

Consolidated Financial Results for the Six Months Ended September 30th, 2023 [Japanese GAAP]



October 31st, 2023

Company name: NIPPON GAS CO., LTD.

Code number: 8174

URL: <http://www.nichigas.co.jp/en/>

Stock exchange listing: Tokyo Stock Exchange

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Scheduled date of filing quarterly securities report: November 14th, 2023

Scheduled date of commencing dividend payments: November 17th, 2023

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, 2023 (April 1st, 2023 to September 30th, 2023)

(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, 2023	86,821	2.0	4,983	82.0	5,126	83.1	3,570	90.4
Six Months ended Sep. 30th, 2022	85,115	30.1	2,737	17.9	2,800	19.5	1,875	(23.4)

(Note) Comprehensive income: Six Months ended Sep. 30th, 2023 ¥4,095 million [51.3%]
Six Months ended Sep. 30th, 2022 ¥1,630 million [(28.8)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six Months ended Sep. 30th, 2023	31.40	—
Six Months ended Sep. 30th, 2022	16.40	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30th, 2023	142,152	72,353	50.9
As of Mar. 31st, 2023	153,429	73,525	47.9

(Reference) Equity: As of Sep. 30th, 2023 ¥72,353 million As of Mar. 31st, 2023 ¥73,524 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, 2023	—	32.50	—	32.50	65.00
Fiscal year ending Mar. 31st, 2024	—	37.50			
Fiscal year ending Mar. 31st, 2024 (Forecast)			—	37.50	75.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31st, 2024 (April 1st, 2023 to March 31st, 2024)

(% 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	210,000	1.0	18,700	22.9	18,700	21.4	11,000	3.5	97.28

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

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.: No
 - 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, 2023	115,317,098 shares
Mar. 31st, 2023	116,603,698 shares

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

Sep. 30th, 2023	2,134,040 shares
Mar. 31st, 2023	2,757,077 shares

- 3) Average number of shares during the period:

Six months ended Sep. 30th, 2023	113,707,767 shares
Six months ended Sep. 30th, 2022	114,358,172 shares

* 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 5 of the attached Appendix and "Financial Results Briefing Materials for the 2Q of FY Ending in March 2024," which was disclosed separately today, for the notes on the use of preconditions for the earnings forecast and the use of the earnings forecast.

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

(1) Explanation of Results of Operations

[Business Environment Surrounding the Group]

Temperatures during summer from June to August in 2023 have marked the record high in the past 125 years since the statistics were first compiled, and we could feel “global boiling,” which is more serious than global warming this summer. It is expected that COP 28, to be held this November, will require a more in-depth response for decarbonization than ever before, targeting CO₂ emissions, which are considered one of causes of hot temperatures. The time has come when companies’ engagement in carbon neutrality has a significant impact on their corporate value.

In the energy sector, geopolitical risks, which greatly affect supply chains, have emerged since Russia’s invasion of Ukraine last year. The era has ended when a stable energy supply from upstream to downstream is a given in the bloc of free trade, and uncertainty is increasing. The Company recognizes two tasks as important social issues that must be resolved. One is increasing resilience to energy supply shortages and price fluctuations and the other is early introduction of optimal energy systems that can provide energy independently in support of intermittent and unstable renewable energy.

[Reorganization and Energy Solutions]

In January 2024, the Company and the three city gas corporations that are the Company’s wholly owned subsidiaries will be merged and reorganized into three companies: an “Integrated Energy Retail Company,” an “Energy Platform Company,” and a system company (“Kumono Ucyusen Co., Ltd.”). This reorganization will result in an organizational structure backcast from the near-future state of the energy business and will allow us to evolve from its traditional energy retail business model to a new business model (Nichigas 3.0) that will provide new value to its customers, the local community and the energy industry.

In Nichigas 3.0, the Company will provide customers and the local community with energy use optimization services (Energy Solutions). Specifically, the Company will provide new value to address the social issues of stable energy procurement, supply-demand balance, and decarbonization, by developing proposals to customers for their optimal energy use in households with the utilization of increasingly advanced AI. The proposals will include customers’ producing and storing energy, and complementing energy with gas in the event of an electricity shortage by themselves, using distributed energy resources (DER) such as solar power, storage batteries, hybrid water heaters, and EV chargers.

For the energy industry, the Company will build an environment in which its DX-based highly efficient operations can be shared with other companies and provide business infrastructure sharing services (Platform business). By optimizing the operations of the entire industry with infrastructure sharing, the Company will provide value to address social issues such as CO₂ reduction and labor shortages. Recently, the Company started operations of Kofu depot station, which is the 19th station, this July. This depot station connects “Yume no Kizuna, Kawasaki,” a large hub filling plant for LP gas, and the delivery areas centered in Yamanashi Prefecture. This is one of the symbolized locations to build the base for sharing economy, on which various companies engage in co-creation.

The key to challenge the new business model lies in IT. Through the reorganization, the Company’s IT know-how and human resources will be consolidated into Kumono Ucyusen and this will promote co-creation with outside companies that hold cutting-edge technology and will accumulate a high level of IT know-how in Kumono Ucyusen. The Company believes that the specialized IT company, Kumono Ucyusen, will not only attract external IT professionals, but also provide significant growth opportunities for internal IT human resources, strongly encouraging their development and creating significant synergies for the entire group.

Expanding the range of Energy Solutions and futuristic infrastructure to address increasingly complex social issues and being a company that is needed by the local community are prerequisites for the creation of corporate value in the medium- to long-term. The Company’s policy is to change the traditional concept of energy use and work with local communities to achieve sustainable growth by quickly introducing and promoting cutting-edge technologies while solving social issues within the framework of enhancing corporate value.

[Capital Policy]

Since the reorganization has defined the Group’s future orientation, the Company announced its three-year growth plan covering the fiscal year ending March 31st, 2024 through the fiscal year ending March 31st, 2026. This plan focuses on not only profit growth by expanding business but also measures to improve corporate value with active control using its balance sheets. Specifically, the Company will increase ROIC from 9% in the fiscal year ended March 31, 2023 to 13% in the fiscal year ending March 31st, 2026 by allocating cash to more profitable business. At the same time, the Company will achieve an ROE of 22% along with profit growth by reviewing an optimal capital structure on the liabilities/capital side and lowering equity ratio from 48% in the fiscal year ended March 31st, 2023

to 40% in the fiscal year ending March 31st, 2026.

The Company has grown by accumulating the trust of its customers in the local community and in the midst of energy deregulation. When the Company Group is faced with difficult social issues and stereotyped knowledge that seemingly cannot be solved or changed with conventional ideas, the Company will continue to transform itself while leveraging its DNA to tackle those challenges and continue to work in efforts toward a growth in medium- to long-term corporate value. The Company will continue to do its utmost to earn the support of its stakeholders by enhancing its corporate value while cherishing the trust of its customers.

[Consolidated Financial Results]

During the six months ended September 30th, 2023, both sales and income increased over the same period last year.

	(Millions of yen)			
	Six months ended September 30th, 2022	Six months ended September 30th, 2023	YoY change	YoY change (%)
Net sales	85,115	86,821	1,705	2.0%
Gross profit	29,275	31,413	2,137	7.3%
Operating income	2,737	4,983	2,245	82.0%
Ordinary income	2,800	5,126	2,326	83.1%
Profit attributable to owners of parent	1,875	3,570	1,695	90.4%

For the six months ended September 30th, 2023, although gas sales volume decreased due to hot temperatures, gross profit increased due to increased LP gas margin (YoY) with raw material prices for LP gas remaining low, and the positive impact of the slide time lag* in the city gas business. All stages of profit from operating income to profit attributable to owners of parent drastically increased with reducing costs for acquiring customers and delivery under selling, general and administrative expenses.

* Slide time lag is a time lag in profit recovery caused by the raw material cost adjustment formula introduced in the city gas business. In this formula, a time lag is caused as a raw material price fluctuation is borne in cost of sales earlier and in retail price later. During the six months ended September 30th, 2023, the city gas business saw the positive impact due to a downward trend in raw material prices.

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

Gross profit from the LP gas business was ¥18,433 million (up ¥881 million year on year), and gross profit from the ancillary business was ¥1,667 million (down ¥30 million year on year).

The increase in gross profit from the LP gas business was due to securing margin as a result of a sharp decline in LP gas raw material price since February 2023, although gas sales volume of both household use and commercial use decreased from the same period of the previous fiscal year due to hot temperatures.

Regarding sales, At NIPPON GAS, although the administrative action resulted in a three-month suspension of sales visits starting May 25th, 2023, the Company worked to restore trust and strengthen relationships with its customers by politely responding to their inquiries during the suspension period and strived for reducing the number of cancellations. The Company resumed sales visits on August 25th, 2023 and increased the total number of customers by 20 thousand from the end of the first six months of the previous year to 981 thousand households.

		Six months ended September 30th, 2022	Six months ended September 30th, 2023	YoY change	YoY change (%)
Gross profit (millions of yen)	LP gas	17,551	18,433	881	5.0%
	Equipment, construction, platform, etc.	1,698	1,667	(30)	(1.8)%
Gas sales volume (1,000 tons)*	Household use	70.7	65.2	(5.5)	(7.8)%
	Commercial use	55.3	52.2	(3.0)	(5.5)%
No. of customers (1,000 customers)		961	981	20	2.0%

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

◇ Electricity Business

Gross profit from the electricity business segment totaled ¥1,778 million (up ¥540 million year on year).

Gross profit from the electricity business increased significantly due to an increase in electricity subscriptions, as well as an increase in customers' electric consumption caused by an increase in air conditioning demand and an increase in margin as a result of the revision of rates in July 2023. During the suspension period of sales visits, the Company conducted a campaign for existing customers, and expanded its customer base for bundling service of gas and electricity targeting families with high usage by sending push notifications through MyNICIGAS app and making a telephone call to provide information. The percentage of customers of bundling service of gas and electricity increased from 18.3% at the end of the first six months of the previous fiscal year to 20.5% at the end of period under review, and the number of customers increased by 30 thousand from the end of the first six months of the previous year to 334 thousand. As part of efforts to provide Energy Solutions, proposals for hybrid water heaters and DER (storage batteries, etc.) were made to families with large energy usage such as families with a single-family home, and this is leading to more contracts for bundling service of gas and electricity acquired.

		Six months ended September 30th, 2022	Six months ended September 30th, 2023	YoY change	YoY change (%)
Gross profit (millions of yen)	Electricity	1,238	1,778	540	43.6%
Electricity sales volume (GWh)*	Household use	582	665	83	14.3%
	No. of customers (1,000 customers)	304	334	30	9.9%

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

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

Gross profit from the city gas business segment was ¥9,137 million (up ¥842 million year on year), and gross profit from the ancillary business (equipment, construction, etc.) was ¥396 million (down ¥96 million year on year).

The increase in gross profit from the city gas business was due to the positive impact of the slide time lag as raw material prices for city gas experienced a downward trend.

		Six months ended September 30th, 2022	Six months ended September 30th, 2023	YoY change	YoY change (%)
Gross profit (millions of yen)	Gas	8,294	9,137	842	10.2%
	Equipment, construction, etc.	493	396	(96)	(19.5)%
Gas sales volume (1,000 tons)	Household use	68.2	57.9	(10.3)	(15.1)%
	Commercial use	99.1	106.0	6.9	7.0%
	No. of customers (1,000 customers)	698	649	(49)	(7.0)%

(2) Explanation of Financial Position and Cash Flows

[Analysis of Assets, Liabilities and Net Assets]

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

- Total assets as of the end of the second quarter of the fiscal year ending March 31st, 2024 decreased by ¥11.2 billion or 7.4% from the end of the previous fiscal year to ¥142.1 billion. The main decrease in assets was due to seasonal factors, which caused decreases of ¥6.4 billion in trade receivables and ¥2.2 billion in inventories resulting from falling raw material prices.

- Total liabilities as of the end of the second quarter of the fiscal year ending March 31st, 2024 decreased by ¥10.1 billion or 12.7% from the end of the previous fiscal year to ¥69.7 billion, and net assets decreased by ¥1.1 billion or 1.6% from the end of the previous fiscal year to ¥72.3 billion. The main factors for the decrease in liabilities were a ¥6.5 billion decrease in notes and accounts payable - trade and a ¥2.5 billion decrease in income taxes payable due to seasonal factors. Interest-bearing liabilities were ¥40.4 billion, which is at the same level as of the end of the

previous fiscal year. The main factor for the decrease in net assets was progress in return of profits to shareholders in the form of dividend payments of ¥3.7 billion and purchase of treasury shares of ¥1.6 billion.

- The debt-to-equity ratio was 0.6 times, and the shareholders' equity ratio was 50.9%. While ensuring the stability of its financial base, the Company will pursue purchase of treasury shares at appropriate times to raise capital with an awareness of its funding costs (WACC) toward an optimal capital structure (plans to be 40% at the end of the fiscal year ending March 31st, 2026).

(Millions of yen)			
	March 31st, 2023	September 30th, 2023	Change
Current assets	51,001	41,022	(9,979)
Of which, Cash and deposits	13,049	13,282	233
Trade receivables	25,435	18,942	(6,493)
Inventories	6,522	4,224	(2,298)
Non-current assets	102,427	101,130	(1,297)
Interest-bearing liabilities	40,582	40,408	(173)
Equity (Equity ratio)	73,524 (47.9%)	72,353 (50.9%)	(1,171)
Total assets	153,429	142,152	(11,276)

[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, 2024 increased by ¥2,515 million from the end of the first six months of the previous fiscal year to ¥13,053 million.

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

Net cash provided by operating activities amounted to ¥10,025 million, up by ¥4,164 million of an inflow year on year. The main cause of the increased cash inflow was an increase in profit and a decrease in procurement payments for raw materials due to falling raw materials prices for LP gas.

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

Net cash used in investing activities amounted to ¥3,911 million, down by ¥165 million of an outflow year on year. The main investments included pipeline investments, ICT investments such as the new delivery system, the new Safety inspection system, and the pipeline system, as well as additional investment in PowerX, Inc., the core of Energy Solutions business with its storage battery technologies.

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

Net cash used in financing activities amounted to ¥5,930 million, down by ¥2,241 million of an outflow year on year. The main cause of a decrease in an outflow was a decrease in loans payable in the previous fiscal year.

(Millions of yen)			
	Six months ended September 30th, 2022	Six months ended September 30th, 2023	Change
Cash flows from operating activities	5,861	10,025	4,164
Cash flows from investing activities	(4,076)	(3,911)	165
Free Cash Flow	1,784	6,114	4,329
Cash flows from financing activities	(8,171)	(5,930)	2,241
Net increase (decrease) in cash and cash equivalents	(6,374)	190	6,564
Cash and cash equivalents at end of period	10,538	13,053	2,515

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

Regarding the financial results forecasts for the full year ending March 31st, 2024, net sales stated in the full-year consolidated financial results forecast released on April 27th, 2023 has been revised to ¥210,000 million, a decrease of ¥20,000 million, considering the consolidated financial results in the six months ended September 30th, 2023 and other factors. No change has been made to operating income, ordinary income, or profit attributable to owners of parent. For details, please refer to the “Notice Regarding the Difference between the Consolidated Financial Results Forecast for the Six Months Ended September 30th, 2023 and the Actual Financial Results, and the Revisions to the Full-Year Consolidated Financial Results Forecast for the Fiscal Year Ending March 31st, 2024” disclosed separately today.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

Account	Fiscal year ended Mar. 31st, 2023 (As of Mar. 31st, 2023)	Six months ended Sep. 30th, 2023 (As of Sep. 30th, 2023)
Assets		
Current assets		
Cash and deposits	13,049	13,282
Notes and accounts receivable - trade	25,435	18,942
Merchandise and finished goods	6,402	4,146
Raw materials and supplies	120	77
Other	6,126	4,662
Allowance for doubtful accounts	(132)	(90)
Total current assets	51,001	41,022
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,354	15,557
Machinery, equipment and vehicles, net	29,702	28,517
Tools, furniture and fixtures, net	609	573
Land	30,136	30,136
Leased assets, net	6,227	5,904
Construction in progress	588	731
Total property, plant and equipment	82,618	81,422
Intangible assets		
Goodwill	2,176	2,002
Other	5,947	6,191
Total intangible assets	8,124	8,194
Investments and other assets		
Investment securities	2,687	3,055
Other	15,396	15,878
Allowance for doubtful accounts	(6,399)	(7,420)
Total investments and other assets	11,685	11,513
Total non-current assets	102,427	101,130
Total assets	153,429	142,152

(Millions of yen)

Account	Fiscal year ended Mar. 31st, 2023 (As of Mar. 31st, 2023)	Six months ended Sep. 30th, 2023 (As of Sep. 30th, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,312	11,318
Electronically recorded obligations - operating	3,838	3,000
Short-term loans payable	500	1,000
Current portion of long-term debt	11,009	10,729
Income taxes payable	3,687	1,147
Provision for bonuses	309	382
Other	9,084	8,264
Total current liabilities	45,741	35,843
Non-current liabilities		
Long-term loans payable	22,220	22,180
Provision for share-based compensation	1,218	1,225
Provision for gas holder repairs	209	235
Provision for loss on voluntary recall of products	181	110
Net defined benefit liability	3,336	3,479
Other	6,995	6,723
Total non-current liabilities	34,162	33,955
Total liabilities	79,903	69,798
Net assets		
Shareholders' equity		
Capital stock	7,070	7,070
Capital surplus	5,860	5,860
Retained earnings	65,261	62,670
Treasury shares	(4,580)	(3,685)
Total shareholders' equity	73,611	71,915
Accumulated other comprehensive income		
Deferred gains or losses on hedges	-	663
Foreign currency translation adjustment	(65)	(206)
Remeasurements of defined benefit plans	(21)	(17)
Total accumulated other comprehensive income	(86)	438
Non-controlling interests	0	0
Total net assets	73,525	72,353
Total liabilities and net assets	153,429	142,152

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

Account	For the six months ended Sep. 30th, 2022 (from Apr. 1st, 2022 to Sep. 30th, 2022)	For the six months ended Sep. 30th, 2023 (from Apr. 1st, 2023 to Sep. 30th, 2023)
Net sales	85,115	86,821
Cost of sales	55,839	55,407
Gross profit	29,275	31,413
Selling, general and administrative expenses	26,538	26,430
Operating income	2,737	4,983
Non-operating income		
Interest income	1	1
Dividend income	1	1
Real estate rent	32	35
Insurance income	13	36
Foreign exchange gains	28	17
Share of profit of entities accounted for using equity method	24	54
Other	37	78
Total non-operating income	140	226
Non-operating expenses		
Interest expenses	71	65
Other	6	17
Total non-operating expenses	78	83
Ordinary income	2,800	5,126
Extraordinary income		
Gain on sales of non-current assets	14	14
Total extraordinary income	14	14
Extraordinary losses		
Loss on sales of non-current assets	2	-
Loss on retirement of non-current assets	40	42
Total extraordinary losses	43	42
Profit before income taxes	2,771	5,099
Income taxes – current	802	1,457
Income taxes – deferred	94	71
Total income taxes	896	1,528
Profit	1,874	3,570
Loss attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	1,875	3,570

(Consolidated Statement of Comprehensive Income)

Account	(Millions of yen)	
	For the six months ended Sep. 30th, 2022 (from Apr. 1st, 2022 to Sep. 30th, 2022)	For the six months ended Sep. 30th, 2023 (from Apr. 1st, 2023 to Sep. 30th, 2023)
Profit	1,874	3,570
Other comprehensive income		
Valuation difference on available-for-sale securities	(85)	–
Deferred gains or losses on hedges	–	663
Remeasurements of defined benefit plans, net of tax	5	3
Share of other comprehensive income of entities accounted for using equity method	(164)	(141)
Total other comprehensive income	(244)	525
Comprehensive income	1,630	4,095
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,630	4,095
Comprehensive income attributable to non-controlling Interests	(0)	(0)

(3) Consolidated Statement of Cash Flows

(Millions of yen)

Account	For the six months ended Sep. 30th, 2022 (from Apr. 1st, 2022 to Sep. 30th, 2022)	For the six months ended Sep. 30th, 2023 (from Apr. 1st, 2023 to Sep. 30th, 2023)
Cash flows from operating activities		
Profit before income taxes	2,771	5,099
Depreciation	5,022	4,843
Amortization of goodwill	706	465
Increase (decrease) in allowance for doubtful Accounts	1,422	978
Increase (decrease) in net defined benefit liability	139	142
Increase (decrease) in provision for share-based Compensation	44	6
Increase (decrease) in allowance for loss on voluntary recall of products	(60)	(70)
Interest and dividend income	(2)	(2)
Interest expenses	71	65
Foreign exchange losses (gains)	(12)	(6)
Share of (profit) loss of entities accounted for using equity method	(24)	(54)
Loss (gain) on sales of non-current assets	(12)	(14)
Loss on retirement of non-current assets	40	42
Decrease (increase) in notes and accounts receivable – trade	3,938	6,498
Decrease (increase) in inventories	(319)	2,181
Decrease (increase) in accounts receivable - other	625	3,873
Increase (decrease) in notes and accounts payable - trade	(1,368)	(6,831)
Increase (decrease) in accrued consumption taxes	(1,580)	(1,000)
Other, net	(1,960)	(2,370)
Subtotal	9,442	13,839
Interest and dividend income received	2	2
Interest expenses paid	(73)	(66)
Income taxes paid	(3,510)	(3,750)
Net cash provided by (used in) operating Activities	5,861	10,025
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,016)	(2,627)
Proceeds from sales of property, plant and equipment	19	23
Purchase of intangible assets	(1,187)	(1,304)
Purchase of goodwill	(268)	(17)
Purchase of investment securities	(598)	(313)
Proceeds from sales of investment securities	–	334
Payments of loans receivable	(4)	(1)
Collection of loans receivable	20	9
Other, net	(41)	(13)
Net cash provided by (used in) investing activities	(4,076)	(3,911)

(Millions of yen)

Account	For the six months ended Sep. 30th, 2022 (from Apr. 1st, 2022 to Sep. 30th, 2022)	For the six months ended Sep. 30th, 2023 (from Apr. 1st, 2023 to Sep. 30th, 2023)
Cash flows from financing activities		
Increase in short-term loans payable	23,400	33,250
Decrease in short-term loans payable	(20,900)	(32,750)
Proceeds from long-term borrowings	3,100	5,400
Repayments of long-term loans payable	(7,822)	(5,719)
Purchase of treasury shares	(2,298)	(1,634)
Cash dividends paid	(2,921)	(3,735)
Other, net	(729)	(740)
Net cash provided by (used in) financing Activities	(8,171)	(5,930)
Effect of exchange rate change on cash and cash Equivalents	12	6
Net increase (decrease) in cash and cash equivalents	(6,374)	190
Cash and cash equivalents at beginning of period	16,912	12,863
Cash and cash equivalents at end of period	10,538	13,053

(4) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

None.

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

1) Purchase of treasury shares

The Company resolved at the meeting of the Board of Directors held on July 27th, 2023 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 July 28th, 2023 to October 31st, 2023, with the upper limit of ¥3,000 million in acquisition value. As a result, the Company acquired 740,100 treasury shares in the six months ended September 30th, 2023, and treasury shares increased by ¥1,634 million.

2) Retirement of Treasury Shares

The Company resolved at the meeting of the Board of Directors held on April 27th, 2023 to retire treasury shares pursuant to the provisions of Article 178 of the Companies Act and retired 1,286,600 treasury shares on May 18th, 2023. As a result, retained earnings and treasury shares decreased by ¥2,417 million each.

As a result, treasury shares amounted to ¥3,685 million at the end of the second quarter of the fiscal year ending March 31st, 2024.

(Segment Information, etc.)

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

For the six months ended September 30th, 2022 (from April 1st, 2022 to September 30th, 2022)

(Millions of yen)

	Reportable segments			Total
	LP gas Business	Electricity Business	City Gas Business	
Net sales				
(1) LP gas, electricity and city gas				
a. Revenue generated from April 1st, 2022 to the September meter reading date	28,408	15,538	28,335	72,283
b. Revenue generated from the September meter reading date to September 30th, 2022	3,099	1,603	–	4,702
Total	31,508	17,141	28,335	76,985
(2) Equipment, construction contracts, platform, etc.	5,535	–	2,593	8,129
Revenue from contracts with customers	37,044	17,141	30,929	85,115
Net sales to outside customers	37,044	17,141	30,929	85,115
Segment income	19,249	1,238	8,787	29,275

For the six months ended September 30th, 2023 (from April 1st, 2023 to September 30th, 2023)

(Millions of yen)

	Reportable segments			Total
	LP Gas Business	Electricity Business	City Gas Business	
Net sales				
(1) LP gas, electricity and city gas				
a. Revenue generated from April 1st, 2023 to the September meter reading date	26,396	18,628	28,739	73,764
b. Revenue generated from the September meter reading date to September 30th, 2023	2,882	1,903	–	4,785
Total	29,278	20,532	28,739	78,550
(2) Equipment, construction contracts, platform, etc.	5,880	–	2,389	8,270
Revenue from contracts with customers	35,159	20,532	31,129	86,821
Net sales to outside customers	35,159	20,532	31,129	86,821
Segment income	20,100	1,778	9,534	31,413

(Note) For sales in the LP gas and electricity businesses, revenue is recognized from the date of meter reading to the end of the fiscal year based on a reasonable estimate of revenue from the date of meter reading to the end of the fiscal year in accordance with the adoption of the Accounting Standard for Revenue Recognition, and for sales in the city gas business, revenue is recognized based on the meter reading date standard in accordance with the Regulation on Accounting at Gas Utilities.

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

(Millions of yen)

Income	Six months ended September 30th, 2022	Six months ended September 30th, 2023
Reporting segment total	29,275	31,413
Selling, general and administrative expenses	26,538	26,430
Operating income in the consolidated statement of income	2,737	4,983

(Significant Subsequent Events)

(Simplified Absorption-type Company Split to a Subsidiary Company)

The Company concluded an Absorption-type Company Split Agreement, effective January 1st, 2024, with Kumono Ucyusen Co., Ltd. (“Kumono Ucyusen”), a wholly owned subsidiary to transfer its system business, including system planning, development, maintenance and operation to Kumono Ucyusen, in accordance with the resolution of the Board of Directors Meeting held today (“the Company Split”).

1. Aim of the Company Split

In order to promote co-creation with IT companies that possess cutting-edge technologies and to accumulate high level IT know-how.

2. Outline of the Company Split

1) Schedule of the Company Split

Date of the resolution of the Board of Directors (the Splitting Company) to approve the Absorption-type Company Split Agreement	October 31st, 2023
Extraordinary general meeting of shareholders (the Succeeding Company) to approve the Absorption-type Company Split Agreement	October 31st, 2023
Date of conclusion of the Absorption-type Company Split Agreement	October 31st, 2023
Effective date of the Absorption-type Company Split	January 1st, 2024 (scheduled)

* The Company (as the Splitting Company) will not adopt an approval resolution at a general meeting of shareholders, as the Company Splits amounts to a simplified Company Split under Article 784, Paragraph 2 of the Companies Act.

2) Method of the Company Split

The Absorption-type Company Split involves the Company as the Splitting Company and Kumono Ucyusen as the Succeeding Company.

3) Details of the allotment related to the Company Split

Kumono Ucyusen, the Succeeding Company, will issue 20 thousand common shares and allot all the shares to the Company in the Company Split.

4) Treatment of share acquisition rights and bonds with share options associated with the Company Split

None.

5) Changes to capital stock associated with the Company Split

There will be no change in the Company’s capital stock as a result of the Company Split.

6) The rights and obligations succeeded to by the Succeeding Company

Kumono Ucyusen will succeed to the rights and obligations including assets, liabilities, and contractual status of the

succeeding businesses as set forth in the Absorption-type Company Split Agreement.

7) Prospects of fulfillment of obligations

The Company has determined that the Succeeding Company will have no problems with fulfilling its obligations under the Company Split.

3. Overview of the Companies Involved in the Company Split (As of March 31st, 2023)

	The Succeeding Company	The Splitting Company
(1) Name	Kumono Ucyusen Co., Ltd.	Nippon Gas Co., Ltd.
(2) Address	4-31-8, Yoyogi, Shibuya-ku, Tokyo	4-31-8, Yoyogi, Shibuya-ku, Tokyo
(3) Representative	Keiichi Yoshida Representative Director, Chief Executive Officer	Kunihiko Kashiwaya Representative Director, Chief Executive Officer
(4) Nature of business	System Planning, System Development, Maintenance, etc.	LP Gas Business, Electricity Business, City Gas Business, etc.
(5) Capital	¥50.00 million	¥7,070 million
(6) Founded	June 15th, 2012	July 29th, 1955
(7) Number of shares issued	1,000 shares	115,317,098 shares
(8) Fiscal year end	March 31st	March 31st
(9) Major Shareholders and shareholding ratio ^{*1}	Nippon Gas Co., Ltd. 99% ^{*2}	The Master Trust Bank of Japan, Ltd. (Trust account) 16.9% Custody Bank of Japan, Ltd. (Trust account) 9.8% SSBTC CLIENT OMNIBUS ACCOUNT 4.6% TEPCO Energy Partner, Incorporated. 3.8% JAPAN POST INSURANCE Co., Ltd. 3.1%
(10) Financial position and results of operations for the most recent fiscal year		
Fiscal year end	Ended March 31st, 2023 (Non-consolidated basis)	Ended March 31st, 2023 (Consolidated basis)
Net asset	¥259 million	¥73,525 million
Total assets	¥305 million	¥153,429 million
Net assets per share	¥259,759	¥645.82
Net sales	¥423 million	¥207,890 million
Operating income	¥81 million	¥15,215 million
Ordinary income	¥81 million	¥15,401 million
Profit	¥54 million	¥10,628 million
Basic earnings per share	¥ 54,098.85	¥93.13

*1 Shareholding ratio of major shareholders of the Company was calculated excluding the number of treasury shares.

*2 Kumono Ucyusen is wholly owned by the Company as of October 31st, 2023.

4. Overview of the Business Units to be Split

1) Details of business to be split

System business

2) Results of operations of unit to be split (results for fiscal year ended in March 2023)

Net sales ¥732 million

(Note) External sales are stated.

3) Description and amounts of assets and liabilities to be split

Current assets ¥ - million Current liabilities ¥278 million

Non-current assets ¥6,009 million Non-current liabilities ¥ - million

* The amounts listed above are as of September 30th, 2023 and the actual amount of assets succeeded to will change based on the amount increase or decrease between now and the day before the effective date.

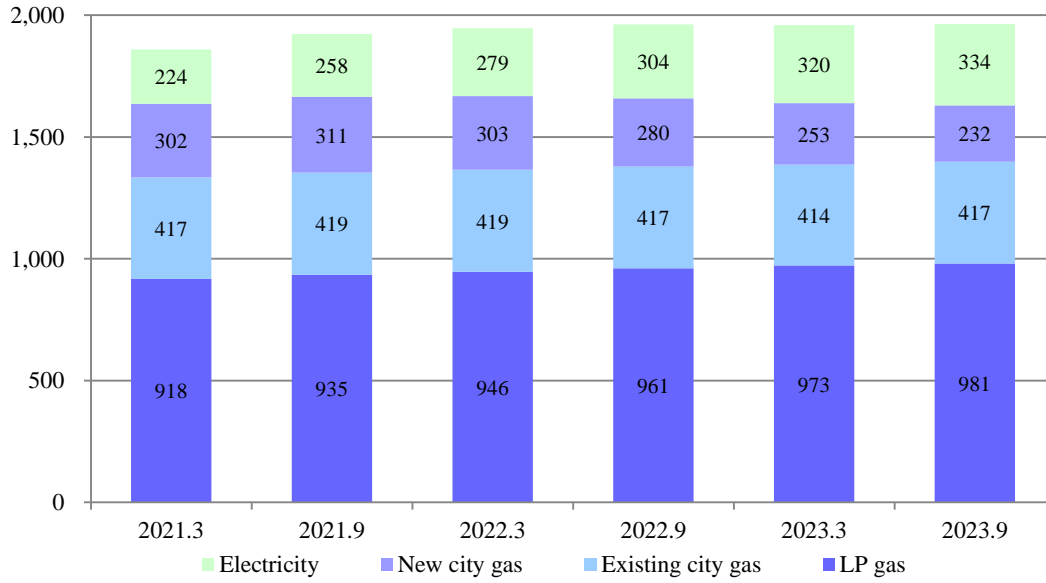
5. Status of companies after the Company Split

There will be no change in the company names, addresses, representatives, nature of businesses (excluding the target business of the Company Split), capital and fiscal year end of the Company and the Succeeding Company under the Absorption-type Company Split after the Company Split.

3. Others

(Unit: 1,000 households)

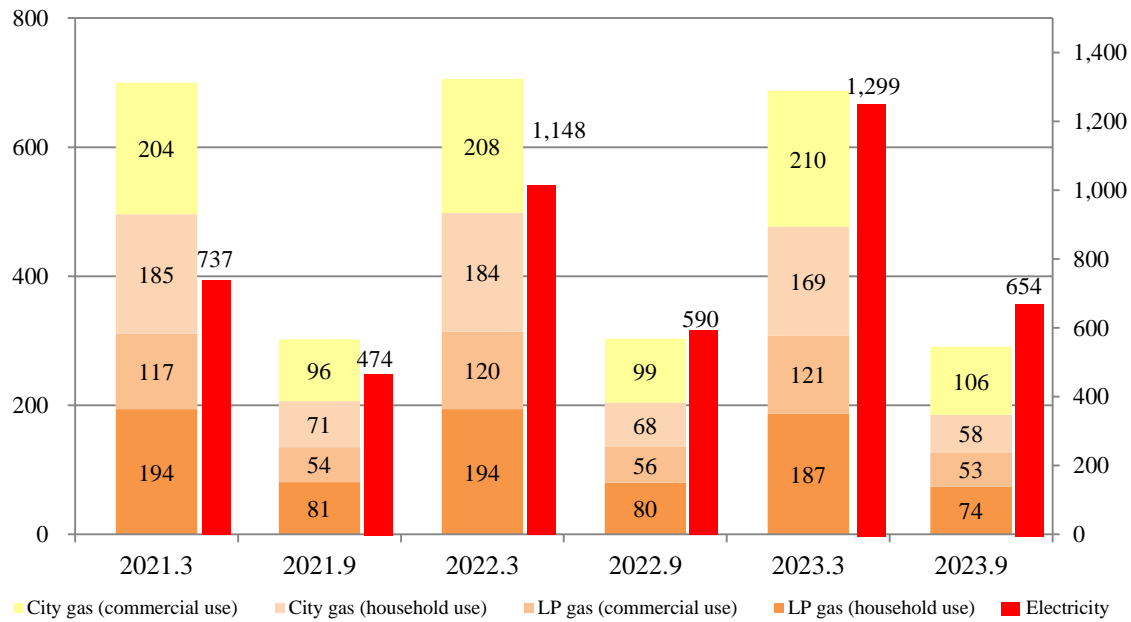
Number of Consumer Households

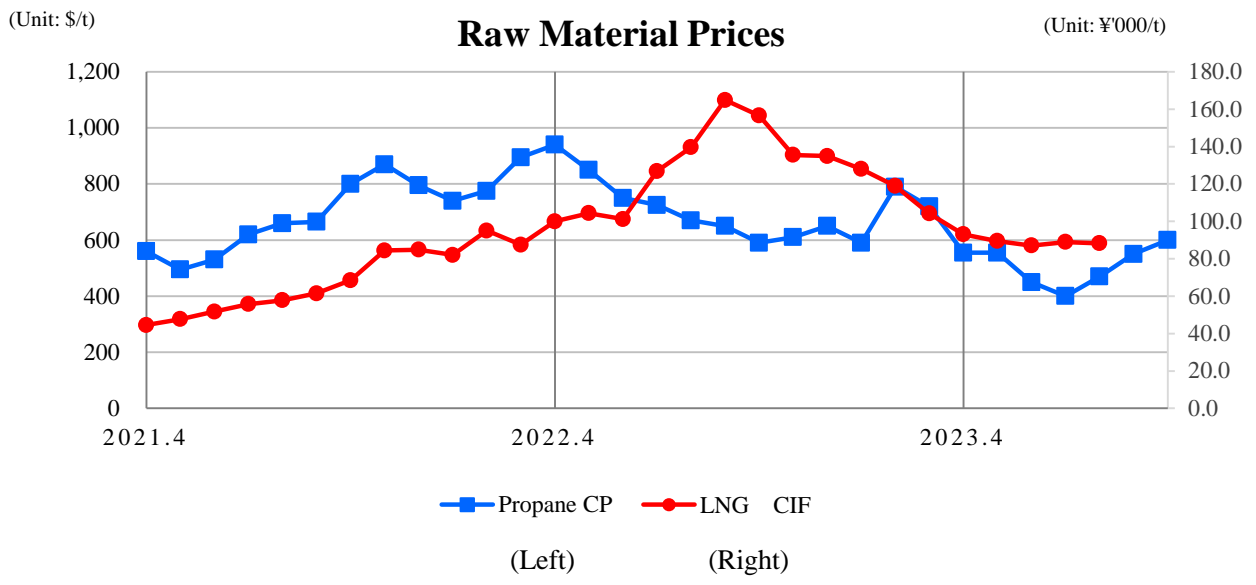


(Unit: 1,000 tons)

Gas / Electricity Sales Volume

(Unit: GWh)





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