

Consolidated Financial Results for the Six Months Ended September 30th, 2021 [Japanese GAAP]



October 28th, 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
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Scheduled date of filing quarterly securities report: November 12th, 2021
Scheduled date of commencing dividend payments: November 17th, 2021
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: Scheduled (for institutional investors)

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

1. Consolidated Financial Results for the Six Months Ended September 30th, 2021 (April 1st, 2021 to September 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	%
Six Months ended Sep. 30th, 2021	65,410	—	2,322	—	2,342	—	2,448	—
Six Months ended Sep. 30th, 2020	61,489	3.7	3,745	16.7	3,925	34.6	2,421	20.2

(Note) Comprehensive income: Six Months ended Sep. 30th, 2021 ¥2,289 million [—%]
Six Months ended Sep. 30th, 2020 ¥2,695 million [51.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six Months ended Sep. 30th, 2021	21.08	—
Six Months ended Sep. 30th, 2020	20.26	—

(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 six months ended September 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 Sep. 30th, 2021	140,701	67,668	48.1
As of Mar. 31st, 2021	140,120	69,342	49.5

(Reference) Equity: As of Sep. 30th, 2021 ¥67,665 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		25.00			
Fiscal year ending Mar. 31st, 2022 (Forecast)			—	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 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
Full-year	150,000	4.2	14,500	6.4	14,500	3.1	10,500	12.0	91.27

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

(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):

Sep. 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:

Sep. 30th, 2021	3,558,019 shares
Mar. 31st, 2021	3,592,506 shares

- 3) Average number of shares during the period:

Six months ended Sep. 30th, 2021	116,141,744 shares
Six months ended Sep. 30th, 2020	119,524,056 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 September 30th, 2021: 1,426,053 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.

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

(1) Explanation of Results of Operations

During the six months ended September 30th, 2021, the outlook for the Japanese economy remained uncertain as a state of emergency was declared again in some areas. 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 the starting point for drastic changes in lifestyles, social structure and industrial structure. We believe it is essential to understand the new issues facing the local community against the backdrop of this paradigm shift and to swiftly redefine our business in order to achieve sustainable growth.

Amid the drastically changing business environment, we have positioned the comprehensive energy business of selling gas and electricity packages as the core of our “Sustainability Transformation (SX)” initiative, which aims to integrate our earning power as a company with solutions to social issues. In addition, we are continuing to take on the challenge of drastically reconfiguring the concept of the energy business, taking advantage of the high quality and efficiency (CO₂ reduction) of the gas business that we have been promoting for 70 years. This means denying the present, envisioning what society should be like five years from now when innovative technologies are involved, and facing the risks that should be tackled through backcasting.

Continuing to provide new solutions to increasingly complex social issues and being a company that is needed by the local community are prerequisites for the creation of sustainable corporate value. The Company’s sustainability policy aims to improve corporate value over the medium to long term by implementing Environment, Social and Governance (ESG) initiatives through “co-creation” enabled by partnerships and by balancing economic and social aspects. Under this policy, we are recomposing our balance sheet into highly efficient assets with a strong awareness of return on invested capital (ROIC). Furthermore, we are also striving to further improve the performance of shareholders’ equity (ROE) while solving new social issues, such as the reduction of CO₂ emissions and workstyle reform, through digitization by open innovation. With respect to realizing a decarbonized society, which is one of our materiality issues, we have set the following goals for 2030: 1) to achieve a roughly 50% reduction in the industry’s CO₂ emissions by sharing our LPG Network Service, implemented through digital transformation (DX), with other companies, and 2) to cut CO₂ emissions per household by roughly 50% by procuring electricity from green sources and promoting the use of EVs and the widespread use of highly efficient hybrid water heaters. Furthermore, the Company is also working with the local community to make concrete efforts toward achieving net zero CO₂ emissions by 2050.

During the current fiscal year, we started to install *Space Hotaru*, an automatic meter reading and safety monitoring device, in the homes of customers to whom the Group supplies city gas. We plan to complete the installation of *Space Hotaru* in approximately 400,000 customer homes by December 2022. We have already completed the installation in approximately 900,000 LP gas customer homes, and by the end of 2022, we will have completed the installation of *Space Hotaru* in a total of 1.3 million customer homes.

Space Hotaru is an IoT device to bring gas meters online and enables real-time measurement of gas consumption and safety status. By analyzing the hourly gas consumption data and safety data acquired by *Space Hotaru*, as well as actual delivery data, customer information, delivery staff attendance information, etc., we have succeeded in evolving from the conventional delivery of gas cylinders based on predictions (semi

replacement) to real delivery (full replacement) based on actual results and consumption. The system was introduced on a trial basis in June 2021 and is scheduled to be rolled out to all supply areas this fall. By halving the frequency of deliveries to customers, both the cost burden and environmental impact will be reduced by 50%.

The mechanism for calculating the optimal delivery plan of total replacement is supported by “NICIGAS Twin on DL,” digital twin technology that reproduces the real world in virtual space. This is a technology that automatically collects real data on gas consumption, and on vehicles, people, containers, etc. acquired through automatic authentication technology, in real time in cyberspace, and analyzes and processes the data as AI grows through deep learning. We will launch an energy system service that provides energy business-related services, such as delivery, container management, meter management, meter reading, and security services to other businesses as a platform with strong data privacy protection. “NICIGAS Twin on DL” will serve as the base system for the co-creation environment on that occasion. The Energy Network Service, in other words, collaboration with other businesses through the implementation of DX, is a way for us and other businesses to share the fruits of innovations, including 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.

While taking such initiatives, the Company is continuing to invest management resources, while improving the profitability of our assets, in the 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 systems using digital technology even in our marketing activities. In addition, the Company also positions the electricity business as a top priority core business, and, 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 as we make progress in our efforts to become carbon neutral and implement DX. 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 appropriately allocate management resources not only to the gas business but also to the electricity business as a priority strategic field by leveraging our strength in our partnership with the TEPCO Group. Focusing on also promoting the growth of the electricity business, promoting synergy with the gas business, and additionally creating a sharing economy with other industries is a great challenge that will contribute to the digitalization and efficiency improvement of the highly changing local community and relieve beneficiaries from stress. By facing these changes in the environment with sincerity, we will encourage ourselves to change, keep changing, and strive to create even more corporate value.

For the six months ended September 30th, 2021, net sales increased by 6.4% year on year to ¥65,410 million, gross profit decreased by 1.7% year on year to ¥29,231 million, operating income decreased by 38.0% year on year to ¥2,322 million, ordinary income decreased by 40.3% year on year to ¥2,342 million, and profit attributable to owners of parent increased by 1.1% year on year to ¥2,448 million.

Compared to the previous period, sales decreased by ¥1,416 million, and gross profit, operating income and ordinary income decreased by ¥733million. 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 six months ended September 30th, 2021 was changed from the April to September meter reading period (early March to early September) to the period from April 1st to September 30th. As a result, sales from the middle of March to the end of March, when gas and electricity usage is high, are excluded from sales in the six months ended September 30th, 2021, whereas sales from the middle of September to the end of September, when usage is low in comparison, are recorded, resulting in decreases in sales and profit for the six months ended September 30th, 2021, compared to the previous period. 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 ¥17,236 million (down by ¥737 million year on year) from the LP gas business and ¥1,667 million (up by ¥160 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 ¥787 million, while gross profit from the LP gas business before the application of the accounting standard increased by ¥50 million compared to the previous period.

In the six months ended September 30th, 2021, although the environment was harsher than in the same period of the previous year with warmer temperatures and higher raw material prices, we secured gross profit due to the recovery trend in gas sales volume for commercial use and the price revision applied from the first quarter. As for sales activities, although sales by external partners slowed down under the state of emergency declaration, the number of customers increased by 30thousands from the end of the same period last year to 935thousands through sales training for young employees and other efforts to strengthen the sales capabilities of our own employees.

The increase in gross profit from the ancillary businesses is due to the expansion of each platform business, including the new city gas platform business as well as security for alliance companies, profit from the electricity retail platform, and profit from “Tanomimaster,” our BtoB digital ordering system for gas equipment.

[Electricity Business]

Gross profit from the electricity business segment amounted to ¥1,175 million (up by ¥626 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 15.5% at the end of the period under review, an increase of 100 thousand households to 258 thousand households.

Regarding the discount for existing customers who have signed up for the package service, it 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 current fiscal year. Together with the change in the revenue recognition period, the revenue recognition accounting standard increased gross profit by ¥105 million.

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

Gross profit from the city gas business segment amounted to ¥8,657 million (down by ¥501 million year on year) from the city gas business and ¥494 million (down by ¥60 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 negative impact of slide time lag due to the upward trend in prices of raw materials.

Regarding the city gas business, 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 only impact of the Accounting Standard for Revenue Recognition is a decrease of ¥50 million due to newly bearing the discount amount for the package service of gas and electricity from the beginning of the current fiscal year.

(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 second 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 ¥580 million or 0.4% to ¥140,701million. The main increase in assets during the period under review is due to the installation of *Space Hotaru*, which enables automatic meter reading for city gas, recorded as a leased asset of ¥1,400 million. 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. From the current fiscal year, we expand the scope of this project to include city gas customers, and plan to complete the installation by the end of December 2022.

Total liabilities as of the end of the second quarter of the fiscal year ending March 31st, 2022, increased by

¥2,254 million or 3.2% from the end of the previous fiscal year and stood at ¥73,033 million, of which interest-bearing liabilities increased by ¥4,771 million from the end of the previous fiscal year and stood at ¥46,282 million. Net assets decreased by ¥1,674million or 2.4% from the end of the previous fiscal year and stood at ¥67,668million. The decrease in net assets is primarily attributable to payment of dividends of ¥2,473million, purchase of treasury shares of ¥3,548million, and other measures to return profits to shareholders. With the debt-to-equity ratio of 0.7 times and a shareholders' equity ratio of 48.1%, we are appropriately leveraging our financial base while ensuring its stability in order to increase ROE.

2) Analysis of Cash Flows

Balance of cash and cash equivalents as of the end of the second quarter of the fiscal year ending March 31st, 2022, remained approximately at the same level as at the end of the previous fiscal year, standing at ¥13,045 million.

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

Net cash provided by operating activities amounted to ¥8,276 million, up by ¥3,932 million year on year. This was due to a decrease in income taxes paid (up by ¥2,482 million year on year).

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

Net cash used in investing activities amounted to ¥4,658 million, down by ¥2,736 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 ¥2,984 million (net cash provided by financing activities of ¥4,415 million in the corresponding period of the previous fiscal year). The cash outflow is due to purchase of treasury shares and payment of dividends.

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

Regarding the consolidated financial results forecasts for the full year ending March 31st, 2022, no change has been made to those stated in “Notice of Revisions to the First Half and the Full-Year Consolidated Financial Results Forecast for FYE 0322” released on July 29th, 2021.

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)	Six months ended Sep. 30, 2021 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	12,453	13,117
Notes and accounts receivable - trade	14,996	-
Notes and accounts receivable – trade, and contract assets	-	12,455
Merchandise and finished goods	5,449	4,189
Raw materials and supplies	145	117
Other	1,925	5,330
Allowance for doubtful accounts	(204)	(78)
Total current assets	34,764	35,131
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,659	15,632
Machinery, equipment and vehicles, net	33,161	32,108
Tools, furniture and fixtures, net	883	857
Land	30,197	30,185
Leased assets, net	4,866	5,826
Construction in progress	1,019	1,391
Total property, plant and equipment	85,786	86,002
Intangible assets		
Goodwill	4,133	3,514
Other	4,220	4,506
Total intangible assets	8,354	8,020
Investments and other assets		
Investment securities	2,169	2,503
Other	13,981	14,051
Allowance for doubtful accounts	(4,936)	(5,008)
Total investments and other assets	11,214	11,546
Total non-current assets	105,356	105,569
Total assets	140,120	140,701

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2021 (As of Mar. 31, 2021)	Six months ended Sep. 30, 2021 (As of Sep. 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,927	7,766
Electronically recorded obligations - operating	3,965	3,497
Short-term loans payable	2,000	11,520
Current portion of long-term loans payable	10,837	11,236
Income taxes payable	2,871	1,975
Provision for bonuses	345	392
Other	8,258	8,241
Total current liabilities	37,206	44,631
Non-current liabilities		
Long-term loans payable	23,332	17,123
Provision for share-based compensation	786	923
Provision for gas holder repairs	285	238
Provision for loss on voluntary recall of products	338	326
Net defined benefit liability	2,862	2,936
Other	5,965	6,852
Total non-current liabilities	33,571	28,401
Total liabilities	70,778	73,033
Net assets		
Shareholders' equity		
Capital stock	7,070	7,070
Capital surplus	5,860	5,860
Retained earnings	61,468	60,019
Treasury shares	(5,754)	(5,820)
Total shareholders' equity	68,644	67,129
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	472	403
Foreign currency translation adjustment	271	174
Remeasurements of defined benefit plans	(51)	(41)
Total accumulated other comprehensive income	693	535
Non-controlling interests	4	3
Total net assets	69,342	67,668
Total liabilities and net assets	140,120	140,701

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

Account	For the six months ended Sep. 30, 2020 (from Apr. 1, 2020 to Sep. 30, 2020)	For the six months ended Sep. 30, 2021 (from Apr. 1, 2021 to Sep. 30, 2021)
Net sales	61,489	65,410
Cost of sales	31,745	36,178
Gross profit	29,744	29,231
Selling, general and administrative expenses	25,999	26,909
Operating income	3,745	2,322
Non-operating income		
Interest income	5	1
Dividend income	19	7
Real estate rent	37	31
Insurance income	22	25
Dividend income of insurance	21	15
Share of profit of entities accounted for using equity method	–	13
Other	166	35
Total non-operating income	273	129
Non-operating expenses		
Interest expenses	79	71
Other	13	38
Total non-operating expenses	92	109
Ordinary income	3,925	2,342
Extraordinary income		
Gain on sales of non-current assets	11	69
Gain on sales of investment securities	224	1,255
Total extraordinary income	236	1,324
Extraordinary losses		
Loss on sales of non-current assets	2	16
Loss on retirement of non-current assets	81	67
Loss on sales of investment securities	–	2
Impairment loss	464	–
Reorganization cost	49	–
Total extraordinary losses	597	86
Profit before income taxes	3,563	3,581
Income taxes – current	1,148	1,963
Income taxes – deferred	(5)	(829)
Total income taxes	1,143	1,134
Profit	2,420	2,446
Loss attributable to non-controlling interests	(0)	(1)
Profit attributable to owners of parent	2,421	2,448

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

Account	For the six months ended Sep. 30, 2020 (from Apr. 1, 2020 to Sep. 30, 2020)	For the six months ended Sep. 30, 2021 (from Apr. 1, 2021 to Sep. 30, 2021)
Profit	2,420	2,446
Other comprehensive income		
Valuation difference on available-for-sale securities	243	(69)
Remeasurements of defined benefit plans, net of tax	10	9
Share of other comprehensive income of entities accounted for using equity method	20	(97)
Total other comprehensive income	275	(157)
Comprehensive income	2,695	2,289
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,696	2,290
Comprehensive income attributable to non-controlling interests	(0)	(1)

(3) Consolidated Statement of Cash Flows

(Millions of yen)

Account	For the six months ended Sep. 30, 2020 (from Apr. 1, 2020 to Sep. 30, 2020)	For the six months ended Sep. 30, 2021 (from Apr. 1, 2021 to Sep. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	3,563	3,581
Depreciation	4,693	5,055
Impairment loss	464	–
Amortization of goodwill	567	698
Increase (decrease) in allowance for doubtful accounts	(45)	(54)
Increase (decrease) in net defined benefit liability	(126)	74
Increase (decrease) in provision for share-based compensation	64	136
Increase (decrease) in allowance for loss on voluntary recall of products	(14)	(11)
Interest and dividend income	(24)	(9)
Interest expenses	79	71
Foreign exchange losses (gains)	(60)	(61)
Share of (profit) loss of entities accounted for using equity method	–	(13)
Loss (gain) on sales of non-current assets	(8)	(53)
Loss on retirement of non-current assets	81	67
Loss (gain) on sales of investment securities	(224)	(1,252)
Decrease (increase) in notes and accounts receivable – trade	2,910	8,061
Decrease (increase) in inventories	1,646	(118)
Decrease (increase) in accounts receivable - other	120	(2,908)
Increase (decrease) in notes and accounts payable – trade	(3,163)	(2,611)
Increase (decrease) in accrued consumption taxes	(810)	128
Increase (decrease) in advances received	(6)	117
Other, net	29	297
Subtotal	9,735	11,195
Interest and dividend income received	24	8
Interest expenses paid	(79)	(73)
Income taxes paid	(5,336)	(2,854)
Net cash provided by (used in) operating activities	4,344	8,276
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,112)	(4,158)
Proceeds from sales of property, plant and equipment	35	89
Purchase of intangible assets	(572)	(1,041)
Purchase of goodwill	(1,262)	(81)
Purchase of investment securities	(0)	(1,125)
Proceeds from sales of investment securities	594	1,736
Payments of loans receivable	(8)	(2)
Collection of loans receivable	7	9
Other, net	(76)	(84)
Net cash provided by (used in) investing activities	(7,394)	(4,658)

(Millions of yen)

Account	For the six months ended Sep. 30, 2020 (from Apr. 1, 2020 to Sep. 30, 2020)	For the six months ended Sep. 30, 2021 (from Apr. 1, 2021 to Sep. 30, 2021)
Cash flows from financing activities		
Increase in short-term loans payable	11,000	47,520
Decrease in short-term loans payable	(11,000)	(38,000)
Proceeds from long-term loans payable	15,000	–
Repayments of long-term loans payable	(7,430)	(5,808)
Purchase of treasury shares	(1,205)	(3,548)
Cash dividends paid	(1,405)	(2,473)
Other, net	(543)	(673)
Net cash provided by (used in) financing activities	4,415	(2,984)
Effect of exchange rate change on cash and cash equivalents	26	0
Net increase (decrease) in cash and cash equivalents	1,391	633
Cash and cash equivalents at beginning of period	16,528	12,411
Cash and cash equivalents at end of period	17,920	13,045

(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 advanced 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 2,000,000 treasury shares in the six months ended September 30th, 2021, and treasury shares increased by ¥3,547 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 ¥5,820 million at the end of the second 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 second 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 ¥1,900 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 ¥1,416 million and ¥683 million, respectively, and decreasing gross profit, operating income, ordinary income, and profit before income taxes by ¥733 million each, for the second 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 second quarter of the fiscal year ending March 31st, 2022, by ¥1,171 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. In terms of the net sales and profits of the Group, the gas business, which by nature is characterized by sharp seasonal fluctuations, accounts for a major part of the Group’s business. Therefore, sales and profits tend to rise disproportionately in the second half of the year.

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

Reportable segments	For the six months ended Sep. 30th, 2020 (from Apr. 1st, 2020 to Sep. 30th, 2020)	For the six months ended Sep. 30th, 2021 (from Apr. 1st, 2021 to Sep. 30th, 2021)
LP gas Business	30,349	31,307
Electricity Business	6,027	10,365
City gas Business	25,112	23,737

2) Sales results of LP gas business

(Millions of yen / 1000 tons)

Categories		For the six months ended Sep. 30th, 2020 (from Apr. 1st, 2020 to Sep. 30th, 2020)	For the six months ended Sep. 30th, 2021 (from Apr. 1st, 2021 to Sep. 30th, 2021)
LP gas March meter reading date – March 31st	Sales	—	(4,070)
	Gas sales volume	—	(18.2)
LP gas April meter reading date – September meter reading date (Note)	Sales	25,014	27,687
	Gas sales volume (household use)	82.9	81.5
	Gas sales volume (industry use)	52.5	54.2
LP gas September meter reading date – September 30th	Sales	—	2,805
	Gas sales volume	—	10.1
Equipment, construction contracts, platform, etc.	Sales	5,335	4,883

3) Sales results of electricity business

(Millions of yen / GWh)

Categories		For the six months ended Sep. 30th, 2020 (from Apr. 1st, 2020 to Sep. 30th, 2020)	For the six months ended Sep. 30th, 2021 (from Apr. 1st, 2021 to Sep. 30th, 2021)
Electricity March meter reading date – March 31st	Sales		(948)
	Electricity sales volume	—	(45)
Electricity April meter reading date – September meter reading date (Note)	Sales	6,027	10,518
	Electricity sales volume	239	474
Electricity September meter reading date – September 30th	Sales	—	796
	Electricity sales volume	—	35

4) Sales results of city gas business

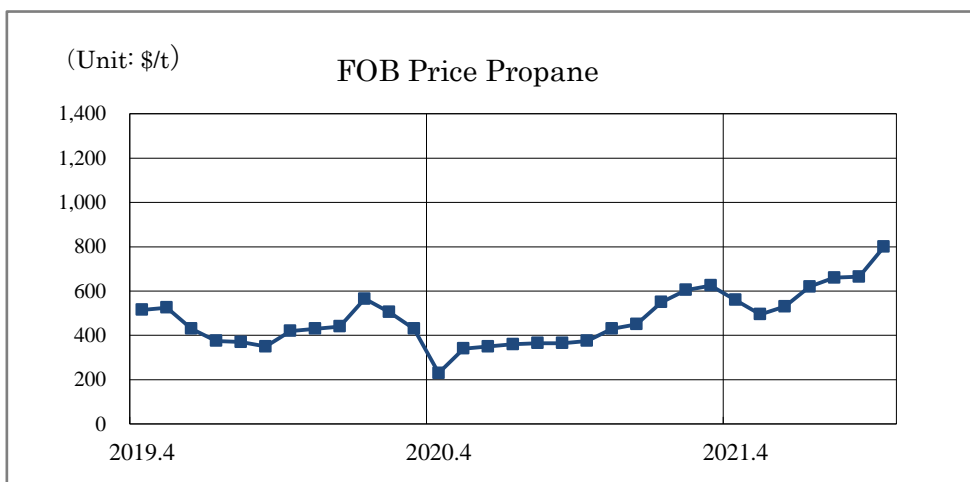
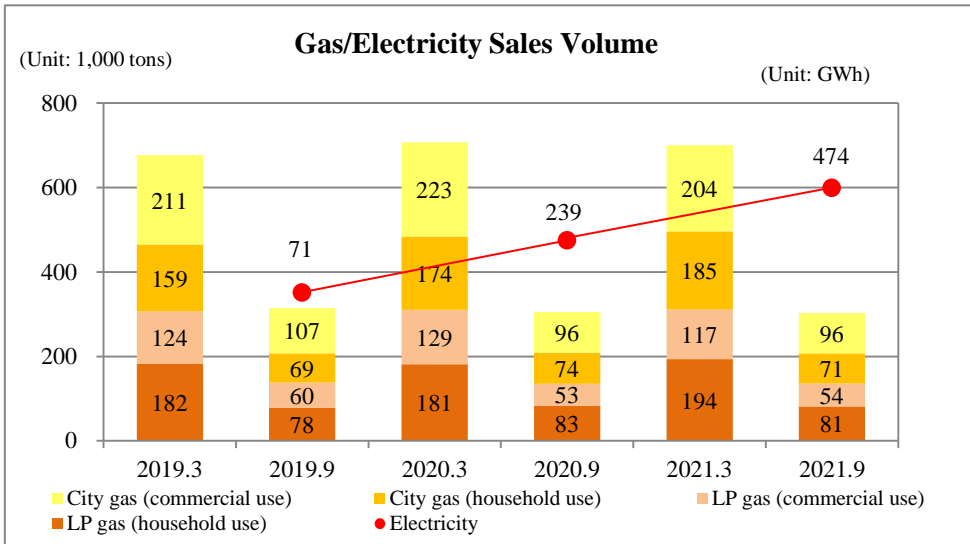
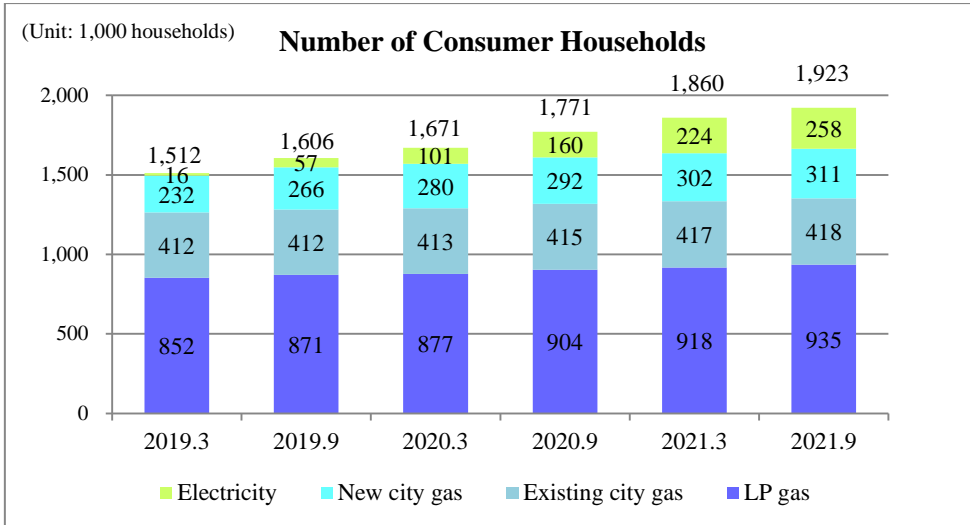
(Millions of yen / 1,000 tons)

Categories		For the six months ended Sep. 30th, 2020 (from Apr. 1st, 2020 to Sep. 30th, 2020)	For the six months ended Sep. 30th, 2021 (from Apr. 1st, 2021 to Sep. 30th, 2021)
City gas April meter reading date – September meter reading date*1 (Note)	Sales	22,077	21,244
	Gas sales volume (household use)	73.7	71.4
	Gas sales volume (industry use)	96.3	95.5
Equipment, construction contracts, etc.	Sales	3,035	2,492

*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 ¥131 million, net sales and gross profit in the LP gas business segment decreased by ¥81 million, and net sales and gross profit in the city gas business segment decreased by ¥50 million in the second quarter of the fiscal year ending March 31st, 2022.

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



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