
Financial Results Briefing Materials for 2Q FY Mar. 2017 (FY 03/17)

**November 9, 2016
Nippon Gas Co., Ltd.**

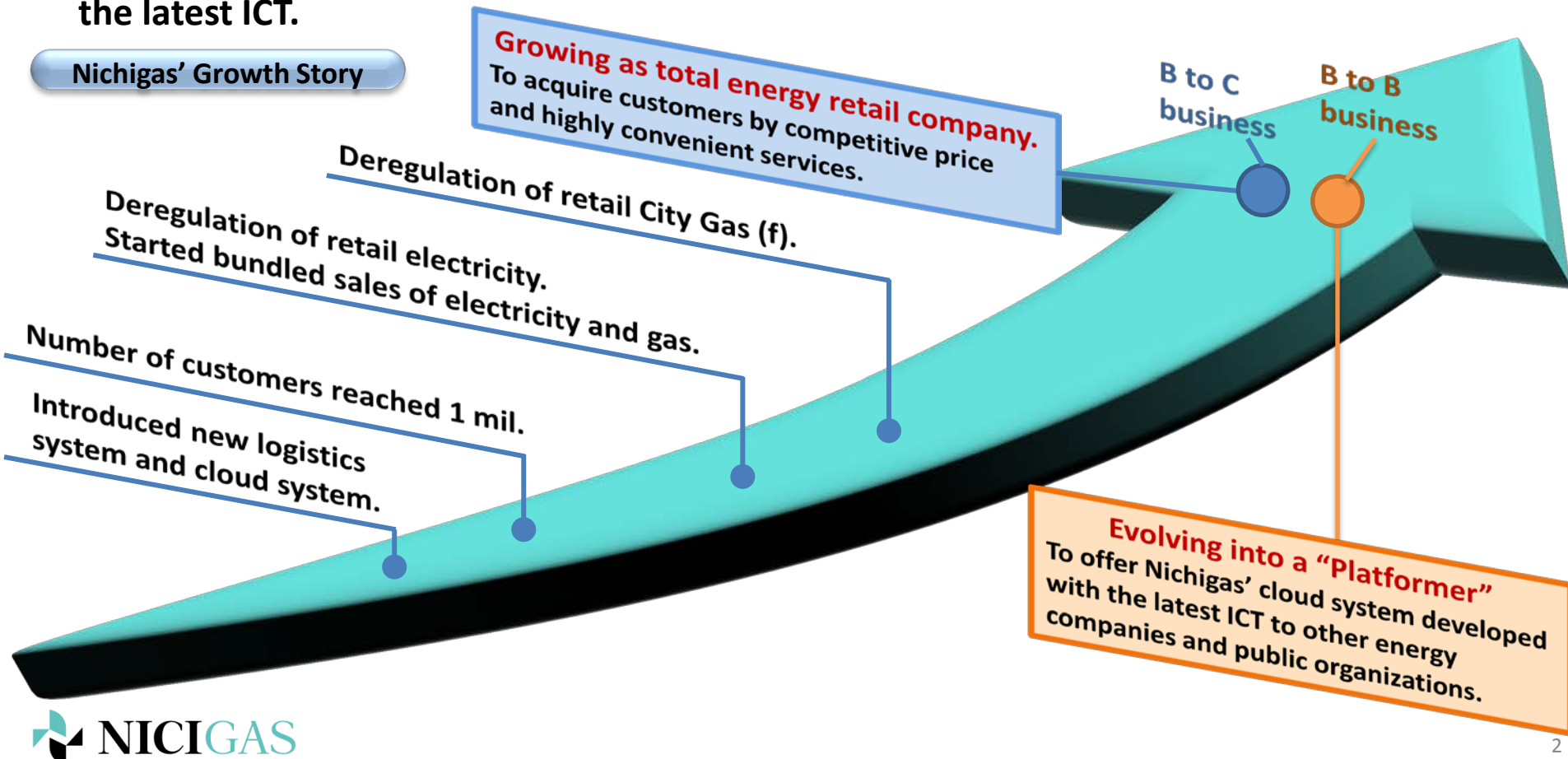
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1. Nichigas' Growth Story (1)

Will Further Grow as an Integrated Energy Company and to Evolve Into a "Platformer".

- With the deregulation of retail energy as a trigger, **Nippon Gas ("Nichigas")** will start the **brand new growth story**.
- Will further grow as an integrated energy company and, as the second core business, will evolve into a "Platformer" that provides the most advanced cloud system developed with the latest ICT.



1. Nichigas' Growth Story (2) / Total Energy Retail Company

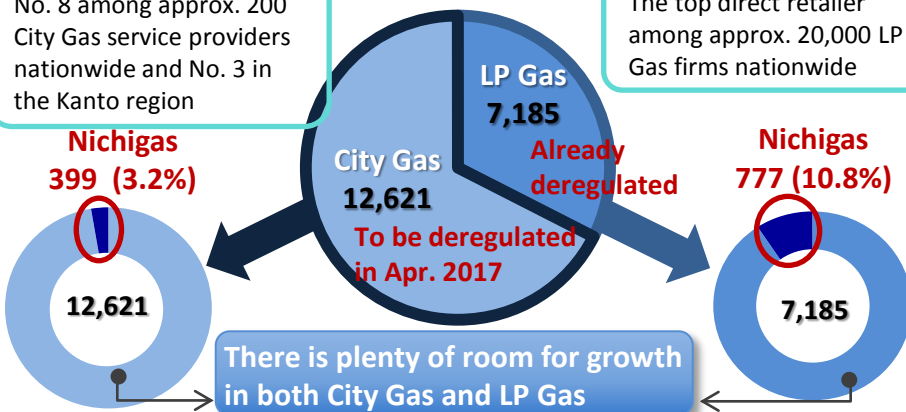
Will Continuously Increase Customers in Kanto, as There is Plenty of Room for Further Growth.

- **There is plenty of room for growth in both City Gas and LP Gas in Kanto.**
- **Growth of customers continued, ranking No.2 in growth of customers among major gas companies (through Apr. 2016 to Sep. 2016)**

Gas: Number of Kanto Customers (Unit: 1,000)

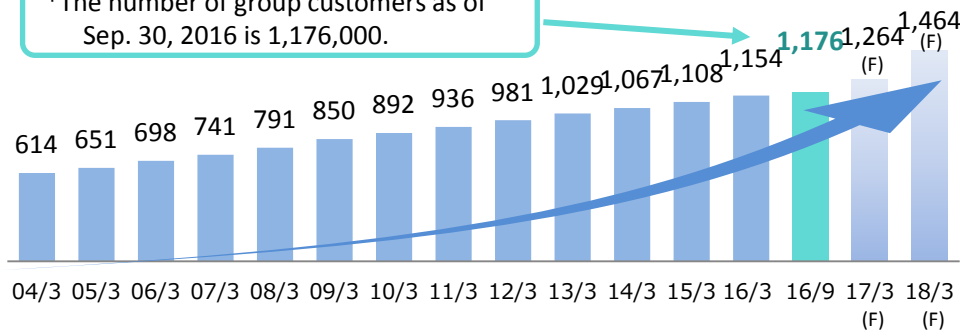
No. 8 among approx. 200 City Gas service providers nationwide and No. 3 in the Kanto region

The top direct retailer among approx. 20,000 LP Gas firms nationwide

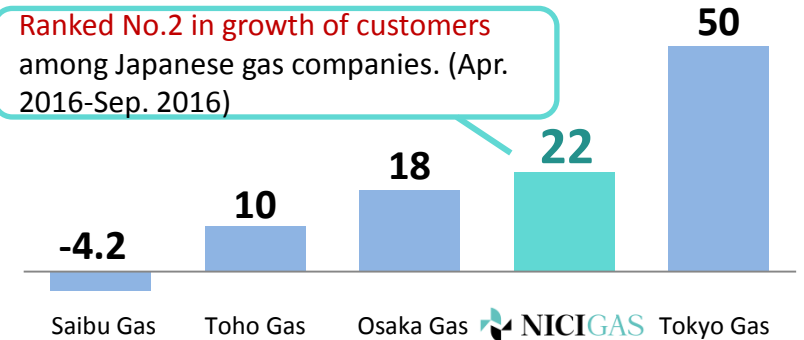


Nichigas customer trends (Unit: 1,000)

*The number of group customers as of Sep. 30, 2016 is 1,176,000.



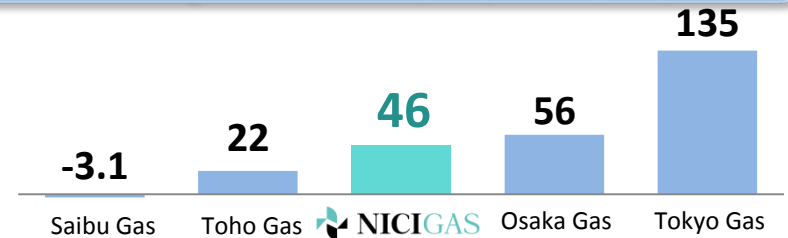
Customer growth in Apr. 2016 – Sep. 2016 (Unit: 1,000)



Ranked No.2 in growth of customers among Japanese gas companies. (Apr. 2016-Sep. 2016)

Customer Number	1,143.5	2,419	7,270	1,176	11,448
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Customer growth in FY 03/16 (Unit: 1,000)



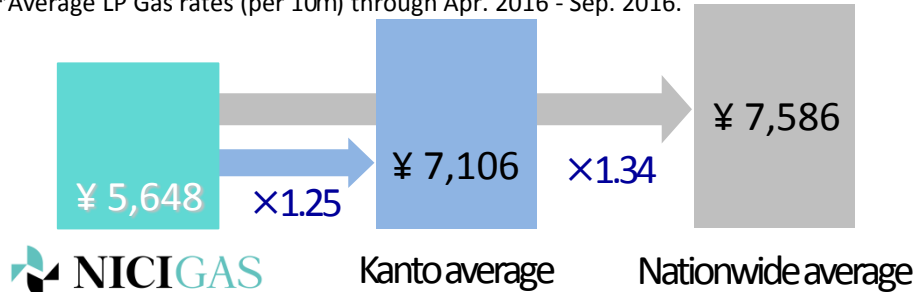
Customer Number	1,147.7	2,409	1,154	7,252	11,398
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1. Nichigas' Growth Story (3) / Integrated Energy Company Price Competitiveness and New Services Leveraged on ICT.

- The most remarkable strength of Nichigas is LP Gas **competitive price achieved by advanced ICT**. Based on "Oil Information Center Surveys", the average retail price in Kanto is 1.25 times higher than that of Nichigas. Launching various new services using ICT, will further improve customers' convenience.

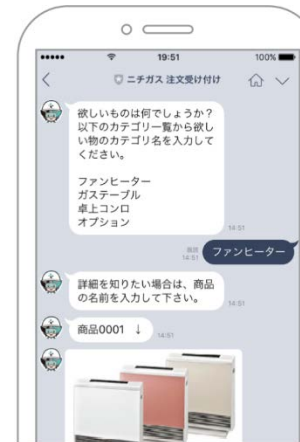
LP Gas retail price comparison

*Average LP Gas rates (per 10m³) through Apr. 2016 - Sep. 2016.



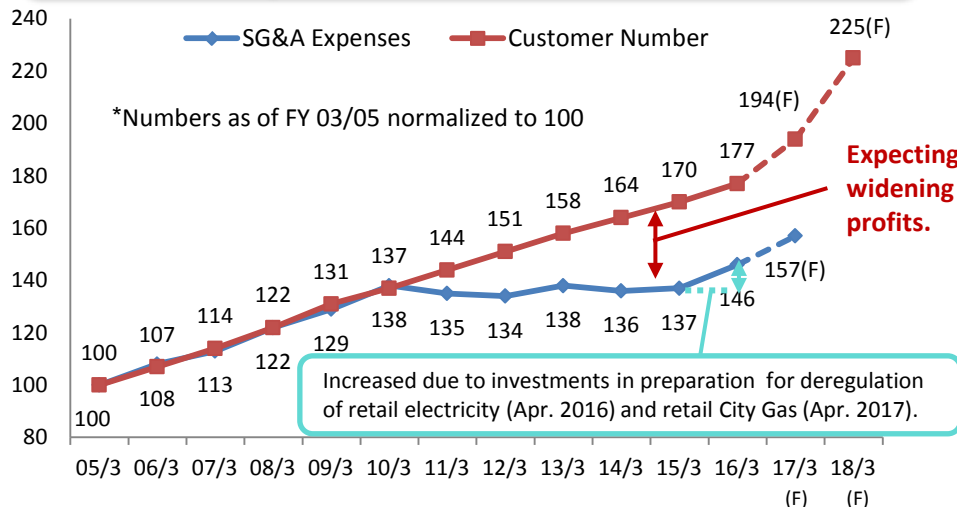
New services using ICT

① Gas equipment sales using LINE



- Launching LINE gas equipment sales. Customers can purchase gas equipment through automatic response services by chat bot.
- Will expand this automatic response services to other service areas such as customers' new contracts, notification of gas retail price.

SG&A expenses and number of customers



② Web settlement service

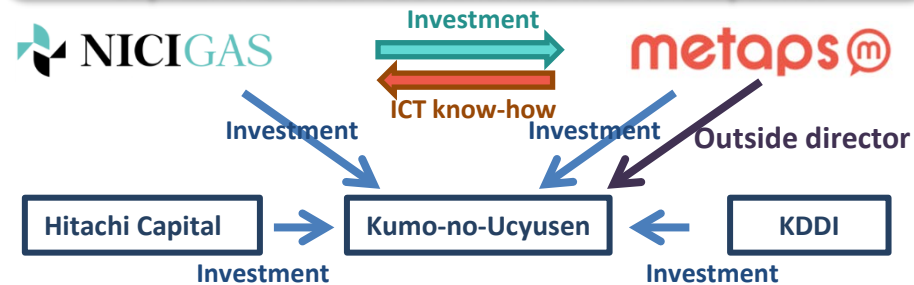
- All by smartphone, customers can register necessary information to pay bills, such as bank account and credit card.
- Customers' convenience to be improved and more efficient operation through paperless transactions.

1. Nichigas' Growth Story (4) / "Platformer"

Alliance with Metaps. Will Offer "Platform" to Other Retailers.

- Entered into capital and business alliance with Metaps Inc., an ICT leading company that had strength in AI and Big Data, in Sep, 2016. By introducing Metaps' ICT to Nichigas' current cloud system "Kumo-no-Ucyusen", will create a new "Platform" which will enhance the operational efficiency and convenience of customers. Nichigas plans to offer this "Platform" to other retailers.

Capital and Business Alliance with Metaps Inc.



Future Utilization of Cloud System "Kumo-no-Ucyusen"



Current ICT Projects

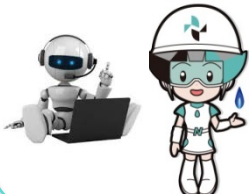
FinTech

- Payment of gas bill by Bitcoin
- Installed Bitcoin ATM in Nichigas HQ



AI

- LINE gas equipment sales. Customers can purchase gas equipment through automatic response services by chat bot.



Big Data

- More accurate business analysis and forecast by the visualization of operation.



B to C business

- Will further grow as an integrated energy company.
- By introducing the latest ICT to current cloud system, to further improve operational efficiency and customers' convenience.

B to B business

- Evolving into a "Platformer".
- Will offer other retailers new "Platform" which will contribute to the improvement of operational efficiency.

2. Key Points of the Financial Results: Significant Growth in Operating Income for Six Consecutive Years of Record Profits.

Key Points of the Financial Results for the 2Q of FY 03/17;

- ◆ **Operating income increased significantly** (2Q operating Income is the highest profit in the past years). Moving along smoothly for six consecutive years of record profits.

(¥100 mil)	FY 03/12 2Q	FY 03/13 2Q	FY 03/14 2Q	FY 03/15 2Q	FY 03/16 2Q	FY 03/17 2Q
Gross Profit	202	213	212	211	238	256
Operating income	21	24	26	19	37	48
Net income	8	12	21	7	21	31

- ◆ **Will increase dividend by ¥ 4**, resulting in ¥ 34 full year dividend. Further returning to shareholders with current favorable performance.
- ◆ In Sep. 2016, **entered into a capital and business alliance with Metaps Inc., a leading ICT company.**
(Now a major shareholder of Metaps with holding 4.7% of its share.)

3. Performance (1): Summary (From Apr. 2016 to Sep. 2016)

Margin Improved and Profit Increased. Strengthened Financial Capacity.

- While gas sales volume increased, net sales fell due to lower retail price. **Profit margin improved** and both **gross profit and operating income increased by ¥ 1.8 bil. and ¥ 1.1 bil. (YoY), respectively**. Number of customers reached **1.17 mil.**
- Increased net asset, to prepare for coming deregulation.

LP Gas + City Gas	FY 03/16 2Q (Apr.- Sep.)	FY 03/17 2Q (Apr.- Sep.)	+/-	+/- (%)
PL & CF (¥ 100 mil.)				
Net sales	515	489	▲26	▲5.0%
- LP Gas business	299	291	▲8	▲2.7%
- City Gas business	216	197	▲19	▲8.8%
Gross profit	238	256	+18	+7.6%
SG&A expenses	201	208	+7	+3.5%
- Cost to acquire (CTA)*	25	27	+2	+8.0%
Operating income	37	48	+11	+29.7%
- LP Gas business	28	34	+6	+21.4%
- City Gas business	9	14	+5	+55.6%
Operating income exc. CTA	62	75	+13	+21.0%
Net income	21	31	+10	+47.6%
Business scale				
Customers (households; net growth)	24,294	21,873	▲2,421	▲10.0%
Customers (households)	1,132,532	1,175,650	+43,118	+3.8%
Gas sales volume (1,000 t)	276	279	+3	+1.1%
- LP Gas business	135	135	+0	+0.0%
- City Gas business	141	144	+3	+2.1%
Financial condition				
Total assets	1,177	1,309	+132	+11.2%
Total equity (Capital to asset ratio)	366(31.1%)	629(48.0%)	+263(+16.9%)	+71.9%

3. Performance (2): LP Gas Business

Profitability Improved. Both Gross Profit and Operating Income Increased.

- Gross profit and gross margin increased significantly** due to 1) increase in gas sales volume for household use by 1.4% and 2) decrease in LP Gas raw material price. Despite increase in personnel expense, CTA, and advertising cost, operating income increased by ¥ 600 mil. (+21.4%).

(¥ 100 mil.)

LP Gas business	FY 03/16 2Q (Apr.- Sep.)	%	FY 03/17 2Q (Apr.- Sep.)	%	+/- / +/- (%)	Remarks
Net sales	299	100.0%	291	100.0%	▲8 / ▲2.7%	
- Gas	233		219		▲14 / ▲6.0%	
- Equipment sales, etc.	66		72		+6 / +9.1%	- Increased in equipment sales
Gross profit	153	51.2%	169	58.1%	+16 / +10.5%	- Improved profits and profit margin
SG&A expenses	125	41.8%	135	46.4%	+10 / +8.0%	
- Personnel expense	38		40		+2 / +5.3%	
- Cost to acquire* (CTA)	25		27		+2 / +8.0%	- Increased in customer acquisition cost
- D&A expense	15		14		▲1 / ▲6.7%	
- Advertising expenses	2		4		+2 / +100.0%	- Building up brand in Tokyo central area
Operating income	28	9.4%	34	11.7%	+6 / +21.4%	- Improved profits and profit margin
Operating income exc. CTA	53		61		+8 / +15.1%	- Nichigas' new KPI (which eliminates the effects from fluctuation of CTA amounts)
Net Customer Growth (number of households)	19,724		16,149		▲3,575 / ▲18.1%	
Total Customers (households)	744,089		776,528		+32,439 / +4.4%	
Gas sales volume (1,000 t)	135		135		+0 / +0.0%	
- Household use	74		75		+1 / +1.4%	
- Commercial use	61		60		▲1 / ▲1.6%	

* **CTA**: cost to acquire new LP Gas customers, including gas cylinders, meters, services and personal costs.

* Calculated after rounding of actual values and adjusted as necessary.

* +/- / +/- (%) is calculated after adjusting to ¥100 mil. units.

3. Performance (3): City Gas Business

Increased in Gas Equipment Sales. Operating Income Increased.

- Net sales decreased due to lower raw material price reflected in retail price. Despite decrease in slide time lag (▲¥ 280 mil. YoY) gross profit increased by ¥ 200 mil. (YoY) due to increase in gas and equipment sales. SG&A expenses decreased by ¥ 400 mil. (YoY), and operating income increased by ¥ 500 mil. (YoY).

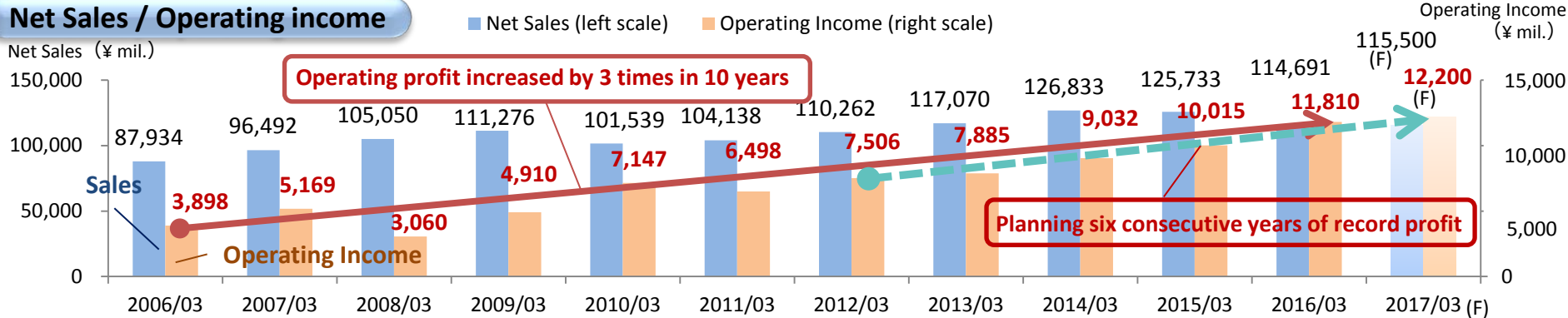
(¥ 100 mil.)

City Gas business	FY 03/16 2Q (Apr.- Sep.)	%	FY 03/17 2Q (Apr.- Sep.)	%	+/- / +/- (%)	Remarks
Net sales	216	100.0%	197	100.0%	▲19 / ▲8.8%	
- Gas	182		151		▲31 / ▲17.0%	- Resulting from lower retail price
- Equipment sales, etc.	34		46		+12 / +35.3%	- Increased in equipment sales for commercial customers
Gross profit	85	39.4%	87	44.2%	+2 / +2.4%	- Resulting from increase in gas sales volume and equipment sales
SG&A expenses	77	35.6%	73	37.1%	▲4 / ▲5.2%	
- D&A expense	35		34		▲1 / ▲2.9%	
- Personnel expense	22		21		▲1 / ▲4.5%	
Operating income	9	4.2%	14	7.1%	+5 / +55.6%	- Improved profits and profit margin
Net Customer Growth (number of households)	4,570		5,724		+1,154 / +25.3%	
Customers (households)	388,443		399,122		+10,679 / +2.7%	
Gas sales volume (1,000 t)	141		144		+3 / +2.1%	
- Household use	44		44		+0 / +0.0%	
- Commercial use	97		100		+3 / +3.1%	
Slide time lag	5.2		2.4		▲2.8 / ▲53.8%	

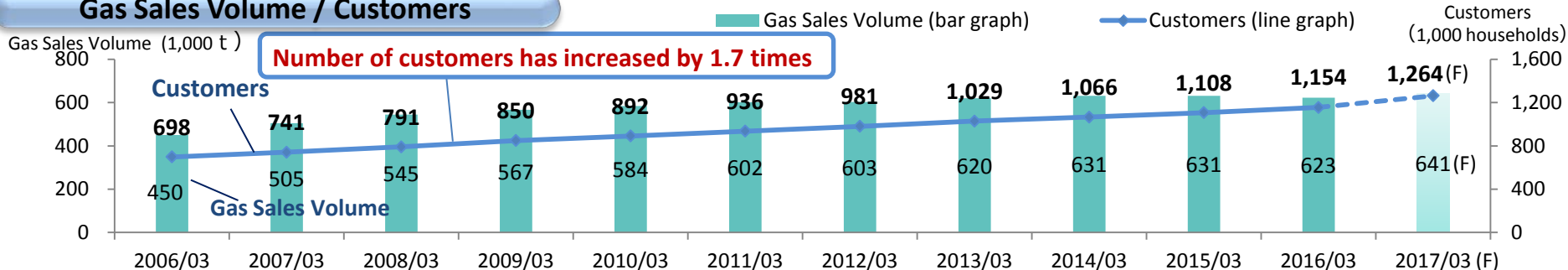
3. Performance (4): Growth of Profits and Number of Customers. 3x Operating Income in 10 Years and Plan to Continue this Trend.

- Operating Income and number of customers increased by 3 times and 1.7 times, respectively, in 10 years. Plan to achieve **six consecutive years of record profit**. Net customer growth contributes to the improvement of profitability.

Net Sales / Operating income



Gas Sales Volume / Customers



P/L (¥ mil.)	FY 03/06	FY 03/17	FY 03/08	FY 03/09	FY 03/10	FY 03/11	FY 03/12	FY 03/13	FY 03/14	FY 03/15	FY 03/16	FY 03/17 (F)
Net Sales	87,934	96,492	105,050	111,276	101,539	104,138	110,262	117,070	126,833	125,733	114,691	115,500
SG&A expenses	31,065	32,484	35,217	37,103	39,589	38,830	38,539	39,618	39,176	39,383	41,920	45,100
Operating income	3,898	5,169	3,060	4,910	7,147	6,498	7,506	7,885	9,032	10,015	11,810	12,200
Net income	790	1,864	216	1,518	2,585	2,324	3,121	3,774	9,464	5,528	7,090	7,600

*Calculated after rounding down to actual values.

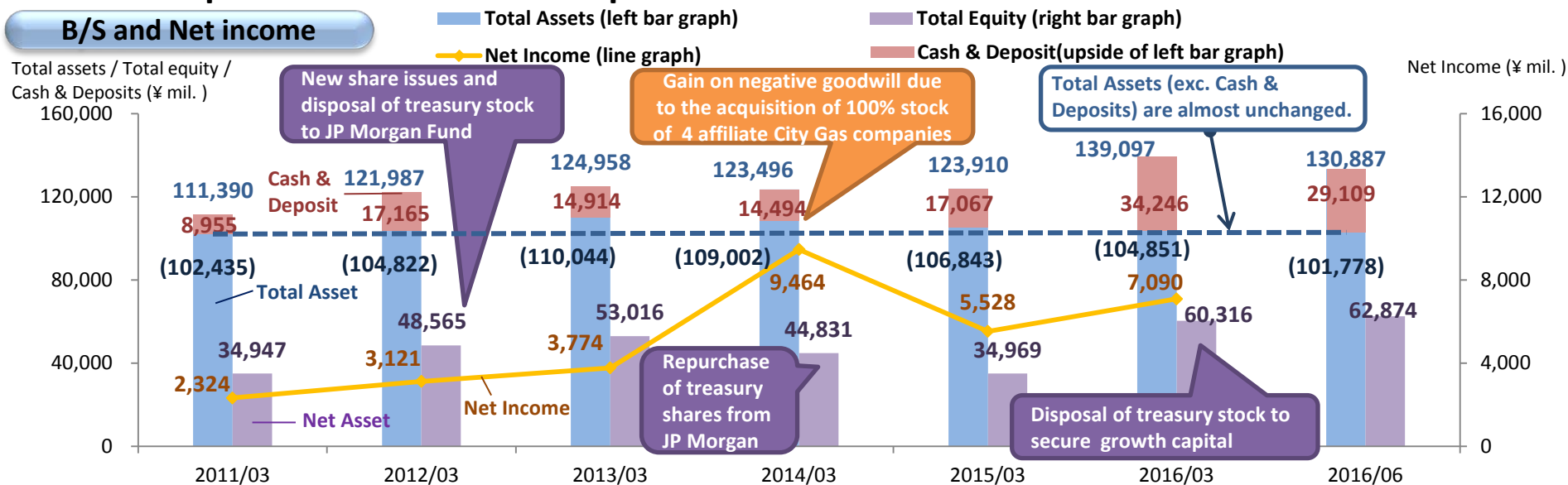
3. Performance (5): B/S

Increased Profits with Stable Asset Scale.

Strengthened Financial Capacity.

- Increased net income with total asset scale (exc. cash and deposits) almost unchanged in the last five years. Total asset decreased while total equity increased, and capital to asset ratio improved to 48.0% as of Sep. 30 2016.

B/S and Net income



B/S (¥ mil.)	FY 03/11	FY 03/12	FY 03/13	FY 03/14	FY 03/15	FY 03/16	09/16
Total assets	111,390	121,987	124,958	123,496	123,910	139,097	130,887
Total equity	34,947	48,565	53,016	44,831	34,969	60,316	62,874
Capital to asset ratio	20.9%	29.9%	32.2%	36.3%	28.2%	43.4%	48.0%
Net interest-bearing debt	43,930	29,905	29,730	34,578	44,286	16,937	18,087
Net D/E Ratio	1.26	0.62	0.56	0.77	1.27	0.28	0.29
Current net income	2,324	3,121	3,774	9,464	5,528	7,090	-
ROA*1	2.1%	2.6%	3.0%	7.7%	4.5%	5.1%	-
ROE*2	10.3%	10.4%	9.8%	22.2%	13.9%	14.9%	-

*1 ROA=current net income / Total assets × 100

*2 ROE= Net income (current year) / (average of Equity Capital of the current and previous FY) × 100

Equity Capital = Total Equity - Minority interests

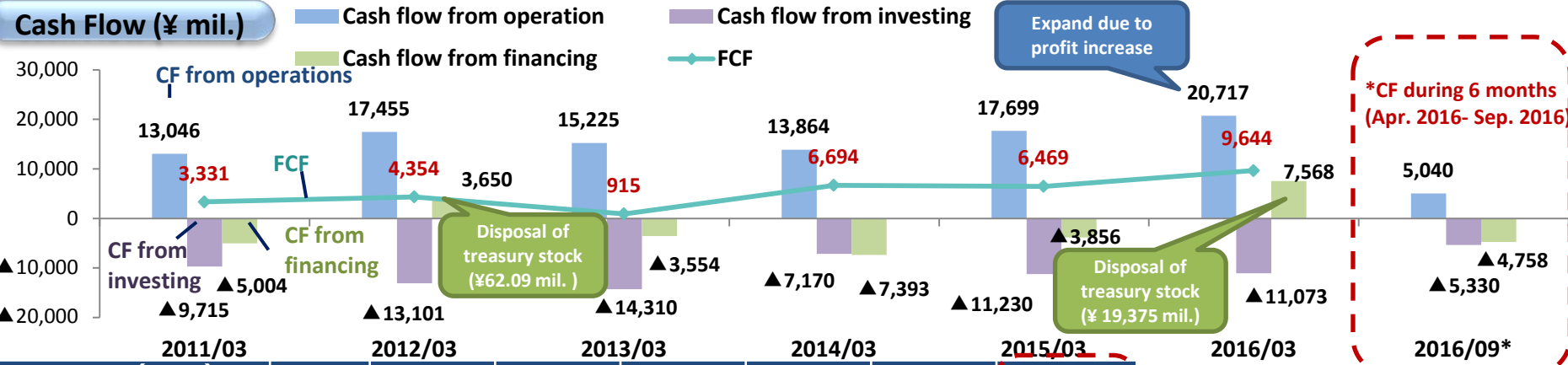
*Calculated after rounding down to actual values.

3. Performance (6): C/F

Cash Flow Increased. Will Accelerate Investment in FY 03/17.

- CF increased with net income growth contributing. Will accelerate investments during FY 03/17, the last year before the deregulation of retail City Gas. Continuously increased investments in pipelines to accelerate customer acquisition and in ICT.

Cash Flow (¥ mil.)



Cash Flow (¥ mil.)	FY 03/11	FY 03/12	FY 03/13	FY 03/14	FY 03/15	FY 03/16	09/ 16*
Cash flow from operations	13,046	17,455	15,225	13,864	17,699	20,717	5,040
Cash flow from investing	▲9,715	▲13,101	▲14,310	▲7,170	▲11,230	▲11,073	▲5,330
Cash flow from financing	▲5,004	3,650	▲3,554	▲7,393	▲3,856	7,568	▲4,758
Free Cash Flow (FCF*)	3,331	4,354	915	6,694	6,469	9,644	▲289

Breakdown of capital investment

*FCF (Free Cash Flow)=Cash flow from operations – Cash flow from investing

*CF during 6 months (Apr. 2016- Sep. 2016)

(¥ mil.)	2011/03	2012/03	2013/03	2014/03	2015/03	2016/03	2016/09*
Pipeline	5,909	6,021	6,713	6,645	5,918	5,142	2,515
Vehicles	446	1,076	916	1,360	1,224	267	40
Depots	1,388	368	1,475	78	644	590	0
Gas Supply Facilities	622	731	927	580	621	624	204
ICT	145	297	194	471	400	1,466	968
Filling Plants	1,022	0	442	0	0	0	0
M&A	64	1,114	752	317	332	320	151
Others	1,637	1,093	861	615	3,830	2,976	552

Breakdown of capital investment

- Pipeline investment to accelerate customer acquisition.
- Increasing investment in ICT which will contribute to efficient operation.

* Breakdown of capital investment based on accrual basis. Construction in progress was adjusted.

* Calculated after rounding down to actual values.

4. Full Year Forecast for FY 03/17

Plan to Achieve Six Consecutive Years of Record Profit.

- No change in FY 03/17 full year forecast and planning to achieve six consecutive years of record profits.** Customer growth and profit margin improvement will absorb increase in cost to acquire (CTA). Plan to further growth in operating income and net income.

Unit: ¥ 100 mil.	FY 03/16 (A)	FY 03/17 (F)
Net sales	1,147	1,155
Gross profit	537	573
SG&A expenses	419	451
- Personnel expenses	125	128
- Cost to acquire (CTA) (only LP Gas)	51	61
- D&A expenses	103	101
- Advertising expenses	9	15
- Cost for installation and safety management)	25	29
Operating income	118	122
- LP Gas business	80	81
- City Gas business	38	41
Operating income (exc. CTA)	169	183
Net income	71	76
Net income per share (¥)	190.71	178.05
Total customers (1,000 households)	1,154	1,264
Gas sales volume (1,000 t)	623	641
- LP Gas business	310	319
- City Gas business	313	322

Gross Profit

- By increase in gas sales volume from customers growth and by margin improvement.
- Lower raw material cost and strong yen improve profit margin.

Cost to acquire (CTA)

- CTA expected to increase only by ¥ 1,000 mil. This is due to lower CTA per customer and increase in customer acquisition through M&A transaction (CTA cost through M&A to be amortized after capitalization.)

D&A expenses

- Larger D&A expenses for M&A of LP Gas customers and capital investment in City Gas business (both costs to be amortized after capitalization), offset by decreasing D&A expense for existing assets.

5. Customer Acquisition Plan

Further Accelerate Customer Acquisition.

Net customer growth of 200,000 for FY 03/18.

- Further accelerate net customer growth from current 46,000 (FY 03/16) to 110,000 and 200,000 for FY 03/17 and FY 03/18, respectively.
- Net customer increase in 2Q of FY 03/17 was slow due to the rebalancing of customer portfolio and slow progress in M&A. However, will continuously aim to achieve the original plan by accelerating the completion of M&A of LP Gas customers and by increasing customers in existing City Gas area in the 2nd half of FY 03/17.
- For FY 03/18, post deregulation of retail City Gas, will further speed up customer acquisition in City Gas business. Opened Tokyo branch in Oct, 2016 and preparing prospective customers' list.

Unit: 1,000 households.

	FY 03/16	FY 03/17		FY 03/18
	Full Year (A)	16/4-16/9 (A)	Full Year (F)	Full Year (F)
Net Customer Growth	46	22	110	200
- LP Gas	36	16 (through M&A: 1)	76 (through M&A: 20)	77
- City Gas	10	6	34	123
Total Customers	1,154	1,176	1,264	1,464

Apr. 16: deregulation of
retail electricity

Apr. 17 (F): deregulation of
retail City Gas

6. Return to Shareholders

Upward Revision of Dividend Forecast with Favorable Performance. To Increase Dividend by ¥ 4 in Full-year.

- Upward revision of current forecast based on today's stronger financial position.
- To increase dividend by ¥ 2 in both interim and year-end, resulting in ¥ 34 full year dividend.** This is the 2nd consecutive year to increase dividend. Will continuously focus on return to shareholders.

(Dividend and Net Income, Per Share: ¥, Others: ¥mil.)

	FY 03/11(A)	FY 03/12(A)	FY 03/13(A)	FY 03/14(A)	FY 03/15(A)	FY 03/16 (A)	FY 03/17(F)
Dividend Per Share (¥)	13	13	13	26	26	30	34 Interim dividend: 17 Year-end dividend: 17
Dividend Payout	514	572	631	1,120	903	1,185	1,461
Payout Ratio (Net Income Per Share)	22.0% (59.01)	18.1% (71.70)	16.7% (78.01)	11.8% (220.93)	17.5% (148.26)	15.7% (190.71)	19.1% (178.05)
Treasury Share Repurchase Amount	0	0	1	10,239 ^{*1}	14,394 ^{*2}	2	—

*Dividend Amounts are as approved by board resolution.
Payout Ratio = Dividend Per Share / Net Income Per Share

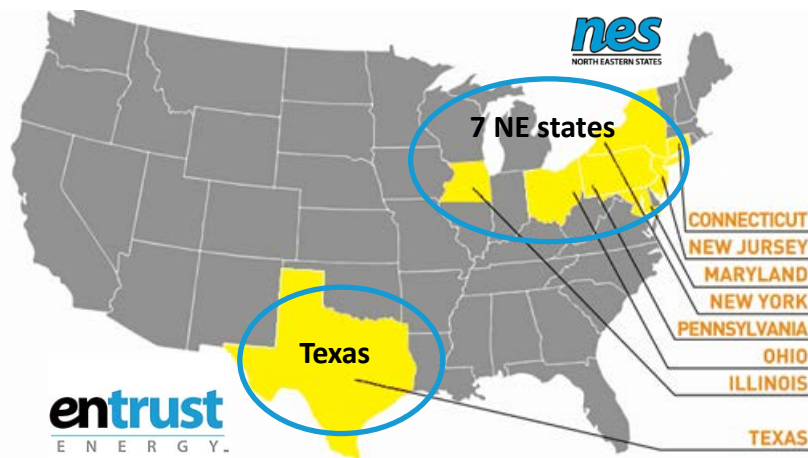
*1 From Iwatani Corp., etc. *2 From OEP

7. Overseas Business

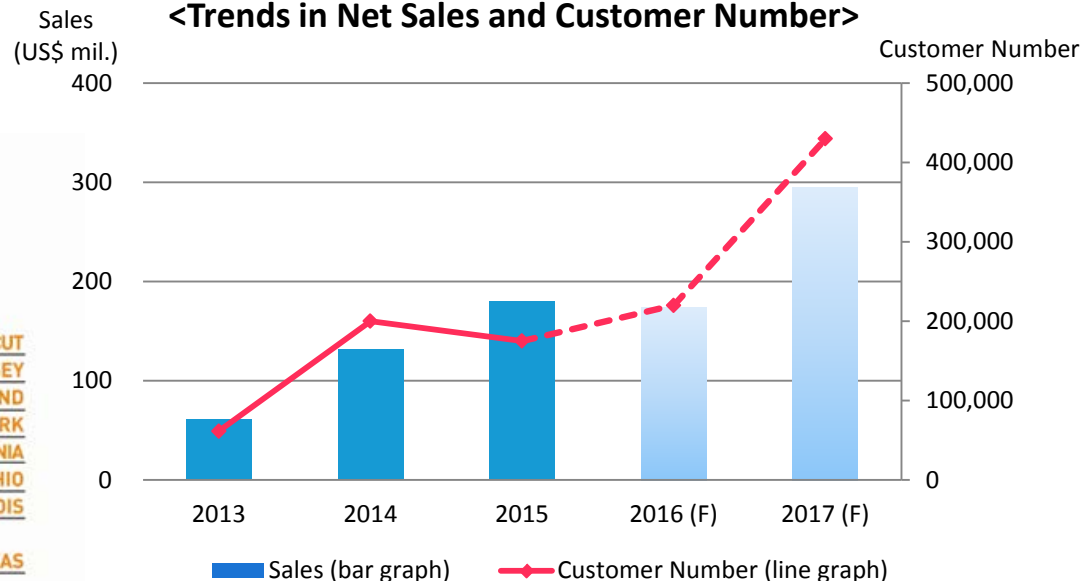
Improving Profitability. To achieve Net Profit in FY 12/16.

- Total sales of our North America business for FY Dec. 2015 (FY 12/15) was about US\$180 mil. The number of customers in the US Southwest (Entrust), which makes up a large part of our North American business was 127,000 and that in NE states (NES) was 32,000 households (as of Jun. 2016).
- Focusing on profitability rather than expanding customer base during FY 12/16. Withdrew from unprofitable market and newly entered into growing market such as South Texas and North East. Continuously planning to achieve net profit on entire US business for FY 12/16.

<Business areas in the US>



<Trends in Net Sales and Customer Number>



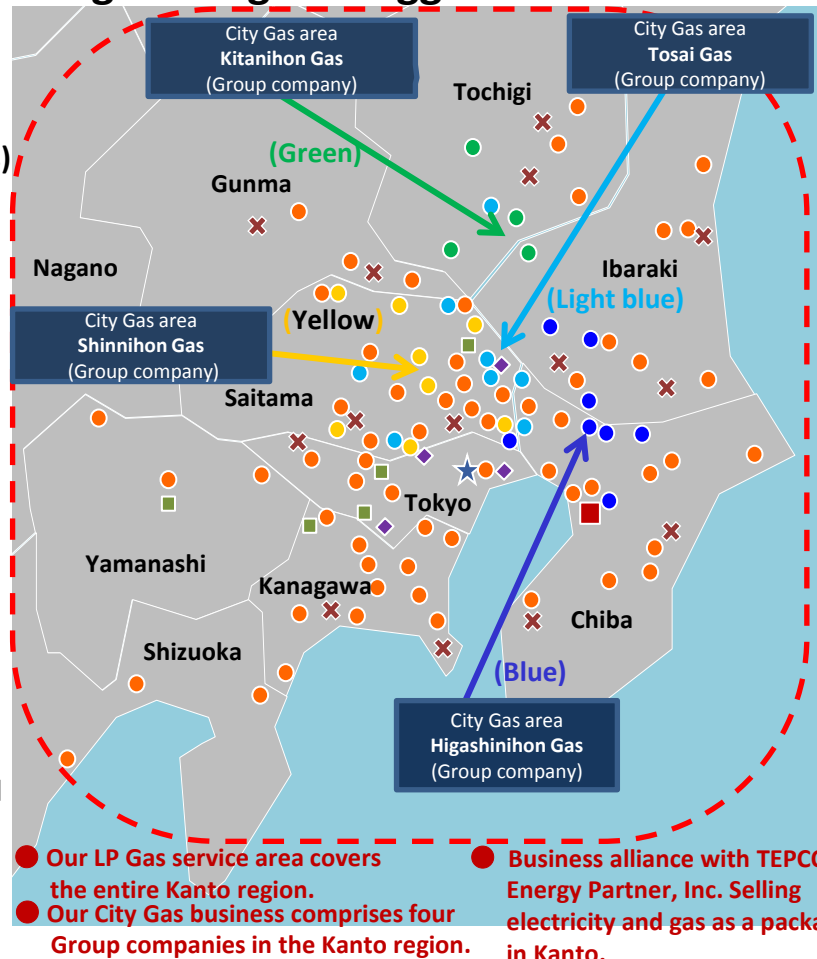
* Fiscal term ends in Dec.

8. Appendix (1): Nichigas' Business Model

Nichigas Sells Energies in the Entire Kanto Region.

- Nichigas continues to grow taking advantage of its price competitiveness and sales network. Selling energies to **1,176,000 customers in Japan** and to **159,000 customers outside Japan**. Following the deregulation of retail electricity and retail City Gas which started in 2016 and will start in 2017, respectively, being set to grow bigger than ever.

- Name** Nippon Gas Co., Ltd. ("Nichigas")
- Established** 1955
(50 years in the City Gas business and 61 years in the LP Gas business)
- Business operations** Integrated energy business
(Sales ratio in Japan: City Gas 40%, LP Gas 60%)
- Service area**
 - In Japan: Entire Kanto region (40%+ of households are concentrated in the Kanto region.)
 - Outside Japan: USA (Texas, 7 northeastern states) and Australia
- Number of customers**
 - In Japan: 1,176,000 households (as of Sep. 30, 2016)
 - Outside Japan: 159,000 households (as of Jun. 30, 2016)
- Number of employees**
 - In Japan: 1,578 (Group, excluding non-regular) (as of Sep. 30, 2016)
 - Outside Japan 126 (equity method subsidiaries and affiliates) (as of Sep. 30, 2016)



The Number of Nichigas Group's bases

Headquarters/Office: 90
Gas Filling Plant: 6
Depot: 14
Others: 4

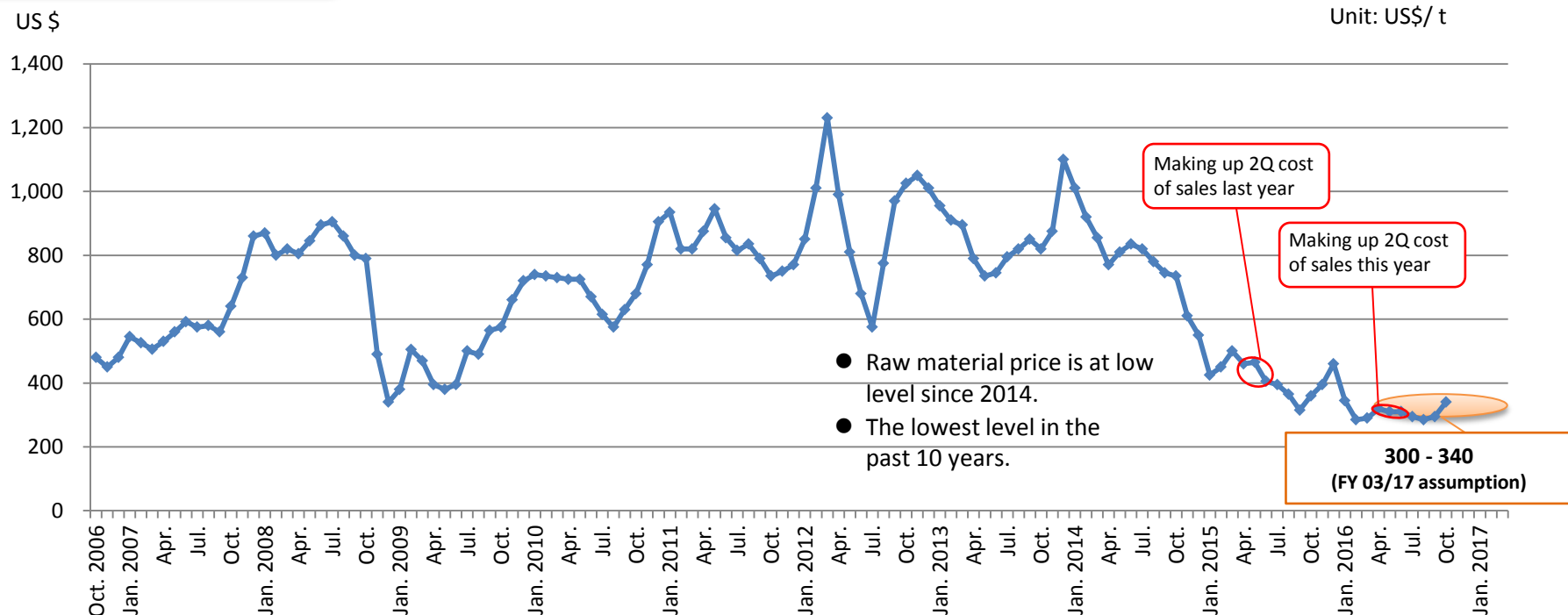
- ★ Nichigas' Headquarters
- Nichigas' Sales/Service Office
- ◇ Nichigas Group Company
- Hub Station
- Gas Filling Plant
- × Depot
- Tosai Gas' Office
- Higashinihon Gas' Office
- Shinnihon Gas' Office
- Kitanihon Gas' Office

8. Appendix (2): LP Gas Raw Material Price

Lower LP Gas Raw Material Price is Favorable for Nichigas.

- Raw material price is at low level since 2014 onwards. The current price is even lower level than that of post Lehman Crisis.
- **Raw material price in 2Q of FY 03/17** was lower compared to that of 2Q of FY 03/16. The price is **still in expected range** while the current price is slightly rising.
- **Lower LP Gas raw material price will contribute to margin improvement for Nichigas.**

Propane Gas FOB Price



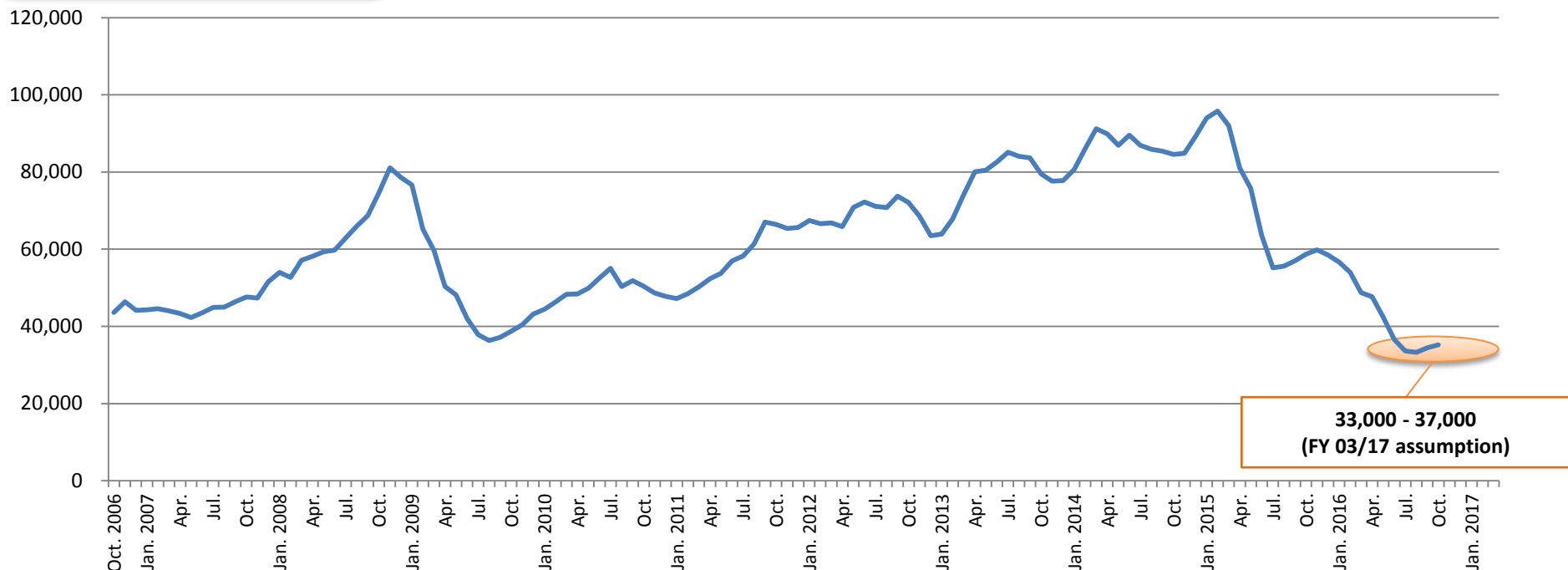
8. Appendix (3): LNG Raw Material Price

Lower LNG Raw Material Price is beneficial for Nichigas.

- LNG raw material price, making up the cost of sales of City Gas business, dropped significantly in 2015. This trend continued during 2Q of FY 03/17 and recent price range is in expected range. Slide time lag in 2Q of FY 03/17 was ¥ 240 mil.
- Under the existing gas rate adjustment system, profit tends to precede an adjustment while raw material price is dropping, and profit tends to trail an adjustment while raw material price is rising.

LNG Raw Material Price

Unit: ¥/t



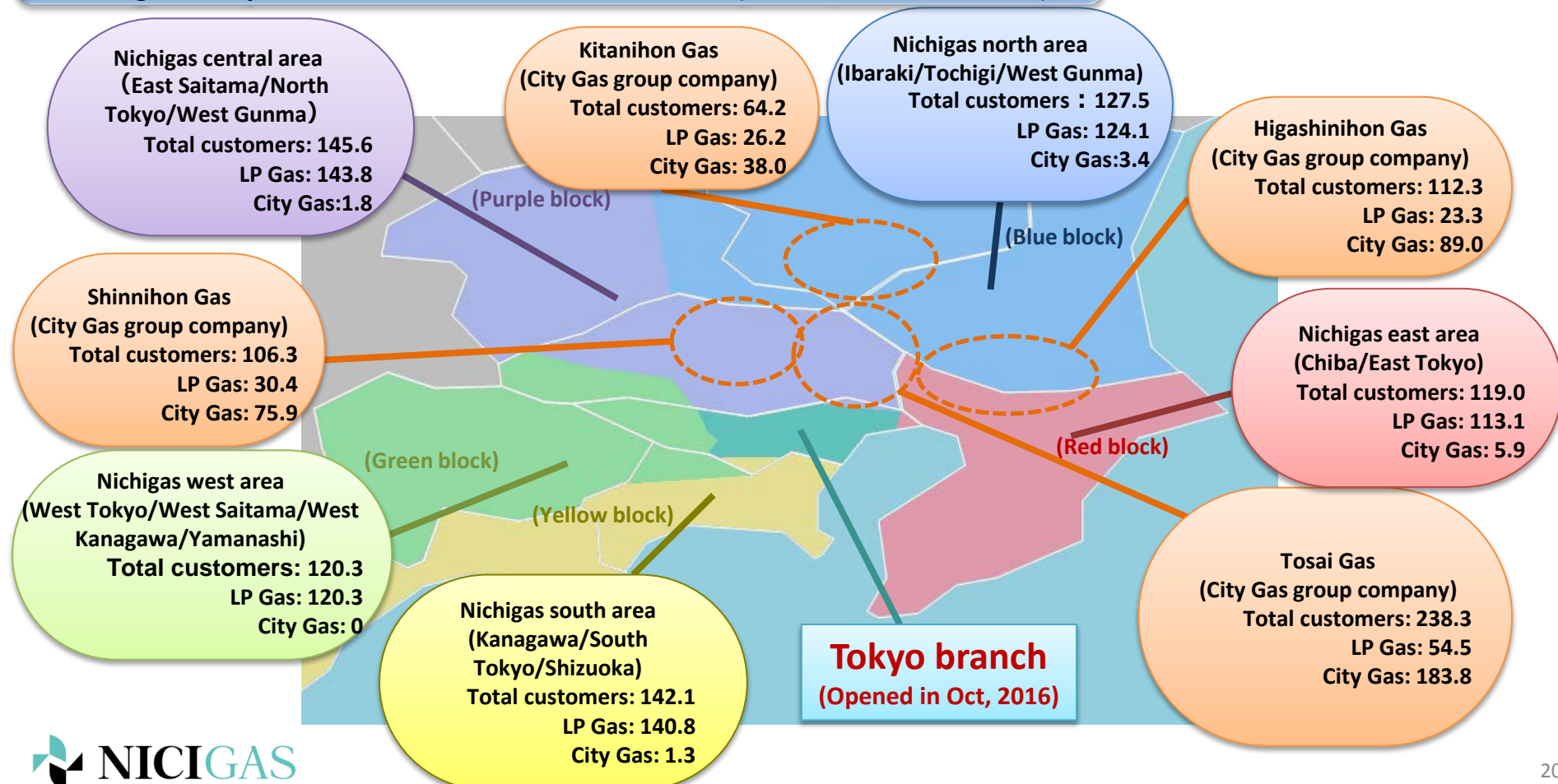
Source: Nichigas average purchase price

8. Appendix (4): Nichigas Group Sales Area

Managing Sales Operations through 10 units. Opened Tokyo branch.

- Nichigas Group manages sales operations through 10 units (6 areas of Nichigas and 4 City Gas group companies). **Opened Tokyo branch in Oct, 2016.** Focusing on acquiring City Gas customers in Tokyo metropolitan area.

Nichigas Group sales area and number of customers (Unit: 1,000 households)



8. Appendix (5): Net Customer Growth

Expanded Customer Base Driven by Tosai Gas.

Higashinihon Gas also Increased Customers.

- Steadily increased customers during 2Q of FY 03/17.
- Expanded customer base driven by Tosai Gas (main City Gas group company). Higashinihon Gas (City Gas group company) also increased its number of customers.

Net customer growth (households)	FY 03/15 2Q (Apr.- Sep.)	(1) FY 03/16 2Q (Apr.- Sep.)	(2) FY 03/17 2Q (Apr.- Sep.)	%	+/- (2) – (1)
Nichigas Group total customer growth	20,426	24,294	21,873	100%	▲ 2,421
- Nichigas east area (Chiba/East Tokyo)	1,707	1,773	1,793	8.2%	+20
- Nichigas north area (Ibaraki/Tochigi/West Gunma)	2,459	2,543	2,473	11.3%	▲ 70
- Nichigas central area (East Saitama/North Tokyo/West Gunma)	3,569	2,963	2,544	11.6%	▲ 419
- Nichigas west area (West Tokyo/West Saitama/Shizuoka/Yamanashi)	2,178	2,776	281	1.3%	▲ 2,495
- Nichigas south area (Kanagawa/South Tokyo)	2,727	4,456	2,756	12.6%	▲ 1,700
- Tosai Gas (East Saitama)	3,464	4,845	5,682	26.0%	+837
- Higashinihon Gas (North Chiba/South Ibaraki)	933	1,520	2,260	10.3%	+740
- Kitanihon Gas (South Tochigi)	1,706	1,505	1,741	8.0%	+236
- Shinnihon Gas (North Saitama)	1,683	1,913	2,343	10.7%	+430

8. Appendix (6) / Summary (From Jul. 2016 to Sep. 2016) Positive Profit in 3month (2Q of FY 03/17).

- Gross profit increased by ¥ 700 mil. (YoY) with improved gross profit margin.** Resulting in black ink of operating income and net income in 2Q this year (Jul. 2016- Sep. 2016), despite the lowest gas demand due to seasonality. Net customer growth increased by 740 households (YoY). Will further accelerate customer acquisition by offering new services using ICT and by customer acquisition through M&A.

LP Gas + City Gas	FY 03/16 2Q only (Jul.- Sep.)	FY 03/17 2Q only (Jul.- Sep.)	+/-	+/- (%)
PL & CF (¥ 100 mil.)				
Net sales	228	211	▲17	▲7.5%
- LP Gas business	134	129	▲4	▲3.0%
- City Gas business	94	82	▲12	▲12.8%
Gross profit	103	110	+7	+6.8%
SG&A expenses	101	108	+7	+6.9%
- Cost to acquire (CTA)*	12	14	+2	+16.7%
Operating income	1	3	+2	+200.0%
- LP Gas business	2	3	+1	+50.0%
- City Gas business	▲1	0	+1	-
Operating income exc. CTA	13	17	+4	+30.8%
Net income	▲1	2	+3	-
Business scale				
Customers (households; net growth)	11,293	12,003	+740	+6.6%
Customers (households)	1,132,532	1,175,650	+43,118	+3.8%
Gas sales volume (1,000 t)	125	126	+1	+0.8%
- LP Gas business	59	58	▲1	▲1.7%
- City Gas business	66	68	+2	+3.0%