

# Consolidated Financial Results for the Nine Months Ended December 31st, 2023 [Japanese GAAP]



February 1st, 2024

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: February 14th, 2024

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, 2023 (April 1st, 2023 to December 31st, 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	%
Nine Months ended Dec. 31st, 2023	134,673	(4.1)	9,253	53.1	9,374	52.9	6,681	59.3
Nine Months ended Dec. 31st, 2022	140,422	31.1	6,043	(3.9)	6,132	(3.5)	4,195	(18.7)

(Note) Comprehensive income: Nine Months ended Dec. 31st, 2023 ¥6,912 million [78.2%]  
 Nine Months ended Dec. 31st, 2022 ¥3,878 million [(21.5)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine Months ended Dec. 31st, 2023	58.89	—
Nine Months ended Dec. 31st, 2022	36.73	—

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31st, 2023	148,902	70,157	47.1
As of Mar. 31st, 2023	153,429	73,525	47.9

(Reference) Equity: As of Dec. 31st, 2023 ¥70,157 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	97.18

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

#### 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):

Dec. 31st, 2023	115,317,098 shares
Mar. 31st, 2023	116,603,698 shares

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

Dec. 31st, 2023	2,452,801 shares
Mar. 31st, 2023	2,757,077 shares

- 3) Average number of shares during the period:

Nine months ended Dec. 31st, 2023	113,451,703 shares
Nine months ended Dec. 31st, 2022	114,211,921 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 3Q 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

We extend our deepest condolences to those who lost their lives in the Noto Peninsula earthquake on January 1st, 2024. Our thoughts are with all those affected by the disaster, and we sincerely hope for the swift recovery of the Hokuriku region.

#### [Business Environment Surrounding the Group]

In 2023, we experienced the highest temperature on record since the statistics were first compiled in 1898, giving us a sense that global warming is progressing with the arrival of “the era of global boiling.” For the first time ever, COP 28 included the phrase “transitioning away from fossil fuels” in its outcome document to meet the Paris Agreement’s targets for CO<sub>2</sub> emissions, which are one of causes of hot temperatures. This reaffirmed the urgent need for a global transition to a decarbonized society. We believe that the time has come when companies’ engagement in carbon neutrality determines their corporate value. In the energy sector, geopolitical risks, which greatly affect supply chains, have increased with Russia’s invasion of Ukraine, military conflicts between Israel and Hamas, and attacks on vessels by the pro-Iranian Houthi militants, leading to more severe supply chain disruptions. The era has ended when a stable energy supply from upstream to downstream is a given in the bloc of free trade. The Company recognizes that early introduction of energy systems that can provide energy independently is an important social issue that must be resolved in order to ensure a stable energy supply during the energy crisis, to respond to decarbonization, and to increase resilience to more severe and frequent natural disasters.

#### [Reorganization and Energy Solutions]

Effective January 1st, 2024, the Company and the three city gas corporations that are the Company’s wholly owned subsidiaries were merged and reorganized into three companies: an “Integrated Energy Retail Company (Nippon Gas Co., Ltd.),” an “Energy Platform Company (Energy Sola Platforms Co., Ltd.),” and a “Software Development and Operation Company (Kumono Ucyusen Co., Ltd.)” This reorganization is based on 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 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, storing, and wisely using energy 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 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 CO<sub>2</sub> reduction and labor shortages. The key to challenge for the new business model through the reorganization lies in IT. Through the reorganization, the Company’s IT know-how and human resources have been consolidated into Kumono Ucyusen and this will promote co-creation with startups that hold cutting-edge technology, and will help accumulate know-how in Kumono Ucyusen. The specialized IT company, Kumono Ucyusen, will not only attract external technology professionals, but also provide growth opportunities for internal IT human resources, strongly encouraging their development and creating significant synergies for the entire group.

#### [Capital Policy]

Since the reorganization has defined the Group’s future business structure, 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 31st, 2023 to 13% in the fiscal year ending March 31st, 2026 by allocating cash to profitable business. At the same time, the Company will achieve an ROE of 22% in the fiscal year ending March 31st, 2026 along with profit growth by reviewing an optimal capital structure on the liabilities/capital side and lowering the 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 the deregulation of the retail energy market. Even when the Company is faced with difficult social issues and stereotyped knowledge that seemingly cannot be solved or changed with conventional ideas, the Company will 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 leveraging its closest relationship with customers as an energy supplier.

[Consolidated Financial Results]

Financial results during the nine months ended December 31st, 2023 are as follows.

	(Millions of yen)			
	Nine months ended December 31st, 2022	Nine months ended December 31st, 2023	YoY change	YoY change (%)
Net sales	140,422	134,673	(5,748)	(4.1)%
Gross profit	46,811	50,590	3,778	8.1%
Operating income	6,043	9,253	3,209	53.1%
Ordinary income	6,132	9,374	3,242	52.9%
Profit attributable to owners of parent	4,195	6,681	2,486	59.3%

For the nine months ended December 31st, 2023, although gas sales volume decreased due to record-high temperatures that have persisted since the second quarter (from July to September), 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 and below drastically increased with reduced 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 nine months ended December 31st, 2023, the city gas business saw the positive impact due to a downward trend in raw material prices.

[Results by Segment]

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

Gross profit from the LP gas business was ¥30,952 million (up ¥2,084 million year on year), and gross profit from the ancillary business was ¥2,693 million (up slightly year on year).

The increase in gross profit from the LP gas business was due to a higher margin as a result of a sharp decline in LP gas raw material price since March 2023 and ongoing raw material price movements in line with our expectations, 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, the Company resumed sales visits on August 25th, 2023 following a three-month suspension of sales visits (due to administrative action). Since the resumption of sales visits, monthly new customer acquisitions have returned to the levels seen in the last two years, and cancellations have reduced, reflecting our efforts to strengthen relationships with existing customers. As a result, the total number of customers increased by 20 thousand from the end of the first nine months of the previous fiscal year to 988 thousand households.

		Nine months ended December 31st, 2022	Nine months ended December 31st, 2023	YoY change	YoY change (%)
Gross profit (millions of yen)	LP gas	28,867	30,952	2,084	7.2%
	Equipment, construction, platform, etc.	2,693	2,693	0	0.0%
Gas sales volume (1,000 tons)*	Household use	121.7	112.2	(9.5)	(7.8)%
	Commercial use	86.4	81.1	(5.3)	(6.1)%
No. of customers (1,000 customers)		968	988	20	2.1%

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

◇ Electricity Business

Gross profit from the electricity business segment totaled ¥2,729 million (up ¥625 million year on year).

This is due to an increase in electricity subscriptions and an increase in margin as a result of the revision of

rates in July 2023.

After resuming sales visits, the Company bolstered its sales efforts by targeting users of Power Producers and Suppliers with higher rates and concentrating on focus areas. The number of customers increased by 28 thousand from the end of the first nine months of the previous fiscal year to 341 thousand, and the percentage of customers of bundling service of gas and electricity increased from 18.9% at the end of the first nine months of the previous fiscal year to 20.9% at the end of period under review. In January 2024, as the heating season begins, the Company plans to promote again the advantages of its electricity service to existing customers who have not subscribed to the bundling service of gas and electricity to encourage more applications for the service.

		Nine months ended December 31st, 2022	Nine months ended December 31st, 2023	YoY change	YoY change (%)
Gross profit (millions of yen)	Electricity	2,104	2,729	625	29.7%
Electricity sales volume (GWh)*	Household use	913	1,003	90	9.9%
No. of customers (1,000 customers)		313	341	28	8.8%

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

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

Gross profit from the city gas business segment was ¥13,483 million (up ¥1,152 million year on year), and gross profit from the ancillary business was ¥730 million (down ¥84 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.

		Nine months ended December 31st, 2022	Nine months ended December 31st, 2023	YoY change	YoY change (%)
Gross profit (millions of yen)	Gas	12,331	13,483	1,152	9.4%
	Equipment, construction, etc.	815	730	(84)	(10.4)%
Gas sales volume (1,000 tons)	Household use	106.1	89.0	(17.1)	(16.1)%
	Commercial use	150.8	158.3	7.5	5.0%
No. of customers (1,000 customers)		685	642	(43)	(6.2)%

## (2) Explanation of Financial Position and Cash Flows

### [Analysis of Assets, Liabilities and Net Assets]

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

- Total assets as of the end of the third quarter of the fiscal year ending March 31st, 2024 decreased by ¥4.5 billion or 3.0% from the end of the previous fiscal year to ¥148.9 billion. The decrease in assets was due to decreases of ¥2.9 billion in trade receivables resulting from notes and accounts receivable - trade affected by lower raw material prices and ¥2.0 billion in cash and deposits on hand.

- Total liabilities as of the end of the third quarter of the fiscal year ending March 31st, 2024 decreased by ¥1.1 billion or 1.5% from the end of the previous fiscal year to ¥78.7 billion, and net assets decreased by ¥3.3 billion or 4.6% from the end of the previous fiscal year to ¥70.1 billion. The main factors for the decrease in liabilities were a ¥1.5 billion decrease in notes and accounts payable - trade resulting from falling raw material prices and a ¥2.8 billion decrease in income taxes payable due to seasonal factors. Meanwhile, interest-bearing liabilities increased by ¥3.2 billion. The main factor for the decrease in net assets was progress in return of profits to shareholders in the form of dividend payments of ¥8.0 billion and purchase of treasury shares of ¥2.4 billion.

- The debt-to-equity ratio was 0.6 times, and the shareholders' equity ratio was 47.1%. While ensuring the stability of its financial base, the Company is mindful of the appropriate capital structure and raises capital with an

awareness of its funding costs (WACC).

(Millions of yen)			
	March 31st, 2023	December 31st, 2023	Change
Current assets	51,001	47,723	(3,277)
Of which, Cash and deposits	13,049	11,045	(2,003)
Trade receivables	25,435	22,507	(2,928)
Inventories	6,522	6,350	(172)
Non-current assets	102,427	101,178	(1,248)
Interest-bearing liabilities	40,582	43,814	3,232
Equity (Equity ratio)	73,524 (47.9%)	70,157 (47.1%)	(3,367)
Total assets	153,429	148,902	(4,526)

#### [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, 2024 increased by ¥627 million from the end of the first nine months of the previous fiscal year to ¥10,768 million.

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

Net cash provided by operating activities amounted to ¥12,933 million, up by ¥4,435 million of an inflow year on year. The main cause of the increased cash inflow was an increase in profit before income taxes.

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

Net cash used in investing activities amounted to ¥6,228 million, up by ¥184 million of an outflow year on year. The main investments included pipeline investments, ICT investments such as the pipeline system that will be in operation after the reorganization, the new safety inspection 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 ¥8,802 million, down by ¥428 million of an outflow year on year. The main cause of a decrease in an outflow was an increase in proceeds from borrowings of ¥1,800 million, which was partially offset by an increase in dividends paid of ¥1,400 million.

(Millions of yen)			
	Nine months ended December 31st, 2022	Nine months ended December 31st 2023	Change
Cash flows from operating activities	8,497	12,933	4,435
Cash flows from investing activities	(6,044)	(6,228)	(184)
Free Cash Flow	2,453	6,704	4,251
Cash flows from financing activities	(9,231)	(8,802)	428
Net increase (decrease) in cash and cash equivalents	(6,771)	(2,094)	4,676
Cash and cash equivalents at end of period	10,141	10,768	627

#### (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, no change has been made to those stated in the full-year consolidated financial results forecast released on October 31st, 2023.

## 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)	Nine months ended Dec. 31st, 2023 (As of Dec. 31st, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	13,049	11,045
Notes and accounts receivable - trade	25,435	22,507
Merchandise and finished goods	6,402	6,218
Raw materials and supplies	120	131
Other	6,126	7,932
Allowance for doubtful accounts	(132)	(112)
<b>Total current assets</b>	<b>51,001</b>	<b>47,723</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,354	15,487
Machinery, equipment and vehicles, net	29,702	28,242
Tools, furniture and fixtures, net	609	576
Land	30,136	29,991
Leased assets, net	6,227	6,692
Construction in progress	588	922
<b>Total property, plant and equipment</b>	<b>82,618</b>	<b>81,912</b>
Intangible assets		
Goodwill	2,176	1,820
Other	5,947	6,508
<b>Total intangible assets</b>	<b>8,124</b>	<b>8,329</b>
Investments and other assets		
Investment securities	2,687	3,058
Other	15,396	14,802
Allowance for doubtful accounts	(6,399)	(6,923)
<b>Total investments and other assets</b>	<b>11,685</b>	<b>10,936</b>
<b>Total non-current assets</b>	<b>102,427</b>	<b>101,178</b>
<b>Total assets</b>	<b>153,429</b>	<b>148,902</b>



(Millions of yen)

Account	Fiscal year ended Mar. 31st, 2023 (As of Mar. 31st, 2023)	Nine months ended Dec. 31st, 2023 (As of Dec. 31st, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	17,312	15,765
Electronically recorded obligations - operating	3,838	3,912
Short-term loans payable	500	-
Current portion of long-term debt	11,009	10,665
Income taxes payable	3,687	909
Provision for bonuses	309	127
Other	9,084	9,007
Total current liabilities	45,741	40,388
Non-current liabilities		
Long-term loans payable	22,220	25,785
Provision for share-based compensation	1,218	1,260
Provision for gas holder repairs	209	249
Provision for loss on voluntary recall of products	181	73
Net defined benefit liability	3,336	3,560
Other	6,995	7,428
Total non-current liabilities	34,162	38,357
Total liabilities	79,903	78,745
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,070	7,070
Capital surplus	5,860	5,860
Retained earnings	65,261	61,489
Treasury shares	(4,580)	(4,406)
Total shareholders' equity	73,611	70,013
Accumulated other comprehensive income		
Deferred gains or losses on hedges	-	419
Foreign currency translation adjustment	(65)	(259)
Remeasurements of defined benefit plans	(21)	(15)
Total accumulated other comprehensive income	(86)	144
Non-controlling interests	0	-
Total net assets	73,525	70,157
Total liabilities and net assets	153,429	148,902

## (2) Consolidated Statement of Income and Comprehensive Income

## (Consolidated Statement of Income)

Account	(Millions of yen)	
	For the nine months ended Dec. 31st, 2022 (from Apr. 1st, 2022 to Dec. 31st, 2022)	For the nine months ended Dec. 31st, 2023 (from Apr. 1st, 2023 to Dec. 31st, 2023)
Net sales	140,422	134,673
Cost of sales	93,610	84,083
Gross profit	46,811	50,590
Selling, general and administrative expenses	40,767	41,336
Operating income	6,043	9,253
Non-operating income		
Interest income	1	1
Dividend income	1	1
Foreign exchange gains	13	8
Real estate rent	47	53
Insurance income	32	36
Dividend income of insurance	9	15
Share of profit of entities accounted for using equity method	39	54
Other	57	85
Total non-operating income	203	257
Non-operating expenses		
Interest expenses	108	107
Other	6	28
Total non-operating expenses	115	136
Ordinary income	6,132	9,374
Extraordinary income		
Gain on sales of non-current assets	20	293
Total extraordinary income	20	293
Extraordinary losses		
Loss on sales of non-current assets	25	21
Loss on retirement of non-current assets	58	91
Other	–	9
Total extraordinary losses	84	122
Profit before income taxes	6,068	9,545
Income taxes – current	1,742	2,238
Income taxes – deferred	131	625
Total income taxes	1,873	2,864
Profit	4,194	6,681
Loss attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	4,195	6,681

## (Consolidated Statement of Comprehensive Income)

(Millions of yen)

Account	For the nine months ended Dec. 31st, 2022 (from Apr. 1st, 2022 to Dec. 31st, 2022)	For the nine months ended Dec. 31st, 2023 (from Apr. 1st, 2023 to Dec. 31st, 2023)
Profit	4,194	6,681
Other comprehensive income		
Valuation difference on available-for-sale securities	(65)	–
Deferred gains or losses on hedges	–	419
Remeasurements of defined benefit plans, net of tax	7	5
Share of other comprehensive income of entities accounted for using equity method	(258)	(194)
Total other comprehensive income	(315)	230
Comprehensive income	3,878	6,912
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,879	6,912
Comprehensive income attributable to non-controlling Interests	(0)	(0)

## (3) Consolidated Statement of Cash Flows

(Millions of yen)

Account	For the nine months ended Dec. 31st, 2022 (from Apr. 1st, 2022 to Dec. 31st, 2022)	For the nine months ended Dec. 31st, 2023 (from Apr. 1st, 2023 to Dec. 31st, 2023)
<b>Cash flows from operating activities</b>		
Profit before income taxes	6,068	9,545
Depreciation	7,626	7,416
Amortization of goodwill	994	710
Increase (decrease) in allowance for doubtful Accounts	678	503
Increase (decrease) in net defined benefit liability	208	223
Increase (decrease) in provision for share-based Compensation	104	41
Increase (decrease) in allowance for loss on voluntary recall of products	(93)	(108)
Interest and dividend income	(3)	(3)
Interest expenses	108	107
Foreign exchange losses (gains)	(6)	(3)
Share of (profit) loss of entities accounted for using equity method	(39)	(54)
Loss (gain) on sales of non-current assets	5	(272)
Loss on retirement of non-current assets	58	91
Decrease (increase) in notes and accounts receivable – trade	(5,060)	2,928
Decrease (increase) in inventories	(1,519)	(31)
Decrease (increase) in accounts receivable - other	(571)	1,246
Increase (decrease) in notes and accounts payable - trade	7,375	(1,472)
Increase (decrease) in accrued consumption taxes	(1,739)	(808)
Other, net	(1,236)	(2,280)
Subtotal	12,958	17,780
Interest and dividend income received	3	3
Interest expenses paid	(108)	(105)
Income taxes paid	(4,356)	(4,745)
Net cash provided by (used in) operating Activities	8,497	12,933
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,038)	(4,108)
Proceeds from sales of property, plant and equipment	46	458
Purchase of intangible assets	(2,086)	(2,112)
Purchase of goodwill	(291)	(474)
Purchase of investment securities	(598)	(313)
Proceeds from sales of investment securities	–	334
Payments of loans receivable	(5)	(2)
Collection of loans receivable	49	14
Other, net	(119)	(24)
Net cash provided by (used in) investing activities	(6,044)	(6,228)

(Millions of yen)

Account	For the nine months ended Dec. 31st, 2022 (from Apr. 1st, 2022 to Dec. 31st, 2022)	For the nine months ended Dec. 31st, 2023 (from Apr. 1st, 2023 to Dec. 31st, 2023)
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	47,950	44,500
Decrease in short-term loans payable	(44,950)	(45,000)
Proceeds from long-term borrowings	9,200	12,000
Repayments of long-term loans payable	(11,258)	(8,780)
Purchase of treasury shares	(2,435)	(2,377)
Cash dividends paid	(6,626)	(8,020)
Other, net	(1,111)	(1,125)
Net cash provided by (used in) financing Activities	(9,231)	(8,802)
Effect of exchange rate change on cash and cash Equivalents	6	3
Net increase (decrease) in cash and cash equivalents	(6,771)	(2,094)
Cash and cash equivalents at beginning of period	16,912	12,863
Cash and cash equivalents at end of period	10,141	10,768

(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 advanced 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 1,073,900 treasury shares in the nine months ended December 31st, 2023, and treasury shares increased by ¥2,376 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 ¥4,406 million at the end of the third 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 nine months ended December 31st, 2022 (from April 1st, 2022 to December 31st, 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 December meter reading date	45,711	25,468	46,622	117,802
b. Revenue generated from the December meter reading date to December 31st, 2022	5,751	3,504	–	9,255
Total	51,462	28,972	46,622	127,058
(2) Equipment, construction contracts, platform, etc.	8,963	–	4,400	13,364
Revenue from contracts with customers	60,426	28,972	51,023	140,422
Net sales to outside customers	60,426	28,972	51,023	140,422
Segment income	31,561	2,104	13,146	46,811

For the nine months ended December 31st, 2023 (from April 1st, 2023 to December 31st, 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 December meter reading date	42,635	27,672	41,989	112,298
b. Revenue generated from the December meter reading date to December 31st, 2023	5,328	2,872	–	8,201
Total	47,964	30,545	41,989	120,499
(2) Equipment, construction contracts, platform, etc.	9,810	–	4,363	14,173
Revenue from contracts with customers	57,774	30,545	46,353	134,673
Net sales to outside customers	57,774	30,545	46,353	134,673
Segment income	33,645	2,729	14,214	50,590

(Note) For sales in the LP gas and electricity businesses, revenue is recognized from the date of meter reading to the end of the period under review based on a reasonable estimate of revenue from the date of meter reading to the end of the period under review 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	Nine months ended December 31st, 2022	Nine months ended December 31st, 2023
Reporting segment total	46,811	50,590
Selling, general and administrative expenses	40,767	41,336
Operating income in the consolidated statement of income	6,043	9,253

(Significant Subsequent Events)

(Purchase of Treasury Shares)

The Company resolved at the meeting of the Board of Directors held today 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.

(1) Reason for the purchase of treasury shares

Considering the progress of the enhancement of its financial base for achieving growth, the Company intends to purchase treasury shares to enhance shareholder returns and increase capital efficiency.

(2) Details of the matters associated with the purchase

- 1) Class of shares to be purchased: Common shares of the Company
- 2) Total number of shares to be purchased: 1,800,000 shares (upper limit)
- 3) Total cost of share purchase: ¥3,500 million (upper limit)
- 4) Purchase period: February 2nd, 2024 to July 31st, 2024
- 5) Method of purchase: Market purchase under discretionary transaction agreements for share repurchase

(Reorganization of the Company and its Three Consolidated Subsidiaries)

The Company resolved at the meeting of the Board of Directors held on April 27th, 2023 to reorganize the Group such that

- I. by way of a company split, the Company will succeed to the energy retail businesses of its 3 subsidiary companies (Tosai Gas, Higashinihon Gas, and Kitanihon Gas), and
- II. by way of a company split and absorption-type company merger, Tosai Gas will succeed to the city gas pipeline business and other businesses of the Company, Higashinihon Gas, and Kitanihon Gas.

On the same date, the Company concluded an absorption-type company split agreement with the 3 subsidiaries, and the 3 subsidiaries concluded an absorption-type company merger agreement. In accordance with the resolution, the Company was reorganized effective January 1st, 2024.

1. Aim of the Reorganization

In order to reinvent Energy Services from the perspective of its customers (consumer households), envisioning what local communities will look like in the near future.



## 2. Outline of the Reorganization

### Common control transactions

#### I. Consolidation of the energy retail businesses of the 3 consolidated subsidiary companies (Tosai Gas, Higashinohon Gas, and Kitanihon Gas) within the Company

##### (1) Outline of the company split

###### 1) Schedule of the company split

Effective date of the absorption-type company split      January 1st, 2024

###### 2) Method of the company split

The absorption-type company split involves the Company, as the succeeding company, succeeding to the businesses of Tosai Gas, Higashinohon Gas, and Kitanihon Gas

###### 3) Details of the allotment related to the company split

No shares or money or other benefits will be allotted in this company split.

##### (2) Overview of the business units to be succeeded

Tosai Gas	...Retail city gas, LP gas, electricity and ancillary businesses
Higashinohon Gas	...Same as above
Kitanihon Gas	...Same as above

#### II. Consolidation of the city gas pipeline businesses, etc. of the Company and 2 consolidated subsidiaries (Higashinohon Gas and Kitanihon Gas) within Tosai Gas

##### ◆ Consolidation of the Company's city gas pipeline business, etc. within Tosai Gas by way of absorption-type company split

###### (1) Outline of the company split

###### 1) Schedule of the company split

Effective date of the absorption-type company split      January 1st, 2024

###### 2) Method of the company split

The absorption-type company split involves the Company as the splitting company and Tosai Gas as the succeeding company.

###### 3) Details of the allotment related to the company split

Tosai Gas, the succeeding company, will issue 500 thousand common shares and allot all the shares to the Company in this company split.

###### (2) Overview of the business units to be split

City gas pipeline business, LPG infrastructure business, etc.

##### ◆ Consolidation of the city gas pipeline businesses, etc. of Higashinohon Gas and Kitanihon Gas within Tosai Gas by way of company merger

###### (1) Outline of the company merger

###### 1) Schedule of the company merger

Effective date of the company merger      January 1st, 2024

###### 2) Method of the company merger

The absorption-type company merger involves Tosai Gas as the surviving company and Higashinohon Gas

and Kitanihon Gas as the disappearing companies.

3) Details of the allotment pursuant to the company merger

No shares or money or other benefits will be allotted in this merger as the merger takes place between wholly owned subsidiary companies of the Company.

3. Status of the Company and the company succeeding to the city gas pipeline businesses, etc. (former Tosai Gas) after the reorganization

1) The Company

There will be no change in the company name, address, representative, nature of business (excluding the target business of the company split), capital and fiscal year end.

2) The company succeeding to the city gas pipeline businesses, etc. (former Tosai Gas)

(1) Company name	Energy Sola Platforms Co., Ltd.
(2) Address	4-31-8, Yoyogi, Shibuya-ku, Tokyo
(3) Representative	Keiichi Yoshida Representative Director, Chief Executive Officer
(4) Nature of Business	Energy platform business
(5) Capital	¥450 million
(6) Fiscal year end	March 31st

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

The Company concluded an absorption-type company split agreement 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 on October 31st, 2023. Effective January 1st, 2024, the Company reorganized in accordance with the resolution.

1. Outline of the company split

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

2. Outline of the company split

1) Schedule of the company split

Effective date of the absorption-type company split January 1st, 2024

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.

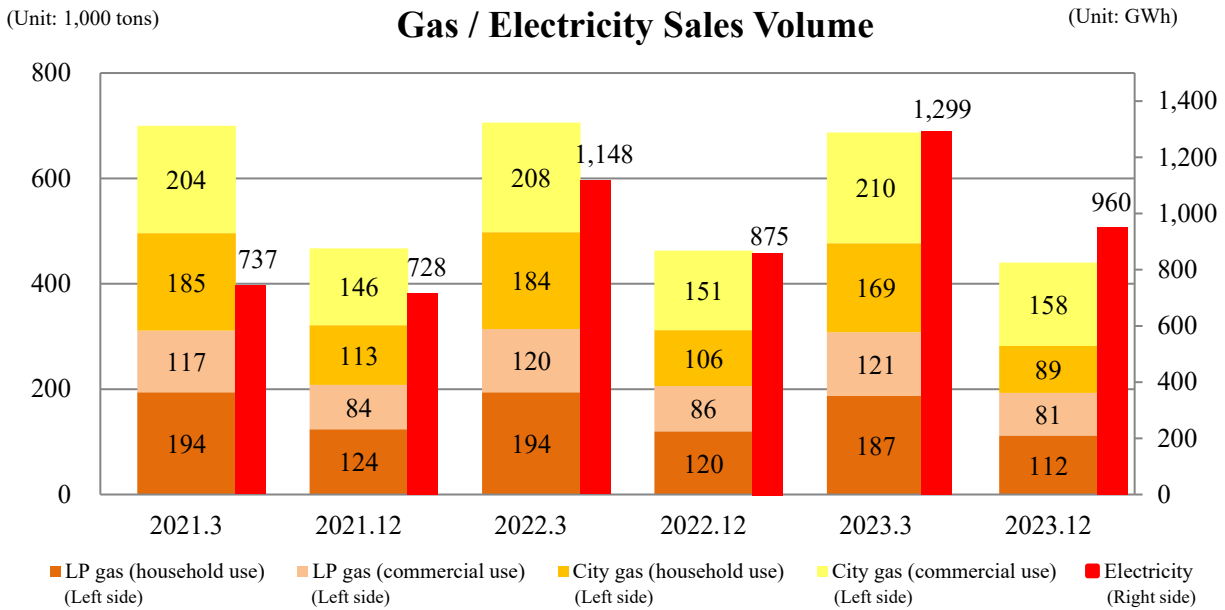
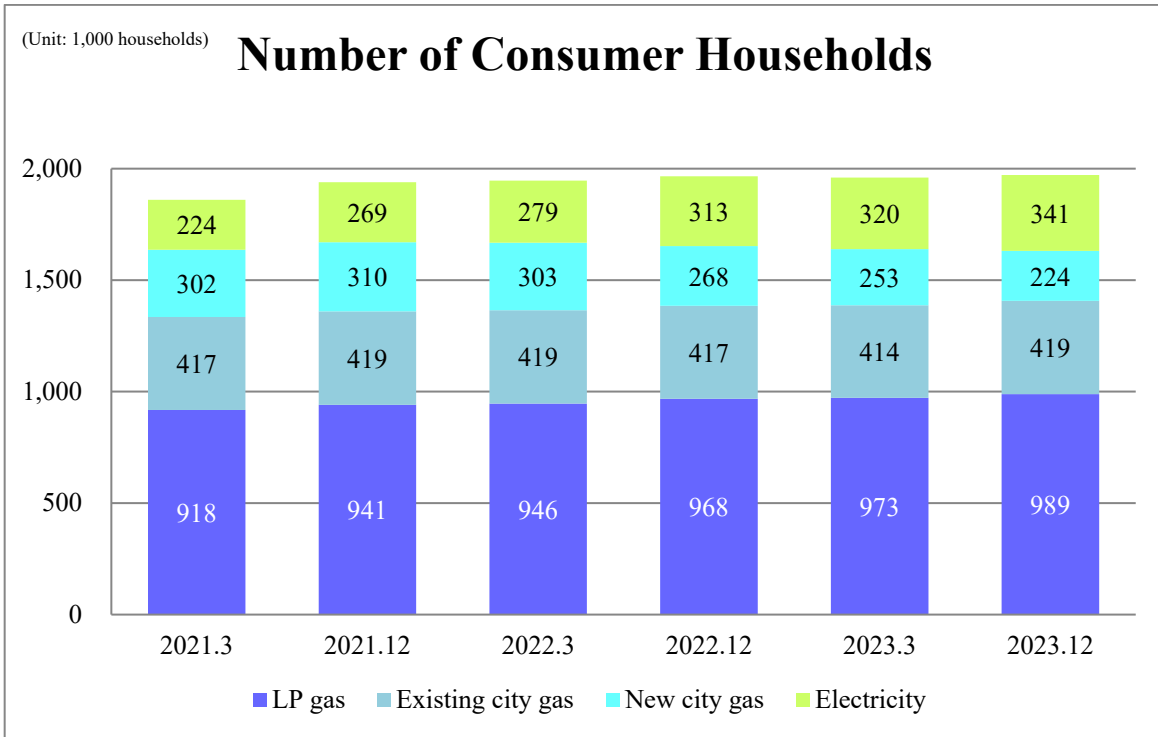
3. Overview of the business units to be split

System business

4. 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.

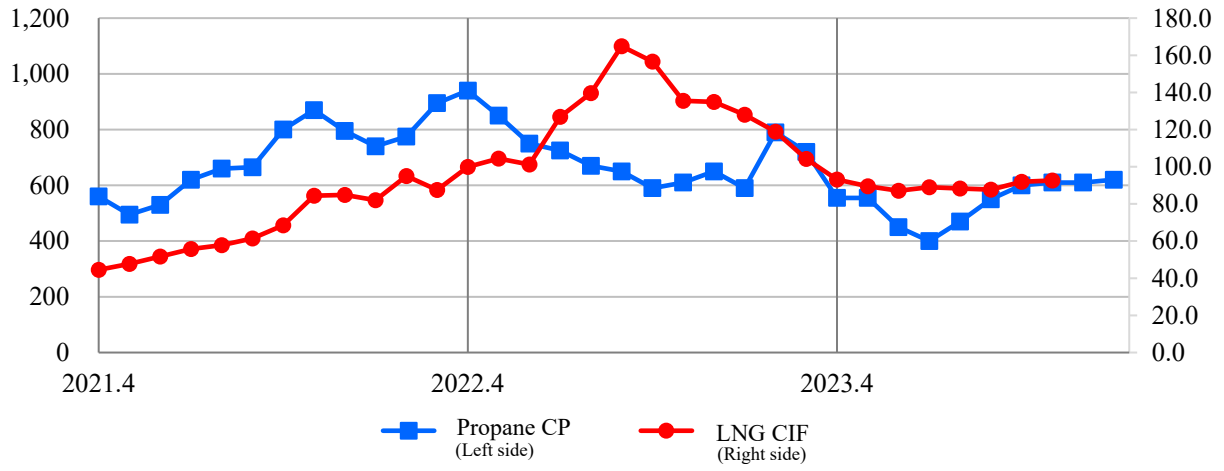
3. Others



(Unit: \$/t)

### Raw Material Prices

(Unit: ¥'000/t)



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