

Consolidated Financial Results

for the Nine Months Ended December 31, 2016 (3Q FY2016)

Toho Gas Co., Ltd.

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

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Date of filing quarterly financial report: February 13, 2017

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, 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 the parent company	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
April 1 – December 31, 2016	268,034	-21.9	16,592	-62.4	17,999	-60.3	12,822	-60.4
April 1 – December 31, 2015	343,378	-15.0	44,130	204.8	45,294	201.8	32,378	208.9

Note: Comprehensive income 3rd Quarter ended December 2016: ¥22,776 million (2.2%), 3rd Quarter ended December 2015: ¥22,280 million (-21.3%)

	Net income per share	Diluted earnings per share
	(Unit: yen)	(Unit: yen)
April 1 – December 31, 2016	23.81	-
April 1 – December 31, 2015	59.77	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Unit: million yen)	(Unit: million yen)	(%)
3rd Quarter ended December 2016	532,410	300,159	56.4
FY2015 ended March 2016	555,217	285,186	51.4

Reference: Net assets (excluding minority interests)

3rd Quarter ended December 2016: ¥300,159 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 the parent company		Net income per share
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: yen)
Full term	398,000	-17.1	21,000	-65.4	22,000	-64.0	15,500	-64.0	28.80

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 “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)	3rd Quarter ended December 2016	541,276,429 shares	FY2015 ended March 2016	541,276,429 shares
Number of treasury stock at the end of the term	3rd Quarter ended December 2016	3,112,834 shares	FY2015 ended March 2016	68,729 shares
Average number of outstanding shares during the term	3rd Quarter ended December 2016	538,610,516 shares	3rd Quarter ended December 2015	541,718,664 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	18,000	-67.6	20,000	-65.1	14,000	-65.7	26.01

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)	3rd Quarter (As of Dec. 31, 2016)
Assets		
Noncurrent assets		
Property, plant and equipment		
Production facilities	67,795	84,987
Distribution facilities	148,693	148,442
Service and maintenance facilities	26,939	26,047
Other facilities	29,448	28,338
Construction in progress	40,405	25,927
Total property, plant and equipment	313,282	313,744
Intangible assets		
Other	5,319	4,566
Total intangible assets	5,319	4,566
Investments and other assets		
Investment securities	69,045	83,107
Other	22,723	20,859
Allowance for doubtful accounts	-102	-87
Total investments and other assets	91,665	103,878
Total noncurrent assets	410,267	422,189
Current assets		
Cash and deposits	25,393	17,198
Notes and accounts receivable-trade	47,666	41,021
Securities	35,000	14,000
Inventories	14,256	18,147
Other	22,846	20,057
Allowance for doubtful accounts	-212	-204
Total current assets	144,950	110,220
Total assets	555,217	532,410

(Unit: million yen)

	Previous year (As of Mar. 31, 2016)	3rd Quarter (As of Dec. 31, 2016)
Liabilities		
Noncurrent liabilities		
Bonds payable	69,997	79,998
Long-term loans payable	22,389	33,228
Provision for gas holder repairs	1,422	1,495
Reserve for safety measures	18,570	17,219
Provision for gas appliance warranties	3,764	3,433
Net defined benefit liability	26,200	24,492
Other	8,663	8,885
Total noncurrent liabilities	151,007	168,753
Current liabilities		
Current portion of noncurrent liabilities	26,780	6,617
Notes and accounts payable-trade	16,593	20,461
Short-term loans payable	7,073	6,273
Income taxes payable	15,355	2,397
Other	53,222	27,748
Total current liabilities	119,024	63,497
Total liabilities	270,031	232,251
Net assets		
Shareholders' equity		
Capital stock	33,072	33,072
Capital surplus	8,387	8,387
Retained earnings	222,721	230,147
Treasury stock	-50	-2,457
Total shareholders' equity	264,131	269,149
Other comprehensive income		
Valuation difference on available-for-sale securities	32,480	38,899
Deferred gains or losses on hedges	-4,212	970
Foreign currency translation adjustment	3,009	-34
Remeasurements of defined benefit plans	-10,222	-8,825
Total other comprehensive income	21,054	31,009
Total net assets	285,186	300,159
Total liabilities and net assets	555,217	532,410

2. Consolidated statements of income and comprehensive income

Consolidated statements of income for the Nine Months

(Unit: million yen)

	3 rd Quarter of FY2015 (Apr. – Dec. 2015)	3 rd Quarter of FY2016 (Apr. – Dec. 2016)
Net sales	343,378	268,034
Cost of sales	200,998	154,140
Gross profit	142,379	113,894
Selling, general and administrative expenses	98,249	97,301
Operating income	44,130	16,592
Non-operating income		
Interest income	36	110
Dividend income	1,531	1,416
Rent income	469	466
Miscellaneous income	568	417
Total non-operating income	2,604	2,411
Non-operating expenses		
Interest expenses	1,198	777
Miscellaneous expenses	241	226
Total non-operating expenses	1,439	1,004
Ordinary income	45,294	17,999
Income before income taxes	45,294	17,999
Income taxes-current	12,916	5,177
Net income	32,378	12,822
Net income attributable to the parent company	32,378	12,822

Consolidated statements of comprehensive income for the Nine Months

(Unit: million yen)

	3 rd Quarter of FY2015 (Apr. – Dec. 2015)	3 rd Quarter of FY2016 (Apr. – Dec. 2016)
Net income	32,378	12,822
Other comprehensive income		
Valuation difference on available-for-sale securities	679	6,418
Deferred gains or losses on hedges	-10,927	5,183
Foreign currency translation adjustment	-55	-3,044
Remeasurements of defined benefit plans, net of tax	205	1,396
Total other comprehensive income	-10,098	9,954
Comprehensive income	22,280	22,776
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	22,280	22,776
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's share repurchase plan approved at the Board of Directors' meeting held on April 28, 2016 has been terminated.

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

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.

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.