

Summary of Consolidated Financial Results for the Fiscal Year Ended 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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 Regular general meeting of shareholders: June 27, 2017
 Scheduled date of commencement of dividend payment: June 7, 2017
 Scheduled date of filing of securities report: June 28, 2017
 Supplementary materials for financial report: None
 Information meeting for financial report: Yes

(Yen in millions, rounded down)

1. Financial results for the year ended March 2017 (April 1, 2016 – March 31, 2017)**(1) Result of operations (Consolidated)**

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2017	70,002	(8.3)	3,812	(30.4)	4,310	(25.4)	5,560	52.4
Fiscal year ended March 2016	76,303	(14.1)	5,475	33.2	5,775	22.9	3,647	32.8

Note: Comprehensive income: FY ended March 31, 2017: 6,376 million yen [185.7%], FY ended March 31, 2016: 2,231 million yen [(42.8)%],

	Net income per share (basic)	Net income per share (diluted)	Return on Equity	Ratio of ordinary income to assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 2017	82.02	-	13.0	4.2	5.4
Fiscal year ended March 2016	55.75	-	9.4	5.7	7.2

Reference: Equity in earnings of affiliates: FY ended March 31, 2017: 125 million yen FY ended March 31, 2016: 172 million yen

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	102,363	48,345	44.8	675.18
As of March 31, 2016	102,357	41,991	39.0	590.12

Reference: Shareholders' equity: As of March 31, 2017: 45,825 million yen As of March 31, 2016: 39,961 million yen

(3) Cash flow position (Consolidated)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2017	7,263	(8,125)	(1,668)	7,407
Fiscal year ended March 2016	13,950	(9,735)	(1,788)	9,674

2. Dividends

	Dividends per share					Aggregate amount (Annual)	Payout ratio (Consolidated)	Dividends/net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 2016	-	3.00	-	4.00	7.00	468	12.6	1.2
Fiscal year ended March 2017	-	3.50	-	4.50	8.00	543	9.8	1.3
Fiscal year ending March 2018 (Forecast)	-	4.00	-	4.00	8.00		25.9	

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 the 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

* **Notes**

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation):

None

(2) Changes in accounting principles and estimates, and retrospective restatement

- (a) Changes due to revision of accounting standards: Yes
- (b) Changes other than in (a): None
- (c) Changes in accounting estimates: None
- (d) Retrospective restatement: None

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of March 31, 2017: 67,998,590 shares

As of March 31, 2016: 67,998,590 shares

(b) Treasury shares

As of March 31, 2017: 127,452 shares

As of March 31, 2016: 281,010 shares

(c) Average number of shares outstanding during the year

Period ended March 31, 2017: 67,793,261 shares

Period ended March 31, 2016: 65,433,091 shares

Reference: Non-consolidated Financial Results

Financial results for the year ended March 2017 (April 1, 2016 – March 31, 2017)

(1) Result of operations (Non-consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2017	52,505	(12.1)	1,284	(54.5)	2,874	(39.0)
Fiscal year ended March 2016	59,763	(15.1)	2,826	(0.8)	4,709	31.7

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	%	Yen	Yen
Fiscal year ended March 2017	2,110	(44.3)	31.14	-
Fiscal year ended March 2016	3,789	69.8	57.92	-

(2) Financial Position (Non-consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	81,175	32,421	39.9	477.69
As of March 31, 2016	82,561	30,646	37.1	452.56

Notes: Shareholders' equity As of March 31, 2017: 32,421 million yen As of March 31, 2016: 30,646 million yen

(3) 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

* This report is exempt from the audit procedure

* Cautionary statement regarding forecasts of operating results and special notes

The forward-looking statements contained in this report are based on information currently available to the Company and certain assumptions which are regarded as legitimate. These statements are not promises by the Company regarding future performance.

Actual results may differ significantly from these forecasts due to various factors. For information about the forecasts, please see "(3) Forecast for the fiscal year ending in March 2017 on page p8.

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Results of Operations

(1) Analysis of results of operations

During the fiscal year that ended in March 2017, the Japanese economy recovered slowly along with an upturn in corporate earnings and jobs. However, concerns about upcoming policies of the new Trump administration in the United States, the effects of Brexit, the economic outlook in Asian emerging countries and other events are creating increasing uncertainty about overseas economies. Effects of volatility in financial and capital markets are another source of concern. As a result, the economic outlook remained unclear during the fiscal year.

In Japan's energy industry, the liberalization of retail sales of electric power started in April 2016 and the liberalization of retail sales of gas started in April 2017. The result is an increasing number of new competitors in the gas and electricity markets, including gas and electric utilities entering each other's markets. Due to this liberalization and other events, Japan's gas industry is entering a period of dramatic changes in the operating environment.

Given this background to the industry at present, the Hiroshima gas group, as a regional supplier of energy, the Hiroshima Gas Group has redoubled its efforts and remained steadfast in its determination to earn the trust of shareholders, customers and the public of the region in which it operates in order to remain an organization that people choose over others.

In the fiscal year that ended in March 2017, sales decreased 8.3% to 70,002 million yen mainly because of a decrease in unit sales prices in accordance with the system of adjusting gas tariffs to reflect the cost of gas resources. Operating income was decreased 30.4% to 3,812 million yen as a result of a large-scale decline in gas resource costs deriving from lower crude oil prices. After non-operating income and expenses, ordinary income decreased 25.4% to 4,310 million yen. Profit attributable to owners of parent increased 52.4% to 5,560 million yen because of extraordinary income associated with the elimination of liabilities of a consolidated subsidiary.

Note: This consolidated subsidiary was no longer included in the consolidated financial statements starting in April 2016.

	FY3/2016	FY3/2017	Amount change	% change	Non-consolidated	Ratio of consolidated to parent
Net sales	76,303	70,002	(6,300)	(8.3)	52,505	1.33
Cost of sales	46,195	41,182	(5,012)	(10.9)	31,258	-
Selling, general and administrative expenses	24,631	25,007	375	1.5	19,962	-
Operating income	5,475	3,812	(1,663)	(30.4)	1,284	2.97
Ordinary income	5,775	4,310	(1,465)	(25.4)	2,874	1.50
Profit attributable to owners of the parent	3,647	5,560	1,912	52.4	2,110	2.63

Crude Oil Price and Foreign Exchange Rate

	Unit	FY3/2016	FY3/2017	Change (%)
Crude oil price (ICP/JCC)*	USD/bbl	49	48	(1)
Foreign exchange rate (TTM)	Yen/USD	120	108	(12)

(a) Segment summary

(i) Gas business

The city gas business accounts for most of the sales and earnings of this segment.

At the end of fiscal year that ended in March 2017, despite extensive sales activities, the number of customers was 409,881, up 1,391 from one year earlier.

The city gas sales volume increased 2.4% to 494 million m³.

In the residential sector, sales volume decreased 0.9% to 99 million m³ mainly because air and water temperatures were high.

In the business sector (commercial, government/medical and industrial), sales volume was up 5.0% to 338 million m³ mainly because of a incline in sales volume to high-volume customers.

In the wholesale sector, a decline in sales volume to current wholesale buyers of gas caused the sales volume to decrease 5.9% to 56 million m³.

As a result of the developments itemized above, segment sales for the gas business decreased 12.0% to 54,396 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 and other factors. On the other hand, segment operating income decreased 31.3% to 2,984 million yen as a result of a large-scale decline in gas resource costs deriving from lower crude oil prices.

Note: In this document, all gas sales volume figures use the conversion rate of 45 megajoules per cubic meter.

City Gas Business

	Unit	FY3/2016	FY3/2017	Change	% change		
Customers	houses	408,490	409,881	1,391	0.3		
Market penetration	%	65.2	64.8	(0.4)	-		
Sales volume	Residential	100	99	(0)	(0.9)		
	Business	Commercial	million m ³	43	44	0	1.9
		Gov't and medical	million m ³	36	38	2	5.8
		industrial	million m ³	242	255	13	5.4
		million m ³	322	338	16	5.0	
	Wholesale and other	million m ³	60	56	(3)	(5.9)	
	Total	million m ³	483	494	11	2.4	
Avg. monthly sales volume per residential customer	m ³	23.5	23.2	(0.2)	(1.2)		
Average air temperature	°C	16.7	17.1	0.4	-		
Average water temperature	°C	15.1	15.2	0.1	-		

(ii) LPG business

In the liquefied petroleum gas (LPG) business, sales decreased 2.7% to 13,433 million yen due to lower unit selling prices for LPG, segment operating income was decreased 2.7% to 592 million yen.

(iii) Others

Others consists of activities that are not included in reportable business segments. Major businesses are construction, information distribution and senior services. Due mainly to reduction of construction works, sales increased 72.0% to 6,400 million yen, segment operating income was 173 million yen.

Summary by Segment

(Million yen, upper row: year-on-year change)

	Gas	LPG	Others	Adjustment	Consolidated
Sales	(12.0%) 54,396	(2.7%) 13,433	72.0% 6,400	(4,227)	(8.3%) 70,002
Operating income	(31.3%) 2,984	(2.7%) 592	- 173	60	(30.4%) 3,812

(2) Analysis of financial condition

(Assets and net assets)

Total assets were 102,363 million yen at the end of March 2017.

A decrease in debt was the main reason for a decrease of 6,348 million yen in liabilities to 54,017 million yen.

Net assets increased 6,353 million yen to 48,345 million yen. The primary reason was an increase in retained earnings.

As a result, the equity was 5.8% up to 44.8% at the end of the fiscal year.

(Million yen, upper row: year-on-year change)

	FY3/2016	FY3/2017	Change
Total assets	102,357	102,363	5
Total liabilities	60,366	54,017	(6,348)
Total current assets	41,991	48,345	6,353

(3) Analysis of financial cash flows

There was a net decrease of 2,267 million yen in cash and cash equivalents during the fiscal year to 7,407 million yen as of March 31, 2017.

(Operating activities)

Net cash provided by operating activities decreased 6,686 million yen to 7,263 million yen. The primary cause was the increase in inventory.

(Investing activities)

Net cash used in investing activities increased 1,610 million yen to (8,125) million yen mainly because of a decrease in the purchase of long-term prepaid expenses.

(Financing activities)

Net cash used in financing activities was 1,668 million yen, almost flat compared with the previous fiscal year.

(Million yen)

	FY3/2016	FY3/2017	Change
Cash flows from operating activities	13,950	7,263	(6,686)
Cash flows from investing activities	(9,735)	(8,125)	1,610
Cash flows from financing activities	(1,788)	(1,668)	120
Effect of exchange rate change on cash and cash equivalents	8	(13)	(21)
Net increase (decrease) in cash and cash equivalents	2,434	(2,544)	(4,978)
Increase in cash and cash equivalents from newly consolidated subsidiary and from merger with unconsolidated subsidiaries	400	277	(123)
Cash and cash equivalents at end of period	9,674	7,407	(2,267)
Interest-bearing liabilities at end of period	37,350	36,310	(1,040)

(reference) Performance indicators associated with cash flows

	FY3/2013	FY3/2014	FY3/2015	FY3/2016	FY3/2017
Equity ratio	35.8%	34.7%	37.4%	39.0%	44.8%
Market cap equity ratio	19.1%	17.9%	27.3%	25.4%	24.1%
Cash flow/Interest-bearing liabilities	2.6yrs	5.7yrs	3.9yrs	2.7yrs	5.0yrs
Interest coverage ratio	25.0x	16.4x	24.6x	42.7x	29.3x

Notes: Equity ratio is shareholders' equity divided by total assets.

Market cap equity ratio is market capitalization divided by total assets.

Cash flow/debt ratio is interest-bearing liabilities divided by cash flows.

Interest coverage ratio is cash flows divided by interest expenses.

*1 All figures are based on consolidated financial data.

*2 Market capitalization is calculated based on the number of shares issued after deducting treasury shares.

*3 Cash flows are operating cash flows in the consolidated statements of cash flows.

*4 Interest-bearing liabilities is the sum of all interest-bearing liabilities on the consolidated balance sheets.

(4)Forecast for the fiscal year ending in March 2017

In the fiscal year ending in March 2018, the outlook is for a 1.4% increase in city gas sales to 501 million cubic meters and an increase in sales prices resulting from a gas resource cost adjustment. As a result, the consolidated sales forecast is 72,000 million yen, 2.9% higher than in the previous fiscal year. The cost of materials is expected to increase because of the higher cost of crude oil. Earnings are therefore expected to decline, with decreases of 26.6% in operating income to 2,800 million yen, 28.1% in ordinary income to 3,100 million yen and 62.2% in profit attributable to owners of parent to 2,100 million yen.

The economic framework for our assumptions envisages a crude oil price (JCC) of \$55/bbl and an exchange rate of 115 yen to the US dollar.

Moreover, in fiscal 2017, we forecast capital expenditures of 8400 million yen on a consolidated basis, up 1.6% year on year. This spending is slated for the continued expansion and the further enhancement of the stability of the supply function of our natural gas distribution network, the development of gas trunk lines, and also for the replacement of aging main and distribution pipelines.

(Million yen)

	FY3/2017 [Actual]	FY3/2018 [Forecast]	Change		Ratio of consolidated to parent
			Amount	%	
Net sales	70,002	72,000	1,997	2.9	1.32
Operating income	3,812	2,800	(1,012)	(26.6)	3.73
Ordinary income	4,310	3,100	(1,210)	(28.1)	1.48
Profit attributable to owners of parent	5,560	2,100	(3,460)	(62.2)	1.31

(Reference) Non-consolidated

(Million yen)

	FY3/2017 [Actual]	FY3/2018 [Forecast]	Change	
			Amount	%
Net sales	52,505	54,500	1,994	3.8
Operating income	1,284	750	(534)	(41.6)
Ordinary income	2,874	2,100	(774)	(26.9)
Net income	2,110	1,600	(510)	(24.2)

Assumptions

	Unit	FY3/2017 [Actual]	FY3/2018 [Forecast]	Change
City gas sales volume	million m ³	494	501	7
Crude oil price (ICP/JCC)*	USD/bbl	48	55	7
Foreign exchange rate (TTM)	Yen/USD	108	115	7

* Starting in the fiscal year ending in March 2016, the basis of the crude oil price assumption has been changed from ICP to JCC (Japan Crude Cocktail, which is the weighted monthly average CIF price for all crude oil imported by Japan).

Capital expenditure

(Million yen)

	FY3/2017 [Actual]	FY3/2018 [Forecast]	Change	
			Amount	%
Consolidated	8,267	8,400	132	1.6
Non-consolidated	7,341	8,100	758	10.3

(5) Fundamental policy for allocation of earnings and dividends for the current fiscal year and next fiscal year

Hiroshima Gas considers redistribution of profits to its shareholders to be one of the most important management issues. The Group has maintained stable dividends while strengthening its financial position and business foundation. Our basic policy is to maintain stable dividends while rigorously pursuing management efficiency and conducting aggressive marketing activities. Our policy is also to pay a dividend that reflects growth in sales and earnings while taking into account the need for capital expenditures and financial soundness for growth in the future, the medium to long-term outlook for earnings, and other factors.

In accordance with the basic policy for paying a stable and continuous dividend, the goal is a dividend payout ratio of at least 30%, excluding short-term changes in earnings. Retained earnings will be used for capital expenditures involving the gas production and supply infrastructure and other facilities.

In accordance with the basic policy, the company pays twice a year as interim dividend and year-end dividend.

After considering results of operations in the fiscal year that ended in March 2017, the business climate and all other applicable factors, the Board of Directors approved a resolution on May 12, 2017 to pay a fiscal year-end dividend of 4.5 yen per share. With the interim dividend of 3.5 yen, this resulted in a dividend of 8 yen per share applicable to the fiscal year.

For the fiscal year ending in March 2018, Hiroshima Gas plans to pay an ordinary dividend of 8 yen per share.

2. Corporate Group

In the fiscal year that ended in March 2017, the scope of consolidation changed because of the inclusion of the Hiroshima Gas Hokubu Hanbai Corporation as a consolidated subsidiary because of its increased importance to the Group.

(Hiroshima Gas Development Co., Ltd. is no longer included in the consolidated financial statements due to the completion of the liquidation of this company.)

Since, with the exclusion of the above-mentioned change, there have been no other significant changes made to the scope of consolidation since the publication of the last securities report, the disclosure of diagram showing the composition of the Hiroshima Gas Group has been omitted.

3. Basic Perspective on Selection of Accounting Standards

Hiroshima Gas plans to continue using Japanese accounting standards in order to facilitate comparisons with the consolidated financial statements of other companies. We will continue to consider the use of International Financial Reporting Standards (IFRS) mainly by monitoring events involving IFRS in Japan and other countries.

1. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2016	As of March 31, 2017
ASSETS		
Non-current assets		
Property, plant and equipment		
Production facilities	18,321	17,595
Distribution facilities	26,970	29,726
Service and maintenance facilities	4,385	4,313
Other facilities	7,537	8,834
Construction in progress	4,118	2,814
Total property, plant and equipment	61,334	63,284
Intangible assets	879	1,023
Investments and other assets		
Investment securities	8,939	8,782
Long-term loans receivable	337	109
Deferred tax assets	2,128	1,764
Other investments and other assets	6,386	6,131
Allowance for doubtful accounts	(277)	(227)
Total investments and other assets	17,514	16,561
Total non-current assets	79,727	80,869
Current assets		
Cash and deposits	11,093	9,069
Notes and accounts receivable - trade	5,763	5,844
Merchandise and finished goods	680	818
Raw materials and supplies	2,400	3,226
Deferred tax assets	650	586
Other current assets	2,049	1,986
Allowance for doubtful accounts	(7)	(39)
Total current assets	22,630	21,493
Total assets	102,357	102,363

(Million yen)

	As of March 31, 2016	As of March 31, 2017
LIABILITIES		
Non-current liabilities		
Bonds payable	12,500	17,500
Long-term loans payable	18,074	15,155
Provision for directors' retirement benefits	358	482
Provision for gas holder repairs	385	376
Provision for safety measures	620	555
Provision for appliances warranties	170	182
Net defined benefit liability	5,472	4,659
Asset retirement obligations	108	110
Other non-current liabilities	310	405
Total non-current liabilities	38,000	39,429
Current liabilities		
Current portion of non-current liabilities	6,607	2,918
Notes and accounts payable - trade	5,187	5,729
Income taxes payable	1,690	450
Commercial papers	-	500
Other current liabilities	8,880	4,989
Total current liabilities	22,365	14,588
Total liabilities	60,366	54,017
NET ASSETS		
Shareholders' equity		
Capital stock	5,181	5,181
Capital surplus	1,141	1,141
Retained earnings	33,005	38,181
Treasury shares	(121)	(54)
Total shareholders' equity	39,207	44,449
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,326	2,552
Deferred gains or losses on hedges	(12)	(63)
Remeasurements of defined benefit plans	(1,560)	(1,113)
Total accumulated other comprehensive income	753	1,375
Non-controlling interests	2,030	2,520
Total net assets	41,991	48,345
Total liabilities and net assets	102,357	102,363

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

(Million yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	76,303	70,002
Cost of sales	46,195	41,182
Gross profit	30,107	28,819
Selling, general and administrative expenses		
Supply and sales expenses	18,771	19,149
General and administrative expenses	5,860	5,857
Total selling, general and administrative expenses	24,631	25,007
Operating income	5,475	3,812
Non-operating income		
Interest income	7	6
Dividend income	156	168
Share of profit of entities accounted for using equity method	172	125
Revenue from CNG sales	219	159
Miscellaneous income	283	356
Total non-operating income	839	815
Non-operating expenses		
Interest expenses	324	248
Miscellaneous expenses	215	69
Total non-operating expenses	540	317
Ordinary income	5,775	4,310
Extraordinary losses		
Gain on forgiveness of debts	-	2,105
Income before income taxes and minority interests	5,775	6,415
Income taxes - current	2,067	553
Income taxes - deferred	(87)	107
Total income taxes	1,980	661
Net income	3,795	5,754
Profit attributable to non-controlling interests	147	193
Profit attributable to owners of the parent	3,647	5,560

Consolidated statements of comprehensive income

(Million yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net income	3,795	5,754
Other comprehensive income		
Valuation difference on available-for-sale securities	(432)	226
Deferred gains or losses on hedges	49	(51)
Remeasurements of defined benefit plans	(1,180)	447
Total other comprehensive income	(1,563)	622
Comprehensive income	2,231	6,376
Comprehensive income attributable to owners of parent	2,084	6,182
Comprehensive income attributable to non-controlling interests	147	194

Consolidated statement of changes in net assets
Previous fiscal year (Apr. 1, 2015 –Mar. 31, 2016)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	5,181	946	29,632	(737)	35,023
Changes of items during the period					
Dividends from surplus			(523)		(523)
Profit attributable to owners of the parent			3,647		3,647
Purchase of treasury shares				(129)	(129)
Disposal of treasury shares		195		746	941
Change of scope of consolidation			248		248
Increase (decrease) resulting from merger of subsidiaries and unconsolidated subsidiaries					-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	195	3,372	616	4,184
Balance at the end of current period	5,181	1,141	33,005	(121)	39,207

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	2,758	(61)	(379)	2,317	1,897	39,237
Changes of items during the period						
Dividends from surplus						(523)
Profit attributable to owners of the parent						3,647
Purchase of treasury shares						(129)
Disposal of treasury shares						941
Change of scope of consolidation						248
Increase (decrease) resulting from merger of subsidiaries and unconsolidated subsidiaries						-
Net changes of items other than shareholders' equity	(432)	49	(1,180)	(1,563)	133	(1,430)
Total changes of items during the period	(432)	49	(1,180)	(1,563)	133	2,754
Balance at the end of current period	2,326	(12)	(1,560)	753	2,030	41,991

Current fiscal year (Apr. 1, 2016 –Mar. 31, 2017)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	5,181	1,141	33,005	(121)	39,207
Changes of items during the period					
Dividends from surplus			(509)		(509)
Profit attributable to owners of the parent			5,560		5,560
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				66	66
Change of scope of consolidation			214		214
Increase (decrease) resulting from merger of subsidiaries and unconsolidated subsidiaries			(89)		(89)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	5,175	66	5,242
Balance at the end of current period	5,181	1,141	38,181	(54)	44,449

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	2,326	(12)	(1,560)	753	2,030	41,991
Changes of items during the period						
Dividends from surplus						(509)
Profit attributable to owners of the parent						5,560
Purchase of treasury shares						(0)
Disposal of treasury shares						66
Change of scope of consolidation						214
Increase (decrease) resulting from merger of subsidiaries and unconsolidated subsidiaries						(89)
Net changes of items other than shareholders' equity	226	(51)	447	621	490	1,111
Total changes of items during the period	226	(51)	447	621	490	6,353
Balance at the end of current period	2,552	(63)	(1,113)	1,375	2,520	48,345

(3) Consolidated statements of cash flows

(Million yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Income before income taxes	5,775	6,415
Depreciation	7,091	6,858
Increase (decrease) in net defined benefit liability	(448)	(194)
Increase (decrease) in allowance for doubtful accounts	(4)	(19)
Interest and dividend income	(164)	(175)
Interest expenses	324	248
Gain on forgiveness of debts	-	(2,105)
Share of (profit) loss of entities accounted for using equity method	(172)	(125)
Decrease (increase) in notes and accounts receivable - trade	1,484	29
Decrease (increase) in inventories	2,535	(910)
Increase (decrease) in notes and accounts payable - trade	(836)	247
Increase (decrease) in accrued consumption taxes	224	(523)
Other, net	(318)	921
Subtotal	15,491	10,666
Interest and dividend income received	176	182
Interest expenses paid	(330)	(250)
Repayments of rehabilitation debt of subsidiaries	-	(769)
Income taxes paid	(1,386)	(2,564)
Cash flows from operating activities	13,950	7,263
Cash flows from investing activities		
Purchase of investment securities	(0)	(2)
Proceeds from sales of investment securities	-	0
Purchase of shares of subsidiaries	(108)	-
Purchase of property, plant and equipment	(8,008)	(8,069)
Proceeds from sales of property, plant and equipment	28	176
Payments of loans receivable	-	(7)
Collection of loans receivable	6	16
Purchase of long-term prepaid expenses	(1,657)	(162)
Other, net	5	(77)
Cash flows from investing activities	(9,735)	(8,125)

(Million yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from investing activities		
Net increase (decrease) in short-term loans payable	(1,000)	-
Increase (decrease) in commercial papers	-	500
Proceeds from long-term loans payable	2,130	-
Repayments of long-term loans payable	(5,138)	(4,128)
Proceeds from issuance of bonds	4,970	4,969
Redemption of bonds	(3,000)	(2,500)
Purchase of treasury shares	(129)	(0)
Proceeds from sales of treasury shares	937	66
Cash dividends paid	(523)	(509)
Cash dividends paid to non-controlling shareholders	(14)	(16)
Other, net	(21)	(48)
Cash flows from investing activities	(1,788)	(1,668)
Effect of exchange rate change on cash and cash equivalents	8	(13)
Net increase (decrease) in cash and cash equivalents	2,434	(2,544)
Cash and cash equivalents at beginning of period	6,840	9,674
Increase in cash and cash equivalents from newly consolidated subsidiary and from merger with unconsolidated subsidiaries	400	277
Cash and cash equivalents at end of period	9,674	7,407