



— TOHO GAS CO.,LTD. —

Consolidated Financial Results

Results for
the 2nd Quarter of FY2023
(April - September 2023)

October 31, 2023

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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. Consolidated Results for the 2nd Quarter of FY2023

(1) Number of customers, Sales Volume



Number of customer accounts

	FY2023 Q2	FY2022 Q2	Change	Rate of Change	Notes
Number of customer accounts (thousand)	2,963	2,896	67	2.3%	
City Gas	1,751	1,743	8	0.4%	
LPG*	612	605	7	1.1%	
Electricity	600	548	53	9.6%	Development

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

<Ref> Number of Gas meters(thousand)	2,589	2,564	25	1.0%	Development
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Energy Sales Volume

	FY2023 Q2	FY2022 Q2	Change	Rate of Change	Notes
City Gas (million m³)	1,603	1,663	-60	-3.6%	
Residential	203	218	-15	-6.8%	Impact of temperature -6, etc.
Non-Residential	1,400	1,446	-45	-3.1%	Impact of temperature +9 Capacity utilization of facilities -22 Other specific factors -44, etc.
LPG (thousand tons)	206	214	-8	-3.7%	High temperature, etc.
Electricity (million kWh)	1,244	1,112	132	11.9%	Increase in customer base, etc.
<Ref> Average temperature (°C)	24.3	23.8	0.5	—	

1. Consolidated Results for the 2nd Quarter of FY2023

(2) Sales, Incomes

(¥ billion)



	FY2023 Q2	FY2022 Q2	Change	Rate of Change
Net Sales	300.9	302.8	-1.9	-0.6%
Cost of sales	210.9	232.8	-21.9	-9.4%
Selling, General and Administrative Expenses	61.1	61.5	-0.3	-0.6%
Operating income	28.8	8.4	20.3	242.3%
Ordinary Income	31.9	9.8	22.1	225.5%
Net Income Attributable to Owners of the Parent	24.5	6.8	17.7	257.0%

【Appendix】

	FY2023 Q2	FY2022 Q2	Change
Crude Oil Price (CIF national average)	\$ 83.5 /bbl	\$ 111.9 /bbl	-\$ 28.4 /bbl
Exchange Rate (TTM)	¥ 141.1 /\$	¥ 134.0 /\$	¥ 7.1 /\$

1. Consolidated Results for the 2nd Quarter of FY2023

(3) Segment information

(¥ billion)



		FY2023	FY2022	Change	Rate of Change
		Q2	Q2		
Net Sales	Gas	199.9	190.1	9.7	5.1%
	LPG and other Energies	44.4	50.7	-6.2	-12.3%
	Electricity	43.5	50.9	-7.4	-14.5%
	Others	25.5	22.8	2.6	11.8%
	Adjustments	-12.6	-11.9	-0.7	—
	Total Net Sales	300.9	302.8	-1.9	-0.6%
Segment income	Gas	26.1	13.2	12.8	96.6%
	LPG and other Energies	0.5	-1.1	1.6	—
	Electricity	-1.2	-6.4	5.1	—
	Others	2.5	1.9	0.6	30.5%
	Adjustments	0.8	0.7	0.1	—
	Total Operating Income	28.8	8.4	20.3	242.3%

1. Consolidated Results for the 2nd Quarter of FY2023

(4) YoY Factorization in Ordinary Income

(¥ billion)



Ordinary Income +22.1 (9.8⇒31.9)

Operating Income +20.4
(8.4⇒28.8)

Non-operating income +1.7
(1.3⇒3.0)

Gas +13.0
(13.2⇒26.1)

Non-Gas +7.4
(-4.8⇒2.7)

■ Effect of gas sales volume	-1.5
■ Effect of Time lag, etc.	+38.5
<Major factor breakdown>	
➤ Time lag on cost adjustment system	+59.0 (-37.5⇒21.5)
➤ Difference between purchase price and consumption price	-18.5 (13.5⇒-5.0)
■ Others	-24.0

1. Consolidated Results for the 2nd Quarter of FY2023

(5) Financial Position

(¥ billion)



	FY2023 Q2	FY2022 Results	Change
Total assets	711.0	693.5	17.5
Net assets	442.1	402.5	39.6
Interest-bearing debts	137.2	146.6	-9.4
Equity ratio	62.2%	58.0%	4.2Pt
D/E ratio (times)	0.31	0.36	-0.05

	FY2023 Q2	FY2022 Q2	Change
Cash flows from operating activities	39.1	4.9	34.1
Cash flows from investment activities	-14.5	-23.8	9.2
(Free cash flows)	(24.5)	(-18.8)	43.3
Cash flows from financing activities	-13.4	28.8	-42.2
Net (decrease) increase in cash and cash equivalents	11.8	10.5	1.3
Cash and cash equivalents at end of period	45.7	42.6	3.0
CAPEX (Including investment)	21.2	26.5	-5.2
Depreciation	18.0	17.7	0.3

2. Consolidated Forecast for FY2023

(1) Number of Customers, Sales Volume

*change from
the previous year.



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
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Energy Sales Volume

	FY2023 Forecast	FY2022 Results	Change	Rate of Change	Notes
City Gas (million m ³)	3,454	3,454	0	0.0%	
Residential	591	583	8	1.4%	Impact of temperature +14, etc.
Non-Residential	2,863	2,871	-8	-0.3%	Impact of temperature +14 Capacity utilization of facilities -50 Other individual factors +8, etc.
LPG (thousand tons)	475	475	-0	-0.0%	
Electricity (million kWh)	2,492	2,369	123	5.2%	Increase in customer base, etc.
<Ref> Average temperature (°C)	17.1	17.3	-0.2	—	

2. Consolidated Forecast for FY2023

(2) Number of Customers, Sales Volume

*change from
the previous forecast.



Number of customer accounts		FY2023 Forecast	Previous Forecast	Change	Rate of Change	Notes
	Number of customer accounts (thousand)	2,975	2,975	—	—	Unchanged from the previous forecast.
	City Gas	1,752	1,752	—	—	"
	LPG*	619	619	—	—	"
	Electricity	604	604	—	—	"

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

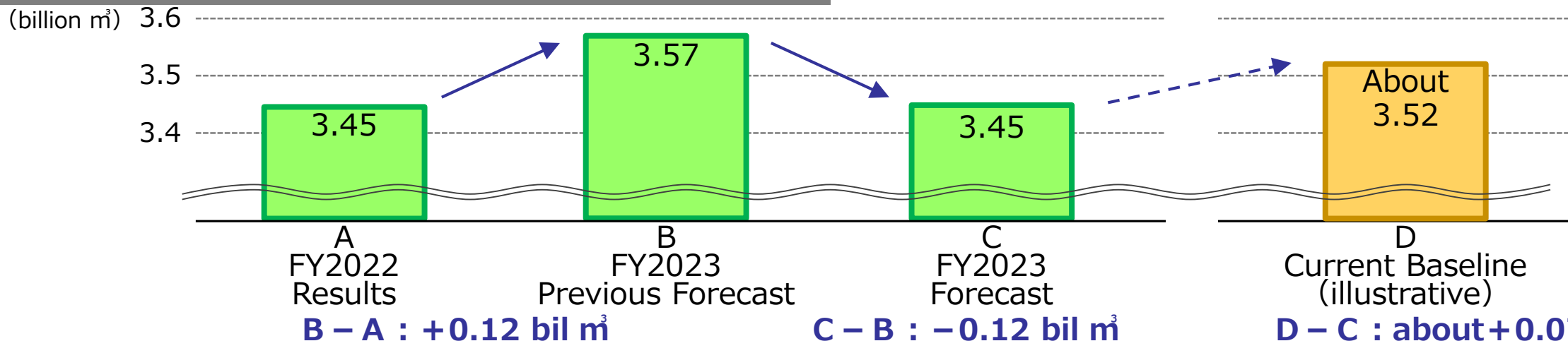
<Ref> Number of Gas meters(thousand)	2,599	2,599	-	-	Unchanged from the previous forecast.
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Energy Sales Volume		FY2023 Forecast	Previous Forecast	Change	Rate of Change	Notes
	City Gas (million m ³)	3,454	3,572	-118	-3.3%	
	Residential	591	607	-16	-2.6%	Impact of temperature -16, etc.
	Non-Residential	2,863	2,965	-102	-3.4%	Capacity utilization of facilities -50 Other specific factors -52, etc.
	LPG (thousand tons)	475	480	-5	-1.0%	
	Electricity (million kWh)	2,492	2,539	-47	-1.9%	
	<Ref> Average temperature (°C)	17.1	16.5	0.6	—	

【Reference】 Sales volume of City Gas



Sales volumes of City Gas Results/Forecast



Breakdown by customer

Residential	+0.02 bil m ³	Residential	–0.02 bil m ³	Residential	+0.02 bil m ³
Non-Residential	+0.1 bil m ³	Non-Residential	–0.1 bil m ³	Non-Residential	+0.05 bil m ³

Increase/Decrease Factors

<p>Under the assumptions both bounce back from previous year's high temperature and increase in operation of customer facilities, initially expected the increase vs. previous year.</p>	<p>The downward revision reflects a temporary decrease in demand for production capacity at plants and due to delayed recovery from Corona and other factors, in addition to lower demand due to high temperatures that became apparent in the first half of the year, as well as lower demand due to specific factors such as energy conservation.</p>	<p>Reflects the return of demand based on the assumption of normal temperatures, as well as the return of temporary demand reductions due to production operations at factories, etc. (Demand reductions due to specific factors such as energy conservation are not included in the baseline)</p>
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2. Consolidated Forecast for FY2023

(3) Sales, Incomes

*change from
the previous forecast.

(¥ billion)



	FY2023 Forecast	FY2022 Results	Change	Rate of Change	Notes
Net Sales	660.0	706.0	-46.0	-6.5%	Previous forecast : 670billion
Operating income	25.0	43.7	-18.7	-42.8%	Previous forecast : 22billion
Ordinary Income	29.0	48.1	-19.1	-39.8%	Previous forecast : 26billion
Net income attributable to owners of the parent	22.0	33.7	-11.7	-34.8%	Previous forecast : 18billion
CAPEX (Including investment)	70.4	60.1	10.2	17.0%	Unchanged from the previous forecast.
Depreciation	38.2	36.2	2.0	5.6%	"

【Assumption】

(\$/bbl, ¥/\$)

	FY2023 Forecast	FY2022 Results	Change	Notes
Crude oil price	86.8	102.7	-15.9	for Q3/Q4 FY2023 : \$ 90/bbl
Exchange rate	145.5	135.5	10.0	for Q3/Q4 FY2023 : ¥ 150/\$

【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

(4) YoY Factorization in Ordinary Income

*change from
the previous year.

(¥ billion)



Ordinary Income -19.1 (48.1⇒29.0)

Operating Income -18.7
(43.7⇒25.0)

Non-operating income -0.4
(4.4⇒4.0)

Gas -25.5
(46.1⇒20.5)

Non-Gas +6.8
(-2.3⇒4.5)

■ Effect of gas sales volume	+1.5
■ Effect of Time lag, etc.	+19.0
<Major factor breakdown>	
➤ Time lag on cost adjustment system	+30.0 (-18.0⇒12.0)
➤ Difference between purchase price and consumption price	-6.5 (4.5⇒-2.0)
■ Others	-46.0

2. Consolidated Forecast for FY2023

(5) FY2023 Forecast against Previous Forecast Factorization in Ordinary Income

*change from
the previous forecast.

(¥ billion)



Ordinary Income +3.0 (26.0⇒29.0)

Operating Income +3.0
(22.0⇒25.0)

Non-operating income ±0
(4.0⇒4.0)

Gas +2.5
(18.0⇒20.5)

Non-Gas +0.5
(4.0⇒4.5)

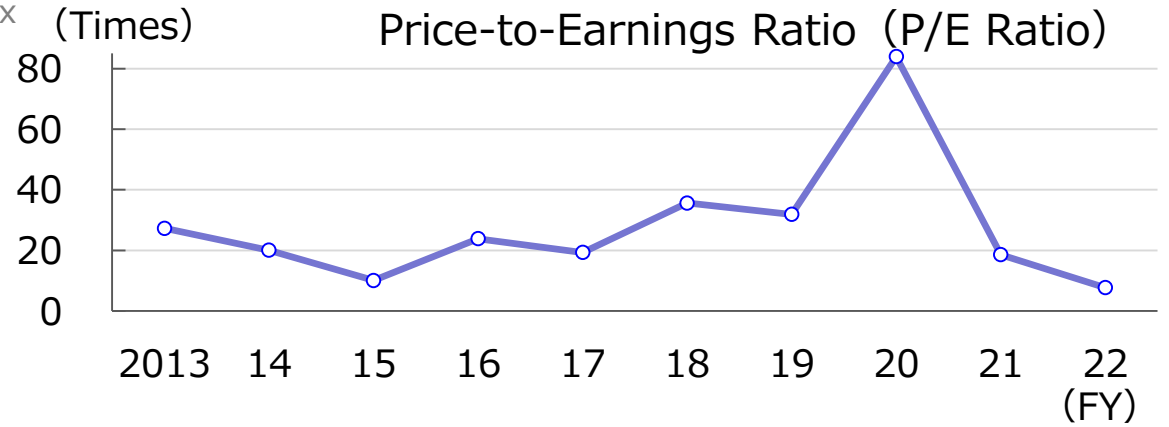
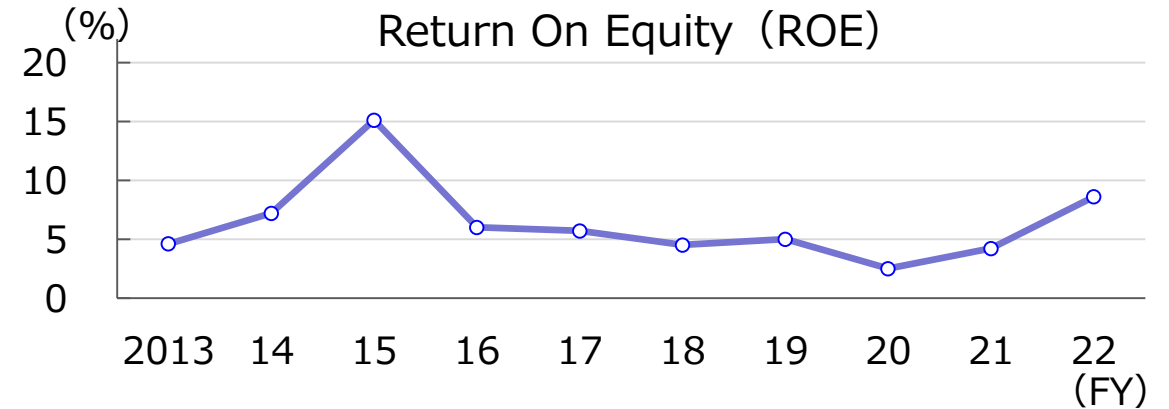
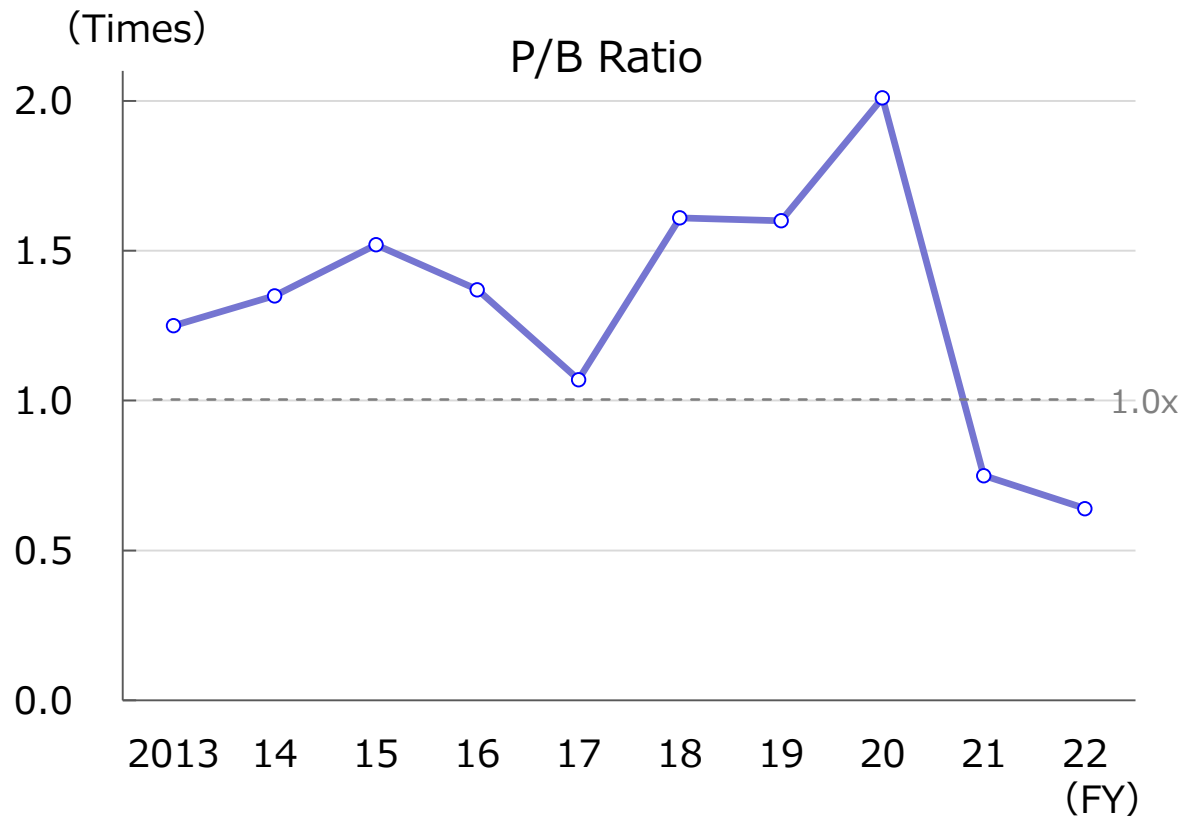
■ Effect of gas sales volume	-2.5	
■ Effect of Time lag, etc.	+8.5	
<Major factor breakdown>		
➤ Time lag on cost adjustment system	+5.0	(7.0⇒12.0)
➤ Difference between purchase price and consumption price	-0.5	(-1.5⇒-2.0)
■ Others	-3.5	

3. Consideration for improving "Price-to-Book (P/B) Ratio"

(1) Evaluation from the stock market & ROE level



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



* P/B Ratio=Stock price (End of FY) / Book value per share (Total net assets related to common stock at the end of the period / Number of common stock outstanding at the end of the period)

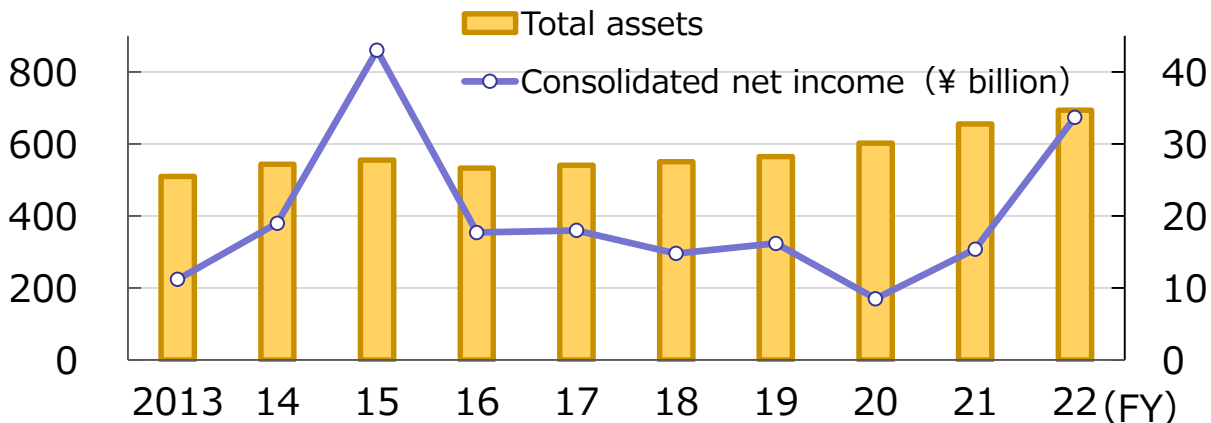
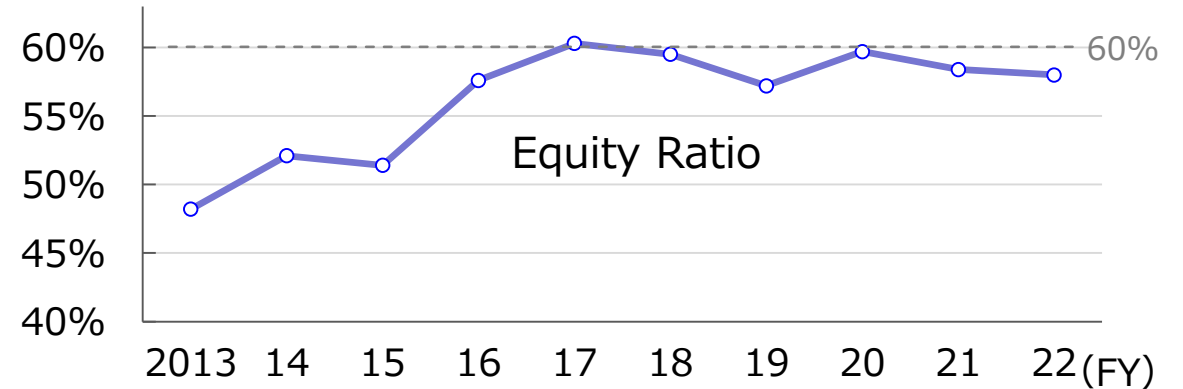
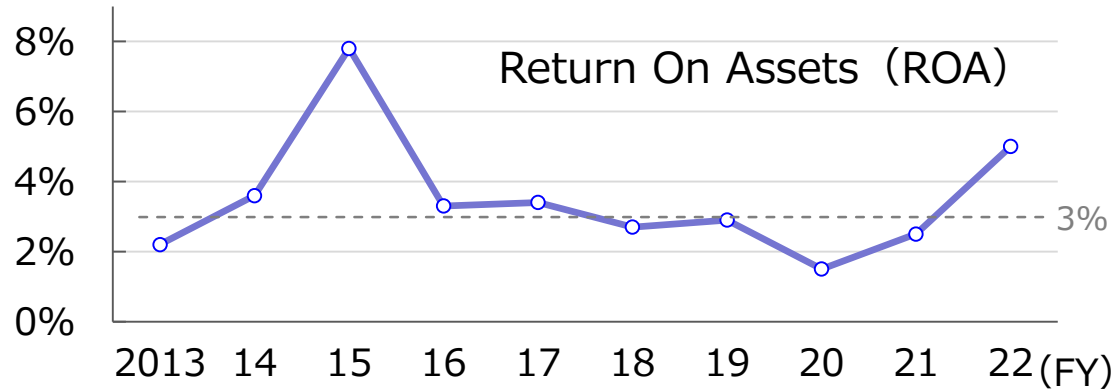
* P/E Ratio=Stock price (End of FY) / Net earnings per share (Net income attributable to shareholders of the parent company related to common stock / Average number of common stock during the period)

* ROE =Net income attributable to owners of the parent / Shareholders' equity (Average total assets at beginning and end of the period)×100

3. Consideration for improving "Price-to-Book (P/B) Ratio"

(2) ROE Analysis (ROA, Equity Ratio)

- ROA (Return on Assets) has been around 3%, except for the most recent results. The size of total assets has been increasing due to increased investment in strategic businesses and an increase in working capital as a result of higher oil prices and a weaker yen.
- Equity ratio has remained close to 60% since FY2016. In the last 10 years, we have invested within its operating cash flow and returned capital to shareholders and repaid debt.



<Allocation of cash flows (most recent 10 years)>
(¥ billion)

Cash flows from operating activities	566.6	Cash flows from investment activities	445.6
		Shareholder return	71.0
		Liabilities ,etc.	49.9

Cash in

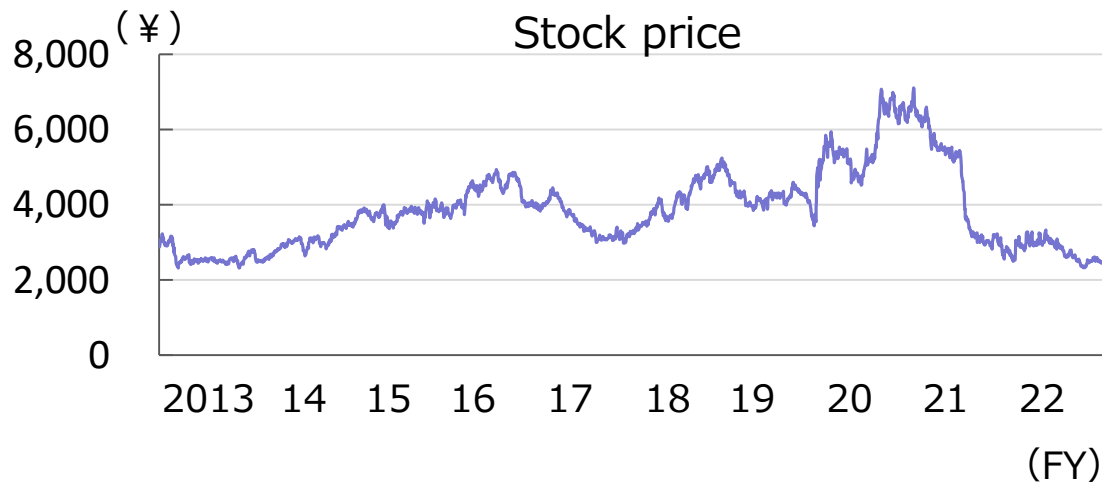
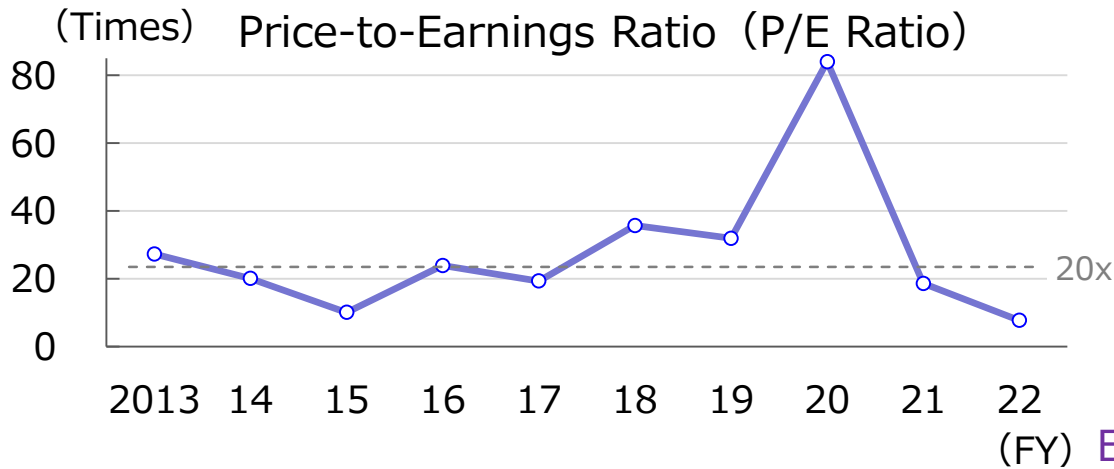
Cash out

3. Consideration for improving "Price-to-Book (P/B) Ratio"

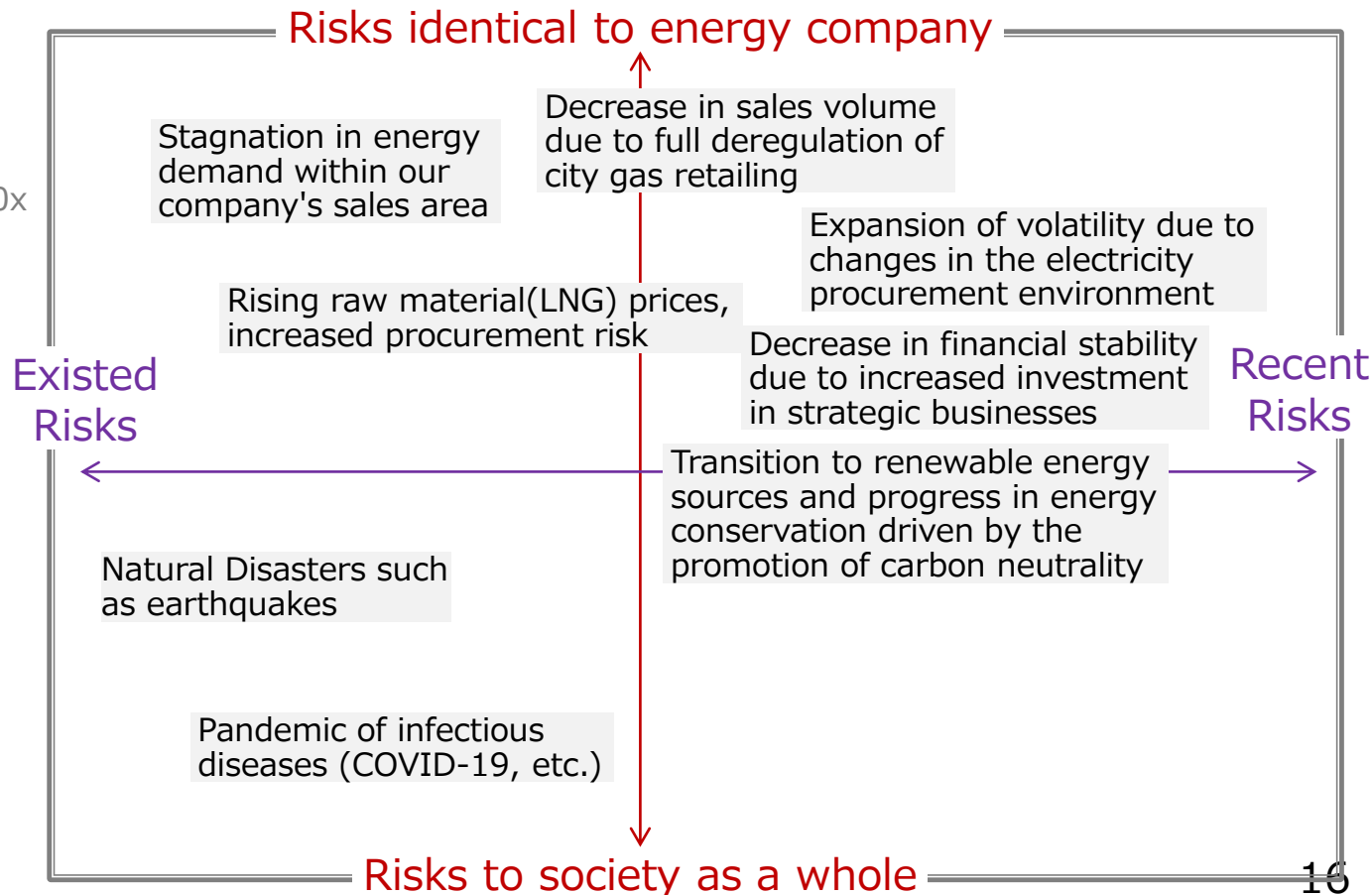
(3) Price-to-Earnings Ratio (P/E Ratio) Analysis



- P/E Ratio had been around 20x, but has declined significantly from FY2020 to FY2022.
- Not pervasive explanations sufficient to dispel investors' concerns might be causing the swing in stock prices.



< Business Risks Surrounding us >



3. Consideration for improving “Price-to-Book (P/B) Ratio”

(4) Elements of further consideration

Improvement of Capital efficiency

ROE

- ✓ Maintain profitability of city gas business and stable growth of LPG business
- ✓ Shift resources to strategic businesses and make them profitable
- ✓ Manage return on capital by business portfolio (e.g., introduction of ROIC)
- ✓ Reduce assets (reduction of stock holdings, utilization/sale of business assets, etc.)

Optimal Capital Structure

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- ✓ Consider adequacy levels of capital
- ✓ Conduct appropriate measures in line with our shareholder return policy

P/E
Ratio

Improvement of P/E Ratio (Reduction of Shareholder’s Equity Cost)

- ✓ Strengthen IR activities and promote dialogue with capital markets to dispel concerns about management risks surrounding us

P/B
Ratio

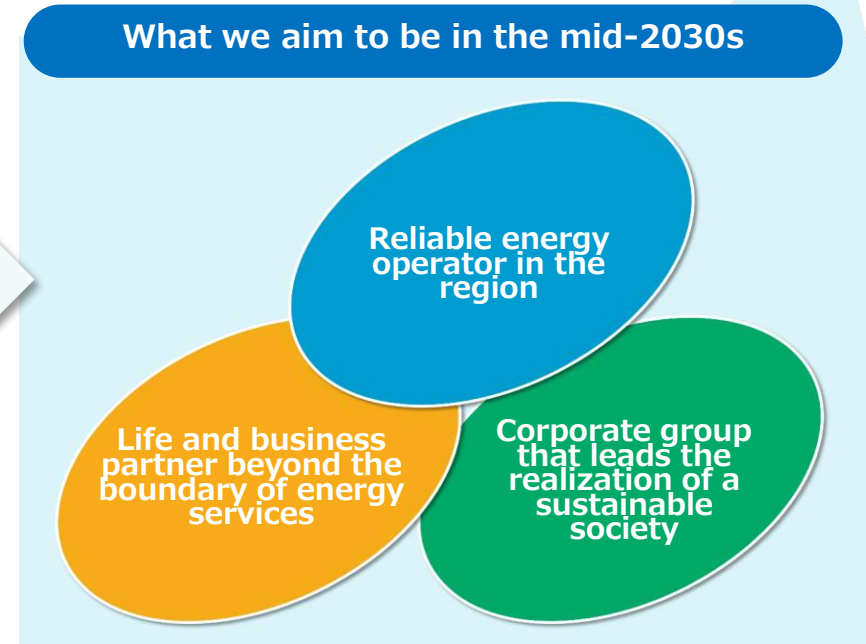
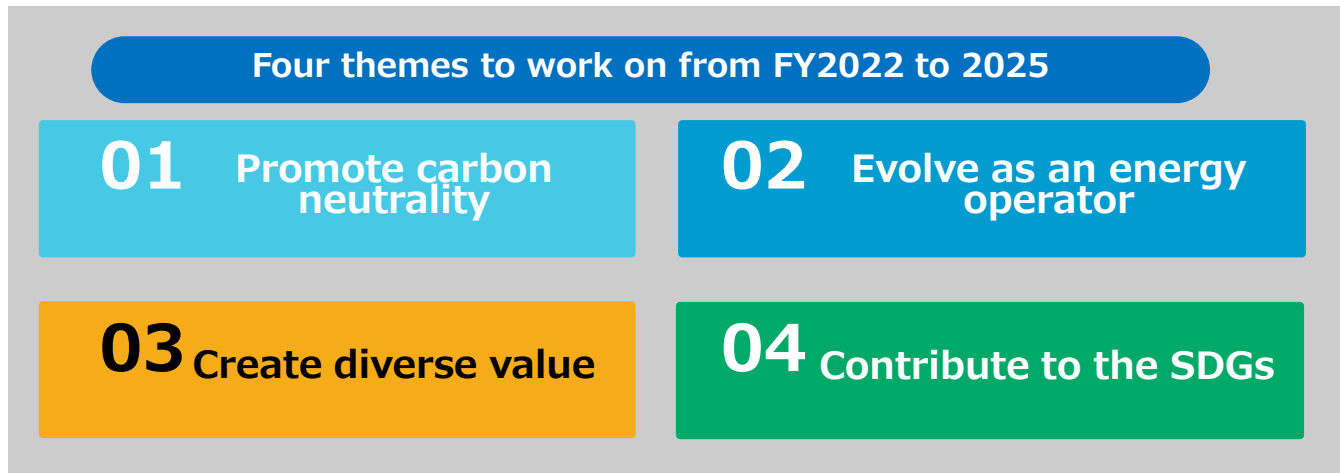
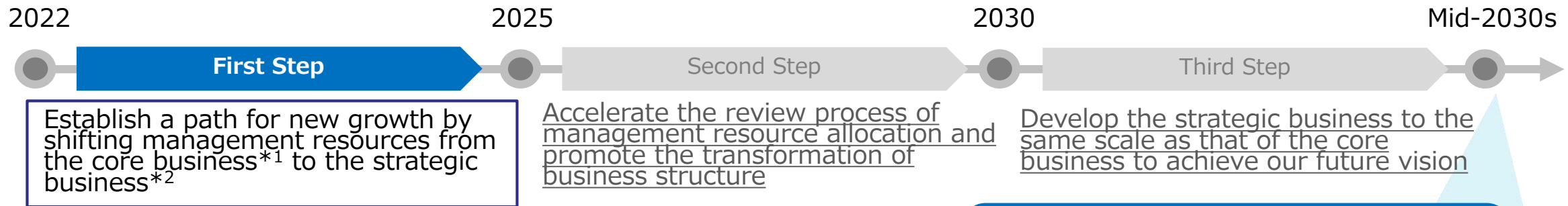
【Reference 1】

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)

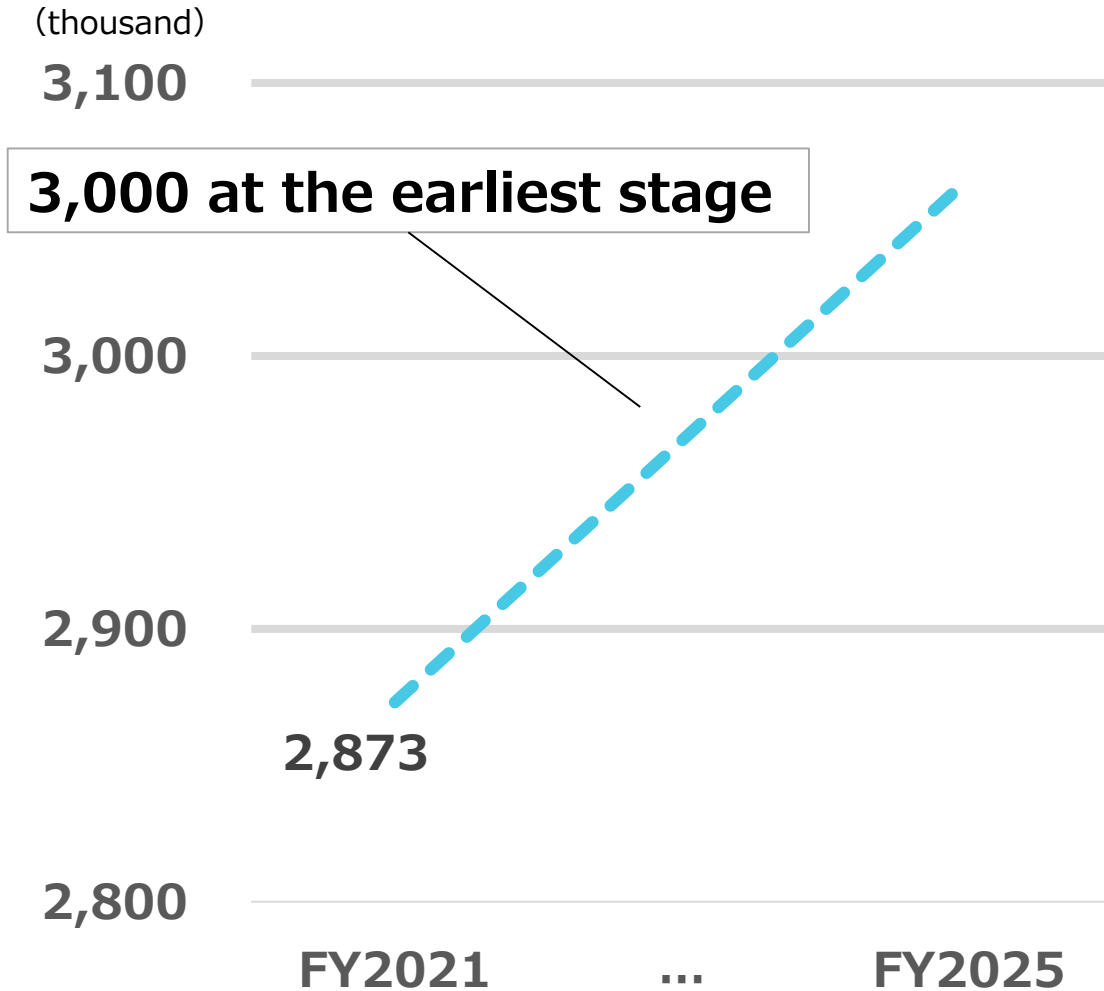
*2 Business that drives medium- to long-term growth (e.g., electricity, energy services, living/business support)

【Reference 1】

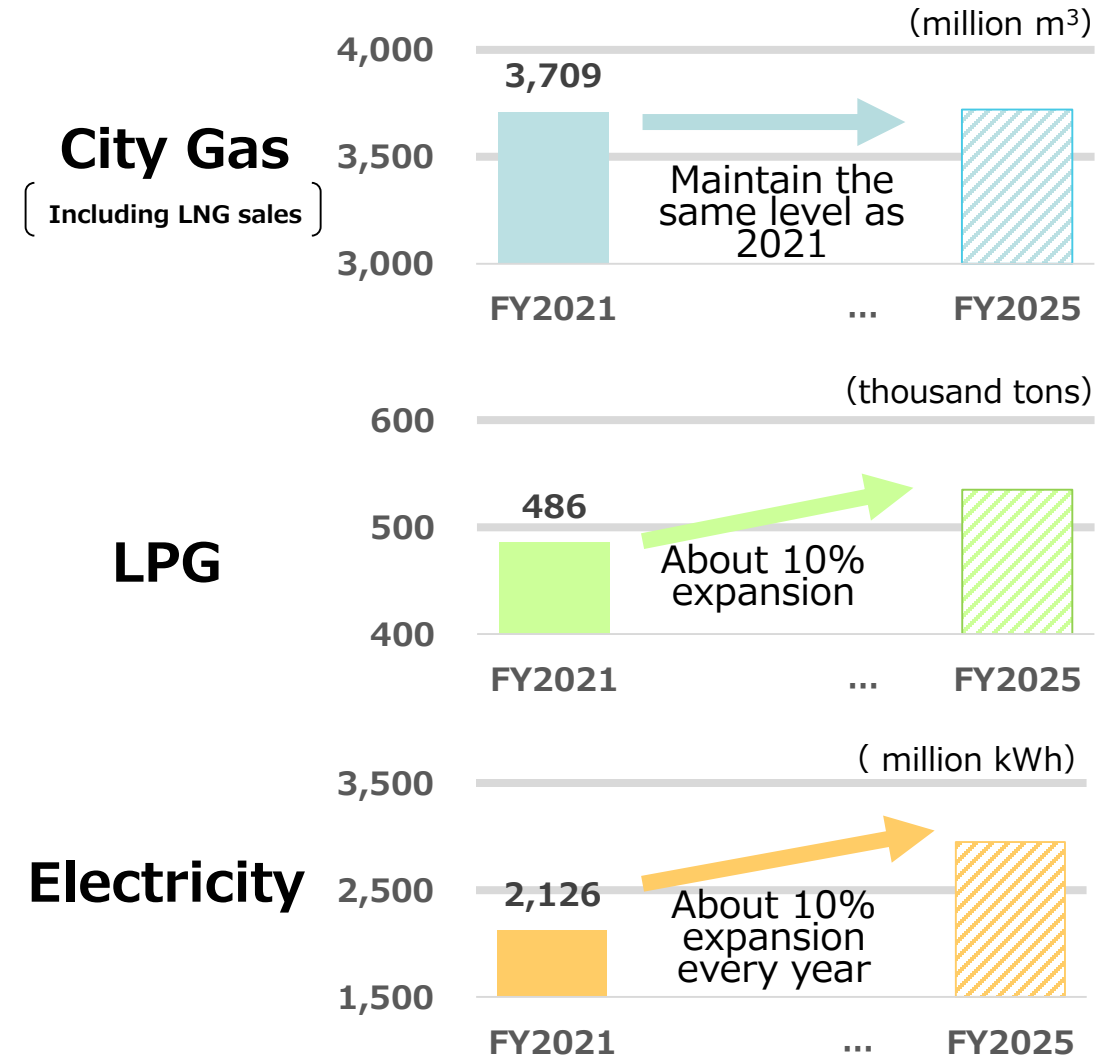
Medium-Term Management Plan (From FY2022 to FY2025)

- Sales Targets -

Number of customer accounts



Sales volume



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【Reference 1】

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)

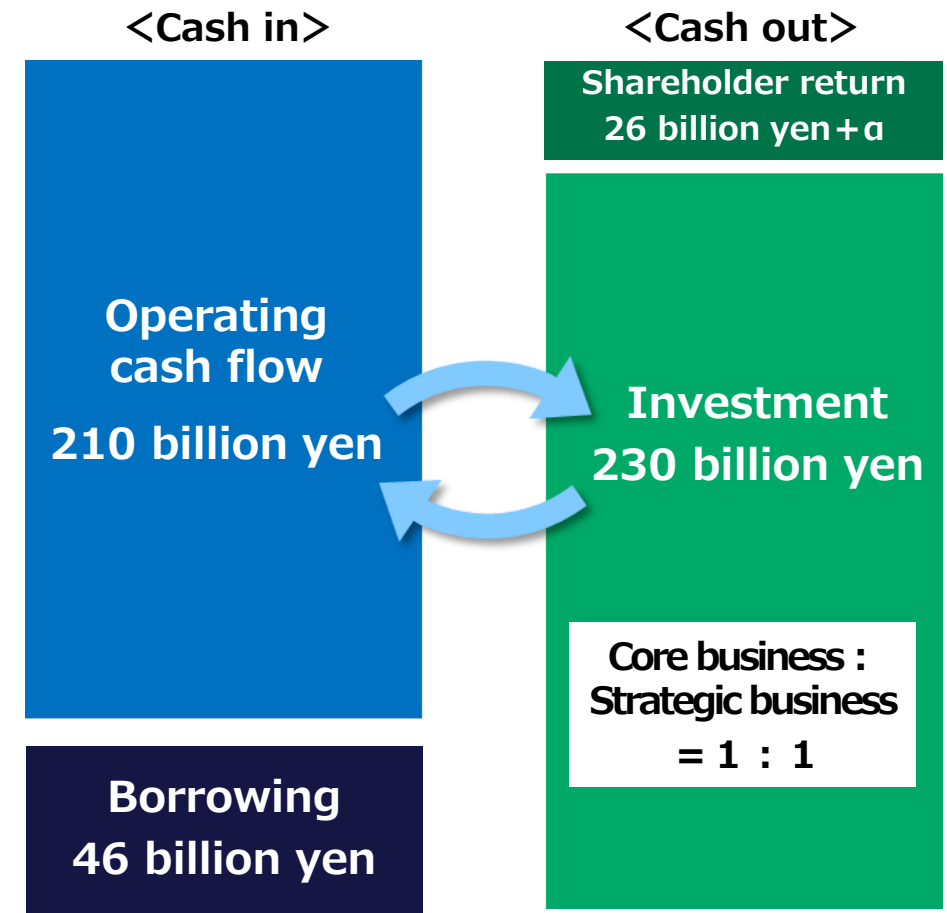
*1 Consolidated ordinary income for FY2025 is approximately 25 billion yen

*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



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【Reference 2】

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. (interim dividend ¥30/share)

(¥ 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	22.0
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

※ as of October 31, 2023



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