

## Summary of Consolidated Financial Results for the Fiscal Year Ended March 2018

Name of Company: Hiroshima Gas Co., Ltd.  
 Stock Code: 9535 URL: [http://www.hiroshima-gas.co.jp/english/index\\_e.htm](http://www.hiroshima-gas.co.jp/english/index_e.htm)  
 Stock Exchange Listing: Tokyo Stock Exchange, First Section,  
 Representative Title: President Name: Kensuke Matsufuji  
 Contact Person Title: Executive Officer and Manager of General Affair Department Name: Hirofumi Ikegami  
 Tel: +81-(82) 252-3000  
 Regular general meeting of shareholders: June 26, 2018  
 Scheduled date of commencement of dividend payment: June 6, 2018  
 Scheduled date of filing of securities report: June 27, 2018  
 Supplementary materials for financial report: None  
 Information meeting for financial report: Yes

(Yen in millions, rounded down)

**1. Financial results for the year ended March 2018 (April 1, 2017 – March 31, 2018)****(1) Result of operations (Consolidated)**

(Percentage figures represent year on year changes)

|                              | Net sales   |       | Operating income |        | Ordinary income |        | Profit attributable to owners of the parent |        |
|------------------------------|-------------|-------|------------------|--------|-----------------|--------|---|--------|
|                              | Million yen | %     | Million yen      | %      | Million yen     | %      | Million yen                                 | %      |
| Fiscal year ended March 2018 | 73,717      | 5.3   | 2,920            | (23.4) | 3,506           | (18.6) | 2,499                                       | (55.1) |
| Fiscal year ended March 2017 | 70,002      | (8.3) | 3,812            | (30.4) | 4,310           | (25.4) | 5,560                                       | 52.4   |

Note: Comprehensive income: FY ended March 31, 2018: 3,316 million yen [(48.0%)] ,FY ended March 31, 2017: 6,376 million yen [185.7%],

|                              | Net income per share (basic) | Net income per share (diluted) | Return on Equity | Ratio of ordinary income to assets | Ratio of operating income to net sales |
|------------------------------|------------------------------|--------------------------------|------------------|------------------------------------|--|
|                              | Yen                          | Yen                            | %                | %                                  | %                                      |
| Fiscal year ended March 2018 | 36.80                        | -                              | 5.3              | 3.4                                | 4.0                                    |
| Fiscal year ended March 2017 | 82.02                        | -                              | 13.0             | 4.2                                | 5.4                                    |

Reference: Equity in earnings of affiliates: FY ended March 31, 2018: 119 million yen FY ended March 31, 2017: 125 million yen

**(2) Financial Position (Consolidated)**

|                      | Total assets | Net assets  | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
|                      | Million yen  | Million yen | %            | Yen                  |
| As of March 31, 2018 | 102,717      | 50,960      | 47.1         | 715.19               |
| As of March 31, 2017 | 102,363      | 48,345      | 44.8         | 675.18               |

Reference: Shareholders' equity: As of March 31, 2018: 48,332 million yen As of March 31, 2017: 45,825 million yen

**(3) Cash flow position (Consolidated)**

|                              | Net cash provided by (used in) operating activities | Net cash provided by (used in) investing activities | Net cash provided by (used in) financing activities | Cash and cash equivalents at end of period |
|------------------------------|---|---|---|--|
|                              | Million yen   | Million yen   | Million yen   | Million yen                                |
| Fiscal year ended March 2018 | 11,516  | (7,468)   | (2,630)   | 8,806                                      |
| Fiscal year ended March 2017 | 7,263   | (8,125)   | (1,668)   | 7,407                                      |

**2. Dividends**

|  | Dividends per share |           |           |           |        | Aggregate amount (Annual) | Payout ratio (Consolidated) | Dividends/net assets (Consolidated) |
|--|---------------------|-----------|-----------|-----------|--------|---------------------------|-----------------------------|-------------------------------------|
|  | End of 1Q           | End of 2Q | End of 3Q | End of FY | Annual |                           |                             |                                     |
|  | Yen                 | Yen       | Yen       | Yen       | Yen    | Million yen               | %                           | %                                   |
| Fiscal year ended March 2017             | -                   | 3.50      | -         | 4.50      | 8.00   | 543                       | 9.8                         | 1.3                                 |
| Fiscal year ended March 2018             | -                   | 4.00      | -         | 4.00      | 8.00   | 543                       | 21.7                        | 1.2                                 |
| Fiscal year ending March 2019 (Forecast) | -                   | 4.00      | -         | 4.00      | 8.00   |                           | 22.5                        |                                     |

**3. Forecast for the fiscal year ending March 2019(Consolidated, April 1, 2018 – March 31, 2019)**

(Percentage figures represent year on year changes)

|           | Net sales   |     | Operating income |     | Ordinary income |     | Profit attributable to owners of the parent |       | Net income per share |
|-----------|-------------|-----|------------------|-----|-----------------|-----|---|-------|----------------------|
|           | Million yen | %   | Million yen      | %   | Million yen     | %   | Million yen                                 | %     | Yen                  |
| Full year | 79,000      | 7.2 | 3,100            | 6.1 | 3,600           | 2.7 | 2,400                                       | (4.0) | 35.51                |

\* **Notes**

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation):

None

(2) Changes in accounting principles and estimates, and retrospective restatement

(a) Changes due to revision of accounting standards: None

(b) Changes other than in (a): None

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of March 31, 2018: 67,998,590 shares

As of March 31, 2017: 67,998,590 shares

(b) Treasury shares

As of March 31, 2018: 419,205 shares

As of March 31, 2017: 127,452 shares

(c) Average number of shares outstanding during the year

Period ended March 31, 2018: 67,913,818 shares

Period ended March 31, 2017: 67,793,261 shares

**Reference: Non-consolidated Financial Results**

**Financial results for the year ended March 2018 (April 1, 2017 – March 31, 2018)**

(1) Result of operations (Non-consolidated)

(Percentage figures represent year on year changes)

|                              | Net sales   |        | Operating income |        | Ordinary income |        |
|------------------------------|-------------|--------|------------------|--------|-----------------|--------|
|                              | Million yen | %      | Million yen      | %      | Million yen     | %      |
| Fiscal year ended March 2018 | 55,439      | 5.6    | 736              | (42.6) | 2,404           | (16.4) |
| Fiscal year ended March 2017 | 52,505      | (12.1) | 1,284            | (54.5) | 2,874           | (39.0) |

|                              | Net income  |        | Net income per share (basic) | Net income per share (diluted) |
|------------------------------|-------------|--------|------------------------------|--------------------------------|
|                              | Million yen | %      | Yen                          | Yen                            |
| Fiscal year ended March 2018 | 2,089       | (1.0)  | 30.77                        | -                              |
| Fiscal year ended March 2017 | 2,110       | (44.3) | 31.14                        | -                              |

(2) Financial Position (Non-consolidated)

|                      | Total assets | Net assets  | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
|                      | Million yen  | Million yen | %            | Yen                  |
| As of March 31, 2018 | 82,130       | 34,047      | 41.5         | 503.82               |
| As of March 31, 2017 | 81,175       | 32,421      | 39.9         | 477.69               |

Notes: Shareholders' equity As of March 31, 2018: 34,047 million yen As of March 31, 2017: 32,421 million yen

(3) Forecast for the fiscal year ending March 2019 (Non-consolidated, April 1, 2018 – March 31, 2019)

(Percentage figures represent year on year changes)

|           | Net sales   |      | Ordinary income |      | Net income  |       | Net income per share |
|-----------|-------------|------|-----------------|------|-------------|-------|----------------------|
|           | Million yen | %    | Million yen     | %    | Million yen | %     | Yen                  |
| Full year | 61,000      | 10.0 | 2,700           | 12.3 | 2,000       | (4.3) | 29.59                |

\* This report is exempt from the audit procedure

\* Cautionary statement regarding forecasts of operating results and special notes

The forward-looking statements contained in this report are based on information currently available to the Company and certain assumptions which are regarded as legitimate. These statements are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts due to various factors.

## 1. Consolidated Financial Statements

### (1) Consolidated balance sheets

(Million yen)

|                                       | As of March 31, 2017 | As of March 31, 2018 |
|---------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                         |                      |                      |
| Non-current assets                    |                      |                      |
| Property, plant and equipment         |                      |                      |
| Production facilities                 | 17,595               | 16,913               |
| Distribution facilities               | 29,726               | 30,212               |
| Service and maintenance facilities    | 4,313                | 4,071                |
| Other facilities                      | 8,834                | 7,723                |
| Construction in progress              | 2,814                | 4,022                |
| Total property, plant and equipment   | 63,284               | 62,942               |
| Intangible assets                     | 1,023                | 1,119                |
| Investments and other assets          |                      |                      |
| Investment securities                 | 8,782                | 9,309                |
| Long-term loans receivable            | 109                  | 50                   |
| Deferred tax assets                   | 1,764                | 971                  |
| Other investments and other assets    | 6,131                | 5,727                |
| Allowance for doubtful accounts       | (227)                | (214)                |
| Total investments and other assets    | 16,561               | 15,843               |
| Total non-current assets              | 80,869               | 79,905               |
| Current assets                        |                      |                      |
| Cash and deposits                     | 9,069                | 10,766               |
| Notes and accounts receivable - trade | 5,844                | 6,485                |
| Merchandise and finished goods        | 818                  | 882                  |
| Raw materials and supplies            | 3,226                | 2,666                |
| Deferred tax assets                   | 586                  | 544                  |
| Other current assets                  | 1,986                | 1,508                |
| Allowance for doubtful accounts       | (39)                 | (41)                 |
| Total current assets                  | 21,493               | 22,812               |
| Total assets                          | 102,363              | 102,717              |

(Million yen)

|   | As of March 31, 2017 | As of March 31, 2018 |
|---|----------------------|----------------------|
| <b>LIABILITIES</b>                                    |                      |                      |
| Non-current liabilities                               |                      |                      |
| Bonds payable   | 17,500               | 15,000               |
| Long-term loans payable                               | 15,155               | 12,284               |
| Provision for directors' retirement benefits          | 482                  | 416                  |
| Provision for gas holder repairs                      | 376                  | 358                  |
| Provision for safety measures                         | 555                  | 638                  |
| Provision for appliances warranties                   | 182                  | 194                  |
| Net defined benefit liability                         | 4,659                | 2,574                |
| Asset retirement obligations                          | 110                  | 112                  |
| Other non-current liabilities                         | 405                  | 411                  |
| Total non-current liabilities                         | 39,429               | 31,990               |
| Current liabilities                                   |                      |                      |
| Current portion of non-current liabilities            | 2,918                | 6,924                |
| Notes and accounts payable - trade                    | 5,729                | 7,354                |
| Income taxes payable                                  | 450                  | 805                  |
| Commercial papers                                     | 500                  | -                    |
| Other current liabilities                             | 4,989                | 4,681                |
| Total current liabilities                             | 14,588               | 19,766               |
| Total liabilities                                     | 54,017               | 51,757               |
| <b>NET ASSETS</b>                                     |                      |                      |
| Shareholders' equity                                  |                      |                      |
| Capital stock   | 5,181                | 5,181                |
| Capital surplus                                       | 1,141                | 1,141                |
| Retained earnings                                     | 38,181               | 40,102               |
| Treasury shares                                       | (54)                 | (162)                |
| Total shareholders' equity                            | 44,449               | 46,262               |
| Accumulated other comprehensive income                |                      |                      |
| Valuation difference on available-for-sale securities | 2,552                | 2,782                |
| Deferred gains or losses on hedges                    | (63)                 | 3                    |
| Remeasurements of defined benefit plans               | (1,113)              | (717)                |
| Total accumulated other comprehensive income          | 1,375                | 2,069                |
| Non-controlling interests                             | 2,520                | 2,628                |
| Total net assets                                      | 48,345               | 50,960               |
| Total liabilities and net assets                      | 102,363              | 102,717              |

(2) Consolidated statements of income and consolidated statements of comprehensive income  
 Consolidated statements of income

(Million yen)

|   | Fiscal year ended March 31, 2017 | Fiscal year ended March 31, 2018 |
|---|----------------------------------|----------------------------------|
| Net sales   | 70,002                           | 73,717                           |
| Cost of sales   | 41,182                           | 45,295                           |
| Gross profit  | 28,819                           | 28,422                           |
| Selling, general and administrative expenses                  |                                  |                                  |
| Supply and sales expenses                                     | 19,149                           | 19,668                           |
| General and administrative expenses                           | 5,857                            | 5,832                            |
| Total selling, general and administrative expenses            | 25,007                           | 25,501                           |
| Operating income  | 3,812                            | 2,920                            |
| Non-operating income  |                                  |                                  |
| Interest income   | 6                                | 4                                |
| Dividend income   | 168                              | 177                              |
| Share of profit of entities accounted for using equity method | 125                              | 119                              |
| Revenue from CNG sales  | 159                              | 157                              |
| Miscellaneous income  | 356                              | 414                              |
| Total non-operating income                                    | 815                              | 873                              |
| Non-operating expenses  |                                  |                                  |
| Interest expenses   | 248                              | 225                              |
| Miscellaneous expenses  | 69                               | 62                               |
| Total non-operating expenses                                  | 317                              | 288                              |
| Ordinary income   | 4,310                            | 3,506                            |
| Extraordinary losses  |                                  |                                  |
| Gain on revision of retirement benefit system                 | -                                | 449                              |
| Gain on forgiveness of debts                                  | 2,105                            | -                                |
| Total Extraordinary income                                    | 2,105                            | 449                              |
| Income before income taxes and minority interests             | 6,415                            | 3,955                            |
| Income taxes - current  | 553                              | 753                              |
| Income taxes - deferred                                       | 107                              | 580                              |
| Total income taxes  | 661                              | 1,333                            |
| Net income  | 5,754                            | 2,622                            |
| Profit attributable to non-controlling interests              | 193                              | 123                              |
| Profit attributable to owners of the parent                   | 5,560                            | 2,499                            |

## Consolidated statements of comprehensive income

(Million yen)

|  | Fiscal year ended March 31, 2017 | Fiscal year ended March 31, 2018 |
|--|----------------------------------|----------------------------------|
| Net income   | 5,754                            | 2,622                            |
| Other comprehensive income                                     |                                  |                                  |
| Valuation difference on available-for-sale securities          | 226                              | 230                              |
| Deferred gains or losses on hedges                             | (51)                             | 67                               |
| Remeasurements of defined benefit plans                        | 447                              | 395                              |
| Total other comprehensive income                               | 622                              | 694                              |
| Comprehensive income   | 6,376                            | 3,316                            |
| Comprehensive income attributable to owners of parent          | 6,182                            | 3,193                            |
| Comprehensive income attributable to non-controlling interests | 194                              | 123                              |

(3) Consolidated statement of changes in net assets  
Previous fiscal year (Apr. 1, 2016 –Mar. 31, 2017)

(Million yen)

|   | Shareholders' equity |                 |                   |                 |                            |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
|   | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at the beginning of current period  | 5,181                | 1,141           | 33,005            | (121)           | 39,207                     |
| Changes of items during the period  |                      |                 |                   |                 |                            |
| Dividends from surplus  |                      |                 | (509)             |                 | (509)                      |
| Profit attributable to owners of the parent   |                      |                 | 5,560             |                 | 5,560                      |
| Purchase of treasury shares   |                      |                 |                   | (0)             | (0)                        |
| Disposal of treasury shares   |                      |                 |                   | 66              | 66                         |
| Change of scope of consolidation  |                      |                 | 214               |                 | 214                        |
| Increase (decrease) resulting from merger of subsidiaries and unconsolidated subsidiaries |                      |                 | (89)              |                 | (89)                       |
| Net changes of items other than shareholders' equity                                      |                      |                 |                   |                 |                            |
| Total changes of items during the period  | -                    | -               | 5,175             | 66              | 5,242                      |
| Balance at the end of current period  | 5,181                | 1,141           | 38,181            | (54)            | 44,449                     |

|   | Accumulated other comprehensive income                |                                    |   |  | Non-controlling interests | Total net assets |
|---|---|------------------------------------|---|--|---------------------------|------------------|
|   | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance at the beginning of current period  | 2,326   | (12)                               | (1,560)                                 | 753  | 2,030                     | 41,991           |
| Changes of items during the period  |   |                                    |   |  |                           |                  |
| Dividends from surplus  |   |                                    |   |  |                           | (509)            |
| Profit attributable to owners of the parent   |   |                                    |   |  |                           | 5,560            |
| Purchase of treasury shares   |   |                                    |   |  |                           | (0)              |
| Disposal of treasury shares   |   |                                    |   |  |                           | 66               |
| Change of scope of consolidation  |   |                                    |   |  |                           | 214              |
| Increase (decrease) resulting from merger of subsidiaries and unconsolidated subsidiaries |   |                                    |   |  |                           | (89)             |
| Net changes of items other than shareholders' equity                                      | 226   | (51)                               | 447                                     | 621  | 490                       | 1,111            |
| Total changes of items during the period  | 226   | (51)                               | 447                                     | 621  | 490                       | 6,353            |
| Balance at the end of current period  | 2,552   | (63)                               | (1,113)                                 | 1,375  | 2,520                     | 48,345           |



(4) Current fiscal year (Apr. 1, 2017 –Mar. 31, 2018)

(Million yen)

|   | Shareholders' equity |                 |                   |                 |                            |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
|   | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at the beginning of current period  | 5,181                | 1,141           | 38,181            | (54)            | 44,449                     |
| Changes of items during the period  |                      |                 |                   |                 |                            |
| Dividends from surplus  |                      |                 | (577)             |                 | (577)                      |
| Profit attributable to owners of the parent   |                      |                 | 2,499             |                 | 2,499                      |
| Purchase of treasury shares   |                      |                 |                   | (165)           | (165)                      |
| Disposal of treasury shares   |                      |                 |                   | 57              | 57                         |
| Change of scope of consolidation  |                      |                 |                   |                 | -                          |
| Increase (decrease) resulting from merger of subsidiaries and unconsolidated subsidiaries |                      |                 |                   |                 | -                          |
| Net changes of items other than shareholders' equity                                      |                      |                 |                   |                 |                            |
| Total changes of items during the period  | -                    | -               | 1,921             | (108)           | 1,812                      |
| Balance at the end of current period  | 5,181                | 1,141           | 49,102            | (162)           | 46,262                     |

|   | Accumulated other comprehensive income                |                                    |   |  | Non-controlling interests | Total net assets |
|---|---|------------------------------------|---|--|---------------------------|------------------|
|   | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance at the beginning of current period  | 2,552   | (63)                               | (1,113)                                 | 1,375  | 2,520                     | 48,345           |
| Changes of items during the period  |   |                                    |   |  |                           |                  |
| Dividends from surplus  |   |                                    |   |  |                           | (577)            |
| Profit attributable to owners of the parent   |   |                                    |   |  |                           | 2,499            |
| Purchase of treasury shares   |   |                                    |   |  |                           | (165)            |
| Disposal of treasury shares   |   |                                    |   |  |                           | 57               |
| Change of scope of consolidation  |   |                                    |   |  |                           | -                |
| Increase (decrease) resulting from merger of subsidiaries and unconsolidated subsidiaries |   |                                    |   |  |                           | -                |
| Net changes of items other than shareholders' equity                                      | 230   | 67                                 | 395                                     | 694  | 107                       | 802              |
| Total changes of items during the period  | 230   | 67                                 | 395                                     | 694  | 107                       | 2,615            |
| Balance at the end of current period  | 2,782   | 3                                  | (717)                                   | 2,069  | 2,628                     | 50,960           |

## (3) Consolidated statements of cash flows

(Million yen)

|  | Fiscal year ended March 31,<br>2017 | Fiscal year ended March 31,<br>2018 |
|--|-------------------------------------|-------------------------------------|
| <b>Cash flows from operating activities</b>                          |                                     |                                     |
| Income before income taxes   | 6,415                               | 3,955                               |
| Depreciation   | 6,858                               | 7,269                               |
| Increase (decrease) in net defined benefit liability                 | (194)                               | (1,535)                             |
| Increase (decrease) in allowance for doubtful accounts               | (19)                                | (10)                                |
| Interest and dividend income   | (175)                               | (182)                               |
| Interest expenses  | 248                                 | 225                                 |
| Gain on forgiveness of debts   | (2,105)                             | -                                   |
| Share of (profit) loss of entities accounted for using equity method | (125)                               | (119)                               |
| Decrease (increase) in notes and accounts receivable - trade         | 29                                  | (640)                               |
| Decrease (increase) in inventories                                   | (910)                               | 496                                 |
| Increase (decrease) in notes and accounts payable - trade            | 247                                 | 1,624                               |
| Increase (decrease) in accrued consumption taxes                     | (523)                               | 310                                 |
| Other, net   | 921                                 | (136)                               |
| Subtotal   | 10,666                              | 11,257                              |
| Interest and dividend income received                                | 182                                 | 190                                 |
| Interest expenses paid   | (250)                               | (225)                               |
| Repayments of rehabilitation debt of subsidiaries                    | (769)                               | -                                   |
| Income taxes paid  | (2,564)                             | 293                                 |
| Cash flows from operating activities                                 | 7,263                               | 11,516                              |
| <b>Cash flows from investing activities</b>                          |                                     |                                     |
| Purchase of investment securities                                    | (2)                                 | (101)                               |
| Proceeds from sales of investment securities                         | 0                                   | 0                                   |
| Purchase of property, plant and equipment                            | (8,069)                             | (6,880)                             |
| Proceeds from sales of property, plant and equipment                 | 176                                 | 140                                 |
| Payments of loans receivable   | (7)                                 | (4)                                 |
| Collection of loans receivable                                       | 16                                  | 69                                  |
| Purchase of long-term prepaid expenses                               | (162)                               | (173)                               |
| Other, net   | (77)                                | (519)                               |
| Cash flows from investing activities                                 | (8,125)                             | (7,468)                             |

(Million yen)

|   | Fiscal year ended March 31,<br>2017 | Fiscal year ended March 31,<br>2018 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from investing activities  |                                     |                                     |
| Increase (decrease) in commercial papers  | 500                                 | (500)                               |
| Proceeds from long-term loans payable   | -                                   | 1,567                               |
| Repayments of long-term loans payable   | (4,128)                             | (2,936)                             |
| Proceeds from issuance of bonds   | 4,969                               | -                                   |
| Redemption of bonds   | (2,500)                             | -                                   |
| Purchase of treasury shares   | (0)                                 | (165)                               |
| Proceeds from sales of treasury shares  | 66                                  | 57                                  |
| Cash dividends paid   | (509)                               | (577)                               |
| Cash dividends paid to non-controlling shareholders   | (16)                                | (15)                                |
| Other, net  | (48)                                | (58)                                |
| Cash flows from investing activities  | (1,668)                             | (2,630)                             |
| Effect of exchange rate change on cash and cash equivalents   | (13)                                | (19)                                |
| Net increase (decrease) in cash and cash equivalents  | (2,544)                             | 1,398                               |
| Cash and cash equivalents at beginning of period  | 9,674                               | 7,407                               |
| Increase in cash and cash equivalents from newly consolidated subsidiary and from merger with unconsolidated subsidiaries | 277                                 | -                                   |
| Cash and cash equivalents at end of period  | 7,407                               | 8,806                               |