

**Consolidated Financial Results Bulletin for the Fiscal Year Ended March 31, 2018****(J-GAAP)****Tokyo Gas Co., Ltd.**

Securities code: 9531  
 (URL <http://www.tokyo-gas.co.jp/IR/english/index.html>)  
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**Stock listings:**  
 Tokyo Stock Exchange, Nagoya Stock Exchange

Location of head office: Tokyo

General shareholders' meeting schedule: June 28, 2018  
 Scheduled date of the filing of securities report: June 28, 2018  
 Scheduled date of the start of dividend payments: June 29, 2018  
 Preparation of earnings presentation material (yes/no): **Yes**  
 Holding of earnings announcement (yes/no): **Yes** (for institutional investors)

(Amounts are rounded down to the nearest million yen)

**1. Consolidated Performance for FY2017 ended March 31, 2018 (from April 1, 2017 to March 31, 2018)**

(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	
FY2017 ended Mar. 31, 2018	1,777,344	12.0%	116,302	99.3%	111,546	100.3%	74,987	41.1%
FY2016 ended Mar. 31, 2017	1,587,085	-15.8%	58,365	-69.6%	55,688	-70.5%	53,134	-52.5%

Note: Total comprehensive income

FY2017 ended March 31, 2018: 67,198 million yen (-5.1%)

FY2016 ended March 31, 2017: 70,835 million yen (-21.2%)

	Profit per share	Diluted profit per share	Ratio of profit to shareholders' equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
FY2017 ended Mar. 31, 2018	164.12 yen	—	6.7%	4.9%	6.5%
FY2016 ended Mar. 31, 2017	115.09 yen	—	4.8%	2.5%	3.7%

Reference: Profit or loss on investment accounted for by equity method

FY2017 ended March 31, 2018: 2,493 million yen

FY2016 ended March 31, 2017: 3,583 million yen

Note: As of October 1, 2017, the Company carried out a share consolidation at a ratio of 5 common shares to 1. "Profit per share" is calculated on the assumption that the share consolidation took place at the beginning of the previous fiscal year.

**(2) Consolidated Financial Position**

(Unit: million yen)

	Total assets	Total net assets	Equity ratio	Net assets per share
As of Mar. 31, 2018	2,334,721	1,148,433	48.7%	2,487.58 yen
As of Mar. 31, 2017	2,230,269	1,112,807	49.4%	2,398.70 yen

Reference: Shareholders' equity

As of March 31, 2018: 1,136,027 million yen

As of March 31, 2017: 1,101,498 million yen

Note: As of October 1, 2017, the Company carried out a share consolidation at a ratio of 5 common shares to 1. "Net assets per share" are calculated on the assumption that the share consolidation took place at the beginning of the previous fiscal year.

**(3) Consolidated Cash Flows**

(Unit: million yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
FY2017 ended Mar. 31, 2018	259,738	(247,162)	(16,651)	128,271
FY2016 ended Mar. 31, 2017	238,734	(204,873)	(70,899)	132,566

## 2. Dividend

	Dividend per share (Unit: yen)					Total dividend payments (Full-year) (Unit: million yen)	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Full-year			
FY2016 ended Mar. 31, 2017	—	5.50	—	5.50	11.00	25,256	47.8%	2.3%
FY2017 ended Mar. 31, 2018	—	5.50	—	27.50	—	25,117	33.5%	2.3%
FY2018 ending Mar. 31, 2019 (Forecast)	—	27.50	—	27.50	55.00		28.3%	

Note: As of October 1, 2017, the Company carried out a share consolidation at a ratio of 5 common shares to 1. The dividend shown for the quarters prior to 2Q FY2017 are the actual dividend prior to the share consolidation. The full fiscal year dividend per share, converted to factor in the share consolidation, is 55 yen for FY2016 and FY2017, respectively.

## 3. Consolidated Results Forecast for FY2018 ending March 31, 2019 (April 1, 2018 - March 31, 2019)

(Unit: million yen)  
(% of change from the corresponding period of previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
Full-year	1,954,000	9.9%	93,000	-20.0%	93,000	-16.6%	88,000	17.4%	194.68 yen

### \*Notes

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

Reference: Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 74 (Increased by 8 companies and decreased by 2 companies)

Number of subsidiaries and affiliates accounted for by equity method: 15 (Increased by 7 companies)

(2) 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: *No*

3) Change in accounting estimates: *No*

4) Retrospective restatements: *No*

(3) Number of issued shares (common stock)

(Unit: share)

1) Number of issued shares at end of period (including treasury stock):	Mar. 31, 2018	458,073,259	Mar. 31, 2017	460,571,259
2) Number of shares of treasury stock at end of period:	Mar. 31, 2018	1,393,435	Mar. 31, 2017	1,365,308
3) Average number of shares during period:	Apr. 2017–Mar. 2018	456,901,354	Apr. 2016–Mar. 2017	461,674,618

Note: As of October 1, 2017, the Company carried out a share consolidation at a ratio of 5 common shares to 1. The total number of issued shares (common stock) is calculated on the assumption that the share consolidation took place at the beginning of the previous fiscal year.

(Reference)

**1. Non-Consolidated Business Results for FY2017 ended March 31, 2018 (April 1, 2017 - March 31, 2018)**

(1) Non-Consolidated Business Performance

(Unit: million yen)

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

	Net sales		Operating profit		Ordinary profit		Net income	
FY2017 ended Mar. 31, 2018	1,598,860	13.5%	82,485	179.7%	95,890	158.9%	75,906	10.4%
FY2016 ended Mar. 31, 2017	1,408,452	-16.0%	29,486	-81.0%	37,034	-77.4%	68,777	-26.5%

	Profit per share	Diluted profit per share
FY2017 ended Mar. 31, 2018	166.13 yen	—
FY2016 ended Mar. 31, 2017	148.97 yen	—

Note: As of October 1, 2017, the Company carried out a share consolidation at a ratio of 5 common shares to 1. “Profit per share” is calculated on the assumption that the share consolidation took place at the beginning of the previous fiscal year.

(2) Non-Consolidated Financial Position

(Unit: million yen)

	Total assets	Total net assets	Equity ratio	Net assets per share
As of Mar. 31, 2018	1,959,518	891,648	45.5%	1,952.46 yen
As of Mar. 31, 2017	1,847,788	842,515	45.6%	1,834.72 yen

Reference: Shareholders' equity

As of Mar. 31, 2018: 891,648 million yen As of Mar. 31, 2017: 842,515 million yen

Note: As of October 1, 2017, the Company carried out a share consolidation at a ratio of 5 common shares to 1. “Net assets per share” are calculated on the assumption that the share consolidation took place at the beginning of the previous fiscal year.

**2. Non-Consolidated Results Forecast for FY2018 ending March 31, 2019 (April 1, 2018 - March 31, 2019)**

(Unit: million yen)

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

	Net sales		Operating profit		Ordinary profit		Net income		Profit per share
Full-year	1,747,000	9.3%	64,000	-22.4%	66,000	-31.2%	49,000	-35.4%	108.40 yen

\*Auditing procedures do not apply to the Consolidated Financial Results Bulletins.

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

1. The above forecasts are based on the information available at the time this report was prepared, and Tokyo Gas makes no guarantee that these figures will be achieved. Actual results may differ from these forecasts for a variety of reasons. Please see page 6 of the Attachment “1. Overview of Business Performance, etc.: (2) Future outlook” for matters concerning the above forecasts.
2. The information related to this Financial Results will be posted on the Web site of the Company.

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## **I. Overview of Business Performance, etc.**

### **(1) Overview of business performance and financial position of FY2017**

#### **(Business performance of FY2017)**

In the fiscal year under review, the economy in Japan made a modest recovery, owing in part to an improvement in the employment and income environment, and a rebound in exports and production reflecting a recovery in economies overseas. Coupled with this trend, a positive economic cycle is emerging, partly attributable to an upturn in consumer spending and private-sector capital expenditures.

Amid this economic climate, the environment surrounding the energy business underwent major changes, including the full deregulation of retail electric power sales in April 2016, the full deregulation of retail gas sales in April 2017, and technological innovations in Industry 4.0 or the fourth industrial revolution. Against this backdrop, to ensure we continue to be chosen by customers, the Tokyo Gas Group actively tackled various measures to enhance the added value we deliver to customers in Japan and abroad through the development of a comprehensive energy business and globalization.

In light of these economic conditions and changes in the business climate, city gas sales declined in volume due to a decrease in the number of customers for wholesale supply to other gas utilities. Nonetheless, city gas sales increased owing to a rise in gas unit price reflecting resource cost adjustments in tandem with the impact from a rise in crude oil prices. Reflecting this and other factors, consolidated sales in the year under review totaled ¥1,777.3 billion, a growth of 12.0% year-on-year.

Meanwhile, operating expenses came to ¥1,661.0 billion, a rise of 8.7% year-on-year. The Company further improved its management efficiency and repeated measures to curb expenses as best as possible. However, the rise in operating expenses mainly reflects an increase in city gas resource costs owing to the impact from a rise in crude oil prices.

Accordingly, operating profit was ¥116.3 billion, a rise of 99.3% year-on-year, and ordinary profit stood at ¥111.5 billion, an expansion of 100.3%. In addition, the Company posted as extraordinary profit a ¥3.4 billion gain on the sale of fixed assets, a ¥3.0 billion gain on the sale of investment securities. On the flip side, as extraordinary loss, the Company booked a ¥3.2 billion impairment loss, mainly for shipment facilities in the coastal vessel business, which is a part of the LNG sales business. In addition, corporate and other taxes were recorded. In light of these factors, profit attributable to owners of parent totaled ¥74.9 billion, a growth of 41.1%.

#### **<Segment summary>**

##### **1) City gas**

Total gas sales volume in the period under review was 15,568 million m<sup>3</sup>, a decrease of 1.0% year-on-year. Breaking this down, residential demand was 3,570 million m<sup>3</sup>, a rise of 3.0%, primarily reflecting an increase in demand for hot water supply due to a cold winter.

Meanwhile commercial demand totaled 2,722 million m<sup>3</sup>, an increase of 0.5%, owing in part to an increase in air-conditioning demand due to hot temperatures during the summer months.

Industrial demand was 7,290 million m<sup>3</sup>, on a par with the previous fiscal year.

Wholesale supply to other gas utilities was 1,985 million m<sup>3</sup>, a decrease of 11.8% year-on-year, due in part to a decline in customer demand.

In addition, city gas sales came to ¥1,148.8 billion, an increase of ¥108.8 billion or 10.5% year-on-year. Although city gas sales volume was down versus a year earlier, there was an increase in gas unit price owing to resource cost adjustments.

Although gas sales volume decreased, overall operating expenses increased ¥68.7 billion or 7.1% year-on-year due to an increase in resource costs, mainly reflecting a rise in crude oil prices.

Consequently, segment profit totaled ¥116.6 billion, a rise of ¥40.1 billion or 52.4% year-on-year.

<Consolidated Gas Sales Volume for FY2017 Ended March 31, 2018>

			FY2017	FY2016	Change	% change
No. of customers	Thousand		11,678	11,536	142	1.2
Gas sales volume	Residential	Mil. m <sup>3</sup>	3,570	3,466	104	3.0
	Commercial	Mil. m <sup>3</sup>	2,722	2,709	13	0.5
	Industrial	Mil. m <sup>3</sup>	7,290	7,293	-3	-0.0
	Subtotal	Mil. m <sup>3</sup>	10,012	10,002	10	0.1
	Supplies to other utilities	Mil. m <sup>3</sup>	1,985	2,252	-267	-11.8
	Total	Mil. m <sup>3</sup>	15,568	15,720	-152	-1.0
Average temperature	°C		15.7	16.3	-0.6	—

Notes:

- No. of customers indicates the number of Tokyo Gas' city gas meters installed within the supply area as of end of March 2018.
- "Commercial" indicates sales to commercial, public and medical institutions.
- Gas sales volumes are on the basis of 45MJ/m<sup>3</sup>.
- Average temperature is the average temperature during the period of use by each customer (from date of initial month's meter reading to final month's meter reading).

The aforementioned notes also apply to the relevant tables.

<Foreign Exchange Rate and Crude Oil Price>

¥/\$ rate	FY2017	FY2016	Change	Crude oil price (\$/bbl)	FY2017	FY2016	Change
	110.85	108.38	2.47		57.03	47.53	9.50

2) Electric power

Sales increased by ¥72.9 billion, or 50.0%, compared to the previous year to ¥218.6 billion. Operating expenses increased by ¥67.7 billion, or 47.9%.

As a result, segment profit increased by ¥5.2 billion, or 115.9%, year-on-year to ¥9.6 billion.

<Consolidated Electric Power Sales Volume for FY2017 Ended March 31, 2018>

			FY2017	FY2016	Change	% change
Electric power sales volume	Retail	million kWh	4,569	2,254	2,315	102.7
	Wholesale etc.	million kWh	10,087	10,400	-313	-3.0
	Total	million kWh	14,656	12,654	2,002	15.8

3) Overseas

Sales increased by ¥9.6 billion, or 30.1%, compared to the previous year to ¥41.5 billion. Operating expenses increased by ¥5.3 billion, or 16.9%.

As a result of a decrease in share of profit of entities accounted for using equity method, segment profit increased by ¥3.3 billion, or 74.9%, year-on-year to ¥7.7 billion.

4) Energy-related

Sales increased by ¥21.3 billion, or 4.6%, compared to the previous year to ¥480.8 billion. Operating expenses increased by ¥21.4 billion, or 4.8%.

As a result, segment profit was ¥13.7 billion, nearly unchanged from a year earlier (a dip of 0.2%).

5) Real estate

Sales increased by ¥0.9 billion, or 2.2%, compared to the previous year to ¥42.3 billion. Operating expenses increased by ¥0.8 billion, or 2.4%.

As a result, segment profit increased by ¥0.1 billion, or 1.5%, year-on-year to ¥7.9 billion.

6) Others

Sales at other business increased by ¥3.7 billion, or 4.1%, compared to the previous year to ¥92.7 billion. Operating expenses increased by ¥1.9 billion, or 2.2%.

As a result, segment profit increased by ¥1.7 billion, or 53.3%, year-on-year to ¥4.9 billion.

## &lt;Summary by segment&gt;

(Unit: hundred million yen)

		City gas	Electric power	Overseas	Energy-related	Real estate	Others
Sales	FY2017	11,488	2,186	415	4,808	423	927
	(% of total)	(56.7%)	(10.8%)	(2.1%)	(23.7%)	(2.1%)	(4.6%)
	FY2016	10,400	1,457	319	4,595	414	890
	(% of total)	(57.5%)	(8.1%)	(1.8%)	(25.4%)	(2.3%)	(4.9%)
	Amount of change	1,088	729	96	213	9	37
	(Rate of change)	10.5%	50.0%	30.1%	4.6%	2.2%	4.1%
Operating expenses	FY2017	10,322	2,090	363	4,671	343	878
	(% of total)	(55.4%)	(11.2%)	(1.9%)	(25.0%)	(1.8%)	(4.7%)
	FY2016	9,635	1,413	310	4,457	335	859
	(% of total)	(56.7%)	(8.3%)	(1.8%)	(26.2%)	(2.0%)	(5.0%)
	Amount of change	687	677	53	214	8	19
	(Rate of change)	7.1%	47.9%	16.9%	4.8%	2.4%	2.2%
Segment profit	FY2017	1,166	96	77	137	79	49
	(% of total)	(72.5%)	(6.0%)	(4.8%)	(8.6%)	(5.0%)	(3.1%)
	FY2016	765	44	44	137	78	32
	(% of total)	(69.5%)	(4.0%)	(4.0%)	(12.5%)	(7.1%)	(2.9%)
	Amount of change	401	52	33	0	1	17
	(Rate of change)	52.4%	115.9%	74.9%	-0.2%	1.5%	53.3%

Note: Figures for sales include internal transactions. Figures for operating expenses do not include expenses that cannot be allocated to specific segments.

## (Financial position in FY2017)

### 1) Situation of assets, debt and shareholders' equity

Assets as of March 31, 2018 totaled ¥2,334.7 billion, an increase of ¥104.5 billion versus March 31, 2017, primarily attributable to an increase in the outstanding balances for investment securities (¥56.9 billion) and notes and accounts receivable-trade (¥22.0 billion).

Liabilities stood at ¥1,186.2 billion, an increase of ¥68.8 billion. This was primarily attributable to an increase in the outstanding balances for other current liabilities (¥33.5 billion) and interest-bearing debt (¥11.4 billion).

Net assets totaled ¥1,148.4 billion, an increase of ¥35.6 billion. Although net assets were negatively impacted by factors including the distribution of capital surplus (-¥25.1 billion) and purchase of treasury stock in the open market (-¥6.9 billion), there was an overall increase attributable to a rise in shareholders' equity mainly underpinned by a rise in profit attributable to owners of parent (¥74.9 billion).

In contrast with the growth rate for shareholders' equity, the growth rate for net worth (equity capital) (total shareholders' equity + accumulated other comprehensive income) was smaller. As a result, the shareholders' equity ratio rose stood at 48.7% on March 31, 2018, which was 0.7-points down from March 31, 2017.

### <Capital expenditure>

(Unit: hundred million yen)

		FY2017	FY2016	Change	% change
Tokyo Gas	Production facilities	169	224	-55	-24.5
	Supply facilities	907	943	-36	-3.7
	Operational facilities, etc.	576	364	212	58.2
	Total	1,654	1,532	122	8.0
Consolidated subsidiaries		463	540	-77	-14.2
Adjustments		-30	-39	9	—
Total		2,087	2,033	54	2.6

### 2) Situation of cash flow

(Unit: hundred million yen)

	FY2017	FY2016	Change
Cash flow from operating activities	2,597	2,387	210
Cash flow from investing activities	-2,471	-2,048	-423
Cash flow from financing activities	-166	-708	542
Effect of exchange rate change on cash and cash equivalents	-2	-4	2
Net increase (decrease) in cash and cash equivalents	-42	-375	333
Cash and cash equivalents at beginning of year	1,325	1,701	-376
Cash and cash equivalents at end of year	1,282	1,325	-43

#### a) Cash flow from operating activities

Cash and cash equivalents obtained as a result of operating activities totaled ¥259.7 billion, an increase versus a year earlier. This was primarily attributable to the posting of income before income taxes (¥114.7 billion) and depreciation and amortization (¥161.0 billion), and despite income taxes paid (-¥22.3 billion).

#### b) Cash flow from investing activities

Cash and cash equivalents used in investing activities totaled ¥247.1 billion, a decrease versus a year earlier. Although there were proceeds from sales and redemption of investment securities (¥5.0 billion), there was a cash outflow due to the purchase of property, plant and equipment (-¥177.6 billion) associated with capital expenditures for the establishment of production and supply system and for the purchase of intangible assets (-¥27.6 billion).

#### c) Cash flow from financing activities

Cash and cash equivalents used in financing activities totaled ¥16.6 billion, a decline versus a year earlier. Although there were proceeds from the long-term loans payable (¥60.4 billion) and from the issuance of bonds (¥20.0 billion), there was a cash outflow due to the repayment of long-term loans payable (-¥62.0 billion) and cash dividends (-¥25.1 billion).

## (2) Future outlook

In FY2018, we forecast gas sales volume of 15,542 million m<sup>3</sup>, a decline of 0.2% year-on-year. This mainly reflects expectations of a decline in residential and commercial demand, as weather temperatures are likely to register on average, and despite an increase in industrial demand. Although we anticipate a decline in city gas sales volume, we expect city gas sales to reach ¥1,400.3 billion, an increase of ¥95.5 billion or 7.3%, chiefly due to an increase in gas unit price in tandem with resource cost adjustments. Meanwhile, we estimate a rise in operating expenses, primarily reflecting higher resource costs, owing mainly to impact from the climb in crude oil prices. Electricity sales volume is likely to increase on the back of an expansion in the number of retail sale transactions. In light of this, we estimate an increase in net electricity sales and operating expenses.

Due to these factors, we are projecting a ¥176.7 billion, or 9.9%, increase in consolidated net sales to ¥1,954.0 billion, with a ¥23.3 billion, or 20.0%, decrease in operating profit to ¥93.0 billion, a ¥18.5 billion, or 16.6%, decrease in ordinary profit to ¥93.0 billion, and a ¥13.1 billion, or 17.4%, increase in profit attributable to owners of parent to ¥88.0 billion.

The economic frame assumed for FY2018 is ¥110.00/\$ for foreign exchange rate for the full-year, and \$65/bbl for the full-year for crude oil price.

### a. Consolidated gas sales volume forecast for FY2018

			FY2018 (Forecast)	FY2017 (Results)	Change	% change
Gas sales volume	Residential	Mil. m <sup>3</sup>	3,449	3,570	-121	-3.4
	Others	Mil. m <sup>3</sup>	12,092	11,998	94	0.8
	Total	Mil. m <sup>3</sup>	15,542	15,568	-26	-0.2
Average temperature		°C	15.9	15.7	0.2	—

### b. Consolidated electric power sales volume forecast for FY2018

		FY2018 (Forecast)	FY2017 (Results)	Change	% change
Total electric power sales volume	million kWh	15,128	14,656	472	3.2

### c. Consolidated earnings forecast for FY2018

(Unit: hundred million yen)

	Net sales	Gas sales	Other sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
FY2018 (forecast)	19,540	14,003	5,537	930	930	880
FY2017 (results)	17,773	13,048	4,725	1,163	1,115	749
Change	1,767	955	812	-233	-185	131
% change	9.9%	7.3%	17.2%	-20.0%	-16.6%	17.4%

Notes:

- Internal sales between segments are adjusted in the “Other sales” column.
- We revised our segment information, taking into account the Tokyo Gas Group FY2018-2020 management plan, GPS 2020, which will be launched from FY2018. We have revised the names of our segments from “city gas” to “gas,” and transferred LPG, industrial gas, and LNG sales to the gas segment, and out of the energy-related segment.

### <Foreign Exchange Rate and Crude Oil Price>

¥/\$ rate	FY2018 (Forecast)	FY2017 (Results)	Change	Crude oil price (\$/bbl)	FY2018 (Forecast)	FY2017 (Results)	Change
	110.00	110.85	-0.85		65.00	57.03	7.97

## **II. Group Companies**

### **<Scope of Consolidated Subsidiaries and Affiliates and Application of Equity Method>**

#### **1) The scope of consolidation**

- Newly included subsidiaries in scope of consolidation: 8 companies

Tokyo Gas Real Estate Holdings Co., Ltd., TOKYO GAS LIVING HOLDINGS CO.,LTD, TG East Texas Resources LLC, TG Birdsboro Power, LLC, Prominet Power Co., Ltd., TG&D SINGAPORE INVESTMENT HOLDINGS PTE. LTD., Acario Innovation LLC, Acario Investment One LLC (all have been newly added to the scope of consolidation)

- Excluded: 2 companies

Tochigi Gas Co., Ltd. and Tokyo Gas Lifeval Minami-Setagaya Co., Ltd. (removed from the scope of consolidation owing to a decrease in ownership ratio of voting rights)

#### **2) Application of equity method**

- Newly included affiliates to which the equity method is applicable: 7 companies

TTK Power, LLC, Birdsboro Power Holdings II, LLC, Castleton Resources LLC, PetroVietnam Low Pressure Gas Distribution Joint Stock Company, PT Panji Raya Alamindo, MITG (Thailand) Limited, Shiba Park special purpose company (newly accounted for under the equity method)

Information about other consolidated subsidiaries and affiliates are not disclosed because there are no significant changes from articles of “business diagram” and “situation of subsidiaries and affiliates” in the latest securities report. [filed on June 29, 2017]

### **III. Basic Concept Regarding Selection of Accounting Standards**

The Tokyo Gas Group is considering application of IFRS in the future, taking into account the business circumstance and influence by the application of IFRS.

**IV. Consolidated Financial Statements**  
**(1) Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
<b>Assets</b>		
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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
<b>Liabilities</b>		
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 noncurrent liabilities	31,650	61,572
<b>Total non-current liabilities</b>	<b>788,474</b>	<b>829,959</b>
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
<b>Total current liabilities</b>	<b>328,987</b>	<b>356,328</b>
<b>Total liabilities</b>	<b>1,117,461</b>	<b>1,186,288</b>
<b>Net assets</b>		
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
<b>Total shareholders' equity</b>	<b>1,034,076</b>	<b>1,076,736</b>
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
<b>Total accumulated other comprehensive income</b>	<b>67,422</b>	<b>59,291</b>
Non-controlling interests	11,309	12,405
<b>Total net assets</b>	<b>1,112,807</b>	<b>1,148,433</b>
<b>Total liabilities and net assets</b>	<b>2,230,269</b>	<b>2,334,721</b>

**(2) Consolidated statements of income and comprehensive income**  
**(Consolidated statement of income)**

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
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 statement of comprehensive income)**

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	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
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	69,919	66,856
Comprehensive income attributable to non-controlling interests	915	341

### (3) Consolidated statements of changes in net assets

Fiscal year ended March 31, 2017 (from Apr. 1, 2016 - Mar. 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	141,844	1,878	910,353	- 4,441	1,049,634
Changes of items during period					
Dividends of surplus			- 26,969		- 26,969
Profit attributable to owners of parent			53,134		53,134
Purchase of treasury shares				- 41,065	- 41,065
Disposal of treasury shares				4	4
Retirement of treasury shares			- 42,415	42,415	
Decrease in the number of consolidated subsidiaries			- 666		- 666
Change in ownership interest of parent due to transactions with non-controlling interests		4			4
Net changes of items other than shareholders' equity					
Total changes of items during period	—	4	- 16,916	1,354	- 15,558
Balance at end of current period	141,844	1,883	893,436	- 3,087	1,034,076

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	26,298	- 2,573	44,945	- 18,033	50,636	14,900	1,115,172
Changes of items during period							
Dividends of surplus							- 26,969
Profit attributable to owners of parent							53,134
Purchase of treasury shares							- 41,065
Disposal of treasury shares							4
Retirement of treasury shares							—
Decrease in the number of consolidated subsidiaries							- 666
Change in ownership interest of parent due to transactions with non-controlling interests							4
Net changes of items other than shareholders' equity	867	1,583	- 8,545	22,879	16,785	- 3,591	13,194
Total changes of items during period	867	1,583	- 8,545	22,879	16,785	- 3,591	- 2,364
Balance at end of current period	27,166	- 990	36,399	4,845	67,422	11,309	1,112,807

Fiscal year ended March 31, 2018 (from Apr. 1, 2017 - Mar. 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	141,844	1,883	893,436	- 3,087	1,034,076
Changes of items during period					
Dividends of surplus			- 25,187		- 25,187
Profit attributable to owners of parent			74,987		74,987
Purchase of treasury shares				- 7,082	- 7,082
Disposal of treasury shares				5	5
Retirement of treasury shares			- 6,523	6,523	
Decrease in the number of consolidated subsidiaries			- 78		- 78
Change in ownership interest of parent due to transactions with non-controlling interests		15			15
Net changes of items other than shareholders' equity					
Total changes of items during period	-	15	43,198	- 554	42,660
Balance at end of current period	141,844	1,898	936,635	- 3,642	1,076,736

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	27,166	- 990	36,399	4,845	67,422	11,309	1,112,807
Changes of items during period							
Dividends of surplus							- 25,187
Profit attributable to owners of parent							74,987
Purchase of treasury shares							- 7,082
Disposal of treasury shares							5
Retirement of treasury shares							-
Decrease in the number of consolidated subsidiaries							- 78
Change in ownership interest of parent due to transactions with non-controlling interests							15
Net changes of items other than shareholders' equity	3,115	738	- 3,193	- 8,791	- 8,130	1,096	- 7,034
Total changes of items during period	3,115	738	- 3,193	- 8,791	- 8,130	1,096	35,625
Balance at end of current period	30,282	- 251	33,206	- 3,945	59,291	12,405	1,148,433

**(4) Consolidated statements of cash flows**

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
<b>Cash flows from operating activities</b>		
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 Reserve 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 and investment assets	- 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
<b>Cash flows from investing activities</b>		
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 sales 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
<b>Cash flows from financing activities</b>		
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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
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

**(5) Notes on consolidated financial statements**

**1) (Note on going concerns' premise)**

Not applicable

**2) (Additional information)**

(Changes in tandem with the revision to accounting rules for gas businesses)

On April 1, 2017, the accounting rules for gas businesses were revised owing to the enactment of the ordinance for the partial revision to accounting rules for gas businesses (Ordinance issued by the Ministry of International Trade and Industry No. 18 in 2017).

The consolidated balance sheets for the consolidated fiscal year under review were prepared in line with the revised accounting rules for gas businesses. This revision does not have an impact on operating profit, ordinary profit, and profit attributable to owners of parent.

Note that in accordance with Article 2 of the supplementary provisions to the rules, we did not reshuffle figures for the previous consolidated fiscal years.

**3) (Segment information, etc.)**

**1. Overview of reporting segments**

The Group's reporting segments are regularly reviewed by the Board of Directors using the segregated financial information available within each segment to determine the allocation of management resources and evaluate business results.

As its main products and services, the Tokyo Gas Group is deploying business activities in the following areas—the core of the Group's operating structure, city gas, which is energy produced using natural gas as a resource, the electric power business, which is a new pillar of the Group's revenues, the overseas business for the expansion of our businesses abroad to remake ourselves as a global company group and the energy-related business.

Furthermore, businesses involving the efficient utilization of the Group's real estate holdings represent another earnings base, and the Group therefore employs the five reporting segments of "city gas," "electric power," "overseas," "energy related," including the engineering solutions, which utilize energy and "real estate."

The main products and services of each reporting segment are as follows:

City gas: City gas

Electric power: Electric power

Overseas: Overseas resource development

Energy related: Engineering solutions business (engineering, energy service, etc.), liquid gas business (liquefied petroleum gas, industrial gases), LNG sales, gas appliances, gas installation work, construction, etc.

Real estate: Leasing, management, etc. of land and buildings

**2. Calculation of net sales, profit and loss, and assets, etc.**

The accounting method of reported business segments has not been changed from what is described in the important matters that form the basis of preparation of consolidated financial statements in the latest securities report (submitted June 26, 2017).

Income of reporting segment is based on operating profit plus or minus investment gain or loss on equity method.

Intersegment sales and transfers are attributable to transactions within group companies, and calculated based on market value.

3. Information related to net sales, profit and loss, and assets, etc. by reporting segment  
Fiscal year ended March 31, 2017 (from Apr. 1, 2016 to Mar. 31, 2017)

(Unit: million yen)

	Reporting segment						Others (Note 1)	Total	Adjustments (Note 2)	Amount recorded on consolidated statement of income (Note 3)
	City gas	Electric power	Overseas	Energy- related	Real estate	Total				
Net sales										
External sales	1,001,797	145,710	31,876	367,200	19,752	1,566,336	20,748	1,587,085	—	1,587,085
Intersegment sales & transfers	38,263	62	60	92,370	21,653	152,409	68,333	220,743	(220,743)	—
Total	1,040,061	145,772	31,937	459,570	41,405	1,718,746	89,082	1,807,828	(220,743)	1,587,085
Segment profit										
Operating profit (loss)	76,521	4,454	844	13,792	7,855	103,468	3,181	106,649	(48,284)	58,365
Investment gain on equity method	—	—	3,558	—	—	3,558	25	3,583	—	3,583
Total	76,521	4,454	4,402	13,792	7,855	107,026	3,206	110,233	(48,284)	61,949
Segment Assets	1,137,324	91,344	270,754	227,742	161,396	1,888,561	103,072	1,991,634	238,634	2,230,269
Others										
Depreciation expenses	126,090	8,679	6,605	9,229	7,156	157,761	6,552	164,314	(3,442)	160,871
Increase in property, plant, equipment, and intangible assets	142,223	1,815	14,061	25,230	7,594	190,926	8,145	199,072	(4,037)	195,035

Notes:

1. The “Others” segment indicates businesses not included in the reporting segments, including information processing service, shipping business, and credit/lease financial services, etc.
2. The “Adjustments” indicates as follows;
  - (1) The ¥(48,284) million segment profit adjustment includes ¥276 million in eliminations for intersegment transactions and ¥(48,560) million of companywide expenses not allocated to the respective reporting segments. Companywide expenses are primarily, general and administrative expenses that are not assignable to a reporting segment.
  - (2) The ¥238,634 million segment assets adjustment includes ¥302,704 million of companywide assets not allocated to the respective reporting segments, and ¥(64,069) million of net eliminations for intersegment obligations. Companywide assets are primarily, financial assets that are not assignable to a reporting segment.
3. Segment profit is adjusted to reflect operating profit recorded in the consolidated statement of income which is adjusted by investment gain or loss on equity method.

Fiscal year ended March 31, 2018 (from Apr. 1, 2017 to Mar. 31, 2018)

(Unit: million yen)

	Reporting segment						Others (Note 1)	Total	Adjustments (Note 2)	Amount recorded on consolidated statement of income (Note 3)
	City gas	Electric power	Overseas	Energy- related	Real estate	Total				
Net sales										
External sales	1,103,272	217,590	33,813	382,948	20,149	1,757,774	19,569	1,777,344	—	1,777,344
Intersegment sales & transfers	45,586	1,093	7,740	97,930	22,181	174,533	73,137	247,670	(247,670)	—
Total	1,148,859	218,684	41,554	480,879	42,331	1,932,308	92,706	2,025,015	(247,670)	1,777,344
Segment profit										
Operating profit (loss)	116,639	9,615	5,221	13,770	7,970	153,218	4,901	158,120	(41,817)	116,302
Investment gain on equity method	—	—	2,479	—	—	2,479	13	2,493	—	2,493
Total	116,639	9,615	7,700	13,770	7,970	155,697	4,915	160,613	(41,817)	118,796
Segment Assets	1,165,654	94,666	304,254	248,018	196,628	2,009,222	103,531	2,112,753	221,967	2,334,721
Others										
Depreciation expenses	124,016	9,897	8,008	9,861	6,615	158,399	6,229	164,628	(3,535)	161,093
Increase in property, plant, equipment, and intangible assets	138,282	2,609	7,131	24,223	30,821	203,067	7,607	210,675	(3,582)	207,092

Notes:

1. The “Others” segment indicates businesses not included in the reporting segments, including information processing service, shipping business, and credit/lease financial services, etc.
2. The “Adjustments” indicates as follows;
  - (1) The ¥(41,817) million segment profit adjustment includes ¥2,159 million in eliminations for intersegment transactions and ¥(43,977) million of companywide expenses not allocated to the respective reporting segments. Companywide expenses are primarily, general and administrative expenses that are not assignable to a reporting segment.
  - (2) The ¥221,967 million segment assets adjustment includes ¥298,886 million of companywide assets not allocated to the respective reporting segments, and ¥(76,918) million of net eliminations for intersegment obligations. Companywide assets are primarily, financial assets that are not assignable to a reporting segment.
3. Segment profit is adjusted to reflect operating profit recorded in the consolidated statement of income which is adjusted by investment gain or loss on equity method.

#### 4) (Per share information)

(Unit: yen)

	FY2016 (Apr. 2016– Mar. 2017)	FY2017 (Apr. 2017 – Mar. 2018)
Shareholders' equity per share	2,398.70	2,487.58
Profit per share	115.09	164.12

Notes:

1. Diluted profit per share is not disclosed as no latent shares exist.
2. As of October 1, 2017, the Company carried out a share consolidation at a ratio of 5 common shares to 1. Net assets per share and profit per share are calculated on the assumption that the share consolidation took place at the beginning of the previous fiscal year.
3. Basis for calculation of profit per share is as follows.

	FY2016 (Apr. 2016 – Mar. 2017)	FY2017 (Apr. 2017 – Mar. 2018)
Profit attributable to owners of parent (million yen)	53,134	74,987
Not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent with regard to the common shares (million yen)	53,134	74,987
Average number of common shares outstanding (thousand shares )	461,675	456,901

4. Basis for calculation of BPS is as follows.

	FY2016 (as of Mar. 31, 2017)	FY2017 (as of Mar. 31, 2018)
Shareholders' equity (million yen)	1,112,807	1,148,433
Deduction from shareholders' equity (million yen)	11,309	12,405
-Shares of minority shareholders (million yen)	11,309	12,405
Net shareholders' equity attributable to common shares (million yen)	1,101,498	1,136,027
Number of shares to calculate BPS (thousand shares)	459,206	456,680

#### 5) (Material subsequent events)

1. The Company resolved at the meeting of Board of Directors held on April 27, 2018 that it would acquire its own shares of stock based on 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 repurchases of shares are to be carried out as described below:

- (1) No. of shares to be repurchased: Up to 8 million shares (1.7% of the common shares outstanding)
- (2) Total value of stock repurchased: Up to ¥20,000 million
- (3) Period of acquisitions: May 2, 2018 – March 31, 2019

**V. Non-Consolidated Financial Statements**  
**(1) Balance sheets**

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
<b>Assets</b>		
Non-current assets		
Property, plant and equipment		
Production facilities	239,530	240,372
Distribution facilities	532,297	553,538
Service and maintenance facilities	60,425	58,051
Facilities for incidental businesses	7,907	5,763
Inactive facilities	316	316
Construction in progress	77,062	80,165
Total property, plant and equipment	917,540	938,208
Intangible assets		
Patent right	10	8
Leasehold right	1,719	1,742
Goodwill	129	114
Other intangible assets	54,238	70,458
Total intangible assets	56,097	72,325
Investments and other assets		
Investment securities	72,823	75,643
Investments in subsidiaries and associates	316,328	352,623
Long-term loans receivable	54	47
Long-term loans receivable from subsidiaries and associates	101,105	101,937
Investments in capital	16	13
Long-term prepaid expenses	22,217	20,075
Deferred tax assets	20,673	15,867
Other investments and other assets	6,728	7,169
Allowance for doubtful accounts	- 246	- 295
Total investments and other assets	539,699	573,083
Total non-current assets	1,513,337	1,583,617
Current assets		
Cash and deposits	84,591	81,975
Notes receivable - trade	717	1,232
Accounts receivable - trade	123,572	143,734
Accounts receivable from subsidiaries and associates - trade	36,491	42,628
Accounts receivable - other	5,706	5,044
Finished goods	108	110
Raw materials	20,249	27,224
Supplies	10,736	10,498
Advance payments	988	1,780
Prepaid expenses	862	900
Short-term receivables from subsidiaries and associates	8,475	14,808
Deferred tax assets	6,948	7,746
Other current assets	35,369	39,083
Allowance for doubtful accounts	- 366	- 865
Total current assets	334,451	375,901
<b>Total assets</b>	<b>1,847,788</b>	<b>1,959,518</b>

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Bonds payable	314,997	294,998
Long-term loans payable	239,337	289,144
Long-term debt to subsidiaries and associates	347	361
Provision for retirement benefits	72,044	59,701
Provision for gas holder repairs	2,849	2,698
Provision for safety measures	4,711	3,115
Provision for product warranties	10,298	9,984
Allowance for points redemption	—	835
Asset retirement obligations	311	313
Other noncurrent liabilities	6,712	35,724
<b>Total non-current liabilities</b>	<b>651,610</b>	<b>696,876</b>
<b>Current liabilities</b>		
Current portion of non-current liabilities	44,782	44,309
Accounts payable - trade	64,619	56,533
Accounts payable - other	39,236	46,426
Accrued expenses	44,293	47,746
Income taxes payable	15,559	23,924
Advances received	5,814	7,322
Deposits received	1,700	1,574
Short-term debt to subsidiaries and associates	129,121	136,978
Other current liabilities	8,533	6,177
<b>Total current liabilities</b>	<b>353,662</b>	<b>370,993</b>
<b>Total liabilities</b>	<b>1,005,273</b>	<b>1,067,870</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	141,844	141,844
<b>Capital surplus</b>		
Legal capital surplus	2,065	2,065
<b>Total capital surpluses</b>	<b>2,065</b>	<b>2,065</b>
<b>Retained earnings</b>		
Legal retained earnings	35,454	35,454
<b>Other retained earnings</b>		
Reserve for advanced depreciation of non-current assets	4,475	6,236
Reserve for overseas investment loss	10,996	8,980
Reserve for adjustment of cost fluctuations	141,000	141,000
General reserve	339,000	339,000
Retained earnings brought forward	154,838	199,289
<b>Total retained earnings</b>	<b>685,764</b>	<b>729,960</b>
Treasury shares	- 3,087	- 3,642
<b>Total shareholders' equity</b>	<b>826,586</b>	<b>870,228</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	26,727	29,712
Deferred gains or losses on hedges	- 10,799	- 8,293
<b>Total valuation and translation adjustments</b>	<b>15,928</b>	<b>21,419</b>
<b>Total net assets</b>	<b>842,515</b>	<b>891,648</b>
<b>Total liabilities and net assets</b>	<b>1,847,788</b>	<b>1,959,518</b>

**(2) Statements of income**

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
<b>Sales on gas business</b>		
Gas sales	—	1,108,659
Gas transportation service revenue	—	2,633
Revenue from interoperator settlement	—	7,154
<b>Total sales from gas business</b>	<b>—</b>	<b>1,118,447</b>
<b>Product sales</b>		
Gas sales	1,011,990	—
<b>Total product sales</b>	<b>1,011,990</b>	<b>—</b>
<b>Cost of sales</b>		
Beginning inventories	86	108
Cost of products manufactured	551,702	646,221
Purchase of finished goods	10,622	7,742
Costs of gas for own use	1,492	1,696
Ending inventories	108	110
<b>Total cost of sales</b>	<b>560,810</b>	<b>652,266</b>
<b>Gross profit</b>	<b>451,179</b>	<b>466,180</b>
<b>Supply and sales expenses</b>	<b>368,170</b>	<b>343,526</b>
General and administrative expenses	68,766	66,988
<b>Total selling, general and administrative expenses</b>	<b>436,937</b>	<b>410,515</b>
<b>Profit on core business</b>	<b>14,242</b>	<b>55,665</b>
<b>Miscellaneous operating revenue</b>		
Revenue from installation work	41,499	40,948
Revenue from gas appliance sales	108,503	—
Gas transportation service revenue	426	—
Other miscellaneous operating revenue	9,326	113,708
<b>Total miscellaneous operating revenue</b>	<b>159,755</b>	<b>154,656</b>
<b>Miscellaneous operating expenses</b>		
Expenses of installation work	40,630	39,783
Expenses of gas appliance sales	107,506	—
Other miscellaneous operating expenses	—	96,396
<b>Total miscellaneous operating expenses</b>	<b>148,136</b>	<b>136,179</b>
<b>Revenue for incidental businesses</b>		
Revenue from LNG sales	91,231	—
Revenue from power sales	126,123	—
Revenue from other incidental businesses	19,351	—
Revenue for incidental businesses	—	325,756
<b>Total revenue for incidental businesses</b>	<b>236,706</b>	<b>325,756</b>
<b>Expenses for incidental businesses</b>		
Expenses for LNG sales	87,914	—
Expense for power sales	125,781	—
Expenses for other incidental businesses	19,386	—
Expenses for incidental businesses	—	317,414
<b>Total expenses for incidental businesses</b>	<b>233,081</b>	<b>317,414</b>
<b>Operating profit</b>	<b>29,486</b>	<b>82,485</b>

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Non-operating income		
Interest income	589	387
Dividend income	1,510	1,573
Dividends from subsidiaries and affiliates	9,915	17,026
Rent income	4,742	4,679
Miscellaneous income	5,247	4,729
Total non-operating income	22,006	28,397
Non-operating expenses		
Interest expenses	4,400	4,254
Interest on bonds	5,315	5,533
Amortization of bond issuance cost	182	117
Balance on commissioned construction	2,597	1,839
Miscellaneous expenses	1,962	3,247
Total non-operating expenses	14,458	14,992
Ordinary profit	37,034	95,890
Extraordinary income		
Gain on sales of non-current assets	6,595	3,216
Gain on sale of investment securities	7,677	2,977
Gain on sales of subsidiaries and affiliates stock	14,863	—
Gain on extinguishment of tie-in shares	15,454	—
Total extraordinary income	44,590	6,193
Extraordinary losses		
Impairment loss	—	2,434
Total extraordinary losses	—	2,434
Profit before income taxes	81,624	99,649
Income taxes - current	18,532	21,609
Income taxes - deferred	- 5,684	2,134
Total income taxes	12,847	23,743
Profit	68,777	75,906

**(3) Notes on consolidated financial statements**

**1) (Additional information)**

(Changes in tandem with the revision to accounting rules for gas businesses)

On April 1, 2017, the accounting rules for gas businesses were revised owing to the enactment of the ordinance for the partial revision to accounting rules for gas businesses (Ordinance issued by the Ministry of International Trade and Industry No. 18 in 2017).

The consolidated balance sheets for the consolidated fiscal year under review were prepared in line with the revised accounting rules for gas businesses. This revision does not have an impact on operating profit, ordinary profit, and profit attributable to owners of parent.

Note that in accordance with Article 2 of the supplementary provisions to the rules, we did not reshuffle figures for the previous consolidated fiscal years.