

# Consolidated Financial Results

## for the Six Months Ended September 30, 2016 (2Q FY2016)

**Toho Gas Co., Ltd.**

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

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Date of filing quarterly financial report: November 11, 2016

Commencement of dividend payments: November 30, 2016

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, 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 – September 30, 2016	177,094	-25.4	18,004	-54.7	18,739	-53.5	13,460	-53.6
April 1 – September 30, 2015	237,273	-10.6	39,745	139.5	40,296	136.9	28,994	142.7

Note: Comprehensive income 2nd Quarter ended September 2016: ¥9,912 million (-52.6%), 2nd Quarter ended September 2015: ¥20,891 million (6.1%)

	Net income per share	Diluted earnings per share
	(Unit: yen)	(Unit: yen)
April 1 – September 30, 2016	24.98	-
April 1 – September 30, 2015	53.50	-

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Unit: million yen)	(Unit: million yen)	(%)
2nd Quarter ended September 2016	520,324	289,995	55.7
FY2015 ended March 2016	555,217	285,186	51.4

Reference: Net assets (excluding minority interests)

2nd Quarter ended September 2016: ¥289,995 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	-	5.00	-	-	-
FY2016 ending March 2017 (forecasts)	-	-	-	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)
Full term	398,000	-17.1	23,000	-62.1	24,000	-60.7	17,000	-60.5	31.59

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: 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) on 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)	2nd Quarter ended September 2016	541,276,429 shares	FY2015 ended March 2016	541,276,429 shares
Number of treasury stock at the end of the term	2nd Quarter ended September 2016	3,102,188 shares	FY2015 ended March 2016	68,729 shares
Average number of outstanding shares during the term	2nd Quarter ended September 2016	538,833,120 shares	2nd Quarter ended September 2015	541,967,547 shares

**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)						
Full term	332,000	-19.2	20,000	-64.0	22,000	-61.6	15,500	-62.0	28.80

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, 2016)	2nd Quarter (As of Sept.30, 2016)
Assets		
Noncurrent assets		
Property, plant and equipment		
Production facilities	67,795	85,772
Distribution facilities	148,693	150,003
Service and maintenance facilities	26,939	26,473
Other facilities	29,448	28,916
Construction in progress	40,405	24,479
Total property, plant and equipment	313,282	315,645
Intangible assets		
Other	5,319	4,834
Total intangible assets	5,319	4,834
Investments and other assets		
Investment securities	69,045	67,460
Other	22,723	23,410
Allowance for doubtful accounts	-102	-89
Total investments and other assets	91,665	90,781
Total noncurrent assets	410,267	411,261
Current assets		
Cash and deposits	25,393	14,069
Notes and accounts receivable-trade	47,666	32,407
Securities	35,000	24,000
Inventories	14,256	18,234
Other	22,846	20,521
Allowance for doubtful accounts	-212	-170
Total current assets	144,950	109,062
Total assets	555,217	520,324

(Unit: million yen)

	Previous year (As of Mar. 31, 2016)	2nd Quarter (As of Sept.30, 2016)
Liabilities		
Noncurrent liabilities		
Bonds payable	69,997	69,998
Long-term loans payable	22,389	32,348
Provision for gas holder repairs	1,422	1,471
Reserve for safety measures	18,570	17,710
Provision for gas appliance warranties	3,764	3,475
Net defined benefit liability	26,200	24,956
Other	8,663	8,830
Total noncurrent liabilities	151,007	158,791
Current liabilities		
Current portion of noncurrent liabilities	26,780	6,620
Notes and accounts payable-trade	16,593	16,687
Short-term loans payable	7,073	5,343
Income taxes payable	15,355	6,784
Other	53,222	36,101
Total current liabilities	119,024	71,537
Total liabilities	270,031	230,329
Net assets		
Shareholders' equity		
Capital stock	33,072	33,072
Capital surplus	8,387	8,387
Retained earnings	222,721	233,476
Treasury stock	-50	-2,447
Total shareholders' equity	264,131	272,488
Other comprehensive income		
Valuation difference on available-for-sale securities	32,480	31,619
Deferred gains or losses on hedges	-4,212	-5,782
Foreign currency translation adjustment	3,009	960
Remeasurements of defined benefit plans	-10,222	-9,290
Total other comprehensive income	21,054	17,506
Total net assets	285,186	289,995
Total liabilities and net assets	555,217	520,324

## 2. Consolidated statements of income and comprehensive income

### Consolidated statements of income for the Six Months

(Unit: million yen)

	2 <sup>nd</sup> Quarter of FY2015 (Apr. – Sept. 2015)	2 <sup>nd</sup> Quarter of FY2016 (Apr. – Sept. 2016)
Net sales	237,273	177,094
Cost of sales	131,807	95,699
Gross profit	105,466	81,394
Selling, general and administrative expenses	65,720	63,389
Operating income	39,745	18,004
Non-operating income		
Interest income	30	62
Dividend income	852	776
Rent income	356	355
Miscellaneous income	357	348
Total non-operating income	1,596	1,543
Non-operating expenses		
Interest expenses	833	530
Miscellaneous expenses	212	278
Total non-operating expenses	1,046	808
Ordinary income	40,296	18,739
Income before income taxes	40,296	18,739
Income taxes-current	11,302	5,278
Net income	28,994	13,460
Net income attributable to owners of the parent	28,994	13,460

### Consolidated statements of comprehensive income for the Six Months

(Unit: million yen)

	2 <sup>nd</sup> Quarter of FY2015 (Apr. – Sept. 2015)	2 <sup>nd</sup> Quarter of FY2016 (Apr. – Sept. 2016)
Net income	28,994	13,460
Other comprehensive income		
Valuation difference on available-for-sale securities	-2,502	-860
Deferred gains or losses on hedges	-5,996	-1,569
Foreign currency translation adjustment	258	-2,049
Remeasurements of defined benefit plans, net of tax	136	931
Total other comprehensive income	-8,103	-3,548
Comprehensive income	20,891	9,912
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	20,891	9,912
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

Six months ended Sept. 30, 2015 (Apr. 1 – Sept. 30, 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	179,893	15,375	32,861	228,130	9,143	237,273	-	237,273
(2) Intersegment	41	771	346	1,159	6,203	7,362	-7,362	-
Total	179,934	16,147	33,207	229,289	15,346	244,636	-7,362	237,273
Segment income	36,790	423	1,217	38,431	669	39,101	644	39,745

- 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" (644 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, 2016 (Apr. 1 – Sept. 30, 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	123,873	15,394	27,971	167,239	9,854	177,094	-	177,094
(2) Intersegment	29	708	364	1,103	7,590	8,693	-8,693	-
Total	123,903	16,102	28,336	168,342	17,445	185,788	-8,693	177,094
Segment income	15,267	187	1,036	16,491	865	17,357	647	18,004

- 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" (647 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.

**- Notes regarding significant subsequent events after reporting period**

The Company issued the 40th domestic unsecured bonds as follows, based on the resolution at the meeting of Board of Directors held on March 30, 2016.

- |                  |   |
|------------------|---|
| 1. Date of issue | October 17, 2016                            |
| 2. Amount        | ¥10 billion                                 |
| 3. Issue price   | at ¥100 for ¥100 of the amount of each bond |
| 4. Interest rate | 0.804% per annum                            |
| 5. Maturity date | October 17, 2046                            |
| 6. Security      | Unsecured                                   |
| 7. Use of funds  | Capital investment                          |