

Summary of Consolidated Financial Results for the Second 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
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 Tel: +81-(82) 252-3001
 Scheduled date of filing of quarterly securities report: November 12, 2015
 Scheduled date of commencement of dividend payment: December 1, 2015
 Supplementary materials for quarterly financial report: None
 Information meeting for quarterly financial report: None

(Yen in millions, rounded down)

1. Financial results for the second quarter of the fiscal year ending March 2016 (April 1, 2015 – September 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	%
Second quarter of FY3/2016	37,158	(9.6)	2,795	110.4	3,067	93.3	1,932	150.0
Second quarter of FY3/2015	41,112	8.1	1,328	26.4	1,586	24.3	772	(1.2)

Note: Comprehensive income: Second quarter of FY3/2016: 2,913 million yen [60.6%], Second quarter of FY3/2015: 1,365 million yen [37.5%]

	Net income per share (basic)		Net income per share (diluted)	
	Yen		Yen	
Second quarter of FY3/2016	29.55		-	
Second quarter of FY3/2015	13.04		-	

(2) Financial position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of September 30, 2015	97,529		41,364		40.3	
As of March 31, 2015	99,759		39,237		37.4	

Reference: Shareholders' equity As of September 30, 2015: 39,345 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	-	3.00			
Fiscal year ended March 2016 (forecast)			-	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
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 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 September 30, 2015: 67,998,590 | As of March 31, 2015: 67,998,590 |
|--------------------------------------|----------------------------------|
- (b) Treasury shares
- | | |
|-------------------------------------|---------------------------------|
| As of September 30, 2015: 2,548,478 | As of March 31, 2015: 2,605,711 |
|-------------------------------------|---------------------------------|
- (c) Average number of shares (quarterly consolidated cumulative period)
- | | |
|---|---|
| Period ended September 30, 2015: 65,410,580 | Period ended September 30, 2014: 59,253,484 |
|---|---|

*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
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

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2. Consolidated Business Results

(1) Results of Operations

In the second quarter, sales decreased 9.6% from one year earlier to 37,158 million yen because of a decline 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 decrease in the cost of gas resources in conjunction with the decline in the price of crude oil. Compared with the second quarter of the previous fiscal year, operating income was up 110.4% to 2,795 million yen and, after non-operating income and expenses, ordinary income was up 99.3% to 3,067 million yen. Net income attributable to the parent company was 1,932 million yen, 150.0% 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 97,529 million yen at the end of the second quarter. This was 2,230 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 4,357 million yen to 56,165million yen mainly because of decreases and notes and accounts payable.

Net assets increased 2,126 million yen to 41,364 million yen mainly because of an increase in retained earnings. As a result, the equity ratio was 40.3% at the end of the second quarter.

(3) Forecast for the Fiscal Year Ending March 2016

There are no revisions to the forecasts announced on May 13, 2015 for 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 second 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 September 30, 2015.

4. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Million yen)

	As of March 31, 2015	As of September 30, 2015
ASSETS		
Non-current assets		
Property, plant and equipment		
Production facilities	18,567	17,534
Distribution facilities	26,628	26,521
Service and maintenance facilities	3,898	3,976
Other facilities	7,871	7,682
Construction in progress	3,574	4,265
Total property, plant and equipment	60,541	59,980
Intangible assets	504	687
Investments and other assets		
Investment securities	9,280	9,679
Other investments and other assets	6,775	6,558
Allowance for doubtful accounts	(255)	(255)
Total investments and other assets	15,800	15,982
Total non-current assets	76,846	76,650
Current assets		
Cash and deposits	7,901	8,350
Notes and accounts receivable - trade	7,247	4,787
Merchandise and finished goods	908	676
Raw materials and supplies	4,664	4,996
Other current assets	2,224	2,084
Allowance for doubtful accounts	(33)	(16)
Total current assets	22,912	20,878
Total assets	99,759	97,529

	As of March 31, 2015	As of September 30, 2015
LIABILITIES		
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	21,127	19,641
Provision for directors' retirement benefits	365	350
Provision for gas holder repairs	344	340
Net defined benefit liability	4,276	4,011
Asset retirement obligations	106	107
Other non-current liabilities	225	191
Total non-current liabilities	36,445	34,643
Current liabilities		
Current portion of non-current liabilities	7,044	3,987
Notes and accounts payable - trade	6,023	4,600
Short-term loans payable	1,000	500
Income taxes payable	1,146	1,099
Commercial papers	-	4,000
Other current liabilities	8,862	7,334
Total current liabilities	24,076	21,521
Total liabilities	60,522	56,165
NET ASSETS		
Shareholders' equity		
Capital stock	5,181	5,181
Capital surplus	946	957
Retained earnings	29,632	31,486
Treasury shares	(737)	(721)
Total shareholders' equity	35,023	36,904
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,758	2,827
Deferred gains or losses on hedges	(61)	(32)
Remeasurements of defined benefit plans	(379)	(353)
Total accumulated other comprehensive income	2,317	2,440
Non-controlling interests	1,897	2,019
Total net assets	39,237	41,364
Total liabilities and net assets	99,759	97,529

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

Quarterly consolidated statements of income

(Second quarter ended September 2015)

(Million yen)

	Second quarter ended September 2014 (Apr. 1, 2014 – September 30, 2014)	Second quarter ended September 2015 (Apr. 1, 2015 – September 30, 2015)
Net sales	41,112	37,158
Cost of sales	28,445	22,995
Gross profit	12,677	14,163
Selling, general and administrative expenses	11,338	11,367
Operating income	1,328	2,795
Non-operating income		
Interest income	3	3
Dividends income	71	77
Share of profit of entities accounted for using equity method	124	190
Revenue from CNG sales	139	122
Miscellaneous income	242	151
Total non-operating income	580	546
Non-operating expenses		
Interest expenses	206	176
Miscellaneous expenses	115	97
Total non-operating expenses	322	273
Ordinary income	1586	3,067
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	1,489	3,067
Income taxes-current	506	813
Income taxes-deferred	102	185
Total income taxes	608	998
Profit	881	2,069
Profit attributable to non-controlling interests	108	136
Profit attributable to owners of parent	772	1,932

Quarterly consolidated statements of comprehensive income
(Second quarter ended September 2015)

(Million yen)

	Second quarter ended September 2014 (Apr. 1, 2014 – September 30, 2014)	Second quarter ended September 2015 (Apr. 1, 2015 – September 30, 2015)
Profit	881	2,069
Other comprehensive income		
Valuation difference on available-for-sale securities	465	68
Deferred gains or losses on hedges	(4)	28
Remeasurements of defined benefit plans	22	26
Total other comprehensive income	484	123
Comprehensive income	1,365	2,193
Comprehensive income attributable to owners of parent	1,257	2,056
Comprehensive income attributable to non-controlling interests	108	136