

Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2017 [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
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 Scheduled date of filing of quarterly securities report: August 12, 2016
 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 2017 (April 1, 2016 – June 30, 2016)

(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 FY3/2017	17,134	(15.6)	2,026	(28.0)	2,220	(25.0)	4,113	122.6
First quarter of FY3/2016	20,304	(4.0)	2,815	111.9	2,960	99.7	1,848	159.5

Note: Comprehensive income: First quarter of FY3/2017: 2,934 million yen [17.1%], First quarter of FY3/2016: 2,506 million yen [130.4%]

	Net income per share (basic)		Net income per share (diluted)	
	Yen		Yen	
First quarter of FY3/2017	60.74		-	
First quarter of FY3/2016	28.26		-	

(2) Financial position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of June 30, 2016	99,371		45,008		42.8	
As of March 31, 2016	102,357		41,991		39.0	

Reference: Shareholders' equity As of June 30, 2016: 42,539 million yen As of March 31, 2016: 39,961 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 2016	-	3.00	-	4.00	7.00
Fiscal year ended March 2017	-				
Fiscal year ended March 2017 (forecast)		3.50	-	3.50	7.00

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

3. Forecast for the fiscal year ending March 2017 (Consolidated, April 1, 2016 – March 31, 2017)

(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	35,000	(5.8)	1,700	(39.2)	1,900	(38.1)	4,000	107.0	59.07
Full year	75,000	(1.7)	4,500	(17.8)	4,900	(15.2)	5,900	61.7	87.13

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 2 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, 2016: 67,998,590 As of March 31, 2016: 67,998,590
(b) Treasury shares
As of June 30, 2016: 223,210 As of March 31, 2016: 281,010
(c) Average number of shares (quarterly consolidated cumulative period)
Period ended June 30, 2016: 67,719,921 Period ended June 30, 2015: 65,394,593

*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 2017" on page 2.

Reference: Non-consolidated forecast

Forecast for the fiscal year ending March 2017 (Non-consolidated, April 1, 2016 – March 31, 2017)

(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	25,000	(12.8)	500	(63.7)	1,000	(42.1)	800	(25.8)	11.81
Full year	54,000	(9.6)	2,400	(15.1)	3,800	(19.3)	2,800	(26.1)	41.35

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

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1. Consolidated Business Results

(1) Results of Operations

In the first quarter, sales decreased 15.6% from one year earlier to 17,134 million yen because of a decrease in unit sales prices in accordance with the system of adjusting gas tariffs to reflect the cost of gas resources.

Earnings increased mainly because of a decline in sales. Compared with the first quarter of the previous fiscal year, operating income was down 28.0% to 2,026 million yen and, after non-operating income and expenses, ordinary income was down 25.0% to 2,220 million yen. Net income attributable to the parent company was 4,113 million yen, 122.6% higher than one year earlier because booking of extraordinary income due to gain on forgiveness of debts at consolidated subsidiary.

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 99,371 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 cash and deposits.

Liabilities declined 6,002 million compared with the end of the previous fiscal year to 54,363 million yen due to the completion of the repayment of claims provable in rehabilitation by a consolidated subsidiary, a decline in liabilities resulting from forgiveness of debt and other factors

Net assets increased 3,016 million yen to 45,008 million yen mainly because of an increase in retained earnings. As a result, the equity ratio was 42.8% at the end of the first quarter.

(3) Forecast for the Fiscal Year Ending March 2017

There are no revisions to the forecasts announced on May 11, 2016 for the first half and the full fiscal year ending in March 2017.

2. 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 restatement:

(Changes in accounting principles)

In association with revisions to the Corporation Tax Act, Hiroshima Gas has applied Practical Solution on a change in depreciation method due to Tax Reform 2016 (ASBJ Practical Issues Task Force (PITF) Solution No. 32, June 17, 2016) from the first quarter of the current fiscal year. As a result, the depreciation method for building facilities and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method. The application of the revision has no significant effect on earnings.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Million yen)

	As of March 31, 2016	As of June 30, 2016
ASSETS		
Non-current assets		
Property, plant and equipment		
Production facilities	18,321	17,855
Distribution facilities	26,970	27,659
Service and maintenance facilities	4,385	4,154
Other facilities	7,537	7,758
Construction in progress	4,118	3,837
Total property, plant and equipment	61,334	61,265
Intangible assets	879	914
Investments and other assets		
Investment securities	8,939	7,776
Other investments and other assets	8,852	9,221
Allowance for doubtful accounts	(277)	(280)
Total investments and other assets	17,514	16,717
Total non-current assets	79,727	78,896
Current assets		
Cash and deposits	11,093	8,338
Notes and accounts receivable - trade	5,763	4,253
Merchandise and finished goods	680	622
Raw materials and supplies	2,400	3,602
Other current assets	2,700	3,662
Allowance for doubtful accounts	(7)	(5)
Total current assets	22,630	20,475
Total assets	102,357	99,371

	As of March 31, 2016	As of June 30, 2016
LIABILITIES		
Non-current liabilities		
Bonds payable	12,500	12,500
Long-term loans payable	18,074	17,993
Provision for directors' retirement benefits	358	463
Provision for gas holder repairs	385	408
Provision for safety measures	620	590
Provision for appliances warranties	170	166
Net defined benefit liability	5,472	5,328
Asset retirement obligations	108	108
Other non-current liabilities	310	312
Total non-current liabilities	38,000	37,872
Current liabilities		
Current portion of non-current liabilities	6,607	6,618
Notes and accounts payable - trade	5,187	4,085
Short-term loans payable	-	20
Income taxes payable	1,690	398
Other current liabilities	8,880	5,368
Total current liabilities	22,365	16,491
Total liabilities	60,366	54,363
NET ASSETS		
Shareholders' equity		
Capital stock	5,181	5,181
Capital surplus	1,141	1,141
Retained earnings	33,005	36,846
Treasury shares	(121)	(96)
Total shareholders' equity	39,207	43,074
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,326	1,840
Deferred gains or losses on hedges	(12)	(880)
Remeasurements of defined benefit plans	(1,560)	(1,494)
Total accumulated other comprehensive income	753	(534)
Non-controlling interests	2,030	2,468
Total net assets	41,991	45,008
Total liabilities and net assets	102,357	99,371

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

Quarterly consolidated statements of income

(First quarter ended June 2016)

(Million yen)

	First quarter ended June 2015 (Apr. 1, 2015 – June 30, 2015)	First quarter ended June 2016 (Apr. 1, 2016 – June 30, 2016)
Net sales	20,304	17,134
Cost of sales	11,724	9,121
Gross profit	8,580	8,012
Selling, general and administrative expenses	5,764	5,986
Operating income	2,815	2,026
Non-operating income		
Interest income	1	1
Dividends income	74	86
Share of profit of entities accounted for using equity method	133	87
Miscellaneous income	114	162
Total non-operating income	324	337
Non-operating expenses		
Interest expenses	90	64
Miscellaneous expenses	88	79
Total non-operating expenses	178	144
Ordinary income	2,960	2,220
Extraordinary income		
Gain on forgiveness of debts	-	2,105
Total extraordinary income	-	2,105
Income before income taxes and minority interests	2,960	4,326
Income taxes-current	772	253
Income taxes-deferred	253	(150)
Total income taxes	1,025	103
Profit	1,935	4,222
Profit attributable to non-controlling interests	87	109
Profit attributable to owners of parent	1,848	4,113

Quarterly consolidated statements of comprehensive income
 (First quarter ended June 2016)

(Million yen)

	First quarter ended June 2015 (Apr. 1, 2015 – June 30, 2015)	First quarter ended June 2016 (Apr. 1, 2016 – June 30, 2016)
Profit	1,935	4,222
Other comprehensive income		
Valuation difference on available-for-sale securities	520	(486)
Deferred gains or losses on hedges	38	(868)
Remeasurements of defined benefit plans	13	66
Total other comprehensive income	571	(1,288)
Comprehensive income	2,506	2,934
Comprehensive income attributable to owners of parent	2,419	2,825
Comprehensive income attributable to non-controlling interests	87	109