

Consolidated Financial Results Bulletin for the 1st Quarter Ended June 30, 2022**(J-GAAP)****Tokyo Gas Co., Ltd.**

Securities code: 9531

(URL <https://www.tokyo-gas.co.jp/IR/english/index.html>)

Representative: Mr. UCHIDA Takashi, Representative Corporate Executive Officer, President and CEO

Contact: Mr. KOMORI Rikiya, Chief Manager, Consolidated Settlements Sect.

Stock listings:

Tokyo Stock Exchange, Nagoya Stock Exchange

Location of head office: Tokyo

Scheduled date of the filing of quarterly report: August 15, 2022

Scheduled date of the start of dividend payments: —

Preparation of 1Q earnings presentation material (yes/no): **Yes**Holding of 1Q earnings announcement (yes/no): **Yes** (for institutional investors)

(Amounts are rounded down to the nearest million yen)

1. Consolidated Performance for 1st Quarter (from April 1, 2022 to June 30, 2022)

(Unit: million yen)

(1) Consolidated Business Performance (% of change from the corresponding period of previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change
Three months ended Jun. 30, 2022	609,939	52.0%	51,207	182.5%	57,700	259.8%	38,438	267.0%
Three months ended Jun. 30, 2021	401,146	-3.5%	18,127	-34.0%	16,035	-42.9%	10,473	-36.0%

Note: Total comprehensive income

Three months ended June 30, 2022: 58,721 million yen (83.5%)

Three months ended June 30, 2021: 31,997 million yen (102.1%)

	Profit per share	Diluted profit per share
Three months ended Jun. 30, 2022	88.06 yen	—
Three months ended Jun. 30, 2021	23.80 yen	—

Note: Figures for the three months ended June 30, 2021, represent figures after retroactive application following a change in accounting policies.

(2) Consolidated Financial Position

(Unit: million yen)

	Total assets	Total net assets	Equity ratio
As of Jun. 30, 2022	3,381,128	1,306,160	38.0%
As of Mar. 31, 2022	3,241,525	1,281,150	38.6%

Reference: Shareholders' equity

As of June 30, 2022: 1,283,228 million yen

As of March 31, 2022: 1,251,781 million yen

Note: Figures as of March 31, 2022, represent figures after retroactive application following a change in accounting policies.

2. Dividend

	Dividend per share (Unit: yen)				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual
FY2021 ended Mar. 31, 2022	—	30.00	—	35.00	65.00
FY2022 ending Mar. 31, 2023	—				
FY2022 ending Mar. 31, 2023 (Forecast)		32.50	—	32.50	65.00

Note: Revision to the dividend forecast that has been disclosed lastly: *No*

3. Consolidated Results Forecast for FY2022 ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(Unit: million yen)

(% of change from the corresponding period of previous year)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to owners of parent		Profit per share
Full-year	2,948,000	36.8%	140,000	9.9%	127,000	-6.9%	92,000	-3.9%	211.89 yen

Notes: 1. Revision to the consolidated results forecast that has been disclosed lastly: *Yes*

2. The year-on-year percentage changes represent the percentage changes calculated by retroactively applying the change in accounting policies to the figures for the fiscal year ended March 31, 2022.

*Notes

(1) Significant changes in consolidated subsidiaries (changes in specified subsidiaries resulting in change of scope of consolidation during the quarter) (yes/no): *No*

Reference: Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 102 (Decreased by 11 companies)

Number of subsidiaries and affiliates accounted for by equity method: 16

(2) Application of accounting treatment peculiar to quarterly consolidated financial statement preparation (yes/no): *Yes*

Note: Please see page 10 of the Attachment, “2. Consolidated Financial Statements and Main Notes: (3) Notes on consolidated financial statements (Application of accounting treatment peculiar to quarterly consolidated financial statement preparation)” for details.

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

1) Change in accounting policies in accordance with revision of accounting standards: *No*

2) Change in accounting policies other than item 1) above: *Yes*

3) Change in accounting estimates: *No*

4) Retrospective restatements: *No*

(4) Number of issued shares (common stock)

(Unit: share)

1) Number of issued shares at end of period (including treasury stock):	Jun. 30, 2022	440,996,559	Mar. 31, 2022	440,996,559
2) Number of shares of treasury stock at end of period:	Jun. 30, 2022	7,567,683	Mar. 31, 2022	1,448,431
3) Average number of shares during period:	Apr. – Jun. 2022	436,481,214	Apr. – Jun. 2021	440,036,974

* Quarterly review procedures by a certified public accountant or an audit firm do not apply to quarterly consolidated financial results bulletins.

* Explanation related to appropriate use of results forecasts and other items warranting special mention

1. The consolidated and non-consolidated results forecasts include numerous elements of uncertainty, including the impact of the COVID-19 pandemic and the Russia-Ukraine situation. Therefore, the forecasts are subject to drastic changes depending on future development. For details of the above forecasts, please refer to “1. Overview of Business Performance, etc. (2) Future outlook” on page 4 of the Attachment and “1. Overview of Business Performance, etc. (3) Revisions to FY2022 results forecasts” on page 5 of the Attachment.

2. The information related to this Financial Results will be posted on the Web site of the Company.

Non-Consolidated Results Forecast for FY2022 ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(Unit: million yen)

(% of change from the corresponding period of previous year)

	Net sales		Operating profit		Ordinary profit		Net income		Profit per share
		(% of change)		(% of change)		(% of change)		(% of change)	
Full-year	2,651,300	37.3%	53,100	2.4%	60,800	26.9%	41,800	10.6%	96.27 yen

Notes: 1. Revision to the non-consolidated results forecast that has been disclosed lastly: *Yes*

2. The year-on-year percentage changes represent the percentage changes calculated by retroactively applying the change in accounting policies to the figures for the fiscal year ended March 31, 2022.

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1. Overview of Business Performance, etc.

(1) Overview of business performance of the 1st quarter

<Summary by segment>

In November 2021, the Company formulated the Compass Action, a detailed roadmap for achieving Compass 2030, the Group's management vision, and on April 1, 2022, transitioned to a holding company structure. Following this development, the Company has decided to change its reporting segments from the five segments of "gas," "electric power," "overseas," "energy related," and "real estate," which it had used until FY2021, to four reporting segments of "energy solution," "network," "overseas," and "urban business," starting in FY2022.

The year-on-year comparison is based on the previous reporting segments since it is difficult to create data of net sales and profits of the three months ended June 30, 2021, using the new reporting segments.

Three months ended June 30, 2022

(Unit: million yen)

		Energy solution	Network	Overseas	Urban business
Sales	FY2022	558,660	88,635	35,041	14,997
	(% of total)	(80.1%)	(12.7%)	(5.0%)	(2.2%)
Operating expenses	FY2022	519,776	86,307	20,169	11,124
	(% of total)	(81.6%)	(13.5%)	(3.2%)	(1.7%)
Segment profit	FY2022	38,891	2,328	16,022	4,080
	(% of total)	(63.4%)	(3.8%)	(26.1%)	(6.7%)

Note: Figures for sales include internal transactions. Figures for operating expenses do not include expenses that cannot be allocated to specific segments. Figures for segment profit are adjusted against the amount based on operating profit of consolidated financial statements plus or minus investment income or loss on equity method.

Comparison with the three months ended June 30, 2021

(Unit: million yen)

		Gas	Electric power	Overseas	Energy-related	Real estate	Others
Sales	FY2022	403,160	153,341	35,043	76,829	14,997	22,597
	(% of total)	(57.1%)	(21.7%)	(5.0%)	(10.9%)	(2.1%)	(3.2%)
	FY2021	266,213	81,231	20,573	69,247	14,013	24,009
	(% of total)	(56.0%)	(17.1%)	(4.3%)	(14.6%)	(2.9%)	(5.1%)
	Amount of change	136,947	72,110	14,470	7,582	984	-1,412
(Rate of change)	51.4%	88.8%	70.3%	10.9%	7.0%	-5.9%	
Operating expenses	FY2022	371,419	149,241	19,670	73,524	11,072	18,970
	(% of total)	(57.7%)	(23.2%)	(3.1%)	(11.4%)	(1.7%)	(2.9%)
	FY2021	251,999	77,676	15,318	67,064	9,941	24,904
	(% of total)	(56.4%)	(17.4%)	(3.4%)	(15.0%)	(2.2%)	(5.6%)
	Amount of change	119,420	71,565	4,352	6,460	1,131	-5,934
(Rate of change)	47.4%	92.1%	28.4%	9.6%	11.4%	-23.8%	
Segment profit	FY2022	31,740	4,100	16,523	3,305	4,132	3,634
	(% of total)	(50.1%)	(6.5%)	(26.0%)	(5.2%)	(6.5%)	(5.7%)
	FY2021	14,213	3,554	5,772	2,182	4,296	-886
	(% of total)	(48.8%)	(12.2%)	(19.8%)	(7.5%)	(14.7%)	(-3.0%)
	Amount of change	17,527	546	10,751	1,123	-164	4,520
(Rate of change)	123.3%	15.4%	186.2%	51.4%	-3.8%	—	

Notes:

- Figures for sales include internal transactions. Figures for operating expenses do not include expenses that cannot be allocated to specific segments. Figures for segment profit are adjusted against the amount based on operating profit of consolidated financial statements plus or minus investment income or loss on equity method.
- Figures for the three months ended June 30, 2021, represent figures after retroactive application following a change in accounting policies.

<Consolidated City Gas Sales Volume, etc.>

		Apr. – Jun. 2022	Apr. – Jun. 2021	Change	% change	
No. of customers for city gas retail sales	Thousands	8,689	8,818	-129	-1.5	
No. of customers (meters)	Thousands	12,223	12,103	120	1.0	
City gas sales volume	Residential	Mil. m ³	657	653	4	0.6
	Commercial	Mil. m ³	446	440	6	1.4
	Industrial	Mil. m ³	1,393	1,323	70	5.3
	Subtotal	Mil. m ³	1,839	1,763	76	4.3
	Supplies to other utilities	Mil. m ³	361	359	2	0.4
Total	Mil. m ³	2,857	2,775	82	2.9	
Average temperature	°C	19.0	19.1	-0.1	—	

Notes:

1. No. of customers for city gas retail sales indicates the number of billed customers for city gas retail sales.
2. No. of customers (meters) indicates the number of meters as a gas pipeline service provider.
3. “Commercial” indicates sales to commercial, public and medical institutions.
4. City gas sales volumes are on the basis of 45MJ/m³.
5. The figures for the three months ended June 30, 2021, represent figures after retroactive application following a change in accounting policies.

The aforementioned notes also apply to the relevant tables that follow.

< Consolidated Electric Power Sales Volume, etc.>

		Apr. – Jun. 2022	Apr. – Jun. 2021	Change	% change	
No. of customers for electric power retail sales	Thousands	3,090	2,788	302	10.8	
Electric power sales volume	Retail	million kWh	2,283	2,091	192	9.2
	Wholesale etc.	million kWh	5,145	3,766	1,379	36.6
	Total	million kWh	7,429	5,858	1,571	26.8

Note: No. of customers for electric power retail sales indicates the number of billed customers for electric power retail sales.

<Foreign Exchange Rate and Crude Oil Price>

¥/\$ rate	Apr. – Jun. 2022	Apr. – Jun. 2021	Change	Crude oil price (\$/bbl)	Apr. – Jun. 2022	Apr. – Jun. 2021	Change
	129.73	109.52	20.21		110.80	66.95	43.85

(2) Future outlook**a. Consolidated city gas sales volume forecast for FY2022**

			FY2022 (Forecast)	FY2021 (Results)	Change	% change
City gas sales volume	Residential	Mil. m ³	3,042	3,083	-41	-1.3%
	Others	Mil. m ³	9,600	10,063	-463	-4.6%
	Total	Mil. m ³	12,642	13,146	-504	-3.8%
Average temperature		°C	16.3	16.2	0.1	—

Note: The results figures for FY2021 represent figures after retroactive application following a change in accounting policies.

b. Consolidated electric power sales volume forecast for FY2022

		FY2022 (Forecast)	FY2021 (Results)	Change	% change
Total electric power sales volume	million kWh	34,358	28,288	6,070	21.5

c. Consolidated earnings forecast for FY2022

(Unit: hundred million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
FY2022 (forecast)	29,480	1,400	1,270	920
FY2021 (results)	21,548	1,274	1,363	957
Change	7,932	126	-93	-37
% change	36.8%	9.9%	-6.9%	-3.9%

Note: The results figures for FY2021 represent figures after retroactive application following a change in accounting policies.

< Foreign exchange rate and crude oil price forecast for FY2022 >

¥/\$ rate	FY2022 (Forecast)	FY2021 (Results)	Change	Crude oil price (\$/bbl)	FY2022 (Forecast)	FY2021 (Results)	Change
	126.18	112.39	13.79		110.20	77.15	33.05

(3) Revisions to FY2022 results forecasts
<FY2022 consolidated results forecasts>

	Net sales (hundred million yen)	Operating profit (hundred million yen)	Ordinary profit (hundred million yen)	Profit attributable to owners of parent (hundred million yen)	Profit per share (yen per share)
Previous forecast (A)	25,300	1,400	1,270	920	211.69
Revised forecast (B)	29,480	1,400	1,270	920	211.89
Difference (B-A)	4,180	0	0	0	—
Percentage difference (%)	16.5	0	0	0	—
(Reference) FY2021 results	21,548	1,274	1,363	957	217.67

<FY2022 non-consolidated results forecasts>

	Net sales (hundred million yen)	Operating profit (hundred million yen)	Ordinary profit (hundred million yen)	Profit (hundred million yen)	Profit per share (yen per share)
Previous forecast (A)	22,083	708	767	567	130.47
Revised forecast (B)	26,513	531	608	418	96.27
Difference (B-A)	4,430	-177	-159	-149	—
Percentage difference (%)	20.1	-25.0	-20.7	-26.3	—
(Reference) FY2021 results	19,310	518	478	377	85.95

As a result of revising the full-year FY2022 results forecasts based on factors such as the recent rise in oil prices and the depreciation of the yen, the forecasts for consolidated net sales and non-consolidated net sales, operating profit, ordinary profit and profit are likely to change from the previous forecasts that were announced on April 27, 2022.

Notes:

1. The above forecasts are based on information available at the time of the release of this document. Therefore, the actual results may differ from the stated forecast figures depending on various factors going forward.
2. The results figures for FY2021 represent figures after retroactive application following a change in accounting policies.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of June 30,2022
Assets		
Current assets		
Cash and deposits	179,769	226,389
Notes and accounts receivable - trade, and contract assets	364,683	325,497
Lease receivables and investments in leases	17,824	17,582
Securities	10	9
Merchandise and finished goods	3,467	2,661
Work in process	12,083	14,688
Raw materials and supplies	67,135	108,719
Other current assets	305,814	336,377
Allowance for doubtful accounts	(3,714)	(3,570)
Total current assets	947,074	1,028,354
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	338,517	334,102
Machinery, equipment and vehicles, net	892,515	905,613
Tools, furniture and fixtures, net	14,484	11,241
Land	192,455	190,288
Leased assets, net	5,899	9,041
Construction in progress	125,501	122,661
Total property, plant and equipment	1,569,373	1,572,949
Intangible assets		
Goodwill	6,018	5,667
Other intangible assets	294,296	297,198
Total intangible assets	300,315	302,866
Investments and other assets		
Investment securities	236,303	263,788
Long-term loans receivable	48,653	54,603
Retirement benefit asset	5,864	6,450
Deferred tax assets	34,670	34,422
Other investments	100,916	119,338
Allowance for doubtful accounts	(1,647)	(1,645)
Total investments and other assets	424,762	476,957
Total non-current assets	2,294,450	2,352,773
Total assets	3,241,525	3,381,128

(Million yen)

As of March 31,2022

As of June 30,2022

	As of March 31,2022	As of June 30,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	76,229	73,941
Short-term borrowings	6,385	7,072
Current portion of bonds payable	-	20,000
Current portion of long-term borrowings	48,972	31,807
Income taxes payable	33,830	17,898
Other current liabilities	433,777	545,167
Total current liabilities	599,195	695,888
Non-current liabilities		
Bonds payable	548,619	528,852
Long-term borrowings	568,725	579,064
Deferred tax liabilities	29,641	38,926
Retirement benefit liability	66,195	65,264
Provision for share awards for directors (and other officers)	84	101
Provision for gas holder repairs	3,427	3,385
Provision for safety measures	637	609
Provision for contract loss in regards to appliance warranties	2,620	2,321
Provision for point card certificates	531	481
Asset retirement obligations	27,692	27,315
Other noncurrent liabilities	113,004	132,755
Total non-current liabilities	1,361,180	1,379,079
Total liabilities	1,960,375	2,074,967
Net assets		
Shareholders' equity		
Share capital	141,844	141,844
Capital surplus	846	847
Retained earnings	1,076,184	1,099,230
Treasury shares	(3,524)	(19,520)
Total shareholders' equity	1,215,350	1,222,401
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,866	31,766
Deferred gains or losses on hedges	(11,904)	(25,022)
Foreign currency translation adjustment	32,545	56,341
Remeasurements of defined benefit plans	(3,076)	(2,257)
Total accumulated other comprehensive income	36,430	60,827
Non-controlling interests	29,368	22,932
Total net assets	1,281,150	1,306,160
Total liabilities and net assets	3,241,525	3,381,128

(2) Consolidated statements of income and comprehensive income

Quarterly Consolidated Statements of Income (For the three months)

(Million yen)

	For the three months ended June 30,2021	For the three months ended June 30,2022
Net sales	401,146	609,939
Cost of sales	322,518	487,389
Gross profit	78,627	122,550
Selling, general and administrative expenses	60,500	71,343
Operating profit	18,127	51,207
Non-operating income		
Interest income	261	261
Dividend income	721	1,721
Share of profit of entities accounted for using equity method	752	1,365
Foreign exchange gains	843	8,885
Miscellaneous income	2,171	3,801
Total non-operating income	4,750	16,036
Non-operating expenses		
Interest expenses	3,626	3,344
Loss on derivatives	932	3,270
Miscellaneous expenses	2,283	2,929
Total non-operating expenses	6,842	9,544
Ordinary profit	16,035	57,700
Profit before income taxes	16,035	57,700
Income taxes	4,893	19,742
Profit	11,141	37,957
Profit (loss) attributable to non-controlling interests	668	(480)
Profit attributable to owners of parent	10,473	38,438

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Million yen)

	For the three months ended June 30,2021	For the three months ended June 30,2022
Profit	11,141	37,957
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,176)	12,876
Deferred gains or losses on hedges	(772)	(18,083)
Foreign currency translation adjustment	21,198	21,299
Remeasurements of defined benefit plans, net of tax	(1,952)	784
Share of other comprehensive income of entities accounted for using equity method	3,559	3,886
Total other comprehensive income	20,855	20,764
Comprehensive income	31,997	58,721
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	31,871	62,834
Comprehensive income attributable to non-controlling interests	125	(4,113)

(3) Notes on consolidated financial statements

(Note on going concerns' premise)

Not applicable

(Additional information)

<Accounting estimates on the impact of COVID-19>

It is difficult to determine the impact of the COVID-19 pandemic on the Group since we cannot currently foresee when the pandemic will abate.

Accounting treatments require estimations to be made based on certain assumptions. The Group has made accounting estimates by assuming that the impact of the COVID-19 pandemic will continue to a certain extent during FY2022, in view of the impact of each business on the operating results for the three months ended June 30, 2022.

<Accounting estimates following the situation between Russia and Ukraine>

Although the Company procures raw materials from Russia, it is difficult to accurately forecast the impact of the current international situation surrounding Russia and Ukraine on our procurement of raw materials.

The Group has made accounting estimates by assuming that the procurement transactions will continue.

(Significant changes in shareholders' equity)

Purchase of treasury stock

The Company purchases treasury stock from the market as per 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 purchase of treasury stock that was decided at the Board of Directors meeting held on April 27, 2022, has ended with the purchases of up to June 23, 2022.

- | | |
|--------------------------------|---|
| (1) Purchase period | May 9 – June 23, 2022 (contract basis) |
| (2) Number of shares purchased | 6,121,500 shares |
| (3) Total amount of purchase | ¥15,999,816,800 |
| (4) Purchase method | Market purchase on the Tokyo Stock Exchange |

(Application of accounting treatment peculiar to quarterly consolidated financial statement preparation)

Calculation of taxes

Taxes are calculated by multiplying profit before income taxes for the first-quarter period under review by the reasonably estimated effective tax rate subsequent to the application of tax effect accounting to the profit income before income taxes for the current consolidated fiscal year ending March 31, 2023 including the first quarter under review.

(Change in accounting policies)

Change to revenue recognition standards in the gas business

The sale of city gas involves contractual obligations to be delivered throughout the contract period. The performance obligation is fulfilled whenever the delivery is made. The Company had recognized revenue on the basis of the date of meter reading in accordance with the gas business accounting rules. The transitional measure rate regulations were lifted on October 1, 2021, at the Company, which carried out an absorption-type company split to transfer its gas pipeline business to Tokyo Gas Network Co., Ltd., a wholly-owned subsidiary of the Company, on April 1, 2022. The Company has ceased to be a general gas pipeline service provider as set forth in the gas business accounting rules due to the spin-off. Therefore, revenues associated with the sale of city gas are recognized on the basis of delivery, starting the three months ended June 30, 2022, by reasonably estimating the performance obligation that is fulfilled at the end of the term.

This change in accounting policies is retroactively applied, with the consolidated financial statements for the quarters of the fiscal year ended March 31, 2022, and for the fiscal year ended March 31, 2022, being applied the change retroactively.

As a result, net sales, gross profit, operating profit, ordinary profit and profit before income taxes for the three months ended June 30, 2021, decreased by ¥7,065 million each compared to before the retroactive application. In addition, the beginning balance of retained earnings for the fiscal year ended March 31, 2022, has increased by ¥17,626 million as the cumulative effects were reflected in the net assets at the beginning of the fiscal year ended March 31, 2022.