

August 7, 2015

Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2016 [Japan GAAP]

Name of Company: Hiroshima Gas Co., Ltd.
 Stock Code: 9535 URL: http://www.hiroshima-gas.co.jp/english/index_e.htm
 Stock Exchange Listing: Tokyo Stock Exchange, First Section
 Representative: Title: President Name: Kozo Tamura
 Contact Person: Title: Executive Officer and Manager of General Affair Department Name: Hirofumi Ikegami
 Tel: +81-(82) 252-3001
 Scheduled date of filing of quarterly securities report: August 11, 2015
 Scheduled date of commencement of dividend payment: -
 Supplementary materials for quarterly financial report: None
 Information meeting for quarterly financial report: None

(Yen in millions, rounded down)

1. Financial results for the first quarter of the fiscal year ending March 2016 (April 1, 2015 – June 30, 2015)

(1) Results of operations (Consolidated, year-to-date)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter of FY3/2016	20,304	(4.0)	2,815	111.9	2,960	99.7	1,848	159.5
First quarter of FY3/2015	21,150	6.2	1,328	8.7	1,482	7.8	712	(13.4)

Note: Comprehensive income: First quarter of FY3/2016: 2,506 million yen [130.4%], First quarter of FY3/2015: 1,087 million yen [10.6%]

	Net income per share (basic)		Net income per share (diluted)	
	Yen		Yen	
First quarter of FY3/2016	28.26		-	
First quarter of FY3/2015	12.02		-	

(2) Financial position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of June 30, 2015	97,366		41,656		40.8	
As of March 31, 2015	99,759		39,237		37.4	

Reference: Shareholders' equity As of June 30, 2015: 39,686 million yen As of March 31, 2015: 37,340 million yen

2. Dividends

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2015	-	3.00	-	5.00	8.00
Fiscal year ended March 2016	-				
Fiscal year ended March 2016 (forecast)		3.00	-	3.00	6.00

Note: Change in the estimation of dividend from the latest announcement: None

3. Forecast for the fiscal year ending March 2016 (Consolidated, April 1, 2015 – March 31, 2016)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	39,000	(5.1)	2,100	58.0	2,300	44.9	1,400	81.1	21.41
Full year	83,000	(6.6)	4,400	7.0	4,800	2.1	3,100	12.9	47.41

Note: Change in the forecast from the latest announcement: None

* Notes

- (1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None
- (2) Use of of accounting methods specifically for the preparation of the quarterly consolidated financial statements: Yes
Note: Please refer use of accounting methods specifically for the preparation of the quarterly consolidated financial statements on page 3 of other information
- (3) Changes in accounting principles and estimates, and retrospective restatements
(a) Changes due to revision of accounting standards: Yes
(b) Changes other than in (a): None
(c) Changes in accounting estimates: None
(d) Retrospective restatements: None
Note: Please refer changes in accounting principles and estimates, and retrospective restatements on page 3 of other information
- (4) Number of shares outstanding (common stock)
- | | | |
|---|--|--|
| (a) Shares outstanding (including treasury shares) | | |
| As of June 30, 2015: 67,998,590 | | As of March 31, 2015: 67,998,590 |
| (b) Treasury shares | | |
| As of June 30, 2015: 2,595,119 | | As of March 31, 2015: 2,605,711 |
| (c) Average number of shares (quarterly consolidated cumulative period) | | |
| Period ended June 30, 2015: 65,394,593 | | Period ended June 30, 2014: 59,230,222 |

*Information concerning quarterly review procedure

The rule mandating a review of quarterly financial statements (under the Financial Instruments and Exchange Act) does not apply to this Summary of Financial Results. The financial statements for the period were under review at the time this Summary of Financial Results was released.

*Cautionary statement regarding forecasts of operating results and special notes

Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this report was prepared. Actual results may differ significantly from these forecasts for a number of factors. For information about the forecasts, please see "Forecast for the fiscal year ending March 2016" on page 2.

Reference: Non-consolidated forecast

Forecast for the fiscal year ending March 2016 (Non-consolidated, April 1, 2015 – March 31, 2016)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	30,000	(5.7)	1,200	77.5	1,600	65.4	1,000	88.7	15.29
Full year	64,000	(9.1)	2,300	(19.3)	3,600	0.7	2,400	7.6	36.70

Note: Change in the forecast from the latest announcement: None

Index for Supplementary Information

1.	Consolidated Business Results.....	2
	(1) Results of Operations.....	2
	(2) Financial Condition.....	2
	(3) Forecast for the Fiscal Year Ending March 2016.....	2
2.	Summary Information (notes).....	3
	(1) Changes in significant subsidiaries.....	3
	(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements.....	3
	(3) Changes in accounting principles and estimates, and retrospective restatements.....	3
3.	Quarterly Consolidated Financial Statements.....	4
	(1) Quarterly consolidated balance sheets.....	4
	(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income.....	6
	Quarterly consolidated statements of income.....	6
	Quarterly consolidated statements of comprehensive income.....	7

2. Consolidated Business Results

(1) Results of Operations

In the first quarter, sales decreased 4.0% from one year earlier to 20,304 million yen because of a decline in the volume of gas sales.

Earnings increased mainly because of a decrease in the cost of gas resources in conjunction with the decline in the price of crude oil. Compared with the first quarter of the previous fiscal year, operating income was up 111.9% to 2,815 million yen and, after non-operating income and expenses, ordinary income was up 99.7% to 2,960 million yen. Net income attributable to the parent company was 1,848 million yen, 159.5% higher than one year earlier.

Since the gas business accounts for most of our sales, there are seasonal sales fluctuations due to the nature of this business with sales peaking during the winter.

(2) Financial Condition

Total assets were 97,366 million yen at the end of the first quarter. This was 2,393 million yen less than at the end of the previous fiscal year due to a decrease in notes and accounts receivable and other items.

Total liabilities decreased 4,812 million yen to 55,710 million yen mainly because of decreases in debt and notes and accounts payable.

Net assets increased 2,418 million yen to 41,656 million yen mainly because of an increase in retained earnings. As a result, the equity ratio was 40.8% at the end of the first quarter.

(3) Forecast for the Fiscal Year Ending March 2016

There are no revisions to the forecasts announced on May 13, 2015 for the first half and the full fiscal year ending in March 2016.

3. Summary Information (notes)

(1) Changes in significant subsidiaries

None

(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements
(Calculation of taxes)

At some consolidated subsidiaries, a reasonable estimate of the effective tax rate after application of tax effect accounting is determined in relation to income before income taxes in the current fiscal year. This rate is then applied to quarterly income before income taxes.

(3) Changes in accounting principles and estimates, and retrospective restatements

(Changes in accounting principles)

Starting with the quarter ended June 30, 2015, Hiroshima Gas is applying the Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), the Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), the Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013), and other accounting standards. As a result, for subsidiaries continuously controlled by Hiroshima Gas, monetary differences caused by changes in ownership are now included in the capital surplus and expenses associated with acquisitions are included in the fiscal years in which the expenses were incurred. In addition, there is a change involving business combinations that take place in the first quarter ended June 30, 2015 or afterward. The expected allocation of the cost of an acquisition, based on provisional accounting treatment, is reflected in the quarterly consolidated financial statements of the quarter that includes the date of the business combination. In addition, there are revisions to terminology for quarterly earnings and the minority interests item has been changed to non-controlling shareholder interests. To reflect these presentation changes, consolidated financial statements for the first quarter of the previous fiscal year and the previous fiscal year have been revised.

For application of the Revised Accounting Standard for Business Combinations and other standards, transitional measures as stipulated in section 58-2 (4) of the Revised Accounting Standard for Business Combinations, section 44-5 (4) of Revised Accounting Standard for Consolidated Financial Statements and section 57-4 (4) of the Revised Accounting Standard for Business Divestitures will be used starting with the beginning of the quarter ended June 30, 2015 and in subsequent fiscal years.

These changes had no effect on the monetary figures in the consolidated financial statements for the quarter ended June 30, 2015.

4. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Million yen)

	As of March 31, 2015	As of June 30, 2015
ASSETS		
Non-current assets		
Property, plant and equipment		
Production facilities	18,567	18,018
Distribution facilities	26,628	26,576
Service and maintenance facilities	3,898	3,832
Other facilities	7,871	7,781
Construction in progress	3,574	3,634
Total property, plant and equipment	60,541	59,844
Intangible assets	504	617
Investments and other assets		
Investment securities	9,280	10,237
Other investments and other assets	6,775	6,529
Allowance for doubtful accounts	(255)	(255)
Total investments and other assets	15,800	16,510
Total non-current assets	76,846	76,972
Current assets		
Cash and deposits	7,901	7,523
Notes and accounts receivable - trade	7,247	5,167
Merchandise and finished goods	908	687
Raw materials and supplies	4,664	4,971
Other current assets	2,224	2,061
Allowance for doubtful accounts	(33)	(18)
Total current assets	22,912	20,393
Total assets	99,759	97,366

	As of March 31, 2015	As of June 30, 2015
LIABILITIES		
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	21,127	21,046
Provision for directors' retirement benefits	365	346
Provision for gas holder repairs	344	367
Net defined benefit liability	4,276	4,133
Asset retirement obligations	106	106
Other non-current liabilities	225	299
Total non-current liabilities	36,445	36,299
Current liabilities		
Current portion of non-current liabilities	7,044	6,047
Notes and accounts payable - trade	6,023	5,362
Short-term loans payable	1,000	-
Income taxes payable	1,146	919
Other current liabilities	8,862	7,080
Total current liabilities	24,076	19,410
Total liabilities	60,522	55,710
NET ASSETS		
Shareholders' equity		
Capital stock	5,181	5,181
Capital surplus	946	948
Retained earnings	29,632	31,402
Treasury shares	(737)	(734)
Total shareholders' equity	35,023	36,797
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,758	3,278
Deferred gains or losses on hedges	(61)	(23)
Remeasurements of defined benefit plans	(379)	(366)
Total accumulated other comprehensive income	2,317	2,888
Non-controlling interests	1,897	1,970
Total net assets	39,237	41,656
Total liabilities and net assets	99,759	97,366

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

Quarterly consolidated statements of income

(First quarter ended June 2015)

(Million yen)

	First quarter ended June 2014 (Apr. 1, 2014 – June 30, 2014)	First quarter ended June 2015 (Apr. 1, 2015 – June 30, 2015)
Net sales	21,150	20,304
Cost of sales	14,083	11,724
Gross profit	7,067	8,580
Selling, general and administrative expenses	5,738	5,764
Operating income	1,328	2,815
Non-operating income		
Interest income	1	1
Dividends income	69	74
Share of profit of entities accounted for using equity method	63	133
Miscellaneous income	199	114
Total non-operating income	334	324
Non-operating expenses		
Interest expenses	105	90
Miscellaneous expenses	75	88
Total non-operating expenses	180	178
Ordinary income	1,482	2,960
Extraordinary losses		
Loss on sales of non-current assets	28	-
Special contribution relating to withdrawal of employees' pension fund	68	-
Total extraordinary loss	97	-
Income before income taxes and minority interests	1,385	2,960
Income taxes-current	355	772
Income taxes-deferred	244	253
Total income taxes	599	1,025
Profit	785	1,935
Profit attributable to non-controlling interests	73	87
Profit attributable to owners of parent	712	1,848

Quarterly consolidated statements of comprehensive income
(First quarter ended June 2015)

(Million yen)

	First quarter ended June 2014 (Apr. 1, 2014 – June 30, 2014)	First quarter ended June 2015 (Apr. 1, 2015 – June 30, 2015)
Profit	785	1,935
Other comprehensive income		
Valuation difference on available-for-sale securities	285	520
Deferred gains or losses on hedges	6	38
Remeasurements of defined benefit plans	11	13
Total other comprehensive income	302	571
Comprehensive income	1,087	2,506
Comprehensive income attributable to owners of parent	1,014	2,419
Comprehensive income attributable to non-controlling interests	73	87