

Consolidated Financial Results for FY2015 Ended March 31, 2016

Toho Gas Co., Ltd.

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 Date of regular general meeting of stockholders: June 27, 2016
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 Earnings supplementary explanatory documents: Yes
 Earnings presentation: Yes (for institutional investors)

Shares listed on:
 Tokyo Stock Exchange, Nagoya Stock Exchange

Commencement of dividend payments: June 28, 2016

(Rounded down to the nearest million yen)

1. Consolidated Results for FY2015 (April 1, 2015 - March 31, 2016)

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

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to the parent company | |
|-------------------------|---------------------|-------|---------------------|-------|---------------------|-------|---|-------|
| | (Unit: million yen) | (%) | (Unit: million yen) | (%) | (Unit: million yen) | (%) | (Unit: million yen) | (%) |
| FY2015 ended March 2016 | 479,870 | -17.4 | 60,725 | 111.1 | 61,132 | 107.1 | 43,008 | 125.7 |
| FY2014 ended March 2015 | 580,984 | 3.7 | 28,760 | 82.6 | 29,516 | 73.1 | 19,053 | 69.5 |

Note: Comprehensive income FY2015 ended March 2016: ¥10,832 million (-74.8%) FY2014 ended March 2015: ¥42,917 million (102.1%)

| | Net income per share | Diluted income per share | Return on equity (Net income) | Return on assets (Ordinary income) | Operating income ratio |
|-------------------------|----------------------|--------------------------|-------------------------------|------------------------------------|------------------------|
| | (Unit: yen) | (Unit: yen) | (%) | (%) | (%) |
| FY2015 ended March 2016 | 79.41 | - | 15.1 | 11.1 | 12.7 |
| FY2014 ended March 2015 | 34.94 | - | 7.2 | 5.6 | 5.0 |

Note: Profit or loss on investment accounted for by equity method: FY2015 ended March 2016: None FY2014 ended March 2015: None

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Book-value per share |
|-------------------------|---------------------|---------------------|--------------|----------------------|
| | (Unit: million yen) | (Unit: million yen) | (%) | (Unit: yen) |
| FY2015 ended March 2016 | 555,217 | 285,186 | 51.4 | 526.94 |
| FY2014 ended March 2015 | 543,286 | 282,827 | 52.1 | 518.75 |

Note: Net assets (excluding minority interests) FY2015 ended March 2016: ¥285,186 million FY2014 ended March 2015: ¥282,827 million

(3) Consolidated cash flow

| | Net cash provided by (used in) operating activities | Net cash provided by (used in) investment activities | Net cash provided by (used in) financing activities | Balance of cash and cash equivalents as of end of term |
|-------------------------|---|--|---|--|
| | (Unit: million yen) | (Unit: million yen) | (Unit: million yen) | (Unit: million yen) |
| FY2015 ended March 2016 | 114,923 | -42,196 | -31,817 | 60,314 |
| FY2014 ended March 2015 | 62,320 | -37,839 | -20,156 | 19,423 |

2. Dividends

| | Dividend per share | | | | | Total dividends (Annual) | Dividend payout ratio (Consolidated) | Dividend rate for net assets (Consolidated) |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|-------------------|---------------------------|--------------------------------------|---|
| | End of 1st quarter | End of 2nd quarter | End of 3rd quarter | End of 4th quarter | Total | | | |
| FY2014 ended March 2015 | (Unit: yen) - | (Unit: yen) 4.50 | (Unit: yen) - | (Unit: yen) 5.00 | (Unit: yen) 9.50 | (Unit: million yen) 5,179 | (%) 27.2 | (%) 2.0 |
| FY2015 ended March 2016 | (Unit: yen) - | (Unit: yen) 5.00 | (Unit: yen) - | (Unit: yen) 5.00 | (Unit: yen) 10.00 | (Unit: million yen) 5,412 | (%) 12.6 | (%) 1.9 |
| FY2016 ending March 2017 (forecast) | (Unit: yen) - | (Unit: yen) 5.00 | (Unit: yen) - | (Unit: yen) 5.00 | (Unit: yen) 10.00 | | (%) 31.8 | |

3. Consolidated results forecast for FY2016 (April 1, 2016- March 31, 2017)

| | Net 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 | 180,000 | -24.1 | 10,000 | -74.8 | 10,500 | -73.9 | 7,500 | -74.1 | 13.86 |
| Full term | 405,000 | -15.6 | 23,000 | -62.1 | 24,000 | -60.7 | 17,000 | -60.5 | 31.41 |

Note: (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

※Notes

(1) Changes in significant consolidated subsidiaries: No

(2) 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

* Note: Please see page 9, “5. Notes about consolidated statements (1) Change in accounting policies or estimates and retrospective restatements (Changes in accounting treatment principles)” for details.

(3) Number of outstanding shares (common stock)

| | | | | |
|---|-------------------------|--------------------|-------------------------|--------------------|
| Number of outstanding shares at the end of the term (Inclusive of treasury stock) | FY2015 ended March 2016 | 541,276,429 shares | FY2014 ended March 2015 | 545,966,429 shares |
| Number of treasury stock at the end of the term | FY2015 ended March 2016 | 68,729 shares | FY2014 ended March 2015 | 755,433 shares |
| Average number of outstanding shares during the term | FY2015 ended March 2016 | 541,592,304 shares | FY2014 ended March 2015 | 545,273,899 shares |

Reference: Non-consolidated results and forecast

1. Results for FY2015 (April 1, 2015 - March 31, 2016)

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

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|-------------------------|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|
| | (Unit: million yen) | (%) | (Unit: million yen) | (%) | (Unit: million yen) | (%) | (Unit: million yen) | (%) |
| FY2015 ended March 2016 | 410,868 | -18.9 | 55,552 | 124.3 | 57,343 | 113.1 | 40,800 | 130.6 |
| FY2014 ended March 2015 | 506,364 | 3.3 | 24,762 | 89.4 | 26,903 | 72.4 | 17,696 | 67.1 |

| | Net income per share | Diluted income per share |
|-------------------------|----------------------|--------------------------|
| | (Unit: yen) | (Unit: yen) |
| FY2015 ended March 2016 | 75.33 | - |
| FY2014 ended March 2015 | 32.45 | - |

(2) Financial position

| | Total assets | Net assets | Equity ratio | Book-value per share |
|-------------------------|---------------------|---------------------|--------------|----------------------|
| | (Unit: million yen) | (Unit: million yen) | (%) | (Unit: yen) |
| FY2015 ended March 2016 | 479,765 | 249,975 | 52.1 | 461.88 |
| FY2014 ended March 2015 | 472,905 | 239,935 | 50.7 | 440.08 |

Note: Net assets FY2015 ended March 2016: ¥ 249,975 million FY2014 ended March 2015: ¥ 239,935 million

2. Results forecast for FY2016 (April 1, 2016- March 31, 2017)

| | Net 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 | 150,000 | -27.1 | 9,000 | -76.2 | 10,500 | -73.2 | 7,500 | -73.7 | 13.86 |
| Full term | 339,000 | -17.5 | 20,000 | -64.0 | 22,000 | -61.6 | 15,500 | -62.0 | 28.64 |

Note: (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

* The above forecast was based on the information available at the time of the release of this document. Due to various factors, the actual result may vary from the forecast data.

<Consolidated Statements>

1. Consolidated balance sheet

(Unit: million yen)

| | FY2014 (Ended Mar. 31, 2015) | FY2015 (Ended Mar. 31, 2016) |
|---|---------------------------------|---------------------------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | | |
| Production facilities | 67,858 | 67,795 |
| Distribution facilities | 149,332 | 148,693 |
| Service and maintenance facilities | 26,563 | 26,939 |
| Other facilities | 28,212 | 29,448 |
| Construction in progress | 31,592 | 40,405 |
| Total property, plant and equipment | 303,559 | 313,282 |
| Intangible assets | | |
| Other | 5,936 | 5,319 |
| Total intangible assets | 5,936 | 5,319 |
| Investments and other assets | | |
| Investment securities | 79,023 | 69,045 |
| Deferred tax assets | 7,139 | 14,250 |
| Other | 6,064 | 8,472 |
| Allowance for doubtful accounts | -80 | -102 |
| Total investments and other assets | 92,147 | 91,665 |
| Total non-current assets | 401,643 | 410,267 |
| Current assets | | |
| Cash and deposits | 20,722 | 25,393 |
| Notes and accounts receivable-trade | 61,030 | 47,666 |
| Securities | - | 35,000 |
| Lease receivables and investment assets | 7,122 | 8,076 |
| Inventories | 28,297 | 14,256 |
| Deferred tax assets | 730 | 5,009 |
| Other | 24,012 | 9,759 |
| Allowance for doubtful accounts | -271 | -212 |
| Total current assets | 141,643 | 144,950 |
| Total assets | 543,286 | 555,217 |

(Unit: million yen)

| | FY2014 (Ended Mar. 31, 2015) | FY2015 (Ended Mar. 31, 2016) |
|---|---------------------------------|---------------------------------|
| Liabilities | | |
| Non-current liabilities | | |
| Bonds payable | 89,995 | 69,997 |
| Long-term loans payable | 29,674 | 22,389 |
| Deferred tax liabilities | 978 | 905 |
| Provision for gas holder repairs | 1,318 | 1,422 |
| Provision for safety measures | 16,180 | 18,570 |
| Provision for gas appliance warranties | 939 | 3,764 |
| Net defined benefit liability | 21,781 | 26,200 |
| Other | 7,246 | 7,757 |
| Total non-current liabilities | 168,114 | 151,007 |
| Current liabilities | | |
| Current portion of non-current liabilities | 17,133 | 26,780 |
| Notes and accounts payable-trade | 15,959 | 16,593 |
| Short-term loans payable | 12,022 | 7,073 |
| Income taxes payable | 11,492 | 15,355 |
| Deferred tax liabilities | 1,855 | - |
| Other | 33,882 | 53,222 |
| Total current liabilities | 92,344 | 119,024 |
| Total liabilities | 260,459 | 270,031 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 33,072 | 33,072 |
| Capital surplus | 8,388 | 8,387 |
| Retained earnings | 188,522 | 222,721 |
| Treasury stock | -387 | -50 |
| Total shareholders' equity | 229,596 | 264,131 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 39,473 | 32,480 |
| Deferred gains or losses on hedges | 11,496 | -4,212 |
| Foreign currency translation adjustment | 2,786 | 3,009 |
| Remeasurements of defined benefit plans | -525 | -10,222 |
| Total Other comprehensive income | 53,230 | 21,054 |
| Total net assets | 282,827 | 285,186 |
| Total liabilities and net assets | 543,286 | 555,217 |

2. Consolidated statements of income

(Unit: million yen)

| | FY2014 (Apr. 2014 -Mar. 2015) | FY2015 (Apr. 2015 -Mar. 2016) |
|---|----------------------------------|----------------------------------|
| Net sales | 580,984 | 479,870 |
| Cost of sales | 410,431 | 278,073 |
| Gross profit | 170,552 | 201,796 |
| Selling, general and administrative expenses | 141,791 | 141,071 |
| Operating income | 28,760 | 60,725 |
| Non-operating income | | |
| Interest income | 26 | 80 |
| Dividend income | 1,334 | 1,592 |
| Rent income | 703 | 709 |
| Miscellaneous income | 756 | 943 |
| Total non-operating income | 2,821 | 3,325 |
| Non-operating expenses | | |
| Interest expenses | 1,690 | 1,550 |
| Loss on bond retirement | - | 936 |
| Miscellaneous expenses | 375 | 431 |
| Total non-operating expenses | 2,066 | 2,918 |
| Ordinary income | 29,516 | 61,132 |
| Income before income taxes | 29,516 | 61,132 |
| Income taxes-current | 10,033 | 18,406 |
| Income taxes-deferred | 429 | -282 |
| Total income taxes | 10,462 | 18,123 |
| Net income | 19,053 | 43,008 |
| Net income attributable to the parent company | 19,053 | 43,008 |

Consolidated statements of comprehensive income

(Unit: million yen)

| | FY2014 (Apr. 2014-Mar. 2015) | FY2015 (Apr. 2015-Mar. 2016) |
|---|---------------------------------|---------------------------------|
| Net income | 19,053 | 43,008 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 9,894 | -6,992 |
| Deferred gains or losses on hedges | 6,724 | -15,709 |
| Foreign currency translation adjustment | 1,256 | 223 |
| Remeasurements of defined benefit plans, net of tax | 5,989 | -9,696 |
| Total other comprehensive income | 23,863 | -32,175 |
| Comprehensive income | 42,917 | 10,832 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 42,917 | 10,832 |
| Comprehensive income attributable to minority interests | - | - |

3. Consolidated statements of changes in net assets

FY2014 (Apr. 2014-Mar. 2015)

(Unit: million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of current period | 33,072 | 8,387 | 175,387 | -324 | 216,523 |
| Cumulative effects of changes in accounting policies | | | -1,010 | | -1,010 |
| Restated balance | 33,072 | 8,387 | 174,376 | -324 | 215,512 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | -4,907 | | -4,907 |
| Net income attributable to the parent company | | | 19,053 | | 19,053 |
| Purchase of treasury stock | | | | -64 | -64 |
| Disposal of treasury stock | | 0 | | 2 | 2 |
| Retirement of treasury stock | | | | | - |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | - | 0 | 14,146 | -62 | 14,083 |
| Balance at the end of current period | 33,072 | 8,388 | 188,522 | -387 | 229,596 |

| | Other comprehensive income | | | | | Total net assets |
|--|---|------------------------------------|---|---|----------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Other comprehensive income | |
| Balance at the beginning of current period | 29,578 | 4,772 | 1,530 | -6,514 | 29,366 | 245,890 |
| Cumulative effects of changes in accounting policies | | | | 3,181 | 3,181 | 2,170 |
| Restated balance | 29,578 | 4,772 | 1,530 | -3,332 | 32,548 | 248,060 |
| Changes of items during the period | | | | | | |
| Dividends from surplus | | | | | | -4,907 |
| Net income attributable to the parent company | | | | | | 19,053 |
| Purchase of treasury stock | | | | | | -64 |
| Disposal of treasury stock | | | | | | 2 |
| Retirement of treasury stock | | | | | | - |
| Net changes of items other than shareholders' equity | 9,894 | 6,724 | 1,256 | 2,807 | 20,682 | 20,682 |
| Total changes of items during the period | 9,894 | 6,724 | 1,256 | 2,807 | 20,682 | 34,766 |
| Balance at the end of current period | 39,473 | 11,496 | 2,786 | -525 | 53,230 | 282,827 |

FY2015 (Apr. 2015-Mar. 2016)

(Unit: million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of current period | 33,072 | 8,388 | 188,522 | -387 | 229,596 |
| Cumulative effects of changes in accounting policies | | | | | - |
| Restated balance | 33,072 | 8,388 | 188,522 | -387 | 229,596 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | -5,432 | | -5,432 |
| Net income attributable to the parent company | | | 43,008 | | 43,008 |
| Purchase of treasury stock | | | | -3,041 | -3,041 |
| Disposal of treasury stock | | 0 | | 0 | 0 |
| Retirement of treasury stock | | -0 | -3,377 | 3,377 | - |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | - | -0 | 34,199 | 336 | 34,534 |
| Balance at the end of current period | 33,072 | 8,387 | 222,721 | -50 | 264,131 |

| | Other comprehensive income | | | | | Total net assets |
|--|---|------------------------------------|---|---|----------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Other comprehensive income | |
| Balance at the beginning of current period | 39,473 | 11,496 | 2,786 | -525 | 53,230 | 282,827 |
| Cumulative effects of changes in accounting policies | | | | | - | - |
| Restated balance | 39,473 | 11,496 | 2,786 | -525 | 53,230 | 282,827 |
| Changes of items during the period | | | | | | |
| Dividends from surplus | | | | | | -5,432 |
| Net income attributable to the parent company | | | | | | 43,008 |
| Purchase of treasury stock | | | | | | -3,041 |
| Disposal of treasury stock | | | | | | 0 |
| Retirement of treasury stock | | | | | | - |
| Net changes of items other than shareholders' equity | -6,992 | -15,709 | 223 | -9,696 | -32,175 | -32,175 |
| Total changes of items during the period | -6,992 | -15,709 | 223 | -9,696 | -32,175 | 2,359 |
| Balance at the end of current period | 32,480 | -4,212 | 3,009 | -10,222 | 21,054 | 285,186 |

4. Consolidated statement of cash flows

(Unit: million yen)

| | FY2014 (Apr. 2014-Mar. 2015) | FY2015 (Apr. 2015-Mar. 2016) |
|---|---------------------------------|---------------------------------|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes | 29,516 | 61,132 |
| Depreciation and amortization | 33,950 | 32,987 |
| Increase (decrease) in provision | 8,263 | 5,280 |
| Decrease (increase) in notes and accounts receivable-trade | 761 | 13,364 |
| Decrease (increase) in inventories | -5,530 | 14,041 |
| Increase (decrease) in notes and accounts payable-trade | -3,865 | 624 |
| Income taxes paid | -4,026 | -13,375 |
| Other | 3,251 | 869 |
| Net cash provided by (used in) operating activities | 62,320 | 114,923 |
| Net cash provided by (used in) investment activities | | |
| Purchases of non-current assets | -36,570 | -40,101 |
| Proceeds from sales of non-current assets | 156 | 107 |
| Purchase of investment securities | -5 | -199 |
| Proceeds from sales of investment securities | 2 | 24 |
| Other | -1,422 | -2,027 |
| Net cash provided by (used in) investment activities | -37,839 | -42,196 |
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans payable | -12,048 | -4,949 |
| Proceeds from long-term loans payable | 9,258 | 10,735 |
| Repayment of long-term loans payable | -12,271 | -8,176 |
| Proceeds from issuance of bonds | 9,957 | - |
| Redemption of bonds | -10,000 | -20,934 |
| Purchase of treasury stock | -64 | -3,041 |
| Cash dividends paid | -4,911 | -5,435 |
| Other | -76 | -16 |
| Net cash provided by (used in) financing activities | -20,156 | -31,817 |
| Effect of exchange rate change on cash and cash equivalents | 858 | -19 |
| Net increase (decrease) in cash and cash equivalents | 5,182 | 40,891 |
| Cash and cash equivalents at beginning of term | 14,241 | 19,423 |
| Cash and cash equivalents at end of term | 19,423 | 60,314 |

5. Notes about consolidated statements

(1) Change in accounting policies or estimates and retrospective restatements

(Change in accounting treatment principles)

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 this consolidated fiscal year. 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 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.

In Consolidated statement of cash flows of this consolidated fiscal year, cash flows pertaining to acquisition or sales of subsidiary company shares not involving a change in the scope of consolidation are listed in net cash provided by (used in) financing activities, and cash flows related to expenses due to acquisition of subsidiary company shares involving a change in the scope of consolidation or expenses due to acquisition or sales of subsidiary company shares not involving a change in the scope of consolidation are listed in net cash provided by (used in) operating activities.

This change has no effect on consolidated financial statements and per share information during this consolidated fiscal year ended March 31, 2016.

(2) Change in basis of preparation of consolidated financial statements

- Provision for safety measures

The Company provides an allowance for replacement of gas appliances and pipelines by estimating future expenditures, and charging them to income to promote the replacement of old gas appliances with new ones that have safety devices and to replace the aged white galvanized branch pipes, pipes buried under the roads that are important in terms of disaster prevention, and pipes of important buildings for security reasons.

(Additional information)

We 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, we provided an additional allowance for safety measures by estimating future expenditures of ¥4,125 million. Therefore, operating income, ordinary income, and income before income taxes declined by ¥4,125 million.

- Provision for gas appliance warranties

The Company provides an allowance for gas appliance warranties by estimating future expenditures, and charging them to income to provide service during the warranty period.

(Additional information)

We decided to include the expenses for sales promotion of gas appliance according to rational estimates based on the past warranty results.

As a result, we provided an allowance for gas appliance warranties by estimating future expenditures of ¥2,915 million. Therefore, operating income, ordinary income, and income before income taxes declined by ¥2,915 million.

(3) Segment information

- General information about reportable segments

The TOHO GAS Group defines a reportable segment as constituent business units of the TOHO GAS Group for which discrete financial information is available and which are reviewed regularly by the Board of Directors to determine the best allocation of managerial resources and to evaluate business performance.

The reportable segments of the TOHO GAS Group are composed of three segments : “Gas sales,” “Gas appliance sales and related construction” and “LPG and other Energies.” They are determined based on the Gas Business Law and related accounting regulations.

The main products and services of each reporting segment are as follows:

Gas sales: Products, supplies and sales of the gas

Gas appliance sales and related construction: Gas appliance sales and related construction

LPG and other Energies: LPG sales, LPG appliance sales, LNG sales, District heating and cooling, and sales of coke and petroleum products.

- Basis of measurement for reported segment income and loss, segment assets and other material items

The accounting methods for the reporting segments are consistent with “Summary of significant accounting policies.”

- Information about reported segment income or loss, segment assets and other material items

FY2014 (Apr. 2014- Mar. 2015)

(Unit: million yen)

| | Reported segments | | | | Other (Note.1) | Total | Adjustments (Note.2) | Consolidated (Note.3) |
|-----------------------|-------------------|--|---------------------------|---------|-------------------|---------|-------------------------|--------------------------|
| | Gas sales | Gas appliance sales and related construction | LPG and other Energies | Total | | | | |
| Net sales | | | | | | | | |
| (1)External customers | 442,979 | 33,228 | 81,315 | 557,523 | 23,460 | 580,984 | - | 580,984 |
| (2)Intersegment | 101 | 2,914 | 684 | 3,700 | 13,114 | 16,815 | -16,815 | - |
| Total | 443,080 | 36,143 | 82,000 | 561,223 | 36,575 | 597,799 | -16,815 | 580,984 |
| Segment income (loss) | 25,451 | -381 | 1,270 | 26,340 | 1,173 | 27,514 | 1,246 | 28,760 |
| Segment assets | 372,039 | 12,781 | 41,523 | 426,345 | 61,378 | 487,723 | 55,563 | 543,286 |
| Other items | | | | | | | | |
| Depreciation expenses | 30,348 | 108 | 2,096 | 32,553 | 1,477 | 34,030 | -80 | 33,950 |
| Capital expenditures | 31,329 | 107 | 2,895 | 34,332 | 2,932 | 37,264 | -16 | 37,248 |

Notes: 1. The “Other” segment incorporates operations not included in reported segment, including LNG processing under contract, leasing of buildings, engineering of gas production plants, comprehensive utility service business, sales of housing equipment, data processing services, and other leasing the other business.

2. The “Adjustments” column in “Segment income (loss)” denotes eliminations of intersegment transactions (¥1,246 million).

The “Adjustments” column in “Segment assets” includes ¥70,539 million of companywide assets, which mainly includes long-term investments in securities, etc.

3. Segment income (loss) in the table above is reconciled to operating income on the accompanying consolidated statements of income.

FY2015 (Apr. 2015- Mar. 2016)

(Unit: million yen)

| | Reported segments | | | | Other (Note.1) | Total | Adjustments (Note.2) | Consolidated (Note.3) |
|-----------------------|-------------------|--|---------------------------|---------|-------------------|---------|-------------------------|--------------------------|
| | Gas sales | Gas appliance sales and related construction | LPG and other Energies | Total | | | | |
| Net sales | | | | | | | | |
| (1)External customers | 354,969 | 34,704 | 67,943 | 457,617 | 22,252 | 479,870 | - | 479,870 |
| (2)Intersegment | 78 | 3,088 | 721 | 3,888 | 16,659 | 20,547 | -20,547 | - |
| Total | 355,048 | 37,793 | 68,664 | 461,506 | 38,911 | 500,417 | -20,547 | 479,870 |
| Segment income | 55,861 | 64 | 1,970 | 57,896 | 1,604 | 59,500 | 1,224 | 60,725 |
| Segment assets | 380,786 | 17,190 | 40,667 | 438,644 | 72,212 | 510,856 | 44,361 | 555,217 |
| Other items | | | | | | | | |
| Depreciation expenses | 29,808 | 150 | 2,153 | 32,112 | 952 | 33,065 | -77 | 32,987 |
| Capital expenditures | 34,649 | 233 | 2,783 | 37,666 | 5,461 | 43,127 | 116 | 43,243 |

Notes: 1. The “Other” segment incorporates operations not included in reported segment, including LNG processing under contract, leasing of buildings, engineering of gas production plants, comprehensive utility service business, sales of housing equipment, data processing services, and other leasing the other business.

2. The “Adjustments” column in “Segment income” denotes eliminations of intersegment transactions (¥1,224 million).

The “Adjustments” column in “Segment assets” includes ¥60,801 million of companywide assets, which mainly includes long-term investments in securities, etc.

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

(4) Material subsequent events

The Company resolved at the meeting of Board of Directors held on April 28, 2016 that it would acquire its own shares of stock based on the provisions of Article 156 of the Companies Act that is applied in an alternative interpretation of Article 165, Section 3 of the Companies Act.

The repurchases of shares are to be carried out as described below:

Type of shares: Common stock

No. of shares to be repurchased: Up to 10 million shares

Total value of stock repurchased: Up to ¥ 8 billion

Period of acquisitions: From May 6, 2016 to December 31, 2016

<Non-Consolidated Statements>

1. Balance sheet

(Unit: million yen)

| | FY2014 (Ended Mar. 31, 2015) | FY2015 (Ended Mar. 31, 2016) |
|--|---------------------------------|---------------------------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | | |
| Production facilities | 67,865 | 67,802 |
| Distribution facilities | 147,381 | 146,910 |
| Service and maintenance facilities | 26,362 | 26,781 |
| Facilities for incidental businesses | 1,840 | 1,644 |
| Construction in progress | 27,110 | 33,003 |
| Total property, plant and equipment | 270,559 | 276,141 |
| Intangible assets | | |
| Leasehold right | 407 | 407 |
| Other Intangible assets | 143 | 112 |
| Total intangible assets | 550 | 519 |
| Investments and other assets | | |
| Investment securities | 68,496 | 58,771 |
| Investments in subsidiaries and affiliates | 20,746 | 27,730 |
| Long-term loans receivable | 130 | 130 |
| Long-term prepaid expenses | 14 | 0 |
| Deferred tax assets | 4,492 | 7,690 |
| Other investments and other assets | 512 | 528 |
| Allowance for doubtful accounts | -1 | -32 |
| Total investments and other assets | 94,390 | 94,819 |
| Total non-current assets | 365,500 | 371,480 |
| Current assets | | |
| Cash and deposits | 9,069 | 10,929 |
| Notes receivable-trade | 1,491 | 1,462 |
| Accounts receivable-trade | 43,579 | 32,112 |
| Accounts receivable from subsidiaries and affiliates-trade | 5,789 | 4,503 |
| Accounts receivable-other | 6,000 | 2,165 |
| Securities | - | 35,000 |
| Finished goods | 54 | 30 |
| Raw materials | 20,723 | 7,669 |
| Supplies | 3,105 | 3,060 |
| Advance payments | 94 | 137 |
| Prepaid expenses | 261 | 227 |
| Short-term receivables from subsidiaries and affiliates | 431 | 824 |
| Deferred tax assets | - | 4,285 |
| Other current assets | 16,969 | 5,999 |
| Allowances for doubtful accounts | -165 | -124 |
| Total current assets | 107,405 | 108,284 |
| Total assets | 472,905 | 479,765 |

(Unit: million yen)

| | FY2014 (Ended Mar. 31, 2015) | FY2015 (Ended Mar. 31, 2016) |
|---|---------------------------------|---------------------------------|
| Liabilities | | |
| Non-current liabilities | | |
| Bonds payable | 89,995 | 69,997 |
| Long-term loans payable | 24,282 | 16,531 |
| Long-term debt to subsidiaries and affiliates | 233 | 3,118 |
| Provision for retirement benefits | 16,644 | 7,595 |
| Provision for gas holder repairs | 1,299 | 1,395 |
| Provision for safety measures | 16,180 | 18,570 |
| Provision for gas appliance warranties | 939 | 3,269 |
| Other non-current liabilities | 5,702 | 5,644 |
| Total non-current liabilities | 155,278 | 126,122 |
| Current liabilities | | |
| Current portion of non-current liabilities | 15,436 | 24,667 |
| Notes payable-trade | 274 | 78 |
| Accounts payable-trade | 9,118 | 9,102 |
| Short-term loans payable | 1,400 | - |
| Accounts payable-other | 11,569 | 17,369 |
| Accrued expenses | 9,253 | 10,875 |
| Income taxes payable | 10,713 | 14,261 |
| Deferred tax liabilities | 1,855 | - |
| Advances received | 3,106 | 2,679 |
| Deposits received | 858 | 871 |
| Short-term debt to subsidiaries and affiliates | 11,166 | 9,125 |
| Provision for directors' bonuses | 50 | 50 |
| Other current liabilities | 2,887 | 14,586 |
| Total current liabilities | 77,691 | 103,667 |
| Total liabilities | 232,969 | 229,790 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 33,072 | 33,072 |
| Capital surplus | | |
| Legal capital surplus | 8,027 | 8,027 |
| Other capital surplus | 0 | - |
| Total capital surplus | 8,028 | 8,027 |
| Retained earnings | | |
| Legal retained earnings | 8,779 | 8,779 |
| Other retained earnings | | |
| Reserve for advanced depreciation of non-current assets | 330 | 329 |
| Reserve for overseas investment loss | 1,592 | 2,242 |
| Reserve for adjustment of cost fluctuations | 23,000 | 23,000 |
| General reserve | 52,703 | 52,703 |
| Retained earnings brought forward | 65,212 | 96,554 |
| Total retained earnings | 151,618 | 183,609 |
| Treasury stock | -387 | -50 |
| Total shareholders' equity | 192,332 | 224,658 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 36,321 | 29,571 |
| Deferred gains or losses on hedges | 11,281 | -4,255 |
| Total valuation and translation adjustments | 47,603 | 25,316 |
| Total net assets | 239,935 | 249,975 |
| Total liabilities and net assets | 472,905 | 479,765 |

2. Statements of income

(Unit: million yen)

| | FY2014 (Apr. 2014 -Mar. 2015) | FY2015 (Apr. 2015-Mar. 2016) |
|--|----------------------------------|---------------------------------|
| Net sales | | |
| Gas sales | 435,756 | 349,551 |
| Cost of sales | | |
| Beginning inventories | 67 | 54 |
| Cost of products manufactured | 296,106 | 179,829 |
| Purchase of finished goods | 7 | 2 |
| Costs of gas for own use | 1,419 | 909 |
| Ending inventories | 54 | 30 |
| Total cost of sales | 294,707 | 178,946 |
| Gross profit | 141,049 | 170,605 |
| Selling, general and administrative expenses | | |
| Supply and sales expenses | 94,599 | 94,410 |
| General and administrative expenses | 21,710 | 20,819 |
| Total Selling, general and administrative expenses | 116,309 | 115,230 |
| Income on core business | 24,739 | 55,375 |
| Miscellaneous operating revenue | | |
| Revenue from installation work | 10,961 | 10,755 |
| Revenue from gas appliance sales | 22,610 | 23,264 |
| Third party access revenue | 171 | 211 |
| Other miscellaneous operating revenue | 210 | 156 |
| Total miscellaneous operating revenue | 33,954 | 34,387 |
| Miscellaneous operating expenses | | |
| Expenses of installation work | 11,042 | 10,730 |
| Expenses of gas appliance sales | 22,889 | 23,419 |
| Total miscellaneous operating expenses | 33,932 | 34,150 |
| Revenue for incidental businesses | | |
| Revenue from LNG sales | 4,517 | 3,603 |
| Revenue from other incidental businesses | 32,136 | 23,326 |
| Total revenue for incidental businesses | 36,653 | 26,929 |
| Expenses for incidental businesses | | |
| Expenses for LNG sales | 4,369 | 2,775 |
| Expenses for other incidental businesses | 32,282 | 24,214 |
| Total expenses for incidental businesses | 36,652 | 26,990 |
| Operating income | 24,762 | 55,552 |
| Non-operating income | | |
| Interest income | 3 | 11 |
| Interest on securities | - | 2 |
| Dividends income | 1,175 | 1,415 |
| Dividends from subsidiaries and affiliates | 392 | 505 |
| Rent income | 1,854 | 1,864 |
| Miscellaneous income | 697 | 858 |
| Total non-operating income | 4,123 | 4,658 |
| Non-operating expenses | | |
| Interest expenses | 410 | 394 |
| Interest on bonds | 1,254 | 1,149 |
| Amortization of bond issuance cost | 42 | - |
| Loss on bond retirement | - | 936 |
| Miscellaneous expenses | 276 | 386 |
| Total non-operating expenses | 1,983 | 2,867 |
| Ordinary income | 26,903 | 57,343 |
| Income before income taxes | 26,903 | 57,343 |
| Income taxes-current | 8,880 | 16,819 |
| Income taxes-deferred | 326 | -276 |
| Total income taxes | 9,206 | 16,543 |
| Net income | 17,696 | 40,800 |

3. Statement of changes in net assets

FY2014 (Apr. 2014 -Mar. 2015)

(Unit: million yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| | Capital stock | Capital surplus | | | Retained earnings |
| | | Legal capital surplus | Other capital surplus | Total Capital surplus | Legal retained earnings |
| Balance at the beginning of current period | 33,072 | 8,027 | 0 | 8,027 | 8,779 |
| Cumulative effects of changes in accounting policies | | | | | |
| Restated balance | 33,072 | 8,027 | 0 | 8,027 | 8,779 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | | | |
| Reversal of reserve for advanced depreciation of non-current assets | | | | | |
| Provision of reserve for overseas investment loss | | | | | |
| Increase of reserve due to the change of effective tax rate | | | | | |
| Net income | | | | | |
| Purchase of treasury stock | | | | | |
| Disposal of treasury stock | | | 0 | 0 | |
| Retirement of treasury stock | | | | - | |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | - | - | 0 | 0 | - |
| Balance at the end of current period | 33,072 | 8,027 | 0 | 8,028 | 8,779 |

| | Shareholders' equity | | | | | |
|---|---|--------------------------------------|---|-----------------|-----------------------------------|-------------------------|
| | Retained earnings | | | | | |
| | Other retained earnings | | | | | Total Retained earnings |
| | Reserve for advanced depreciation of non-current assets | Reserve for overseas investment loss | Reserve for adjustment of cost fluctuations | General reserve | Retained earnings brought forward | |
| Balance at the beginning of current period | 324 | 868 | 23,000 | 52,703 | 54,164 | 139,840 |
| Cumulative effects of changes in accounting policies | | | | | -1,010 | -1,010 |
| Restated balance | 324 | 868 | 23,000 | 52,703 | 53,153 | 138,829 |
| Changes of items during the period | | | | | | |
| Dividends from surplus | | | | | -4,907 | -4,907 |
| Reversal of reserve for advanced depreciation of non-current assets | -2 | | | | 2 | - |
| Provision of reserve for overseas investment loss | | 681 | | | -681 | - |
| Increase of reserve due to the change of effective tax rate | 8 | 42 | | | -51 | - |
| Net income | | | | | 17,696 | 17,696 |
| Purchase of treasury stock | | | | | | |
| Disposal of treasury stock | | | | | | |
| Retirement of treasury stock | | | | | | - |
| Net changes of items other than shareholders' equity | | | | | | |
| Total changes of items during the period | 6 | 723 | - | - | 12,059 | 12,789 |
| Balance at the end of current period | 330 | 1,592 | 23,000 | 52,703 | 65,212 | 151,618 |

| | Shareholders' equity | | Valuation and translation adjustments | | | Total net assets |
|---|----------------------|----------------------------|---|------------------------------------|---|------------------|
| | Treasury stock | Total Shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total Valuation and translation adjustments | |
| Balance at the beginning of current period | -324 | 180,616 | 27,037 | 4,772 | 31,810 | 212,427 |
| Cumulative effects of changes in accounting policies | | -1,010 | | | | -1,010 |
| Restated balance | -324 | 179,605 | 27,037 | 4,772 | 31,810 | 211,416 |
| Changes of items during the period | | | | | | |
| Dividends from surplus | | -4,907 | | | | -4,907 |
| Reversal of reserve for advanced depreciation of non-current assets | | - | | | | - |
| Provision of reserve for overseas investment loss | | - | | | | - |
| Increase of reserve due to the change of effective tax rate | | - | | | | - |
| Net income | | 17,696 | | | | 17,696 |
| Purchase of treasury stock | -64 | -64 | | | | -64 |
| Disposal of treasury stock | 2 | 2 | | | | 2 |
| Retirement of treasury stock | | - | | | | - |
| Net changes of items other than shareholders' equity | | | 9,283 | 6,509 | 15,792 | 15,792 |
| Total changes of items during the period | -62 | 12,726 | 9,283 | 6,509 | 15,792 | 28,519 |
| Balance at the end of current period | -387 | 192,332 | 36,321 | 11,281 | 47,603 | 239,935 |

FY2015 (Apr. 2015 -Mar. 2016)

(Unit: million yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| | Capital stock | Capital surplus | | | Retained earnings |
| | | Legal capital surplus | Other capital surplus | Total Capital surplus | Legal retained earnings |
| Balance at the beginning of current period | 33,072 | 8,027 | 0 | 8,028 | 8,779 |
| Cumulative effects of changes in accounting policies | | | | | |
| Restated balance | 33,072 | 8,027 | 0 | 8,028 | 8,779 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | | | |
| Reversal of reserve for advanced depreciation of non-current assets | | | | | |
| Provision of reserve for overseas investment loss | | | | | |
| Increase of reserve due to the change of effective tax rate | | | | | |
| Net income | | | | | |
| Purchase of treasury stock | | | | | |
| Disposal of treasury stock | | | 0 | 0 | |
| Retirement of treasury stock | | | -0 | -0 | |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | - | - | -0 | -0 | - |
| Balance at the end of current period | 33,072 | 8,027 | - | 8,027 | 8,779 |

| | Shareholders' equity | | | | | |
|---|---|--------------------------------------|---|-----------------|-----------------------------------|-------------------------|
| | Retained earnings | | | | | |
| | Other retained earnings | | | | | Total Retained earnings |
| | Reserve for advanced depreciation of non-current assets | Reserve for overseas investment loss | Reserve for adjustment of cost fluctuations | General reserve | Retained earnings brought forward | |
| Balance at the beginning of current period | 330 | 1,592 | 23,000 | 52,703 | 65,212 | 151,618 |
| Cumulative effects of changes in accounting policies | | | | | | - |
| Restated balance | 330 | 1,592 | 23,000 | 52,703 | 65,212 | 151,618 |
| Changes of items during the period | | | | | | |
| Dividends from surplus | | | | | -5,432 | -5,432 |
| Reversal of reserve for advanced depreciation of non-current assets | -4 | | | | 4 | - |
| Provision of reserve for overseas investment loss | | 624 | | | -624 | - |
| Increase of reserve due to the change of effective tax rate | 3 | 24 | | | -28 | - |
| Net income | | | | | 40,800 | 40,800 |
| Purchase of treasury stock | | | | | | |
| Disposal of treasury stock | | | | | | |
| Retirement of treasury stock | | | | | -3,377 | -3,377 |
| Net changes of items other than shareholders' equity | | | | | | |
| Total changes of items during the period | -0 | 649 | - | - | 31,342 | 31,991 |
| Balance at the end of current period | 329 | 2,242 | 23,000 | 52,703 | 96,554 | 183,609 |

| | Shareholders' equity | | Valuation and translation adjustments | | | Total net assets |
|---|----------------------|----------------------------|---|------------------------------------|---|------------------|
| | Treasury stock | Total Shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total Valuation and translation adjustments | |
| Balance at the beginning of current period | -387 | 192,332 | 36,321 | 11,281 | 47,603 | 239,935 |
| Cumulative effects of changes in accounting policies | | - | | | | - |
| Restated balance | -387 | 192,332 | 36,321 | 11,281 | 47,603 | 239,935 |
| Changes of items during the period | | | | | | |
| Dividends from surplus | | -5,432 | | | | -5,432 |
| Reversal of reserve for advanced depreciation of non-current assets | | - | | | | - |
| Provision of reserve for overseas investment loss | | - | | | | - |
| Increase of reserve due to the change of effective tax rate | | - | | | | - |
| Net income | | 40,800 | | | | 40,800 |
| Purchase of treasury stock | -3,041 | -3,041 | | | | -3,041 |
| Disposal of treasury stock | 0 | 0 | | | | 0 |
| Retirement of treasury stock | 3,377 | - | | | | - |
| Net changes of items other than shareholders' equity | | | -6,749 | -15,537 | -22,287 | -22,287 |
| Total changes of items during the period | 336 | 32,326 | -6,749 | -15,537 | -22,287 | 10,039 |
| Balance at the end of current period | -50 | 224,658 | 29,571 | -4,255 | 25,316 | 249,975 |