Consolidated Financial Results for the Three Months Ended June 30, 2014 [Japanese GAAP]

July30, 2014

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:August13, 2014
Scheduled date of commencing dividend payments:－
Availability of supplementary briefing material onquarterly financial results: Available
Schedule of quarterlyfinancial results briefing session: None

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2014 (April 1, 2014 to June 30, 2014)

(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, 2014	30,929	4.4	2,158	(26.6)	2,063	(31.3)	1,239	(21.2)
Three months ended Jun. 30, 2013	29,624	1.2	2,942	(16.9)	3,005	(13.3)	1,572	(13.8)

(Note) Comprehensive income: Three months ended Jun. 30, 2014 ¥1,879 million [17.6%]
Three months ended Jun. 30, 2013 ¥1,597 million [(10.4)%]

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2014	28.15	－
Three months ended Jun. 30, 2013	33.09	－

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2014	129,231	44,612	34.5
As of Mar. 31, 2014	123,496	44,831	36.3

(Reference) Equity: As of Jun. 30, 2014 ¥44,606 million As of Mar. 31, 2014 ¥44,824 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, 2014	—	6.50	—	19.50	26.00
Fiscal year ending Mar. 31, 2015	—				
Fiscal year ending Mar. 31, 2015 (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, 2015 (April 1, 2014 to March 31, 2015)

(% 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, 2014	57,100	6.6	1,800	(30.8)	1,400	(45.8)	600	(71.2)	15.02
Full-year	133,000	4.9	10,000	10.7	9,800	6.6	6,000	(36.6)	160.29

(Note) Revision of dividend projection from recently announced figures: Yes

4. Notes

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

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

Jun. 30, 2014	48,561,525 shares
Mar. 31, 2014	48,561,525 shares

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

Jun. 30, 2014	4,530,774shares
Mar. 31, 2014	4,525,927 shares

3) Average number of shares during the period:

Three months ended Jun. 30, 2014	44,031,078 shares
Three months ended Jun. 30, 2013	47,515,696 shares

The Company repurchased 9,531,000 shares of its treasury share on July 9, 2014. Thus, in the consolidated financial results forecast for the fiscal year ending March 31, 2015, net income per share is calculated based on the average number of shares during the period, reflecting the increase in the number of treasury shares due to the aforementioned repurchase.

* 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 quarterlyfinancial statements, review procedures forquarterly 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 ofConsolidated Forecast Results andOther Forward-looking Information" on page 3of the attached Appendix for the notes on the use of preconditions for the earnings forecast and the use of the earnings forecast.

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1. Qualitative Information onConsolidated Performance for the Period under Review

(1) Explanation of Results of Operations

The environment surrounding Japan's energy industry is beginning to undergo rapid significantchanges. In the electricity industry, the revised Electricity Business Act was passed, and it has been decided that the retail sale of electricitywould be fully liberalize in2016. In the gas industry as well, a committee on gas system reform has been set up under the leadershipof the Ministry of Economy, Trade and Industry, and discussions on system reform, including complete liberalization of retail sale of city gas, are moving forward quickly. Discussions on energy liberalization are progressing rapidly in the direction of relaxation of regulations with an eye to the cultivation of general energy company groups. In the future, these discussions are expected to move substantially toward realignment of the industry beyond the borders of industry categories, with the aim of creating package-type businesses for electricity, gas, information, water, etc.

In light of these changes in the environment, the Group submitted a notification of commencement of specified-scale electricity business to the Ministry of Economy, Trade and Industry in May 2014, and began considering an entry into the electricity business with a view to developing into a general energy company specialized in the retail sale field. In addition, the discussions on business alliance agreed to with Aqua Clara Lemongas Holdings Co., Ltd. in January 2014 are proceeding steadily. The Group will continue to actively pursue alliances and other initiatives across industry borders.

Kumonouchusen, the new operational system linking cloud technology and mobile devices at the core of the Group's strategy for the energy market after liberalization, has already commenced full-scale operation at the Company. The Group will begin deployment of the system at city gas subsidiaries, and also plans to conduct nationwide sales via Kumonouchusen Co., Ltd., which was jointly established with KDDI CORPORATION and Hitachi Capital Corporation.

As for the development of overseas businesses, the electricity retailer Entrust Energy, Inc. operating in Texas and affiliated with Strategic Power Holdings LLC, in which the Group is involved in its management in the U.S. through the Company's local subsidiary Nippon Gas USA, Inc., and North Eastern States Inc., which operates electricity and gas retail business in seven states in Northeastern America are steadily increasing their number of customers, and the number of customers as of the end of the three months ended June 30, 2014 totaled 127,000 households. Because of the increasing significanceof theGroup, Nippon Gas USA, Inc. was included in the scope of application of the equity method from the period under review. In the future, the Group plans to increase the Group's customers to 500,000 households within the next three years. Meanwhile in Australia, the Group is involved in an electric energy saving management service company for commercial and industrial customers, COzero Holdings Limited, in terms of capital and management, and is accumulating business know-how related to energy saving in the retail field, which will be an extremely vital business area in the domestic energy market after liberalization. By applying the knowledge and expertise acquired from overseas investments in the U.S. and Australia, where liberalization of retail sale of energy is advancing, to the strategies for the planned liberalization of retail sale of energy in Japan in the future, while at the same time investing the Group's business know-how and funds in overseas investments, the Group will expand its customer base for overseas businesses and enhance its earnings base for the future.

For the period under review, consolidated net sales increased by 4.4% year-on-year to ¥30,929 million due to a steady increase in the number of customers and higher sales prices owing to factors including the gas rate adjustment system. The number of customers of the Group increased by 38,000 households compared with the end of the same period of the previous fiscal year to 1,077,000 households as of the end of the three months ended June 30, 2014.

In terms of profit, owing to factors including higher raw material prices compared with the same period of the previous fiscal year, an increase in cost of sales, and an increase in demand development expenses associated with steady growth in the number of customers, operating income decreased by 26.6% year-on-year to ¥2,158 million, ordinary income decreased by 31.3% year-on-year to ¥2,063 million, and net income decreased by 21.2% year-on-year to ¥1,239 million, in spite of a reduction of costs 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 sharpseasonal fluctuations, accounts for a major part of the Group’s business. Therefore, sales and profits tend to risedisproportionately in the second half of the year.

Business performance by segment for the three months ended June 30, 2014 is as follows:

[LP Gas Business]

In the LP gas business, although consumption volume per unit decreased due to the spread of energy saving equipment and other factors, gas sales volume increased slightly year-on-year thanks to an increase in the number of retail customers. Consequently, net sales for the three months ended June 30, 2014 increased by ¥677 million (3.9% increase) year-on-year to ¥18,204 million.

[City Gas Business]

In the city gas business, although consumer gas sales volume decreased slightly year-on-year due to a decrease in consumption volume per unit and other factors, net sales increased by ¥627 million (5.2% increase) year-on-year to ¥12,724 million because of an increase in demand from newly acquired large-volume industrial customers in addition to a year-on-year increase in natural gas prices due to the gas rate adjustment system.

(2) Explanation of Financial Position

1) Assets

Total assets as of the end of the first quarterof the fiscal year ending March 31, 2015increased by ¥5,734 millionfrom the end of the previous fiscal year and stood at ¥129,231 million.This is mainly a reflection of the increase in cash and deposits due to borrowing of funds for the treasury share acquired through tender offer, andthe decrease in notes and accounts receivable-tradedue to seasonal factors.

2) Liabilities

Total liabilities as of the end of the first quarter of the fiscal year ending March 31, 2015 increased by ¥5,953million from the end of the previous fiscal year and stood at ¥84,618 million.This is mainly a reflection of the increase in loans payable andthe decrease in notes and accounts payable-tradedue to seasonal factors.

3) Net assets

Net assets as of the end of the first quarter of the fiscal year ending March 31, 2015 decreased by ¥218 millionfrom the end of the previous fiscal year and stood at ¥44,612 million.This is mainly a reflection of the decrease in retained earnings due to payment of dividends and changes in the scope of application of the equity method, andthe increase in foreign currency translation adjustments.

As a result, equity ratio decreased by 1.8 points from the end of the previous fiscal year to 34.5%.

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

In the fiscal year ending March 31, 2015, 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. As a result, the Company projects consolidated net sales of ¥133,000 million or 4.9% increase year-on-year.

In terms of profits, as a result of factors such as an increase in the number of customers, further evolution of the new logistics/operational systems, and progress in reducing administrative costs by making consolidated subsidiaries wholly owned subsidiaries, the Group projects operating income of ¥10,000 million (10.7% increase) and ordinary income of ¥9,800 million (6.6% increase). The Group projects net income of ¥6,000 million (36.6% decrease) and its favorable growth except for impact from the posting of ¥6,000 millionof gain on bargain purchase in 2013.

The Company, in the “Notice Concerning Revision of Financial Results Forecast”released today, revised the financial results forecast on consolidated and non-consolidated basis for the six months ending September 30, 2014 released on April 24, 2014. As for the full-year financial results forecast, the Company has, at this point in time, not revised the preceding forecast.

2. Issues Related to Summary Information (Notes)

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

None.

Scope of application of the equity method was changed in the period under review

(Changes in the Scope of Consolidation or in the Scope of Application of the Equity Method)

Significant changes in the scope of application of the equity method

From the period under review, Nippon Gas USA, Inc. with the growth of importancewas included in the scope of application of the equity method.

(2)Adoption of SpecialAccounting Processes for Preparing Quarterly Consolidated Financial Statements

None.

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

(Changes to Accounting Policies)

Following the adoption, fromthe period under review, of provisions specified in the main clause of Paragraph 35 of “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan [ASBJ] Statement No. 26, May 17, 2012, hereinafter referred to as “Retirement Benefits Accounting Standard”) and the main clause of Paragraph 67 of “Guidance on Accounting Standard for Retirement Benefits”(ASBJ Guidance No. 25, May 17, 2012, hereinafter referred to as“Retirement Benefits Guidance”), methods for calculating retirement benefitobligations and service cost have been reviewed, and methods for attributing expected retirement benefits payment have been changed from straight-line basis to benefit formula basis, while discount ratebased on the average remaining service period has been replaced by single weighted average discount rate.

In adopting the Retirement Benefits Accounting Standard etc.,the effected amount associated with the aforementioned change in the methods for calculating retirement benefitobligations and service cost has beenadjusted to retained earnings at the beginning of the periodunder review, according to the transitionalhandling prescribed in Paragraph 37 of the Retirement Benefits Accounting Standard.

As a result, net defined benefit liability at the beginning of the periodunder reviewdecreased by ¥101 million, while retained earningsincreased by ¥65 million, which, however, had minimal impact on operating income, ordinary income, and income before income taxes and minority interest for the three months ended June 30, 2014.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2014 (As of Mar. 31, 2014)	Three months ended Jun. 2014 (As of Jun. 30, 2014)
Assets		
Current assets		
Cash and deposits	14,494	25,279
Notes and accounts receivable-trade	10,152	7,633
Merchandise and finished goods	7,298	5,592
Work in process	9	20
Raw materials and supplies	95	84
Deferred tax assets	739	545
Other	1,128	575
Allowance for doubtful accounts	(135)	(103)
Total current assets	33,782	39,627
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	7,375	7,233
Machinery, equipment and vehicles, net	37,660	36,891
Tools, furniture and fixtures, net	428	402
Land	21,725	22,068
Lease assets, net	2,216	2,220
Construction in progress	227	1,021
Total property, plant and equipment	69,632	69,837
Intangible assets		
Goodwill	5,872	5,639
Other	1,193	1,160
Total intangible assets	7,066	6,800
Investments and other assets		
Investment securities	5,597	4,899
Other	8,323	8,978
Allowance for doubtful accounts	(939)	(939)
Total investments and other assets	12,982	12,937
Total non-current assets	89,681	89,575
Deferred assets	32	28
Total assets	123,496	129,231

(Millions of yen)

Account	Fiscal year ended Mar. 31, 2014 (As of Mar. 31, 2014)	Three months ended Jun. 2014 (As of Jun. 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,607	10,743
Short-term loans payable	12,539	26,614
Income taxes payable	2,885	679
Provision for bonuses	423	437
Other	4,581	4,841
Total current liabilities	36,037	43,317
Noncurrent liabilities		
Long-term loans payable	36,533	35,422
Provision for directors' retirement benefits	1,011	906
Provision for gas holder repairs	275	291
Net defined benefit liability	2,196	2,094
Other	2,610	2,586
Total non-current liabilities	42,628	41,301
Total liabilities	78,665	84,618
Netassets		
Shareholders' equity		
Capital stock	7,070	7,070
Capital surplus	6,020	6,020
Retained earnings	36,028	35,170
Treasury shares	(4,977)	(4,979)
Total shareholders' equity	44,140	43,281
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	695	786
Foreign currency translation adjustment	–	548
Remeasurements of defined benefit plans	(11)	(10)
Total accumulated other comprehensive income	683	1,324
Minority interests	6	6
Total net assets	44,831	44,612
Total liabilities and net assets	123,496	129,231

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

Account	For the three months ended Jun. 2013 (from Apr. 1, 2013 to Jun. 30, 2013)	For the three months ended Jun. 2014 (from Apr. 1, 2014 to Jun. 30, 2014)
Net sales	29,624	30,929
Cost of sales	17,526	19,371
Gross profit	12,098	11,557
Selling, general and administrative expenses	9,155	9,399
Operating income	2,942	2,158
Non-operating income		
Interest income	65	48
Dividend income	56	31
Real estate rent	10	11
Share of profit of entities accounted for using equity method	12	–
Other	42	41
Total non-operating income	187	132
Non-operating expenses		
Interest expenses	125	143
Share of loss of entities accounted for using equity method	▪	78
Other	0	5
Total non-operating expenses	125	227
Ordinary income	3,005	2,063
Extraordinary income		
Gain on sales of non-current assets	11	1
Gain on bargain purchase	19	–
Total extraordinary income	31	1
Extraordinary loss		
Loss on sales of non-current assets	7	–
Loss on retirement of non-current assets	34	20
Total extraordinary losses	42	20
Income before income taxes	2,994	2,043
Income taxes-current	945	633
Income taxes-deferred	232	171
Total income taxes	1,177	804
Income before minority interests	1,816	1,239
Minority interests in income (loss)	244	(0)
Net income	1,572	1,239

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

Account	For the three months ended Jun. 2013 (from Apr. 1, 2013 to Jun. 30, 2013)	For the three months ended Jun. 2014 (from Apr. 1, 2014 to Jun. 30, 2014)
Income before minority interests	1,816	1,239
Other comprehensive income		
Valuation difference on available-for-sale securities	(219)	90
Remeasurements of defined benefit plans, net of tax	–	1
Share of other comprehensive income of entities accounted for using equity method	–	548
Total other comprehensive income	(219)	640
Comprehensive income	1,597	1,879
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,354	1,879
Comprehensive income attributable to minority interests	243	(0)

(3) Notes to Consolidated Financial Statements

(Notes on GoingConcern Assumption)

For the three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)

None.

(Notes in Case of SignificantChanges in Shareholder's Equity)

For the three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)

None.

(Significant Subsequent Events)

Purchase of Treasury Shares and Tender Offer

In view of the offers from OEP NG LLC and its joint holder OEP NG COINVEST LLC intending to sell out all of the common shares in the Company they held, the Company, at the Board of Directors' Meeting held on May 16, 2014, made a resolution to conduct purchase of treasury share, and that by means specifically of public tender offer,according toArticle 156, Paragraph 1 of the Companies Act which is applied bythe deemed replacement ofterms pursuant to Article 165, Paragraph 3 of the Act, along with the provisions of the Company's Articles of Incorporation, which was followed up by its implementationas follows.

This purchase was financed partially by the ¥11,500 millionborrowed from financial institutions.

(1) Outline of the resolutionadopted bythe Board of Directors

1) Class of shares to be purchased	Common shares
2) Total number of shares to be purchased	10,000,100 shares (maximum)
3) Total value of shares to be repurchased	¥15,100 million (maximum)
4) Period of purchase	From May 19, 2014 to July 31, 2014

(2) Outline of the tender offer

1) Number of shares to be purchased via tender offer	10,000,000 shares
2) Tender offer price	¥1,510 per share
3) Funds necessary for tender offer	¥15,123 million

(Note) This amount includes estimated value of tender fee and other associated costs.

4) Tender offer period	From May 19, 2014 to June 17, 2014
5) Date of public notice for commencing tender offer	May 19, 2014
6) Date for commencing settlement	July 9, 2014

(3) Results of the tender offer

1) Total number of shares offered	9,531,100 shares
2) Total number of shares purchased	9,531,100 shares
3) Total value of shares purchased	¥14,391 million
4) Settlement date	July 9, 2014

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 theGroup’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 monthsended June 30, 2014are as follows:

Sales results by reportable segments (Millions of yen)

Reportable segments	For thethree months ended Jun. 30, 2014 (from Apr. 1, 2014 to Jun. 30, 2014)	For the three months ended Jun. 30, 2013 (from Apr. 1, 2013 to Jun. 30, 2013)
LP gas Business	18,204	17,527
City gas Business	12,724	12,097
Total	30,929	29,624

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

Reportable segments	For the three months ended Jun. 30, 2014 (from Apr. 1, 2014 to Jun. 30, 2014)	For the three months ended Jun. 30, 2013 (from Apr. 1, 2013 to Jun. 30, 2013)
Gas	15,164	14,387
Equipment, construction contracts, etc.	3,040	3,140
Total	18,204	17,527

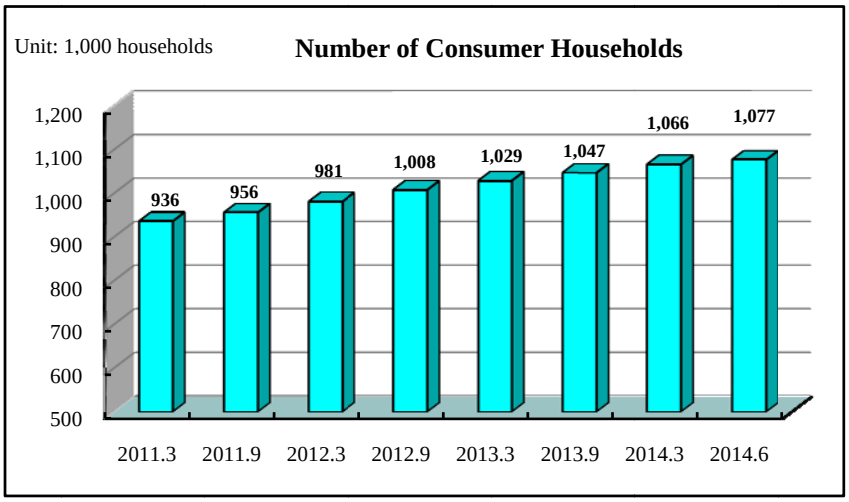
3) Sales results of city gas business (Millions of yen)

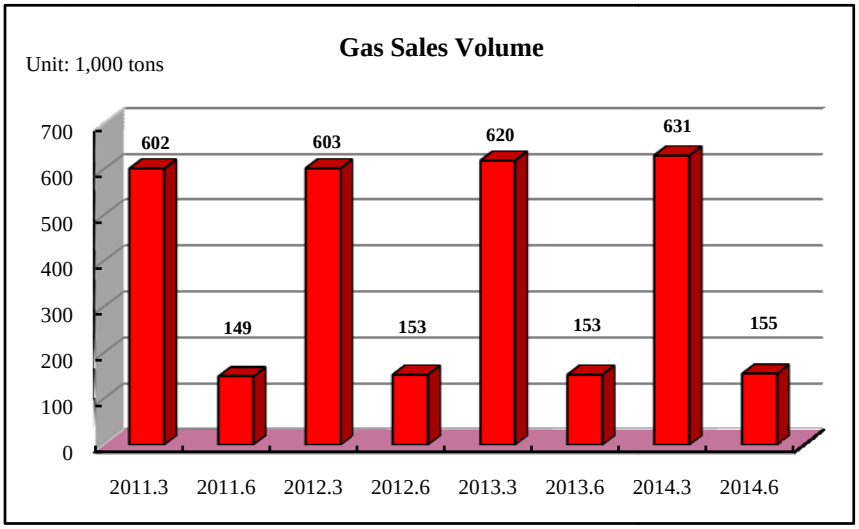
Reportable segments	For thethree months ended Jun. 30, 2014 (from Apr. 1, 2014 to Jun. 30, 2014)	For the three months ended Jun. 30, 2013 (from Apr. 1, 2013 to Jun. 30, 2013)
Gas	11,012	10,326
Equipment, construction contracts, etc.	1,712	1,770
Total	12,724	12,097

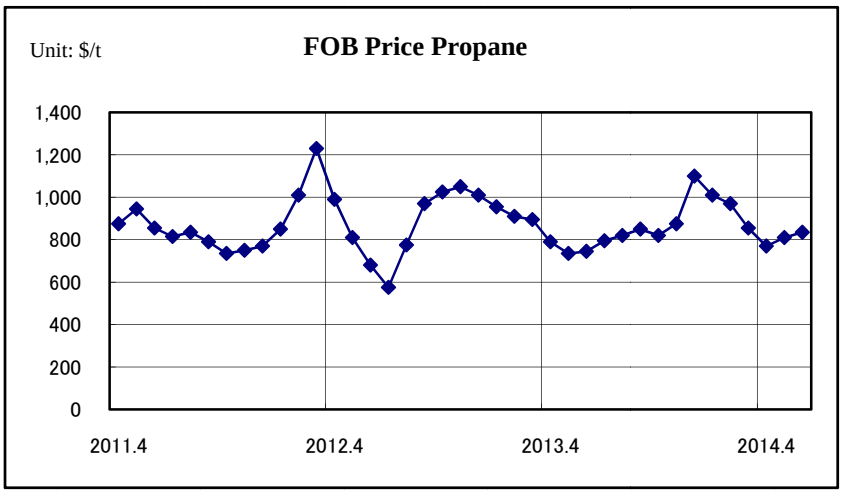
(Notes) 1. Above figures are stated net of consumption taxes, etc.

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).