

Consolidated Financial Results for the Nine Months Ended December 31, 2017 (3Q FY2017)

Toho Gas Co., Ltd.

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

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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 Nine Months Ended December 31, 2017

(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 – December 31, 2017	297,637	11.0	13,821	-16.7	16,287	-9.5	11,627	-9.3
April 1 – December 31, 2016	268,034	-21.9	16,592	-62.4	17,999	-60.3	12,822	-60.4

Note: Comprehensive income 3rd Quarter ended December 2017: ¥21,641 million (-5.0%), 3rd Quarter ended December 2016: ¥22,776 million (2.2%)

	Net income per share	Diluted earnings per share
	(Unit: yen)	(Unit: yen)
April 1 – December 31, 2017	109.17	-
April 1 – December 31, 2016	119.03	-

Note: The Company consolidated its common stocks at a ratio of five shares to one share on October 1, 2017. Net income per share is calculated as if the consolidation of shares had occurred at the beginning of the fiscal year ended March 31, 2017.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Unit: million yen)	(Unit: million yen)	(%)
3rd Quarter ended December 2017	551,327	320,091	58.1
FY2016 ended March 2017	532,931	306,801	57.6

Reference: Net assets (excluding minority interests)

3rd Quarter ended December 2017: ¥320,091 million, FY2016 ended March 2017: ¥306,801 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)
FY2016 ended March 2017	-	5.00	-	5.00	10.00
FY2017 ending March 2018	-	5.00	-	-	-
FY2017 ending March 2018 (forecasts)	-	-	-	25.00	-

Notes: 1. Revision of previously announced dividend forecasts: No

2. The Company consolidated its common stocks at a ratio of five shares to one share on October 1, 2017. Accordingly, the amount of the year-end dividends per share for FY2017 ending March 2018 (forecast) reflects the impact of the consolidation of shares and disclosure of the annual dividends per share is omitted. Excluding the impact of the consolidation of shares, the year-end dividends per share for FY2017 ending March 2018 (forecast) would be 5 yen and the annual dividends per share would be 10 yen. Please see "Notes on proper use of forecasts and other matters" for details.

3. Consolidated Results Forecasts for the Year Ending March 2018 (April 1, 2017 - March 31, 2018)

(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		Net income per share
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: yen)
Full term	428,000	9.6	24,000	3.5	25,000	2.1	18,000	1.4	169.27

Notes: 1. Revision of previously announced forecasts during this period: No

2. The Company consolidated its common stocks at a ratio of five shares to one share on October 1, 2017. Net income per share under the consolidated results forecasts for FY2017 reflects the impact of the consolidation of shares. Please see "Notes on proper use of forecasts and other matters" for details.

※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: No
- Other changes: No
- Changes in accounting estimates: No
- Retrospective restatements: No

(4) Number of outstanding shares (common stock)

Number of outstanding shares at the end of the term (Inclusive of treasury stock)	3rd Quarter ended December 2017	106,351,285 shares	FY2016 ended March 2017	107,639,285 shares
Number of treasury stock at the end of the term	3rd Quarter ended December 2017	10,771 shares	FY2016 ended March 2017	553,044 shares
Average number of outstanding shares during the term	3rd Quarter ended December 2017	106,508,071 shares	3rd Quarter ended December 2016	107,722,103 shares

Note: The Company consolidated its common stocks at a ratio of five shares to one share on October 1, 2017. The number of outstanding shares at the end of the term, the number of treasury stock at the end of the term and the average number of outstanding shares during the term are calculated as if the consolidation of shares had occurred at the beginning of the fiscal year ended March 31, 2017.

* This report of consolidated financial results is not subject to audit.

* Notes on proper use of forecasts and other matters

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

- Dividends outlook and result forecasts after the consolidation of shares

The consolidation of shares was approved at the annual shareholders meeting held on June 27, 2017. Accordingly, the Company consolidated its common shares at the ratio of five shares to one share on the effective date of October 1, 2017. It also changed the number of shares per trading unit from 1,000 shares to 100 shares on the same day. The dividends forecast and Consolidated Results Forecasts for FY2017 (April 1, 2017- March 31, 2018) excluding the impact of the consolidation of shares are as follows.

1. Dividends forecast for FY2017 ending March 31, 2018

Dividends per share:

Interim 5 yen (Note 1)

Year-end 5 yen (Note 2)

2. Consolidated results forecasts for FY2017 ending March 31, 2018

Net income per share

Full term 33.85yen

3. Non-consolidated results forecasts for FY2017 ending March 31, 2018

Net income per share

Full term 29.15 yen

Notes: 1. The interim dividends was paid out based on the number of shares before the consolidation of shares.

2. The dividends amount excludes the impact of the consolidation of shares.

3. The annual dividends for FY2017 ending March 31, 2018 (excluding the impact of the consolidation of shares) will be 10 yen per share.

Reference: Non- Consolidated Results Forecasts for the Year Ending March 2018 (April 1, 2017 - March 31, 2018)

	Net 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	358,000	10.3	19,000	7.6	22,000	6.4	15,500	1.3	145.76

Notes: 1. Revision of previously announced forecasts during this period: No

2. The Company consolidated its common stocks at a ratio of five shares to one share on October 1, 2017. Net income per share under the results forecasts for FY2017 reflects the impact of the consolidation of shares. Please see "Notes on proper use of forecasts and other matters" for details.

<Consolidated Financial Statements and Main Notes>

1. Consolidated balance sheet

(Unit: million yen)

	Previous year (As of Mar. 31, 2017)	3rd Quarter (As of Dec. 31, 2017)
Assets		
Noncurrent assets		
Property, plant and equipment		
Production facilities	83,518	81,924
Distribution facilities	154,272	151,510
Service and maintenance facilities	26,845	26,296
Other facilities	31,784	35,097
Construction in progress	28,895	28,349
Total property, plant and equipment	325,316	323,178
Intangible assets		
Other	4,805	4,294
Total intangible assets	4,805	4,294
Investments and other assets		
Investment securities	82,706	97,828
Other	21,998	18,107
Allowance for doubtful accounts	-80	-78
Total investments and other assets	104,624	115,857
Total noncurrent assets	434,747	443,330
Current assets		
Cash and deposits	16,575	19,666
Notes and accounts receivable-trade	45,773	48,755
Inventories	17,316	21,644
Other	18,735	18,155
Allowance for doubtful accounts	-217	-223
Total current assets	98,183	107,997
Total assets	532,931	551,327

(Unit: million yen)

	Previous year (As of Mar. 31, 2017)	3rd Quarter (As of Dec. 31, 2017)
Liabilities		
Noncurrent liabilities		
Bonds payable	70,000	60,000
Long-term loans payable	35,240	39,551
Provision for gas holder repairs	1,518	1,587
Reserve for safety measures	17,309	15,908
Provision for gas appliance warranties	4,081	3,728
Net defined benefit liability	15,945	14,187
Other	9,031	9,223
Total noncurrent liabilities	153,127	144,187
Current liabilities		
Current portion of noncurrent liabilities	2,807	13,844
Notes and accounts payable-trade	21,487	22,759
Short-term loans payable	5,573	5,533
Income taxes payable	4,732	4,488
Other	38,401	40,422
Total current liabilities	73,002	87,048
Total liabilities	226,129	231,235
Net assets		
Shareholders' equity		
Capital stock	33,072	33,072
Capital surplus	8,387	8,387
Retained earnings	232,641	233,727
Treasury stock	-2,232	-41
Total shareholders' equity	271,869	275,145
Other comprehensive income		
Valuation difference on available-for-sale securities	38,213	46,243
Deferred gains or losses on hedges	-443	133
Foreign currency translation adjustment	2,867	2,968
Remeasurements of defined benefit plans	-5,705	-4,400
Total other comprehensive income	34,931	44,945
Total net assets	306,801	320,091
Total liabilities and net assets	532,931	551,327

2. Consolidated statements of income and comprehensive income

Consolidated statements of income for the Nine Months

(Unit: million yen)

	3 rd Quarter of FY2016 (Apr. – Dec. 2016)	3 rd Quarter of FY2017 (Apr. – Dec. 2017)
Net sales	268,034	297,637
Cost of sales	154,140	189,899
Gross profit	113,894	107,737
Selling, general and administrative expenses	97,301	93,916
Operating income	16,592	13,821
Non-operating income		
Interest income	110	181
Dividend income	1,416	1,666
Rent income	466	463
Miscellaneous income	417	1,020
Total non-operating income	2,411	3,331
Non-operating expenses		
Interest expenses	777	613
Miscellaneous expenses	226	252
Total non-operating expenses	1,004	865
Ordinary income	17,999	16,287
Income before income taxes	17,999	16,287
Income taxes	5,177	4,660
Net income	12,822	11,627
Net income attributable to owners of the parent	12,822	11,627

Consolidated statements of comprehensive income for the Nine Months

(Unit: million yen)

	3 rd Quarter of FY2016 (Apr. – Dec. 2016)	3 rd Quarter of FY2017 (Apr. – Dec. 2017)
Net income	12,822	11,627
Other comprehensive income		
Valuation difference on available-for-sale securities	6,418	8,029
Deferred gains or losses on hedges	5,183	581
Foreign currency translation adjustment	-3,044	-639
Remeasurements of defined benefit plans, net of tax	1,396	1,298
Share of other comprehensive income of entities accounted for using equity method	-	743
Total other comprehensive income	9,954	10,013
Comprehensive income	22,776	21,641
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	22,776	21,641
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	3,700 thousand shares
3. Total value of shares repurchased	¥2,994 million
4. Period of repurchase	From May 9, 2017 to July 20, 2017 (Commitment basis)
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 March 30, 2017, pursuant to Article 178 of the Corporation Code:

1. Type of shares retired	Common stock
2. Number of shares retired	2,730 thousand shares (representing 0.51% of outstanding shares before the retirement)
3. Effective date of retirement	April 28, 2017

The Company retired treasury stock as follows, based on a resolution of the Board of directors passed on July 31, 2017, pursuant to Article 178 of the Corporation Code:

1. Type of shares retired	Common stock
2. Number of shares retired	3,710 thousand shares (representing 0.69% of outstanding shares before the retirement)
3. Effective date of retirement	August 31, 2017

- Segment information

Segment information by category of business

Nine months ended December 31, 2016 (Apr. 1 – Dec. 31, 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	184,177	24,440	44,265	252,883	15,151	268,034	-	268,034
(2) Intersegment	45	1,244	563	1,853	11,367	13,221	-13,221	-
Total	184,222	25,685	44,829	254,736	26,518	281,255	-13,221	268,034
Segment income	12,637	241	1,225	14,104	1,503	15,608	984	16,592

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" (984 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.

Nine months ended December 31, 2017 (Apr. 1 – Dec. 31, 2017)

(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	204,568	24,480	53,301	282,350	15,287	297,637	-	297,637
(2) Intersegment	55	1,288	718	2,061	12,403	14,465	-14,465	-
Total	204,623	25,768	54,019	284,411	27,690	312,102	-14,465	297,637
Segment income or loss	11,373	209	-287	11,295	1,725	13,020	800	13,821

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” (800 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.