46.25			
Fiscal year ending Mar. 31st, 2025 (Forecast)			—	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
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 semi-annual 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):

Sep. 30th, 2024	112,827,198 shares
Mar. 31st, 2024	115,317,098 shares

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

Sep. 30th, 2024	2,460,132 shares
Mar. 31st, 2024	3,525,481 shares

3) Average number of shares during the period:

Six months ended Sep. 30th, 2024	111,057,576 shares
Six months ended Sep. 30th, 2023	113,707,767 shares

* These financial results are outside the scope of 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 "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 6 of the attached Appendix and "Financial Results Briefing Materials for the 2Q 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]

Record-breaking high temperatures continued in the summer of 2024, tying last year's record high. In addition, a series of torrential rains occur at unprecedented levels in various areas of the world. Many people have recognized that frequent extreme weather events and intensifying natural disasters are caused by global warming, and the need for urgent transition to a decarbonized society has become a globally shared recognition.

In the energy sector, energy security to deliver stable energy at appropriate prices has become an urgent issue against a backdrop of geopolitical risks, which greatly affect supply chains, including tensions between the U.S. and China, prolonged Russia's invasion of Ukraine, and escalating tensions in the Middle East. In addition, domestic energy providers are faced with many social issues such as aging population and declining birthrate, shortage of delivery vehicle drivers due to the "2024 issue," and "2025 Digital Cliff."

What became clear in the face of these issues is that the traditional business model of relying on the gas sales volume has finally reached a tipping point. 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 reality that it is difficult to continue business, regardless of size, if you cannot adapt to change in the business environment. The trend of industry consolidation will certainly gather pace going forward.

[Resolving Social Issues and Industry Consolidation]

For the Company, solving social issues means to contribute to the local community by transcending the traditional boundaries between gas and electricity and providing customers with the optimal energy use by integrating and bundling gas and electricity, utilizing hybrid water heaters, solar power, and storage batteries. We intend to bring this pioneering services to more customers so as to contribute more widely to local communities.

One way of realizing this is to offer our platform services with DX underpinned by AI at an early state for use by other companies in the same industry and pursue growth together. Another way is to merge capital 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) growth in retail business domain, (2) expanded sharing of platform services, and (3) high capital efficiency and growing corporate value to work together with 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. With 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 through industry reorganization.

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]

(Millions of yen)

	Six months ended September 30th, 2023	Six months ended September 30th, 2024	YoY change	YoY change (%)
Net sales	85,497	86,049	552	0.6%
Gross profit	30,998	30,809	(188)	(0.6)%
Operating income	4,567	2,307	(2,260)	(49.5)%
Ordinary income	4,710	2,412	(2,297)	(48.8)%

Profit attributable to owners of parent	3,282	1,609	(1,672)	(51.0)%

For the six months ended September 30th, 2024, gross profit decreased due to sluggish sales volume as a result of hot temperatures and diminished positive impact of the slide time lag in the city gas business compared to the previous year. Each stage of profit from operating income and below also decreased owing to aggressive spending on customer acquisition in selling, general and administrative expenses.

The increase in selling, general and administrative expenses is mainly because during the six months ended September 30th, 2024, the Company increased the number of new LP gas customers at a pace substantially exceeding 8 thousand in the previous semi-annual period to 18 thousand. 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. The Company will continue to strive to strengthen relationships with customers while responding to their needs, appropriately control selling, general and administrative expenses, and increase profits.

◇ LP Gas Business

In the LP gas business segment, gross profit from the gas business was ¥18,840 million (up ¥478 million year on year), and gross profit from equipment, construction, and platform business was ¥1,767 million (up ¥100 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 was sluggish due to hot temperatures.

Regarding sales activities, the Company reviewed its policy for new customer acquisition and shifted its focus from multifamily homes to single-family homes in June, with the amendment of ministerial ordinance on the Liquefied Petroleum Gas Act, which controls the provision of excessive benefits by LPG business operators to owners of multifamily housing properties. Although net increase in the number of customers fluctuated during the period, the number of customers gradually increased in the second half of the period, growing by 18 thousand from the end of the previous fiscal year to 1,010 thousand households. A shift to sales targeting single-family homes requires time and know-how to acquire customers, but the Company intends to shift its sales target to customer base where high usage and long-term contracts can be expected, while reducing costs for acquiring customers. Although net increase in the number of customers is expected to fluctuate temporarily, this is a measure that will increase the Company's corporate value over the medium- to long-term, and the Company will further expand new customer base, along with promoting M&A.

		Six months ended September 30th, 2023	Six months ended September 30th, 2024	YoY change	YoY change (%)
Gross profit (millions of yen)	LP gas	18,361	18,840	478	2.6%
	Equipment, construction, platform, etc.	1,667	1,767	100	6.0%
Gas sales volume (1,000 tons)*	Household use	64.8	64.6	(0.2)	(0.3)%
	Commercial use	52.2	52.3	0.1	0.2%
No. of customers (1,000 customers)		981	1,015	34	3.5%

* 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 ¥1,860 million (up ¥81 million year on year).

The reason for the increase in gross profit is the increase in electricity subscriptions and increase in customers' electric consumption caused by an increase in air conditioning demand.

In April, we also added medium users such as two-person households to our product target group, which has spurred the pace of acquisition of new contracts, and the number of customers increased by 19 thousand from the end of the previous fiscal year to 365 thousand, and the percentage of customers bundling gas and electricity services increased from 21.6% at the end of the previous fiscal year to 22.8%. In July, we also released an electricity-only menu that is sold not in bundle with gas. By promoting online application, where there is significant room for growth, 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 acquisition of new contracts. In addition, taking advantage of increased subsidies and increasing customer consciousness of utility costs, we will accelerate sales of solution equipment such as hybrid water heaters, solar panels, and storage batteries.

		Six months ended September 30th, 2023	Six months ended September 30th, 2024	YoY change	YoY change (%)
Gross profit (millions of yen)	Electricity	1,778	1,860	81	4.6%
Electricity sales volume (GWh)*	Household use	665	717	52	7.8%
No. of customers (1,000 customers)		334	365	31	9.3%

* 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

Gross profit from the gas business segment was ¥7,841 million (down ¥951 million year on year), and gross profit from equipment and construction business was ¥499 million (up ¥102 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, and a decrease in gas sales volume to public agencies as a result of bids.

The Company has increased sales opportunities to family households by holding equipment sales promotion events during holidays and accumulated the number of acquisition of new customers by targeting customers with high usage and potential long-term contracts. Subscriptions to the "Verdy Gas Denki," which supports Tokyo Verdy, a professional soccer team sponsored by the Company, have also remain strong. The Company is shrinking the net decrease in the number of subscriptions by communicating with the local community through sports, deepening relationships with customers, and reducing the number of cancellations.

* 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.

		Six months ended September 30th, 2023	Six months ended September 30th, 2024	YoY change	YoY change (%)
Gross profit (millions of yen)	Gas	8,793	7,841	(951)	(10.8)%
	Equipment, construction, etc.	396	499	102	25.9%
Gas sales volume (1,000 tons)*	Household use	57.9	51.8	(6.1)	(10.5)%
	Commercial use	106.0	95.4	(10.6)	(10.0)%
No. of customers (1,000 customers)		616	590	(27)	(4.2)%

* 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) 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 semi-annual period under review decreased by ¥16,800 million or 10.6% from the end of the previous fiscal year to ¥142,300 million. The decrease in assets was mainly due to decreases of ¥8,000 million in trade receivables caused by seasonal factors and ¥5,500 million in cash on hand needed.

• Total liabilities as of the end of the semi-annual period under review decreased by ¥9,300 million or 10.8% from the end of the previous fiscal year to ¥77,100 million, and net assets decreased by ¥7,400 million or 10.3% from the end of the previous fiscal year to ¥65,200 million. The main factors for the decrease in liabilities were a ¥5,100 million decrease in notes and accounts payable - trade and a ¥2,900 million decrease in income taxes payable due to seasonal factors, as well as a ¥2,000 million decrease in interest-bearing liabilities to ¥45,100 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 and purchase of treasury shares of ¥3,700 million.

• As of the end of the semi-annual period under review, the debt-to-equity ratio was 0.7 times, and the shareholders' equity ratio was 45.8%. 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).

(Billions of yen)

	March 31st, 2024	September 30th, 2024	Change
Current assets	56.6	41.6	(15.0)
Of which, Cash and deposits	18.9	13.4	(5.5)
Trade receivables	28.9	20.9	(8.0)
Inventories	4.5	4.1	(0.4)
Non-current assets	102.5	100.7	(1.8)
Interest-bearing liabilities	47.1	45.1	(2.0)
Equity (Equity ratio)	72.7 (45.7%)	65.2 (45.8%)	(7.4)
Total assets	159.2	142.3	(16.8)

[Analysis of Cash Flows]

Balance of cash and cash equivalents as of the end of the semi-annual period under review decreased by ¥5,622 million from the end of the previous fiscal year to ¥13,091 million.

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

Net cash provided by operating activities amounted to ¥9,124 million, down by ¥901 million of an inflow year on year. The main cause of the decreased cash inflow was a decrease in profit before income taxes.

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

Net cash used in investing activities amounted to ¥3,417 million, down by ¥493 million of an outflow year on year. The decrease was mainly due to the lower capital investments in plants and depots compared with the same period of the previous fiscal year. In the semi-annual period under review, pipeline investments and ICT investments such as the bulk delivery system, the new Safety inspection system, and the pipeline system were underway.

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

Net cash used in financing activities amounted to ¥11,325 million, up by ¥5,395 million of an outflow year on year. The main causes of the increased cash outflow were the increases in repayments of loans payable and purchase of treasury shares.

(Millions of yen)

	Six months ended September 30th, 2023	Six months ended September 30th, 2024	Change
Cash flows from operating activities	10,025	9,124	(901)
Cash flows from investing activities	(3,911)	(3,417)	493
Free Cash Flow	6,114	5,706	(407)
Cash flows from financing activities	(5,930)	(11,325)	(5,395)
Net increase (decrease) in cash and cash equivalents	190	(5,622)	(5,813)
Cash and cash equivalents at end of period	13,053	13,091	37

(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. For details, please refer to the “Financial Results Briefing Materials for the 2Q of FY Ending in March 2025,” which was disclosed separately today.

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)	Six months ended Sep. 30th, 2024 (As of Sep. 30th, 2024)
Assets		
Current assets		
Cash and deposits	18,990	13,412
Notes and accounts receivable - trade	28,990	20,964
Merchandise and finished goods	4,480	4,096
Raw materials and supplies	114	86
Other	4,202	3,182
Allowance for doubtful accounts	(132)	(110)
Total current assets	56,646	41,633
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,341	15,055
Machinery, equipment and vehicles, net	27,885	27,220
Tools, furniture and fixtures, net	518	518
Land	29,991	29,941
Leased assets, net	6,823	7,223
Construction in progress	1,045	966
Total property, plant and equipment	81,606	80,925
Intangible assets		
Goodwill	1,698	1,304
Other	6,536	6,605
Total intangible assets	8,235	7,909
Investments and other assets		
Investment securities	3,718	2,960
Long-term loans receivable	5,029	4,261
Deferred tax assets	8,550	8,902
Other	2,969	2,784
Allowance for doubtful accounts	(7,537)	(6,988)
Total investments and other assets	12,730	11,920
Total non-current assets	102,572	100,755
Total assets	159,219	142,388

(Millions of yen)

Account	Fiscal year ended Mar. 31st, 2024 (As of Mar. 31st, 2024)	Six months ended Sep. 30th, 2024 (As of Sep. 30th, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,327	11,955
Electronically recorded obligations - operating	4,057	3,272
Short-term loans payable	4,000	5,750
Current portion of long-term debt	10,472	9,778
Lease obligations	1,472	1,504
Income taxes payable	3,763	778
Provision for bonuses	268	391
Other	7,053	7,792
Total current liabilities	47,415	41,222
Non-current liabilities		
Long-term loans payable	25,199	21,682
Lease obligations	6,048	6,443
Deferred tax liabilities for land revaluation	203	203
Provision for share-based compensation	1,247	1,173
Provision for gas holder repairs	262	288
Provision for loss on voluntary recall of products	43	19
Net defined benefit liability	4,021	4,126
Other	2,053	1,962
Total non-current liabilities	39,080	35,900
Total liabilities	86,495	77,123
Net assets		
Shareholders' equity		
Capital stock	7,070	7,070
Capital surplus	5,860	5,860
Retained earnings	66,407	57,929
Treasury shares	(7,070)	(4,844)
Total shareholders' equity	72,266	66,015
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	670	98
Deferred gains or losses on hedges	–	(420)
Foreign currency translation adjustment	(170)	(393)
Remeasurements of defined benefit plans	(42)	(34)
Total accumulated other comprehensive income	457	(749)
Total net assets	72,723	65,265
Total liabilities and net assets	159,219	142,388

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

Account	For the six months ended Sep. 30th, 2023 (from Apr. 1st, 2023 to Sep. 30th, 2023)	For the six months ended Sep. 30th, 2024 (from Apr. 1st, 2024 to Sep. 30th, 2024)
Net sales	85,497	86,049
Cost of sales	54,499	55,240
Gross profit	30,998	30,809
Selling, general and administrative expenses	26,430	28,502
Operating income	4,567	2,307
Non-operating income		
Interest income	1	1
Dividend income	1	1
Real estate rent	35	43
Insurance income	36	31
Foreign exchange gains	17	–
Share of profit of entities accounted for using equity method	54	65
Other	78	82
Total non-operating income	226	225
Non-operating expenses		
Interest expenses	65	99
Foreign exchange losses	–	10
Other	17	10
Total non-operating expenses	83	120
Ordinary income	4,710	2,412
Extraordinary income		
Gain on sales of non-current assets	14	21
Gain on sales of investment securities	–	0
Total extraordinary income	14	22
Extraordinary losses		
Loss on retirement of non-current assets	42	39
Total extraordinary losses	42	39
Profit before income taxes	4,683	2,395
Income taxes – current	1,457	605
Income taxes – deferred	(56)	180
Total income taxes	1,401	786
Profit	3,282	1,609
Loss attributable to non-controlling interests	(0)	–
Profit attributable to owners of parent	3,282	1,609

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

Account	For the six months ended Sep. 30th, 2023 (from Apr. 1st, 2023 to Sep. 30th, 2023)	For the six months ended Sep. 30th, 2024 (from Apr. 1st, 2024 to Sep. 30th, 2024)
Profit	3,282	1,609
Other comprehensive income		
Valuation difference on available-for-sale securities	–	(571)
Deferred gains or losses on hedges	663	(420)
Remeasurements of defined benefit plans, net of tax	3	7
Share of other comprehensive income of entities accounted for using equity method	(141)	(222)
Total other comprehensive income	525	(1,207)
Comprehensive income	3,807	402
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,807	402
Comprehensive income attributable to non-controlling interests	(0)	–

(3) Consolidated Statement of Cash Flows

(Millions of yen)

Account	For the six months ended Sep. 30th, 2023 (from Apr. 1st, 2023 to Sep. 30th, 2023)	For the six months ended Sep. 30th, 2024 (from Apr. 1st, 2024 to Sep. 30th, 2024)
Cash flows from operating activities		
Profit before income taxes	4,683	2,395
Depreciation	4,843	5,037
Amortization of goodwill	465	486
Increase (decrease) in allowance for doubtful accounts	978	(571)
Increase (decrease) in net defined benefit liability	142	104
Increase (decrease) in provision for share-based compensation	6	(74)
Increase (decrease) in allowance for loss on voluntary recall of products	(70)	(23)
Interest and dividend income	(2)	(3)
Interest expenses	65	99
Foreign exchange losses (gains)	(6)	3
Share of (profit) loss of entities accounted for using equity method	(54)	(65)
Loss (gain) on sales of non-current assets	(14)	(21)
Loss on retirement of non-current assets	42	39
Loss (gain) on sales of investment securities	–	(0)
Decrease (increase) in notes and accounts receivable – trade	7,949	8,025
Decrease (increase) in inventories	1,523	411
Decrease (increase) in accounts receivable - other	3,873	821
Increase (decrease) in notes and accounts payable - trade	(7,105)	(5,121)
Increase (decrease) in accrued consumption taxes	(1,108)	306
Other, net	(2,370)	807
Subtotal	13,839	12,654
Interest and dividend income received	2	3
Interest expenses paid	(66)	(101)
Income taxes paid	(3,750)	(3,432)
Net cash provided by (used in) operating activities	10,025	9,124
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,627)	(2,127)
Proceeds from sales of property, plant and equipment	23	66
Purchase of intangible assets	(1,304)	(1,268)
Purchase of goodwill	(17)	(78)
Purchase of investment securities	(313)	–
Proceeds from sales of investment securities	334	1
Payments of loans receivable	(1)	–
Collection of loans receivable	9	10
Other, net	(13)	(22)
Net cash provided by (used in) investing activities	(3,911)	(3,417)

(Millions of yen)

Account	For the six months ended Sep. 30th, 2023 (from Apr. 1st, 2023 to Sep. 30th, 2023)	For the six months ended Sep. 30th, 2024 (from Apr. 1st, 2024 to Sep. 30th, 2024)
Cash flows from financing activities		
Increase in short-term loans payable	33,250	40,000
Decrease in short-term loans payable	(32,750)	(38,250)
Proceeds from long-term borrowings	5,400	1,500
Repayments of long-term loans payable	(5,719)	(5,710)
Purchase of treasury shares	(1,634)	(3,770)
Cash dividends paid	(3,735)	(4,247)
Other, net	(740)	(847)
Net cash provided by (used in) financing activities	(5,930)	(11,325)
Effect of exchange rate change on cash and cash equivalents	6	(3)
Net increase (decrease) in cash and cash equivalents	190	(5,622)
Cash and cash equivalents at beginning of period	12,863	18,713
Cash and cash equivalents at end of period	13,053	13,091

(4) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

None.

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

1) 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 six months ended September 30th, 2024, and treasury shares increased by ¥770 million.

In addition, the Company resolved at the meeting of the Board of Directors held on June 25th, 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 1,500,000 treasury shares on the market of the Tokyo Stock Exchange from June 26th, 2024 to December 31st, 2024, with the upper limit of ¥3,000 million in acquisition value. As a result, the Company acquired 1,248,400 treasury shares in the six months ended September 30th, 2024, and treasury shares increased by ¥2,999 million.

2) Retirement of treasury shares

The Company resolved at the meeting of the Board of Directors held on June 25th, 2024 to retire treasury shares pursuant to the provisions of Article 178 of the Companies Act and retired 2,489,900 treasury shares on July 24th, 2024. As a result, retained earnings and treasury shares decreased by ¥5,821 million each.

As a result, treasury shares amounted to ¥4,844 million at the end of the semi-annual period under review.

(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 six months ended September 30th, 2023 have been prepared on a retrospective basis.

As a result, compared to before the retrospective application, net sales decreased by ¥1,323 million, gross profit, operating income, and ordinary income decreased by ¥415 million, and profit decreased by ¥288 million in the six months ended September 30th, 2023.

(Segment Information, etc.)

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

For the six months ended September 30th, 2023 (from April 1st, 2023 to September 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 September meter reading date	26,150	18,628	26,471	71,251
b. Revenue generated from the September meter reading date to September 30th, 2023	3,011	1,903	1,059	5,975
Total	29,162	20,532	27,531	77,226
(2) Equipment, construction contracts, platform, etc.	5,880	–	2,389	8,270
Revenue from contracts with customers	35,043	20,532	29,921	85,497
Net sales to outside customers	35,043	20,532	29,921	85,497
Segment income	20,029	1,778	9,189	30,998

For the six months ended September 30th, 2024 (from April 1st, 2024 to September 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 September meter reading date	26,897	20,456	23,089	70,444
b. Revenue generated from the September meter reading date to September 30th, 2024	3,206	1,525	1,156	5,888
Total	30,104	21,982	24,246	76,333
(2) Equipment, construction contracts, platform, etc.	7,368	–	2,347	9,716
Revenue from contracts with customers	37,473	21,982	26,593	86,049
Net sales to outside customers	37,473	21,982	26,593	86,049
Segment income	20,608	1,860	8,341	30,809

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

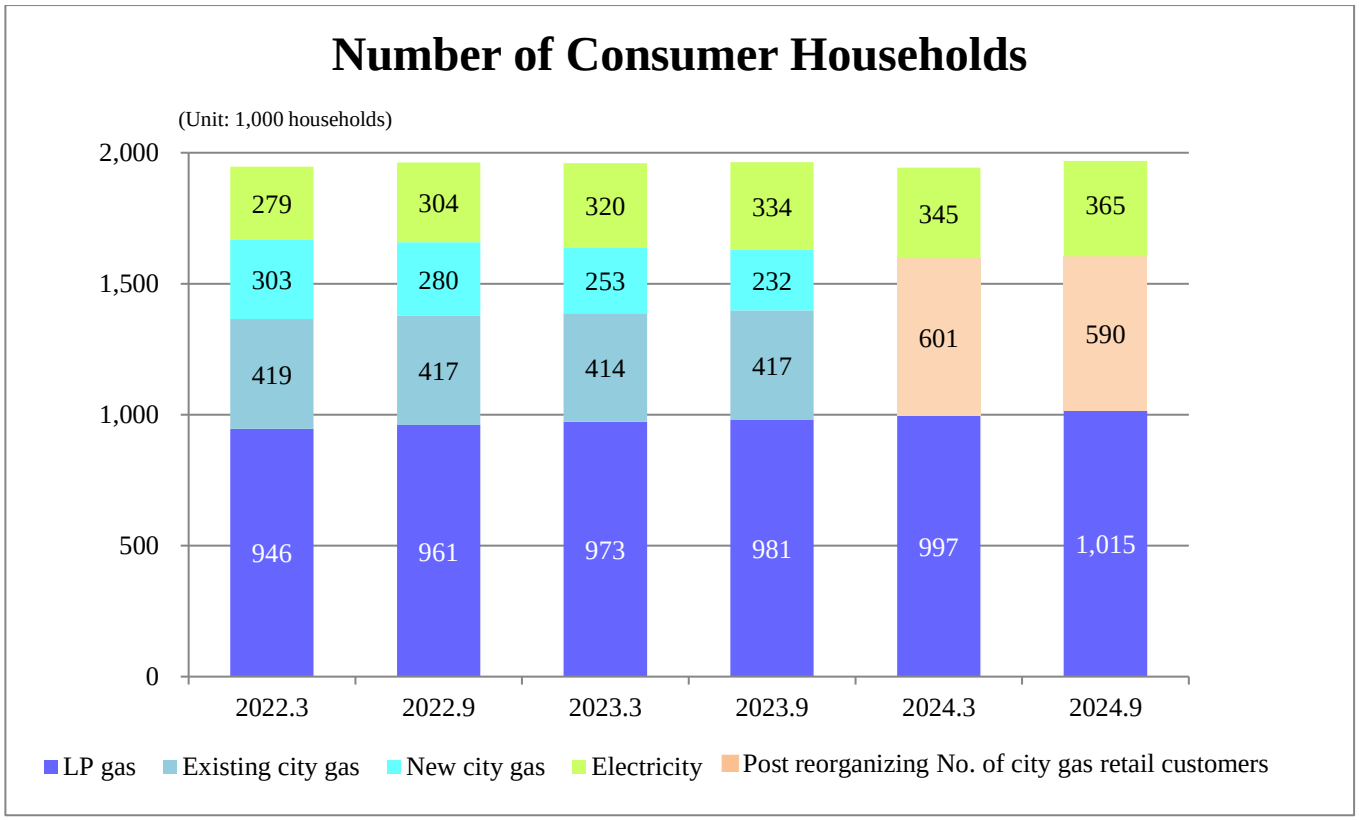
(Millions of yen)

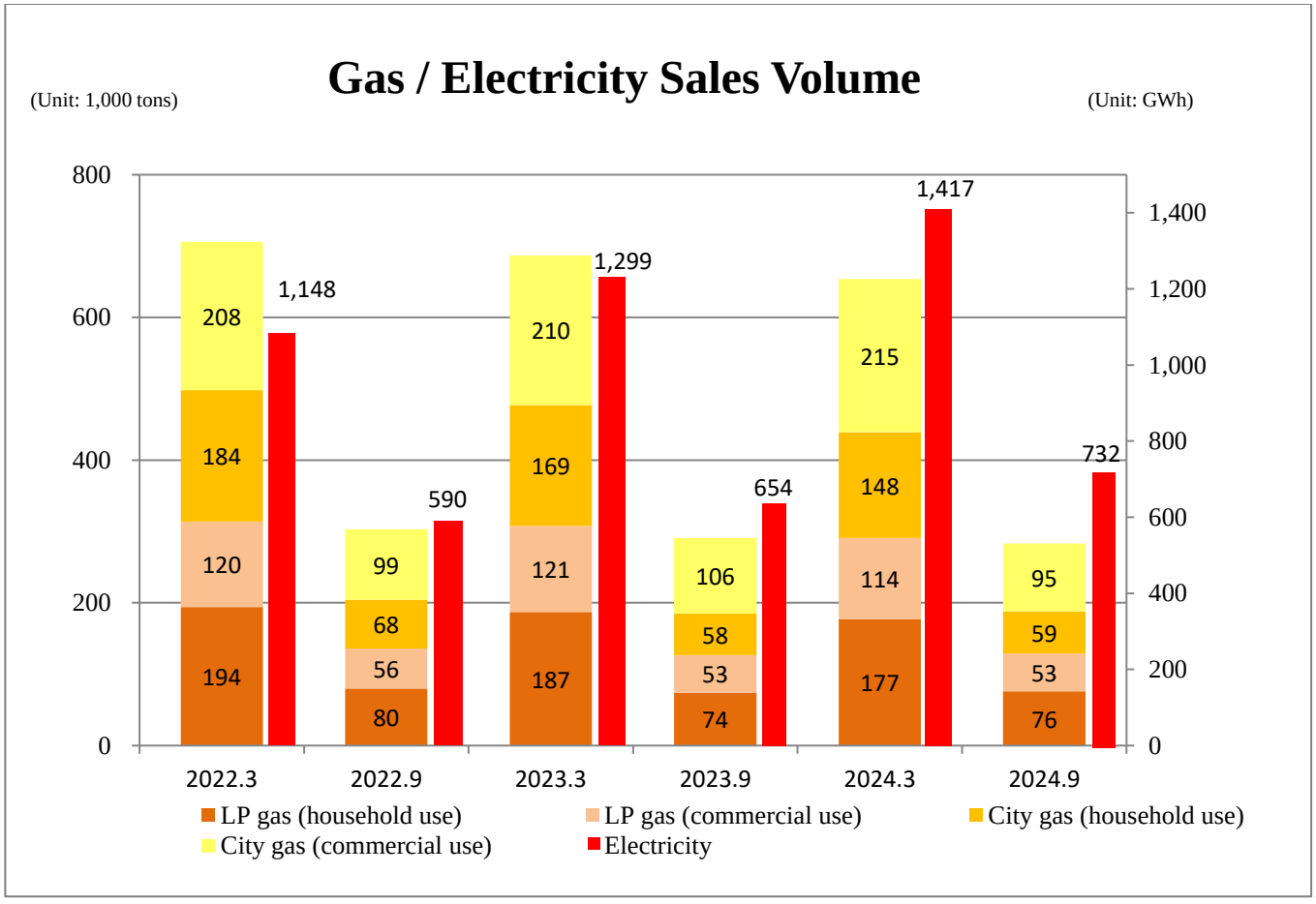
Income	Six months ended September 30th, 2023	Six months ended September 30th, 2024
Reporting segment total	30,998	30,809
Selling, general and administrative expenses	26,430	28,502
Operating income in the consolidated statement of income	4,567	2,307

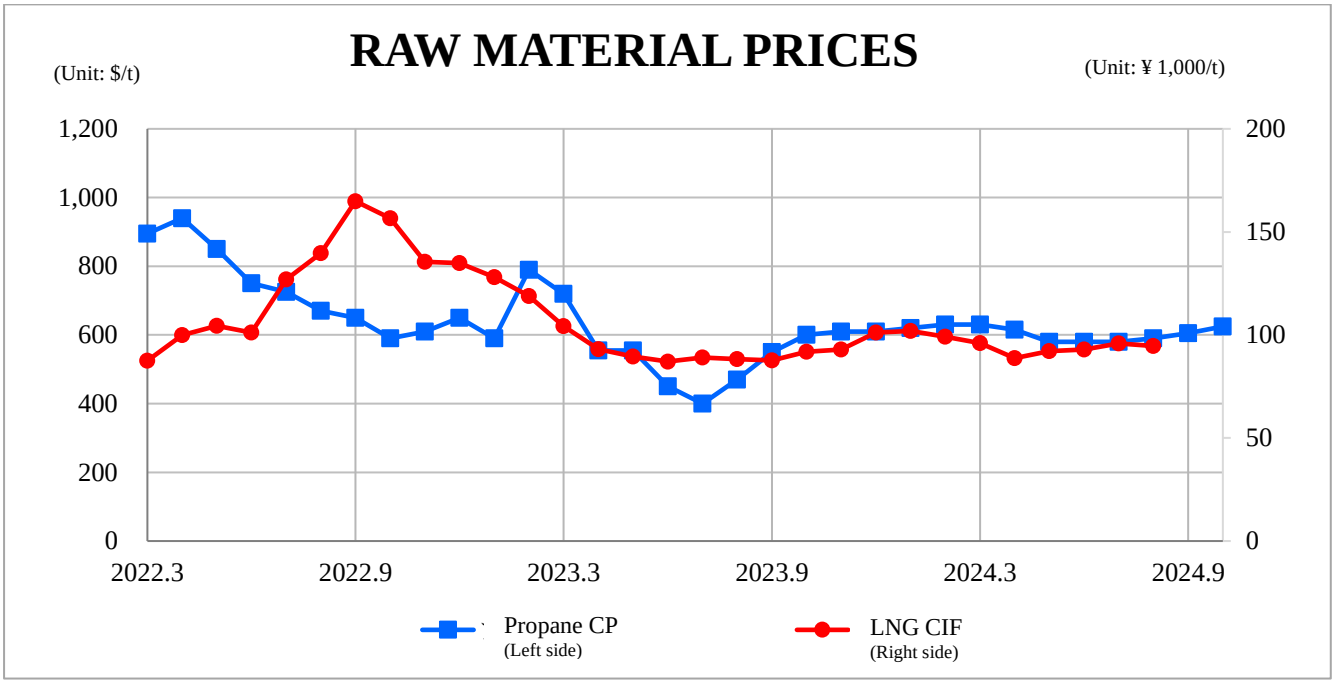
3. Change of reportable segment

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 six months ended September 30th, 2023, net sales and segment income for “LP Gas Business” decreased by ¥115 million and ¥71 million, respectively, and net sales and segment income for “City Gas Business” decreased by ¥1,208 million and ¥344 million, respectively, compared with the figures based on the previous method.

3. Others


Number of Consumer Households
(Unit: 1,000 households)
2,000
1,500
1,000
500
0
279
303
419
946
304
280
417
961
320
253
414
973
334
232
417
981
345
601
997
365
590
1,015
2022.3
2022.9
2023.3
2023.9
2024.3
2024.9
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
99
68
56
80
590
210
169
121
187
1,299
106
58
53
74
654
215
148
114
177
1,417
95
59
53
76
732
2022.3
2022.9
2023.3
2023.9
2024.3
2024.9
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.