

# Consolidated Financial Results for the Three Months Ended June 30, 2015 [Japanese GAAP]



July 29, 2015

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, 2015

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, 2015 (April 1, 2015 to June 30, 2015)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Jun. 30, 2015	28,790	(6.9)	3,561	65.0	3,438	66.6	2,215	78.7
Three months ended Jun. 30, 2014	30,929	4.4	2,158	(26.6)	2,063	(31.3)	1,239	(21.2)

(Note) Comprehensive income: Three months ended Jun. 30, 2015 ¥2,454 million [30.6%]

Three months ended Jun. 30, 2014 ¥1,879 million [17.6%]

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended Jun. 30, 2015	63.79	—
Three months ended Jun. 30, 2014	28.15	—

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2015	118,972	36,970	31.1
As of Mar. 31, 2015	123,910	34,969	28.2

(Reference) Equity: As of Jun. 30, 2015 ¥36,966 million As of Mar. 31, 2015 ¥34,964 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, 2015	—	13.00	—	13.00	26.00
Fiscal year ending Mar. 31, 2016	—				
Fiscal year ending Mar. 31, 2016 (Forecast)		13.00	—	13.00	26.00

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

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending Sep. 30, 2015	55,000	(1.0)	3,000	55.9	2,800	75.1	1,600	118.9	46.07
Full-year	119,000	(5.4)	11,000	9.8	10,400	10.3	6,200	12.2	178.50

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

## 4. Notes

- (1) Significant changes of subsidiaries 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: No

4) Revision restatements: No

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

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

Jun. 30, 2015	48,561,525 shares
Mar. 31, 2015	48,561,525 shares

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

Jun. 30, 2015	13,828,502 shares
Mar. 31, 2015	13,828,252 shares

- 3) Average number of shares during the period:

Three months ended Jun. 30, 2015	34,733,141 shares
Three months ended Jun. 30, 2014	44,031,078 shares

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

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 the 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 of 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 4 of the attached Appendix for the notes on the use of preconditions for the earnings forecast and the use of the earnings forecast.

## Contents of Appendix

1. Qualitative Information on Consolidated Performance for the Period under Review -----	2
(1) Explanation of Results of Operations -----	2
(2) Explanation of Financial Position -----	4
(3) Explanation of Consolidated Forecast Results and Other Forward-looking Information -----	4
2. Issues Related to Summary Information (Notes) -----	5
(1) Significant Changes of Subsidiaries during the Period under Review -----	5
(2) Adoption of Special Accounting Processes for Preparing Quarterly Consolidated Financial Statements -----	5
(3) Changes to Accounting Policies, Changes to Accounting Estimates, and Revision Restatements -----	5
(4) Additional Information -----	5
3. Consolidated Financial Statements -----	6
(1) Consolidated Balance Sheet -----	6
(2) Consolidated Statement of Income and Comprehensive Income -----	8
(3) Notes to Consolidated Financial Statements -----	10
(Notes on Going Concern Assumption) -----	10
(Notes in Case of Significant Changes in Shareholder's Equity) -----	10
(Significant Subsequent Events) -----	10
4. Supplementary Information-----	11
(1) Production, Order and Sales Status -----	11
(2) Trends in the Number of Houses, etc. -----	12

## 1. Qualitative Information on Consolidated Performance for the Period under Review

### (1) Explanation of Results of Operations

Recently, as the liberalization of energy becomes increasingly real, the business environment surrounding the Company has clearly taken on a different aspect than that of the past. Announcements concerning the formation and dissolution of alliances across industry borders in various fields in the energy industry are being made, and discussions about partnerships with other industries are more and more actively reported in the news, mainly related to the combined sales of electricity and gas or of telecommunications and energy.

For many years, the Company has been promoting the necessary structural reforms aimed at this liberalization. Firstly, the Company is proceeding with various partnership discussions, believing it to be critically important to develop the platform (system for acquiring users) for combined sales of electricity and gas into a platform that, from the consumer's point of view, assures safety and stable supply while contributing to offering new added value and convenience. The Company is currently repeatedly conducting various verification tests on this matter in actual practice. Among these efforts, the Company has placed highest priority on development of ICT (information and telecommunication technology) cloud system to ensure effective functioning of borderless collaborative operations with different energy businesses or other industries. Although many issues remain, by promoting the entire development through the cloud system, the Company has achieved business efficiency far beyond that of the previous back office operations, as well as sophistication of security systems. This has been clearly reflected in the content of the Company's financial results. Discussion within the Company regarding partnerships with other industries has now entered the final stages, with one year to go until the liberalization of electricity, and less than two years until the liberalization of city gas. The Company is currently in the process of incorporating various requirements into the system in order to withstand the severe competitive environment for labor productivity after liberalization and to generate partnership synergies with local energy operators.

Meanwhile, the Company leveraged the knowledge gained by tackling tough battles in the liberalized market overseas in order to introduce a series of new sales packages such as Protect Member Service into the actual market, and continued efforts aimed at strategic differentiation and branding strategies. At the same time, the Company moved ahead at an early stage with reform of the Board of Directors for corporate governance in line with the Corporate Governance Code to meet the strict demands of the capital market, and focused efforts on IR activities emphasizing dialogue with the capital market. In the fiscal year ending March 31, 2016, with a view to liberalization, the Company will focus even more than before on set-up investment to create future corporate value with the capital market in mind.

For the period under review, consolidated net sales amounted to ¥28,790 million, a year-on-year decrease of 6.9%, due to factors such as returning the decrease in raw material prices in the LP gas industry to customers, in addition to a decrease in gas sales volume due to the impact of higher atmospheric and water temperatures compared to the same period of the previous fiscal year, despite a steady increase in the number of customers. The number of customers of the Group increased by 43,000 households compared with the end of the same period of the previous fiscal year to 1,121,000 households as of the end of the three months ended June 30, 2015.

In terms of profits, operating income increased by 65.0% year-on-year to ¥3,561 million, ordinary income increased by 66.6% year-on-year to ¥3,438 million, and profit attributable to owners of parent increased by

78.7% year-on-year to ¥2,215 million, thereby increasing profits significantly. These increases were attributable to factors such as lower raw material prices compared with the same period of the previous fiscal year resulting in a decrease in cost of sales, despite an increase in labor costs accompanied by the introduction of a new personnel system aimed at providing incentives to employees who contributed to the improvement of business performance.

Business performance by segment for the three months ended June 30, 2015 is as follows:

[LP Gas Business]

In the LP gas business, although the number of customers of home use LP gas increased steadily, home use gas prices were lowered, in addition to decreased gas sales volume compared with the same period of the previous fiscal year due to the impact of higher atmospheric and water temperatures. Owing to these and other factors, net sales for the three months ended June 30, 2015 decreased by ¥1,601 million (8.8% decrease) year-on-year to ¥16,603 million.

[City Gas Business]

In the city gas business, net sales for the three months ended June 30, 2015 decreased by ¥537 million (4.2% decrease) year-on-year to ¥12,186 million, reflecting factors such as decreased sales volume of home use gas compared with the same period of the previous fiscal year due to reasons similar to the LP gas business.

## (2) Explanation of Financial Position

### 1) Assets

Total assets as of the end of the first quarter of the fiscal year ending March 31, 2016 decreased by ¥4,938 million (4.0%) from the end of the previous fiscal year and stood at ¥118,972 million. This is mainly attributable to the decreases 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, 2016 decreased by ¥6,940 million (7.8%) from the end of the previous fiscal year and stood at ¥82,001 million. This is mainly attributable to the decrease in loans payable due to steady repayments and the decrease in notes and accounts payable - trade due to seasonal factors.

### 3) Net assets

Net assets as of the end of the first quarter of the fiscal year ending March 31, 2016 increased by ¥2,001 million (5.7%) from the end of the previous fiscal year and stood at ¥36,970 million. This is mainly a reflection of the increase and decrease in retained earnings due to profit attributable to owners of parent and payment of dividends.

As a result, equity ratio increased by 2.9 points from the end of the previous fiscal year to 31.1%.

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

In the fiscal year ending March 31, 2016, the Group will continue to focus on increasing gas sales volume through the expansion of its customer base and on the spread and the expansion of the use of gas appliances. However, since a decrease in unit sales prices accompanying a decrease in raw material prices is expected for both LP gas and city gas, the Company projects consolidated net sales of ¥119,000 million or 5.4% decrease year-on-year.

In terms of profits, through further advancement of the new logistics/operational systems and progress in reducing overall costs, the Group projects operating income of ¥11,000 million (9.8% increase), ordinary income of ¥10,400 million (10.3% increase), and profit attributable to owners of parent of ¥6,200 million (12.2% increase).

The Company has not revised the consolidated forecast results announced on April 27, 2015.

## 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

#### (Changes to Accounting Policies)

Effective from the period under review, the Company adopted the Accounting Standard for Business Combinations (Accounting Standards Board of Japan [ASBJ] Statement No. 21, September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013) and others, and accordingly has changed the presentation of net income and other related items, and the presentation of minority interests to non-controlling interests. To reflect this change in presentation, the reclassification of accounts has been made to the consolidated financial statements and the non-consolidated financial statements for the three months ended June 30, 2014 and the fiscal year ended March 31, 2015.

### (4) Additional Information

#### (Abolition of Directors' Retirement Benefits System)

At the 61st Ordinary General Meeting of Shareholders held on June 25, 2015 (hereinafter referred to as the "General Meeting of Shareholders"), the Company made a resolution to abolish its directors' retirement benefits system as of the end of the fiscal year ended March 31, 2015.

For the Directors and Corporate Auditors who will remain in office after the conclusion of the General Meeting of Shareholders, a termination payout of retirement benefits for their term of service up to March 31, 2015 was also resolved at the General Meeting of Shareholders.

In six consolidated subsidiaries of the Company, similar resolutions were adopted. For the Directors, the payout date shall be the date on which they retire from all posts including Director, etc. of the Company and its consolidated subsidiaries, and for the Corporate Auditors, the payout date shall be the date on which they retire from the post of Corporate Auditor (in the case where the Corporate Auditor retires and later assumes office as Director, etc. of the Company and its consolidated subsidiaries, the date on which he/she retires from all posts including Director, etc.).

Accordingly, the total balance amount of "provision for directors' retirement benefits" was reversed during the period under review and the unpaid amount of ¥1,059 million for the termination payout is included in "Other" under current liabilities and non-current liabilities as ¥237 million in accounts payable - other and ¥821 million in long-term accounts payable - other, respectively.



### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(Millions of yen)		
Account	Fiscal year ended Mar. 31, 2015 (As of Mar. 31, 2015)	Three months ended Jun. 30, 2015 (As of Jun. 30, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	17,067	14,624
Notes and accounts receivable - trade	9,525	7,313
Merchandise and finished goods	5,263	4,464
Work in process	27	23
Raw materials and supplies	74	82
Deferred tax assets	505	345
Other	1,081	1,766
Allowance for doubtful accounts	(130)	(126)
Total current assets	33,413	28,494
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,222	7,078
Machinery, equipment and vehicles, net	36,536	35,616
Tools, furniture and fixtures, net	504	490
Land	23,267	23,300
Leased assets, net	2,256	2,256
Construction in progress	2,297	2,868
Total property, plant and equipment	72,086	71,612
Intangible assets		
Goodwill	5,012	4,944
Other	1,360	1,585
Total intangible assets	6,373	6,529
Investments and other assets		
Investment securities	4,719	5,011
Other	8,005	8,026
Allowance for doubtful accounts	(705)	(716)
Total investments and other assets	12,019	12,321
Total non-current assets	90,479	90,463
Deferred assets	17	14
Total assets	123,910	118,972

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2015 (As of Mar. 31, 2015)	Three months ended Jun. 30, 2015 (As of Jun. 30, 2015)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	10,051	6,706
Electronically recorded obligations - operating	3,178	2,701
Short-term loans payable	27,504	25,995
Income taxes payable	2,431	1,256
Provision for bonuses	459	194
Other	5,144	5,333
Total current liabilities	48,769	42,187
Non-current liabilities		
Long-term loans payable	33,849	33,678
Provision for directors' retirement benefits	1,043	—
Provision for gas holder repairs	339	354
Net defined benefit liability	2,306	2,328
Other	2,633	3,452
Total non-current liabilities	40,172	39,813
Total liabilities	88,941	82,001
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,070	7,070
Capital surplus	6,683	6,683
Retained earnings	39,263	41,027
Treasury shares	(19,297)	(19,298)
Total shareholders' equity	33,718	35,482
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,109	1,341
Foreign currency translation adjustment	207	206
Remeasurements of defined benefit plans	(70)	(64)
Total accumulated other comprehensive income	1,246	1,484
Non-controlling interests	4	4
Total net assets	34,969	36,970
Total liabilities and net assets	123,910	118,972

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

## (Consolidated Statement of Income)

(Millions of yen)

Account	For the three months ended Jun. 30, 2014 (from Apr. 1, 2014 to Jun. 30, 2014)	For the three months ended Jun. 30, 2015 (from Apr. 1, 2015 to Jun. 30, 2015)
Net sales	30,929	28,790
Cost of sales	19,371	15,212
Gross profit	11,557	13,577
Selling, general and administrative expenses	9,399	10,015
Operating income	2,158	3,561
Non-operating income		
Interest income	48	69
Dividend income	31	34
Real estate rent	11	11
Other	41	64
Total non-operating income	132	179
Non-operating expenses		
Interest expenses	143	130
Share of loss of entities accounted for using equity method	78	161
Other	5	10
Total non-operating expenses	227	303
Ordinary income	2,063	3,438
Extraordinary income		
Gain on sales of non-current assets	1	0
Total extraordinary income	1	0
Extraordinary losses		
Loss on sales of non-current assets	–	0
Loss on retirement of non-current assets	20	16
Total extraordinary losses	20	16
Income before income taxes	2,043	3,422
Income taxes - current	633	1,149
Income taxes - deferred	171	57
Total income taxes	804	1,207
Profit	1,239	2,215
Loss attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	1,239	2,215

## (Consolidated Statement of Comprehensive Income)

(Millions of yen)

Account	For the three months ended Jun. 30, 2014 (from Apr. 1, 2014 to Jun. 30, 2014)	For the three months ended Jun. 30, 2015 (from Apr. 1, 2015 to Jun. 30, 2015)
Profit	1,239	2,215
Other comprehensive income		
Valuation difference on available-for-sale securities	90	232
Remeasurements of defined benefit plans, net of tax	1	6
Share of other comprehensive income of entities accounted for using equity method	548	(0)
Total other comprehensive income	640	238
Comprehensive income	1,879	2,454
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,879	2,454
Comprehensive income attributable to non-controlling interests	(0)	(0)

(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

None.

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

For the three months ended June 30, 2015 (from April 1, 2015 to June 30, 2015)

None.

(Significant Subsequent Events)

Disposal of Treasury Shares through Third Party Allotment

The Company, at the Board of Directors' Meeting held on July 29, 2015, made a resolution to conduct disposal of treasury shares through third party allotment. As for the details of this matter, please refer to the "Notice of Disposal of Treasury Shares through Third Party Allotment Accompanying the Introduction of Share-based Compensation System for Directors" released on July 29, 2015.

#### 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, 2015 are as follows:

##### Sales results by reportable segments

(Millions of yen)

Reportable segments	For the three months ended Jun. 30, 2015 (from Apr. 1, 2015 to Jun. 30, 2015)	For the three months ended Jun. 30, 2014 (from Apr. 1, 2014 to Jun. 30, 2014)
LP Gas Business	16,603	18,204
City Gas Business	12,186	12,724
Total	28,790	30,929

##### 2) Sales results of LP gas business

(Millions of yen)

Reportable segments	For the three months ended Jun. 30, 2015 (from Apr. 1, 2015 to Jun. 30, 2015)	For the three months ended Jun. 30, 2014 (from Apr. 1, 2014 to Jun. 30, 2014)
Gas	13,400	15,164
Equipment, construction contracts, etc.	3,203	3,040
Total	16,603	18,204

##### 3) Sales results of city gas business

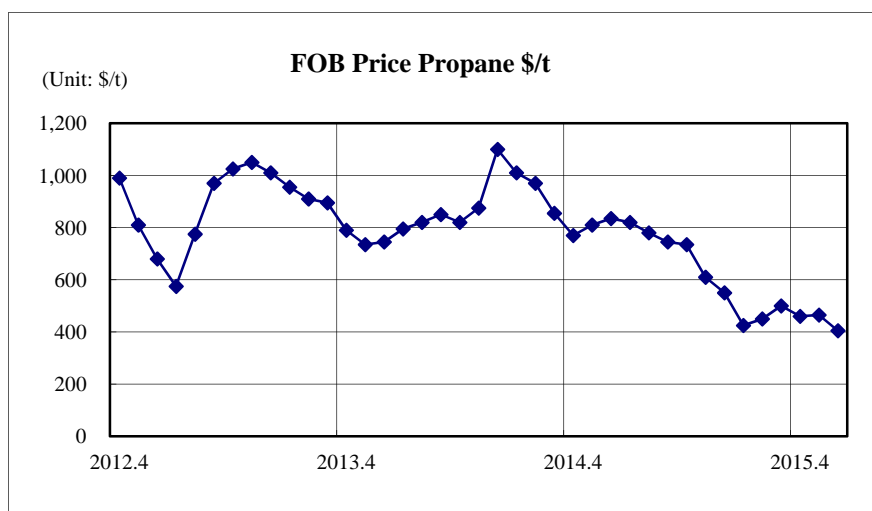
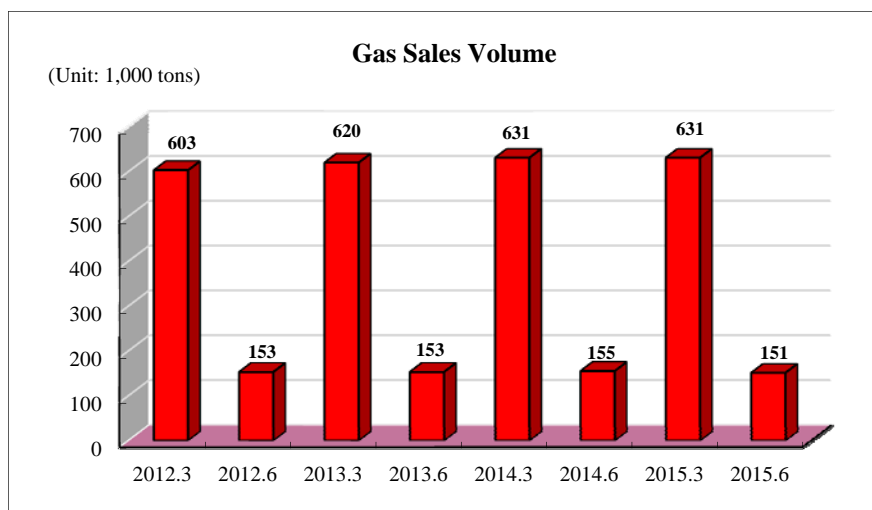
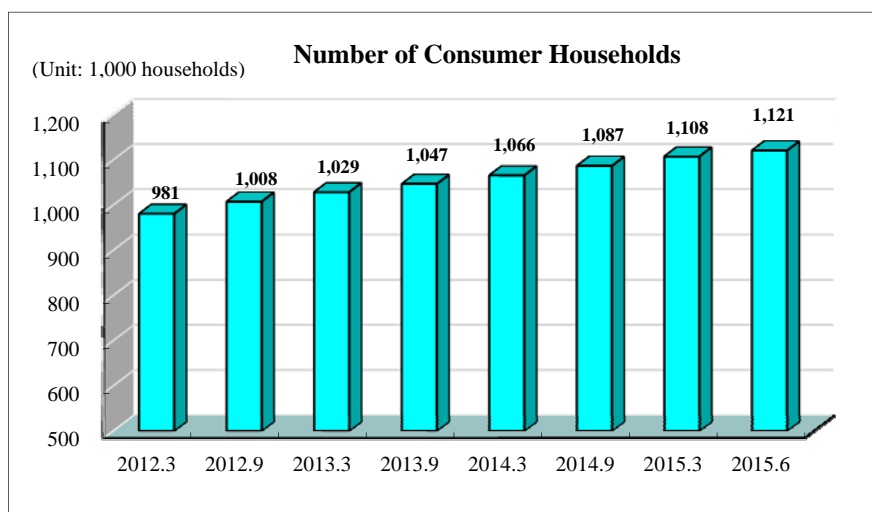
(Millions of yen)

Reportable segments	For the three months ended Jun. 30, 2015 (from Apr. 1, 2015 to Jun. 30, 2015)	For the three months ended Jun. 30, 2014 (from Apr. 1, 2014 to Jun. 30, 2014)
Gas	10,563	11,012
Equipment, construction contracts, etc.	1,623	1,712
Total	12,186	12,724

(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).