

Consolidated Financial Results for the Nine Months Ended December 31, 2012 [Japanese GAAP]



January 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: February 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 Nine Months Ended December 31, 2012 (April 1, 2012 to December 31, 2012)

(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	%
Nine months ended Dec. 31, 2012	81,096	7.7	3,510	41.0	3,594	66.3	1,847	145.2
Nine months ended Dec. 31, 2011	75,272	4.1	2,489	12.9	2,161	13.9	753	(1.3)

(Note) Comprehensive income: Nine months ended Dec. 31, 2012 ¥2,036 million [249.2 %]

Nine months ended Dec. 31, 2011 ¥583 million [(19.9)%]

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2012	38.18	—
Nine months ended Dec. 31, 2011	16.89	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2012	120,685	49,831	31.3
As of Mar. 31, 2012	121,987	48,565	29.9

(Reference) Equity: As of Dec. 31, 2012 ¥37,746 million As of Mar. 31, 2012 ¥36,481 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, 2012	—	6.50	—	6.50	13.00
Fiscal year ending Mar. 31, 2013	—	6.50	—		
Fiscal year ending Mar. 31, 2013 (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, 2013 (April 1, 2012 to March 31, 2013)

(% 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	121,000	9.7	8,300	10.6	7,800	9.3	3,400	8.9	70.27

(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.: Yes
 - 2) Changes to accounting policies other than 1) above: No
 - 3) Changes to accounting estimates: Yes
 - 4) Revision restatements: No

(Note) The method for depreciation has been changed from the first quarter due to it falling under “the case where changes to accounting policies are difficult to distinguish from changes to accounting estimates.” Please refer to (3) Changes to Accounting Policies, Changes to Accounting Estimates, and Revision Restatements in “2. Issues Related to Summary Information (Others)” on page 4 of the attached Appendix for details.

- (4) Total number of issued shares (common stock)

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

Dec. 31, 2012	48,561,525 shares
Mar. 31, 2012	48,561,525 shares

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

Dec. 31, 2012	176,963 shares
Mar. 31, 2012	175,918 shares

- 3) Average number of shares during the period:

Nine months ended Dec. 31, 2012	48,385,519 shares
Nine months ended Dec. 31, 2011	44,605,711 shares

* 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 "Qualitative Information on Consolidated Financial Results Forecast" on page 4 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) Qualitative Information on Consolidated Results of Operations

In the energy industry, demand for LNG for thermal power generation increased due to issues of resuming operations at nuclear power stations, while the “shale gas revolution” in North America drastically changed the geopolitical situation and the importance of gaseous energy has come into the spotlight. In addition, the nuclear accident reaffirmed the recognition that the essence of energy security is diversification and decentralization. A major feature of the shale gas revolution is the small size of individual investment rather than just the large number of potential sites. This means major changes may occur in the shape of the upstream energy portfolio. In keeping with such circumstances, the Group is actively investing in downstream areas both in Japan and overseas in anticipation of the future. In addition, to gain the support of customers, the Group continues with active restructuring and investing toward more efficient management and a more robust security system.

As a result of these efforts, the number of customers as of December 31, 2012 increased by 37,981 households compared with the end of the same period of the previous fiscal year, thus exceeding the 1,000,000 households targeted in the mid-term management plan. The number of households as of December 31, 2012 was 1,019,570 households.

With regards to the development of the new operational system to link cloud technology and mobile devices, the synergistic effects of enhanced filling hub bases and the new system that revolutionizes distribution, as well as further streamlined operations were recognized in the verification test carried out by the Company. Since the patent application for the system is in its final stage, the Group has jointly established a sales company, Kumonouchusen Co., Ltd., with KDDI CORPORATION and Hitachi Capital Corporation, for the nationwide distribution of the system, which is expected to commence in the next term.

As for the development of overseas businesses from the previous consolidated fiscal year, Australian electricity and gas retailer Australian Power and Gas Company Ltd. and the U.S. electricity retailer Entrust Energy, Inc., in which the Group’s management has been involved, have steadily increased their customer numbers, which exceeded 350,000 households at the time of compiling this report. The Group plans to make further investment with a goal of future consolidation, while making new investments in the electricity and gas retail business in Northeastern America.

Based on the capital and business alliance agreement with One Equity Partners (OEP), which is the investment arm of international financial institution J.P. 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 with the aim of expanding its business base for the future.

For the period under review, consolidated net sales increased by 7.7% year-on-year to ¥81,096 million, due to a steady increase in gas sales volume for consumer use in conjunction with the increase in the number of customers. In addition, there was a recovery in gas sales volume for commercial use, which had recorded a massive drop in demand in the same period of the previous fiscal year due to the impact of the earthquake disaster in Japan.

In terms of profit, thanks to the sweeping reform of the operations system across all businesses, on top of the solid revenue resulting from an increase in the gas sales volume, operating income increased by 41.0% year-on-year to ¥3,510 million, ordinary income increased by 66.3% year-on-year to ¥3,594 million, and net income increased by 145.2% year-on-year to ¥1,847 million, resulting in a significant increases in profit.

In terms of the net sales and profits of the Group, the gas business, which by nature is characterized by 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 nine months ended December 31, 2012 is as follows:

Following the review from the first quarter of the current fiscal year on the segment information reported to the Board of Directors, reportable segments have been realigned from the LP gas business and the city gas business as classified on the basis of the Group companies operating in each main gas business, to the LP gas business and the city gas business as classified on the basis of the type of gas sold. Thus a year-on-year comparison has been made by reflecting the results of the same period of the previous fiscal year on the reclassified reportable segments.

[LP Gas Business]

In the LP gas business, gas sales volume increased year-on-year due to the increase in the number of retail customers and the recovery in demand for commercial gas. Consequently, net sales for the nine months ended December 31, 2012 increased by ¥3,264 million (7.3% increase) year-on-year to ¥47,805 million.

[City Gas Business]

In the city gas business, total gas sales volume increased year-on-year due to factors similar to that of LP gas business, and in addition, natural gas prices increased year-on-year due to the material costs adjustment system. Consequently, net sales increased by ¥2,559 million (8.3% increase) year-on-year to ¥33,291 million.

(2) Qualitative Information on Consolidated Financial Position

1) Assets

Total assets as of the end of the third quarter of the fiscal year ending March 31, 2013 decreased by ¥1,302 million from the end of the previous fiscal year and stood at ¥120,685 million. This is mainly because of the decrease in cash and deposits due to the repayment of loans payable, although investments and other assets increased as a result of active investments overseas.

2) Liabilities

Total liabilities as of the end of the third quarter of the fiscal year ending March 31, 2013 decreased by ¥2,568 million from the end of the previous fiscal year and stood at ¥70,853 million. This is mainly because of the decrease in income taxes payable and repayment of loans payable.

3) Net assets

Net assets as of the end of the third quarter of the fiscal year ending March 31, 2013 increased by ¥1,266 million yen from the end of the previous fiscal year and stood at ¥49,831 million. This is mainly because of the increase in retained earnings due to net income recorded for the third quarter.

As a result, equity ratio improved by 1.4 points from the end of the previous fiscal year to 31.3%.

(3) Qualitative Information on Consolidated Financial Results Forecast

In the fiscal year ending March 31, 2013, the Group will continue to focus on increasing gas sales volume through the expansion of its customer base and on universalization and expansion of the use of gas appliances. As a result, the Company projects net sales of ¥121.0 billion or 9.7% 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 ¥8.3 billion (10.6% increase), ordinary income of ¥7.8 billion (9.3% increase), and net income of ¥3.4 billion (8.9% increase), as a result of the increase in customers and other factors.

Note that no revisions have been made to the earnings forecasts released on April 27, 2012.

2. Issues Related to Summary Information (Others)

(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

(Changes to accounting policies difficult to distinguish from changes to accounting estimates)

The Company and its consolidated subsidiaries have changed their method for depreciation reflecting the revised Act from the first quarter of the current fiscal year, following the revision of the Corporation Tax Act, in respect of the property, plant and equipment acquired on and after April 1, 2012.

As a result, operating income, ordinary income and income before income taxes and minority interests during the period under review increased by ¥68 million, respectively, compared with those calculated by the past methods applied.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2012 (As of Mar. 31, 2012)	Nine months ended Dec. 31, 2012 (As of Dec. 31, 2012)
Assets		
Current assets		
Cash and deposits	17,165	10,908
Notes and accounts receivable-trade	8,324	8,961
Merchandise and finished goods	5,244	6,080
Work in process	22	14
Raw materials and supplies	74	97
Deferred tax assets	766	582
Other	1,270	1,539
Allowance for doubtful accounts	(128)	(131)
Total current assets	32,739	28,053
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	7,913	7,993
Machinery, equipment and vehicles, net	38,663	37,279
Tools, furniture and fixtures, net	413	422
Land	20,269	21,514
Lease assets, net	939	1,292
Construction in progress	397	751
Total property, plant and equipment	68,597	69,254
Intangible assets		
Goodwill	6,830	6,818
Other	721	863
Total intangible assets	7,551	7,682
Investments and other assets		
Investment securities	8,144	9,332
Other	5,503	7,127
Allowance for doubtful accounts	(772)	(862)
Total investments and other assets	12,875	15,597
Total noncurrent assets	89,024	92,533
Deferred assets	224	98
Total assets	121,987	120,685

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2012 (As of Mar. 31, 2012)	Nine months ended Dec. 31, 2012 (As of Dec. 31, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,124	14,148
Short-term loans payable	17,456	13,710
Income taxes payable	2,519	669
Provision for bonuses	387	143
Other	4,006	4,155
Total current liabilities	38,493	32,827
Noncurrent liabilities		
Long-term loans payable	29,614	32,579
Provision for retirement benefits	2,069	2,099
Provision for directors' retirement benefits	1,072	944
Provision for gas holder repairs	249	189
Other	1,923	2,214
Total noncurrent liabilities	34,929	38,026
Total liabilities	73,422	70,853
Net assets		
Shareholders' equity		
Capital stock	7,070	7,070
Capital surplus	5,198	5,198
Retained earnings	23,980	25,203
Treasury stock	(59)	(60)
Total shareholders' equity	36,189	37,410
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	291	335
Total accumulated other comprehensive income	291	335
Minority interests	12,083	12,085
Total net assets	48,565	49,831
Total liabilities and net assets	121,987	120,685

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Millions of yen)

Account	For the nine months ended Dec. 31, 2011 (from Apr. 1, 2011 to Dec. 31, 2011)	For the nine months ended Dec. 31, 2012 (from Apr. 1, 2012 to Dec. 31, 2012)
Net sales	75,272	81,096
Cost of sales	44,630	48,231
Gross profit	30,642	32,865
Selling, general and administrative expenses	28,153	29,354
Operating income	2,489	3,510
Non-operating income		
Interest income	3	94
Dividends income	75	95
Foreign exchange gains	–	232
Real estate rent	31	32
Equity in earnings of affiliates	29	24
Dividends income of insurance	2	11
Other	118	139
Total non-operating income	260	630
Non-operating expenses		
Interest expenses	560	460
Other	27	85
Total non-operating expenses	588	546
Ordinary income	2,161	3,594
Extraordinary income		
Gain on sales of noncurrent assets	20	16
Gain on sales of investment securities	34	–
Gain on negative goodwill	37	8
Other	–	0
Total extraordinary income	92	24
Extraordinary loss		
Loss on sales of noncurrent assets	–	3
Loss on retirement of noncurrent assets	57	73
Loss on valuation of investment securities	31	0
Other	0	6
Total extraordinary losses	89	83
Income before income taxes and minority interests	2,164	3,535
Income taxes-current	793	1,412
Income taxes-deferred	542	128
Total income taxes	1,335	1,541
Income before minority interests	828	1,994
Minority interests in income	75	147
Net income	753	1,847

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

Account	For the nine months ended Dec. 31, 2011 (from Apr. 1, 2011 to Dec. 31, 2011)	For the nine months ended Dec. 31, 2012 (from Apr. 1, 2012 to Dec. 31, 2012)
Income before minority interests	828	1,994
Other comprehensive income		
Valuation difference on available-for-sale securities	(245)	42
Total other comprehensive income	(245)	42
Comprehensive income	583	2,036
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	514	1,891
Comprehensive income attributable to minority interests	68	145

(3) Notes on Going Concern Assumption

For the nine months ended December 31, 2012 (from April 1, 2012 to December 31, 2012)

None.

(4) Notes in Case of Significant Changes in Shareholders' Equity

For the nine months ended December 31, 2012 (from April 1, 2012 to December 31, 2012)

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 nine months ended December 31, 2012 are as follows:

Following the review from the first quarter of the current fiscal year on the segment information reported to the Board of Directors, reportable segments have been realigned from the LP gas business and the city gas business as classified on the basis of the Group companies operating in each main gas business, to the LP gas business and the city gas business as classified on the basis of the type of gas sold. Thus the results of the nine months ended December 31, 2011 have been reflected on the reclassified reportable segments.

Sales results by reportable segment

(Millions of yen)

Reportable segments	For the nine months ended Dec. 31, 2012 (from Apr. 1, 2012 to Dec. 31, 2012)	For the nine months ended Dec. 31, 2011 (from Apr. 1, 2011 to Dec. 31, 2011)
LP Gas Business	47,805	44,541
City Gas Business	33,291	30,731
Total	81,096	75,272

2) Sales results of LP gas business

(Millions of yen)

Reportable segments	For the nine months ended Dec. 31, 2012 (from Apr. 1, 2012 to Dec. 31, 2012)	For the nine months ended Dec. 31, 2011 (from Apr. 1, 2011 to Dec. 31, 2011)
Gas	36,420	32,514
Equipment, construction contracts, etc.	11,385	12,027
Total	47,805	44,541

3) Sales results of city gas business

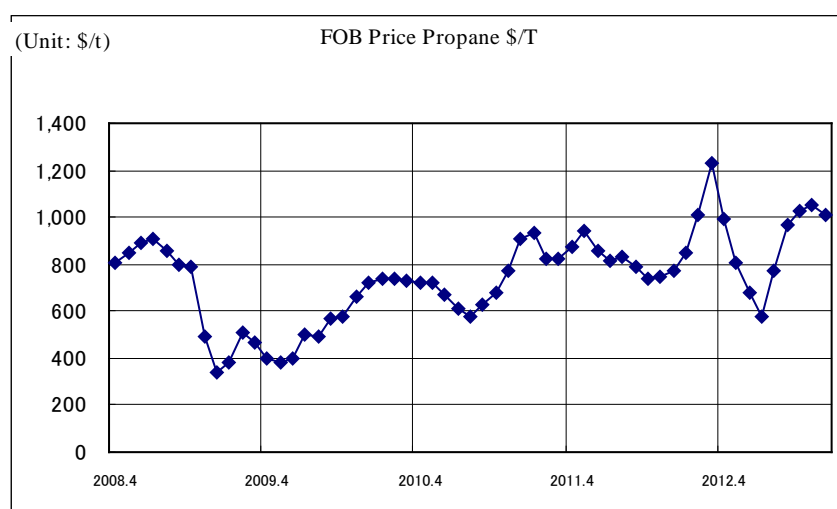
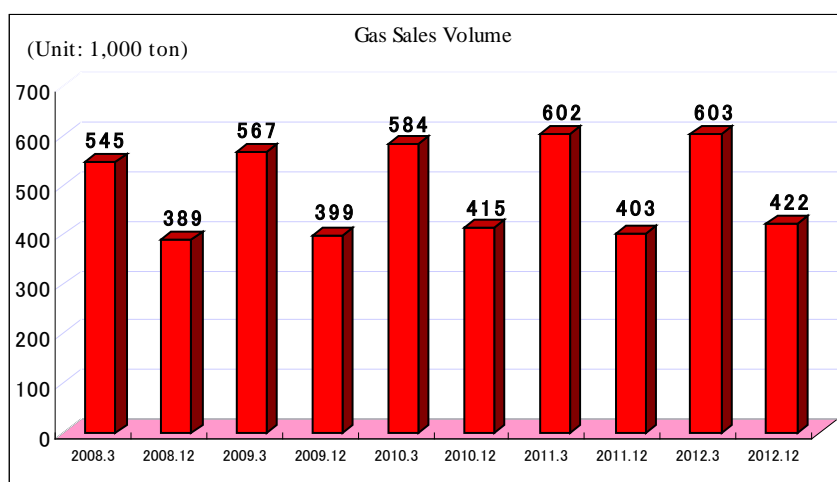
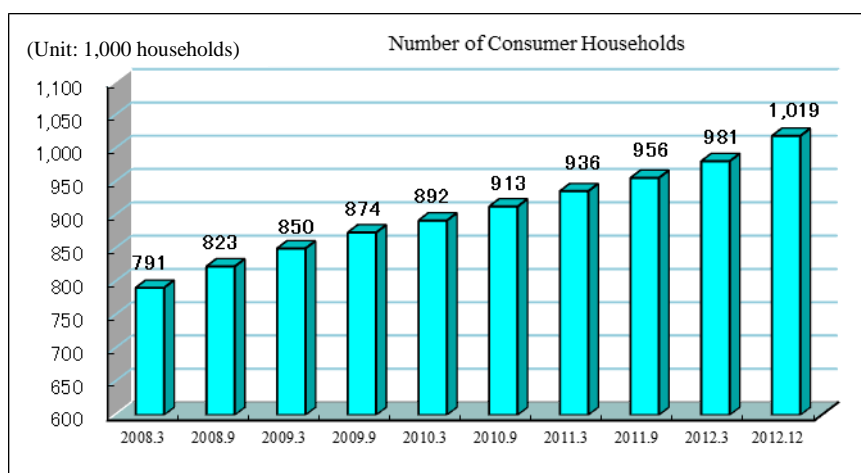
(Millions of yen)

Reportable segments	For the nine months ended Dec. 31, 2012 (from Apr. 1, 2012 to Dec. 31, 2012)	For the nine months ended Dec. 31, 2011 (from Apr. 1, 2011 to Dec. 31, 2011)
Gas	27,535	25,392
Equipment, construction contracts, etc.	5,755	5,338
Total	33,291	30,731

(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)