

Consolidated Financial Results for the Nine Months Ended December 31st, 2021 [Japanese GAAP]



January 27th, 2022

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: February 14th, 2022
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 Nine Months Ended December 31st, 2021 (April 1st, 2021 to December 31st, 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	%
Nine Months ended Dec. 31st, 2021	107,134	—	6,291	—	6,354	—	5,161	—
Nine Months ended Dec. 31st, 2020	95,042	4.1	6,831	23.8	7,120	40.7	4,484	38.6

(Note) Comprehensive income: Nine Months ended Dec. 31st, 2021 ¥4,938 million [—%]
Nine Months ended Dec. 31st, 2020 ¥4,595 million [50.9%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine Months ended Dec. 31st, 2021	44.56	—
Nine Months ended Dec. 31st, 2020	37.61	—

(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 nine months ended December 31st, 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 Dec. 31st, 2021	149,453	67,432	45.1
As of Mar. 31st, 2021	140,120	69,342	49.5

(Reference) Equity: As of Dec. 31st, 2021 ¥67,429 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 after 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	160,000	11.5	13,000	△4.6	13,000	△7.6	10,000	6.7	86.47

(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):

Dec. 31st, 2021	118,603,698 shares
Mar. 31st, 2021	120,591,498 shares

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

Dec. 31st, 2021	3,544,363 shares
Mar. 31st, 2021	3,592,506 shares

- 3) Average number of shares during the period:

Nine months ended Dec. 31st, 2021	115,817,095 shares
Nine months ended Dec. 31st, 2020	119,239,590 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 consolidated 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 December 31st, 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 nine months ended December 31st, 2021, while expectations were high for economic activity in Japan to recover on the back of progressive COVID-19 vaccination rollouts, uncertainty remained due to the rapid spread of the new variant seen in overseas as well as in Japan. However, signs of a return to economic normality are starting to become apparent across the board.

Amid the drastically changing business environment caused by the paradigm shift against the backdrop of the global spread of COVID-19, we are moving forward with efforts to transform ourselves from the conventional concept of “gas and electricity retailer” to an “energy solution package service company” that will provide a one-stop system for optimal energy usage centered on digital technologies. We are also continuing with the steady implementation of growth strategies, keeping in mind that incorporating technological advances and the trend of decarbonization into management is essential for the sustainable growth of the Company.

By providing our customers with an “energy solution package service,” our aim is to deliver on the realization of a “community-integrated and disaster-resilient smart energy city that is green both in terms of energy and lifestyle.” As a first step towards this, we have commenced provision of equipment for distributed energy resources (DER; solar power generation equipment, electric vehicle charging equipment, and hybrid water heaters) to our customers as part of efforts to promote a shift towards the popularization of the smart home. For the second step of this initiative, we will connect entire local communities over power distribution networks whereby we will implement AI-based algorithmic controls via a virtual power plant in the metaverse that will ensure the optimal usage of DERs, with the ultimate aim of providing a service that will ensure optimal usage of energy. Our strategy of evolving our company’s business domain towards optimization of customer energy usage is based on the high quality of our energy business that we have been promoting for 70 years and on a culture of prioritizing the needs of our customers. It is a strategy that is predicated on the position that we as a society are facing an urgent crisis, and means facing up to the risks that should be tackled through backcasting. Continuing to provide new solutions of optimal usage of energy 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 create shareholder value by pursuing shareholder performance (ROE) that exceeds the costs of shareholders’ equity while solving new social issues, such as the reduction of CO₂ emissions and workstyle reform, through digitization by open innovation.

This year, we introduced a digital twin system and also began operations of a new delivery system. These systems utilize AI-driven analysis and deep learning to optimize the entirety of LP gas operations by reproducing all IoT data and physical assets pertaining to the LP gas business in real time in metaverse, through automatic authentication technology and other such tools. The information subject to such reproduction includes the customer’s real-time gas meter readings as obtained from the *Space Hotaru* online smart meter, vehicles, cylinder positions, and people. This, when combined with remote monitoring and the fact that it is

now possible to simultaneously replace both of the gas cylinders (total replacement) that were normally installed at customer homes instead of the previous system where cylinders were replaced individually with the second cylinder being used as a backup, has allowed us to not only break ground in terms of productivity, but also allowed us to simultaneously halve delivery costs and the environmental impact of such.

We have begun the provision of our energy business-related services, such as those stated above, including deliveries, cylinder and meter management, meter readings, and security services to other businesses as an energy network platform with strong data privacy protection. As well as being a solution package service centered on metaverse technology that aims for collaborative creation between businesses over the platform, this is also aimed at achieving both shareholder profits and ESG through efficient provision of energy.

Based on this strategy, we are positioning LP gas and electricity as our core businesses and are continuing to invest management resources while also improving the profitability of our assets. In response to the requirements of this new-normal era, we have been actively carrying out non-face-to-face virtual sales and have been promoting next-generation communication systems that utilize digital technology in our marketing activities, including the development of paperless and unmanned sales offices. With our electricity business, as we move towards our future strategy of utilizing distributed power, we are continuing to expand our customer base using the package service with gas, centering on the family segment, while also achieving similar growth in profit. Demand for electricity is projected to increase rapidly in future as society moves towards an increased use of electric vehicles and digitalization. Accordingly, we shall respond as appropriate in partnership with the TEPCO Group in terms of the procurement of key energy sources.

The promotion of synergy between our electricity and gas businesses and the creation of 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. We will continue to support our customers in overcoming these challenges, and by facing these changes in the environment and in terms of customer demand with sincerity, we will encourage ourselves to change, keep changing, and strive to create even more corporate value.

For the nine months ended December 31st, 2021, net sales increased by 12.7% year on year to ¥107,134 million, gross profit decreased by 0.4% year on year to ¥46,412 million, operating income decreased by 7.9% year on year to ¥6,291 million, ordinary income decreased by 10.8% year on year to ¥6,354 million, and profit attributable to owners of parent increased by 15.1% year on year to ¥5,161 million.

The primary reason for the decrease in gross profit and operating income relative to the same period in the previous fiscal year was a surge in the prices of raw materials for gas and a shortage of gas equipment. Amid the backdrop of the global trend towards decarbonization forcing a rethink regarding investment activities into traditional forms of energy, this period has witnessed a resumption of economic activities brought about by progressive COVID-19 vaccination rollouts, an increase in demand for energy, and soaring prices of raw materials for gas. Customers bore most of the increased amount of raw materials for LP gas in a timely manner; however, for city gas, as it will be the next fiscal year or later before the costs are passed on (slide time lag), gross profit has decreased compared to the previous period. Furthermore, with the global shortage in supply of electronic components, etc., the lack of gas equipment has continued, and thus equipment sales and gross profit

are both down. With regard to our electricity business, as we are able to procure electricity at a reasonable price through our expansive partnership with the TEPCO Group without going through the wholesale market, we have been able to secure stable gross profit without being impacted by the rising prices of electricity that have accompanied the soaring prices for raw materials.

For the nine months ended December 31st, 2021, the impact of the revenue recognition standard was that sales increased by ¥2,139 million, while gross profit, operating income, and ordinary income each increased by ¥425 million. This situation was brought about as a result of the adoption of said revenue recognition standard in which there was a change in the revenue recognition period, and this meant that the periods in which there was a high usage of gas were included in the period subject to accounting. Specifically, the revenue recognition period for the nine months ended December 31st, 2021 were changed from the April to December meter reading period (early March to early December) to the period from April 1st to December 31st. For details, please refer to (3) 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 and others as ancillary business)]

Gross profit from the LP gas business segment amounted to ¥28,022 million (up by ¥132 million year on year) from the LP gas business and ¥2,201 million (down by ¥282 million year on year) from the ancillary business. In the LP gas business, prices were revised for a second time in the same year in October to reflect a rise in the price of raw materials, with the costs passed on appropriately. As for sales activities, the number of customers increased by 23thousands from the end of the previous period to 941 thousands on the back of a strengthening of the sales capabilities of our own employees. The higher prices of raw materials has proven especially difficult for other companies within the industry which have not been able to pass on the increased prices. During this period, we boosted visits to other businesses within the industry and proactively encouraged the building of collaborative relationships, including customer acquisition.

While gross profit from the ancillary businesses increased by ¥200 million compared to the previous period as a result of the expansion of each platform business, including the new city gas platform business as well as safety inspection for alliance companies, profit from the electricity retail platform, and profit from “Tanomimaster,” our BtoB digital ordering system for gas equipment, there was a reduction in sales compared to the previous period owing to a shortage in LP gas equipment.

[Electricity Business]

Gross profit from the electricity business segment amounted to ¥1,932 million (up by ¥1,024 million year on year).

The increase in gross profit from electricity business is due to the 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 period to 16.1% at the end of the period under review, an increase of 45thousand households to 269thousand households. In February 2022, we plan to launch a new electricity rate program which has virtually zero CO₂ emissions and which will offer cost benefits to users of electric vehicles and customers who use low amounts of electricity (150 kWh or more per month), through which we will continue to expand our customer base.

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 ¥279 million.

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

Gross profit from the city gas business segment amounted to ¥13,437 million (down by ¥958 million year on year) from the city gas business and ¥819 million (down by ¥87 million year on year) from the ancillary business.

The decrease in gross profit from the city gas business is attributable to not only the negative impact of the slide time lag due to the upward trend of prices of raw materials, but also to a decrease in the sales volume of household gas resulting from the warmer weather.

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 ¥77 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 third quarter of the fiscal year ending March 31st, 2022, increased by ¥9,332 million or 6.7% from the end of the previous fiscal year to ¥149,453 million. The main increase in assets during the period under review is due to an increase of ¥7,873 million in contract assets brought about as a result of the adoption of the Accounting Standard for Revenue Recognition (notes and accounts receivable – trade from November meter reading date to December 31st, 2021) and an increase of ¥2,092 million in leased assets accompanying the installation of Space Hotaru, which enables automatic meter readings for city gas. The

increase in contract assets is seasonal. Total liabilities as of the end of the third quarter of the fiscal year ending March 31st, 2022, increased by ¥11,242 million or 15.8% to ¥82,021 million, of which, interest-bearing liabilities increased by ¥8,188 million from the end of the previous fiscal year to ¥49,699 million. The main increase in liabilities during the period under review is due to the increase in accounts payable – trade due to the higher costs of raw materials and an increase of ¥4,669 million in recognized liabilities brought about as a result of the adoption of the Accounting Standard for Revenue Recognition. Net assets decreased by ¥1,910 million or 2.8% from the end of the previous fiscal year and stood at ¥67,432 million. The decrease in net assets is primarily attributable to payment of dividends of ¥5,389 million, purchase of treasury shares of ¥3,549 million. With a debt-to-equity ratio of 0.7 times and a shareholders' equity ratio of 45.1%, 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 third quarter of the fiscal year ending March 31st, 2022, increased by ¥1,060 million from the end of the previous fiscal year to ¥13,471 million.

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

Net cash provided by operating activities amounted to ¥12,108 million, up by ¥3,184 million year on year. This was due to a decrease in income taxes paid (down by ¥1,647 million year on year) and an increase in profit before income taxes (up by ¥890 million year on year).

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

Net cash used in investing activities amounted to ¥6,926 million, down by ¥3,997 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 ¥4,124 million (net cash provided by financing activities of ¥138 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

The consolidated financial results forecasts for the full year ending March 31st, 2022 announced on July 29th, 2021 have been revised. For details, please refer to “Notice of Revisions to the Full-Year Consolidated Financial Results Forecast for FYE 03/22” and “Financial Results Briefing Materials for 3Q 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)	Nine months ended Dec. 31, 2021 (As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	12,453	13,579
Notes and accounts receivable - trade	14,996	-
Notes and accounts receivable - trade, and contract assets	-	19,433
Merchandise and finished goods	5,449	6,031
Raw materials and supplies	145	157
Other	1,925	4,334
Allowance for doubtful accounts	(204)	(91)
Total current assets	34,764	43,445
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,659	15,973
Machinery, equipment and vehicles, net	33,161	31,827
Tools, furniture and fixtures, net	883	828
Land	30,197	30,175
Leased assets, net	4,866	6,959
Construction in progress	1,019	970
Total property, plant and equipment	85,786	86,734
Intangible assets		
Goodwill	4,133	3,305
Other	4,220	4,632
Total intangible assets	8,354	7,938
Investments and other assets		
Investment securities	2,169	2,354
Other	13,981	14,186
Allowance for doubtful accounts	(4,936)	(5,205)
Total investments and other assets	11,214	11,335
Total non-current assets	105,356	106,008
Total assets	140,120	149,453

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2021 (As of Mar. 31, 2021)	Nine months ended Dec. 31, 2021 (As of Dec. 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,927	13,597
Electronically recorded obligations - operating	3,965	3,838
Short-term loans payable	2,000	-
Current portion of long-term loans payable	10,837	13,953
Income taxes payable	2,871	1,180
Provision for bonuses	345	133
Other	8,258	8,732
Total current liabilities	37,206	41,436
Non-current liabilities		
Long-term loans payable	23,332	28,092
Provision for share-based compensation	786	988
Provision for gas holder repairs	285	253
Provision for loss on voluntary recall of products	338	318
Net defined benefit liability	2,862	3,007
Other	5,965	7,924
Total non-current liabilities	33,571	40,584
Total liabilities	70,778	82,021
Net assets		
Shareholders' equity		
Capital stock	7,070	7,070
Capital surplus	5,860	5,862
Retained earnings	61,468	59,821
Treasury shares	(5,754)	(5,795)
Total shareholders' equity	68,644	66,957
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	472	370
Foreign currency translation adjustment	271	138
Remeasurements of defined benefit plans	(51)	(37)
Total accumulated other comprehensive income	693	471
Non-controlling interests	4	2
Total net assets	69,342	67,432
Total liabilities and net assets	140,120	149,453

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

Account	For the nine months ended Dec. 31, 2020 (from Apr. 1, 2020 to Dec. 31, 2020)	For the nine months ended Dec. 31, 2021 (from Apr. 1, 2021 to Dec. 31, 2021)
Net sales	95,042	107,134
Cost of sales	48,458	60,722
Gross profit	46,584	46,412
Selling, general and administrative expenses	39,752	40,120
Operating income	6,831	6,291
Non-operating income		
Interest income	5	1
Dividend income	24	10
Foreign exchange gains	14	11
Real estate rent	50	48
Insurance income	22	33
Dividend income of insurance	21	15
Share of profit of entities accounted for using equity method	-	21
Other	286	70
Total non-operating income	425	213
Non-operating expenses		
Interest expenses	119	111
Other	16	38
Total non-operating expenses	136	150
Ordinary income	7,120	6,354
Extraordinary income		
Gain on sales of non-current assets	40	72
Gain on sales of investment securities	276	1,287
Total extraordinary income	316	1,360
Extraordinary losses		
Loss on sales of non-current assets	84	27
Loss on retirement of non-current assets	137	101
Loss on sales of investment securities	11	21
Impairment loss	464	-
Reorganization cost	64	-
Total extraordinary losses	762	149
Profit before income taxes	6,675	7,565
Income taxes - current	2,122	3,185
Income taxes - deferred	68	(779)
Total income taxes	2,191	2,405
Profit	4,483	5,159
Loss attributable to non-controlling interests	(0)	(1)
Profit attributable to owners of parent	4,484	5,161

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

Account	For the nine months ended Dec. 31, 2020 (from Apr. 1, 2020 to Dec. 31, 2020)	For the nine months ended Dec. 31, 2021 (from Apr. 1, 2021 to Dec. 31, 2021)
Profit	4,483	5,159
Other comprehensive income		
Valuation difference on available-for-sale securities	43	(102)
Remeasurements of defined benefit plans, net of tax	16	14
Share of other comprehensive income of entities accounted for using equity method	52	(132)
Total other comprehensive income	112	(221)
Comprehensive income	4,595	4,938
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,596	4,940
Comprehensive income attributable to non-controlling interests	(0)	(1)

(3) Consolidated Statement of Cash Flows

(Millions of yen)

Account	For the nine months ended Dec. 31, 2020 (from Apr. 1, 2020 to Dec. 31, 2020)	For the nine months ended Dec. 31, 2021 (from Apr. 1, 2021 to Dec. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	6,675	7,565
Depreciation	7,201	7,756
Impairment loss	464	–
Amortization of goodwill	914	1,050
Increase (decrease) in allowance for doubtful accounts	(369)	155
Increase (decrease) in net defined benefit liability	(87)	144
Increase (decrease) in provision for share-based compensation	130	201
Increase (decrease) in allowance for loss on voluntary recall of products	(21)	(19)
Interest and dividend income	(29)	(12)
Interest expenses	119	111
Foreign exchange losses (gains)	238	(221)
Share of (profit) loss of entities accounted for using equity method	–	(21)
Loss (gain) on sales of non-current assets	44	(45)
Loss on retirement of non-current assets	137	101
Loss (gain) on sales of investment securities	(265)	(1,266)
Decrease (increase) in notes and accounts receivable - trade	398	1,084
Decrease (increase) in inventories	255	(2,000)
Decrease (increase) in accounts receivable - other	(211)	(1,667)
Increase (decrease) in notes and accounts payable - trade	(69)	3,559
Increase (decrease) in accrued consumption taxes	(657)	431
Increase (decrease) in advances received	63	106
Other, net	574	29
Subtotal	15,504	17,043
Interest and dividend income received	28	12
Interest expenses paid	(119)	(104)
Income taxes paid	(6,490)	(4,843)
Net cash provided by (used in) operating activities	8,923	12,108
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,202)	(6,425)
Proceeds from sales of property, plant and equipment	209	98
Purchase of intangible assets	(896)	(1,461)
Purchase of goodwill	(1,778)	(226)
Purchase of investment securities	(0)	(1,126)
Proceeds from sales of investment securities	836	1,860
Payments of loans receivable	(9)	(9)
Collection of loans receivable	12	17
Other, net	(94)	345
Net cash provided by (used in) investing activities	(10,923)	(6,926)

(Millions of yen)

Account	For the nine months ended Dec. 31, 2020 (from Apr. 1, 2020 to Dec. 31, 2020)	For the nine months ended Dec. 31, 2021 (from Apr. 1, 2021 to Dec. 31, 2021)
Cash flows from financing activities		
Increase in short-term loans payable	14,000	57,520
Decrease in short-term loans payable	(11,000)	(59,520)
Proceeds from long-term loans payable	15,000	16,700
Repayments of long-term loans payable	(9,677)	(8,823)
Purchase of treasury shares	(3,419)	(3,549)
Cash dividends paid	(3,914)	(5,389)
Other, net	(850)	(1,063)
Net cash provided by (used in) financing activities	138	(4,124)
Effect of exchange rate change on cash and cash equivalents	25	2
Net increase (decrease) in cash and cash equivalents	(1,835)	1,060
Cash and cash equivalents at beginning of period	16,528	12,411
Cash and cash equivalents at end of period	14,693	13,471

(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 nine months ended December 31st, 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 ¥5,795 million at the end of the third 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 third 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 increasing net sales and cost of sales by ¥2,139 million and ¥1,713 million, respectively, and increasing gross profit, operating income, ordinary income, and profit before income taxes by ¥425 million each, for the nine months ended December 31st, 2021.

(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 nine months ended December 31st, 2021, by ¥1,970 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 nine months ended Dec. 31st, 2020 (from Apr. 1st, 2020 to Dec. 31st, 2020)	For the nine months ended Dec. 31st, 2021 (from Apr. 1st, 2021 to Dec. 31st, 2021)
LP gas Business	47,078	51,706
Electricity Business	10,072	17,698
City gas Business	37,892	37,730

2) Sales results of LP gas business

(Millions of yen / 1000 tons)

Categories		For the nine months ended Dec. 31st, 2020 (from Apr. 1st, 2020 to Dec. 31st, 2020)	For the nine months ended Dec. 31st, 2021 (from Apr. 1st, 2021 to Dec. 31st, 2021)
LP gas March meter reading date – March 31st	Sales	—	(4,070)
	Gas sales volume	—	(18.2)
LP gas April meter reading date – December meter reading date (Note)	Sales	38,180	43,120
	Gas sales volume (household use)	125.4	124.1
	Gas sales volume (industry use)	83.6	83.7
LP gas December meter reading date – December 31st	Sales	—	5,118
	Gas sales volume	—	20.7
Equipment, construction contracts, platform, etc.	Sales	8,897	7,537

3) Sales results of electricity business

(Millions of yen / GWh)

Categories		For the nine months ended Dec. 31st, 2020 (from Apr. 1st, 2020 to Dec. 31st, 2020)	For the nine months ended Dec. 31st, 2021 (from Apr. 1, 2021 to Dec. 31st, 2021)
Electricity March meter reading date – March 31st	Sales	—	(948)
	Electricity sales volume	—	(45)
Electricity April meter reading date – December meter reading date (Note)	Sales	10,072	16,606
	Electricity sales volume	410	728
Electricity December meter reading date – December 31st	Sales	—	2,039
	Electricity sales volume	—	84

4) Sales results of city gas business

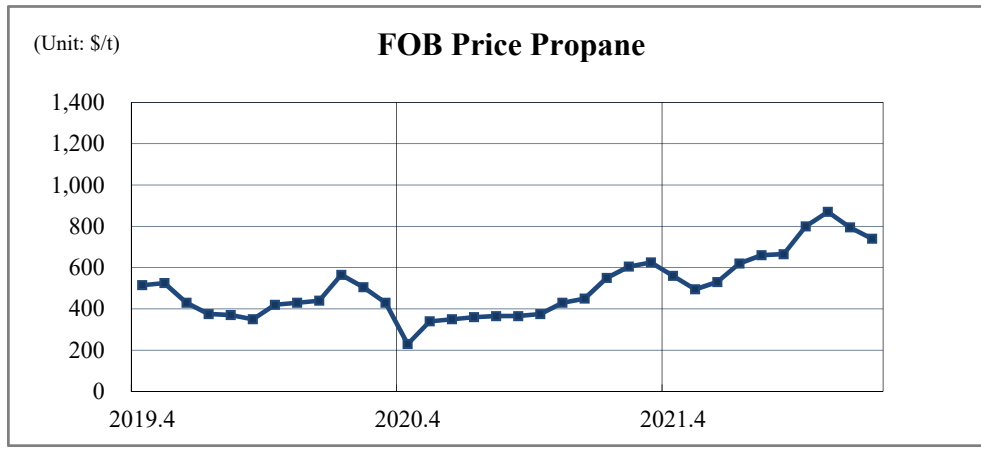
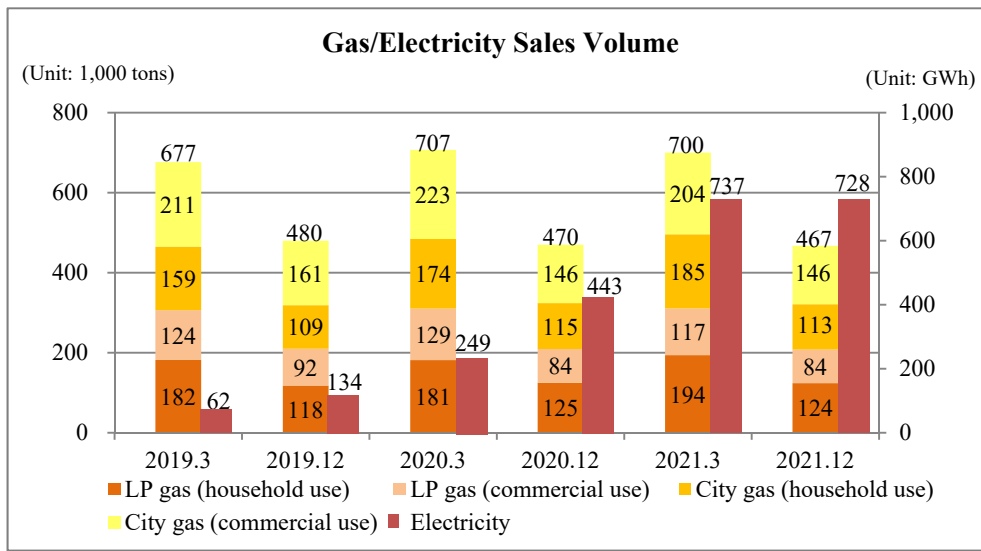
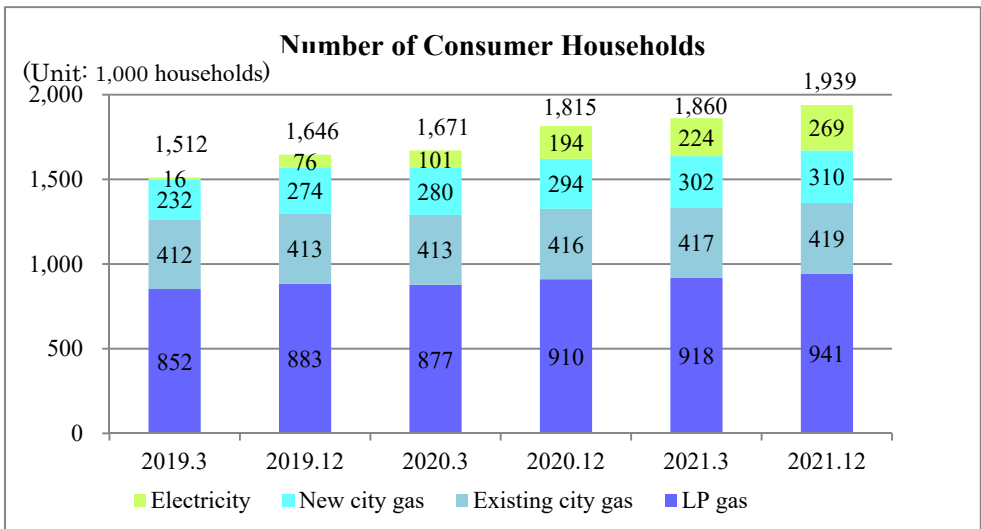
(Millions of yen / 1000 tons)

Categories		For the nine months ended Dec. 31st, 2020 (from Apr. 1st, 2020 to Dec. 31st, 2020)	For the nine months ended Dec. 31st, 2021 (from Apr. 1st, 2021 to Dec. 31st, 2021)
City gas April meter reading date – December meter reading date*1 (Note)	Sales	32,681	33,859
	Gas sales volume (household use)	115.2	113.3
	Gas sales volume (industry use)	146.6	146.0
Equipment, construction contracts, etc.	Sales	5,210	3,870

*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 ¥202 million, net sales and gross profit in the LP gas business segment decreased by ¥125 million, and net sales and gross profit in the city gas business segment decreased by ¥77 million in the nine months ended December 31st, 2021.

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



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