

Consolidated Financial Results for the Six Months Ended September 30, 2017 (2Q FY2017)

Toho Gas Co., Ltd.

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

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Date of filing quarterly financial report: November 13, 2017

Commencement of dividend payments: November 30, 2017

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, 2017

(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 owners of the parent	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
April 1 – September 30, 2017	189,857	7.2	9,300	-48.3	10,542	-43.7	7,430	-44.8
April 1 – September 30, 2016	177,094	-25.4	18,004	-54.7	18,739	-53.5	13,460	-53.6

Note: Comprehensive income 2nd Quarter ended September 2017: ¥13,111 million (32.3%), 2nd Quarter ended September 2016: ¥9,912 million (-52.6%)

	Net income per share	Diluted earnings per share
	(Unit: yen)	(Unit: yen)
April 1 – September 30, 2017	69.71	-
April 1 – September 30, 2016	124.91	-

Note: The Company consolidated its common stocks at a ratio of five shares to one share on October 1, 2017. Net income per share is calculated as if the consolidation of shares had occurred at the beginning of the fiscal year ended March 31, 2017.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Unit: million yen)	(Unit: million yen)	(%)
2nd Quarter ended September 2017	531,351	314,227	59.1
FY2016 ended March 2017	532,931	306,801	57.6

Reference: Net assets (excluding minority interests)

2nd Quarter ended September 2017: ¥314,227 million, FY2016 ended March 2017: ¥306,801 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)
FY2016 ended March 2017	-	5.00	-	5.00	10.00
FY2017 ending March 2018	-	5.00			
FY2017 ending March 2018 (forecasts)			-	25.00	-

Notes: 1. Revision of previously announced dividend forecasts: No

2. The Company consolidated its common stocks at a ratio of five shares to one share on October 1, 2017. Accordingly, the amount of the year-end dividends per share for FY2017 ending March 2018 (forecast) reflects the impact of the consolidation of shares and disclosure of the annual dividends per share is omitted. Excluding the impact of the consolidation of shares, the year-end dividends per share for FY2017 ending March 2018 (forecast) would be 5 yen and the annual dividends per share would be 10 yen. Please see "Notes on proper use of forecasts and other matters" for details.

3. Consolidated Results Forecasts for the Year Ending March 2018 (April 1, 2017 - March 31, 2018)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: yen)
Full term	428,000	9.6	24,000	3.5	25,000	2.1	18,000	1.4	169.26

Notes: 1. Revision of previously announced forecasts during this period: Yes

2. The Company consolidated its common stocks at a ratio of five shares to one share on October 1, 2017. Net income per share under the consolidated results forecasts for FY2017 reflects the impact of the consolidation of shares. Please see "Notes on proper use of forecasts and other matters" for details.

※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 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: No

- Other changes: No

- Changes in accounting estimates: No

- Retrospective restatements: No

(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 2017	106,351,285 shares	FY2016 ended March 2017	107,639,285 shares
Number of treasury stock at the end of the term	2nd Quarter ended September 2017	8,739 shares	FY2016 ended March 2017	553,044 shares
Average number of outstanding shares during the term	2nd Quarter ended September 2017	106,591,957 shares	2nd Quarter ended September 2016	107,766,624 shares

Note: The Company consolidated its common stocks at a ratio of five shares to one share on October 1, 2017. The number of outstanding shares at the end of the term, number of treasury stock at the end of the term and average number of outstanding shares during the term are calculated as if the consolidation of shares had occurred at the beginning of the fiscal year ended March 31, 2017.

* This report of consolidated financial results is not subject to audit.

* Notes on proper use of forecasts and other matters

The forecasts in this document are 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.

- Dividends outlook and result forecasts after the consolidation of shares

The consolidation of shares was approved at the annual shareholders meeting held on June 27, 2017. Accordingly, the Company consolidated its common shares at the ratio of five shares to one share on the effective date of October 1, 2017. It also changed the number of shares per trading unit from 1,000 shares to 100 shares on the same day. The dividends forecast and Consolidated Results Forecasts for FY2017 (April 1, 2017- March 31, 2018) excluding the impact of the consolidation of shares are as follows.

1. Dividends forecast for FY2017 ending March 31, 2018
Dividends per share:
Interim 5 yen (Note 1)
Year-end 5 yen (Note 2)
2. Consolidated results forecasts for FY2017 ending March 31, 2018
Net income per share
Full term 33.85yen
3. Non-consolidated results forecasts for FY2017 ending March 31, 2018
Net income per share
Full term 29.15 yen

- Notes: 1. The interim dividends will be paid out based on the number of shares before the consolidation of shares.
2. The dividends amount excludes the impact of the consolidation of shares.
3. The annual dividends for FY2017 ending March 31, 2018 (excluding the impact of the consolidation of shares) will be 10 yen per share.

Reference: Non- Consolidated Results Forecasts for the Year Ending March 2018 (April 1, 2017 - March 31, 2018)

	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)
Full term	358,000	10.3	19,000	7.6	22,000	6.4	15,500	1.3	145.76

Notes: 1. Revision of previously announced forecasts during this period: Yes

2. The Company consolidated its common stocks at a ratio of five shares to one share on October 1, 2017. Net income per share under the results forecasts for FY2017 reflects the impact of the consolidation of shares. Please see "Notes on proper use of forecasts and other matters" for details.

<Consolidated Financial Statements and Main Notes>

1. Consolidated balance sheet

(Unit: million yen)

	Previous year (As of Mar. 31, 2017)	2nd Quarter (As of Sept.30, 2017)
Assets		
Noncurrent assets		
Property, plant and equipment		
Production facilities	83,518	81,282
Distribution facilities	154,272	152,825
Service and maintenance facilities	26,845	26,519
Other facilities	31,784	32,426
Construction in progress	28,895	27,364
Total property, plant and equipment	325,316	320,418
Intangible assets		
Other	4,805	4,432
Total intangible assets	4,805	4,432
Investments and other assets		
Investment securities	82,706	92,894
Other	21,998	19,784
Allowance for doubtful accounts	-80	-62
Total investments and other assets	104,624	112,616
Total noncurrent assets	434,747	437,466
Current assets		
Cash and deposits	16,575	17,922
Notes and accounts receivable-trade	45,773	39,277
Inventories	17,316	20,138
Other	18,735	16,729
Allowance for doubtful accounts	-217	-182
Total current assets	98,183	93,884
Total assets	532,931	531,351

(Unit: million yen)

	Previous year (As of Mar. 31, 2017)	2nd Quarter (As of Sept.30, 2017)
Liabilities		
Noncurrent liabilities		
Bonds payable	70,000	60,000
Long-term loans payable	35,240	39,602
Provision for gas holder repairs	1,518	1,564
Reserve for safety measures	17,309	16,307
Provision for gas appliance warranties	4,081	3,766
Net defined benefit liability	15,945	14,601
Other	9,031	8,929
Total noncurrent liabilities	153,127	144,772
Current liabilities		
Current portion of noncurrent liabilities	2,807	13,995
Notes and accounts payable-trade	21,487	15,481
Short-term loans payable	5,573	4,253
Income taxes payable	4,732	4,662
Other	38,401	33,958
Total current liabilities	73,002	72,351
Total liabilities	226,129	217,124
Net assets		
Shareholders' equity		
Capital stock	33,072	33,072
Capital surplus	8,387	8,387
Retained earnings	232,641	232,189
Treasury stock	-2,232	-34
Total shareholders' equity	271,869	273,614
Other comprehensive income		
Valuation difference on available-for-sale securities	38,213	42,867
Deferred gains or losses on hedges	-443	-161
Foreign currency translation adjustment	2,867	2,751
Remeasurements of defined benefit plans	-5,705	-4,844
Total other comprehensive income	34,931	40,612
Total net assets	306,801	314,227
Total liabilities and net assets	532,931	531,351

2. Consolidated statements of income and comprehensive income

Consolidated statements of income for the Six Months

(Unit: million yen)

	2 nd Quarter of FY2016 (Apr. – Sept. 2016)	2 nd Quarter of FY2017 (Apr. – Sept. 2017)
Net sales	177,094	189,857
Cost of sales	95,699	119,201
Gross profit	81,394	70,655
Selling, general and administrative expenses	63,389	61,354
Operating income	18,004	9,300
Non-operating income		
Interest income	62	103
Dividend income	776	923
Rent income	355	351
Miscellaneous income	348	551
Total non-operating income	1,543	1,929
Non-operating expenses		
Interest expenses	530	407
Miscellaneous expenses	278	280
Total non-operating expenses	808	688
Ordinary income	18,739	10,542
Income before income taxes	18,739	10,542
Income taxes-current	5,278	3,111
Net income	13,460	7,430
Net income attributable to owners of the parent	13,460	7,430

Consolidated statements of comprehensive income for the Six Months

(Unit: million yen)

	2 nd Quarter of FY2016 (Apr. – Sept. 2016)	2 nd Quarter of FY2017 (Apr. – Sept. 2017)
Net income	13,460	7,430
Other comprehensive income		
Valuation difference on available-for-sale securities	-860	4,653
Deferred gains or losses on hedges	-1,569	281
Foreign currency translation adjustment	-2,049	-748
Remeasurements of defined benefit plans, net of tax	931	865
Share of other comprehensive income of entities accounted for using equity method	-	628
Total other comprehensive income	-3,548	5,681
Comprehensive income	9,912	13,111
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,912	13,111
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.

1. Types of shares repurchased	Common stock
2. Number of shares repurchased	3,700 thousand shares
3. Total value of shares repurchased	¥2,994 million
4. Period of repurchase	From May 9, 2017 to July 20, 2017 (Commitment basis)
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 March 30, 2017, pursuant to Article 178 of the Corporation Code:

1. Type of shares retired	Common Stock
2. Number of shares retired	2,730 thousand shares (representing 0.51% of outstanding shares before the retirement)
3. Effective date of retirement	April 28, 2017

The Company retired treasury stock as follows, based on a resolution of the Board of directors passed on July 31, 2017, pursuant to Article 178 of the Corporation Code:

1. Type of shares retired	Common Stock
2. Number of shares retired	3,710 thousand shares (representing 0.69% of outstanding shares before the retirement)
3. Effective date of retirement	August 31, 2017

- Segment information

Segment information by category of business

Six months ended Sept. 30, 2016 (Apr. 1 – Sept. 30, 2016)

(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	123,873	15,394	27,971	167,239	9,854	177,094	-	177,094
(2) Intersegment	29	708	364	1,103	7,590	8,693	-8,693	-
Total	123,903	16,102	28,336	168,342	17,445	185,788	-8,693	177,094
Segment income	15,267	187	1,036	16,491	865	17,357	647	18,004

- 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" (647 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.

Six months ended Sept. 30, 2017 (Apr. 1 – Sept. 30, 2017)

(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	132,457	15,206	32,811	180,475	9,382	189,857	-	189,857
(2) Intersegment	36	862	462	1,362	6,665	8,027	-8,027	-
Total	132,494	16,069	33,273	181,837	16,047	197,885	-8,027	189,857
Segment income	7,553	98	66	7,718	975	8,694	606	9,300

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” (606 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.