

Consolidated Financial Results for the Six Months Ended September 30, 2011 [Japanese GAAP]



October 31, 2011

Company name: NIPPON GAS CO., LTD.

Code number: 8174

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

Stock exchange listing: Tokyo Stock Exchange

Representative: Shinji Wada, President and Representative Director

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Scheduled date of filing quarterly securities report: November 11, 2011

Scheduled date of commencing dividend payments: November 21, 2011

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 Millions of yen.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2011 (April 1, 2011 to September 30, 2011)

(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	%
Six months ended Sep. 30, 2011	48,459	2.8	2,075	23.4	1,830	22.1	788	29.8
Six months ended Sep. 30, 2010	47,137	4.0	1,681	(49.2)	1,499	(51.1)	607	(49.9)

(Note) Comprehensive income: Six months ended Sep. 30, 2011 ¥812 million (48.1%)

Six months ended Sep. 30, 2010 ¥548 million (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2011	20.03	—
Six months ended Sep. 30, 2010	15.43	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2011	106,355	35,360	22.4
As of Mar. 31, 2011	111,390	34,947	20.9

(Reference) Equity: As of Sep. 30, 2011 ¥23,802 million As of Mar. 31, 2011 ¥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	—	6.50			
Fiscal year ending Mar. 31, 2012 (Forecast)			—	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, 2012 (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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	111,000	6.6	7,200	10.8	6,900	13.3	2,800	20.5	64.31

(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 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 share)

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

Sep. 30, 2011	44,961,525 shares
Mar. 31, 2011	44,961,525 shares

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

Sep. 30, 2011	5,575,822 shares
Mar. 31, 2011	5,575,787 shares

3) Average number of shares during the period:

Six months ended Jun. 2011	39,385,718 shares
Six months ended Jun. 2010	39,386,136 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

In the energy industry, voice for a radical change of the nation's energy policy is gaining momentum toward reduction of dependence on nuclear energy, following the nuclear power plant accident in the wake of the Great East Japan Earthquake. While expensive renewable energy has been promoted, the importance of gaseous energy has been highlighted as a key energy source for the future.

Meanwhile, Japan faces a crossroads in its energy supply system, in which shifting from the conventional large-scale centralized energy supply system to decentralized systems has become a critical issue.

Under such circumstances, the Group has been continuing to dramatically enhance management efficiency to create competition cost in the area of direct sales to improve its customer services and expand its customer base based on securing a safe and stable supply of gas.

Additionally, the Group reached a capital and business alliance agreement with OEP, an investment arm of JPMorgan Chase & Co., a leading global financial institution, under which the Group raised ¥10,350 million through allocation of new shares to OEP as a third party, along with disposal of treasury stock. These funds shall be invested in energy-related companies both at home and abroad for the expansion of the revenue base in Japan as well as the development of overseas businesses.

As for the development of overseas businesses, the Group will make additional investments in the electricity and city gas retailers in Australia and the U.S. for which the Group has already participated in management, along with proactive investments in Asian energy-related companies which can take advantage of the Group's know-how on decentralized energy supply systems, as part of an effort to secure the Group's revenue base for the future.

In the six months ended September 30, 2011, despite a year-on-year decrease in the total gas sales volume due to a decline in sales volume of commercial gas in the aftermath of the earthquake, net sales increased by 2.8% year-on-year, to ¥48,459 million, thanks to the favorable sales volume of gas for consumer use as the number of customers of the Group increased by 20,000 for the period under review from the previous fiscal year to 956,000, as well as an increase in sales of equipment, construction contracts, etc.

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 23.4% year-on-year to ¥2,075 million, ordinary income increased by 22.1% year-on-year to ¥1,830 million and net income increased by 29.8% year-on-year to ¥788 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 six months ended September 30, 2011 is as follows:

[LP Gas Business]

In the LP gas business, despite a decrease in the total sales volume due to a significant drop in the demand for commercial gas, net sales for the six months ended September 30, 2011 increased by ¥586 million (2.3% increase)

year-on-year to ¥25,588 million, thanks to the solid sales volume of commercial gas as supported by an increase in the number of customers, on top of an increase in sales revenue of equipment, construction contracts, etc.

[City Gas Business]

In the city gas business comprising the Company's four city gas subsidiaries, although gas sales volume decreased year-on-year for the same reasons as in the LP gas business, natural gas prices were strong compared to the previous fiscal year due to the material costs adjustment system.

As a result, net sales for the six months ended September 30, 2011 increased by ¥735 million (3.3%) year-on-year to ¥22,871 million.

(2) Qualitative Information on Consolidated Financial Position

1) Assets

Total assets as of the end of the second quarter of the fiscal year ending March 31, 2012 decreased by ¥5,034 million from the end of the previous fiscal year and stood at ¥106,355 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 second quarter of the fiscal year ending March 31, 2012 decreased by ¥5,447 million from the end of the previous fiscal year and stood at ¥70,995 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 second quarter of the fiscal year ending March 31, 2012 increased by ¥412 million from the end of the previous fiscal year to ¥35,360 million. This is mainly because of increase in retained earnings due to net income recorded for the second quarter. As a result, equity ratio improved by 1.5 percentage points year-on-year to 22.4%.

4) Status of cash flows

Balance of cash and cash equivalents (hereinafter referred to as “funds”) at the end of the second quarter of the fiscal year ending March 31, 2012 decreased by ¥2,399 million from the end of the previous fiscal year to ¥6,541 million.

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

Net cash provided by operating activities as of the end of the six months ended September 30, 2011 amounted to ¥4,694 million (up by ¥1,628 million year-on-year) as income factors such as ¥1,783 million of income before income taxes and minority interests and ¥4,317 million of depreciation and amortization were balanced off by expenses including ¥2,989 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 six months ended September 30, 2011 amounted to ¥5,810 million (increased by ¥1,234 million year-on-year). This was mainly attributable to the purchase of property, plant and equipment (¥3,496 million) and the purchase of investment securities (¥1,983 million).

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

Net cash used in financing activities as of the end of the six months ended September 30, 2011 amounted to ¥1,251 million, an increase of ¥164 million year-on-year. This was mainly attributable to net decrease in loans payable (¥796 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.

In terms of profits, with expected increase in expenses associated with the customer base expansion, the Group projects operating income, ordinary income and net income on an annual basis to be ¥7,200 million (10.8% increase), ¥6,900 million (13.3% increase) and ¥2,800 million (20.5% increase), respectively. Projected net income per share has been revised due to the allocation of new shares to a third party, while all other financial results forecasts announced on April 28, 2011 still stand.

2. Issues Related to Summary Information (Other Information)

(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, 2011 (As of Mar. 31, 2011)	Six months ended Sep. 2011 (As of Sep. 30, 2011)
ASSETS		
Current assets		
Cash and deposits	8,955	6,951
Notes and accounts receivable-trade	10,340	6,803
Merchandise and finished goods	4,841	4,187
Work in process	25	45
Raw materials and supplies	81	90
Deferred tax assets	802	669
Other	479	1,281
Allowance for doubtful accounts	(175)	(132)
Total current assets	25,350	19,897
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	7,861	7,788
Machinery, equipment and vehicles, net	39,803	38,494
Tools, furniture and fixtures, net	440	404
Land	20,061	20,096
Lease assets, net	618	763
Construction in progress	665	1,146
Total property, plant and equipment	69,450	68,694
Intangible assets		
Goodwill	6,706	6,338
Other	634	592
Total intangible assets	7,341	6,930
Investments and other assets		
Investment securities	3,413	5,287
Other	5,928	5,871
Allowance for doubtful accounts	(785)	(783)
Total investments and other assets	8,556	10,374
Total noncurrent assets	85,347	85,999
Deferred assets	692	458
Total assets	111,390	106,355

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2011 (As of Mar. 31, 2011)	Six months ended Sep. 2011 (As of Sep. 30, 2011)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	12,694	9,704
Short-term loans payable	12,224	13,828
Income taxes payable	1,949	721
Provision for bonuses	384	440
Other	3,575	3,100
Total current liabilities	30,828	27,796
Noncurrent liabilities		
Long-term loans payable	40,661	38,261
Provision for retirement benefits	2,065	2,052
Provision for directors' retirement benefits	1,040	912
Provision for gas holder repairs	264	293
Other	1,582	1,678
Total noncurrent liabilities	45,614	43,198
Total liabilities	76,443	70,995
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	4,386	4,386
Retained earnings	21,366	21,901
Treasury stock	(7,527)	(7,527)
Total shareholders' equity	23,225	23,760
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	97	42
Total accumulated other comprehensive income	97	42
Minority interests	11,624	11,557
Total net assets	34,947	35,360
Total liabilities and net assets	111,390	106,355

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

Account	For the six months ended Sep. 2010 (from Apr. 1, 2010 to Sep. 30, 2010)	For the six months ended Sep. 2011 (from Apr. 1, 2011 to Sep. 30, 2011)
Net sales	47,137	48,459
Cost of sales	26,803	28,219
Gross profit	20,333	20,239
Selling, general and administrative expenses	18,651	18,164
Operating income	1,681	2,075
Non-operating income		
Interest income	3	2
Dividends income	51	47
Real estate rent	23	21
Equity in earnings of affiliates	19	18
Dividends income of insurance	28	2
Other	103	75
Total non-operating income	228	167
Non-operating expenses		
Interest expenses	409	378
Other	0	33
Total non-operating expenses	410	411
Ordinary income	1,499	1,830
Extraordinary income		
Gain on sales of noncurrent assets	8	16
Other	0	—
Total extraordinary income	9	16
Extraordinary loss		
Loss on sales of noncurrent assets	6	—
Loss on retirement of noncurrent assets	11	31
Loss on valuation of investment securities	—	31
Other	1	0
Total extraordinary loss	18	63
Income before income taxes and minority interests	1,490	1,783
Income taxes-current	455	607
Income taxes-deferred	328	307
Total income taxes	784	915
Income before minority interests	705	868
Minority interests in income	97	79
Net income	607	788

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

Account	For the six months ended Sep. 2010 (from Apr. 1, 2010 to Sep. 30, 2010)	For the six months ended Sep. 2011 (from Apr. 1, 2011 to Sep. 30, 2011)
Income before minority interests	705	868
Other comprehensive income		
Valuation difference on available-for-sale securities	(157)	(55)
Total other comprehensive income	(157)	(55)
Comprehensive income	548	812
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	458	734
Comprehensive income attributable to minority interests	89	78

(3) Consolidated Statements of Cash Flows

(Millions of yen)

Account	For the six months ended Sep. 2010 (from Apr. 1, 2010 to Sep. 30, 2010)	For the six months ended Sep. 2011 (from Apr. 1, 2011 to Sep. 30, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,490	1,783
Depreciation and amortization	4,213	4,317
Amortization of deferred assets	458	234
Amortization of goodwill	416	351
Increase (decrease) in allowance for doubtful accounts	(5)	(44)
Increase (decrease) in provision for retirement benefits	49	(13)
Increase (decrease) in provision for directors' retirement benefits	(91)	(127)
Interest and dividends income	(54)	(49)
Interest expenses	409	378
Foreign exchange losses (gains)	—	33
Equity in (earnings) losses of affiliates	(19)	(18)
Loss on retirement of property, plant and equipment	11	31
Decrease (increase) in notes and accounts receivable-trade	3,907	3,536
Decrease (increase) in inventories	596	623
Increase (decrease) in notes and accounts payable-trade	(4,981)	(2,989)
Increase (decrease) in accrued consumption taxes	(109)	(103)
Increase (decrease) in advances received	(69)	40
Increase (decrease) accrued liability of a defined contribution pension plan	(226)	(218)
Other, net	(1,287)	(934)
Subtotal	4,707	6,832
Interest and dividends income received	54	49
Interest expenses paid	(411)	(380)
Income taxes paid	(1,283)	(1,806)
Net cash provided by (used in) operating activities	3,066	4,694
Net cash provided by (used in) investing activities		
Payments into time deposits	(12)	(407)
Proceeds from withdrawal of time deposits	11	12
Purchase of property, plant and equipment	(4,573)	(3,496)
Proceeds from sales of property, plant and equipment	61	95
Purchase of goodwill	(24)	(18)
Purchase of investment securities	(8)	(1,983)
Payments of loans receivable	(8)	(11)
Collection of loans receivable	28	42
Other, net	(49)	(41)
Net cash provided by (used in) investing activities	(4,575)	(5,810)

(Millions of yen)

Account	For the six months ended Sep. 2010 (from Apr. 1, 2010 to Sep. 30, 2010)	For the six months ended Sep. 2011 (from Apr. 1, 2011 to Sep. 30, 2011)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	9,150	1,170
Decrease in short-term loans payable	(9,150)	(250)
Proceeds from long-term loans payable	7,300	4,440
Repayment of long-term loans payable	(7,987)	(6,156)
Decrease (increase) in treasury stock	(0)	(0)
Cash dividends paid	(253)	(254)
Cash dividends paid to minority shareholders	(92)	(89)
Other, net	(52)	(111)
Net cash provided by (used in) financing activities	(1,086)	(1,251)
Effect of exchange rate change on cash and cash equivalents	—	(33)
Net increase (decrease) in cash and cash equivalents	(2,595)	(2,399)
Cash and cash equivalents at beginning of period	10,614	8,941
Cash and cash equivalents at end of period	8,019	6,541

(4) Notes on Going Concerns Assumption

For the six months ended September 30, 2011 (from April 1, 2011 to September 30, 2011)

None.

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

For the six months ended September 30, 2011 (from April 1, 2011 to September 30, 2011)

None.

(6) Significant Subsequent Events

For the six months ended Sep. 2011 (from Apr. 1, 2011 to Sep. 30. 2011)	
The Company implemented the allocation of new shares to a third party along with the disposal of treasury stock as follows, based on the resolution at a meeting of the Board of Directors held on September 28, 2011.	
1. Allocation of new shares	
(1) Date of issue:	October 18, 2011
(2) Type of shares issued:	Common shares of the Company
(3) Number of shares issued:	3,600,000 shares
(4) Issue price:	¥1,150 per share
(5) Portion of the issue price to be incorporated into capital:	¥575 per share
(6) Total amount of issue:	¥4,140,000,000
(7) Type of offer:	Allocation of new shares to OEP NG LLC as a third party
(8) Date of payment:	October 18, 2011
(9) Purpose of the funds:	Investment to energy-related companies at home and abroad
2. Disposal of treasury stock	
(1) Date of disposal:	October 18, 2011
(2) Type of shares disposed:	Common shares of the Company
(3) Total number of shares disposed:	5,400,000 shares
(4) Disposal price:	¥1,150 per share
(5) Total disposal value:	¥6,210,000,000
(6) Type of disposal:	Allocation of new shares to OEP NG LLC as a third party
(7) Date of payment:	October 18, 2011
(8) Purpose of the funds:	Investment to energy-related companies at home and abroad
3. Other	
As a result of this allocation of new shares to a third party, OEP NG LLC has become the largest shareholder of the Company with 18.53% equity ownership.	

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 six months ended September 30, 2011 are as follows:

Sales results by reportable segments

(Millions of yen)

Reportable segments	For the six months ended Sep. 30, 2011 (from Apr. 1, 2011 to Sep. 30, 2011)	For the six months ended Sep. 30, 2010 (from Apr. 1, 2010 to Sep. 30, 2010)
LP Gas Business	25,588	25,001
City Gas Business	22,871	22,135
Total	48,459	47,137

2) Sales results of LP gas business

(Millions of yen)

Reportable segments	For the six months ended Sep. 30, 2011 (from Apr. 1, 2011 to Sep. 30, 2011)	For the six months ended Sep. 30, 2010 (from Apr. 1, 2010 to Sep. 30, 2010)
Gas	19,128	19,063
Equipment, construction contracts, etc.	6,460	5,937
Total	25,588	25,001

3) Sales results of city gas business

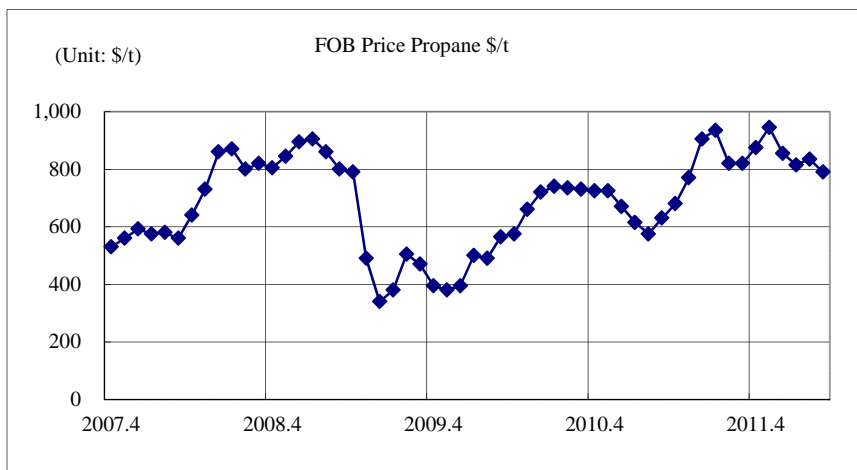
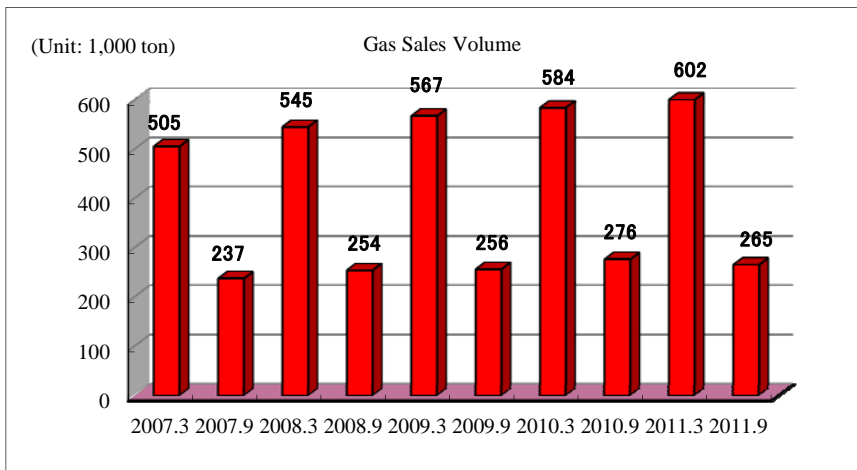
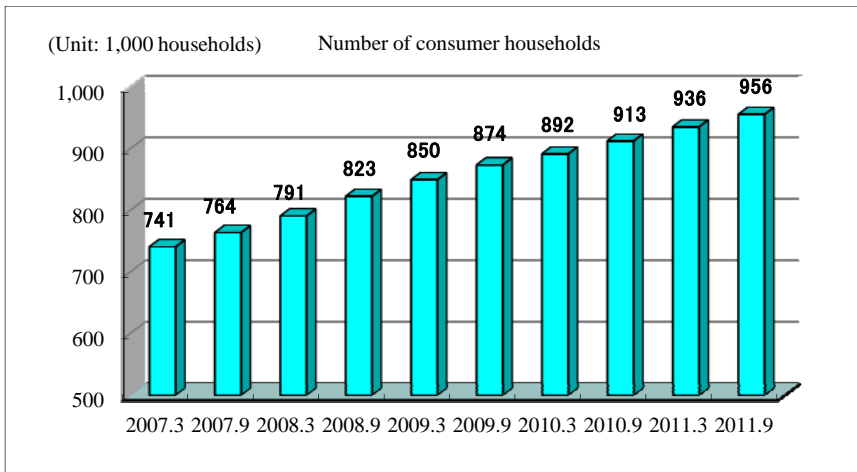
(Millions of yen)

Reportable segments	For the six months ended Sep. 30, 2011 (from Apr. 1, 2011 to Sep. 30, 2011)	For the six months ended Sep. 30, 2010 (from Apr. 1, 2010 to Sep. 30, 2010)
Gas	18,809	18,372
Equipment, construction contracts, etc.	4,061	3,762
Total	22,871	22,135

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)