

Information Meeting Presentation



HIROSHIMA GAS

June 10, 2015

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1. Corporate Profile

- Capital: 5,181 million yen
- Number of gas customers: 410,000
- Wholesale to Fukuyama Gas Co., Ltd.
- Listed on the first section of Tokyo Exchange (March 9, 2015)



(1) Hiroshima Gas Group



39 Companies including Hiroshima Gas



City gas

- Production, supply and sale of city gas
- Safety inspections
- Gas meter data collection and others



LPG

- Sale of LPG
- Refilling LPG tanks
- Sale of community gas outside the service area



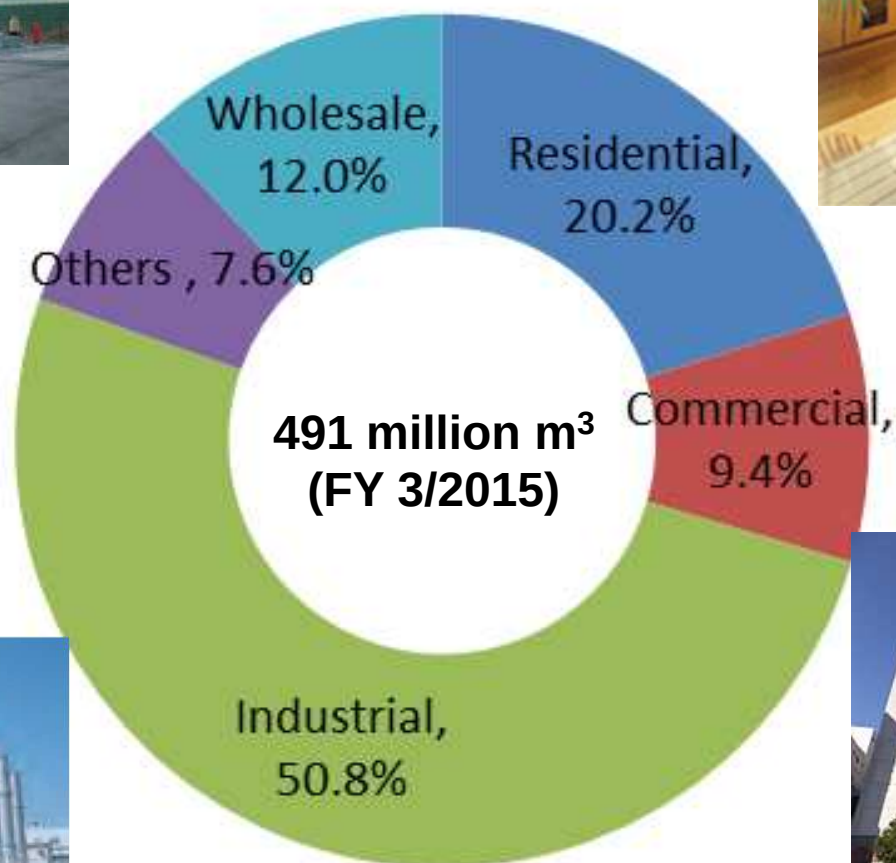
Others

- Construction, chiefly involving gas pipes and lines
- Services for seniors

(2) Gas Sales Volume (composition)



**Composition of
gas sales volume
(FY3/2015)**



(3) Gas Sales Volume (transition)



Growth of demand in industrial 

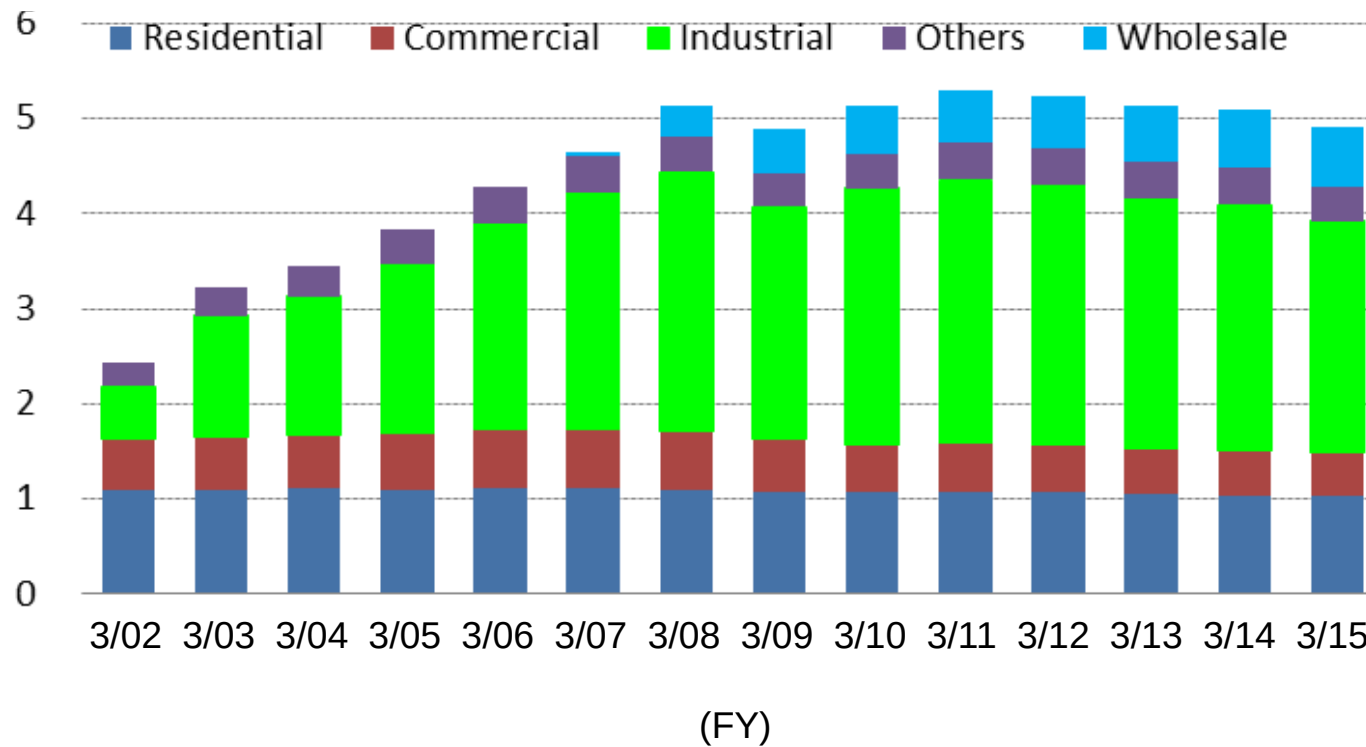
Total sales volume

2014/2001: **2.0 times**

Industrial sales volume

2014/2001: **4.3 times**

(100 million m³)



2. FY3/2015 Financial Results



- (1) City Gas Sales Volume
- (2) FY3/2015 Consolidated Financial Results
- (3) Segment Information
- (4) Financial Condition and Cash Flows
- (5) Forecast for FY3/2016

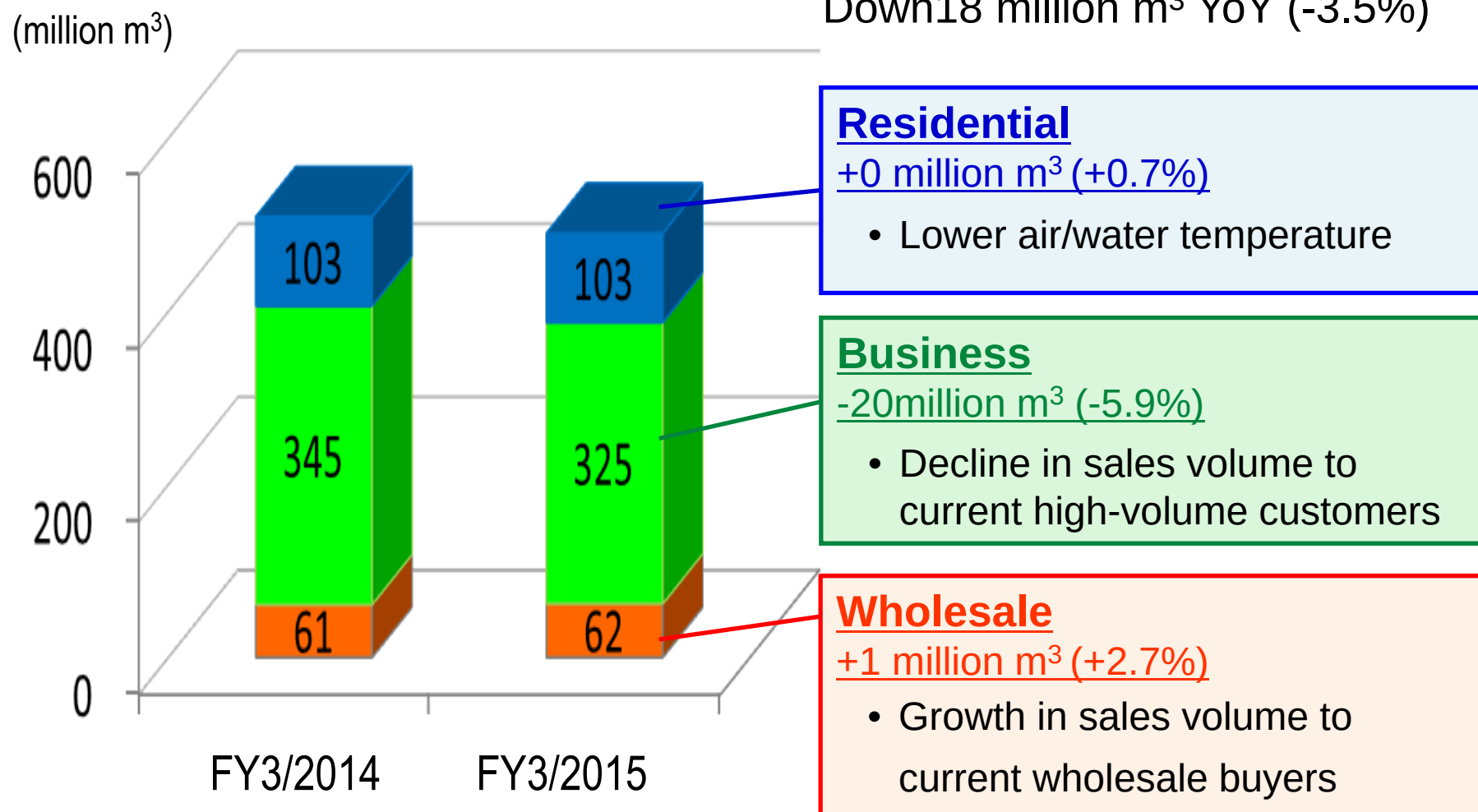
(1) City Gas Sales Volume



Gas sales volume (FY3/2015)

491 million m³

Down 18 million m³ YoY (-3.5%)



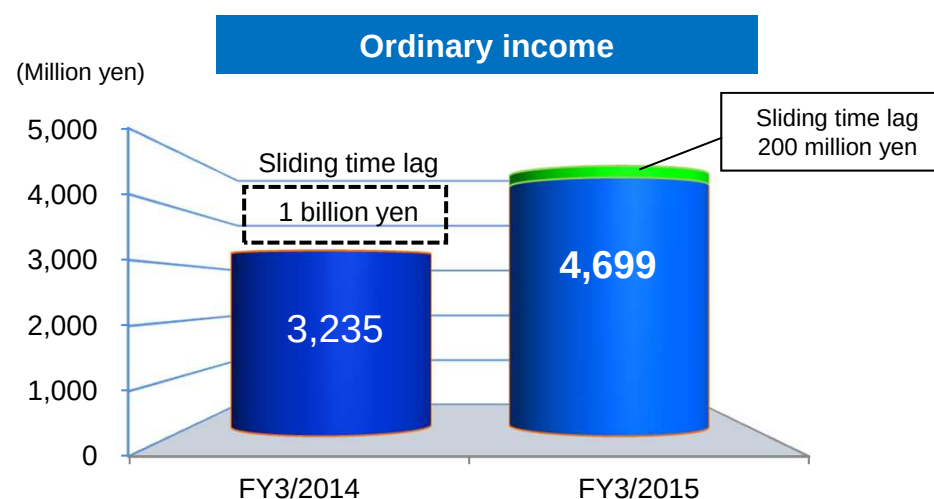
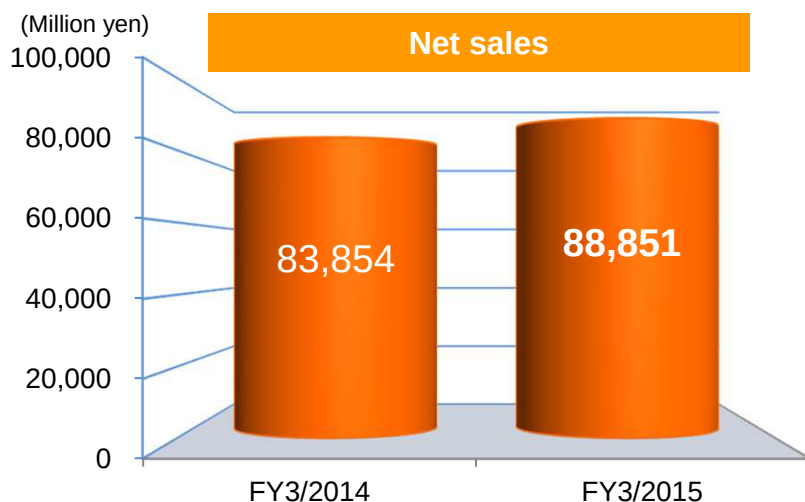
(2) FY3/2015 Consolidated Financial Results



(Unit: million yen)

	FY3/2014	FY3/2015	Change	Pct. change
Net sales	83,541	88,851	5,309	6
Gross operating income	25,491	28,185	2,693	11
Operating income	2,058	4,111	2,053	100
Ordinary income	3,235	4,699	1,464	45
Net income	1,969	2,746	777	40
ROE (%)	5.99	7.93	1.94pp	-
Crude oil price ICP (\$/bbl)*	105.44	87.86	(17.58)	-
Foreign exchange rate (yen/\$)	100.24	109.93	9.69	-

* ICP is a market-linked formula for determining prices that was created to determine the price of crude oil produced in Indonesia.



(3) Segment Information



(Unit : million yen)

		City gas	LPG	Others	Adjustment	Consolidated
Net sales	FY3/2015	71,544	16,338	3,916	(2,947)	88,851
	FY3/2014	66,771	16,302	3,894	(3,426)	83,541
	Change	4,773	36	21	-	5,309
		7.1%	0.2%	0.6%	-	6.4%
Segment income	FY3/2015	3,562	349	13	186	4,111
	FY3/2014	1,360	212	142	342	2,058
	Change	2,202	137	(129)	-	2,053
		161.9%	64.7%	-90.7%	-	99.8%

(4) Financial Condition and Cash Flows



(Unit: million yen)

	FY3/2014	FY3/2015	Change
Total assets	96,785	99,759	2,974
Liabilities	61,540	60,522	(1,017)
Net assets	35,245	39,237	3,992
Equity ratio (%)	34.7	37.4	2.7pp

(Unit: million yen)

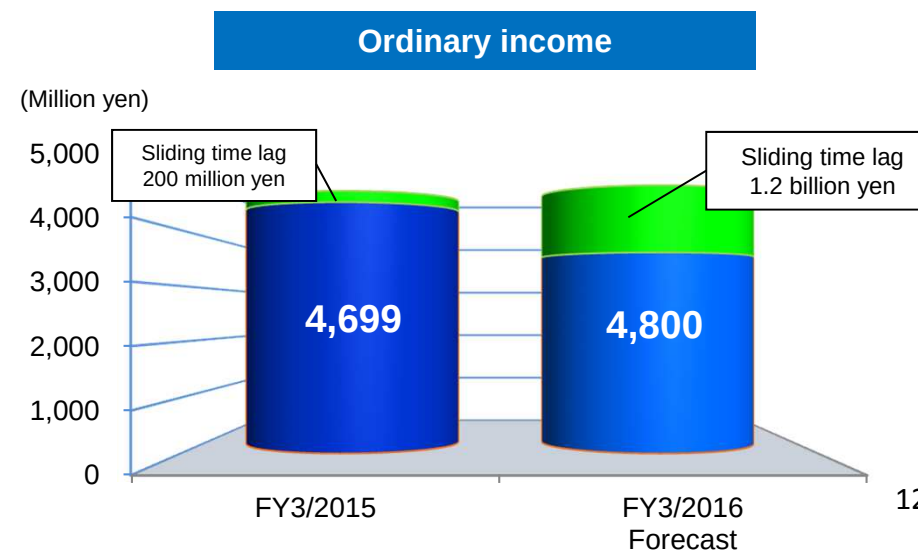
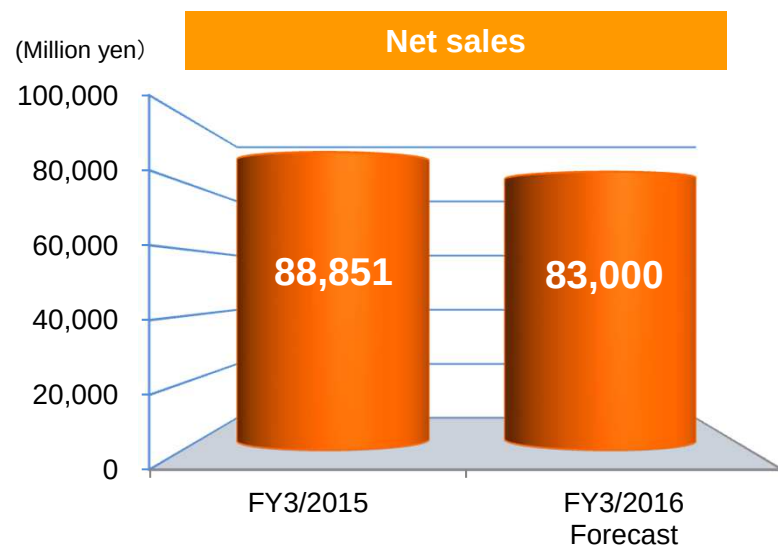
	FY3/2014	FY3/2015	Change
Operating CF	7,399	10,164	2,764
Investment CF	(12,113)	(10,030)	2,082
Financial CF	5,785	(1,779)	(7,565)
Capital expenditures	12,257	9,667	(2,590)
Depreciation	7,284	6,925	(359)

(5) Forecast for FY3/2016



(Unit: million yen)

	FY3/2015 Results	FY3/2016 Forecast	Change
Net sales	88,851	83,000	(5,851)
Operating income	4,111	4,400	288
Ordinary income	4,699	4,800	100
Net income	2,746	3,100	353
ROE (%)	7.93	8.00	0.07
Crude oil price JCC (\$/bbl)	87.86	65.00	(22.86)
Foreign exchange rate (yen/\$)	109.93	120.00	10.07



3. Our Vision and Medium-term Management Plan



Management policy

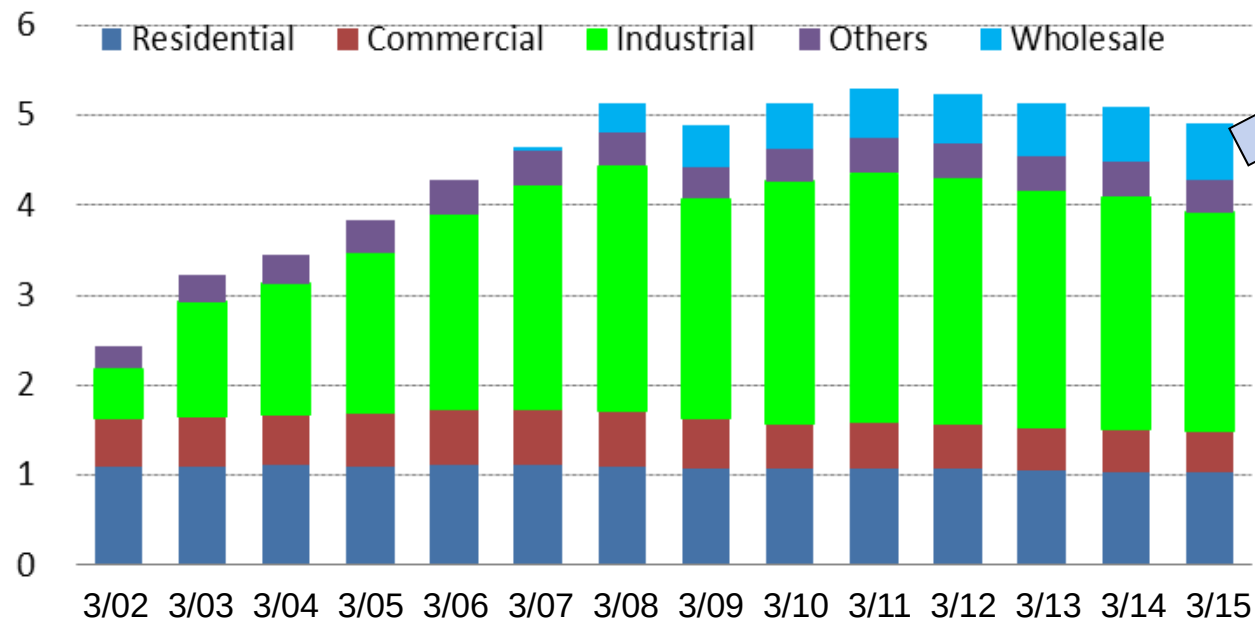
1. Conserve energy, cut CO2 emissions and improve energy security by **increasing the use of natural gas and LPG** and using energy more efficiently and responsibly.
2. **Supply customers with more value** by seeking more ways to provide services from the customers' perspective and helping support life styles that are more environmentally responsible and safe.
3. Seek new business opportunities and start new businesses in order to **respond properly to the liberalization of Japan's energy market**.
4. Earn a reputation as a rewarding workplace and responsible corporate citizen by creating an **open-minded organization with priority on fairness and transparency**.
5. **Develop a workforce** that is highly skilled and motivated and also capable of **taking on the responsibility for future growth**.
6. Improve the Hiroshima Gas Group's profitability and financial soundness in order to **build a powerful corporate structure** and sustain growth.

(1) Goals of the Vision

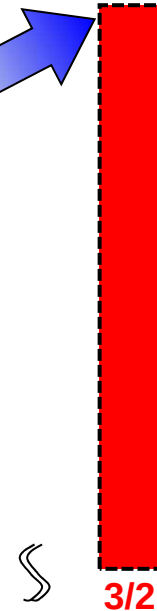


- (1) Increasing the use of natural gas and aim the gas sales to **600 million m³/year**
- (2) More growth in the ROE by operating more efficiently and increasing profitability

(100 million m³)



600 million m³



(FY)

(2) Initiatives for the Vision



(1) Strengthen operations

- (a) Community interaction visits
- (b) Maintenance W90
- (c) Long-term gas appliance guarantee service
- (d) Owners club
- (e) More Gastopia showrooms
- (f) Platinum point program for solar/fuel cell dual home power generation

(2) Infrastructure investments

- (a) Enlargement of the pier at the Hatsukaichi LNG Terminal
- (b) Studies for main pipeline network expansion and start of construction

(3) Shared benefits of higher efficiency with customers (0.9% rate cut in FY3/2012)

- (a) Changed calorific value to 45MJ and took other actions

(4) Reorganized group operations

- (a) Absorbed Gas Living
- (b) Merged with Gas Techno and Gas Service
- (c) Created new sales channel (merger of LP Gas Stores and City Gas Shops)

(5) Upgraded customer services (for more customer safety and confidence)

- (a) Workplace visits
- (b) Conference to strengthen safety assurance skills
- (c) Competition for skills involving gas equipment
- (d) Maintenance skill competition for gas appliances

(6) A more powerful and energetic organization

- (a) New logo
- (b) One-step campaign
- (c) Sports Festival (first time in 22 years)

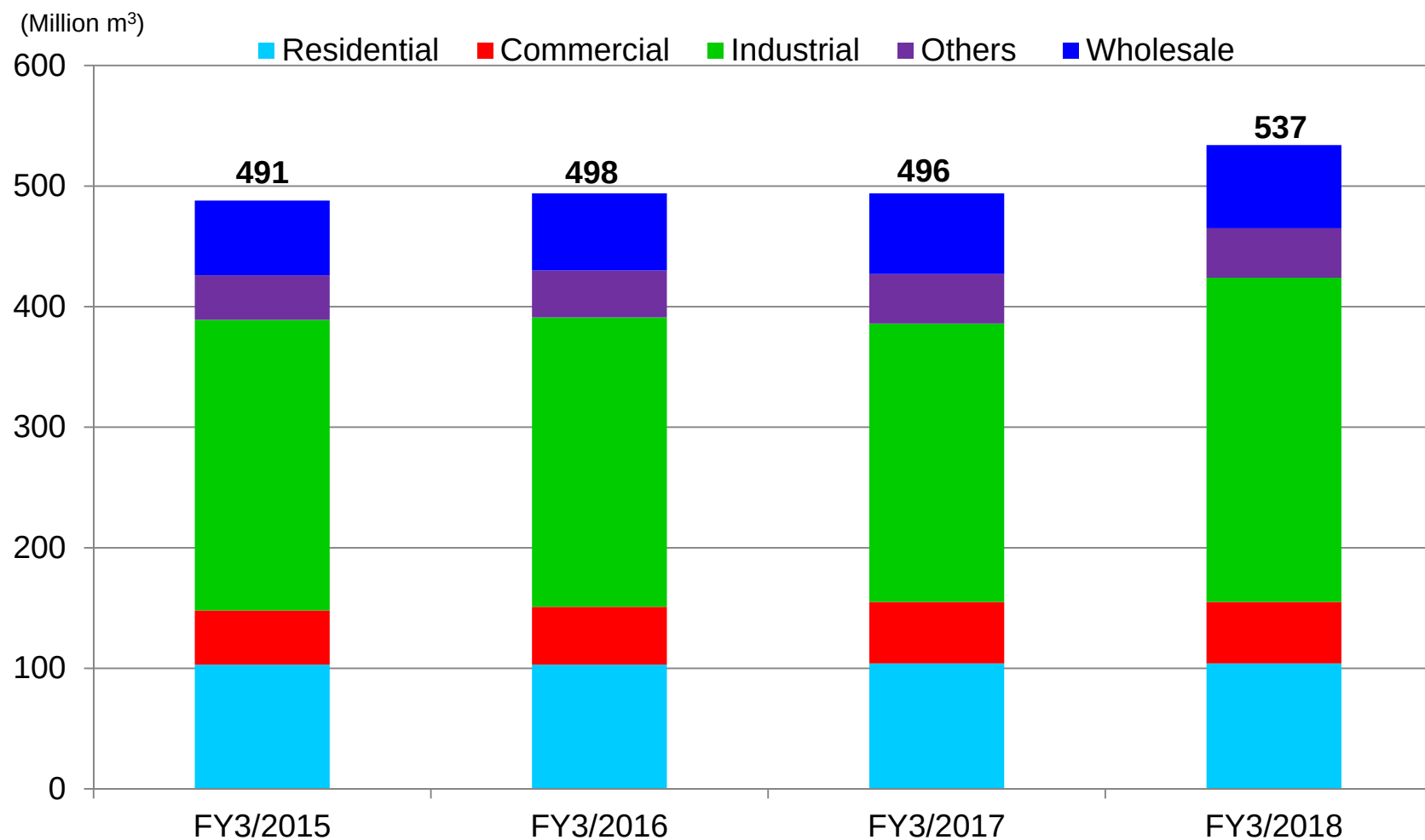


Maintenance skill competition

(3) Medium-term Management Plan



City Gas Sales Volume



(4) Medium-term Management Plan



Capital Expenditure

(Billion yen)

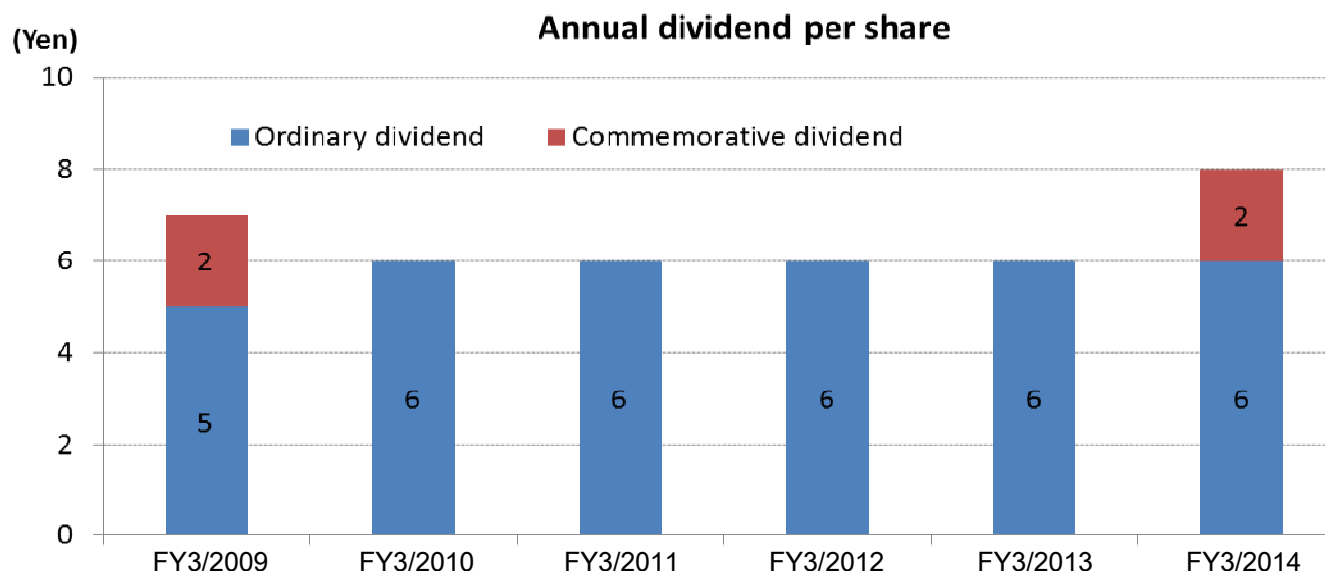
	FY3/2015	FY3/2016	FY3/2017	FY3/2018	FY3/2016 – FY3/2018 Total
Production Infrastructure	3.2	3.6	0.3	0.1	4.1
Supply Infrastructure	5.2	4.9	4.7	4.3	14
Service and maintenance facilities and other facilities	0.7	1.8	1.8	2.2	5.9
Total	9.1	10.4	6.9	6.7	24.1

(Totals may not match the sum of individual items due to rounding)

4. Dividend Policy



Our basic policy: To maintain **stable dividends** with commitment to rigorously pursuing management efficiency and conducting aggressive marketing activities.



* FY3/2015, the Company paid a special dividend of ¥2 per share in commemoration of the Company's listing on the First Section of the Tokyo Stock Exchange.

Shareholder Benefits

(1) Purpose: To express appreciation for shareholders' support and **to increase the number of long-term shareholders** by making Hiroshima Gas stock even more appealing

(2) Benefits

Shares held	Gift
500 to 1,999	Book gift coupon (1,000 yen)
2,000 or more	A 5,000 yen item (product made in Hiroshima) from a gift catalog

5. Growth Strategy



Actions for achieving sustained growth

Liberalization of the gas and electricity markets is an excellent opportunity for more growth



Comprehensive
energy
company

Gas business

- Enlarge the service area (expand the distribution infrastructure)
- Increase the sales volume (cogeneration, fuel cells, gas air conditioning, fan heaters, etc.)
- Invest in manufacturing facilities (expansion of the Hatsukaichi LNG Terminal pier)
- Create a smart energy network

Group operations

- Optimize operations across the entire group, such as by strengthening ties between city gas and LP gas operations

Electricity business (become a comprehensive supplier of energy to reflect market changes)

- Hatsukaichi LNG terminal cogeneration unit (output of 11,000kW since Sept. 2004)
- Large solar power business (started in October 2013)
- Biomass mixed combustion power plant (commercial feasibility study under way)



(1) Enlarge the Service Area (Pipeline infrastructure development)



Service area expands toward Higashi-hiroshima city (6 cities & 4 towns structure)



(2) Increase the Sales Volume (cogeneration/gas air conditioning)



For industrial and other business

The need in Japan for dispersed power sources and energy-efficient equipment has increased after the March 2011 Great East Japan Earthquake

An opportunity to increase sales of cogeneration (engine/turbine, fuel cell) and gas air conditioning products

Energy/Cost
saving

Power supply
duplication

Environmental
conservation

Gas-engine



Gas air-conditioner



(3) Increase the Sales Volume (Ene-Farm home fuel cells)



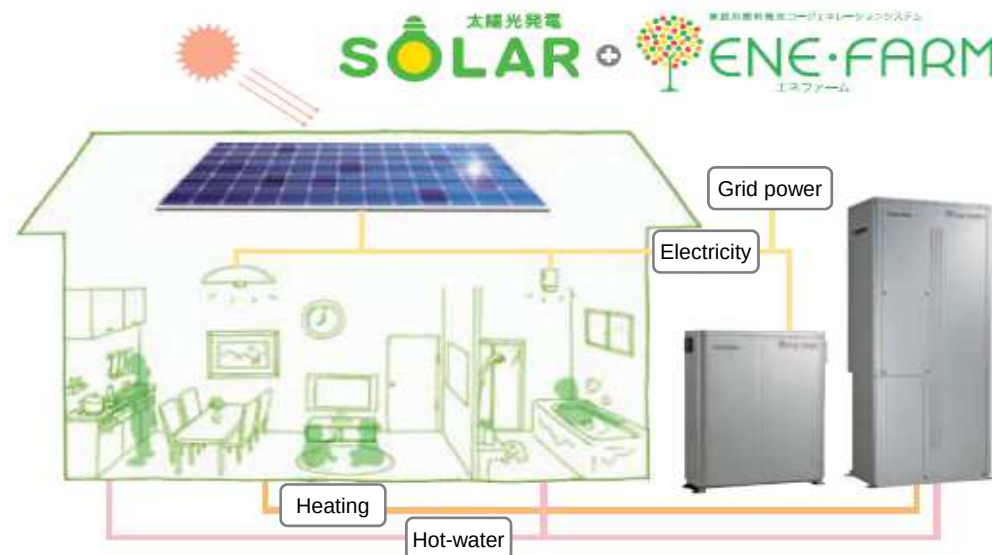
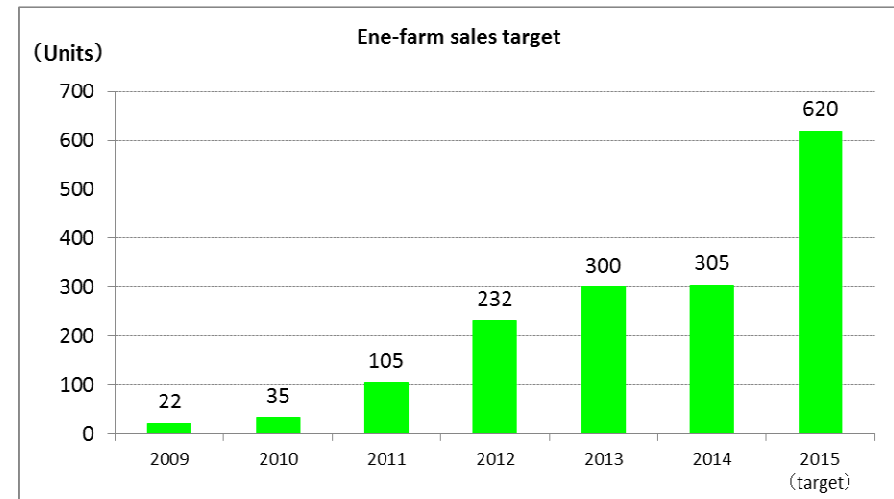
Residential

Promotion of Ene-Farm home fuel cells

⇒FY3/2016 **sales target: 620 units**

■ **Dual power generation** with solar panels

■ Aiming to capture early orders at condominium buildings



(4) Smart-energy Network



Develop technologies for smart-energy house



Experimental smart energy house

Research for technologies to combine three power sources, centered on Ene-Farm
Research is under way for creating the best possible energy system, using a home energy management system and the combination of a [fuel cell](#), [solar panel](#) and [storage battery](#).

(5) Infrastructure Investments



Expansion and upgrade the pier



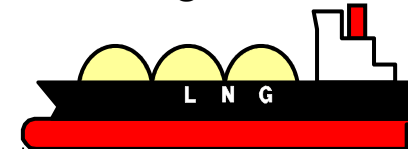
Hatsukaichi LNG terminal

Goal

Meet future growth in demand by adding the capacity to handle standard as well as small LNG carriers.

- (1) Consistent and reliable receipt of LNG
- (2) Higher capacity utilization of the Hatsukaichi LNG terminal
- (3) More competitive gas prices and growth in gas sales volume

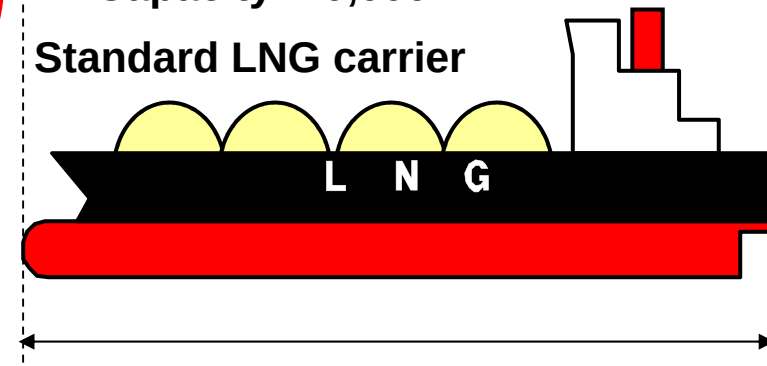
Existing LNG carrier



Length: 150m

Capacity: 20,000m³

Standard LNG carrier



Length: 300m

Capacity: 177,000m³

(largest vessel expected)

(6) Biomass Mixed Combustion Power Plant



Feasibility study for a biomass mixed combustion power plant

March 4, 2015 announcement

- Feasibility study with Chugoku Electric Power concerning construction of a biomass mixed combustion power plant where the Kaita Plant was located

June 1, 2015

- Submitted an environmental impact assessment method report as required by the Hiroshima Prefecture Environmental Impact Assessment Ordinance

Power plant summary

Output	112,000kW
Fuel	Biomass, coal, natural gas (combustion support and as a back-up fuel)

Proposed site

Almost 40,000 m² out of 150,000 m²

Other information

- A joint project by local gas and electric companies
 - Uses existing infrastructure and knowledge
- Combustion of biomass, coal and natural gas
 - Will help increase the use of renewable energy
- One step toward becoming a comprehensive source of energy to meet changes in the market



Planned site of the new power plant

Thank you

The forward-looking statements contained in this material are based on information currently available to the Company and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors.



HIROSHIMA GAS Co., Ltd.