

11-Year Consolidated Financial Highlights

As of March 31, 2017

	2007.3	2008.3	2009.3	2010.3
Net Sales (¥ million)	1,376,958	1,487,496	1,660,162	1,415,718
Operating Profit (¥ million)	162,315	70,048	65,204	85,229
Operating Profit Margin (%)	11.79	4.71	3.93	6.02
Ordinary Profit (¥ million)	156,039	66,832	58,337	83,519
Profit attributable to owners of parent (¥ million)	100,699	42,487	41,708	53,781
Equity (¥ million)	795,101	769,072	772,365	813,886
Total Assets (¥ million)	1,692,635	1,703,651	1,764,185	1,840,972
Interest-bearing Debt (¥ million)	525,467	558,716	593,230	555,919
Operating Cash Flow (¥ million)	233,841	184,908	182,791	199,898
Free Cash Flow (¥ million)	109,285	46,902	36,862	51,712
EBITDA (¥ million)	295,457	212,469	206,287	231,346
Capital Expenditure (¥ million)	124,556	138,006	145,929	148,186
Depreciation (¥ million)	133,142	142,421	141,083	146,117
EPS (Earnings per Share, fully diluted EPS) (¥)	35.69	15.50	15.37	19.86
BPS (Book Value per Share) (¥)	293.11	289.49	284.72	301.58
Issued Number of Shares (Common Stock) (thousands of shares)	2,810,171	2,741,571	2,717,571	2,703,761
Dividend per Share (¥)	8	8	8	9
DOE (Dividends on Equity) (%)	2.83	2.72	2.78	3.07
Payout Ratio (%)	21.33	50.19	51.18	45.32
Total Payout Ratio (%)	60.14	73.56	63.35	60.11
Current Ratio (%)	112.60	106.76	118.99	120.93
D/E (Debt-Equity) Ratio (times)	0.66	0.73	0.77	0.68
Equity Ratio (%)	46.97	45.14	43.78	44.21
ROE (Return on Equity) (%)	13.22	5.43	5.41	6.78
ROA (Return on Assets) (%)	5.95	2.50	2.41	2.98
Total Asset Turnover (times)	0.81	0.88	0.96	0.79
TEP (¥100 million)	538	17	-48	186
WACC (%)	3.8	3.6	3.4	3.2
Number of Customers (thousands)	10,207	10,380	10,513	10,637
Gas Sales Volume (million m ³)	13,315	14,215	13,942	13,666
2020 vision basis*	—	—	—	—

* 2020vision basis... These numbers are the numerical results calculated by the same method when we planned our vision. Namely, it is the amount that added self-consuming volume and LNG sales volume (excluded volume for Nijio) to a Consolidated gas sales volume.

* Depreciation includes amortization of long-term prepaid expenses.

* Although unaudited, financial information in this annual report is based on certified financial statements.

2011.3	2012.3	2013.3	2014.3	2015.3	2016.3	2017.3
1,535,242	1,754,257	1,915,639	2,112,117	2,292,548	1,884,656	1,587,085
122,451	77,075	145,633	166,044	171,753	192,008	58,365
7.98	4.39	7.60	7.86	7.49	10.19	3.7
121,548	75,620	147,453	159,613	168,169	188,809	55,688
95,467	46,060	101,678	108,451	95,828	111,936	53,134
858,920	839,166	927,634	1,011,787	1,069,515	1,100,271	1,101,498
1,829,661	1,863,885	1,992,403	2,176,816	2,257,662	2,251,518	2,230,269
584,169	625,830	642,550	713,823	730,739	715,769	713,596
244,803	194,565	240,448	248,831	237,680	257,122	217,439
94,600	48,152	56,651	827	13,084	25,089	14,081
271,788	225,580	284,403	306,424	313,605	337,194	222,670
150,202	146,413	183,797	248,004	224,596	232,033	203,358
149,336	148,505	138,770	140,380	141,852	145,187	164,305
35.63	17.70	39.52	43.10	39.15	46.68	23.02
320.70	324.67	360.70	402.91	438.28	460.35	479.74
2,684,193	2,590,715	2,577,919	2,517,551	2,446,778	2,396,778	2,302,856
9	9	10	10	10	11	11
2.88	2.74	2.91	2.59	2.34	2.58	2.29
25.26	50.85	25.30	23.20	25.55	23.57	47.79
60.87	61.36	60.70	60.00	60.80	60.10	60.71
142.26	156.89	162.16	156.67	150.63	155.48	142.69
0.68	0.75	0.69	0.71	0.68	0.65	0.65
46.94	45.02	46.56	46.48	47.37	48.87	49.39
11.41	5.42	11.51	11.18	9.21	10.32	4.83
5.20	2.49	5.27	5.20	4.32	4.96	2.37
0.84	0.95	0.99	1.01	1.03	0.84	0.71
640	91	598	507	434	676	-62
3.3	3.1	3.2	3.2	3.6	3.4	3.0
10,739	10,855	10,978	11,111	11,263	11,398	11,536
14,745	15,190	15,390	14,735	15,541	15,436	15,720
—	15,833	16,741	17,225	18,360	18,587	19,053

Computations

Operating Cash Flow = Profit attributable to owners of parent + Amortization of Long-term Prepaid Expenses + Depreciation
Free Cash Flow = Profit attributable to owners of parent + Amortization of Long-term Prepaid Expenses + Depreciation – Capital Expenditure
Current Ratio = Current Assets (year-end) / Current Liabilities (year-end) x 100
Debt-Equity Ratio = Interest-bearing Debt (year-end) / Equity (year-end)
Equity Ratio = Equity (year-end) / Total Assets (year-end) x 100
Total Asset Turnover = Net Sales / Total Assets (average)
TEP (Tokyo Gas Economic Profit) = Profit after taxes and before interest payments – Cost of capital (invested capital x WACC)

WACC calculation data (fiscal 2016 actual)
· Interest-bearing debt cost: Real interest rate of 1.11% (after tax)
· Cost of shareholders' equity
· Risk-free rate: 10-year JGB yield of 0.11%
· Risk premium: 5.5%, Beta coefficient of 0.75

Consolidated Balance Sheet

(Millions of yen)

	2016.3.31	2017.3.31
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	241,842	235,152
Distribution facilities	550,713	539,840
Service and maintenance facilities	59,560	53,623
Other facilities	351,950	416,142
Inactive facilities	316	316
Construction in progress	107,685	147,074
Total property, plant and equipment	1,312,068	1,392,149
Intangible assets		
Goodwill	841	1,600
Other intangible assets	136,348	77,615
Total intangible assets	137,189	79,215
Investments and other assets		
Investment securities	179,410	182,443
Long-term loans receivable	24,013	28,128
Net defined benefit asset	229	24
Deferred tax assets	40,447	40,127
Other investments and other assets	34,741	39,100
Allowance for doubtful accounts	(394)	(367)
Total investments and other assets	278,447	289,456
Total non-current assets	1,727,705	1,760,821
Current assets		
Cash and deposits	170,262	132,626
Notes and accounts receivable - trade	201,344	194,240
Lease receivables and investment assets	24,054	24,097
Merchandise and finished goods	3,501	2,317
Work in process	10,784	12,466
Raw materials and supplies	46,525	40,763
Deferred tax assets	8,004	9,050
Other current assets	59,808	54,259
Allowance for doubtful accounts	(472)	(374)
Total current assets	523,812	469,447
Total assets	2,251,518	2,230,269
Liabilities		
Non-current liabilities		
Bonds payable	284,997	314,997
Long-term loans payable	363,393	326,752
Deferred tax liabilities	11,321	11,299
Net defined benefit liability	89,405	73,524
Provision for gas holder repairs	3,455	3,262
Provision for safety measures	466	4,711
Provision for appliance warranties	9,538	10,298
Provision for loss on guarantees	1,678	-
Asset retirement obligations	10,695	11,975
Other non current liabilities	24,490	31,650
Total non-current liabilities	799,443	788,474
Current liabilities		
Current portion of non-current liabilities	47,044	56,395
Notes and accounts payable - trade	82,352	96,413
Short-term loans payable	16,512	10,333
Income taxes payable	28,914	20,000
Deferred tax liabilities	1	-
Asset retirement obligations	53	-
Other current liabilities	162,023	145,843
Total current liabilities	336,903	328,987
Total liabilities	1,136,346	1,117,461
Net assets		
Shareholders' equity		
Capital stock	141,844	141,844
Capital surplus	1,878	1,883
Retained earnings	910,353	893,436
Treasury shares	(4,441)	(3,087)
Total shareholders' equity	1,049,634	1,034,076
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,298	27,166
Deferred gains or losses on hedges	(2,573)	(990)
Foreign currency translation adjustment	44,945	36,399
Remeasurements of defined benefit plans	(18,033)	4,845
Total accumulated other comprehensive income	50,636	67,422
Non-controlling interests	14,900	11,309
Total net assets	1,115,172	1,112,807
Total liabilities and net assets	2,251,518	2,230,269

Consolidated Statement of Income

	(Millions of yen)	
	2015.4.1 - 2016.3.31	2016.4.1 - 2017.3.31
Net sales	1,884,656	1,587,085
Cost of sales	1,239,020	1,051,885
Gross profit	645,636	535,200
Selling, general and administrative expenses		
Supply and sales expenses	385,572	410,125
General and administrative expenses	68,054	66,708
Total selling, general and administrative expenses	453,627	476,834
Operating profit	192,008	58,365
Non-operating income		
Interest income	615	901
Dividend income	1,878	2,178
Rent income	2,177	1,740
Share of profit of entities accounted for using equity method	2,122	3,583
Miscellaneous income	8,776	5,889
Total non-operating income	15,570	14,293
Non-operating expenses		
Interest expenses	12,158	11,514
Balance on commissioned construction	2,189	2,564
Miscellaneous expenses	4,421	2,893
Total non-operating expenses	18,769	16,971
Ordinary profit	188,809	55,688
Extraordinary income		
Gain on sales of non-current assets	-	6,610
Gain on sales of investment securities	-	9,120
Total extraordinary income	-	15,730
Extraordinary losses		
Impairment loss	28,293	2,408
Loss on valuation of investment securities	4,747	-
Total extraordinary losses	33,040	2,408
Profit before income taxes	155,768	69,010
Income taxes - current	43,782	25,271
Income taxes - deferred	(991)	(10,305)
Total income taxes	42,791	14,966
Profit	112,977	54,044
Profit attributable to non-controlling interests	1,040	910
Profit attributable to owners of parent	111,936	53,134

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	2015.4.1 - 2016.3.31	2016.4.1 - 2017.3.31
Profit	112,977	54,044
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,363)	870
Deferred gains or losses on hedges	(1,062)	1,360
Foreign currency translation adjustment	3,614	(6,470)
Remeasurements of defined benefit plans, net of tax	(15,904)	22,875
Share of other comprehensive income of entities accounted for using equity method	(1,387)	(1,844)
Total other comprehensive income	(23,102)	16,791
Comprehensive income	89,874	70,835
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	89,029	69,919
Comprehensive income attributable to non-controlling interests	844	915

Consolidated Statements of Cash Flows

	(Millions of yen)	
	2015.4.1 - 2016.3.31	2016.4.1 - 2017.3.31
Cash flows from operating activities		
Profit before income taxes	155,768	69,010
Depreciation	141,930	160,871
Impairment loss	28,293	2,408
Amortization of goodwill	344	1,059
Amortization of long-term prepaid expenses	3,256	3,433
Loss on retirement of property, plant and equipment	3,050	2,047
Loss (gain) on sale of non-current assets	(268)	(6,555)
Loss (gain) on sales of investment securities	(1,156)	(9,120)
Increase (decrease) in net defined benefit liability	(1,110)	(3,374)
Decrease (increase) in net defined benefit asset	(1,384)	22,058
Increase (decrease) in provision for loss on guarantees	115	(1,678)
Increase (decrease) in provision for safety measures	(4,242)	4,245
Interest and dividend income	(2,494)	(3,080)
Interest expenses	12,158	11,514
Share of (profit) loss of entities accounted for using equity method	(2,122)	(3,583)
Decrease (increase) in notes and accounts receivable - trade	47,350	4,286
Decrease (increase) in inventories	28,117	3,700
Increase (decrease) in notes and accounts payable - trade	(22,993)	17,567
Increase (decrease) in accrued consumption taxes	(2,436)	(4,326)
Decrease (increase) in prepaid expenses	(31)	(1,411)
Decrease (increase) in accounts receivable - other	12,864	1,997
Other, net	14,410	(1,809)
Subtotal	409,422	269,261
Interest and dividend income received	11,954	14,593
Interest expenses paid	(12,547)	(11,509)
Income taxes paid	(54,170)	(33,610)
Net cash provided by (used in) operating activities	354,658	238,734
Cash flows from investing activities		
Purchase of investment securities	(1,850)	(9,922)
Proceeds from sales and redemption of investment securities	3,616	9,489
Purchase of property, plant and equipment	(195,060)	(165,918)
Purchase of intangible assets	(26,131)	(29,542)
Purchase of long-term prepaid expenses	(10,683)	(8,322)
Proceeds from sale of non-current assets	858	7,124
Payments of long-term loans receivable	(9,776)	(6,073)
Collection of long-term loans receivable	1,726	1,675
Other, net	894	(3,383)
Net cash provided by (used in) investing activities	(236,406)	(204,873)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,011)	(6,260)
Repayments of lease obligations	(1,243)	(1,399)
Proceeds from long-term loans payable	51,701	22,670
Repayments of long-term loans payable	(18,012)	(19,982)
Proceeds from bonds	-	30,000
Redemption of bonds	(43,800)	(27,700)
Purchase of treasury shares	(33,939)	(41,065)
Cash dividends paid	(24,173)	(26,969)
Other, net	(3,938)	(192)
Net cash provided by (used in) financing activities	(75,418)	(70,899)
Effect of exchange rate change on cash and cash equivalents	(1,065)	(498)
Net increase (decrease) in cash and cash equivalents	41,769	(37,536)
Cash and cash equivalents at beginning of period	128,333	170,102
Cash and cash equivalents at end of period	170,102	132,566

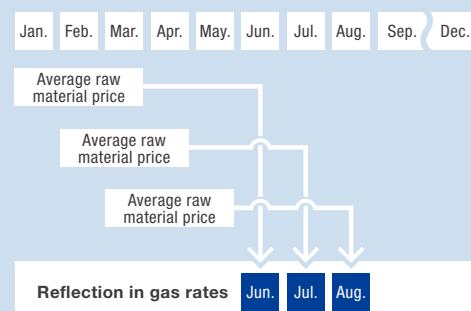
Factors Affecting Revenues and Expenses

Gas Rate Adjustment System's Medium- to Long-Term Neutralizing Effect on Crude Oil Price and Exchange Rate Fluctuations

Gas prices are determined using the gas rate adjustment system. Through this system, average raw material prices over a three-month period according to trade statistics are compared with the raw material cost that is used as the standard (standard average raw material cost), and the gas rates are adjusted using a defined calculation method based on the differences. A time lag of four months on average (called a sliding time lag) exists between the payment of raw material costs and the reflection of such changes in gas rates. Consequently, fluctuations in crude oil prices and exchange rates may result in the under-recovery or over-recovery of raw material costs if this lag cuts across a fiscal year, thereby affecting income. Looking at the medium- to long-term, however, the gas rate adjustment system has a neutralizing effect on the income impacts of fluctuations in raw material costs.

Timing of the Standard Average Raw Material Cost Calculation and Reflection in Gas Rates

Timing of standard average raw material cost calculation



The average raw material price over the past three months is calculated every month and then reflected in the gas rate three months later.

How the Sliding Time Lag in Rates Works

