

Consolidated Financial Results for the Six Months Ended September 30, 2018 (2Q FY2018)

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: November 13, 2018

Commencement of dividend payments: November 30, 2018

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, 2018

(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 – September 30, 2018	200,616	5.7	4,187	-55.0	6,141	-41.7	4,289	-42.3
April 1 – September 30, 2017	189,857	7.2	9,300	-48.3	10,542	-43.7	7,430	-44.8

Note: Comprehensive income 2nd Quarter ended September 2018: ¥6,997 million (-46.6%), 2nd Quarter ended September 2017: ¥13,111 million (32.3%)

	Net income per share	Diluted earnings per share
	(Unit: yen)	(Unit: yen)
April 1 – September 30, 2018	40.34	-
April 1 – September 30, 2017	69.71	-

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 FY2017 ended March 31, 2018.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Unit: million yen)	(Unit: million yen)	(%)
2nd Quarter ended September 2018	535,661	330,347	61.7
FY2017 ended March 2018	541,087	326,279	60.3

Reference: Net assets (excluding minority interests)

2nd Quarter ended September 2018: ¥330,347 million, FY2017 ended March 2018: ¥326,279 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)
FY2017 ended March 2018	-	5.00	-	27.50	-
FY2018 ending March 2019	-	27.50	-	-	-
FY2018 ending March 2019 (forecasts)	-	-	-	27.50	55.00

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 ended March 2018 reflects the impact of the consolidation of shares and disclosure of the annual dividends per share is omitted. Including the impact of the consolidation of shares, the annual dividends per share for FY2017 ended March 2018 would be 52.5 yen.

3. Consolidated Results Forecasts for the Year Ending March 2019 (April 1, 2018 - March 31, 2019)

	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	468,000	9.1	18,000	-25.0	21,000	-16.7	15,000	-16.8	141.06

Notes: 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: 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)	2nd Quarter ended September 2018	106,351,285 shares	FY2017 ended March 2018	106,351,285 shares
Number of treasury stock at the end of the term	2nd Quarter ended September 2018	13,484 shares	FY2017 ended March 2018	12,002 shares
Average number of outstanding shares during the term	2nd Quarter ended September 2018	106,338,461 shares	2nd Quarter ended September 2017	106,591,957 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 FY2017 ended March 31, 2018.

* 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.

Reference: Non- Consolidated Results Forecasts for the Year Ending March 2019 (April 1, 2018 - March 31, 2019)

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

	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	373,000	5.0	12,000	-34.3	17,000	-18.1	12,500	-20.6	117.55

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

<Consolidated Financial Statements and Main Notes>

1. Consolidated balance sheet

(Unit: million yen)

	Previous year (As of Mar. 31, 2018)	2nd Quarter (As of Sept.30, 2018)
Assets		
Noncurrent assets		
Property, plant and equipment		
Production facilities	81,572	78,837
Distribution facilities	154,442	153,197
Service and maintenance facilities	26,263	26,248
Other facilities	35,356	36,920
Construction in progress	26,233	21,758
Total property, plant and equipment	323,868	316,963
Intangible assets		
Other	4,249	4,142
Total intangible assets	4,249	4,142
Investments and other assets		
Investment securities	92,020	95,628
Other	21,875	21,646
Allowance for doubtful accounts	-83	-84
Total investments and other assets	113,812	117,190
Total noncurrent assets	441,930	438,295
Current assets		
Cash and deposits	17,955	14,778
Notes and accounts receivable-trade	48,874	43,397
Inventories	18,608	23,994
Other	13,947	15,364
Allowance for doubtful accounts	-227	-168
Total current assets	99,157	97,366
Total assets	541,087	535,661

(Unit: million yen)

	Previous year (As of Mar. 31, 2018)	2nd Quarter (As of Sept.30, 2018)
Liabilities		
Noncurrent liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	29,942	31,306
Provision for gas holder repairs	1,653	1,702
Reserve for safety measures	18,211	17,352
Provision for gas appliance warranties	3,932	3,592
Net defined benefit liability	8,534	6,838
Other	9,478	9,283
Total noncurrent liabilities	121,753	120,075
Current liabilities		
Current portion of noncurrent liabilities	23,576	22,608
Notes and accounts payable-trade	20,284	21,667
Short-term loans payable	5,383	7,580
Income taxes payable	7,067	3,414
Other	36,742	29,967
Total current liabilities	93,054	85,238
Total liabilities	214,807	205,313
Net assets		
Shareholders' equity		
Capital stock	33,072	33,072
Capital surplus	8,387	8,387
Retained earnings	240,123	241,488
Treasury stock	-45	-50
Total shareholders' equity	281,537	282,897
Other comprehensive income		
Valuation difference on available-for-sale securities	42,111	44,930
Deferred gains or losses on hedges	-21	290
Foreign currency translation adjustment	3,199	2,366
Remeasurements of defined benefit plans	-548	-136
Total other comprehensive income	44,742	47,450
Total net assets	326,279	330,347
Total liabilities and net assets	541,087	535,661

2. Consolidated statements of income and comprehensive income

Consolidated statements of income for the Six Months

(Unit: million yen)

	2 nd Quarter of FY2017 (Apr. – Sept. 2017)	2 nd Quarter of FY2018 (Apr. – Sept. 2018)
Net sales	189,857	200,616
Cost of sales	119,201	135,277
Gross profit	70,655	65,339
Selling, general and administrative expenses	61,354	61,151
Operating income	9,300	4,187
Non-operating income		
Interest income	103	137
Dividend income	923	1,019
Rent income	351	355
Miscellaneous income	551	948
Total non-operating income	1,929	2,461
Non-operating expenses		
Interest expenses	407	351
Miscellaneous expenses	280	156
Total non-operating expenses	688	507
Ordinary income	10,542	6,141
Income before income taxes	10,542	6,141
Income taxes	3,111	1,851
Net income	7,430	4,289
Net income attributable to owners of the parent	7,430	4,289

Consolidated statements of comprehensive income for the Six Months

(Unit: million yen)

	2 nd Quarter of FY2017 (Apr. – Sept. 2017)	2 nd Quarter of FY2018 (Apr. – Sept. 2018)
Net income	7,430	4,289
Other comprehensive income		
Valuation difference on available-for-sale securities	4,653	2,818
Deferred gains or losses on hedges	281	311
Foreign currency translation adjustment	-748	-905
Remeasurements of defined benefit plans, net of tax	865	411
Share of other comprehensive income of entities accounted for using equity method	628	71
Total other comprehensive income	5,681	2,708
Comprehensive income	13,111	6,997
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	13,111	6,997
Comprehensive income attributable to non-controlling interests	-	-

3. Notes about consolidated statements

- Note of going concerns' premise: No

- Significant change in shareholders' equity: No

- Additional information

The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) and other related standards from the beginning of the first quarter ended June 30, 2018. Accordingly, deferred tax assets are presented as "investments and other assets" and deferred tax liabilities are presented as "noncurrent liabilities."

- Segment information

Segment information by category of business

Six months ended Sept. 30, 2017 (Apr. 1 – Sept. 30, 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	132,457	15,206	32,811	180,475	9,382	189,857	-	189,857
(2) Intersegment	36	862	462	1,362	6,665	8,027	-8,027	-
Total	132,494	16,069	33,273	181,837	16,047	197,885	-8,027	189,857
Segment income	7,553	98	66	7,718	975	8,694	606	9,300

- 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" (606 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, 2018 (Apr. 1 – Sept. 30, 2018)

(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	135,904	15,052	40,159	191,116	9,500	200,616	-	200,616
(2) Intersegment	51	730	481	1,264	6,972	8,236	-8,236	-
Total	135,955	15,783	40,641	192,380	16,473	208,853	-8,236	200,616
Segment income or loss	2,895	256	-477	2,674	852	3,526	661	4,187

- 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 or loss" (661 million yen) denotes eliminations of intersegment transactions.
3. Segment income or loss in the table above is reconciled to operating income on the quarterly consolidated statements of income.