

Consolidated Financial Results

for the Three Months Ended June 30, 2016 (1Q FY2016)

Toho Gas Co., Ltd.

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

Representative: Yoshiro Tominari, President

Contact: Katsuhiko Kozawa, General Manager, Finance Dept.

Tel: +81-52-872-9341

Date of filing quarterly financial report: August 10, 2016

Commencement of dividend payments: -

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 Three Months Ended June 30, 2016

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
April 1 – June 30, 2016	95,861	-27.0	17,791	-41.5	18,429	-40.7	12,912	-42.3
April 1 – June 30, 2015	131,286	-3.5	30,392	131.3	31,103	127.5	22,371	134.1

Note: Comprehensive income 1st Quarter ended June 2016: ¥7,299 million (-73.3%), 1st Quarter ended June 2015: ¥27,367 million (101.5%)

	Net income per share	Diluted earnings per share
	(Unit: yen)	(Unit: yen)
April 1 – June 30, 2016	23.93	-
April 1 – June 30, 2015	41.22	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Unit: million yen)	(Unit: million yen)	(%)
1st Quarter ended June 2016	513,265	287,394	56.0
FY2015 ended March 2016	555,217	285,186	51.4

Reference: Net assets (excluding minority interests)

1st Quarter ended June 2016: ¥287,394 million, FY2015 ended March 2016: ¥285,186 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)
FY2015 ended March 2016	-	5.00	-	5.00	10.00
FY2016 ending March 2017	-	-	-	-	-
FY2016 ending March 2017 (forecasts)	-	5.00	-	5.00	10.00

Note: Revision of previously announced dividend forecasts: No

3. Consolidated Results Forecasts for the Year Ending March 2017 (April 1, 2016 - March 31, 2017)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: yen)
Mid-term	179,000	-24.6	12,000	-69.8	12,500	-69.0	8,500	-70.7	15.79
Full term	402,000	-16.2	23,000	-62.1	24,000	-60.7	17,000	-60.5	31.59

Notes: * (Mid-term) Percentage figures indicate the percentage change on the interim results for the previous year

(Full term) Percentage figures indicate the percentage change on the results for the previous year

* 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 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 “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) PITF No. 32, issued on June 17, 2016) from the first quarter ended June 30, 2016. Accordingly, the depreciation method was changed from the declining-balance method to the straight-line method for the facilities of buildings and structures acquired on or after April 1, 2016.

This change has minimal impact on profit and loss.

(Additional information)

- The Company has applied “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the first quarter ended June 30, 2016.

(4) Number of outstanding shares (common stock)

Number of outstanding shares at the end of the term (Inclusive of treasury stock)

1st Quarter ended June 2016	541,276,429 shares	FY2015 ended March 2016	541,276,429 shares
1st Quarter ended June 2016	3,089,022 shares	FY2015 ended March 2016	68,729 shares
1st Quarter ended June 2016	539,495,616 shares	1st Quarter ended June 2015	542,709,134 shares

Number of treasury stock at the end of the term

Average number of outstanding shares during the term

Reference: Non- Consolidated Results Forecasts for the Year Ending March 2017 (April 1, 2016 - March 31, 2017)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Unit: million yen)	(%)	(Unit: yen)						
Mid-term	149,000	-27.6	11,000	-70.9	12,500	-68.2	8,500	-70.2	15.79
Full term	336,000	-18.2	20,000	-64.0	22,000	-61.6	15,500	-62.0	28.80

Notes: *(Mid-term) Percentage figures indicate the percentage change on the interim results for the previous year

(Full term) Percentage figures indicate the percentage change on the results for the previous year

* 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, 2016)	1st Quarter (As of June 30, 2016)
Assets		
Noncurrent assets		
Property, plant and equipment		
Production facilities	67,795	68,539
Distribution facilities	148,693	146,094
Service and maintenance facilities	26,939	26,676
Other facilities	29,448	29,009
Construction in progress	40,405	42,301
Total property, plant and equipment	313,282	312,621
Intangible assets		
Other	5,319	4,932
Total intangible assets	5,319	4,932
Investments and other assets		
Investment securities	69,045	62,980
Other	22,723	23,674
Allowance for doubtful accounts	-102	-87
Total investments and other assets	91,665	86,567
Total noncurrent assets	410,267	404,122
Current assets		
Cash and deposits	25,393	20,298
Notes and accounts receivable-trade	47,666	35,715
Securities	35,000	24,000
Inventories	14,256	11,253
Other	22,846	18,058
Allowance for doubtful accounts	-212	-181
Total current assets	144,950	109,143
Total assets	555,217	513,265

(Unit: million yen)

	Previous year (As of Mar. 31, 2016)	1st Quarter (As of June 30, 2016)
Liabilities		
Noncurrent liabilities		
Bonds payable	69,997	69,998
Long-term loans payable	22,389	21,679
Provision for gas holder repairs	1,422	1,447
Reserve for safety measures	18,570	18,158
Provision for gas appliance warranties	3,764	3,721
Net defined benefit liability	26,200	25,716
Other	8,663	8,915
Total noncurrent liabilities	151,007	149,636
Current liabilities		
Current portion of noncurrent liabilities	26,780	16,773
Notes and accounts payable-trade	16,593	13,533
Short-term loans payable	7,073	5,753
Income taxes payable	15,355	5,719
Other	53,222	34,454
Total current liabilities	119,024	76,234
Total liabilities	270,031	225,871
Net assets		
Shareholders' equity		
Capital stock	33,072	33,072
Capital surplus	8,387	8,387
Retained earnings	222,721	232,928
Treasury stock	-50	-2,436
Total shareholders' equity	264,131	271,952
Other comprehensive income		
Valuation difference on available-for-sale securities	32,480	28,456
Deferred gains or losses on hedges	-4,212	-5,643
Foreign currency translation adjustment	3,009	2,384
Remeasurements of defined benefit plans	-10,222	-9,756
Total other comprehensive income	21,054	15,441
Total net assets	285,186	287,394
Total liabilities and net assets	555,217	513,265

2. Consolidated statements of income and comprehensive income

Consolidated statements of income for the Three Months

(Unit: million yen)

	1 st Quarter of FY2015 (Apr. – June 2015)	1 st Quarter of FY2016 (Apr. – June 2016)
Net sales	131,286	95,861
Cost of sales	66,453	46,778
Gross profit	64,832	49,083
Selling, general and administrative expenses	34,439	31,292
Operating income	30,392	17,791
Non-operating income		
Interest income	7	28
Dividend income	832	717
Rent income	115	115
Miscellaneous revenues	216	111
Total non-operating income	1,172	974
Non-operating expenses		
Interest expense	415	294
Miscellaneous expenses	46	41
Total non-operating expenses	461	335
Ordinary income	31,103	18,429
Extraordinary loss		
Loss on valuation of investment securities	-	480
Total extraordinary loss	-	480
Income before income taxes	31,103	17,948
Income taxes-current	8,731	5,036
Net income	22,371	12,912
Net income attributable to owners of the parent	22,371	12,912

Consolidated statements of comprehensive income for the Three Months

(Unit: million yen)

	1 st Quarter of FY2015 (Apr. – June 2015)	1 st Quarter of FY2016 (Apr. – June 2016)
Net income	22,371	12,912
Other comprehensive income		
Valuation difference on available-for-sale securities	5,001	-4,023
Deferred gains or losses on hedges	-24	-1,430
Foreign currency translation adjustment	-49	-624
Remeasurements of defined benefit plans	68	465
Total other comprehensive income	4,995	-5,613
Comprehensive income	27,367	7,299
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	27,367	7,299
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.

1. Types of shares repurchased	Common stock
2. Number of shares repurchased	3,016 thousand shares
3. Total value of shares repurchased	¥2,381 million
4. Period of repurchase	From May 9, 2016 to June 17, 2016 (Commitment basis)
5. Method of repurchase	Market purchase on Tokyo Stock Exchange

- Segment information

Segment information by category of business

Three months ended June 30, 2015 (Apr. – June 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	101,830	7,189	17,764	126,784	4,502	131,286	-	131,286
(2) Intersegment	20	352	136	508	2,988	3,497	-3,497	-
Total	101,850	7,541	17,900	127,293	7,490	134,783	-3,497	131,286
Segment income	28,168	61	1,403	29,632	453	30,086	306	30,392

- 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" (306 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.

Three months ended June 30, 2016 (Apr. – June 2016)

(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	68,619	7,247	14,883	90,750	5,111	95,861	-	95,861
(2) Intersegment	13	331	177	522	3,529	4,052	-4,052	-
Total	68,633	7,578	15,061	91,273	8,640	99,913	-4,052	95,861
Segment income	15,383	42	1,456	16,882	592	17,474	316	17,791

- 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" (316 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.