

Consolidated Financial Results

for the Six Months Ended September 30, 2014 (2Q FY2014)

Toho Gas Co., Ltd.

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

Representative: Koichi Yasui, President

Contact: Satoshi Yamazaki, General Manager, Finance Dept.

Tel: +81-52-872-9341

Date of filing quarterly financial report: November 13, 2014

Commencement of dividend payments: November 28, 2014

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, 2014

(1) Consolidated business results (Percentage figures indicate the percentage change on the results for the previous year)

	Sales		Operating income		Ordinary income		Net income	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
April 1 – September 30, 2014	265,342	6.0	16,595	242.5	17,009	225.9	11,948	264.9
April 1 – September 30, 2013	250,346	5.9	4,845	-43.1	5,219	-40.6	3,274	-34.2

Note: Comprehensive income 2nd Quarter ended September 2014: ¥19,686 million (88.1%), 2nd Quarter ended September 2013: ¥10,465 million (616.9%)

	Net income per share	Diluted earnings per share
	(Unit: yen)	(Unit: yen)
April 1 – September 30, 2014	21.91	-
April 1 – September 30, 2013	6.00	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Unit: million yen)	(Unit: million yen)	(%)
2nd Quarter ended September 2014	505,451	262,096	51.9
FY2013 ended March 2014	509,760	245,890	48.2

Reference: Shareholders' equity 2nd Quarter ended September 2014: ¥262,096 million, FY2013 ended March 2014: ¥245,890 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)
FY2013 ended March 2014	-	4.50	-	4.50	9.00
FY2014 ending March 2015	-	4.50	-	-	-
FY2014 ending March 2015 (forecasts)	-	-	-	4.50	9.00

Note: Revision of previously announced dividend forecasts: No

3. Consolidated Results Forecasts for the Year Ending March 2015 (April 1, 2014 - March 31, 2015)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: yen)
Full term	595,000	6.2	23,000	46.0	23,000	34.9	15,000	33.4	27.51

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 consolidated 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 “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26 issued on May 17, 2012, hereinafter, the “Accounting Standard for Retirement Benefits”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 issued on May 17, 2012, hereinafter, the “Retirement Benefits Guidance”) from the first quarter of the current fiscal year with regard to the provisions stipulated in the text from Item 35 of the Accounting Standard for Retirement Benefits and the text from Item 67 of the Retirement Benefits Guidance. Accordingly, the Company reviewed the calculation method of retirement benefit obligations and service costs, changed the method of attribution period for estimated amount of retirement benefits from the service period basis to the benefit formula, and changed the method of determining the discount rate from a method using the discount rate based on the approximate number of years of the average remaining service period of employees to a method using the weighted average discount rate.

Concerning the application of the Accounting Standards for Retirement Benefits, based on the provisional treatment set out in Item 37 of the Accounting Standard for Retirement Benefits, the effects of changes the method of attribution period for estimated amount of retirement benefits have been adjusted in the beginning balance of capital surplus of the first quarter of FY2014, and the amount of the impact resulting from changes in the method of determining the discount rate is posted as remeasurements of defined benefit plans in other comprehensive income.

As a result, at the beginning of the first quarter of FY2014, net defined benefit liability decreased by ¥3,118 million, retained earnings decreased by ¥1,010 million, and other comprehensive income increased by ¥3,181 million. This change has minimal impact on operating income, ordinary income and income before income taxes.

(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 2014	545,966,429 shares	FY2013 ended March 2014	545,966,429 shares
Number of treasury stock at the end of the term	2nd Quarter ended September 2014	681,776 shares	FY2013 ended March 2014	654,004 shares
Average number of outstanding shares during the term	2nd Quarter ended September 2014	545,296,335 shares	2nd Quarter ended September 2013	545,438,772 shares

Reference: Non- Consolidated Results Forecasts for the Year Ending March 2015 (April 1, 2014 - March 31, 2015)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: yen)
Full term	520,000	6.1	20,000	53.0	21,000	34.6	14,000	32.2	25.67

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, 2014)	2nd Quarter (As of Sept. 30, 2014)
Assets		
Noncurrent assets		
Property, plant and equipment		
Production facilities	69,473	67,616
Distribution facilities	155,595	151,986
Service and maintenance facilities	27,863	27,248
Other facilities	28,846	28,206
Construction in progress	20,634	22,737
Total property, plant and equipment	302,413	297,795
Intangible assets		
Other	4,540	4,955
Total intangible assets	4,540	4,955
Investments and other assets		
Investment securities	66,220	70,076
Other	18,473	16,099
Allowance for doubtful accounts	-109	-113
Total investments and other assets	84,583	86,062
Total noncurrent assets	391,537	388,813
Current assets		
Cash and deposits	15,328	15,505
Notes and accounts receivable-trade	63,813	52,016
Inventories	22,560	31,430
Other	16,830	17,924
Allowance for doubtful accounts	-310	-238
Total current assets	118,222	116,638
Total assets	509,760	505,451

(Unit: million yen)

	Previous year (As of Mar. 31, 2014)	2nd Quarter (As of Sept. 30, 2014)
Liabilities		
Noncurrent liabilities		
Bonds payable	89,994	89,994
Long-term loans payable	27,239	27,247
Provision for gas holder repairs	1,212	1,264
Reserve for safety measures	8,894	7,582
Net defined benefit liability	29,719	25,756
Other	8,146	8,027
Total noncurrent liabilities	165,207	159,871
Current liabilities		
Current portion of noncurrent liabilities	22,275	16,951
Notes and accounts payable-trade	19,836	21,431
Short-term loans payable	24,070	12,920
Income taxes payable	5,465	7,632
Other	27,013	24,546
Total current liabilities	98,662	83,482
Total liabilities	263,869	243,354
Net assets		
Shareholders' equity		
Capital stock	33,072	33,072
Capital surplus	8,387	8,387
Retained earnings	175,387	183,870
Treasury stock	-324	-339
Total shareholders' equity	216,523	224,991
Other comprehensive income		
Valuation difference on available-for-sale securities	29,578	32,320
Deferred gains or losses on hedges	4,772	6,636
Foreign currency translation adjustment	1,530	1,121
Remeasurements of defined benefit plans	-6,514	-2,973
Total other comprehensive income	29,366	37,105
Total net assets	245,890	262,096
Total liabilities and net assets	509,760	505,451

2. Consolidated statements of income, Statements of comprehensive income
Consolidated statements of income for the Six Months

(Unit: million yen)

	2 nd Quarter of FY2013 (Apr. – Sept. 2013)	2 nd Quarter of FY2014 (Apr. – Sept. 2014)
Net sales	250,346	265,342
Cost of sales	182,292	186,324
Gross profit	68,053	79,018
Selling, general and administrative expenses	63,208	62,423
Operating income	4,845	16,595
Non-operating income		
Interest income	12	10
Dividend income	680	744
Rent income	310	355
Miscellaneous income	422	288
Total non-operating income	1,425	1,399
Non-operating expenses		
Interest expenses	886	860
Miscellaneous expenses	165	124
Total non-operating expenses	1,051	985
Ordinary income	5,219	17,009
Income before income taxes	5,219	17,009
Income taxes-current	1,945	5,060
Income before minority interests	3,274	11,948
Net income	3,274	11,948

Statements of comprehensive income for the Six Months

(Unit: million yen)

	2 nd Quarter of FY2013 (Apr. – Sept. 2013)	2 nd Quarter of FY2014 (Apr. – Sept. 2014)
Income before minority interests	3,274	11,948
Other comprehensive income		
Valuation difference on available-for-sale securities	5,161	2,742
Deferred gains or losses on hedges	1,251	1,863
Foreign currency translation adjustment	778	-408
Remeasurements of defined benefit plans, net of tax	-	3,540
Total other comprehensive income	7,191	7,738
Comprehensive income	10,465	19,686
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	10,465	19,686
Comprehensive income attributable to minority interests	-	-

3. Notes about Consolidated Statements

- Note of going concerns' premise: No

- Significant change in shareholders' equity: No

- Segment information

Segment information by category of business

Six months ended Sept. 30, 2013 (Apr. 1 – Sept. 30, 2013)

(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	189,583	15,134	36,018	240,736	9,610	250,346	-	250,346
(2) Intersegment	45	940	457	1,443	5,711	7,155	-7,155	-
Total	189,628	16,074	36,476	242,179	15,322	257,501	-7,155	250,346
Segment income or loss	3,871	-178	-1	3,692	556	4,249	595	4,845

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 or loss" (595 million yen) denotes eliminations of intersegment transactions.

3. Segment income or loss in the table above is reconciled to operating income on the quarterly consolidated statements of income.

Six months ended Sept. 30, 2014 (Apr. 1 – Sept. 30, 2014)

(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	202,336	14,626	38,638	255,601	9,741	265,342	-	265,342
(2) Intersegment	48	908	355	1,312	5,703	7,016	-7,016	-
Total	202,385	15,535	38,993	256,914	15,444	272,359	-7,016	265,342
Segment income	15,130	103	116	15,350	630	15,980	614	16,595

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" (614 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.