

# Consolidated Financial Results for the Three Months Ended June 30, 2013 [Japanese GAAP]



July 31, 2013

Company name: NIPPON GAS CO., LTD.

Code number: 8174

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

Stock exchange listing: Tokyo Stock Exchange

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Scheduled date of filing quarterly securities report: August 13, 2013

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: None

(Amounts are rounded down to the nearest million yen.)

## 1. Consolidated Financial Results for the Three Months Ended June 30, 2013 (April 1, 2013 to June 30, 2013)

(1) Consolidated Results of Operations (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Jun. 30, 2013	29,624	1.2	2,942	(16.9)	3,005	(13.3)	1,572	(13.8)
Three months ended Jun. 30, 2012	29,280	10.1	3,541	36.1	3,464	38.7	1,824	42.0

(Note) Comprehensive income: Three months ended Jun. 30, 2013 ¥1,597 million [(10.4)%]

Three months ended Jun. 30, 2012 ¥1,782 million [22.4%]

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2013	33.09	—
Three months ended Jun. 30, 2012	37.70	—

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2013	121,437	52,440	32.6
As of Mar. 31, 2013	124,958	53,016	32.2

(Reference) Equity: As of Jun. 30, 2013 ¥39,584 million As of Mar. 31, 2013 ¥40,260 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. 31, 2013	—	6.50	—	6.50	13.00
Fiscal year ending Mar. 31, 2014	—				
Fiscal year ending Mar. 31, 2014 (Forecast)		6.50	—	6.50	13.00

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

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2014(April 1, 2013to March 31, 2014)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending Sep. 30, 2013	55,000	6.3	2,500	2.5	2,400	6.6	1,200	4.1	24.80
Full-year	124,000	5.9	9,000	14.1	8,800	7.5	4,000	6.0	82.67

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

## 4. Notes

- (1) Significant changes of subsidiaries during the period under review(changes in specified subsidiaries resulting in changes in scope of consolidation 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 stock)

#### 1) Total number of issued shares (including treasury stock):

Jun. 30, 2013	48,561,525 shares
Mar. 31, 2013	48,561,525 shares

#### 2) Total number of treasury stock at the end of the period:

Jun. 30, 2013	1,914,377 shares
Mar. 31, 2013	177,290 shares

#### 3) Average number of shares during the period:

Three months ended Jun. 30, 2013	47,515,696 shares
Three months ended Jun. 30, 2012	48,385,623shares

\* Presentation regarding the implementation status of the audit process

These financial statements are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these quarterly financial statements, review procedures for quarterly consolidated financial statements are in progress.

\* 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 at 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 "Explanation of Consolidated Forecast Results and Other Forward-looking Information" on page 3 of the attached Appendix for the notes on the use of preconditions of 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

In the energy industry, amid increased demand for LNG for thermal power generation due to issues of resuming operations at nuclear reactors, low-priced shale gas produced in the U.S. will be imported from 2017, leading to expectations that negotiations on LNG procurement prices could be conducted advantageously with the Middle East, Russia and other countries. As a result of this, the importance of gaseous energy as a key energy source for the future has come into the spotlight.

Meanwhile, in the electricity industry, complete liberalization of retail sale of electricity is scheduled to come into effect in 2016, and it is thought that similar relaxation of regulations will spread to the energy industry as a whole in the future. Operators from other business fields are expected to newly enter the electricity and gas businesses, and competition is predicted to be intensified beyond the borders of the industry.

In keeping with such circumstances, the Group is actively investing in energy retail field both in Japan and overseas in anticipation of the future. In addition, to gain the support of customers, the Group will continue with active restructuring and investing toward more efficient management and a more robust security system.

With regards to Kumonouchusen, a new operational system to link cloud technology and mobile devices, the verification test carried out by the Company for distribution is in the final stage, and nationwide distribution of this system through Kumonouchusen Co., Ltd., which was jointly established with KDDI CORPORATION and Hitachi Capital Corporation, is scheduled to commence after verification by such test.

As for the development of overseas businesses, the Group will intensively invest its business expertise and funds in the electricity retailer Entrust Energy, Inc. affiliated with the U.S. holding company Strategic Power Holdings LLC, in which the Group's management has been involved, and in the electricity and gas retailer North Eastern States Inc., which was newly established in Northeastern America in the previous fiscal year and was also affiliated with Strategic Power Holdings LLC. The Group will continue expanding its customer base with a view to enhancing its earnings base for the future.

Based on the capital and business alliance agreement with One Equity Partners (OEP), which is the investment arm of international financial institution JP Morgan, the Group holds strategic investment committee meetings with OEP on a regular basis to discuss joint investment overseas. The Group plans to continue making active investment in energy-related companies.

For the period under review, consolidated net sales increased by 1.2% year-on-year to ¥29,624 million as the number of customers of the Group increased by 48,000 households compared with the end of the same period of the previous fiscal year, to 1,038,000 households as of the end of the three months ended June 30, 2013, in spite of the serious impact of the high atmospheric and water temperatures during the period under review compared with the same period of the previous fiscal year.

In terms of profit, owing to higher raw material prices compared with the same period of the previous fiscal year and an increase in cost of sales, operating income decreased by 16.9% year-on-year to ¥2,942 million, ordinary income decreased by 13.3% year-on-year to ¥3,005 million, and net income decreased by 13.8% year-on-year to ¥1,572 million, in spite of a reduction of overall costs resulting from a sweeping reform across all businesses through the deployment of the new logistics/operational systems.

In terms of the net sales and profits of the Group, the gas business, which by nature is characterized by sharp seasonal fluctuations, accounts for a major part of the Group's business. Therefore, sales and profits tend to rise disproportionately in the second half of the year.

Business performance by segment for the three months ended June 30, 2013 is as follows:

[LP Gas Business]

In the LP gas business, notwithstanding the impact of high atmospheric and water temperatures, gas sales volume increased slightly year-on-year due to factors such as the increase in the number of retail customers. Consequently, net sales for the three months ended June 30, 2013 increased by ¥11 million (0.1% increase) year-on-year to ¥17,527 million.

[City Gas Business]

In the city gas business, although gas sales volume decreased slightly year-on-year due to the impact of atmospheric and water temperatures, net sales increased by ¥332 million (2.8% increase) year-on-year to ¥12,097 million because natural gas prices increased year-on-year due to the gas rate adjustment system.

(2) Explanation of Financial Position

1) Assets

Total assets as of the end of the first quarter of the fiscal year ending March 31, 2014 decreased by ¥3,521 million from the end of the previous fiscal year and stood at ¥121,437 million. This is mainly because of the decrease in cash and deposits and notes and accounts receivable-trade due to seasonal factors.

2) Liabilities

Total liabilities as of the end of the first quarter of the fiscal year ending March 31, 2014 decreased by ¥2,945 million from the end of the previous fiscal year and stood at ¥68,997 million. This is mainly because of the decrease in notes and accounts payable-trade and income taxes payable.

3) Net assets

Net assets as of the end of the first quarter of the fiscal year ending March 31, 2014 decreased by ¥575 million from the end of the previous fiscal year and stood at ¥52,440 million. This is mainly a reflection of the increase in retained earnings due to net income recorded and the increase in treasury stock acquired through tender offer. As a result, equity ratio improved by 0.4 percentage points from the end of the previous fiscal year to 32.6%.

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

In the fiscal year ending March 31, 2014, the Group will continue to focus on increasing gas sales volume through the expansion of its customer base and on spread and expansion of the use of gas appliances. As a result, the Company projects consolidated net sales of ¥124,000 million or 5.9% increase year-on-year.

In terms of profits, despite expected increase in expenses associated with the customer base expansion and amortization of goodwill, the Group projects operating income of ¥9,000 million (14.1% increase), ordinary income of ¥8,800 million (7.5% increase), and net income of ¥4,000 million (6.0% increase), as a result of the increase in customers and other factors.

Note that no changes have been made to the earnings forecasts released on April 30, 2013.

## 2. Issues Related to Summary Information (Notes)

### (1) Significant Changes of Subsidiaries during the Period under Review

None.

### (2) Adoption of Special Accounting Processes for Preparing Quarterly Consolidated Financial Statements

None.

### (3) Changes to Accounting Policies, Changes to Accounting Estimates, and Revision Restatements

None.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2013 (As of Mar. 31, 2013)	Three months ended Jun. 2013 (As of Jun. 30, 2013)
<b>Assets</b>		
Current assets		
Cash and deposits	14,914	13,142
Notes and accounts receivable-trade	7,836	7,081
Merchandise and finished goods	6,063	5,098
Work in process	22	22
Raw materials and supplies	88	90
Deferred tax assets	712	492
Other	922	1,540
Allowance for doubtful accounts	(124)	(126)
<b>Total current assets</b>	<b>30,435</b>	<b>27,341</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	7,930	7,774
Machinery, equipment and vehicles, net	38,189	37,717
Tools, furniture and fixtures, net	431	419
Land	21,365	21,410
Lease assets, net	1,388	1,442
Construction in progress	441	430
<b>Total property, plant and equipment</b>	<b>69,746</b>	<b>69,195</b>
Intangible assets		
Goodwill	6,707	6,459
Other	897	938
<b>Total intangible assets</b>	<b>7,605</b>	<b>7,397</b>
Investments and other assets		
Investment securities	10,321	9,989
Other	7,733	8,414
Allowance for doubtful accounts	(939)	(943)
<b>Total investments and other assets</b>	<b>17,115</b>	<b>17,460</b>
<b>Total noncurrent assets</b>	<b>94,466</b>	<b>94,053</b>
Deferred assets	56	42
<b>Total assets</b>	<b>124,958</b>	<b>121,437</b>

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2013 (As of Mar. 31, 2013)	Three months ended Jun. 2013 (As of Jun. 30, 2013)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	14,318	10,104
Short-term loans payable	7,974	9,058
Income taxes payable	2,456	1,032
Provision for bonuses	425	159
Other	4,490	4,485
Total current liabilities	29,665	24,840
Noncurrent liabilities		
Long-term loans payable	36,670	38,598
Provision for retirement benefits	2,133	2,137
Provision for directors' retirement benefits	981	932
Provision for gas holder repairs	213	229
Other	2,277	2,258
Total noncurrent liabilities	42,276	44,156
Total liabilities	71,942	68,997
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,070	7,070
Capital surplus	5,198	5,198
Retained earnings	27,130	28,390
Treasury stock	(61)	(1,779)
Total shareholders' equity	39,337	38,879
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	923	705
Total accumulated other comprehensive income	923	705
Minority interests	12,755	12,856
Total net assets	53,016	52,440
Total liabilities and net assets	124,958	121,437

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

(Consolidated Statements of Income)

(Millions of yen)

Account	For the three months ended Jun.2012 (from Apr. 1, 2012 to Jun. 30, 2012)	For the three months ended Jun.2013 (from Apr. 1, 2013 to Jun. 30, 2013)
Net sales	29,280	29,624
Cost of sales	16,631	17,526
Gross profit	12,648	12,098
Selling, general and administrative expenses	9,107	9,155
Operating income	3,541	2,942
Non-operating income		
Interest income	27	65
Dividends income	42	56
Real estate rent	9	10
Equity in earnings of affiliates	1	12
Other	33	42
Total non-operating income	115	187
Non-operating expenses		
Interest expenses	163	125
Other	28	0
Total non-operating expenses	192	125
Ordinary income	3,464	3,005
Extraordinary income		
Gain on sales of noncurrent assets	8	11
Gain on bargain purchase	-	19
Other	0	-
Total extraordinary income	8	31
Extraordinary loss		
Loss on sales of noncurrent assets	0	7
Loss on retirement of noncurrent assets	8	34
Loss on sales of membership	6	-
Other	0	-
Total extraordinary losses	15	42
Income before income taxes and minority interests	3,457	2,994
Income taxes-current	1,055	945
Income taxes-deferred	291	232
Total income taxes	1,347	1,177
Income before minority interests	2,109	1,816
Minority interests in income	285	244
Net income	1,824	1,572

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

Account	For the three months ended Jun.2012 (from Apr. 1, 2012 to Jun. 30, 2012)	For the three months ended Jun.2013 (from Apr. 1, 2013 to Jun. 30, 2013)
Income before minority interests	2,109	1,816
Other comprehensive income		
Valuation difference on available-for-sale securities	(326)	(219)
Total other comprehensive income	(326)	(219)
Comprehensive income	1,782	1,597
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,500	1,354
Comprehensive income attributable to minority interests	282	243

(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

For the three months ended June 30, 2013 (from April 1, 2013 to June 30, 2013)

None.

(Notes in Case of Significant Changes in Shareholder's Equity)

For the three months ended June 30, 2013 (from April 1, 2013 to June 30, 2013)

None.

4. Supplementary Information

(1) Production, Order and Sales Status

The Group is mainly engaged in sales and consequently does not indicate amounts and volumes representing its production and orders received for each reportable segment. In terms of the net sales and profits of the Group, the gas business, which by nature is characterized by sharp seasonal fluctuations, accounts for a major part of the Group's business. Therefore, sales and profits tend to rise disproportionately in the second half of the year.

1) Sales results

Sales by reportable segment for the three months ended June 30, 2013 are as follows:

Sales results by reportable segments (Millions of yen)

Reportable segments	For the three months ended Jun. 30, 2013 (from Apr. 1, 2013 to Jun. 30, 2013)	For the three months ended Jun. 30, 2012 (from Apr. 1, 2012 to Jun. 30, 2012)
LP gas business	17,527	17,516
City gas business	12,097	11,764
Total	29,624	29,280

2) Sales results of LP gas business (Millions of yen)

Reportable segments	For the three months ended Jun. 30, 2013 (from Apr. 1, 2013 to Jun. 30, 2013)	For the three months ended Jun. 30, 2012 (from Apr. 1, 2012 to Jun. 30, 2012)
Gas	14,387	14,227
Equipment, construction contracts, etc.	3,140	3,288
Total	17,527	17,516

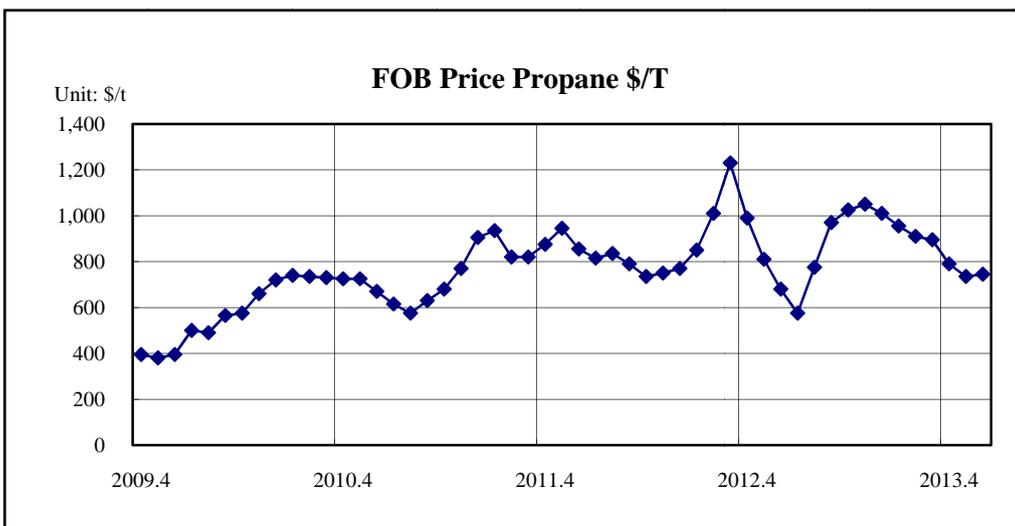
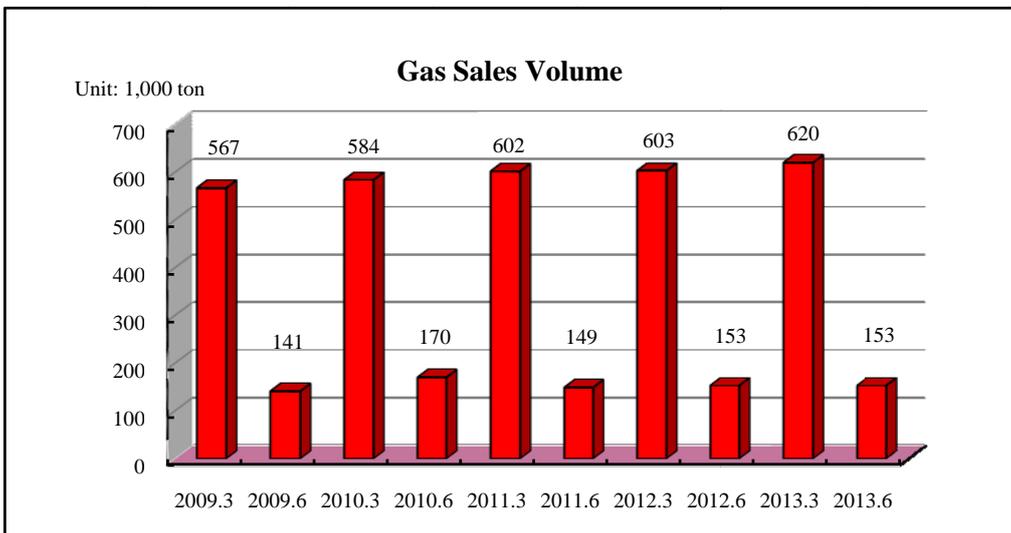
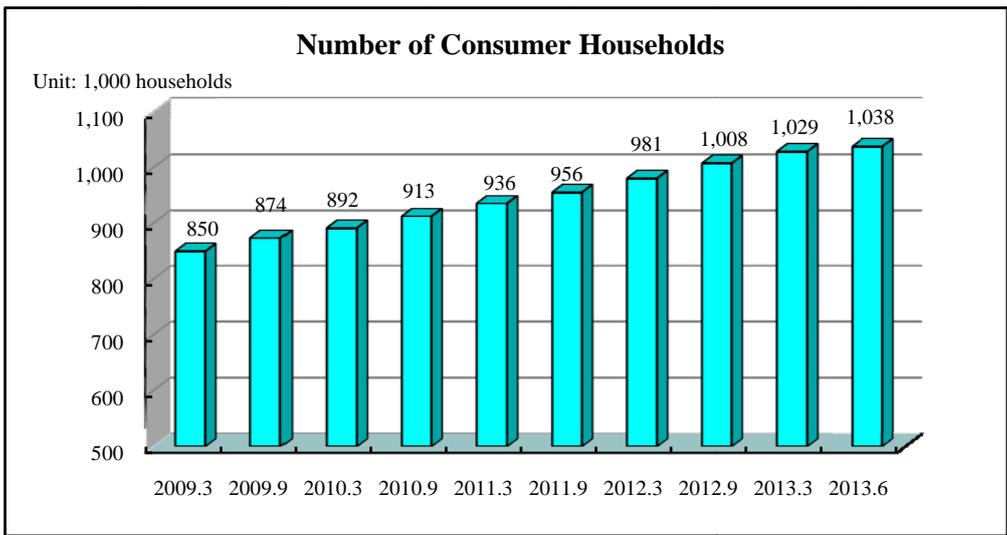
3) Sales results of city gas business(Millions of yen)

Reportable segments	For the three months ended Jun. 30, 2013(from Apr. 1, 2013to Jun. 30, 2013)	For the three months ended Jun. 30, 2012(from Apr. 1, 2012to Jun. 30, 2012)
Gas	10,326	10,096
Equipment, construction contracts, etc.	1,770	1,667
Total	12,097	11,764

(Notes) 1. Above figures are stated net of consumption taxes etc.

2. Inter-segment transactions are offset.

(2) Trends in the Number of Houses, etc.



(Note) Gas sales volume includes the sales volume of city gas (LNG) of the city gas business, which has been converted into the calorie value equivalent of LPG gas sales volume (1,000 tons)