



— TOHO GAS CO.,LTD. —

Consolidated Financial Results

Results for
the 1st Quarter of FY2023
(April - June 2023)

July 27, 2023

Contents



1. Consolidated Results for the 1st Quarter of FY2023	.....	3
2. Consolidated Forecast for FY2023	.....	8
Reference 1. Current Recognition of “Price-to-Book (P/B) Ratio”	.....	11
Reference 2. Medium-term Management Plan(from FY2022 to FY2025)	.....	12
Reference 3. Return to Shareholders	.....	15

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. Consolidated Results for the 1st Quarter of FY2023

(1) Number of customers, Sales Volume



Number of customer accounts

	FY2023 Q1	FY2022 Q1	Change	Rate of Change	Notes
Number of customer accounts (thousand)	2,942	2,887	55	1.9%	
City Gas	1,749	1,750	-1	-0.1%	
LPG*	606	603	3	0.6%	
Electricity	587	535	52	9.8%	Development

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

<Ref> Number of Gas meters(thousand)	2,583	2,560	24	0.9%	Development
---	--------------	-------	----	------	-------------

Energy Sales Volume

	FY2023 Q1	FY2022 Q1	Change	Rate of Change	Notes
City Gas (million m³)	790	824	-35	-4.2%	
Residential	135	145	-10	-7.0%	High temperature, etc.
Non-Residential	655	680	-25	-3.6%	Decrease in operation of customer facilities, etc.
LPG (thousand tons)	109	114	-6	-5.0%	High temperature, etc.
Electricity (million kWh)	474	449	26	5.7%	Increase in customer base, etc.
<Ref> Average temperature (°C)	20.0	20.2	-0.2	—	

1. Consolidated Results for the 1st Quarter of FY2023

(2) Sales, Incomes

(¥ billion)



	FY2023 Q1	FY2022 Q1	Change	Rate of Change
Net Sales	155.2	144.5	10.7	7.4%
Cost of sales	101.4	100.7	0.7	0.7%
Selling, General and Administrative Expenses	30.1	30.7	-0.5	-1.8%
Operating income	23.6	13.0	10.5	81.4%
Ordinary Income	25.6	14.2	11.3	79.6%
Net Income Attributable to Owners of the Parent	18.5	10.3	8.2	80.2%

【Appendix】

	FY2023 Q1	FY2022 Q1	Change
Crude Oil Price (CIF national average)	\$ 84.0 /bbl	\$ 110.8 /bbl	-\$ 26.8/bbl
Exchange Rate (TTM)	¥ 137.5 /\$	¥ 129.7 /\$	¥ 7.8/\$

1. Consolidated Results for the 1st Quarter of FY2023

(3) Segment information

(¥ billion)



		FY2023	FY2022	Change	Rate of Change
		Q1	Q1		
Net Sales	Gas	108.0	94.1	13.9	14.8%
	LPG and other Energies	23.6	26.3	-2.6	-10.0%
	Electricity	17.2	18.8	-1.5	-8.4%
	Others	12.5	10.9	1.5	14.2%
	Adjustments	-6.2	-5.7	-0.4	—
	Total Net Sales	155.2	144.5	10.7	7.4%
		FY2023	FY2022	Change	Rate of Change
		Q1	Q1		
Segment income	Gas	20.6	11.4	9.1	80.4%
	LPG and other Energies	1.1	0.2	0.8	349.9%
	Electricity	0.1	0.0	0.1	933.3%
	Others	1.3	0.9	0.3	31.5%
	Adjustments	0.4	0.3	0.0	—
	Total Operating Income	23.6	13.0	10.5	81.4%

1. Consolidated Results for the 1st Quarter of FY2023

(4) YoY Factorization in Ordinary Income

(¥ billion)



Ordinary Income +11.3 (14.2⇒25.6)

Operating Income +10.5
(13.0⇒23.6)

Non-operating income +0.7
(1.2⇒2.0)

Gas +9.1
(11.4⇒20.6)

Non-Gas +1.4
(1.6⇒3.0)

■ Effect of gas sales volume	-1.0	
■ Effect of Time lag, etc.	+18.5	
<Major factor breakdown>		
➤ Time lag on cost adjustment system	+26.0	(-8.0⇒18.0)
➤ Difference between purchase price and consumption price	-7.5	(2.5⇒-5.0)
■ Others	-8.4	

1. Consolidated Results for the 1st Quarter of FY2023

(5) Financial Position



(¥ billion)

	FY2023 Q1	FY2022	Change
Total assets	694.0	693.5	0.4
Net assets	426.0	402.5	23.5
Interest-bearing debts	147.0	146.6	0.3
Equity ratio (Point)	61.4%	58.0%	3.4Pt
D/E ratio (times)	0.35	0.36	-0.01

	FY2023 Q1	FY2022 Q1	Change
CAPEX (Including investment)	11.9	18.3	-6.4
Depreciation	9.0	8.8	0.2

2. Consolidated Forecast for FY2023

(1) Number of Customers, Sales Volume

*Unchanged from the previous forecast.



Number of customer accounts		FY2023 Forecast	FY2022 Results	Change	Rate of Change	Notes
	Number of customer accounts (thousand)	2,975	2,921	54	1.8%	
	City Gas	1,752	1,741	12	0.7%	
	LPG*	619	604	15	2.4%	
	Electricity	604	576	28	4.8%	Development

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

<Ref> Number of Gas meters(thousand)	2,599	2,579	19	0.7%	Development
--------------------------------------	--------------	-------	----	------	-------------

Energy Sales Volume		FY2023 Forecast	FY2022 Results	Change	Rate of Change	Notes
	City Gas (million m ³)	3,572	3,454	118	3.4%	
	Residential	607	583	24	4.1%	Bounce back from previous year's high temperature, etc.
	Non-Residential	2,965	2,871	95	3.3%	Increase in operation of customer facilities, etc.
	LPG (thousand tons)	480	475	4	0.9%	
	Electricity (million kWh)	2,539	2,369	170	7.2%	Increase in customer base, etc.
	<Ref> Average temperature (°C)	16.5	17.3	△0.8	—	

2. Consolidated Forecast for FY2023

(2) Sales, Incomes

*Unchanged from
the previous forecast.

(¥ billion)



	FY2023 Forecasts	FY2022 Results	Change	Rate of Change
Net Sales	670.0	706.0	-36.0	-5.1%
Operating income	22.0	43.7	-21.7	-49.7%
Ordinary Income	26.0	48.1	-22.1	-46.0%
Net income attributable to owners of the parent	18.0	33.7	-15.7	-46.6%
CAPEX (Including investment)	70.4	60.1	10.2	17.0%
Depreciation	38.2	36.2	2.0	5.6%

【Assumption】

(\$/bbl, ¥/\$)

	FY2023 Forecast	FY2022 Results	Change
Crude oil price	88.5	102.7	-14.2
Exchange rate	139.4	135.5	3.9

【Sensitivity (full-year)】

	Gross profit of Gas business
Crude oil price +1\$/bbl	-¥ 0.35 billion
Exchange rate +1¥/\$	-¥ 0.20 billion

2. Consolidated Forecast for FY2023

(3) YoY Factorization in Ordinary Income

*Unchanged from
the previous forecast.

(¥ billion)



Ordinary Income -22.1 (48.1⇒26.0)

Operating Income -21.7
(43.7⇒22.0)

Non-operating income -0.4
(4.4⇒4.0)

Gas -28.0
(46.1⇒18.0)

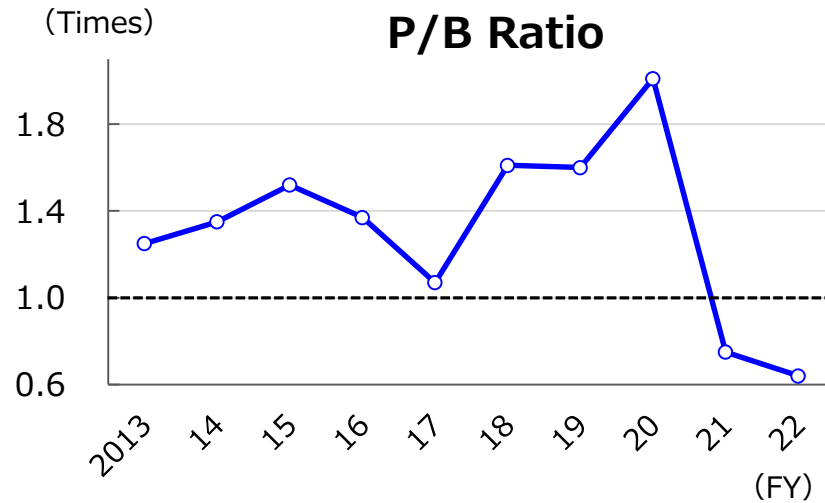
Non-Gas +6.3
(-2.3⇒4.0)

■ Effect of gas sales volume	+4.0	
■ Effect of Time lag, etc.	+10.5	
<Major factor breakdown>		
➤ Time lag on cost adjustment system	+25.0	(-18.0⇒7.0)
➤ Difference between purchase price and consumption price	-6.0	(4.5⇒-1.5)
■ Others	-42.5	

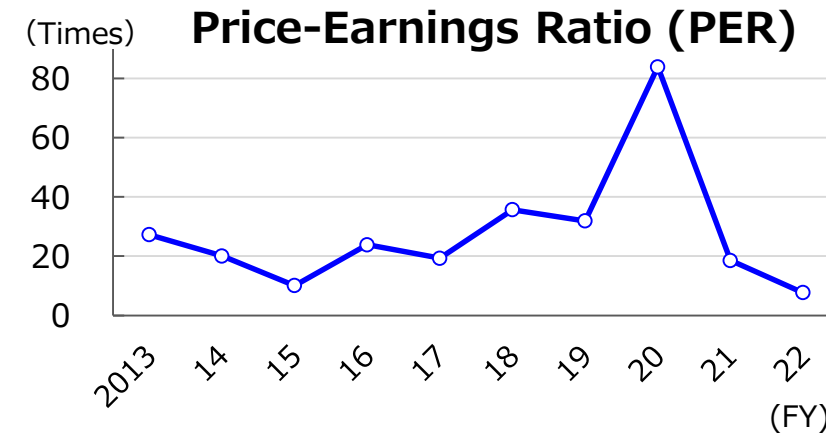
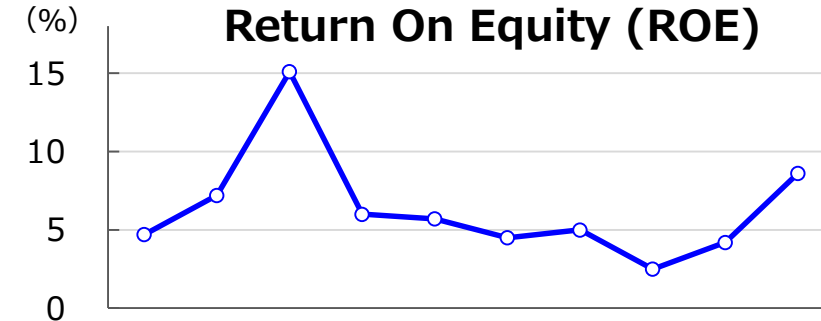
【Reference 1】

Current Recognition of “Price-to-Book (P/B) Ratio”

■ Trends in Financial Indicators (Most recent 10 years)



* P/B ratio had been above 1.0x though it has been below 1.0x since FY2021.



Perspectives on P/B Ratio improvement

- In line with the Group Vision and the Medium-Term Management Plan, the core city gas and LPG businesses will be the earnings base, and we will improve its earning power while being conscious of capital efficiency by promoting focused allocation of management resources to strategic businesses.
- We will promote dialogue with our shareholders and investors by providing detailed explanations of our management policies, risk factors and its measures, while being conscious of proactive information disclose.

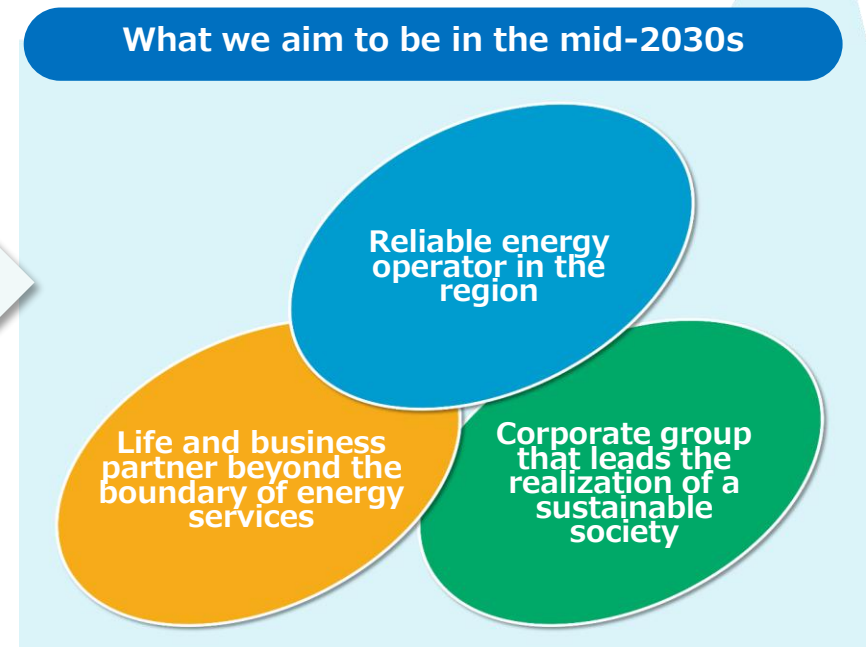
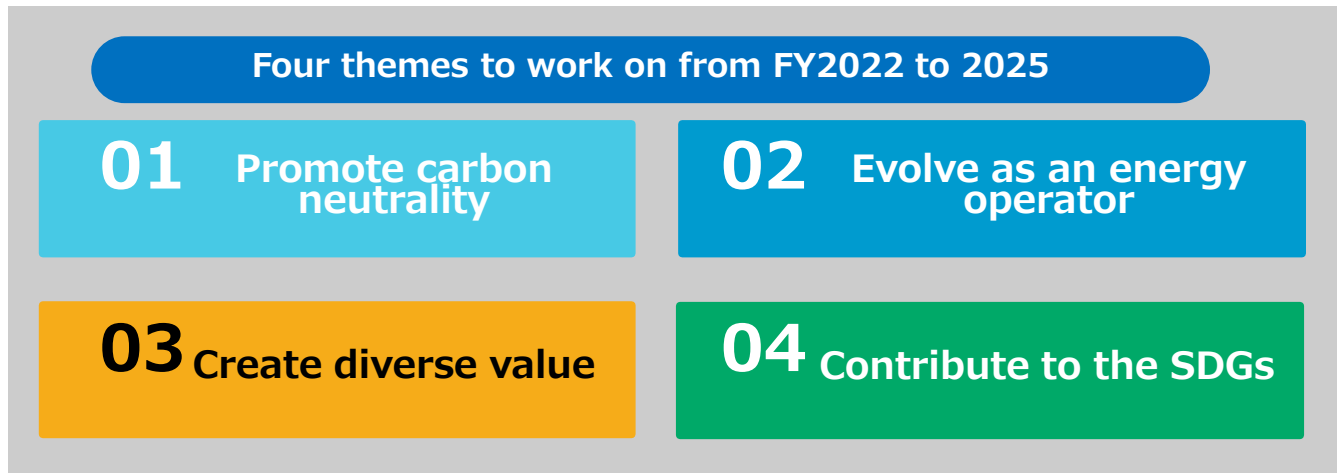
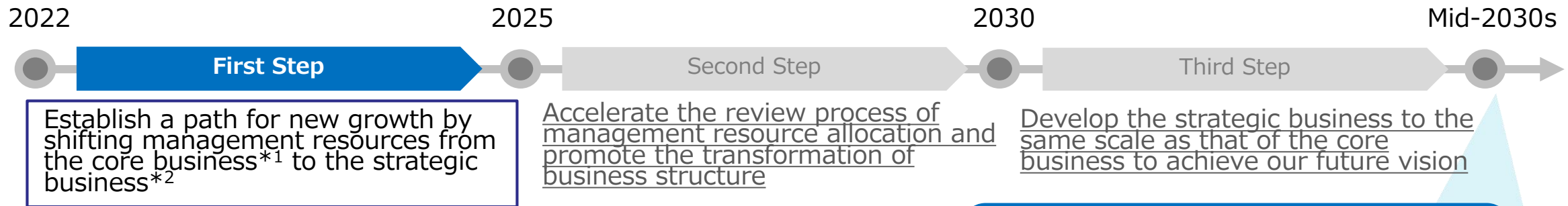
【Reference 2】

Medium-Term Management Plan (From FY2022 to FY2025)

- Steps to Our Group Vision -



The Medium-term Management Plan is positioned as the first step toward the realization of the vision set forth in the Group Vision, and by tackling the four themes, we will make sure the path to new growth.



*1 Business to create cash flow as a long-term stable earnings base (e.g., city gas, LPG)

*2 Business that drives medium- to long-term growth (e.g., electricity, energy services, living/business support)

【Reference 2】

Medium-Term Management Plan (From FY2022 to FY2025)

- Sales Targets -



Number of customer accounts

(thousand)

3,100

3,000 at the earliest stage

3,000

2,900

2,800

2,873

FY2021

...

FY2025

Sales volume

(million m³)

4,000

3,709

City Gas

(Including LNG sales)

Maintain the same level as 2021

3,500

3,000

FY2021

...

FY2025

(thousand tons)

600

LPG

486

About 10% expansion

500

400

FY2021

...

FY2025

(million kWh)

3,500

Electricity

2,126

About 10% expansion every year

2,500

1,500

FY2021

...

FY2025

【Reference 2】

Medium-Term Management Plan (From FY2022 to FY2025)

- Management Index -

Policy

- Accelerate investment for sustainable growth while maintaining the ability to generate operating cash flow
- Even in an investment expansion phase, balance between efficiency and soundness to manage the entire system

Management Index		Management Goal
Profitability	Operating cash flow	210 billion yen and over (Cumulative total from FY2022 to FY2025)
Efficiency	R O A	About 3%^{*1} > WACC ^{*2} (FY 2025)
Soundness	Debt to Equity ratio	About 0.6 (FY 2025)

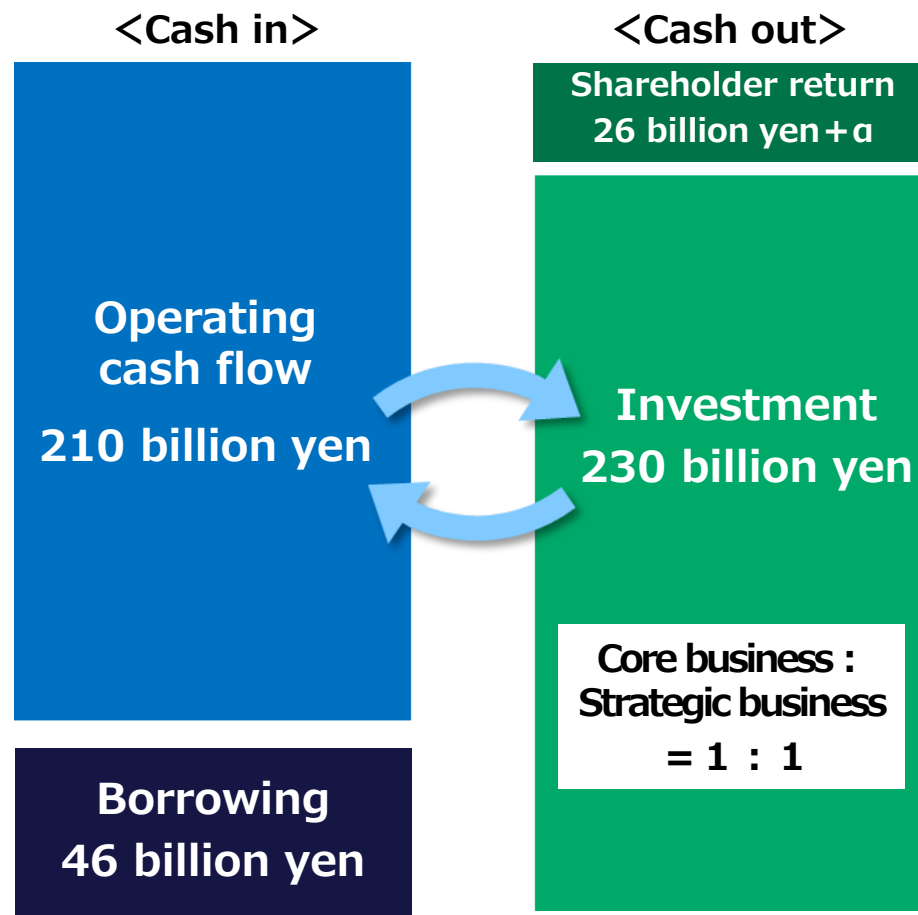
*1 Consolidated ordinary income for FY2025 is approximately 25 billion yen

*2 WACC=Cost of capital: Mid 2%

Shareholder return policy

Based on stable dividends, we will combine flexible acquisition and cancellation of treasury stocks and deliver shareholder returns approximately 40 to 50% of the current net income over the medium to long term

Cash flow during the medium-term management period



TOHO GAS

【Reference 3】 Return to Shareholders

■ Shareholder return policy

Based on stable dividends, we will combine flexible acquisition and cancellation of treasury stocks and deliver shareholder returns approximately 40 to 50% of the current net income over the medium to long term.

■ Dividend ¥60/share for FY2023 in annual base.

(¥ billion)

FY	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 (Forecast)
Net income attributable to the parent(consolidated)	19.0	43.0	17.7	18.0	14.8	16.2	8.5	15.4	33.7	18.0
Cash dividend [Dividend per share]	5.1 [¥47.5]	5.4 [¥50]	5.3 [¥50]	5.5 [¥52.5]	5.8 [¥55]	5.8 [¥55]	5.8 [¥55]	6.0 [¥57.5]	6.3 [¥60]	6.3 [¥60]
Share buy-back	2.9	4.5	2.9	-	2.9	-	-	1.5	-	-
Total return	8.0	9.9	8.2	5.5	8.7	5.8	5.8	7.6	6.3	6.3



TOHO GAS