

# Consolidated Financial Results

## for the Three Months Ended June 30, 2015 (1Q FY2015)

**Toho Gas Co., Ltd.**

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

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Date of filing quarterly financial report: August 11, 2015

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 Three Months Ended June 30, 2015

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

	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 – June 30, 2015	131,286	-3.5	30,392	131.3	31,103	127.5	22,371	134.1
April 1 – June 30, 2014	136,064	9.4	13,142	415.4	13,672	359.8	9,558	444.4

Note: Comprehensive income 1st Quarter ended June 2015: ¥27,367 million (101.5%), 1st Quarter ended June 2014: ¥13,583 million (100.0%)

	Net income per share	Diluted earnings per share
	(Unit: yen)	(Unit: yen)
April 1 – June 30, 2015	41.22	-
April 1 – June 30, 2014	17.53	-

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Unit: million yen)	(Unit: million yen)	(%)
1st Quarter ended June 2015	559,913	304,454	54.4
FY2014 ended March 2015	543,286	282,827	52.1

Reference: Net assets (excluding minority interests)

1st Quarter ended June 2015: ¥304,454 million, FY2014 ended March 2015: ¥282,827 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)
FY2014 ended March 2015	-	4.50	-	5.00	9.50
FY2015 ending March 2016	-				
FY2015 ending March 2016 (forecasts)		5.00	-	5.00	10.00

Note: Revision of previously announced dividend forecasts: No

### 3. Consolidated Results Forecasts for the Year Ending March 2016 (April 1, 2015 - March 31, 2016)

	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)
Mid-term	243,000	-8.4	32,000	92.8	32,000	88.1	23,000	92.5	42.49
Full term	518,000	-10.8	29,000	0.8	30,000	1.6	21,000	10.2	38.80

Notes: \* (Mid-term) Percentage figures indicate the percentage change on the interim results for the previous year

(Full term) Percentage figures indicate the percentage change on the results for the previous year

\* 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 Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on September 13, 2013, hereinafter “Business Combinations Accounting Standard”), “Accounting Standard for Consolidated Financial Statements (Accounting Standards Board of Japan (ASBJ) Statement No. 22 issued on September 13, 2013, hereinafter “Consolidation Accounting Standard”), “Accounting Standard for Business Divestitures” (Accounting Standards Board of Japan (ASBJ) Statement No. 7 issued on September 13, 2013, hereinafter “Business Divestitures Accounting Standard”) and other related standards from the first quarter ended June 30, 2015. Accordingly, the accounting methods were changed to record the difference arising from changes in equity in subsidiaries which the Company continues to control as capital surplus, and to record business acquisition costs as expenses for the fiscal year in which they occurred. In addition, regarding business combinations which became or will become effective on or after April 1, 2015, the accounting method was changed to retroactively reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the fiscal year in which the relevant business combinations became or will become effective. The Company has also changed the presentation of net income, etc. To reflect this change in presentation, the Company has made certain reclassification to quarterly consolidated financial statement for the previous fiscal year.

The Business Combinations Accounting Standard and other related standards were applied from April 1, 2015 in accordance with the transitional treatment set forth in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard.

This change has no effect on quarterly consolidated financial statements during the first quarter ended June 30, 2015.

(4) Number of outstanding shares (common stock)

Number of outstanding shares at the end of the term (Inclusive of treasury stock)	1st Quarter ended June 2015	541,276,429 shares	FY2014 ended March 2015	545,966,429 shares
Number of treasury stock at the end of the term	1st Quarter ended June 2015	31,441 shares	FY2014 ended March 2015	755,433 shares
Average number of outstanding shares during the term	1st Quarter ended June 2015	542,709,134 shares	1st Quarter ended June 2014	545,303,874 shares

**Reference: Non- Consolidated Results Forecasts for the Year Ending March 2016 (April 1, 2015 - March 31, 2016)**

	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)
Mid-term	213,000	-8.0	31,000	102.8	32,000	94.0	23,000	95.0	42.49
Full term	448,000	-11.5	26,000	5.0	28,000	4.1	20,000	13.0	36.95

Notes: \*(Mid-term) Percentage figures indicate the percentage change on the interim results for the previous year

(Full term) Percentage figures indicate the percentage change on the results for the previous year

\* 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, 2015)	1st Quarter (As of June 30, 2015)
Assets		
Noncurrent assets		
Property, plant and equipment		
Production facilities	67,858	66,772
Distribution facilities	149,332	146,530
Service and maintenance facilities	26,563	26,315
Other facilities	28,212	27,560
Construction in progress	31,592	33,253
Total property, plant and equipment	303,559	300,431
Intangible assets		
Other	5,936	5,686
Total intangible assets	5,936	5,686
Investments and other assets		
Investment securities	79,023	85,723
Other	13,203	11,915
Allowance for doubtful accounts	-80	-91
Total investments and other assets	92,147	97,547
Total noncurrent assets	401,643	403,666
Current assets		
Cash and deposits	20,722	59,601
Notes and accounts receivable-trade	61,030	48,787
Inventories	28,297	18,408
Other	31,865	29,671
Allowance for doubtful accounts	-271	-222
Total current assets	141,643	156,247
Total assets	543,286	559,913

(Unit: million yen)

	Previous year (As of Mar. 31, 2015)	1st Quarter (As of June 30, 2015)
Liabilities		
Noncurrent liabilities		
Bonds payable	89,995	79,995
Long-term loans payable	29,674	30,790
Provision for gas holder repairs	1,318	1,345
Reserve for safety measures	16,180	19,759
Provision for gas appliance warranties	939	917
Net defined benefit liability	21,781	21,291
Other	8,225	8,445
Total noncurrent liabilities	168,114	162,545
Current liabilities		
Current portion of noncurrent liabilities	17,133	27,449
Notes and accounts payable-trade	15,959	18,233
Short-term loans payable	12,022	8,732
Income taxes payable	11,492	9,937
Other	35,737	28,560
Total current liabilities	92,344	92,913
Total liabilities	260,459	255,458
Net assets		
Shareholders' equity		
Capital stock	33,072	33,072
Capital surplus	8,388	8,387
Retained earnings	188,522	204,791
Treasury stock	-387	-22
Total shareholders' equity	229,596	246,228
Other comprehensive income		
Valuation difference on available-for-sale securities	39,473	44,474
Deferred gains or losses on hedges	11,496	11,472
Foreign currency translation adjustment	2,786	2,736
Remeasurements of defined benefit plans	-525	-456
Total other comprehensive income	53,230	58,226
Total net assets	282,827	304,454
Total liabilities and net assets	543,286	559,913

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

(Unit: million yen)

	1 <sup>st</sup> Quarter of FY2014 (Apr. – June 2014)	1 <sup>st</sup> Quarter of FY2015 (Apr. – June 2015)
Net sales	136,064	131,286
Cost of sales	92,144	66,453
Gross profit	43,919	64,832
Selling, general and administrative expenses	30,777	34,439
Operating income	13,142	30,392
Non-operating income		
Interest income	2	7
Dividend income	728	832
Rent income	115	115
Miscellaneous revenues	153	216
Total non-operating income	1,000	1,172
Non-operating expenses		
Interest expense	430	415
Miscellaneous expenses	39	46
Total non-operating expenses	469	461
Ordinary income	13,672	31,103
Income before income taxes	13,672	31,103
Income taxes-current	4,114	8,731
Net income	9,558	22,371
Net income attributable to the parent company	9,558	22,371

**Statements of comprehensive income for the Three Months**

(Unit: million yen)

	1 <sup>st</sup> Quarter of FY2014 (Apr. – June 2014)	1 <sup>st</sup> Quarter of FY2015 (Apr. – June 2015)
Net income	9,558	22,371
Other comprehensive income		
Valuation difference on available-for-sale securities	1,820	5,001
Deferred gains or losses on hedges	-1,002	-24
Foreign currency translation adjustment	-154	-49
Remeasurements of defined benefit plans, net of tax	3,361	68
Total other comprehensive income	4,024	4,995
Comprehensive income	13,583	27,367
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	13,583	27,367
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 has reached the stock repurchase limit approved at the Board of Directors' meeting held on April 30, 2015:

1. Types of shares repurchased	Common stock
2. Number of shares repurchased	3,947,000 shares
3. Total value of shares repurchased	¥2,999,581,000
4. Acquisition period	From May 7, 2015 to May 28, 2015
5. Method of repurchase	Market purchase on Tokyo Stock Exchange

##### -Retirement of treasury stock

The Company retired treasury stock as follows, based on a resolution of the Board of directors passed on June 22, 2015, pursuant to Article 178 of the Corporation Code:

1 Type of shares retired	Common Stock
2 Number of shares retired	4,690,000 shares
3 Effective date of retirement	June 30, 2015

#### - Additional information

##### - Provision for safety measures

The Company decided to make further efforts to ensure security by replacing the gas pipelines buried under the roads that are important in terms of disaster prevention with more earthquake-resistant pipelines in a planned manner, and to provide an allowance for the expenses.

As a result, the Company provided an additional allowance for replacement of pipelines by estimating future expenditures of ¥4,125 million. Therefore, operating income, ordinary income, and net income before adjustment for tax declined by ¥4,125 million.

#### - Segment information

Segment information by category of business

Three months ended June 30, 2014 (Apr. – June 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	103,810	7,326	20,244	131,382	4,682	136,064	-	136,064
(2)Intersegment	21	508	168	699	2,772	3,471	-3,471	-
Total	103,832	7,834	20,413	132,081	7,454	139,535	-3,471	136,064
Segment income (loss)	11,794	-44	592	12,341	498	12,840	302	13,142

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" (302 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.

Three months ended June 30, 2015 (Apr. – June 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	101,830	7,189	17,764	126,784	4,502	131,286	-	131,286
(2)Intersegment	20	352	136	508	2,988	3,497	-3,497	-
Total	101,850	7,541	17,900	127,293	7,490	134,783	-3,497	131,286
Segment income (loss)	28,168	61	1,403	29,632	453	30,086	306	30,392

- 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” (306million 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.