

# Consolidated Financial Results for the Three Months Ended June 30, 2011 [Japanese GAAP]



July 29, 2011

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 12, 2011  
 Scheduled date of commencing dividend payments: —  
 Availability of supplementary briefing material on quarterly financial results: Not available  
 Schedule of quarterly financial results briefing session: None

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

## 1. Consolidated Financial Results for the Three Months Ended June 30, 2011 (April 1, 2011 to June 30, 2011)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million of yen	%	Million of yen	%	Million of yen	%	Million of yen	%
Three months ended Jun. 30, 2011	26,603	(1.1)	2,602	2.5	2,497	1.6	1,284	8.9
Three months ended Jun. 30, 2010	26,902	7.7	2,537	(24.1)	2,458	(23.8)	1,180	(14.8)

(Note) Comprehensive income: Three months ended Jun. 30, 2011      ¥1,456 million (4.9%)  
 Three months ended Jun. 30, 2010      ¥1,388 million (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2011	32.62	—
Three months ended Jun. 30, 2010	29.96	—

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million of yen	Million yen	%
As of Jun. 30, 2011	108,548	36,059	22.5
As of Mar. 31, 2010	111,390	34,947	20.9

(Reference) Equity: As of Jun. 30, 2011 ¥24,407 million      As of Mar. 31, 2010 ¥23,323 million

## 2. Dividends

	Annual Dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
Fiscal year ended Mar. 31, 2011	Yen —	Yen 6.50	Yen —	Yen 6.50	Yen 13.00
Fiscal year ending Mar. 31, 2012	—				
Fiscal year ending Mar. 31, 2012 (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, 2011 (April 1, 2011 to March 31, 2012)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million of yen	%	Million of yen	%	Million of yen	%	Million of yen	%	Yen
Six months ending Sep. 30, 2011	50,000	6.1	1,700	1.1	1,500	0.1	610	0.4	15.42
Full-year	111,000	6.6	7,200	10.8	6,900	13.3	2,800	20.5	70.78

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

## 4. Others

(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 in accounting policies and changes and revision restatements of accounting estimates

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, 2011	44,961,525 shares
Mar. 31, 2010	44,961,525 shares

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

Jun. 30, 2011	5,575,812 shares
Mar. 31, 2010	5,575,787 shares

3) Average number of shares during the period:

Three months ended Jun. 2011	39,385,726 shares
Three months ended Jun. 2010	39,386,208 shares

\* Presentation regarding the implementation status of the quarterly review process

These quarterly financial statements are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. As at the time of disclosure of these quarterly financial statements, review procedures for the quarterly financial statements under the Financial Instruments and Exchange Act have not been completed.

\* 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. Actual results may differ significantly from these forecasts due to a wide range of factors. Please refer to “Qualitative Information on Consolidated Financial Results Forecast” on page 4 of the attached Reference 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) Qualitative Information on Consolidated Results of Operations

As concerns mount over the electricity supply due to the nuclear power plant accident following the Great East Japan Earthquake, demands are being made on the energy industry to diversify its energy sources as well as to further promote deregulation. Under such conditions, the industry is about to enter into a phase of major change as it has become increasingly important to manage gaseous energy in a sophisticated and high-quality manner. In order to respond to these changes in the business environment, the Group has been dramatically enhancing management efficiency to create competition cost in the area of direct sales so that we can improve customer services and expand our customer base based on securement of safety and stable supply of gas.

Additionally, the Company is also turning its attention overseas where the industry has been further deregulated, to leverage its knowledge and expand its business opportunities. At the same time, the Company, in an effort to utilize the insight and information acquired through collaboration with overseas companies for the future management of the Group, has acquired capital in Australian Power and Gas Company Limited, an Australian electricity and gas retail provider, and underwritten the convertible bonds issued by Entrust Energy, Inc., an American retail electricity provider.

As a result of these efforts, the number of customers of the Group as of the end of the three months ended June 30, 2011 has increased by 10,000 from the end of the previous fiscal year to 946,000 households. However, consolidated net sales decreased by 1.1% year-on-year to ¥26,603 million due to factors including drop in sales volume of commercial gas caused by the decline in consumer confidence following the earthquake.

In terms of profit, despite higher material prices compared to the previous year, through efforts to cut back on logistic costs by utilizing the new logistics system, which commenced operation in the previous fiscal year, in addition to the reduction of overall costs through the drastic reforms across all businesses, operating income increased by 2.5% year-on-year to ¥2,602 million, ordinary income increased by 1.6% year-on-year to ¥2,497 million and net income increased by 8.9% year-on-year to ¥1,284 million.

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, 2011 is as follows:

#### [LP Gas Business]

In the LP gas business, despite the increase in gas sales volume for consumer use accompanying the increase in the number of customers, total gas sales volume decreased year-on-year due to the considerable decrease in demand for commercial gas.

As a result, net sales for the three months ended June 30, 2011 decreased by ¥282 million year-on-year (2.0% decrease) to ¥14,176 million.

#### [City Gas Business]

Despite higher natural gas prices compared to the previous fiscal year due to the material costs adjustment system, in the city gas business, which comprises the Company's four city gas subsidiaries, gas sales volume decreased year-on-year for the same reasons mentioned in the LP gas business.

As a result, net sales for the three months ended June 30, 2011 decreased by ¥16 million year-on-year (0.1% decrease) to ¥12,427 million.

#### (2) Qualitative Information on Consolidated Financial Position

##### 1) Assets

Total assets as of the end of the first quarter of the fiscal year ending March 31, 2012 decreased by ¥2,841 million from the end of the previous fiscal year and stood at ¥108,548 million. This is mainly caused by reduction in cash and deposits and notes and accounts receivables—trade attributable to seasonal factors.

##### 2) Liabilities

Total liabilities as of the end of the first quarter of the fiscal year ending March 31, 2012 decreased by ¥3,954 million from the end of the previous fiscal year and stood at ¥72,488 million. This is mainly because of reduction in notes and accounts payable—trade and repayment of loans payable.

##### 3) Net assets

Net assets as of the end of the first quarter of the fiscal year ending March 31, 2012 increased by ¥1,112 million from the end of the previous fiscal year to ¥36,059 million. This is mainly because of increase in retained earnings due to net income recorded for the first quarter. As a result, equity ratio improved by 1.6 percentage points year-on-year to 22.5%.

##### 4) Status of cash flows

Balance of cash and cash equivalents (hereinafter referred to as “funds”) at the end of the first quarter of the fiscal year ending March 31, 2012 decreased by ¥910 million from the end of the previous fiscal year to ¥8,030 million.

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

Net cash provided by operating activities as of the end of the three months ended June 30, 2011 amounted to ¥2,207 million (down by ¥76 million year-on-year) as income factors such as ¥2,490 million of income before income taxes and minority interests and ¥2,091 million of depreciation and amortization were balanced off by expenses including ¥2,664 million of decrease in notes and accounts payable—trade.

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

Net cash used in investing activities as of the end of the three months ended June 30, 2011 amounted to ¥2,274 million (decreased by ¥62 million year-on-year). This was mainly attributable to the purchase of property, plant and equipment (¥1,406 million) and the purchase of investment securities (¥892 million).

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

Net cash used in financing activities as of the end of the three months ended June 30, 2011 amounted to ¥843 million, a decrease of ¥763 million year-on-year. This was mainly attributable to net decrease in long-term loans payable (¥459 million) and cash dividends paid (¥254 million).

### (3) Qualitative Information on Consolidated Financial Results Forecast

In the fiscal year ending March 31, 2012, 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 net sales of ¥111,000 million or 6.6% increase year-on-year.

Increases are expected in expenses for changing heat quantities aimed at switching to natural gas, which is priced relatively stable and supplies do not depend on the Middle East, and in expenses to expand the customer base.

However, the Company, through increases in the number of customers, projects operating income of ¥7,200 million or 10.8% increase, ordinary income of ¥6,900 million or 13.3% increase and net income of ¥2,800 million or 20.5% increase year-on-year.

Note that no changes have been made to the earnings forecasts released on April 28, 2011.

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

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

None.

### (2) Application of Special Accounting Treatment

None.

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

None.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2011 (As of Mar. 31, 2011)	Three months ended Jun. 2011 (As of Jun. 30, 2011)
<b>ASSETS</b>		
Current assets		
Cash and deposits	8,955	8,049
Notes and accounts receivable-trade	10,340	9,049
Merchandise and finished goods	4,841	4,463
Work in process	25	27
Raw materials and supplies	81	115
Deferred tax assets	802	667
Other	479	639
Allowance for doubtful accounts	(175)	(170)
<b>Total current assets</b>	<b>25,350</b>	<b>22,841</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	7,861	7,726
Machinery, equipment and vehicles, net	39,803	38,884
Tools, furniture and fixtures, net	440	419
Land	20,061	20,061
Lease assets, net	618	640
Construction in progress	665	873
<b>Total property, plant and equipment</b>	<b>69,450</b>	<b>68,605</b>
Intangible assets		
Goodwill	6,706	6,530
Other	634	609
<b>Total intangible assets</b>	<b>7,341</b>	<b>7,139</b>
Investments and other assets		
Investment securities	3,413	4,393
Other	5,928	5,778
Allowance for doubtful accounts	(785)	(785)
<b>Total investments and other assets</b>	<b>8,556</b>	<b>9,386</b>
<b>Total noncurrent assets</b>	<b>85,347</b>	<b>85,131</b>
Deferred assets	692	575
<b>Total assets</b>	<b>111,390</b>	<b>108,548</b>

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2011 (As of Mar. 31, 2011)	Three months ended Jun. 2011 (As of Jun. 30, 2011)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	12,694	10,029
Short-term loans payable	12,224	12,818
Income taxes payable	1,949	897
Provision for bonuses	384	520
Other	3,575	3,739
Total current liabilities	30,828	28,005
Noncurrent liabilities		
Long-term loans payable	40,661	39,608
Provision for retirement benefits	2,065	2,064
Provision for directors' retirement benefits	1,040	897
Provision for gas holder repairs	264	279
Other	1,582	1,633
Total noncurrent liabilities	45,614	44,483
Total liabilities	76,443	72,488
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	4,386	4,386
Retained earnings	21,366	22,396
Treasury stock	(7,527)	(7,527)
Total shareholders' equity	23,225	24,255
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	97	151
Total accumulated other comprehensive income	97	151
Minority interests	11,624	11,652
Total net assets	34,947	36,059
Total liabilities and net assets	111,390	108,548

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

## (Consolidated Statement of Income)

(Millions of yen)

Account	For the three months ended Jun. 2010 (from Apr. 1, 2010 to Jun. 30, 2010)	For the three months ended Jun. 2011 (from Apr. 1, 2011 to Jun. 30, 2011)
Net sales	26,902	26,603
Cost of sales	14,961	14,933
Gross profit	11,940	11,669
Selling, general and administrative expenses	9,403	9,067
Operating income	2,537	2,602
Non-operating income		
Interest income	0	0
Dividends income	42	40
Real estate rent	11	10
Equity in earnings of affiliates	1	2
Other	72	31
Total non-operating income	128	87
Non-operating expenses		
Interest expenses	206	192
Other	0	0
Total non-operating expenses	207	192
Ordinary income	2,458	2,497
Extraordinary income		
Gain on sales of noncurrent assets	3	3
Other	0	—
Total extraordinary income	3	3
Extraordinary loss		
Loss on retirement of noncurrent assets	2	10
Other	0	—
Total extraordinary losses	2	10
Income before income taxes and minority interests	2,459	2,490
Income taxes-current	644	821
Income taxes-deferred	312	264
Total income taxes	956	1,086
Income before minority interests	1,502	1,403
Minority interests in income	322	118
Net income	1,180	1,284

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

Account	For the three months ended Jun. 2010 (from Apr. 1, 2010 to Jun. 30, 2010)	For the three months ended Jun. 2011 (from Apr. 1, 2011 to Jun. 30, 2011)
Income before minority interests	1,502	1,403
Other comprehensive income		
Valuation difference on available-for-sale securities	(114)	52
Total other comprehensive income	(114)	52
Comprehensive income	1,388	1,456
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,069	1,338
Comprehensive income attributable to minority interests	318	117

## (3) Consolidated Statements of Cash Flows

(Millions of yen)

Account	For the three months ended Jun. 2010 (from Apr. 1, 2010 to Jun. 30, 2010)	For the three months ended Jun. 2011 (from Apr. 1, 2011 to Jun. 30, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,459	2,490
Depreciation and amortization	2,035	2,091
Amortization of deferred assets	229	117
Amortization of goodwill	208	193
Increase (decrease) in allowance for doubtful accounts	0	(4)
Increase (decrease) in provision for retirement benefits	10	(1)
Increase (decrease) in provision for directors' retirement benefits	(128)	(142)
Interest and dividends income	(43)	(41)
Interest expenses	206	192
Equity in (earnings) losses of affiliates	(1)	(2)
Loss on retirement of property, plant and equipment	2	10
Decrease (increase) in notes and accounts receivable-trade	2,372	1,290
Decrease (increase) in inventories	270	341
Increase (decrease) in notes and accounts payable-trade	(3,444)	(2,664)
Increase (decrease) in accrued consumption taxes	50	57
Increase (decrease) in advances received	25	13
Increase (decrease) accrued liability of a defined contribution pension plan	(13)	(18)
Other, net	(460)	281
Subtotal	3,781	4,203
Interest and dividends income received	43	41
Interest expenses paid	(212)	(187)
Income taxes paid	(1,327)	(1,850)
Net cash provided by (used in) operating activities	2,284	2,207
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(2,317)	(1,406)
Proceeds from sales of property, plant and equipment	40	50
Purchase of goodwill	(16)	(16)
Purchase of investment securities	—	(892)
Payments of loans receivable	(7)	(7)
Collection of loans receivable	8	8
Other, net	(43)	(10)
Net cash provided by (used in) investing activities	(2,336)	(2,274)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	4,050	2,940
Repayment of long-term loans payable	(5,286)	(3,399)
Decrease (increase) in treasury stock	(0)	(0)
Cash dividends paid	(253)	(254)
Cash dividends paid to minority shareholders	(92)	(89)
Other, net	(24)	(40)
Net cash provided by (used in) financing activities	(1,607)	(843)
Net increase (decrease) in cash and cash equivalents	(1,659)	(910)
Cash and cash equivalents at beginning of period	10,614	8,941
Cash and cash equivalents at end of period	8,954	8,030

(4) Notes on Going Concerns Assumption

For the three months ended June 30, 2011 (from April 1, 2011 to June 30, 2011)

None.

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

For the three months ended June 30, 2011 (from April 1, 2011 to June 30, 2011)

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, 2011 are as follows:

Sales results by reportable segments

(Millions of yen)

Reportable segments	For the three months ended Jun. 30, 2011 (from Apr. 1, 2011 to Jun. 30, 2011)	For the three months ended Jun. 30, 2010 (from Apr. 1, 2010 to Jun. 30, 2010)
LP Gas Business	14,176	14,458
City Gas Business	12,427	12,443
Total	26,603	26,902

2) Sales results of LP gas business

(Millions of yen)

Reportable segments	For the three months ended Jun. 30, 2011 (from Apr. 1, 2011 to Jun. 30, 2011)	For the three months ended Jun. 30, 2010 (from Apr. 1, 2010 to Jun. 30, 2010)
Gas	11,084	11,404
Equipment, construction contracts, etc.	3,091	3,054
Total	14,176	14,458

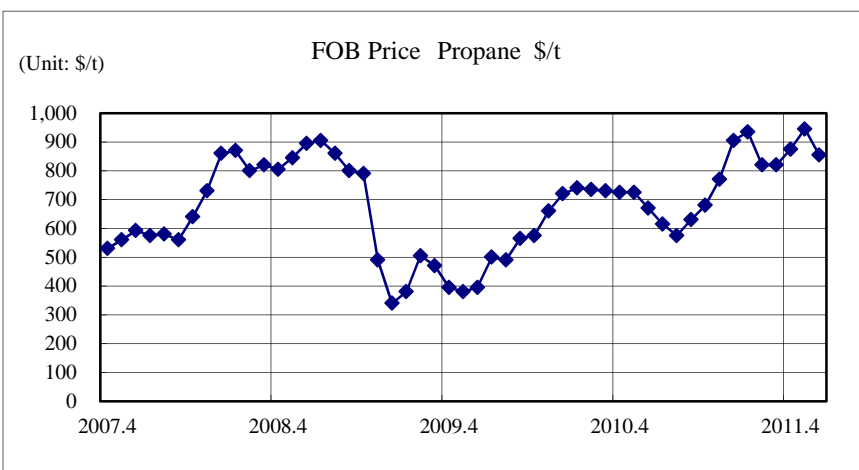
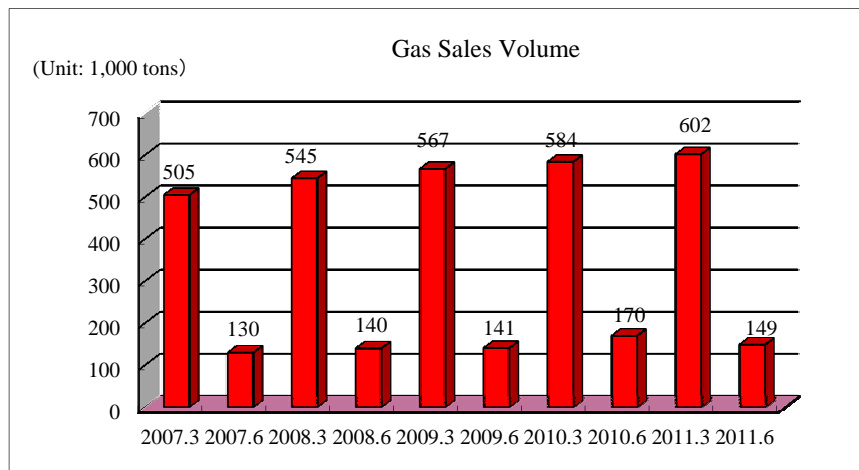
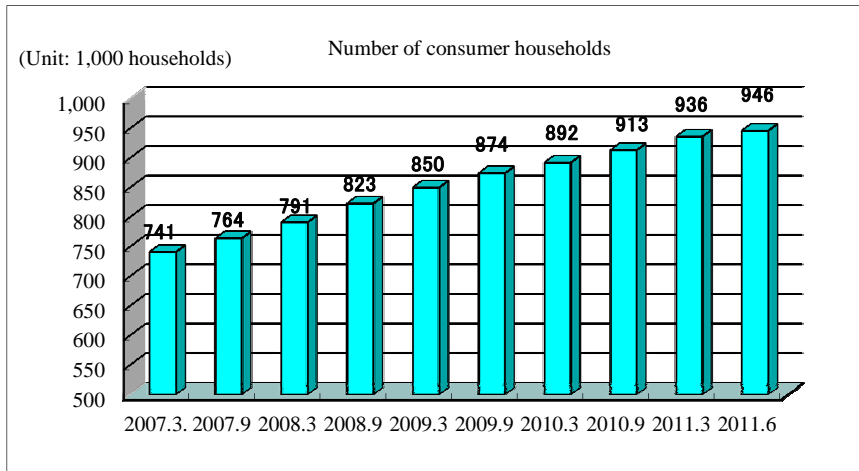
## 3) Sales results of city gas business

(Millions of yen)

Reportable segments	For the three months ended Jun. 30, 2011 (from Apr. 1, 2011 to Jun. 30, 2011)	For the three months ended Jun. 30, 2010 (from Apr. 1, 2010 to Jun. 30, 2010)
Gas	10,490	10,652
Equipment, construction contracts, etc.	1,937	1,790
Total	12,427	12,443

1. Above figures are stated net of consumption taxes.
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)