

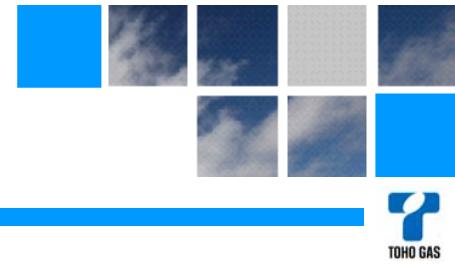
**Consolidated Financial Results  
Results for the 1st half of FY2014  
(April–September 2014)**

October 28, 2014



**TOHO GAS CO.,LTD.**





# Contents

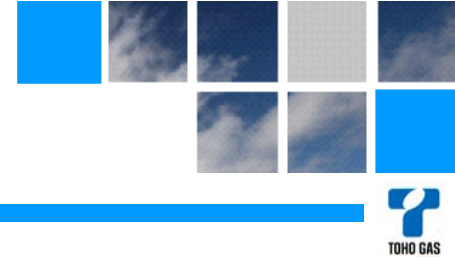
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Earning forecasts and other forward-looking statements in this document are management's current views and beliefs in accordance with data currently available, and are subject to a number of risks, uncertainties and other factors that may cause actual results to differ materially from those projected.

# 1. Results for the 1st half of FY2014

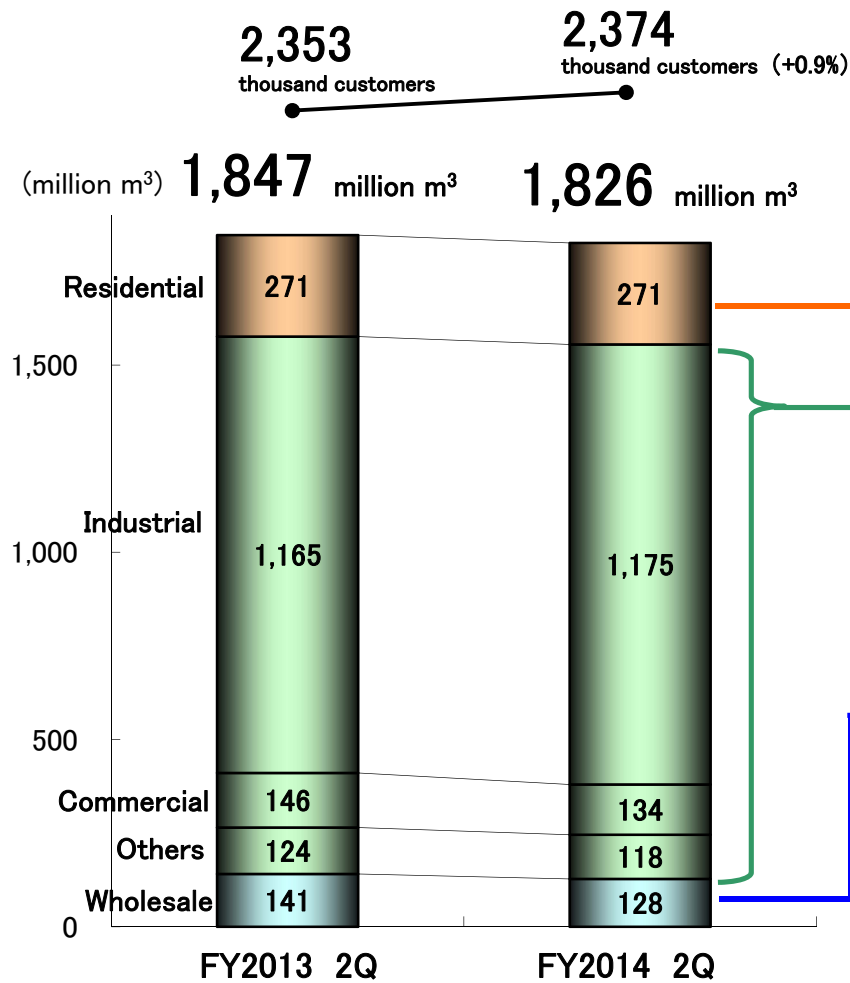
## (1) Summary



- Gas sales volume was 1,826 million m<sup>3</sup>, a decrease by 1.1% from the previous year.  
LPG sales volume was 191 thousand tons, an increase by 2.1%
- Sales were ¥265.3 billion, an increase by 6.0% from the previous year.  
Ordinary income was ¥17.0 billion, an increase of ¥11.7 billion



## (2) Number of customers, Gas sales volume (1st half)



Average Temperature	FY2013 2Q	FY2014 2Q	Change
	23.2°C	22.7°C	-0.5°C

### City Gas

-21 million m<sup>3</sup> (-1.1%)

Residential use +0 million m<sup>3</sup> (+0.0%)

Industrial, Commercial and Others use  
-8 million m<sup>3</sup> (-0.5%)

Industrial use +10 million m<sup>3</sup> (+0.9%)  
Commercial and others use -18 million m<sup>3</sup> (-6.5%)

	Apr.-June	July-Sept.
Change from previous year	+0.5°C	-1.4°C

Wholesale use -13 million m<sup>3</sup> (-9.6%)

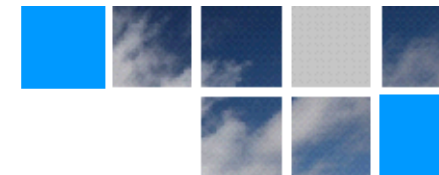
### L P G

Number of customers +2.5%: 338→346 thousand customers

(Including the number of customers based on commissioned business for delivery +2.5%: 436→447 thousand customers)

Gas sales volume +2.1%: 187→191 thousand tons

### (3) Sales, Incomes

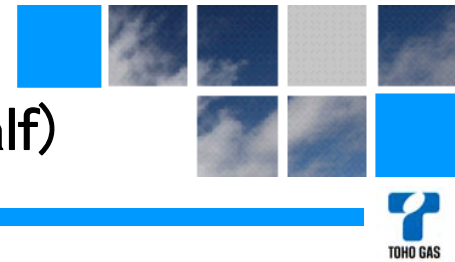


(¥ billion)

	<b>Fy 2014 (1st half)</b>	<b>Fy 2013 (1st half)</b>	<b>Change From Previous year</b>	<b>Rate of change</b>
<b>Gas sales Volume (million m<sup>3</sup>)</b>	<b>1,826</b>	<b>1,847</b>	<b>-21</b>	<b>-1.1%</b>
<b>Sales</b>	<b>265.3</b>	<b>250.3</b>	<b>14.9</b>	<b>6.0%</b>
<b>Cost of sales</b>	<b>186.3</b>	<b>182.2</b>	<b>4.0</b>	<b>2.2%</b>
<b>Selling, general and administrative expenses</b>	<b>62.4</b>	<b>63.2</b>	<b>-0.7</b>	<b>-1.2%</b>
<b>Ordinary income</b>	<b>17.0</b>	<b>5.2</b>	<b>11.7</b>	<b>225.9%</b>
<b>Net income</b>	<b>11.9</b>	<b>3.2</b>	<b>8.6</b>	<b>264.9%</b>

(Notes) Crude oil price (CIF national average); FY2014 (Apr.-Sept) \$109.5/bbl, FY2013 (Apr.-Sept) \$107.7/bbl (+\$1.8/bbl)  
 Currency exchange rate (TTM) ; FY2014 (Apr.-Sept) ¥103.0/\$, FY2013 (Apr.-Sept) ¥ 98.9/\$ (+¥4.1/\$)

## (4) Factors for Changes in Ordinary Income (1st half)



### ◆ Change from the previous year

Ordinary income (¥5.2 billion⇒¥17.0 billion) + ¥ 11.7 billion

- Effect of gas sales volume — ¥ 0.0 billion
- Impact of time lag in fuel cost adjustment system + ¥10.0 billion  
(FY2013 (1st half) — ¥ 6.0 billion ⇒ FY2014 (1st half) + ¥ 4.0 billion )
- Others + ¥ 1.7 billion

## (5) Factors for Changes in Ordinary Income (1st half)

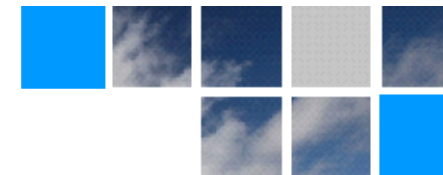


### ◆ Change from the forecasts (at the release of 1Q results)

Ordinary income (¥14.0 billion⇒¥17.0 billion) + ¥ 3.0 billion

- Effect of gas sales volume — ¥ 1.0 billion
- Impact of time lag in fuel cost adjustment system + ¥ 2.5 billion
- Others + ¥ 1.5 billion

## (6) Balance Sheet and Cash flows



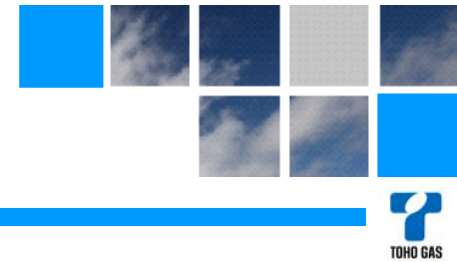
(¥ billions)

	Fy 2014 (1st half)	Fy 2013 (end of Fy)	Change		Fy 2014 (1st half)	Fy 2013 (1st half)	Change
<b>Total assets</b>	<b>505.4</b>	<b>509.7</b>	<b>-4.3</b>	<b>Cash flows from operating activities</b>	<b>34.7</b>	<b>14.9</b>	<b>19.7</b>
(unrealized gain on securities)	(44.0)	(41.4)	(2.5)	<b>Cash flows from investment activities</b>	<b>-17.3</b>	<b>-14.5</b>	<b>-2.7</b>
<b>Total net assets</b>	<b>262.0</b>	<b>245.8</b>	<b>16.2</b>	<b>(Free Cash flows)</b>	<b>(17.4)</b>	<b>(0.3)</b>	<b>(17.0)</b>
<b>Equity ratio</b>	<b>51.9%</b>	<b>48.2%</b>	<b>3.7 Point</b>	<b>Cash flows from financing activities</b>	<b>-19.0</b>	<b>0.2</b>	<b>-19.3</b>
<b>Interest-bearing debts</b>	<b>148.0</b>	<b>164.5</b>	<b>-16.4</b>	<b>Net (decrease) increase in cash and cash equivalents</b>	<b>-1.7</b>	<b>1.4</b>	<b>-3.2</b>
				<b>Cash and cash equivalents at end of period</b>	<b>12.4</b>	<b>13.0</b>	<b>-0.5</b>
				<b>CAPEX</b>	<b>14.8</b>	<b>14.4</b>	<b>0.4</b>
				<b>Depreciation</b>	<b>16.5</b>	<b>17.1</b>	<b>-0.6</b>

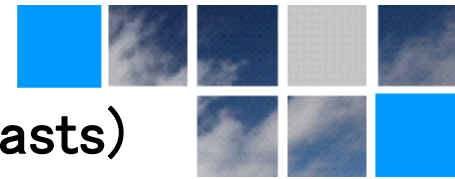


## 2. Forecasts for FY2014

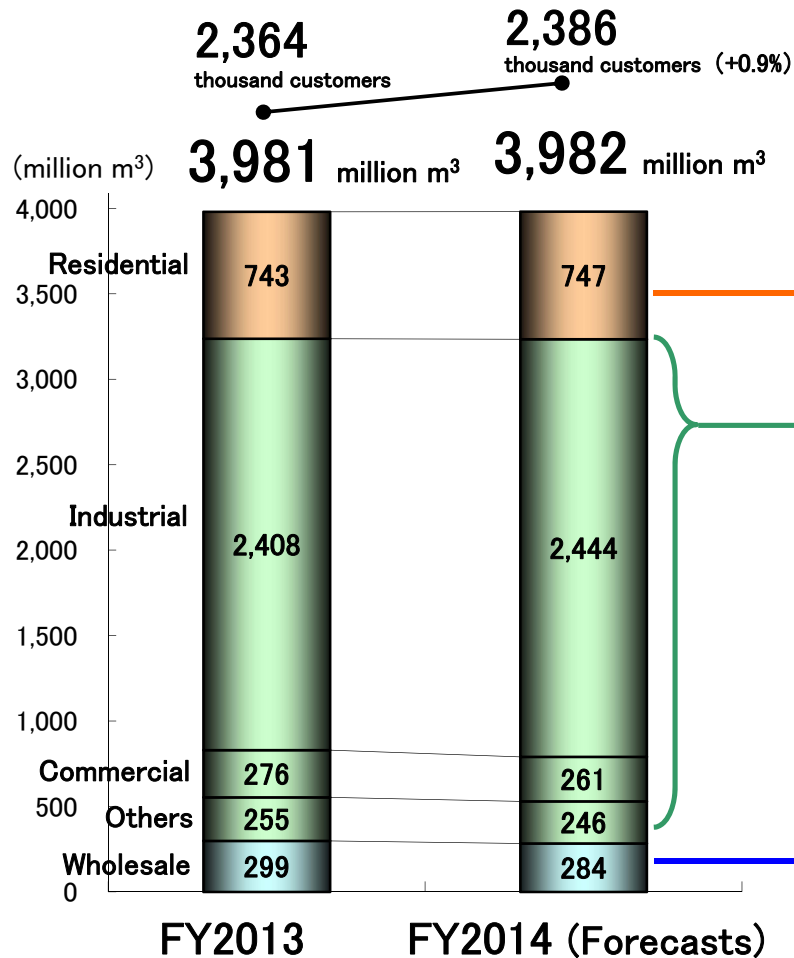
### (1) Summary



- Gas sales volume expected to be 3,982 million m<sup>3</sup>, the same level as the previous year.  
LPG sales volume to be 434 thousand tons, an increase by 3.0%
- Based on crude oil price of 110 dollars/barrel and exchange rate of ¥110/dollar for the 2nd half of FY2014, sales projected to be ¥595 billion, an increase by 6.2% from the previous year, ordinary income to be ¥23 billion, an increase by 34.9%
- We have changed the previous forecasts as below
  - Assumption of crude oil price was changed from 115 dollars/barrel to 110 dollars/barrel and exchange rate was changed from ¥105/dollar to to ¥110/dollar
  - Gas sales volume was revised downward from 4,010 million m<sup>3</sup> by 28 million m<sup>3</sup>
  - Sales were revised downward from ¥602 billion by ¥7 billion



## (2) Number of customers, Gas sales volume (Forecasts)



### City Gas

+1 million m<sup>3</sup> (+0.0%)

Residential use +4 million m<sup>3</sup> (+0.5%)

Industrial, Commercial and Others use +12 million m<sup>3</sup> (+0.4%)

Wholesale use -15 million m<sup>3</sup> (-4.9%)

### LPG

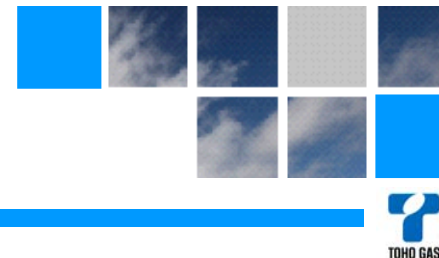
Number of customers +2.3%: 341 → 349 thousand customers

(Including the number of customers based on commissioned business for delivery) +2.9%: 440 → 453 thousand customers

Gas sales volume +3.0%: 421 → 434 thousand tons

Average Temperature	16.2°C	16.4°C	-0.2°C
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### (3) Gas sales volume (Change from the previous forecasts)

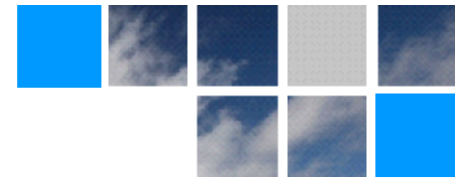


(million m<sup>3</sup>)

	Revised forecasts	Previous forecasts	Change
Residential use	747 <+0.5%>	753 <+1.4%>	- 6
Industrial, Commercial and Others use	2,951 <+0.4%>	2,967 <+1.0%>	-16
Wholesale use	284 <-4.9%>	290 <-3.0%>	- 6
<b>Total</b>	<b>3,982</b> <+0.0%>	<b>4,010</b> <+0.7%>	<b>-28</b>

(Notes) < > ; Rate of change from previous year

※ Previous forecasts were announced at the release of 1Q result (July 31, 2014)



## (4) Forecasts for FY2014/Sales, Incomes

(¥ billion)

	Fy 2014 forecasts	Fy 2013	Change From Previous year	Rate of change
Gas sales Volume (million m <sup>3</sup> )	3,982	3,981	1	0.0%
Sales	595.0	560.4	34.5	6.2%
Ordinary income	23.0	17.0	5.9	34.9%
Net income	15.0	11.2	3.7	33.4%
CAPEX	41.0	33.0	7.9	23.9%
Depreciation	34.0	35.7	-1.7	-5.0%

### 【Assumption】

(\$/bbl, ¥/\$)

	FY2014*	FY2013 (Result)	Change
Crude oil price	109.8	110.0	-0.2
Exchange rate	106.5	100.2	+6.3

### 【Sensitivity (full-year)】

	Gas resource cost	Gross profit
Crude oil price 1\$/bbl	¥ 2.1 billion	¥ 0.7 billion
Exchange rate 1yen/\$	¥ 2.4 billion	¥ 0.8 billion

\* Assumption for the 2nd half of FY2014: Crude oil price \$110/bbl, Exchange rate ¥110/\$

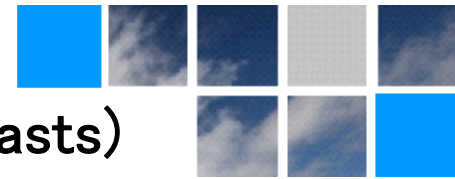
## (5) Factors for Changes in Ordinary Income (Forecasts)



### ◆ Change from the previous year

Ordinary income (¥17.0 billion⇒¥23.0 billion) + ¥ 5.9 billion

- Effect of gas sales volume + ¥ 0.0 billion
- Impact of time lag in fuel cost adjustment system + ¥ 9.0 billion  
( FY2013 -¥ 4.5 billion ⇒ Fy2014 - ¥ 5.5 billion )
- Others - ¥ 3.0 billion



## (6) Factors for Changes in Ordinary Income (Forecasts)

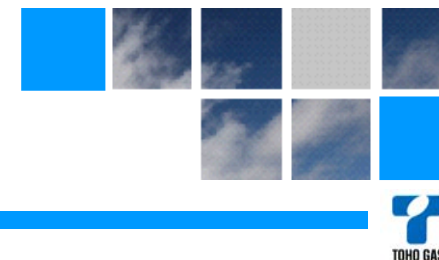


### ◆ Change from the forecasts (at the release of 1Q results)

Ordinary income (¥23.0 billion⇒¥23.0 billion) ± ¥ 0.0 billion

- Effect of gas sales volume — ¥ 1.0 billion
- Impact of time lag in fuel cost adjustment system — ¥ 1.0 billion  
( Previous forecast —¥ 4.5 billion ⇒ Revised forecast — ¥ 5.5 billion )
- Others + ¥ 2.0 billion

## 〈Reference〉 Progress of Mid-term Management Plan



		FY2013	FY2014 (Forecasts)	Rate of change	FY2018 Projection	FY2013 to FY2018 Average Annual Rate of Increase	FY2022 100th Anniversary
Number of Customers	Natural Gas	2.36 million	2.39 million	0.9%	2.46 million	0.8%	2.5 million
	LPG <sup>*1</sup>	0.44 million	0.45 million	2.9%	0.48 million	1.8%	0.5 million
Gas Sales Volume	Natural Gas <sup>*2</sup>	4.0 billion m <sup>3</sup>	4.0 billion m <sup>3</sup>	0.0%	4.5 billion m <sup>3</sup>	2.2%	5 billion m <sup>3</sup>
	LPG	421 thousand tons	434 thousand tons	3.0%	470 thousand tons	2.3%	500 thousand tons

\* 1 Including the number of customers based on commissioned business for delivery

\* 2 Including the number of gas sales volume of LNG

	FY2009 to 2013 Average	FY2014 (Forecasts)	FY2018 Projection	FY2022 100th Anniversary
Operating Cash Flow	48.2 billion yen	52 billion yen	58 billion yen	60 billion yen
Debt Equity Ratio	0.7	0.7	1.0 and under	1.0 and under
ROA	2.1%	About 3%	About 3%	3% and over