



11 June 2020

JGA Chair Michiaki Hirose Press conference on 11 June 2020
Summary of remarks

1. Remarks for the second term inauguration as JGA Chair

- We held a general annual meeting and a board meeting today. The annual meeting was held with the smallest number of people and we cancelled the celebration party because the COVID-19 disaster has yet to be resolved.
- It was the election period for directors this year. In the annual meeting, four directors and 2 audits were changed and my second term as JGA Chair was agreed.
- Then I would like to express my thoughts as follows.
- Considering current issues of city gas industry, the top priority is to overcome COVID-19 disasters working together as one in the gas industry.
- It will be a very important issue for us how to enhance national lives and social economic activities controlling disinfection measures.
- I believe changes of life and business style amid COVID-19 disasters will give a great influence on business operation and management on city gas business. How to manage gas business under "new-normal" situations would be an urgent issue for us.
- We must take measures for natural disasters amid COVID-19 outbreak. Compound disasters such as great earthquakes, which is the biggest risk for city gas industry, may occur amid COVID-19 disasters.
- "Cyber-security" is another important issue. We should take measures for preventing computer virus attacks.
- The Japan gas Association will correspond the issues cooperating with the government and related organizations.
- Meanwhile, there are many issues other than COVID-19 in the medium to long term such as "liberalization", "globalization and localization", "digitalization", and "low-carbonization and decarbonization", which are mega-trends for energy industry we are facing with since before.
- We need to correspond those mega-trends considering changes due to

COVID-19 disasters.

- We are going to figure out what is the role of city gas industry and natural gas being conscious of after COVID-19 situation.
- I believe the role of JGA will become more important amid this current poor visibility situation.
- We strengthen relationship of trust with customers and local communities which city gas industry has ever built since before.
- We will cheer up local communities and nationwide through realizing wealth life of customers and contributing businesses with our member companies.

2. Measures to COVID-19 and impact of the decrease

- Even though the declaration of state emergency has been lifted nationwide on 25 May, each gas company thoroughly take measures for business continuity and continuing measures for taking flexible measures regarding setting grace of payment deadline of gas bill.
- Fortunately, there has been no disruption of gas supply so far. All JGA Charter members provided grace of payment deadline of gas bill.
- Other than above, Major 4 gas companies (Tokyo Gas, Osaka Gas, Toho Gas, and Saibu Gas) added those measures for the bills for June. Not only residential customers but also business customers are included to the measures.
- Such measures of gas companies are so encouraging.
- On the other hand, we have been realizing the impacts on the gas industry is very severe.
- Though it depends on gas companies, but gas sales volume for commercial use has most been affected. Sales volume of commercial use is expected to plunge by around 20% to 30% in April and approximately 50% in May from those of previous year. Regarding industrial use, it is expected to plunge by around 10% to 20% in April and by 20% to 30% in May from those of previous year. But some gas companies might slightly have increased sales volume of residential use under the influence of low temperature.
- We expect total gas sales volume would be down by approximately 10% in April and 20% in May.
- The declaration of State emergency was lifted in June and gas sales volume has been recovering, but similar situation will long for a while.
- I hope economic activities recover as soon as possible, but we need to

accept that it will take a long time to recover.

- There are other effects due to COVID-19 : postponement and cancellation of events, such as "Parent and child cooking nationwide contest."
 - Regarding business operations, gas companies are making efforts such as responding while listening to the customer's requests for periodic safety check of gas devices.
 - Characteristic of gas industry is visiting and having close contact with customers, so there is a certain impact on the gas business.
3. Results of gas business for FY 2019 (from 1 April 2019 to 31 March 2020)
- Gas sales volume for residential use slightly increased but decreased in total.
 - Effects of COVID-19 should be small for FY 2019 gas business because influence of COVID-19 has start to have an impact from March 2020.
 - Though gas sales volume has been plunged, the number of customers has been increased. That is good news for us.
 - In terms of the liberalization of gas retail (which was started from 1 April 2017), the pace of switching to other gas retailers has been accelerated at Kanto Area in early 2019. But after that, there is no big difference among all areas and switching is proceeding.
 - If we compare switching rate of three years after liberalization of Electricity and Gas, Electricity was 15.6% and Gas was 17.5%. Gas is higher.
 - Though that is severe rate , gas retailers need to continue making efforts.
 - Unbundling of electricity industry was started from this April. In April 2022, Major 3 gas companies (Tokyo Gas, Osaka Gas and Toho Gas) will separate gas pipeline business.
 - Regarding liberalization, I believe there will be various movements from now on, so we will watch for the situation carefully.