

FYE 03/18 2Q Financial Statements Explanatory Meeting  
Q&A Summary

Q1:

How do you evaluate the acquisition of 49K New City Gas customers and 56K applications to date? Based on this situation, do you intend to change your current strategy during 2<sup>nd</sup> half of FYE 03/18, which is considered a peak season for gas industry?

A1:

The result to date is not sufficient. However, it is believed that the measures implemented during 1<sup>st</sup> half of FYE 03/18 such as re-training sales representatives and brushing up talk script considering communication with old age people were important procedures to increase NICIGAS' customers going forward. Current result of 2<sup>nd</sup> half of FYE 03/18 is going well. By trying to communicate with potential customers carefully, we will achieve 110k customers by the end of FYE 03/18.

Q2:

Please explain the plan for accelerating the growth of LP Gas business.

A2:

We understand LP Gas business is the main driver of NICIGAS' further growth. The consolidation of LP Gas industry has not been advancing as expected and to make customers understand "they can freely choose gas operators" is the key to change this trend. In order to put it into practice, completely new innovation using ICT would be necessary. This industry is heading toward consolidation, rather it would be accelerated.

Q3:

How will you double New City Gas customer acquisition up to 200K in FYE 03/19 and FYE 03/20, respectively?

A3:

Firstly, we understand to increase New City Gas customers by 200K annually is not easy target for us, but at the same time, it is a necessary step to accelerate deregulation which we would like to achieve. Current policy for retail City Gas deregulation is tough to do so. By further developing our ICT system, we will strengthen our tie-up with local energy operators and to stimulate deregulated City Gas market.

FYE 03/18 2Q Financial Statements Explanatory Meeting  
Q&A Summary

Q4:

Please explain the mid-term (3 to 5 years) plan for Platform business.

A4:

1) Unification and visualization of multi services, including services from other industries, 2) Consolidation of inquiry contacts, such as contact centers, and 3) Unification of settlement, are the key to grow our platform business. With the growth of platform business, in 5 years, we will achieve 15% market share of 20 million customers in the Kanto region.

Q5:

Based on current GP margin and customer growth, please explain the situation of LP Gas business.

A5:

It is considered there is a synergistic effect between New City Gas business and LP Gas business. As mentioned above, consolidation has still not been advancing, however raw material cost is increasing and under the situation, NICIGAS would have more chance to wield the strength of its price competitiveness. Customer acquisition during 1<sup>st</sup> half of FYE 03/18 was positive compared to last year (YoY) and we are ready to achieve our three years' target.

Q6:

What change in the system of New City Gas deregulation do you expect? How will they review the appropriateness of pipeline charge?

A6:

There are multiple matters to consider when they review pipeline charge. It is believed ICT, such as block chain will contribute to the improvement of transparency of price and its breakdown, which will bring competitions. The key is ICT and NICIGAS will focus on investment in this domain.

Q7:

When will Platform be completed? Please explain the idea of profit by Platform business as well as energy retail business.

A7:

We will cultivate platform business as new profit source in addition to energy retail business, the current core business. We will disclose the result in about 3 years.

FYE 03/18 2Q Financial Statements Explanatory Meeting  
Q&A Summary

Q8:

Do you expect that positive Free Cash Flow (FCF) will continue?

A8:

We expect that the positive FCF will continue over next few years. NICIGAS' annual investment CF is about 10 bil. yen. Of which, we invest 60% in existing City Gas, 20% in LP Gas and rest of 20% in ICT. Deregulation of retail City Gas has started and investment in City Gas business to be decreased. We will increase investment for M&A opportunity.

Q9:

Please explain the situation of new entrants' penetration and your reaction to them in Existing City Gas area.

A9:

Penetration into NICIGAS' group business area by new entrants is in line with our original expectation. By the end of Oct. 2017, about 1,400 residential customers were switched to other operators, and there were also some impacts in both commercial and industrial customers segments. As existing City Gas business needs to compete with others after deregulation, we believe our operation should be more efficient through improving the way of thinking by a view line of customers. NICIGAS will further provide effective return to customers.

Q10:

Who are the M&A targets?

A10:

In terms of our alliance with other companies, we would like to focus on collaboration with companies in other industries. By collaboration with them, it is expected our young staffs' willingness to challenge is stimulated and it will bring positive effects in our management. We realize a great value in collaboration with young member who does not avoid risks.

Q11:

Please share your thought on New City Gas business which will bring first annual profit only in FYE 03/20. In addition, please advise investors what KPI is important to judge its progress.

A11:

New City Gas business' Operating Income of 0.1bil. yen. for FYE 03/20 is the most conservative plan. We would like to update the plan as appropriated.