

Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2018 [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: Kensuke Matsufuji
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 Scheduled date of filing of quarterly securities report: August 14, 2017
 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 2018 (April 1, 2017 – June 30, 2017)

(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 FY3/2018	17,408	1.6	1,270	(37.3)	1,453	(34.5)	910	(77.9)
First quarter of FY3/2017	17,134	(15.6)	2,026	(28.0)	2,220	(25.0)	4,113	122.6

Note: Comprehensive income: First quarter of FY3/2018: 1,296 million yen [(55.8)%], First quarter of FY3/2017: 2,934 million yen [17.1%]

	Net income per share (basic)		Net income per share (diluted)	
	Yen		Yen	
First quarter of FY3/2018	13.41		-	
First quarter of FY3/2017	60.74		-	

(2) Financial position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of June 30, 2017	100,840		49,344		46.3	
As of March 31, 2017	102,363		48,345		44.8	

Reference: Shareholders' equity As of June 30, 2017: 46,727 million yen As of March 31, 2017: 45,825 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 2017	-	3.50	-	4.50	8.00
Fiscal year ended March 2018	-				
Fiscal year ended March 2018 (forecast)		4.00	-	4.00	8.00

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

3. Forecast for the fiscal year ending March 2018 (Consolidated, April 1, 2017 – March 31, 2018)

(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
Full year	72,000	2.9	2,800	(26.6)	3,100	(28.1)	2,100	(62.2)	30.94

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 accounting methods specifically for the preparation of the quarterly consolidated financial statements: Yes
- (3) Changes in accounting principles and estimates, and retrospective restatements
- (a) Changes due to revision of accounting standards: None
 - (b) Changes other than in (a): None
 - (c) Changes in accounting estimates: None
 - (d) Retrospective restatements: None
- (4) Number of shares outstanding (common stock)
- (a) Shares outstanding (including treasury shares)

As of June 30, 2017: 67,998,590	As of March 31, 2017: 67,998,590
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 - (b) Treasury shares

As of June 30, 2017: 73,552	As of March 31, 2017: 127,452
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 - (c) Average number of shares (quarterly consolidated cumulative period)

Period ended June 30, 2017: 67,878,769	Period ended June 30, 2016: 67,719,921
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*Quarterly financial results are exempt from quarterly review.

*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 2018" on page 2.

Reference: Non-consolidated forecast

Forecast for the fiscal year ending March 2018 (Non-consolidated, April 1, 2017 – March 31, 2018)

(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
Full year	54,500	3.8	750	(41.6)	2,100	(26.9)	1,600	(24.2)	23.57

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 increased 1.6% from one year earlier to 17,408 million yen.

Earnings increased mainly because of a increase in the cost of gas resources. Compared with the first quarter of the previous fiscal year, operating income was down 37.3% to 1,270 million yen and, after non-operating income and expenses, ordinary income was down 34.5% to 1,453 million yen. Net income attributable to the parent company was 910 million yen, 77.9% less than one year earlier because of extraordinary income recorded in the same quarter last year.

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 100,840 million yen at the end of the first quarter. This was 1,522 million yen less than at the end of the previous fiscal year due to a decrease in notes and accounts receivable and other items.

Liabilities declined 2,521 million compared with the end of the previous fiscal year to 51,496 million yen mainly because of decreases accounts payable.

Net assets increased 998million yen to 49,344 million yen mainly because of an increase in retained earnings. As a result, the equity ratio was 46.3% at the end of the first quarter.

(3) Forecast for the Fiscal Year Ending March 2018

There are no revisions to the forecasts announced on May 12, 2017 for the first half and the full fiscal year ending in March 2018.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Million yen)

	As of March 31, 2017	As of June 30, 2017
ASSETS		
Non-current assets		
Property, plant and equipment		
Production facilities	17,595	17,114
Distribution facilities	29,726	30,408
Service and maintenance facilities	4,313	4,240
Other facilities	8,834	7,820
Construction in progress	2,814	3,340
Total property, plant and equipment	63,284	62,924
Intangible assets	1,023	989
Investments and other assets		
Investment securities	8,782	9,271
Long-term loans receivable	109	100
Deferred tax assets	1,764	1,614
Other investments and other assets	6,131	6,004
Allowance for doubtful accounts	(227)	(227)
Total investments and other assets	16,561	16,763
Total non-current assets	80,869	80,676
Current assets		
Cash and deposits	9,069	7,865
Notes and accounts receivable - trade	5,844	4,522
Merchandise and finished goods	818	694
Raw materials and supplies	3,226	4,216
Deferred tax assets	586	497
Other current assets	1,986	2,380
Allowance for doubtful accounts	(39)	(12)
Total current assets	21,493	20,163
Total assets	102,363	100,840

	As of March 31, 2017	As of June 30, 2017
LIABILITIES		
Non-current liabilities		
Bonds payable	17,500	17,500
Long-term loans payable	15,155	13,066
Provision for directors' retirement benefits	482	403
Provision for gas holder repairs	376	395
Provision for safety measures	555	502
Provision for appliances warranties	182	178
Net defined benefit liability	4,659	4,527
Asset retirement obligations	110	111
Other non-current liabilities	405	455
Total non-current liabilities	39,429	37,140
Current liabilities		
Current portion of non-current liabilities	2,918	4,932
Notes and accounts payable - trade	5,729	4,857
Short-term loans payable	-	50
Income taxes payable	450	418
Commercial papers	500	-
Other current liabilities	4,989	4,097
Total current liabilities	14,588	14,355
Total liabilities	54,017	51,496
NET ASSETS		
Shareholders' equity		
Capital stock	5,181	5,181
Capital surplus	1,141	1,141
Retained earnings	38,181	38,786
Treasury shares	(54)	(31)
Total shareholders' equity	44,449	45,077
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,552	2,869
Deferred gains or losses on hedges	(63)	(171)
Remeasurements of defined benefit plans	(1,113)	(1,048)
Total accumulated other comprehensive income	1,375	1,649
Non-controlling interests	2,520	2,616
Total net assets	48,345	49,344
Total liabilities and net assets	102,363	100,840

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

Quarterly consolidated statements of income

(First quarter ended June 2017)

(Million yen)

	First quarter ended June 2016 (Apr. 1, 2016 – June 30, 2016)	First quarter ended June 2017 (Apr. 1, 2017 – June 30, 2017)
Net sales	17,134	17,408
Cost of sales	9,121	9,992
Gross profit	8,012	7,416
Selling, general and administrative expenses	5,986	6,146
Operating income	2,026	1,270
Non-operating income		
Interest income	1	1
Dividends income	86	90
Share of profit of entities accounted for using equity method	87	68
Miscellaneous income	162	168
Total non-operating income	337	327
Non-operating expenses		
Interest expenses	64	57
Miscellaneous expenses	79	86
Total non-operating expenses	144	144
Ordinary income	2,220	1,453
Extraordinary income		
Gain on forgiveness of debts	2,105	-
Total extraordinary income	2,105	-
Income before income taxes and minority interests	4,326	1,453
Income taxes-current	253	278
Income taxes-deferred	(150)	152
Total income taxes	103	431
Profit	4,222	1,022
Profit attributable to non-controlling interests	109	111
Profit attributable to owners of parent	4,113	910

Quarterly consolidated statements of comprehensive income
 (First quarter ended June 2017)

(Million yen)

	First quarter ended June 2016 (Apr. 1, 2016 – June 30, 2016)	First quarter ended June 2017 (Apr. 1, 2017 – June 30, 2017)
Profit	4,222	1,022
Other comprehensive income		
Valuation difference on available-for-sale securities	(486)	317
Deferred gains or losses on hedges	(868)	(108)
Remeasurements of defined benefit plans	66	65
Total other comprehensive income	(1,288)	274
Comprehensive income	2,934	1,296
Comprehensive income attributable to owners of parent	2,825	1,185
Comprehensive income attributable to non-controlling interests	109	111