



# Consolidated Financial Results Results for FY2017 (April 2017 – March 2018)

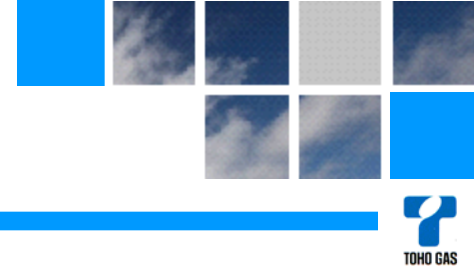
April 27, 2018



TOHO GAS CO.,LTD.



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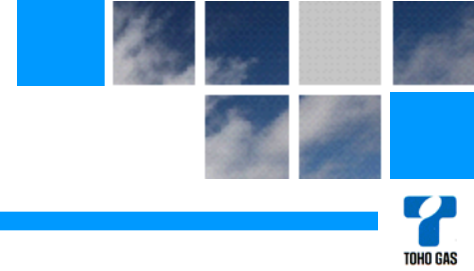
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Earning forecasts and other forward-looking statements in this document are management's current views and beliefs in accordance with data currently available, and are subject to a number of risks, uncertainties and other factors that may cause actual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

# 1. Results for FY2017

## (1) Summary



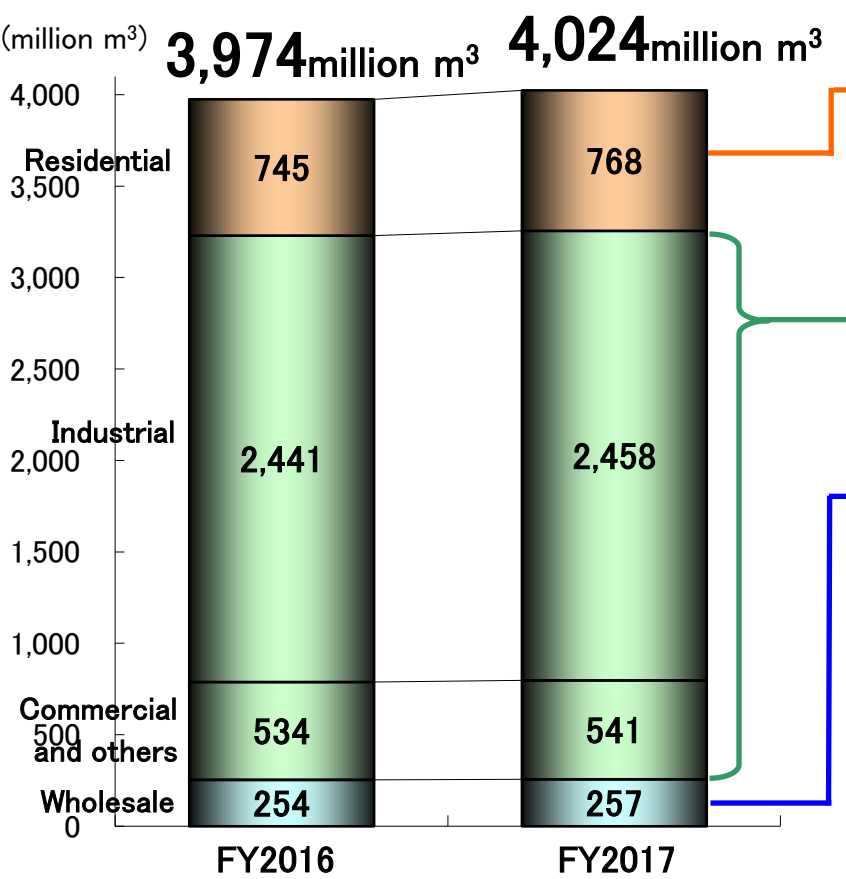
- **Gas sales volume was 4,024 million m<sup>3</sup>, an increase by 1.2% from the previous year.**  
**LPG sales volume was 465 thousand tons, an increase by 2.6%**
- **Sales were ¥428.8 billion, an increase by 9.8% from the previous year.**  
**Ordinary income was ¥25.2 billion, an increase by 2.9%**

## (2) Number of Customers, Gas Sales Volume (FY2017)



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Number of gas meters  
**2,434** thousand  
**2,463** thousand (+1.2%)



**City Gas** +50 million m<sup>3</sup> (+1.2%)

**Residential use** +23 million m<sup>3</sup> (+3.1%)  
 due to lower temperatures, etc.

**Industrial, Commercial and Others use**  
 +24 million m<sup>3</sup> (+0.8%)  
 due to development of new gas demand, etc.

**Wholesale use** +3 million m<sup>3</sup> (+1.0%)

### L P G

Number of customers\* +2.3% : 479 → 490 thousand customers

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

Gas sales volume +2.6% : 454 → 465 thousand tons

### Electricity

Number of customers +65 thousand : 22 → 87 thousand

Average Temperature (year-on-year)	1st half	2nd half
	22.9°C (-0.5°C)	9.1°C (-0.7°C)

### (3) Sales, Incomes (FY2017)

(¥ billion)



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	FY2017	FY2016	Change from the previous year	Rate of change	Forecasts (at the 3Q)	Change from forecast
Gas sales Volume (million m <sup>3</sup> )	4,024	3,974	50	1.2%	4,011	13
Sales	428.8	390.4	38.4	9.8%	428.0	0.8
Cost of sales	271.6	230.4	41.1	17.9%	—	—
Selling, general and administrative expenses	133.1	136.7	-3.5	-2.6%	—	—
Ordinary income	25.2	24.4	0.7	2.9%	25.0	0.2
Net income attributable to the parent company	18.0	17.7	0.2	1.5%	18.0	0

(Note) Crude oil price (CIF national average); FY2017 57.0 \$/bbl, FY2016 47.5 \$/bbl (+9.5 \$/bbl)  
 Currency exchange rate (TTM) ; FY2017 110.9 yen/\$, FY2016 108.4 yen/\$ (+2.5 yen/\$)

## (4) Factors for Change in Ordinary Income (FY2017)



### ◆ Change from the previous year

Ordinary income (¥24.4 billion⇒¥25.2 billion)      + ¥ 0.7 billion

- Effect of gas sales volume      + ¥ 3.5 billion
- Impact of time lag in fuel cost adjustment system      - ¥ 4.0 billion  
(FY2016 -¥ 2.0 billion ⇒ FY2017 -¥ 6.0 billion)
- Others      + ¥ 1.2 billion

## (5) Factors for Change in Ordinary Income (FY2017)



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### ◆ Change from the forecasts (at the release of 3Q financial results)

Ordinary income (¥25.0 billion⇒¥25.2 billion) + ¥ 0.2 billion

- Effect of gas sales volume + ¥ 2.5 billion
- Impact of time lag in fuel cost adjustment system + ¥ 2.0 billion  
(Forecasts -¥ 8.0 billion ⇒ Results -¥ 6.0 billion)
- Others - ¥ 4.2 billion

## (6) Balance Sheet (FY2017)

(¥ billion)  TOHO GAS

	FY2017	FY2016	Change		FY2017	FY2016	Change
<b>Total assets</b>	<b>541.2</b>	<b>532.9</b>	<b>8.3</b>	<b>Cash flows from operating activities</b> <b>Cash flows from investment activities</b> <b>(Free cash flows)</b> <b>Cash flows from financing activities</b> <b>Net (decrease) increase in cash and cash equivalents</b> <b>Cash and cash equivalents at the end of term</b>	<b>57.0</b>	<b>37.2</b>	<b>19.7</b>
(unrealized gain on investment securities)	(57.3)	(51.7)	(5.5)		<b>-43.3</b>	<b>-57.9</b>	<b>14.6</b>
<b>Net assets</b>	<b>326.2</b>	<b>306.8</b>	<b>19.4</b>		<b>(13.7)</b>	<b>(-20.7)</b>	<b>(34.4)</b>
<b>Equity ratio</b>	<b>60.3%</b>	<b>57.6%</b>	<b>2.7 Point</b>		<b>-12.2</b>	<b>-22.9</b>	<b>10.7</b>
<b>Interest-bearing debts</b>	<b>112.1</b>	<b>114.9</b>	<b>-2.7</b>		<b>1.3</b>	<b>-43.8</b>	<b>45.1</b>
					<b>17.8</b>	<b>16.4</b>	<b>1.3</b>
<b>ROA</b>	<b>3.4%</b>	<b>3.3%</b>	<b>0.1 Point</b>	<b>CAPEX</b>	<b>39.6</b>	<b>49.2</b>	<b>-9.6</b>
<b>ROE</b>	<b>5.7%</b>	<b>6.0%</b>	<b>-0.3 Point</b>	<b>Depreciation</b>	<b>35.9</b>	<b>35.4</b>	<b>0.4</b>



## (7) Return to Shareholders

### [Policy]

- The basis is a stable dividend
- Implementing share buy back depending on the situation

- We will increase the year-end dividend of FY2017 to ¥27.5 (¥52.5 in annual base in FY2017\*, ¥55 in annual base in FY2018)

### <Reference> Return to shareholders

(¥ billion)

FY	2010	2011	2012	2013	2014	2015	2016	2017
Cash dividend (per share*)	4.4 (¥40)	4.6 (¥42.5)	4.9 (¥45)	4.9 (¥45)	5.1 (¥47.5)	5.4 (¥50)	5.3 (¥50)	5.5 (¥52.5)

\* Dividend per share includes the impact of the consolidation of shares conducted in Oct. 2017

## 2. Forecasts for FY2018

### (1) Summary



- Gas sales volume expected to be 3,944 million m<sup>3</sup>, a decrease by 2.0% from the previous year, LPG sales volume to be 466 thousand tons, an increase by 0.2%
- Based on crude oil price of 70 dollars/barrel and exchange rate of ¥110/dollar, sales projected to be ¥463 billion, an increase by 8.0% from the previous year, ordinary income to be ¥24 billion, a decrease by 4.8%

## (2) Number of Customers, Gas Sales Volume (Forecasts)



Number of gas meters

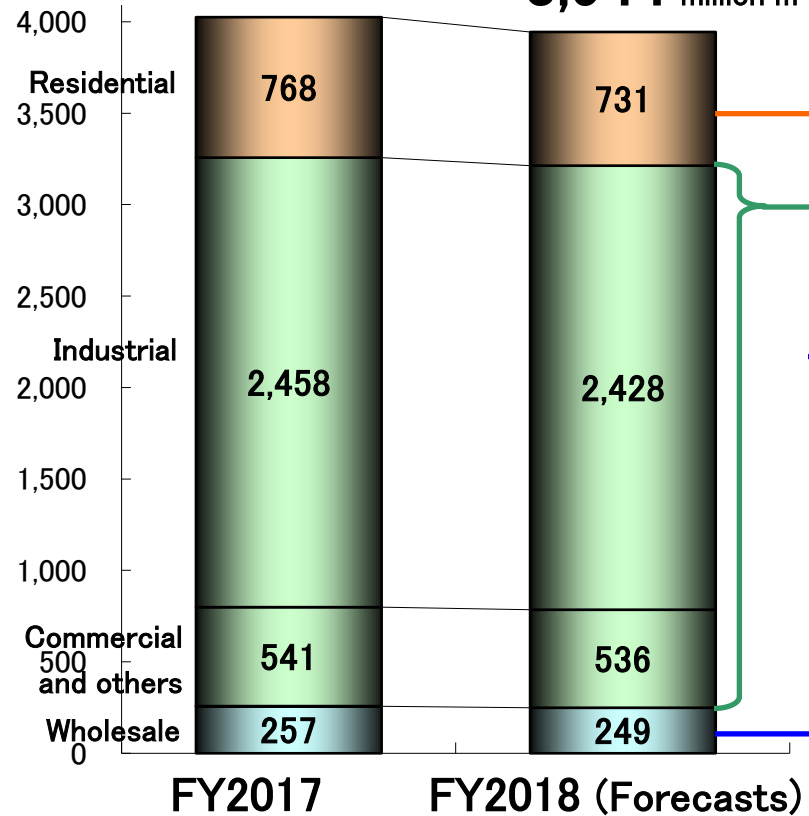
2,463 thousand

2,482 thousand (+0.8%)

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

4,024 million m<sup>3</sup>

3,944 million m<sup>3</sup>



### City Gas

-80 million m<sup>3</sup> (-2.0%)

Residential use -37 million m<sup>3</sup> (-4.8%)

Industrial, Commercial and Others use -35 million m<sup>3</sup> (-1.2%)

Wholesale use -8 million m<sup>3</sup> (-3.2%)

### LPG

Number of customers\* +0.8%: 490 → 494 thousand customers

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

Gas sales volume +0.2%: 465 → 466 thousand tons

### Electricity

Number of customers +53 thousand: 87 → 140 thousand

Average Temperature	16.0°C	16.5°C	0.5°C
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### (3) Forecasts for FY2017



(¥ billion)

	FY2018 forecasts	FY2017	Change	Rate of change
Gas sales Volume (million m <sup>3</sup> )	3,944	4,024	-80	-2.0%
Sales	463.0	428.8	34.1	8.0%
Ordinary income	24.0	25.2	-1.2	-4.8%
Net income attributable to the parent company	17.0	18.0	-1.0	-5.7%
CAPEX	36.5	39.6	-3.1	-7.9%
Depreciation	36.5	35.9	0.5	1.5%

#### 【Assumption】

(\$/bbl, yen/\$)

	FY2018	FY2017 (Result)	Change
Crude oil price	70	57.0	13.0
Exchange rate	110	110.9	-0.9

#### 【Sensitivity (full-year)】

	Gas resource cost	Gross profit
Crude oil price 1\$/bbl	¥ 2.2 billion	¥ 0.6 billion
Exchange rate 1yen/\$	¥ 1.4 billion	¥ 0.4 billion

## (4) Factors for Change in Ordinary Income (Forecasts)



### ◆ Change from the previous year

Ordinary income (¥25.2 billion⇒¥24.0 billion) — ¥ 1.2 billion

- Effect of gas sales volume — ¥ 3.0 billion
- Impact of time lag in fuel cost adjustment system — ¥ 1.0 billion  
(FY2017 —¥ 6.0 billion ⇒ FY2018 — ¥ 7.0 billion )
- Others + ¥ 2.7 billion

## Basic stance

**As an energy company rooted in the region,  
we will strengthen businesses peripheral to energy**

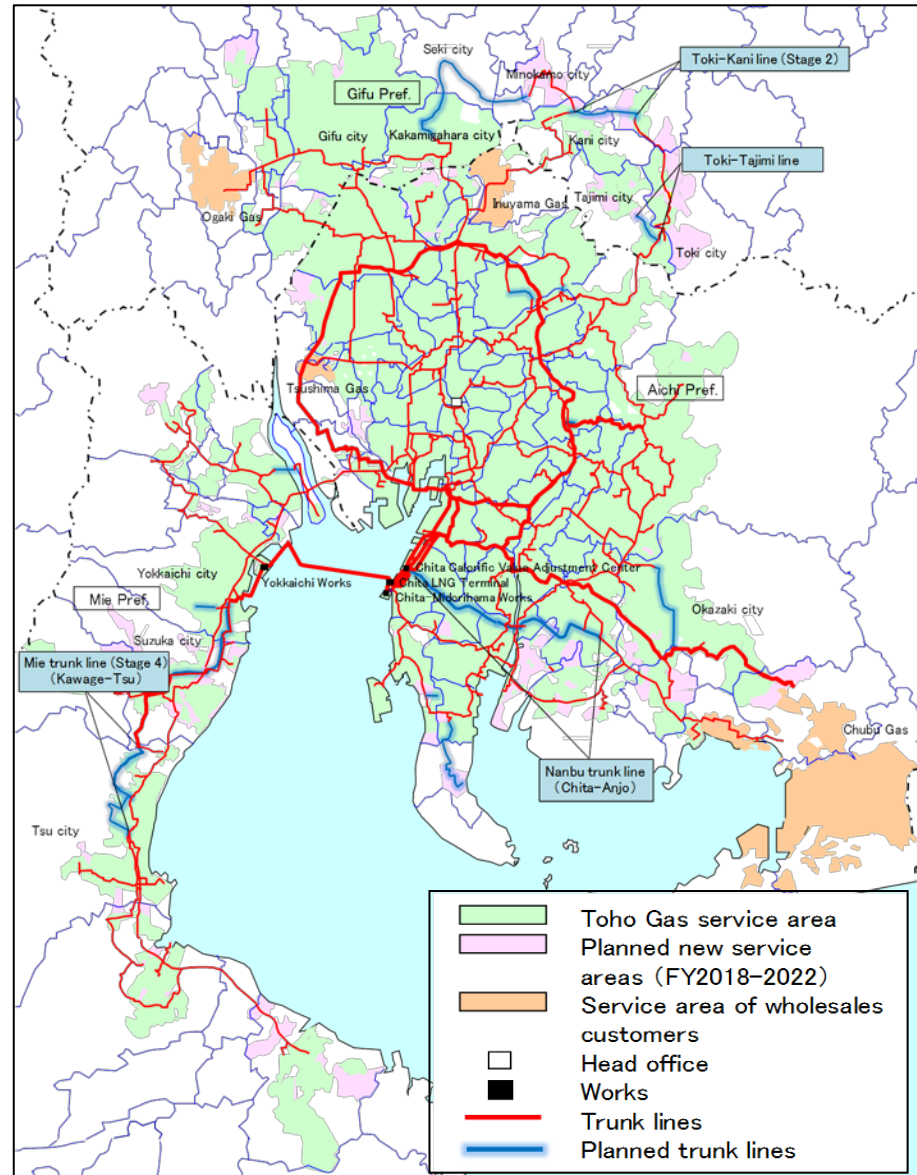


## Primary measures

- (i) Build a robust city gas business
- (ii) Expand the share of the total energy market
- (iii) Grow Group businesses including new businesses

## (i) Build a Robust City Gas Business

- Expand gas supply foundation
  - Build trunk lines
  - Expand our city gas service area
- Implement gas safety and disaster-prevention measures
  - Implement measures against aged production and supply facilities
  - Reinforce our disaster-management system
- Strengthen competitiveness
  - Diversify LNG procurement, enhance flexibility of LNG receiving
  - Promote management efficiency



## (ii) Expand the Share of the Total Energy Market

### City gas

FY2017: **2,463**→FY2018 (forecast): **2,482** thousand gas meters

- Respond promptly to troubles including gas equipment breakdown with 180 service outlets and 3,000 security staff
- Strengthen our relationships with customers by offering various services and home renovation together with Group companies and “ENEDO” sales shops
- Establish “Pro Chubo OISIS,” one of the biggest experience-oriented showrooms for commercial kitchens in the Tokai region (September 2018)



### LPG

**490**→**494** thousand customers

- Cultivate LPG demand in a wider area as well as Aichi, Gifu and Mie Prefectures
- Strengthen our gas-filling and delivery networks by forming partnerships with other companies

**Electricity** **87**→**140** thousand customers

- Establish Power Business Promotion Dept. for an electricity procurement and a control of supply and demand
- Make a combination of procurement such as buying from a wide business operators with wholesale transactions and from the power market



### (iii) Grow Group Businesses Including New Businesses



- Supply energy to the region in a new way
  - Develop a smart town “Minato AQUUS” where gas, electricity and heat are supplied in an integrated manner (open in September 2018)
    - ✓ Achieve a highest level of energy efficiency in Japan through the community energy management system (CEMS)
    - ✓ Support the regional disaster prevention activities by maintaining lifeline function of the smart town in the event of a disaster and supplying emergency power to Minato Ward Office
  - Start supplying electricity from “Matsusaka Shin-denryoku,” a power supply company we established with Matsusaka city (March 2018)
    - ✓ Contribute to vitalization of the regional economies and local consumption of locally produced energy
    - ✓ Explore next collaborative business with local governments
- Develop new businesses
  - Create new domestic businesses focusing on three themes, “the safety and security,” “vitalization of regional economies,” and “advanced use of energy,” as well as explore business opportunities overseas
  - Establish Business Development Dept.



Energy center (left) and Shopping mall LaLaport (right) (located in “Minato AQUUS”)

# Progress of the Medium-term Management Plan



		FY2017	FY2018 (Forecasts)	Rate of change	FY2018 Projection	FY2013 to FY2018 Average Annual Rate of Increase	FY2022 100th Anniversary
Number of customers	Natural Gas *1	2.46 million	2.48 million	0.8%	2.46 million	0.8%	2.5 million
	LPG *2	0.49 million	0.49 million	0.8%	0.48 million	1.8%	0.5 million
Gas Sales Volume	Natural Gas *3	4.1 billion m <sup>3</sup>	4.0 billion m <sup>3</sup>	-1.9%	4.5 billion m <sup>3</sup>	2.2%	5 billion m <sup>3</sup>
	LPG	465 thousand tons	466 thousand tons	0.2%	470 thousand tons	2.3%	500 thousand tons

\* 1 Number of gas meters

\* 2 Including the number of customers based on commissioned business for delivery

\* 3 Including the number of gas sales volume of LNG

	FY2009 to 2013 Average	FY2017	FY2018 (Forecasts)	FY2018 Projection	FY2022 100th Anniversary
Operating Cash Flow	48.2 billion yen	57.0 billion yen	54.0 billion yen	58 billion yen	60 billion yen
Debt Equity Ratio	0.7	0.3	0.3	1.0 and under	1.0 and under
ROA	2.1%	3.4%	About 3%	About 3%	3% and over