

Consolidated Financial Results for the Three Months Ended June 30, 2021 (1Q FY2021)

Toho Gas Co., Ltd.

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

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Date of filing quarterly financial report: August 10, 2021

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, 2021

(1) Consolidated business results (Percentage figures indicate the percentage change on the results for the previous fiscal 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 – June 30, 2021	102,789	1.1	6,413	-26.8	7,479	-23.2	5,324	-21.0
April 1 – June 30, 2020	101,640	-15.5	8,760	-42.2	9,737	-39.5	6,736	-46.4

Note: Comprehensive income 1st Quarter ended June 2021: ¥8,070 million (-21.5%), 1st Quarter ended June 2020: ¥10,283 million (-2.3%)

	Net income per share	Diluted earnings per share
	(Unit: yen)	(Unit: yen)
April 1 – June 30, 2021	50.42	-
April 1 – June 30, 2020	63.79	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Unit: million yen)	(Unit: million yen)	(%)
1st Quarter ended June 2021	585,522	365,652	62.4
FY2020 ended March 2021	601,835	359,492	59.7

Reference: Net assets (excluding minority interests)

1st Quarter ended June 2021: ¥365,652 million, FY2020 ended March 2021: ¥359,492 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)
FY2020 ended March 2021	-	27.50	-	27.50	55.00
FY2021 ending March 2022	-				
FY2021 ending March 2022 (forecasts)		27.50	-	27.50	55.00

Notes: Revision of previously announced dividend forecasts: No

3. Consolidated Results Forecasts for the fiscal Year Ending March 2022 (April 1, 2021 - March 31, 2022)

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

	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	460,000	5.8	11,000	-18.6	13,500	-18.8	9,000	4.7	85.23

Note: Revision of previously announced forecasts during this period: No

*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: Yes
- 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)	1st Quarter ended June 2021	105,606,285 shares	FY2020 ended March 2021	105,606,285 shares
Number of treasury stock at the end of the term	1st Quarter ended June 2021	8,294 shares	FY2020 ended March 2021	7,792 shares
Average number of outstanding shares during the term	1st Quarter ended June 2021	105,598,163 shares	1st Quarter ended June 2020	105,602,877 shares

* 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.

Reference: Non- Consolidated Results Forecasts for the Year Ending March 2022 (April 1, 2021 - March 31, 2022)

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

	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	355,000	4.5	5,000	-22.3	11,000	-13.5	8,000	-23.9	75.76

Note: Revision of previously announced forecasts during this period: No

<Consolidated Financial Statements and Main Notes>

1. Consolidated balance sheet

(Unit: million yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Noncurrent assets		
Property, plant and equipment		
Production facilities	67,644	66,546
Distribution facilities	149,271	146,799
Service and maintenance facilities	26,368	25,747
Other facilities	44,506	46,235
Construction in progress	15,063	17,129
Total property, plant and equipment	302,855	302,458
Intangible assets		
Other	8,726	9,137
Total intangible assets	8,726	9,137
Investments and other assets		
Investment securities	101,469	101,975
Net defined benefit asset	13,762	14,468
Other	27,134	22,469
Allowance for doubtful accounts	-110	-108
Total investments and other assets	142,256	138,805
Total noncurrent assets	453,838	450,401
Current assets		
Cash and deposits	40,731	23,609
Notes and accounts receivable-trade	51,383	46,427
Securities	10,000	12,000
Inventories	18,358	19,853
Other	27,745	33,429
Allowance for doubtful accounts	-223	-198
Total current assets	147,996	135,121
Total assets	601,835	585,522

(Unit: million yen)

	As of March. 31, 2021	As of June 30, 2021
Liabilities		
Noncurrent liabilities		
Bonds payable	70,000	70,000
Long-term loans payable	49,108	46,519
Provision for gas holder repairs	1,472	1,494
Reserve for safety measures	16,782	16,133
Provision for gas appliance warranties	2,323	732
Net defined benefit liability	5,801	5,869
Other	14,236	12,115
Total noncurrent liabilities	159,725	152,864
Current liabilities		
Current portion of noncurrent liabilities	2,612	4,094
Notes and accounts payable-trade	30,158	19,324
Short-term loans payable	4,709	4,608
Income taxes payable	3,551	2,496
Other	41,585	36,480
Total current liabilities	82,617	67,004
Total liabilities	242,342	219,869
Net assets		
Shareholders' equity		
Capital stock	33,072	33,072
Capital surplus	8,387	8,387
Retained earnings	258,850	262,267
Treasury stock	-40	-43
Total shareholders' equity	300,270	303,683
Other comprehensive income		
Valuation difference on available-for-sale securities	45,179	42,918
Deferred gains or losses on hedges	6,198	9,800
Foreign currency translation adjustment	1,005	2,506
Remeasurements of defined benefit plans	6,838	6,744
Total other comprehensive income	59,222	61,968
Total net assets	359,492	365,652
Total liabilities and net assets	601,835	585,522

2. Consolidated statements of income and comprehensive income

Consolidated statements of income for the Three Months

(Unit: million yen)

	1 st Quarter of FY2020 (April – June 2020)	1 st Quarter of FY2021 (April – June 2021)
Net sales	101,640	102,789
Cost of sales	62,116	65,821
Gross profit	39,524	36,968
Selling, general and administrative expenses	30,763	30,554
Operating income	8,760	6,413
Non-operating income		
Interest income	103	47
Dividend income	912	1,004
Rent income	106	110
Miscellaneous revenues	188	208
Total non-operating income	1,311	1,370
Non-operating expenses		
Interest expense	204	182
Miscellaneous expenses	129	122
Total non-operating expenses	334	304
Ordinary income	9,737	7,479
Income before income taxes	9,737	7,479
Income taxes	3,001	2,155
Net income	6,736	5,324
Net income attributable to owners of the parent	6,736	5,324

Consolidated statements of comprehensive income for the Three Months

(Unit: million yen)

	1 st Quarter of FY2020 (April – June 2020)	1 st Quarter of FY2021 (April – June 2021)
Net income	6,736	5,324
Other comprehensive income		
Valuation difference on available-for-sale securities	3,199	-2,261
Deferred gains or losses on hedges	187	3,574
Foreign currency translation adjustment	-77	1,258
Remeasurements of defined benefit plans	176	-91
Share of other comprehensive income of entities accounted for using equity method	61	267
Total other comprehensive income	3,547	2,746
Comprehensive income	10,283	8,070
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	10,283	8,070
Comprehensive income attributable to non-controlling interests	-	-

3. Notes about Consolidated Statements

- Note of going concerns' premise: No

- Significant change in shareholders' equity: No

- Application of accounting treatment specific to the preparation of quarterly consolidated financial statements

Calculation of tax costs

Tax expenses are calculated by multiplying the quarterly net income before tax adjustment by the estimated effective tax rate for the current consolidated fiscal year.

The amount of corporate tax adjustment is included in the corporate tax.

- Change in accounting policy

Adopting Accounting Standard for Revenue Recognition

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied since the beginning of the first quarter consolidated accounting period. When control of a promised good or service is transferred to the customer, revenue will be recognized at the amount expected to be received in exchange for the good or service.

In the past, LPG sales were based on the meter reading date, but we have changed to a method of rationally estimating the amount of completion of delivery obligations to customers by the end of the fiscal year and recognizing profits.

Regarding the application of "Accounting Standard for Revenue Recognition", we follow the transitional treatment stipulated in the proviso of paragraph 84 of "Accounting Standard for Revenue Recognition". Accumulated impact of retroactive application of new accounting policies prior to the beginning of the first quarter consolidated accounting period is added to or subtracted from retained earnings at the beginning of the first quarter consolidated accounting period from the balance at the beginning of the period. However, we will apply the method set out in "Accounting Standard for Revenue Recognition" and will not retroactively apply the new accounting standard to contracts for which almost all revenue was recognized according to previous processing prior to the start of the first quarter.

As a result, retained earnings increased by 996 million yen at the beginning of the first quarter of the current consolidated fiscal year. In addition, as a result of a decrease in sales of 1,768 million yen and a decrease in cost of sales of 1,349 million yen in the first quarter of the current consolidated cumulative period, operating income, ordinary income and before income taxes has decreased by 418 million yen.

- The application of "Accounting Standard for Fair Value Measurement", etc.

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. have been applied from the beginning of the first quarter consolidated accounting period. "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019) stipulated by the standards will be applied in accordance with the transitional handling stipulated in "Accounting Standard for Fair Value Measurement", etc.

There will be no impact on the consolidated financial statements for the first quarter of the current fiscal year.

-Additional information

There are no significant changes to the assumptions about the impact of the spread of the COVID-19 infection in the additional information in the securities report for the previous consolidated fiscal year.

Depending on the future situation, it may affect the consolidated financial statements for the following fiscal year and thereafter.

- Segment information

Segment information by category of business

Three months ended June 30, 2020 (April – June 2020)

(Unit: million yen)

	Business segment reported				Other (Note.1)	Total	Adjustments (Note.2)	Consolidated statements of income (Note.3)
	Gas sales	LPG and other Energies	Electricity	Total				
Net sales								
(1) External customers	72,943	16,420	7,403	96,766	4,873	101,640	-	101,640
(2) Intersegment	437	204	60	702	3,683	4,385	-4,385	-
Total	73,380	16,624	7,464	97,469	8,556	106,026	-4,385	101,640
Segment income	6,683	800	464	7,949	597	8,546	214	8,760

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, other leasing business, development of and investment in natural gas resources, etc.

2. The “Adjustments” column in “Segment income” (214 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, 2021 (April – June 2021)

(Unit: million yen)

	Business segment reported				Other (Note.1)	Total	Adjustments (Note.2)	Consolidated statements of income (Note.3)
	Gas sales	LPG and other Energies	Electricity	Total				
Net sales								
(1) External customers	68,329	19,467	9,493	97,289	5,499	102,789	-	102,789
(2) Intersegment	529	352	60	942	3,709	4,652	-4,652	-
Total	68,859	19,819	9,553	98,232	9,208	107,441	-4,652	102,789
Segment income	4,390	260	628	5,279	767	6,047	366	6,413

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, other leasing business, development of and investment in natural gas resources, etc.

2. The “Adjustments” column in “Segment income” (366 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.

Notes: Information concerning changes to reporting segments, etc.

Due to the increase in sales of the electric power business, it has been changed to "Gas sales", "LPG and other Energies", and "Electricity" from the first quarter of this term.

The segment information for the previous first quarter consolidated cumulative period is based on the revised reporting segment.

(Significant events)

Business combination through acquisition

At the board of directors meeting held on March 31, 2021, the Company resolved to acquire the shares of DIAMOND LNG CANADA INVESTMENT LTD. and make it a subsidiary, and completed the acquisition procedure on July 27, 2021.

(1) Summary of the combination

(i) Name and business of the company acquired

Name: DIAMOND LNG CANADA INVESTMENT LTD.

Business: LNG business on the west coast of Canada

(ii) Reason for the combination

The purpose is to increase profits and strengthen raw material procurement.

(iii) Date of the combination

July 27, 2021

(iv) Legal form of the combination

Acquisition of shares for cash consideration

(v) Post-combination name of the acquired company

Toho Gas Canada Ltd.

(vi) Ratio of voting rights acquired

100%

(vii) Basis for determining the acquiring company

By acquiring 100% of the shares in consideration of cash

(2) Acquisition cost and type of consideration paid

Consideration for acquisition	Cash	64 million US dollar
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Acquisition cost		64 million US dollar
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(3) Principal acquisition-related expenses

Advisory fees, etc. 58 million yen

(4) Amount of goodwill generated, cause of occurrence, amortization method and amortization period

Not confirmed at this time

(5) the amount of assets accepted and liabilities assumed on the date of the combination

Not confirmed at this time