

Consolidated Financial Results

for the Nine Months Ended December 31, 2015(3Q FY2015)

Toho Gas Co., Ltd.

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

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Date of filing quarterly financial report: February 12, 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 Nine Months Ended December 31, 2015

(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 the parent company	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
April 1 – December 31, 2015	343,378	-15.0	44,130	204.8	45,294	201.8	32,378	208.9
April 1 – December 31, 2014	404,183	4.4	14,478	138.1	15,006	130.0	10,480	151.2

Note: Comprehensive income 3rd Quarter ended December 2015: ¥22,280 million (-21.3%), 3rd Quarter ended December 2014: ¥28,306 million (37.4%)

	Net income per share	Diluted earnings per share
	(Unit: yen)	(Unit: yen)
April 1 – December 31, 2015	59.77	-
April 1 – December 31, 2014	19.22	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Unit: million yen)	(Unit: million yen)	(%)
3rd Quarter ended December 2015	554,329	296,640	53.5
FY2014 ended March 2015	543,286	282,827	52.1

Reference: Net assets (excluding minority interests)

3rd Quarter ended December 2015: ¥296,640 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)

	Net 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	489,000	-15.8	53,000	84.3	54,000	82.9	38,000	99.4	70.21

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 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 third quarter ended December 31, 2015.

(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 2015	541,276,429 shares	FY2014 ended March 2015	545,966,429 shares
Number of treasury stock at the end of the term	3rd Quarter ended December 2015	58,822 shares	FY2014 ended March 2015	755,433 shares
Average number of outstanding shares during the term	3rd Quarter ended December 2015	541,718,664 shares	3rd Quarter ended December 2014	545,287,887 shares

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

	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	419,000	-17.3	50,000	101.9	52,000	93.3	36,500	106.3	67.44

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)	3rd Quarter (As of Dec. 31, 2015)
Assets		
Noncurrent assets		
Property, plant and equipment		
Production facilities	67,858	68,066
Distribution facilities	149,332	146,245
Service and maintenance facilities	26,563	25,966
Other facilities	28,212	26,904
Construction in progress	31,592	33,902
Total property, plant and equipment	303,559	301,084
Intangible assets		
Other	5,936	5,377
Total intangible assets	5,936	5,377
Investments and other assets		
Investment securities	79,023	79,766
Other	13,203	14,240
Allowance for doubtful accounts	-80	-91
Total investments and other assets	92,147	93,915
Total noncurrent assets	401,643	400,377
Current assets		
Cash and deposits	20,722	24,205
Notes and accounts receivable-trade	61,030	44,993
Securities	-	36,000
Inventories	28,297	22,501
Other	31,865	26,465
Allowance for doubtful accounts	-271	-213
Total current assets	141,643	153,952
Total assets	543,286	554,329

(Unit: million yen)

	Previous year (As of Mar. 31, 2015)	3rd Quarter (As of Dec. 31, 2015)
Liabilities		
Noncurrent liabilities		
Bonds payable	89,995	79,995
Long-term loans payable	29,674	26,926
Provision for gas holder repairs	1,318	1,397
Reserve for safety measures	16,180	18,706
Provision for gas appliance warranties	939	872
Net defined benefit liability	21,781	20,143
Other	8,225	8,350
Total noncurrent liabilities	168,114	156,392
Current liabilities		
Current portion of noncurrent liabilities	17,133	20,991
Notes and accounts payable-trade	15,959	25,066
Short-term loans payable	12,022	7,792
Income taxes payable	11,492	8,704
Other	35,737	38,741
Total current liabilities	92,344	101,296
Total liabilities	260,459	257,688
Net assets		
Shareholders' equity		
Capital stock	33,072	33,072
Capital surplus	8,388	8,387
Retained earnings	188,522	212,091
Treasury stock	-387	-43
Total shareholders' equity	229,596	253,508
Other comprehensive income		
Valuation difference on available-for-sale securities	39,473	40,152
Deferred gains or losses on hedges	11,496	569
Foreign currency translation adjustment	2,786	2,730
Remeasurements of defined benefit plans	-525	-320
Total other comprehensive income	53,230	43,132
Total net assets	282,827	296,640
Total liabilities and net assets	543,286	554,329

2. Consolidated statements of income and comprehensive income

Consolidated statements of income for the Nine Months

(Unit: million yen)

	3 rd Quarter of FY2014 (Apr. – Dec. 2014)	3 rd Quarter of FY2015 (Apr. – Dec. 2015)
Net sales	404,183	343,378
Cost of sales	294,815	200,998
Gross profit	109,368	142,379
Selling, general and administrative expenses	94,889	98,249
Operating income	14,478	44,130
Non-operating income		
Interest income	14	36
Dividend income	1,325	1,531
Rent income	465	469
Miscellaneous income	341	568
Total non-operating income	2,146	2,604
Non-operating expenses		
Interest expenses	1,270	1,198
Miscellaneous expenses	348	241
Total non-operating expenses	1,618	1,439
Ordinary income	15,006	45,294
Income before income taxes	15,006	45,294
Income taxes-current	4,526	12,916
Net income	10,480	32,378
Net income attributable to the parent company	10,480	32,378

Consolidated statements of comprehensive income for the Nine Months

(Unit: million yen)

	3 rd Quarter of FY2014 (Apr. – Dec. 2014)	3 rd Quarter of FY2015 (Apr. – Dec. 2015)
Net income	10,480	32,378
Other comprehensive income		
Valuation difference on available-for-sale securities	5,284	679
Deferred gains or losses on hedges	8,634	-10,927
Foreign currency translation adjustment	186	-55
Remeasurements of defined benefit plans, net of tax	3,720	205
Total other comprehensive income	17,825	-10,098
Comprehensive income	28,306	22,280
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	28,306	22,280
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

Nine months ended December 31, 2014 (Apr. 1 – Dec. 31, 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	305,961	23,064	59,214	388,240	15,943	404,183	-	404,183
(2) Intersegment	71	1,445	500	2,017	8,638	10,655	-10,655	-
Total	306,033	24,509	59,714	390,257	24,581	414,839	-10,655	404,183
Segment income or loss	12,687	151	-421	12,417	1,124	13,542	936	14,478

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" (936 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.

Nine months ended December 31, 2015 (Apr. 1 – Dec. 31, 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	255,859	23,790	49,506	329,156	14,221	343,378	-	343,378
(2) Intersegment	57	1,393	497	1,948	9,394	11,342	-11,342	-
Total	255,916	25,184	50,004	331,105	23,615	354,720	-11,342	343,378
Segment income	39,971	658	1,318	41,948	1,254	43,202	927	44,130

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” (927 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.