Consolidated Financial Results
for the Three Months Ended June 30th, 2021
[Japanese GAAP]

July 29th, 2021

Company name: NIPPON GAS CO., LTD.
Code number: 8174
URL: http://www.nichigas.co.jp/en/
Stock exchange listing: Tokyo Stock Exchange
Representative: Shinji Wada, Representative Director, Chief Executive Officer
Contact: Shinichi Kiyota, Managing Executive Officer

Scheduled date of filing quarterly securities report: August 13th, 2021
Scheduled date of commencing dividend payments: –
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 Three Months Ended June 30th, 2021 (April 1st, 2021 to June 30th, 2021)

(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, 2021	34,697	—	2,565	—	2,577	—	1,772	—
Three Months ended Jun. 30th, 2020	33,620	2.6	3,722	8.3	3,803	24.1	2,642	22.8

(Note) Comprehensive income: Three Months ended Jun. 30th, 2021 ¥1,679 million [—%]
Three Months ended Jun. 30th, 2020 ¥2,807 million [44.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three Months ended Jun. 30th, 2021	15.18	—
Three Months ended Jun. 30th, 2020	22.07	—

(Note 1) The Company has adopted the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31st, 2020), etc., from the beginning of the first quarter of the consolidated fiscal year under review. Due to a significant impact on net sales and profit, percentage changes from the previous corresponding period for the three months ended June 30th, 2021 are not stated.

(Note 2) The Company conducted a 3-for-1 stock split on April 1st, 2021. “Basic earnings per share” is calculated on the assumption that the stock split was implemented at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30th, 2021	140,489	69,462	49.4
As of Mar. 31st, 2021	140,120	69,342	49.5

(Reference) Equity: As of Jun. 30th, 2021 ¥69,458 million As of Mar. 31st, 2021 ¥69,338 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, 2021	—	62.50	—	62.50	125.00
Fiscal year ending Mar. 31st, 2022	—				
Fiscal year ending Mar. 31st, 2022 (Forecast)		25.00	—	25.00	50.00

(Note 1) Revision of dividend projection from recently announced figures: No

(Note 2) The Company conducted a 3-for-1 stock split on April 1st, 2021. Actual amounts of dividends before the stock split are shown for the fiscal year ended March 31st, 2021. Dividends for the fiscal year ending March 31st, 2022 (Forecast) are stated taking into account the effect of the stock split.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31st, 2022 (April 1st, 2021 to March 31st, 2022)

(% 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, 2021	64,000	4.0	2,800	(25.2)	2,800	(28.7)	2,700	11.6	23.21
Full-year	150,000	4.2	14,500	6.4	14,500	3.1	10,500	12.0	90.25

(Note 1) Revision of financial results projection from recently announced figures: Yes

(Note 2) Due to the adoption of the new accounting standard for revenue recognition from the fiscal year ending March 31st, 2022, the sales of the LP gas and electricity businesses are recorded based on revenue estimation between the meter reading and the settlement of accounts.

(Note 3) The Company conducted a 3-for-1 stock split on April 1st, 2021. Basic earnings per share for the consolidated financial results forecast for the fiscal year ending March 31st, 2022 are stated after taking into account the effect of the stock split.

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.: Yes

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

3) Changes to accounting estimates: No

4) Revision restatements: No

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

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

Jun. 30th, 2021	118,603,698 shares
Mar. 31st, 2021	120,591,498 shares

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

Jun. 30th, 2021	2,263,585 shares
Mar. 31st, 2021	3,592,506 shares

3) Average number of shares during the period:

Three months ended Jun. 30th, 2021	116,806,315 shares
Three months ended Jun. 30th, 2020	119,737,563 shares

(Note 1) The Company conducted a 3-for-1 stock split of common shares on April 1st, 2021. “Total number of issued shares,” “Total number of treasury shares at the end of the period,” and “Average number of shares during the period” are calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(Note 2) The number of treasury shares includes the shares of the Company held by the “Directors’ Compensation BIP (Board Incentive Plan) Trust” (As of June 30th, 2021: 1,445,353 shares, as of March 31st, 2021: 1,474,194 shares). The number of shares is calculated on the assumption that the stock split was implemented at the beginning of the previous consolidated fiscal year.

* 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 “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 for the notes on the use of preconditions for the earnings forecast and the use of the earnings forecast.

Contents of Appendix

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

(1) Explanation of Results of Operations

During the three months ended Jun. 30th, 2021, the outlook for the Japanese economy continued to require attention as a state of emergency was declared again in some areas due to the impact of the spread of the novel coronavirus disease (COVID-19). However, a path to recovery in economic activity is gradually beginning to be seen, owing to progress being made with vaccination in Japan and other factors.

Although the global spread of COVID-19 has caused constraint on economic activities, the Company sees this as an opportunity for drastic changes in new lifestyles, social structure and industrial structure. It is essential for us, as an energy business operator, to understand the new needs of our customers against the backdrop of such a paradigm shift and to swiftly redefine our business in order to achieve sustainable corporate growth. In addition, the economic stagnation triggered by COVID-19 has placed pressure on companies to take urgent measures to decarbonize their operations to combat global warming, which, like COVID-19, will have an impact on humanity on a global scale, and has confirmed the global trend of drawing up new growth strategies to realize a carbon-neutral society.

Providing solutions to social issues and being a company that is needed by the local community are prerequisites for the sustainable growth of corporate value. The Company has adopted a sustainability policy that aims to improve corporate value over the medium to long term by implementing Environment, Society and Governance (ESG) initiatives through “co-creation” enabled by partnerships and by balancing economic and social aspects. Under this policy, we are striving to further improve the performance of shareholders’ equity (ROE) by recomposing our balance sheet into highly efficient assets with a strong awareness of return on invested capital (ROIC), and solving new social issues, such as the reduction of CO_2 emissions and the labor shortage, through digitization by open innovation. With respect to realizing a decarbonized society, which we consider to be a particularly high hurdle to overcome among our materiality issues, we have set the following goals for 2030: to achieve a roughly 50% reduction in the energy industry’s CO_2 emissions by having industry members use its LPG Network Service, and to cut CO_2 emissions per household by roughly 50% by promoting the procurement of electricity from non-fossil fuel sources, the development of a service menu adapted to the shift to EVs, and the widespread adoption of electric-gas hybrid water heaters. Furthermore, the Company is also working to achieve net zero CO_2 emissions by 2050.

In May 2021, the Company developed and started operation of “NICIGAS Twin on DL,”* a digital twin system, in conjunction with the completion of “Yume no Kizuna Kawasaki,” one of the world’s largest LP gas hub filling plants. (*DL is an abbreviation for “deep learning.”)

The Company codeveloped “NICIGAS Twin on DL” with Future Corporation, our IT strategic partner. It is a system that enables us to grasp and operate the status of conveyors, gas fillers, gas cylinders, vehicles, and other IoT real data and physical assets related to the LP gas business by reproducing them in cyber space, without directly visiting the site. This kind of system is commonly referred to as a cyber-physical system. “NICIGAS Twin on DL” will enable AI to analyze and process data collected from the production (filling), delivery, inventory, and demand cycles of the LP gas business in cyberspace through deep learning, and dramatically improve operational efficiency. As a result, the cost burden and environmental impact of the LP gas business can be further reduced. The Company will launch “LPG Network Service,” as a platform to provide LPG

business-related services, such as delivery, container management, meter management, meter reading and security services to other businesses. “NICIGAS Twin on DL” will serve as the base system for the co-creation environment of such services. The provision of LPG Network Service, in other words, collaboration with other businesses through the implementation of digital transformation (DX), is a way for us and other businesses to share the benefits of cost reduction through improved operational efficiency, human resources securement and workstyle reform, and it is a way for the energy industry to achieve both shareholder profits and ESG.
These series of projects with full use of leading edge technologies are a strategic investment in intangible assets based on the recognition that sharing private data owned by individuals on a platform with ensured privacy is a major prerequisite for co-creation, in anticipation of the coming data-driven society. Instead of using big data, which is common property of society, for the benefit of an individual company, the Company will share the big data and collaborate with the entire energy industry regardless of whether they are partners or competitors, break away from the “in-house development principle,” and strive to contribute to local communities through innovation enabled by partnerships. In other words, in the LP gas business, we aim to achieve SDG 16, “Peace, Justice and Strong Institutions,” by democratizing information through technology, and SDG 17, “Partnerships for the Goals,” by forming alliances with other companies to realize new co-creation value. The Company will continue to face diversifying issues of local communities, accelerate the speed of sustainable growth as a company, and continue to strive to achieve real liberalization of energy, by using the fruits of its efforts in ICT as a resource for co-creation with other suppliers rather than using them to differentiate itself from (or compete with) other suppliers.
While promoting business innovation and DX, the Company is continuing to invest management resources, while improving the profitability of our assets, in the LP gas business, positioned as a top priority business for the period under review. As we enter the new-normal era, we are actively developing non-face-to-face virtual sales and are promoting next-generation communication methods using digital technology even in our marketing activities. The Company also positions the electric business as a top priority core business. In terms of expanding our customer base, we have achieved steady growth in the number of customers, using the package service with gas, centering on the family segment that matches the product characteristics of this business, while also achieving steady growth in revenue. The Company believes that the amount of electricity demand will increase rapidly in the near future as we make progress in our efforts to become carbon neutral. In order to continue to be a company that can grow sustainably even in the face of future changes in the business environment, such as those described above, we will promote the hybridization of our business portfolio by leveraging our strength in our partnership with the TEPCO Group. Specifically, we will appropriately allocate management resources not only to the LP gas business but also to the electricity business as a priority strategic field, further increase the ratio of gas and electricity packages, and focus on the development of new service menu items and sales of gas-electric hybrid hot-water units. Focusing on promoting the growth of the electric business may lead to a reduction in gas sales volume, which has been our core business and the main source of profit, which may be an “inconvenient truth” for the Company. However, if we change our perspective and look at these facts from the other side, we can see the risks as business opportunities. Therefore, we will encourage ourselves to change, keep changing, and strive to create even more corporate value.

For the three months ended June 30th, 2021, net sales increased by ¥1,076 million year on year to ¥34,697 million, a year-on-year increase of, gross profit decreased by ¥417 million year on year to ¥15,842 million, operating income decreased by ¥1,156 million year on year to ¥2,565 million, ordinary income decreased by ¥1,226 million year on year to ¥2,577 million, and profit attributable to owners of parent decreased by ¥869 million year on year to ¥1,772 million.
Compared to the previous period, sales decreased by ¥1,897 million, and gross profit, operating income and ordinary income decreased by ¥852 million. The primary reason for the decreases is the adoption of "Accounting Standard for Revenue Recognition, etc." in the core LP gas and electricity businesses from the beginning of the period under review. As a result of the adoption of the standard, the revenue recognition standard was changed from the "meter reading date standard" to the "end of period standard," and the revenue recognition period for the first quarter was changed from the April to June meter reading period (early March to early June) to the period from April 1st to June 30th. The reason for that change is that sales from early March to the end of March, when gas and electricity usage is high, were incorporated in surplus at the beginning of the period in the balance sheet without being reflected in the statement of income, whereas sales from the middle of June to the end of June, when usage is low in comparison, were recorded in the period under review. For details, please refer to (4) Notes to Consolidated Financial Statements (Changes to Accounting Policies) under 2. Consolidated Financial Statements and Primary Notes.
Business performance by segment for the period under review is as follows:

[LP Gas Business (including platform business as well as LP equipment and construction as ancillary business)]
Gross profit from the LP gas business segment amounted to ¥9,293 million (down by ¥629 million year on year) from the LP gas business and ¥816 million (up by ¥78 million year on year) from the ancillary business.
The decrease in gross profit from the LP gas business was mainly due to the impact of the accounting standard for revenue recognition, which amounted to ¥898 million, while gross profit from the LP gas business before the application of the accounting standard increased by ¥268 million compared to the previous period due to a recovery in sales of gas for commercial use and the effect of the appropriately timed price revision implemented in April 2021, in addition to a rise, as we saw in the previous fiscal years, in the number of customers (up by 33thousands households year on year). The increase in gross profit from the ancillary businesses is due to the expansion of the new city gas platform business and the results of each platform business, including profit from "*Tanomimaster*," our BtoB digital ordering system for gas equipment.

[Electricity Business]
Gross profit from the electricity business segment amounted to ¥562 million (up by ¥345 million year on year).
The increase in gross profit from electricity business is due to the steady rise in the number of customers, mainly existing gas users, through package service sales. The percentage of customers of package service of gas and electricity rose from 13.7% at the end of the previous fiscal year to 14.8% at the end of the period under review, an increase of 20thousands households to 240thousands households. Regarding the electricity business,

the package discount amount was borne solely by the electricity business until the end of the previous fiscal year, but due to the application of the accounting standard for revenue recognition, the package discount amount has been also borne by the LP gas business and city gas business from the beginning of the period under review, resulting in an increase of ¥69 million.

[City Gas Business (including city gas equipment and construction as ancillary business)]
Gross profit from the city gas business segment amounted to ¥4,878 million (down by ¥243 million year on year) from the city gas business and ¥291 million (up by ¥31 million year on year) from the ancillary business. The decrease in gross profit from the city gas business is due to a decrease in sales volume of household gas resulting from warmer weather compared to the previous fiscal year and the weakened effect of stay-at-home consumption in response to COVID-19. Regarding the city gas business, since revenue is recognized on the "meter reading date standard" as in the previous fiscal year in accordance with the Regulation on Accounting at Gas Utilities, the impact of the Accounting Standard for Revenue Recognition is a decrease of ¥24 million due to newly bearing the discount amount for the package service of gas and electricity from the beginning of the period under review.

(2) Explanation of Financial Position and Cash Flows

1) Analysis of Assets, Liabilities and Net Assets

With the aim of increasing the return on equity, or ROE, the Company has first set return on invested capital (ROIC) as a new KPI and is working to improve it in order to increase the profitability of our assets. Specifically, we are investing capital mainly in highly profitable assets (LP gas and IT) while selling off less profitable assets to replace the contents of our balance sheet and improve the profitability of our assets without increasing the amount of our total assets.
Total assets as of the end of the first quarter of the fiscal year ending March 31st, 2022, remained approximately at the same level as at the end of the previous fiscal year, increasing by ¥368 million or 0.3% to ¥140,489 million. The main increase in assets during the period under review is due to the acquisition of shares in SORACOM, INC., a leader in communications technology, which is essential to the Company's strategy to enhance corporate value. We have already completed the installation of *Space Hotaru*, a system to bring gas meters online, which was developed in collaboration with SORACOM, in almost all of our LP gas customers, and we have started real-time monitoring of gas consumption.
Total liabilities and net assets as of the end of the first quarter of the fiscal year ending March 31st, 2022, remained approximately at the same level as at the end of the previous fiscal year, increasing by ¥248 million or 0.4% to ¥71,026 million and by ¥120 million or 0.2% to ¥69,462 million, respectively. Net assets remained at the same level because, in addition to net income in the period under review, the application of the revenue recognition standard resulted in the inclusion of ¥2,009 million in retained earnings, but this was offset by payment of dividends, purchase of treasury shares, and other measures to return profits to shareholders.
Equity ratio amounted to 49.4%, maintaining an appropriate financial balance according to the plan.

2) Analysis of Cash Flows

Balance of cash and cash equivalents as of the end of the first quarter of the fiscal year ending March 31st, 2022, remained approximately at the same level as at the end of the previous fiscal year, standing at ¥12,858 million.

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

Net cash provided by operating activities amounted to ¥5,318 million, up by ¥3,309 million year on year. This was due to a decrease in income taxes paid (up by ¥2,702 million year on year).

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

Net cash used in investing activities amounted to ¥4,171 million, down by ¥264 million year on year. In the previous fiscal year, the Company invested in property, plant and equipment such as “Yume no Kizuna Kawasaki” and in intangible assets such as M&A, but in the period under review, the Company invested in securities for strategic holding purposes.

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

Net cash used in financing activities amounted to ¥698 million (net cash provided by financing activities of ¥3,469 million in the corresponding period of the previous fiscal year). The cash outflow is due to an increase in repayment of loans payable, purchase of treasury shares, and increase in payment of dividends.

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

The consolidated financial results forecasts for the First Half of the fiscal year ending March 31st, 2022, and for the full year announced on April 27th, 2021, have been revised. For details, please refer to the “Notice of Revisions to the First Half and the Full-Year Consolidated Financial Results Forecast for FYE 0322” and “Financial Results Briefing Materials for 1Q of FY Ending in March 2022,” separately disclosed today.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2021 (As of Mar. 31, 2021)	Three months ended Jun. 30, 2021 (As of Jun. 30, 2021)
Assets		
Current assets		
Cash and deposits	12,453	12,931
Notes and accounts receivable - trade	14,996	–
Notes and accounts receivable – trade, and contract assets	–	15,702
Merchandise and finished goods	5,449	3,915
Raw materials and supplies	145	135
Other	1,925	1,681
Allowance for doubtful accounts	(204)	(76)
Total current assets	34,764	34,289
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,659	15,543
Machinery, equipment and vehicles, net	33,161	32,542
Tools, furniture and fixtures, net	883	871
Land	30,197	30,181
Leased assets, net	4,866	5,150
Construction in progress	1,019	1,332
Total property, plant and equipment	85,786	85,622
Intangible assets		
Goodwill	4,133	3,784
Other	4,220	4,451
Total intangible assets	8,354	8,236
Investments and other assets		
Investment securities	2,169	3,362
Other	13,981	13,900
Allowance for doubtful accounts	(4,936)	(4,922)
Total investments and other assets	11,214	12,340
Total non-current assets	105,356	106,199
Total assets	140,120	140,489

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2021 (As of Mar. 31, 2021)	Three months ended Jun. 30, 2021 (As of Jun. 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,927	7,033
Electronically recorded obligations - operating	3,965	3,136
Short-term loans payable	2,000	8,500
Current portion of long-term loans payable	10,837	11,182
Income taxes payable	2,871	1,517
Provision for bonuses	345	436
Other	8,258	8,783
Total current liabilities	37,206	40,589
Non-current liabilities		
Long-term loans payable	23,332	19,812
Provision for share-based compensation	786	869
Provision for gas holder repairs	285	301
Provision for loss on voluntary recall of products	338	332
Net defined benefit liability	2,862	2,880
Other	5,965	6,239
Total non-current liabilities	33,571	30,436
Total liabilities	70,778	71,026
Net assets		
Shareholders' equity		
Capital stock	7,070	7,070
Capital surplus	5,860	5,860
Retained earnings	61,468	59,454
Treasury shares	(5,754)	(3,525)
Total shareholders' equity	68,644	68,858
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	472	458
Foreign currency translation adjustment	271	188
Remeasurements of defined benefit plans	(51)	(46)
Total accumulated other comprehensive income	693	600
Non-controlling interests	4	3
Total net assets	69,342	69,462
Total liabilities and net assets	140,120	140,489

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

Account	For the three months ended Jun. 30, 2020 (from Apr. 1, 2020 to Jun. 30, 2020)	For the three months ended Jun. 30, 2021 (from Apr. 1, 2021 to Jun. 30, 2021)
Net sales	33,620	34,697
Cost of sales	17,360	18,854
Gross profit	16,260	15,842
Selling, general and administrative expenses	12,537	13,276
Operating income	3,722	2,565
Non-operating income		
Interest income	0	0
Dividend income	10	5
Real estate rent	18	13
Insurance income	3	4
Foreign exchange gains	25	–
Share of profit of entities accounted for using equity method	–	7
Other	64	17
Total non-operating income	123	48
Non-operating expenses		
Interest expenses	37	35
Other	5	1
Total non-operating expenses	42	36
Ordinary income	3,803	2,577
Extraordinary income		
Gain on sales of non-current assets	2	45
Gain on sales of investment securities	53	–
Total extraordinary income	56	45
Extraordinary losses		
Loss on sales of non-current assets	–	16
Loss on retirement of non-current assets	57	23
Loss on sales of investment securities	–	2
Other	1	–
Total extraordinary losses	59	41
Profit before income taxes	3,800	2,580
Income taxes - current	937	1,610
Income taxes - deferred	221	(801)
Total income taxes	1,158	808
Profit	2,642	1,772
Loss attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	2,642	1,772

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

Account	For the three months ended Jun. 30, 2020 (from Apr. 1, 2020 to Jun. 30, 2020)	For the three months ended Jun. 30, 2021 (from Apr. 1, 2021 to Jun. 30, 2021)
Profit	2,642	1,772
Other comprehensive income		
Valuation difference on available-for-sale securities	147	(14)
Remeasurements of defined benefit plans, net of tax	5	4
Share of other comprehensive income of entities accounted for using equity method	11	(83)
Total other comprehensive income	164	(92)
Comprehensive income	2,807	1,679
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,807	1,680
Comprehensive income attributable to non-controlling interests	(0)	(0)

(3) Consolidated Statement of Cash Flows

(Millions of yen)

Account	For the three months ended Jun. 30, 2020 (from Apr. 1, 2020 to Jun. 30, 2020)	For the three months ended Jun. 30, 2021 (from Apr. 1, 2021 to Jun. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	3,800	2,580
Depreciation	2,290	2,480
Amortization of goodwill	247	347
Increase (decrease) in allowance for doubtful accounts	(62)	(142)
Increase (decrease) in net defined benefit liability	(47)	17
Increase (decrease) in provision for share-based compensation	3	82
Increase (decrease) in allowance for loss on voluntary recall of products	(6)	(5)
Interest and dividend income	(11)	(5)
Interest expenses	37	35
Foreign exchange losses (gains)	24	6
Share of (profit) loss of entities accounted for using equity method	–	(7)
Loss (gain) on sales of non-current assets	(0)	(29)
Loss on retirement of non-current assets	57	23
Loss (gain) on sales of investment securities	(53)	2
Decrease (increase) in notes and accounts receivable - trade	2,068	4,815
Decrease (increase) in inventories	1,660	295
Increase (decrease) in notes and accounts payable - trade	(3,281)	(3,705)
Increase (decrease) in accrued consumption taxes	(187)	322
Increase (decrease) in advances received	411	18
Other, net	681	1,112
Subtotal	7,633	8,244
Interest and dividend income received	11	5
Interest expenses paid	(37)	(36)
Income taxes paid	(5,598)	(2,895)
Net cash provided by (used in) operating activities	2,008	5,318
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,016)	(2,665)
Proceeds from sales of property, plant and equipment	7	57
Purchase of intangible assets	(90)	(469)
Purchase of goodwill	(893)	–
Purchase of investment securities	(0)	(1,125)
Proceeds from sales of investment securities	127	0
Payments of loans receivable	(7)	(0)
Collection of loans receivable	3	8
Other, net	(37)	23
Net cash provided by (used in) investing activities	(3,907)	(4,171)

(Millions of yen)

Account	For the three months ended Jun. 30, 2020 (from Apr. 1, 2020 to Jun. 30, 2020)	For the three months ended Jun. 30, 2021 (from Apr. 1, 2021 to Jun. 30, 2021)
Cash flows from financing activities		
Increase in short-term loans payable	10,000	15,500
Decrease in short-term loans payable	–	(9,000)
Repayments of long-term loans payable	(4,864)	(3,174)
Purchase of treasury shares	(0)	(1,226)
Cash dividends paid	(1,405)	(2,470)
Other, net	(259)	(327)
Net cash provided by (used in) financing activities	3,469	(698)
Effect of exchange rate change on cash and cash equivalents	27	(0)
Net increase (decrease) in cash and cash equivalents	1,598	448
Cash and cash equivalents at beginning of period	16,528	12,411
Cash and cash equivalents at end of period	18,127	12,858

(4) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

None.

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

1) Purchase of treasury shares

The Company resolved at the meeting of the Board of Directors held on April 27th, 2021 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 is advancing the purchase of up to 2,000,000 treasury shares on the market of the Tokyo Stock Exchange from April 28th, 2021 to March 31st, 2022, with the upper limit of ¥4,000 million in acquisition value.

As a result, the Company acquired 686,900 treasury shares in the three months ended June 30th, 2020, and treasury shares increased by ¥1,225 million.

2) Retirement of treasury shares

The Company resolved at the meeting of the Board of Directors held on April 27th, 2021 to retire treasury shares pursuant to the provisions of Article 178 of the Companies Act and retired 1,987,800 treasury shares on May 20th, 2021. As a result, retained earnings and treasury shares decreased by ¥3,413 million each.

As a result, Treasury stock amounted to ¥3,525 million at the end of the first quarter of the fiscal year ending March 31st, 2022.

(Changes to Accounting Policies)

1. Accounting standard for revenue recognition, etc.

The Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31st, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition"), etc. from the beginning of the first quarter of the fiscal year ending March 31st, 2022, and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to the customer. The main changes resulting from the application are as follows.

(1) Revenue recognition for the LP gas business and electricity business

In the past, the Company recognized revenue from the LP gas business and electricity business based on the "meter reading date standard," in which revenue is calculated based on the customer's usage volume on the meter reading date. However, as a result of reviewing the identification of performance obligations and the timing of their fulfillment in accordance with the Accounting Standard for Revenue Recognition, the Company has decided to recognize revenue from the LP gas business and electricity business on the "end-of-period" basis, which recognizes customer usage volume up to the end of the period. In the city gas business, revenue is recognized based on the "meter reading date standard" as before in accordance with the Regulation on Accounting at Gas Utilities.

As a result, the cumulative effect was reflected in net assets at the beginning of the first quarter of the fiscal year ending March 31st, 2022, having the effect of increasing the balance of retained earnings at the beginning of the period under review by ¥2,009 million. In addition, compared with the previous method, the introduction of the new method had the effect of decreasing net sales and cost of sales by ¥1,299 million and ¥446 million, respectively, and decreasing operating income, ordinary income, and profit before income taxes by ¥852 million each, for the first quarter of the fiscal year ending March 31st, 2022.

(2) Accounting treatment for levies based on the renewable energy feed-in tariff scheme

In the past, the Company recognized revenue including levies to be borne by customers based on the renewable energy feed-in tariff scheme. However, in accordance with the Accounting Standard for Revenue Recognition, the Company has changed to a method of recognizing revenue excluding levies.

As a result, compared with the previous method, the introduction of the new method had the effect of decreasing net sales and cost of sales in the electricity business segment for the first quarter of the fiscal year ending March 31st, 2022, by ¥598 million.

In accordance with the transitional treatment prescribed in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactive application of the new accounting policy prior to the beginning of the first quarter of the fiscal year ending March 31st, 2022, was added to or deducted from retained earnings at the beginning of the first quarter of the fiscal year ending March 31st, 2022, and the new accounting policy has been applied from the beginning balance of the period under review. However, the Company has applied the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition without applying the new accounting policy retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous method prior to the beginning of the first quarter of the fiscal year ending March 31st, 2022. In addition, the Company has applied the method prescribed in proviso (1) to Paragraph 86 of the Accounting Standard for Revenue Recognition and accounted for changes in contracts made prior to the beginning of the first quarter of the fiscal year ending March 31st, 2022, based on the contract terms after reflecting all contract changes, and added or subtracted the cumulative effect of such changes to or from retained earnings at the beginning of the first quarter of the fiscal year ending March 31st, 2022.

As a result of the application of the Accounting Standard for Revenue Recognition, "Notes and accounts receivable-trade," which was included in "Current assets" in the consolidated balance sheet for the fiscal year ended March 31st, 2021, has been included in "Notes and accounts receivable - trade, and contract assets" from the first quarter of the fiscal year ending March 31st, 2022. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the consolidated financial statements of the fiscal year ended March 31st, 2021, using the new presentation.

2. Accounting Standard for Fair Value Measurement

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4th, 2019; hereinafter referred to as the "Accounting Standard for Fair Value Measurement"), etc. from the beginning of the first quarter of the fiscal year ending March 31st, 2022, and will apply the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4th, 2019). There is no impact on the quarterly consolidated financial statements.

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.

1) Sales results by reportable segment (Millions of yen)

Reportable segments	For the three months ended Jun. 30th, 2020 (from Apr. 1st, 2020 to Jun. 30th, 2020)	For the three months ended Jun. 30th, 2021 (from Apr. 1st, 2021 to Jun. 30th, 2021)
LP gas Business	16,848	17,037
Electricity Business	2,800	4,459
City gas Business	13,971	13,200

2) Sales results for the LP gas business (Millions of yen / 1,000 tons)

Categories		For the three months ended Jun. 30th, 2020 (from Apr. 1st, 2020 to Jun. 30th, 2020)	For the three months ended Jun. 30th, 2021 (from Apr. 1st, 2021 to Jun. 30th, 2021)
LP gas March meter reading date – March 31st	Sales	—	(4,070)
	Gas sales volume	—	(18)
LP gas April meter reading date – June meter reading date (Note)	Sales	14,455	15,733
	Gas sales volume (household use)	53	51
	Gas sales volume (industry use)	26	28
LP gas June meter reading date – June 30 th	Sales	—	2,836
	Gas sales volume	—	11
Equipment, construction contracts, platform, etc.	Sales	2,392	2,538

3) Sales results of electricity business (Millions of yen / GWh)

Categories		For the three months ended Jun. 30th, 2020 (from Apr. 1st, 2020 to Jun. 30th, 2020)	For the three months ended Jun. 30th, 2021 (from Apr. 1st, 2021 to Jun. 30th, 2021)
Electricity March meter reading date – March 31 st	Sales		(948)
	Electricity sales volume		(45)
Electricity April meter reading date – June meter reading date (note)	Sales	2,800	4,524
	Electricity sales volume	111	204
Electricity June meter reading date – June 30 th	Sales		883
	Electricity sales volume		38

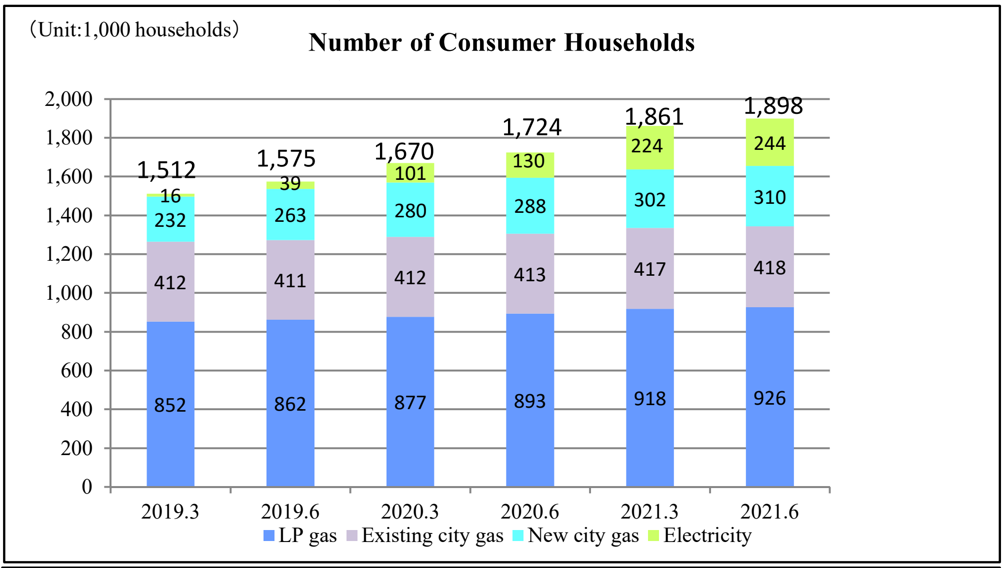
4) Sales results of city gas business (Millions of yen / 1,000 tons)

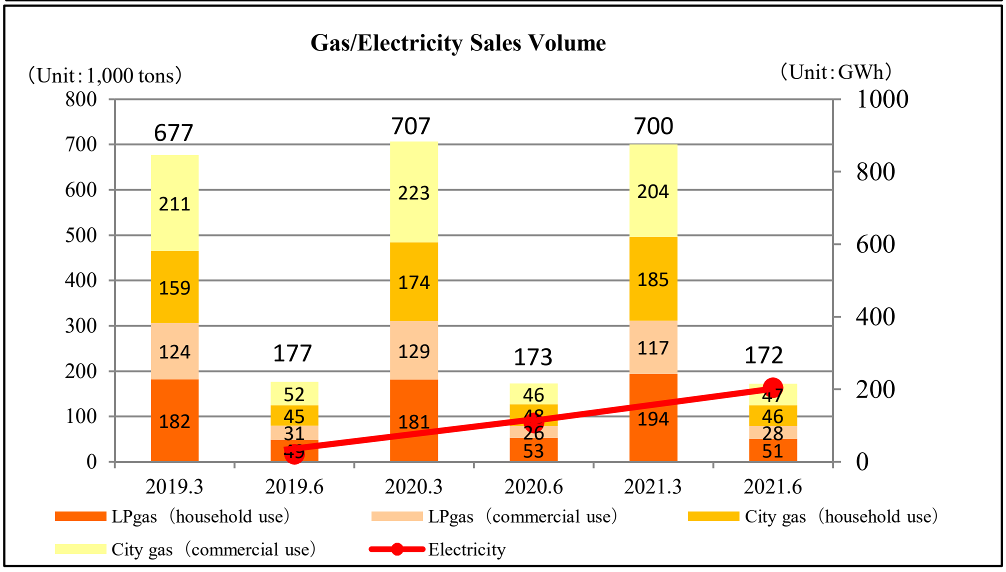
Categories		For the three months ended Jun. 30th, 2020 (from Apr. 1st, 2020 to Jun. 30th, 2020)	For the three months ended Jun. 30th, 2021 (from Apr. 1st, 2021 to Jun. 30th, 2021)
City gas April meter reading date – June meter reading date*1 (Note)	Sales	12,641	11,838
	Gas sales volume (household use)	48	46
	Gas sales volume (industry use)	46	47
Equipment, construction contracts, etc.	Sales	1,330	1,361

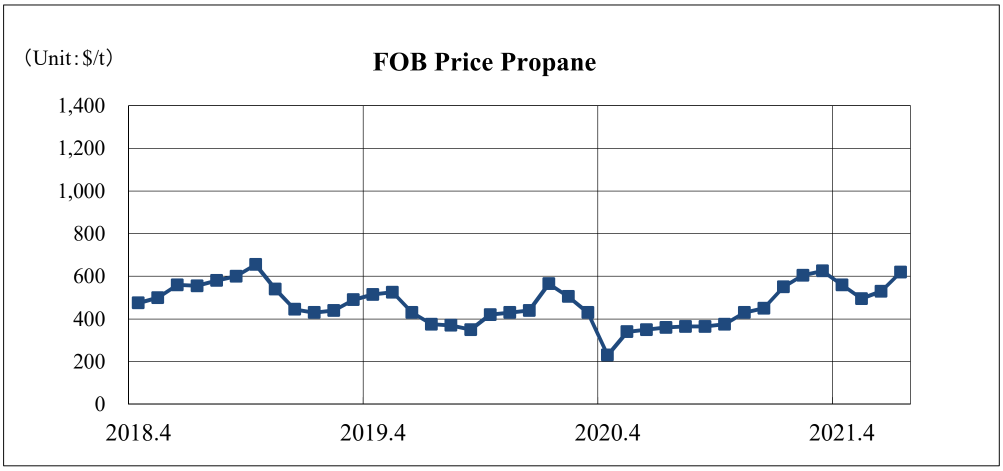
*1. In the city gas business, the Company has adopted the revenue recognition method in accordance with the Gas Business Regulations, and continues to recognize revenue based on the meter reading date standard as it did in the past.

(Note) In the past, the entire discount amount for package service of gas and electricity was borne by electricity fees, but in accordance with the Accounting Standard for Revenue Recognition, the amount is now borne proportionally by the performance obligation (sales price) for gas and electricity. As a result, compared with the previous method, net sales and gross profit in the electricity business segment increased by ¥63 million, net sales and gross profit in the LP gas business segment decreased by ¥39 million, and net sales and gross profit in the city gas business segment decreased by ¥24 million in the first quarter of the fiscal year ending March 31st, 2022.

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







(Note 1) 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).

(Note 2) Gas sales volume is the sales volume based on the meter reading date standard.