

Summary of Consolidated Financial Results for the Third 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: February 13, 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 third quarter of the fiscal year ending March 2017 (April 1, 2016 – December 31, 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	%
Third quarter of FY3/2017	47,558	(12.8)	1,912	(42.4)	2,197	(39.4)	3,936	67.0
Third quarter of FY3/2016	54,526	(12.0)	3,317	119.2	3,624	94.9	2,357	156.7

Note: Comprehensive income: Third quarter of FY3/2017: 4,817 million yen [171.4%], Third quarter of FY3/2016: 1,775 million yen [15.4%]

	Net income per share (basic)		Net income per share (diluted)	
	Yen		Yen	
Third quarter of FY3/2017	58.08		-	
Third quarter of FY3/2016	36.04		-	

(2) Financial position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of December 31, 2016	102,419		46,801		43.2	
As of March 31, 2016	102,357		41,991		39.0	

Reference: Shareholders' equity As of December 31, 2016: 44,258 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	-	3.50			
Fiscal year ended March 2017 (forecast)			-	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
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 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 December 31, 2016: 67,998,590 | As of March 31, 2016: 67,998,590 |
|-------------------------------------|----------------------------------|
- (b) Treasury shares
- | | |
|----------------------------------|-------------------------------|
| As of December 31, 2016: 148,552 | As of March 31, 2016: 281,010 |
|----------------------------------|-------------------------------|
- (c) Average number of shares (quarterly consolidated cumulative period)
- | | |
|--|--|
| Period ended December 31, 2016: 67,772,377 | Period ended December 31, 2015: 65,425,779 |
|--|--|

*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
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 third quarter, sales decreased 12.8% from one year earlier to 47,558 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 42.4% to 1,912 million yen and, after non-operating income and expenses, ordinary income was down 39.4% to 2,197 million yen. Net income attributable to the parent company was 3,936 million yen, 67.0% 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.

※The subsidiary has been excluded from scope of consolidation from the third quarter.

(2) Financial Condition

Total assets at the end of the third quarter were 102,419 million yen, which is almost comparable to the end of the previous fiscal year.

Liabilities declined 4,748 million compared with the end of the previous fiscal year to 55,618 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 4,810 million yen to 46,801 million yen mainly because of an increase in retained earnings. As a result, the equity ratio was 43.2% at the end of the third quarter.

※The subsidiary has been excluded from scope of consolidation from the third 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 December 31, 2016
ASSETS		
Non-current assets		
Property, plant and equipment		
Production facilities	18,321	17,206
Distribution facilities	26,970	28,028
Service and maintenance facilities	4,385	4,147
Other facilities	7,537	8,465
Construction in progress	4,118	4,247
Total property, plant and equipment	61,334	62,121
Intangible assets	879	939
Investments and other assets		
Investment securities	8,939	8,942
Other investments and other assets	8,852	8,279
Allowance for doubtful accounts	(277)	(264)
Total investments and other assets	17,514	16,957
Total non-current assets	79,727	80,018
Current assets		
Cash and deposits	11,093	8,761
Notes and accounts receivable - trade	5,763	4,736
Merchandise and finished goods	680	657
Raw materials and supplies	2,400	3,064
Other current assets	2,700	5,209
Allowance for doubtful accounts	(7)	(28)
Total current assets	22,630	22,400
Total assets	102,357	102,419

	As of March 31, 2016	As of December 31, 2016
LIABILITIES		
Non-current liabilities		
Bonds payable	12,500	17,500
Long-term loans payable	18,074	15,628
Provision for directors' retirement benefits	358	479
Provision for gas holder repairs	385	356
Provision for safety measures	620	525
Provision for appliances warranties	170	163
Net defined benefit liability	5,472	5,048
Asset retirement obligations	108	109
Other non-current liabilities	310	379
Total non-current liabilities	38,000	40,191
Current liabilities		
Current portion of non-current liabilities	6,607	2,921
Notes and accounts payable - trade	5,187	4,680
Short-term loans payable	-	1,000
Income taxes payable	1,690	443
Commercial papers	-	1,500
Other current liabilities	8,880	4,880
Total current liabilities	22,365	15,426
Total liabilities	60,366	55,618
NET ASSETS		
Shareholders' equity		
Capital stock	5,181	5,181
Capital surplus	1,141	1,141
Retained earnings	33,005	36,573
Treasury shares	(121)	(63)
Total shareholders' equity	39,207	42,833
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,326	2,676
Deferred gains or losses on hedges	(12)	110
Remeasurements of defined benefit plans	(1,560)	(1,362)
Total accumulated other comprehensive income	753	1,425
Non-controlling interests	2,030	2,542
Total net assets	41,991	46,801
Total liabilities and net assets	102,357	102,419

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

Quarterly consolidated statements of income

(Third quarter ended December 2016)

(Million yen)

	Third quarter ended December 2015 (Apr. 1, 2015 – December 31, 2015)	Third quarter ended December 2016 (Apr. 1, 2016 – December 31, 2016)
Net sales	54,526	47,558
Cost of sales	34,111	27,709
Gross profit	20,414	19,848
Selling, general and administrative expenses	17,097	17,936
Operating income	3,317	1,912
Non-operating income		
Interest income	5	4
Dividends income	142	155
Share of profit of entities accounted for using equity method	192	117
Miscellaneous income	358	351
Total non-operating income	699	629
Non-operating expenses		
Interest expenses	252	189
Miscellaneous expenses	140	154
Total non-operating expenses	392	343
Ordinary income	3,624	2,197
Extraordinary income		
Gain on forgiveness of debts	-	2,105
Total extraordinary income	-	2,105
Income before income taxes and minority interests	3,624	4,303
Income taxes-current	742	512
Income taxes-deferred	357	(355)
Total income taxes	1,100	157
Profit	2,524	4,146
Profit attributable to non-controlling interests	166	209
Profit attributable to owners of parent	2,357	3,936

Quarterly consolidated statements of comprehensive income
(Third quarter ended December 2016)

(Million yen)

	Third quarter ended December 2015 (Apr. 1, 2015 – December 31, 2015)	Third quarter ended December 2016 (Apr. 1, 2016 – December 31, 2016)
Profit	2,524	4,146
Other comprehensive income		
Valuation difference on available-for-sale securities	196	350
Deferred gains or losses on hedges	(984)	123
Remeasurements of defined benefit plans	39	198
Total other comprehensive income	(748)	671
Comprehensive income	1,775	4,817
Comprehensive income attributable to owners of parent	1,608	4,608
Comprehensive income attributable to non-controlling interests	166	209