

# Consolidated Financial Results

## for the Six Months Ended September 30, 2015(2Q FY2015)

**Toho Gas Co., Ltd.**

Code No.: 9533 (URL <http://www.tohogas.co.jp/>)

Representative: Koichi Yasui, President

Contact: Satoshi Yamazaki, General Manager, Finance Dept.

Tel: +81-52-872-9341

Date of filing quarterly financial report: November 13, 2015

Commencement of dividend payments: November 30, 2015

Quarterly earnings supplementary explanatory documents: Yes

Quarterly earnings presentation: Yes (for institutional investors)

**Shares listed on:**

Tokyo Stock Exchange, Nagoya Stock Exchange

(Rounded down to the nearest million yen)

### 1. Consolidated Results for the Six Months Ended September 30, 2015

(1) Consolidated business results (Percentage figures indicate the percentage change on the results for the previous year)

	Sales		Operating income		Ordinary income		Net income attributable to the parent company	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
April 1 – September 30, 2015	237,273	-10.6	39,745	139.5	40,296	136.9	28,994	142.7
April 1 – September 30, 2014	265,342	6.0	16,595	242.5	17,009	225.9	11,948	264.9

Note: Comprehensive income 2nd Quarter ended September 2015: ¥20,891 million (6.1%), 2nd Quarter ended September 2014: ¥19,686 million (88.1%)

	Net income per share	Diluted earnings per share
	(Unit: yen)	(Unit: yen)
April 1 – September 30, 2015	53.50	-
April 1 – September 30, 2014	21.91	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Unit: million yen)	(Unit: million yen)	(%)
2nd Quarter ended September 2015	541,579	297,967	55.0
FY2014 ended March 2015	543,286	282,827	52.1

Reference: Net assets (excluding minority interests)

2nd Quarter ended September 2015: ¥297,967 million, FY2014 ended March 2015: ¥282,827 million

### 2. Dividends

	Dividend per share				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of 4th Quarter	Total
	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)
FY2014 ended March 2015	-	4.50	-	5.00	9.50
FY2015 ending March 2016	-	5.00			
FY2015 ending March 2016 (forecasts)			-	5.00	10.00

Note: Revision of previously announced dividend forecasts: No

### 3. Consolidated Results Forecasts for the Year Ending March 2016(April 1, 2015 - March 31, 2016)

	Sales		Operating income		Ordinary income		Net income attributable to the parent company		Net income per share
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: yen)
Full term	505,000	-13.1	46,000	59.9	47,000	59.2	33,000	73.2	60.97

Note: Revision of previously announced forecasts during this period: Yes

※Notes

(1) Changes in significant consolidated subsidiaries: No

(2) Application of accounting treatment peculiar to quarterly consolidated financial statement preparation: Yes\*

\* Basis for the calculation of corporation tax: Calculated by multiplying quarterly income before tax, etc., by the estimated effective consolidated tax rate at the end of the fiscal year.

(3) Changes in accounting treatment principles, changes in accounting estimates, and retrospective restatements

- Changes accompanied by reform of accounting standards: Yes\*

- Other Changes: No

- Changes in accounting estimates: No

- Retrospective restatements: No

\* The Company has applied the “Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on September 13, 2013, hereinafter “Business Combinations Accounting Standard”), “Accounting Standard for Consolidated Financial Statements (Accounting Standards Board of Japan (ASBJ) Statement No. 22 issued on September 13, 2013, hereinafter “Consolidation Accounting Standard”), “Accounting Standard for Business Divestitures” (Accounting Standards Board of Japan (ASBJ) Statement No. 7 issued on September 13, 2013, hereinafter “Business Divestitures Accounting Standard”) and other related standards from the first quarter ended June 30, 2015. Accordingly, the accounting methods were changed to record the difference arising from changes in equity in subsidiaries which the Company continues to control as capital surplus, and to record business acquisition costs as expenses for the fiscal year in which they occurred. In addition, regarding business combinations which became or will become effective on or after April 1, 2015, the accounting method was changed to retroactively reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the fiscal year in which the relevant business combinations became or will become effective. The Company has also changed the presentation of net income, etc. To reflect this change in presentation, the Company has made certain reclassification to quarterly consolidated financial statement for the previous fiscal year.

The Business Combinations Accounting Standard and other related standards were applied from April 1, 2015 in accordance with the transitional treatment set forth in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard.

This change has no effect on quarterly consolidated financial statements during the second quarter ended September 30, 2015.

(4) Number of outstanding shares (common stock)

Number of outstanding shares at the end of the term (Inclusive of treasury stock)	2nd Quarter ended September 2015	541,276,429 shares	FY2014 ended March 2015	545,966,429 shares
Number of treasury stock at the end of the term	2nd Quarter ended September 2015	46,305 shares	FY2014 ended March 2015	755,433 shares
Average number of outstanding shares during the term	2nd Quarter ended September 2015	541,967,547 shares	2nd Quarter ended September 2014	545,296,335 shares

**Reference: Non- Consolidated Results Forecasts for the Year Ending March 2016 (April 1, 2015 - March 31, 2016)**

	Sales		Operating income		Ordinary income		Net income		Net income per share
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: yen)
Full term	435,000	-14.1	43,000	73.7	45,000	67.3	31,500	78.0	58.20

Notes: Revision of previously announced forecasts during this period: Yes

\* The above forecasts are based on information available at the time of the release of this document. Due to various factors, the actual result may vary from the forecasts data.

## <Summary of Consolidated Statements>

### 1. Consolidated balance sheet

(Unit: million yen)

	Previous year (As of Mar. 31, 2015)	2nd Quarter (As of Sept. 30, 2015)
Assets		
Noncurrent assets		
Property, plant and equipment		
Production facilities	67,858	66,217
Distribution facilities	149,332	148,216
Service and maintenance facilities	26,563	26,427
Other facilities	28,212	27,318
Construction in progress	31,592	34,573
Total property, plant and equipment	303,559	302,753
Intangible assets		
Other	5,936	5,665
Total intangible assets	5,936	5,665
Investments and other assets		
Investment securities	79,023	75,387
Other	13,203	15,413
Allowance for doubtful accounts	-80	-91
Total investments and other assets	92,147	90,709
Total noncurrent assets	401,643	399,127
Current assets		
Cash and deposits	20,722	22,653
Notes and accounts receivable-trade	61,030	40,628
Securities	-	40,000
Inventories	28,297	14,004
Other	31,865	25,360
Allowance for doubtful accounts	-271	-194
Total current assets	141,643	142,452
Total assets	543,286	541,579

(Unit: million yen)

	Previous year (As of Mar. 31, 2015)	2nd Quarter (As of Sept. 30, 2015)
Liabilities		
Noncurrent liabilities		
Bonds payable	89,995	79,995
Long-term loans payable	29,674	26,117
Provision for gas holder repairs	1,318	1,371
Reserve for safety measures	16,180	19,197
Provision for gas appliance warranties	939	895
Net defined benefit liability	21,781	20,530
Other	8,225	8,217
Total noncurrent liabilities	168,114	156,325
Current liabilities		
Current portion of noncurrent liabilities	17,133	21,970
Notes and accounts payable-trade	15,959	11,355
Short-term loans payable	12,022	7,662
Income taxes payable	11,492	13,581
Other	35,737	32,715
Total current liabilities	92,344	87,286
Total liabilities	260,459	243,611
Net assets		
Shareholders' equity		
Capital stock	33,072	33,072
Capital surplus	8,388	8,387
Retained earnings	188,522	211,413
Treasury stock	-387	-33
Total shareholders' equity	229,596	252,840
Other comprehensive income		
Valuation difference on available-for-sale securities	39,473	36,970
Deferred gains or losses on hedges	11,496	5,500
Foreign currency translation adjustment	2,786	3,044
Remeasurements of defined benefit plans	-525	-388
Total other comprehensive income	53,230	45,127
Total net assets	282,827	297,967
Total liabilities and net assets	543,286	541,579

**2. Consolidated statements of income, Statements of comprehensive income**  
**Consolidated statements of income for the Six Months**

(Unit: million yen)

	2 <sup>nd</sup> Quarter of FY2014 (Apr. – Sept. 2014)	2 <sup>nd</sup> Quarter of FY2015 (Apr. – Sept. 2015)
Net sales	265,342	237,273
Cost of sales	186,324	131,807
Gross profit	79,018	105,466
Selling, general and administrative expenses	62,423	65,720
Operating income	16,595	39,745
Non-operating income		
Interest income	10	30
Dividend income	744	852
Rent income	355	356
Miscellaneous income	288	357
Total non-operating income	1,399	1,596
Non-operating expenses		
Interest expenses	860	833
Miscellaneous expenses	124	212
Total non-operating expenses	985	1,046
Ordinary income	17,009	40,296
Income before income taxes	17,009	40,296
Income taxes-current	5,060	11,302
Net income	11,948	28,994
Net income attributable to the parent company	11,948	28,994

**Statements of comprehensive income for the Six Months**

(Unit: million yen)

	2 <sup>nd</sup> Quarter of FY2014 (Apr. – Sept. 2014)	2 <sup>nd</sup> Quarter of FY2015 (Apr. – Sept. 2015)
Net income	11,948	28,994
Other comprehensive income		
Valuation difference on available-for-sale securities	2,742	-2,502
Deferred gains or losses on hedges	1,863	-5,996
Foreign currency translation adjustment	-408	258
Remeasurements of defined benefit plans, net of tax	3,540	136
Total other comprehensive income	7,738	-8,103
Comprehensive income	19,686	20,891
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	19,686	20,891
Comprehensive income attributable to non-controlling interests	-	-

### 3. Notes about Consolidated Statements

#### - Note of going concerns' premise: No

#### - Significant change in shareholders' equity: Yes

##### -Purchase of treasury stock

The Company repurchased its shares as follows, pursuant to Article 156 of the Corporation Code as applied pursuant to Article 165, paragraph 3. With this transaction, the Company has reached the stock repurchase limit approved at the Board of Directors' meeting held on April 30, 2015:

1. Types of shares repurchased	Common stock
2. Number of shares repurchased	3,947,000 shares
3. Total value of shares repurchased	¥2,999,581,000
4. Acquisition period	From May 7, 2015 to May 28, 2015
5. Method of repurchase	Market purchase on Tokyo Stock Exchange

##### -Retirement of treasury stock

The Company retired treasury stock as follows, based on a resolution of the Board of directors passed on June 22, 2015, pursuant to Article 178 of the Corporation Code:

1 Type of shares retired	Common Stock
2 Number of shares retired	4,690,000 shares
3 Effective date of retirement	June 30, 2015

#### - Additional information

##### - Provision for safety measures

The Company decided to make further efforts to ensure security by replacing the gas pipelines buried under the roads that are important in terms of disaster prevention with more earthquake-resistant pipelines in a planned manner, and to provide an allowance for the expenses.

As a result, the Company provided an additional allowance for replacement of pipelines by estimating future expenditures of ¥4,125 million. Therefore, operating income, ordinary income, and net income before adjustment for tax declined by ¥4,125 million.

#### - Segment information

Segment information by category of business

Six months ended Sept. 30, 2014 (Apr. 1 – Sept. 30, 2014)

(Unit: million yen)

	Business segment reported				Other (Note.1)	Total	Adjustments (Note.2)	Consolidated statements of income (Note.3)
	Gas sales	Gas appliance sales and related construction	LPG and other Energies	Total				
Net sales								
(1) External customers	202,336	14,626	38,638	255,601	9,741	265,342	-	265,342
(2) Intersegment	48	908	355	1,312	5,703	7,016	-7,016	-
Total	202,385	15,535	38,993	256,914	15,444	272,359	-7,016	265,342
Segment income	15,130	103	116	15,350	630	15,980	614	16,595

- Notes: 1. The "Other" segment incorporates operations not included in business segment reported, including LNG processing under contract, leasing and management of real estate, engineering of gas production plants, comprehensive utility service business, sales of housing equipment, data processing services, and other leasing, etc.  
2. The "Adjustments" column in "Segment income" (614 million yen) denotes eliminations of intersegment transactions.  
3. Segment income in the table above is reconciled to operating income on the quarterly consolidated statements of income.

Six months ended Sept. 30, 2015(Apr. 1 – Sept. 30, 2015)

(Unit: million yen)

	Business segment reported				Other (Note.1)	Total	Adjustments (Note.2)	Consolidated statements of income (Note.3)
	Gas sales	Gas appliance sales and related construction	LPG and other Energies	Total				
Net sales								
(1) External customers	179,893	15,375	32,861	228,130	9,143	237,273	-	237,273
(2) Intersegment	41	771	346	1,159	6,203	7,362	-7,362	-
Total	179,934	16,147	33,207	229,289	15,346	244,636	-7,362	237,273
Segment income	36,790	423	1,217	38,431	669	39,101	644	39,745

- Notes: 1. The “Other” segment incorporates operations not included in business segment reported, including LNG processing under contract, leasing and management of real estate, engineering of gas production plants, comprehensive utility service business, sales of housing equipment, data processing services, and other leasing, etc.
2. The “Adjustments” column in “Segment income” (644million yen) denotes eliminations of intersegment transactions.
3. Segment income in the table above is reconciled to operating income on the quarterly consolidated statements of income.