

FY2006 ended March 2007  
 Consolidated Results Bulletin  
 Hokkaido Gas Co., Ltd

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**Shares listed on:**

Tokyo Stock Exchange

Sapporo Stock Exchange

Location of head office (prefecture): Hokkaido

Date of regular general meeting of stockholders: June 28, 2007

Commencement of dividend payments: June 29, 2007

Date of submission of financial report: June 29, 2007

**1. Consolidated results for FY2006 (April 1, 2006–March 31, 2007)**

(1) Consolidated business results

(Rounded down to the nearest million yen)

	Sales		Operating income		Ordinary income		Net income	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
FY2006 ended March 2007	66,575	7.0	2,811	30.8	1,994	35.3	551	5.7
FY2005 ended March 2006	62,203	△0.5	2,149	△13.9	1,474	△21.4	521	△51.1

	Net earnings Per share	Diluted earnings per share	Net rate of return on net assets	Ratio of ordinary income to total assets	Ratio of operating income to sales
	(Unit: yen)	(Unit: yen)	(%)	(%)	(%)
FY2006 ended March 2007	7.92	7.31	2.0	1.9	4.2
FY2005 ended March 2006	8.30	7.59	1.9	1.4	3.5

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

FY2006 ended March 2007: -294 million yen

FY2005 ended March 2006: 121 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Book-value per share
	(Unit: million yen)	(Unit: million yen)	(%)	(Unit: yen)
FY2006 ended March 2007	101,934	28,351	27.8	406.99
FY2005 ended March 2006	103,419	28,162	27.2	404.51

Note: Net assets

FY2006 ended March 2007: 28,309 million yen

FY2005 ended March 2006: - million yen

(3) Consolidated cash flow

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Balance of cash and cash equivalents as of end of term
	(Unit: million yen)	(Unit: million yen)	(Unit: million yen)	(Unit: million yen)
FY2006 ended March 2007	9,905	△8,580	△1,691	737
FY2005 ended March 2006	12,620	△12,879	167	1,104

## 2. Dividends

	Annual dividend per share		Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend rate for net assets (Consolidated)
	Year-end dividend	total			
	(Unit:yen)	(Unit:yen)	(Unit:million yen)	(%)	(%)
FY2005 ended March 2006	6.00	6.00	417	72.3	1.4
FY2006 ended March 2007	6.00	6.00	417	75.8	1.5
FY2007 ended March 2008 (forecast)	6.00	6.00		52.2	

## 3. Results forecast for FY2007 ending March 2008 (April 1, 2007–March 31, 2008)

	Sales		Operating income		Ordinary income		Net income		Net earnings per share
	(Unit:million yen)	(%)	(Unit:million yen)	(%)	(Unit:million yen)	(%)	(Unit:million yen)	(%)	(Unit:yen)
Mid-term	29,000	2.8	700	△17.5	350	△35.9	250	28.7	3.59
Full-term	68,000	2.1	2,450	△12.9	1,800	△9.8	800	45.2	11.50

Note: (Mid-term) Percentage figures indicate the percentage change on the interim results for the previous year

(Full-term) Percentage figures indicate the percentage change on the results for the previous year

## 4. Other

(1) Change in significant subsidiaries and affiliates: None

(2) Scope of subsidiaries and affiliates and application of equity method

Consolidated subsidiaries: 6

• Newly added: None

• Excluded: None

Non-consolidated subsidiaries accounted for by equity method: 8

• Newly added: None

• Excluded: 1

Affiliates accounted for by equity method: None

(3) Number of outstanding shares as of:

Fy2006 ended March 2007: 69,869,637 shares      Fy2005 ended March 2006: 69,863,922 shares

Number of treasury stock as of:

Fu2006 ended March 2007: 311,744 shares      Fy2005 ended March 2006: 253,273 shares

## Non-Consolidated Results Bulletin

### 1. Results for FY2006 (April 1, 2006–March 31, 2007)

#### (1) Business results

(Rounded down to the nearest million yen)

	Sales		Operating income		Ordinary income		Net income	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
FY2006 ended March 2007	49,785	5.8	2,132	16.6	1,390	36.6	302	△29.2
FY2005 ended March 2006	47,054	2.2	1,828	8.1	1,018	0.5	427	△27.3

	Net earnings per share	Diluted earnings per share
	(Unit: yen)	(Unit: yen)
FY2006 ended March 2007	4.35	4.28
FY2005 ended March 2006	6.85	6.39

#### (2) Financial position

	Total assets	Net assets	Equity ratio	Book-value per share
	(Unit: million yen)	(Unit: million yen)	(%)	(Unit: yen)
FY2006 ended March 2007	93,273	23,997	25.7	345.00
FY2005 ended March 2006	94,138	24,131	25.6	346.67

Note: Net assets

FY2006 ended March 2007: 23,997 million yen

FY2005 ended March 2006: - million yen

### 2. Results forecast for FY2007 ending March 2008 (April 1, 2007–March 31, 2008)

	Sales		Operating income		Ordinary income		Net income		Net earnings per share
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: yen)
Mid-term	21,800	4.5	600	△17.5	300	△35.9	200	28.7	2.88
Full-term	52,000	4.4	2,000	△12.9	1,200	△9.8	450	45.2	6.47

Note: (Mid-term) Percentage figures indicate the percentage change on the interim results for the previous year

(Full-term) Percentage figures indicate the percentage change on the results for the previous year

## Consolidated Statements

### 1. Consolidated Balance Sheets

(Unit : thousand yen)

Account	FY2006 (Mar.31, 2007)	FY2005 (Mar.31, 2006)	Change
(Assets)			
<b>Fixed assets</b>	<b>83,316,157</b>	<b>85,943,243</b>	<b>-2,627,086</b>
<b>Tangible fixed assets</b>	<b>70,864,945</b>	<b>72,927,860</b>	<b>-2,062,915</b>
Production facilities	2,941,499	4,719,930	-1,778,431
Distribution facilities	48,988,922	48,843,769	145,153
Service and maintenance facilities	9,542,662	9,609,917	-67,255
Other facilities	8,827,579	8,956,477	-128,898
Construction in progress	564,281	797,766	-233,485
<b>Intangible fixed assets</b>	<b>1,956,957</b>	<b>2,190,028</b>	<b>-233,071</b>
Other intangible fixed assets	1,956,957	2,190,028	-233,071
<b>Investments and other non-current assets</b>	<b>10,494,254</b>	<b>10,825,353</b>	<b>-331,099</b>
Investment securities	6,928,595	6,581,014	347,581
Deferred tax assets	802,074	831,304	-29,230
Other investments and non-current assets	2,869,907	3,553,363	-683,456
Allowances for doubtful accounts	-106,323	-140,328	34,005
<b>Current assets</b>	<b>14,230,998</b>	<b>12,700,685</b>	<b>1,530,313</b>
Cash and deposits	737,805	1,104,080	-366,275
Trade notes receivable and accounts receivable	7,483,909	6,438,852	1,045,057
Inventories	1,811,485	2,046,815	-235,330
Deferred tax assets	426,297	441,369	-15,072
Other current assets	3,909,799	2,930,123	979,676
Allowances for doubtful accounts	-138,299	-260,556	122,257
<b>Deferred charges</b>	<b>4,387,745</b>	<b>4,775,441</b>	<b>-387,696</b>
Business development expenses	4,376,707	4,761,323	-384,616
Other	11,037	14,117	-3,080
<b>Total assets</b>	<b>101,934,900</b>	<b>103,419,369</b>	<b>-1,484,469</b>

Account	FY2006 (Mar.31,2007)	FY2005 (Mar.31,2006)	Change
(Liabilities)			
<b>Long-term liabilities</b>	<b>40,985,558</b>	<b>47,064,849</b>	<b>-6,079,291</b>
Straight bounds	10,000,000	13,000,000	-3,000,000
Convertible bonds	6,799,000	6,802,000	-3,000
Long-term bank loans payable	18,748,160	21,889,040	-3,140,880
Deferred tax liabilities	248,958	—	248,958
Deferred tax liabilities on revaluation	1,318,034	1,318,034	—
Employees' retirement allowances reserve	2,542,954	2,603,622	-60,668
Allowance for directors' and corporate auditors' retirement benefits	—	500,968	-500,968
Allowance for repairs of gas holders	376,574	304,551	72,023
Other non-current liabilities	951,876	646,632	305,244
<b>Current liabilities</b>	<b>32,598,062</b>	<b>28,151,238</b>	<b>4,446,824</b>
Long-term liabilities due within one year	9,413,880	13,424,380	-4,010,500
Trade Notes and accounts payable	3,513,686	4,277,545	-763,859
Short-term bank loans payable	12,772,000	1,876,410	10,895,590
Commercial paper	—	2,000,000	-2,000,000
Other current liabilities	6,898,495	6,572,902	325,593
<b>Total liabilities</b>	<b>73,583,621</b>	<b>75,216,087</b>	<b>-1,632,466</b>
(Net assets)			
<b>Capital stock</b>	<b>27,763,532</b>	—	—
Common stock	5,039,330	—	—
Capital surplus	2,799,417	—	—
Retained earnings	20,013,293	—	—
Treasury stock	-88,510	—	—
<b>Valuation and translation adjustments</b>	<b>545,490</b>	—	—
Valuation difference on available-for-sale securities	1,603,694	—	—
Deferred gains or losses on hedges	-169,407	—	—
Revaluation reserve for land, net of taxes	-888,796	—	—
<b>Minority interests</b>	<b>42,257</b>	—	—
<b>Total Net assets</b>	<b>28,351,279</b>	—	—
<b>Total liabilities, minority interests, and Net assets</b>	<b>101,934,900</b>	—	—

## 2. Consolidated Statements of Income

(Unit: thousand yen)

Account	FY2006 (Mar.31,2007)	FY2005 (Mar.31,2006)	Change
<b>Sales</b>	<b>66,575,415</b>	<b>62,203,672</b>	<b>4,371,743</b>
<b>Cost of sales</b>	<b>35,931,343</b>	<b>32,935,838</b>	<b>2,995,505</b>
<b>(Gross income)</b>	<b>( 30,644,072 )</b>	<b>( 29,267,833 )</b>	<b>( 1,376,239 )</b>
Selling, general and administrative expenses	27,832,505	27,118,449	714,056
Supply and sales expenses	24,892,062	24,060,068	831,994
General and administrative expenses	2,940,442	3,058,380	△117,938
<b>(Operating income)</b>	<b>( 2,811,566 )</b>	<b>( 2,149,384 )</b>	<b>( 662,182 )</b>
<b>Non-operating income</b>	<b>1,367,722</b>	<b>769,376</b>	<b>598,346</b>
Interest income	13,327	8,036	5,291
Dividend income	42,194	35,225	6,969
Rent income	—	200,814	△200,814
Gain on sale of help for natural gas conversion	784,687	181,901	602,786
Equity in earnings of affiliates	—	121,624	△121,624
Miscellaneous revenues	527,513	221,773	305,740
<b>Non-operating expense:</b>	<b>2,184,757</b>	<b>1,444,338</b>	<b>740,419</b>
Interest expense	929,846	956,693	△26,847
Payment on sale of help for natural gas conversion	642,567	—	642,567
Expenses on employees working on loan	238,877	—	238,877
Equity in losses of affiliates	294,097	—	294,097
Miscellaneous expenses	79,368	487,645	△408,277
<b>(Ordinary income)</b>	<b>( 1,994,531 )</b>	<b>( 1,444,338 )</b>	<b>( 550,193 )</b>
<b>Extraordinary loss</b>	<b>710,846</b>	<b>500,017</b>	<b>210,829</b>
Expenses on measures against gas leaks in Kitami	413,715	—	413,715
Expenses on retirement of fixed assets	297,130	—	297,130
Loss on write-down of investment securities	—	305,000	△305,000
Loss on impairment of fixed assets	—	195,017	△195,017
<b>Net income before adjustment for tax, etc.</b>	<b>1,283,685</b>	<b>974,404</b>	<b>309,281</b>
<b>Income tax, residence tax and business tax</b>	<b>456,356</b>	<b>262,763</b>	<b>193,593</b>
<b>Adjustment for income taxes etc.</b>	<b>274,867</b>	<b>186,299</b>	<b>88,568</b>
<b>Minority shareholder income</b>	<b>1,453</b>	<b>3,841</b>	<b>△2,388</b>
<b>Net income</b>	<b>551,009</b>	<b>521,500</b>	<b>29,509</b>

**3. Statement of consolidated retained earnings**

(Unit : thousand yen)

Account	Previous year (Apr.2005-Mar.2006)
(Capital surplus)	
<b>Initial balance of capital surplus</b>	<b>1,582,339</b>
<b>Increase in capital surplus</b>	<b>1,215,439</b>
Issuance of new shares	1,215,360
Increase due to stock-for-stock exchange	79
<b>Balance of capital surplus at end of period</b>	<b>2,797,778</b>
(Retained earnings)	
<b>Initial balance of retained earnings</b>	<b>19,740,255</b>
<b>Increase in retained earnings</b>	<b>521,500</b>
<b>Decrease in retained earnings</b>	<b>379,807</b>
Dividends	369,955
Bonuses to directors	4,728
Transfer from land revaluation reserve	5,124
<b>Balance of retained earnings at end of period</b>	<b>19,881,948</b>

#### 4. Consolidated statement of changes in net asset

Current period ( Apr.2006-Mar.2007 )

(Unit : thousand yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
<b>Balance at Mar.31, 2006</b>	<b>5,037,827</b>	<b>2,797,778</b>	<b>19,881,948</b>	<b>△ 70,579</b>	<b>27,646,975</b>
<b>Changes</b>					
Stock issuance due to change of convertible bonds	1,503	1,496			2,999
Dividends			△ 417,663		△ 417,663
Bonuses to directors			△ 2,000		△ 2,000
Net income			551,009		551,009
Purchase of treasury stock				△ 20,022	△ 20,022
Disposal of treasury stock		142		2,092	2,234
Net changes of items other than shareholders' equity					
<b>Total changes</b>	<b>1,503</b>	<b>1,639</b>	<b>131,345</b>	<b>△ 17,930</b>	<b>116,556</b>
<b>Balance at Mar.31.2007</b>	<b>5,039,330</b>	<b>2,799,417</b>	<b>20,013,293</b>	<b>△ 88,510</b>	<b>27,763,520</b>

	Value adjustments of securities				Minority interests	Total net asset
	Unrealized gains on other securities	Deferred gain/loss on hedging instruments	Land revaluation reserve	Total		
<b>Balance at Mar.31, 2006</b>	<b>1,404,299</b>	<b>—</b>	<b>△ 888,796</b>	<b>515,503</b>	<b>40,804</b>	<b>28,203,282</b>
<b>Changes</b>						
Stock issuance due to change of convertible bonds						2,999
Dividends						△ 417,663
Bonuses to directors						△ 2,000
Net income						551,009
Purchase of treasury stock						△ 20,022
Disposal of treasury stock						2,234
Net changes of items other than shareholders' equity	199,394	△ 169,407	—	29,987	1,453	31,440
<b>Total changes</b>	<b>199,394</b>	<b>△ 169,407</b>	<b>—</b>	<b>29,987</b>	<b>1,453</b>	<b>147,997</b>
<b>Balance at Mar.31.2007</b>	<b>1,603,694</b>	<b>△ 169,407</b>	<b>△ 888,796</b>	<b>545,490</b>	<b>42,257</b>	<b>28,351,279</b>



## 5. Consolidated Statement of Cash Flows

(Unit: thousand yen)

Account	FY2006 (Mar.31,2007)	FY2005 (Mar.31,2006)	Change
<b>I Cash flows from operating activities</b>			
Net income before adjustment for tax, etc.	1,283,685	974,404	309,281
Depreciation	7,939,679	7,712,545	227,134
Loss on impairment of fixed assets	—	195,017	△ 195,017
Amortization of business development expenses	2,236,908	2,359,391	△ 122,483
Decrease in employees' service and retirement benefits	△ 60,668	66,934	△ 127,602
Change in allowance for doubtful accounts(△ decrease)	△ 156,261	△ 51,637	△ 104,624
Interest and dividend income	△ 55,521	△ 43,262	△ 12,259
Interest expense	929,846	956,693	△ 26,847
Loss on write-down of investment securities	1,345	305,000	△ 303,655
Increase in notes and accounts receivable(△ increase)	△ 1,734,118	920,523	△ 2,654,641
Change in inventories(△ increase)	140,701	△ 923,463	1,064,164
Change in accounts payable(△ decrease)	△ 134,129	257,629	△ 391,758
Change in consumption taxes payable(△ decrease)	215,383	△ 7,834	223,217
Bonuses paid to directors	△ 2,000	△ 4,728	△ 2,728
Other	540,425	1,088,848	△ 548,423
Subtotal	11,145,276	13,806,061	△ 2,660,785
Cash received for interest and dividends	55,521	43,262	12,259
Cash paid for interest	△ 973,441	△ 963,880	△ 9,561
Cash paid for income taxes	△ 321,881	△ 264,845	△ 57,036
<b>Net cash provided by operating activities</b>	<b>9,905,474</b>	<b>12,620,598</b>	<b>△ 2,715,124</b>
<b>II Cash flows from investing activities</b>			
Purchases of tangible fixed assets	△ 6,087,688	△ 8,482,425	2,394,737
Proceeds from sale of tangible fixed assets	46,282	30,092	16,190
Purchases of intangible fixed assets	△ 540,933	△ 715,059	174,126
Proceeds from sale of intangible fixed assets	51	—	51
Purchases of investment securities	△ 79,300	△ 399,350	320,050
Proceeds from sale of investment securities	87,479	1,723	85,756
Long-term prepayments	△ 184,759	△ 205,262	20,503
Purchases of business development expenses	△ 1,849,212	△ 2,547,583	698,371
Net increase repayments of short-term loans	△ 50,000	—	△ 50,000
Expenditure of long-term loans receivable	△ 94,000	△ 105,107	11,107
Proceeds from long-term loans	—	89,007	△ 89,007
Other	△ 171,572	△ 545,946	374,374
<b>Net cash used in investing activities</b>	<b>△ 8,580,507</b>	<b>△ 12,879,911</b>	<b>4,299,404</b>
<b>III Cash flows from financing activities</b>			
Net change in short-term bank loans (△ decrease)	△ 10,895,590	△ 44,230	△ 10,851,360
Net increase in commercial paper	2,000,000	2,000,000	—
Proceeds from long-term bank loans	3,500,000	3,400,000	100,000
Payments for long-term bank loans	△ 8,651,380	△ 7,224,880	△ 1,426,500
Payments for redemption of bonds	△ 5,000,000	—	△ 5,000,000
Proceeds from new share issue	—	2,407,028	△ 2,407,028
Dividend payments	△ 417,663	△ 369,955	△ 47,708
Other	△ 17,788	—	△ 17,788
<b>Net cash used in financing activities</b>	<b>△ 1,691,242</b>	<b>167,963</b>	<b>△ 1,859,205</b>
<b>IV Net decrease in cash and cash equivalents</b>	<b>△ 366,275</b>	<b>△ 91,350</b>	<b>△ 274,925</b>
<b>V Cash and cash equivalents at beginning of year</b>	<b>1,104,080</b>	<b>1,195,430</b>	<b>△ 91,350</b>
<b>VI Cash and cash equivalents at end of year</b>	<b>737,805</b>	<b>1,104,080</b>	<b>△ 366,275</b>