

Financial data

11-Year Consolidated Financial Highlights As of March 31, 2018

	2008.3	2009.3	2010.3	2011.3
Net Sales (¥ million)	1,487,496	1,660,162	1,415,718	1,535,242
Operating Profit (¥ million)	70,048	65,204	85,229	122,451
Operating Profit Margin (%)	4.71	3.93	6.02	7.98
Ordinary Profit (¥ million)	66,832	58,337	83,519	121,548
Profit attributable to owners of parent (¥ million)	42,487	41,708	53,781	95,467
Equity (¥ million)	769,072	772,365	813,886	858,920
Total Assets (¥ million)	1,703,651	1,764,185	1,840,972	1,829,661
Interest-bearing Debt (¥ million)	558,716	593,230	555,919	584,169
Operating Cash Flow (¥ million)	184,908	182,791	199,898	244,803
Free Cash Flow (¥ million)	46,902	36,862	51,712	94,600
EBITDA (¥ million)	212,469	206,287	231,346	271,788
Capital Expenditure (¥ million)	138,006	145,929	148,186	150,202
Depreciation (¥ million)	142,421	141,083	146,117	149,336
EPS (Earnings per Share, fully diluted) (¥)	15.50	15.37	19.86	35.63
BPS (Book Value per Share) (¥)	289.49	284.72	301.58	320.70
Number of Issued Shares (Common Stock) (thousands of shares)	2,741,571	2,717,571	2,703,761	2,684,193
Dividend per Share (¥)	8	8	9	9
DOE (Dividends on Equity) (%)	2.72	2.78	3.07	2.88
Payout Ratio (%)	50.19	51.18	45.32	25.26
Total Payout Ratio (%)	73.56	63.35	60.11	60.87
Current Ratio (%)	106.76	118.99	120.93	142.26
D/E (Debt-Equity) Ratio (times)	0.73	0.77	0.68	0.68
Equity Ratio(%)	45.14	43.78	44.21	46.94
ROE (Return on Equity) (%)	5.43	5.41	6.78	11.41
ROA (Return on Assets) (%)	2.50	2.41	2.98	5.20
Total Asset Turnover (times)	0.88	0.96	0.79	0.84
TEP (¥100 million)	17	-48	186	640
WACC (%)	3.6	3.4	3.2	3.3
Number of Customers (thousands, meter)	10,380	10,513	10,637	10,739
Gas Sales Volume (million m ³)	14,215	13,942	13,666	14,745
2020 vision basis*2	—	—	—	—

Notes Depreciation includes amortization of long-term prepaid expenses.

The financial information contained in this annual report is based on annual securities report. However, it has not been audited by certified public accountants.

*1 The Company carried out a share consolidation at a ratio of 5 common shares to 1 on October 1, 2017.

The dividend per share of 55.0 yen is calculated on the post-consolidation basis (the interim dividend of 5.50 yen per share before the share consolidation and the year-end dividend of 27.50 yen per share after the share consolidation).

*2 2020 Vision basis ... The figures represent baseline values for sales volume targets set forth in our management vision, Challenge 2020 Vision. They are obtained by adding volume for in-house use and LNG sales volume (excluding volume for Nijio) to consolidated gas sales volume.

2012.3	2013.3	2014.3	2015.3	2016.3	2017.3	2018.3
1,754,257	1,915,639	2,112,117	2,292,548	1,884,656	1,587,085	1,777,344
77,075	145,633	166,044	171,753	192,008	58,365	116,302
4.39	7.60	7.86	7.49	10.19	3.68	6.54
75,620	147,453	159,613	168,169	188,809	55,688	111,546
46,060	101,678	108,451	95,828	111,936	53,134	74,987
839,166	927,634	1,011,787	1,069,515	1,100,271	1,101,498	1,136,027
1,863,885	1,992,403	2,176,816	2,257,662	2,251,518	2,230,269	2,334,721
625,830	642,550	713,823	730,739	715,769	713,596	724,940
194,565	240,448	248,831	237,680	257,122	217,439	240,328
48,152	56,651	827	13,084	25,089	14,081	31,583
225,580	284,403	306,424	313,605	337,194	222,670	281,643
146,413	183,797	248,004	224,596	232,033	203,358	208,745
148,505	138,770	140,380	141,852	145,187	164,305	165,341
17.70	39.52	43.10	39.15	46.68	23.02	164.12* ¹
324.67	360.70	402.91	438.28	460.35	479.74	2,487.58* ¹
2,590,715	2,577,919	2,517,551	2,446,778	2,396,778	2,302,856	458,073* ¹
9	10	10	10	11	11	55* ¹
2.74	2.91	2.59	2.34	2.58	2.29	2.25
50.85	25.30	23.20	25.55	23.57	47.79	33.51
61.36	60.70	60.00	60.80	60.10	60.71	60.20
156.89	162.16	156.67	150.63	155.48	142.69	138.51
0.75	0.69	0.71	0.68	0.65	0.65	0.64
45.02	46.56	46.48	47.37	48.87	49.39	48.66
5.42	11.51	11.18	9.21	10.32	4.83	6.70
2.49	5.27	5.20	4.32	4.96	2.37	3.29
0.95	0.99	1.01	1.03	0.84	0.71	0.78
91	598	507	434	676	-62	244
3.1	3.2	3.2	3.6	3.4	3.0	3.1
10,855	10,978	11,111	11,263	11,398	11,536	11,678
15,190	15,390	14,735	15,541	15,436	15,720	15,568
15,833	16,741	17,225	18,360	18,587	19,053	19,052

Computations

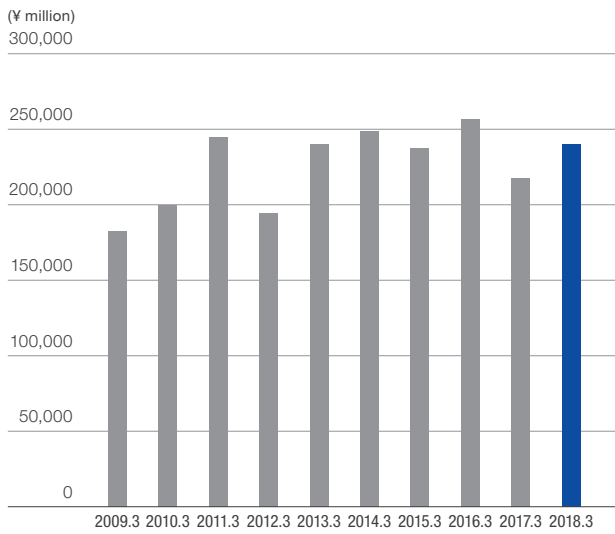
Operating Cash Flow = Profit attributable to owners of parent + Amortization of Long-term Prepaid Expenses + Depreciation
Free Cash Flow = Profit attributable to owners of parent + Amortization of Long-term Prepaid Expenses + Depreciation – Capital Expenditure
Current Ratio = Current Assets (year-end) / 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 2017 actual)

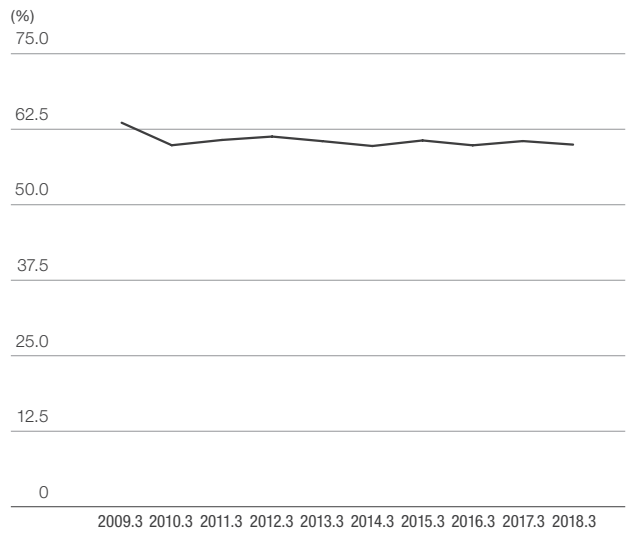
- Interest-bearing debt cost: Real interest rate of 1.04% (after tax)
- Cost of shareholders' equity
 - Risk-free rate: 10-year JGB yield of 0.05%
 - Risk premium: 5.5%, Beta coefficient of 0.75

Financial data

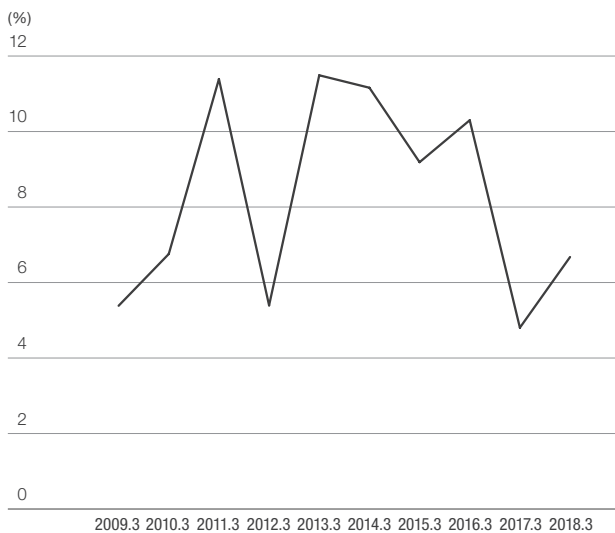
Operating cash flow



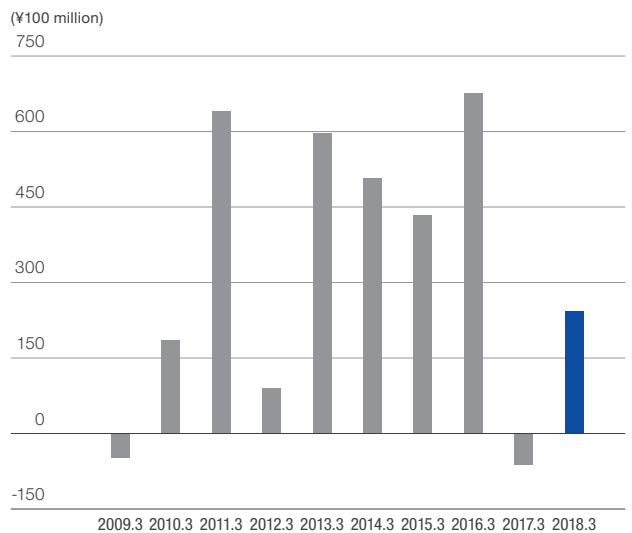
Total payout ratio



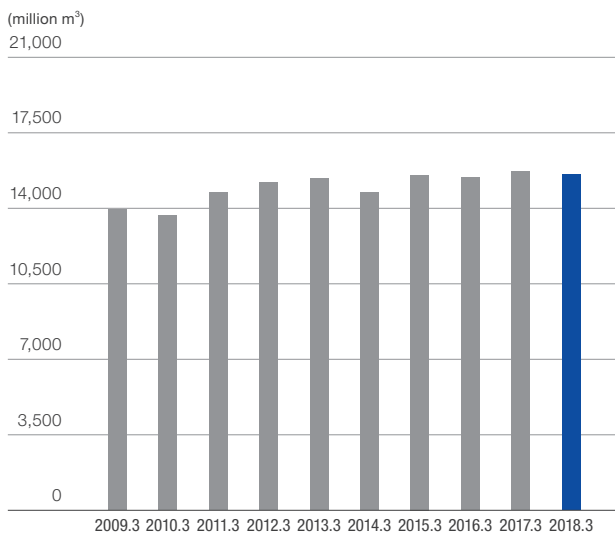
Return on equity (ROE)



TEP



Gas sales volume



Consolidated Balance Sheet

	(¥ million)	
	2017.3.31	2018.3.31
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	235,152	236,334
Distribution facilities	539,840	560,216
Service and maintenance facilities	53,623	52,244
Other facilities	416,142	406,221
Inactive facilities	316	316
Construction in progress	147,074	157,913
Total property, plant and equipment	1,392,149	1,413,246
Intangible assets		
Goodwill	1,600	1,254
Other intangible assets	77,615	92,167
Total intangible assets	79,215	93,422
Investments and other assets		
Investment securities	182,443	239,379
Long-term loans receivable	28,128	27,929
Net defined benefit asset	24	17
Deferred tax assets	40,127	30,864
Other investments and other assets	39,100	36,693
Allowance for doubtful accounts	(367)	(378)
Total investments and other assets	289,456	334,505
Total non-current assets	1,760,821	1,841,174
Current assets		
Cash and deposits	132,626	128,331
Notes and accounts receivable - trade	194,240	216,234
Lease receivables and investment assets	24,097	22,188
Securities	-	15
Merchandise and finished goods	2,317	2,494
Work in process	12,466	12,417
Raw materials and supplies	40,763	45,454
Deferred tax assets	9,050	10,396
Other current assets	54,259	56,897
Allowance for doubtful accounts	(374)	(884)
Total current assets	469,447	493,547
Total assets	2,230,269	2,334,721
Liabilities		
Non-current liabilities		
Bonds payable	314,997	294,998
Long-term loans payable	326,752	358,680
Deferred tax liabilities	11,299	11,303
Net defined benefit liability	73,524	73,161
Provision for gas holder repairs	3,262	3,107
Provision for safety measures	4,711	3,115
Provision for appliance warranties	10,298	9,984
Provision for point card certificates	-	835
Asset retirement obligations	11,975	13,200
Other non-current liabilities	31,650	61,572
Total non-current liabilities	788,474	829,959
Current liabilities		
Current portion of non-current liabilities	56,395	58,094
Notes and accounts payable - trade	96,413	80,819
Short-term loans payable	10,333	7,800
Income taxes payable	20,000	30,237
Other current liabilities	145,843	179,376
Total current liabilities	328,987	356,328
Total liabilities	1,117,461	1,186,288
Net assets		
Shareholders' equity		
Capital stock	141,844	141,844
Capital surplus	1,883	1,898
Retained earnings	893,436	936,635
Treasury shares	(3,087)	(3,642)
Total shareholders' equity	1,034,076	1,076,736
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,166	30,282
Deferred gains or losses on hedges	(990)	(251)
Foreign currency translation adjustment	36,399	33,206
Remeasurements of defined benefit plans	4,845	(3,945)
Total accumulated other comprehensive income	67,422	59,291
Non-controlling interests	11,309	12,405
Total net assets	1,112,807	1,148,433
Total liabilities and net assets	2,230,269	2,334,721

Consolidated Statement of Income

	(¥ million)	
	2016.4.1 - 2017.3.31	2017.4.1 - 2018.3.31
Net sales	1,587,085	1,777,344
Cost of sales	1,051,885	1,203,991
Gross profit	535,200	573,353
Selling, general and administrative expenses		
Supply and sales expenses	410,125	392,680
General and administrative expenses	66,708	64,370
Total selling, general and administrative expenses	476,834	457,050
Operating profit	58,365	116,302
Non-operating income		
Interest income	901	1,158
Dividend income	2,178	2,967
Rent income	1,740	1,637
Share of profit of entities accounted for using equity method	3,583	2,493
Miscellaneous income	5,889	4,800
Total non-operating income	14,293	13,057
Non-operating expenses		
Interest expenses	11,514	11,619
Balance on commissioned construction	2,564	1,829
Miscellaneous expenses	2,893	4,364
Total non-operating expenses	16,971	17,813
Ordinary profit	55,688	111,546
Extraordinary income		
Gain on sales of non-current assets	6,610	3,403
Gain on sales of investment securities	9,120	3,049
Total extraordinary income	15,730	6,452
Extraordinary losses		
Impairment loss	2,408	3,213
Total extraordinary losses	2,408	3,213
Profit before income taxes	69,010	114,784
Income taxes - current	25,271	31,527
Income taxes - deferred	(10,305)	7,957
Total income taxes	14,966	39,484
Profit	54,044	75,300
Profit attributable to non-controlling interests	910	312
Profit attributable to owners of parent	53,134	74,987

Consolidated Statements of Comprehensive Income

	(¥ million)	
	2016.4.1 - 2017.3.31	2017.4.1 - 2018.3.31
Profit before minority interests	54,044	75,300
Other comprehensive income		
Valuation difference on available-for-sale securities	870	3,145
Deferred gains or losses on hedges	1,360	666
Foreign currency translation adjustment	(6,470)	(3,537)
Remeasurements of defined benefit plans, net of tax	22,875	(8,784)
Share of other comprehensive income of entities accounted for using equity method	(1,844)	407
Total other comprehensive income	16,791	(8,101)
Comprehensive income	70,835	67,198
Breakdown of comprehensive income		
Comprehensive income attributable to owners of parent	69,919	66,856
Comprehensive income attributable to non-controlling interests	915	341

Financial data

Consolidated Statements of Cash Flows

	(¥ million)	
	2016.4.1- 2017.3.31	2017.4.1 - 2018.3.31
Cash flows from operating activities		
Profit before income taxes	69,010	114,784
Depreciation	160,871	161,093
Impairment loss	2,408	3,213
Amortization of long-term prepaid expenses	3,433	4,248
Loss on retirement of property, plant and equipment	2,047	1,845
Loss (gain) on sales of non-current assets	(6,555)	(3,397)
Loss (gain) on sales of investment securities	(9,120)	(3,042)
Increase (decrease) in net defined benefit liability	(3,374)	(12,461)
Increase (decrease) in provision for safety measures	4,245	(1,596)
Interest and dividend income	(3,080)	(4,125)
Interest expenses	11,514	11,619
Share of loss (profit) of entities accounted for using equity method	(3,583)	(2,493)
Decrease (increase) in notes and accounts receivable - trade	4,286	(20,602)
Decrease (increase) in inventories	3,700	(4,948)
Increase (decrease) in notes and accounts payable - trade	17,567	(631)
Increase (decrease) in accrued consumption taxes	(4,326)	3,000
Decrease (increase) in accounts receivable - other	1,997	1,265
Net decrease (increase) in lease receivables	(12)	1,959
Other, net	18,229	31,525
Subtotal	269,261	281,258
Interest and dividend income received	14,593	12,295
Interest expenses paid	(11,509)	(11,502)
Income taxes paid	(33,610)	(22,312)
Net cash provided by (used in) operating activities	238,734	259,738
Cash flows from investing activities		
Purchase of investment securities	(9,922)	(47,898)
Proceeds from sales and redemption of investment securities	9,489	5,021
Purchase of property, plant and equipment	(165,918)	(177,671)
Purchase of intangible assets	(29,542)	(27,638)
Purchase of long-term prepaid expenses	(8,322)	(1,653)
Proceeds from sale of non-current assets	7,124	3,799
Payments of long-term loans receivable	(6,073)	(3,101)
Collection of long-term loans receivable	1,675	2,801
Other, net	(3,383)	(821)
Net cash provided by (used in) investing activities	(204,873)	(247,162)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(6,260)	(2,645)
Repayments of lease obligations	(1,399)	(1,526)
Proceeds from long-term loans payable	22,670	60,471
Repayments of long-term loans payable	(19,982)	(62,065)
Proceeds from issuance of bonds	30,000	20,000
Proceeds from share issuance to non-controlling shareholders	-	2,034
Purchase of treasury shares	(41,065)	(7,082)
Cash dividends paid	(26,969)	(25,187)
Other, net	(27,892)	(648)
Net cash provided by (used in) financing activities	(70,899)	(16,651)
Effect of exchange rate change on cash and cash equivalents	(498)	(220)
Net increase (decrease) in cash and cash equivalents	(37,536)	(4,294)
Cash and cash equivalents at beginning of period	170,102	132,566
Cash and cash equivalents at end of period	132,566	128,271

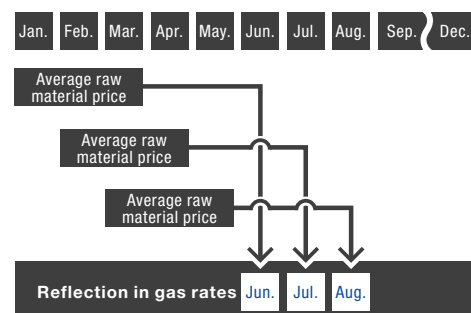
Factors Affecting Revenues and Expenses

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

