

Summary of Consolidated Financial Results for the Third 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
 Contact Person: Title: Executive Officer and Manager of General Affair Department Name: Hirofumi Ikegami
 Tel: +81-(82) 252-3001
 Scheduled date of filing of quarterly securities report: February 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 third quarter of the fiscal year ending March 2016 (April 1, 2015 – December 31, 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	%
Third quarter of FY3/2016	54,526	(12.0)	3,317	119.2	3,624	94.9	2,357	156.7
Third quarter of FY3/2015	61,943	7.0	1,513	73.8	1,859	55.1	918	31.2

Note: Comprehensive income: Third quarter of FY3/2016: 1,775 million yen [15.4%], Third quarter of FY3/2015: 1,538 million yen [41.8%]

	Net income per share (basic)		Net income per share (diluted)	
	Yen		Yen	
Third quarter of FY3/2016	36.04		-	
Third quarter of FY3/2015	15.49		-	

(2) Financial position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of December 31, 2015	99,464		40,755		38.9	
As of March 31, 2015	99,759		39,237		37.4	

Reference: Shareholders' equity As of December 31, 2015: 38,706 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	77,000	(13.3)	5,600	36.2	6,000	27.7	4,000	45.6	61.10

Note: Change in the forecast from the latest announcement: Yes

* 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 4 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 4 of other information
- (4) Number of shares outstanding (common stock)
- (a) Shares outstanding (including treasury shares)
- | | |
|-------------------------------------|----------------------------------|
| As of December 31, 2015: 67,998,590 | As of March 31, 2015: 67,998,590 |
|-------------------------------------|----------------------------------|
- (b) Treasury shares
- | | |
|------------------------------------|---------------------------------|
| As of December 31, 2015: 2,536,910 | As of March 31, 2015: 2,605,711 |
|------------------------------------|---------------------------------|
- (c) Average number of shares (quarterly consolidated cumulative period)
- | | |
|--|--|
| Period ended December 31, 2015: 65,425,779 | Period ended December 31, 2014: 59,274,844 |
|--|--|

*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 3.

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	60,000	(14.7)	3,100	8.8	4,800	34.2	3,900	74.8	59.58

Note: Change in the forecast from the latest announcement: Yes

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2. Consolidated Business Results

(1) Results of Operations

In the third quarter, sales decreased 12.0% from one year earlier to 54,526 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 119.2% to 3,317 million yen and, after non-operating income and expenses, ordinary income was up 94.9% to 3,624 million yen. Net income attributable to the parent company was 2,357 million yen, 156.7% 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 99,464 million yen at the end of the third quarter. This was 294 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 1,812 million yen to 58,709 million yen mainly because of decreases in debt.

Net assets increased 1,518 million yen to 40,755 million yen mainly because of an increase in retained earnings. As a result, the equity ratio was 38.9% at the end of the third quarter.

(3) Forecast for the Fiscal year Ending March 2016

Hiroshima Gas has revised the consolidated forecast that was announced on May 13, 2015 to reflect results of operations in the current fiscal year.

The sales forecast has been reduced because of lower unit sales prices in the gas business the LPG business of a subsidiary caused by the lower than expected price of crude oil. The forecasts for operating income, ordinary income and net income attributable to the parent company have been increased because of the large decline in the cost of gas resources.

The non-consolidated forecast has been affected by the reasons for the consolidated forecast revision as well as by the effects of the confirmation of a business restructuring plan for a subsidiary that was announced on October 19, 2010. All unconfirmed restructuring debt of former consolidated subsidiary Hiroshima Gas Kaihatsu Co., Ltd., which declared bankruptcy, has been finalized. As the amount of debt repayments to Hiroshima Gas and other creditors has been determined, Hiroshima Gas plans to use part of the allowance for doubtful accounts that had been established for Hiroshima Gas Kaihatsu debt and to record a deferred tax asset. These actions will have no effect on the consolidated financial statements.

Revisions to the consolidated and non-consolidated forecasts that were announced on May 13, 2015 are as follows.

Forecast for the consolidated results of FY2015 (April 1, 2015–March 31 2016)

	Net sales (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income attributable to the parent company (million yen)	Net income per share (yen)
Previous projection (A)	83,000	4,400	4,800	3,100	47.41
New projection (B)	77,000	5,600	6,000	4,000	61.10
Change (B-A)	(6,000)	1,200	1,200	900	-
Percentage change	(7.2)	27.3	25.0	29.0	-
Fiscal year ended March 31, 2015	88,851	4,111	4,699	2,746	46.32

Forecast for the non-consolidated results of FY2015 (April 1, 2015–March 31 2016)

	Net sales (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per share (yen)
Previous projection (A)	64,000	2,300	3,600	2,400	36.70
New projection (B)	60,000	3,100	4,800	3,900	59.58
Change (B-A)	(4,000)	800	1,200	1,500	-
Percentage change	(6.3)	34.8	33.3	62.5	-
Fiscal year ended March 31, 2015	70,380	2,849	3,575	2,231	37.63

(Reference)

	Price of crude oil (JCC) (Note)	Foreign exchange rate (TTM)
Assumptions for revised forecast (fiscal year)	\$51/bbl (outlook starting in January \$40/bbl)	¥121/\$ (outlook starting in January ¥120/\$)
Assumptions for previous forecast (fiscal year)	\$65/bbl	¥120/\$

(Note)

Japan Crude Cocktail (JCC) is the weighted monthly average CIF price for all crude oil imported by Japan.

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 third 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 December 31, 2015.

4. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Million yen)

	As of March 31, 2015	As of December 31, 2015
ASSETS		
Non-current assets		
Property, plant and equipment		
Production facilities	18,567	17,022
Distribution facilities	26,628	26,588
Service and maintenance facilities	3,898	4,107
Other facilities	7,871	7,548
Construction in progress	3,574	4,732
Total property, plant and equipment	60,541	59,999
Intangible assets	504	740
Investments and other assets		
Investment securities	9,280	9,863
Other investments and other assets	6,775	6,467
Allowance for doubtful accounts	(255)	(243)
Total investments and other assets	15,800	16,087
Total non-current assets	76,846	76,827
Current assets		
Cash and deposits	7,901	9,180
Notes and accounts receivable - trade	7,247	5,071
Merchandise and finished goods	908	769
Raw materials and supplies	4,664	4,715
Other current assets	2,224	2,915
Allowance for doubtful accounts	(33)	(14)
Total current assets	22,912	22,637
Total assets	99,759	99,464

	As of March 31, 2015	As of December 31, 2015
LIABILITIES		
Non-current liabilities		
Bonds payable	10,000	7,500
Long-term loans payable	21,127	18,060
Provision for directors' retirement benefits	365	353
Provision for gas holder repairs	344	362
Net defined benefit liability	4,276	3,880
Asset retirement obligations	106	107
Other non-current liabilities	225	291
Total non-current liabilities	36,445	30,557
Current liabilities		
Current portion of non-current liabilities	7,044	6,500
Notes and accounts payable - trade	6,023	6,409
Short-term loans payable	1,000	-
Income taxes payable	1,146	337
Commercial papers	-	6,000
Other current liabilities	8,862	8,904
Total current liabilities	24,076	28,152
Total liabilities	60,522	58,709
NET ASSETS		
Shareholders' equity		
Capital stock	5,181	5,181
Capital surplus	946	959
Retained earnings	29,632	31,715
Treasury shares	(737)	(718)
Total shareholders' equity	35,023	37,138
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,758	2,955
Deferred gains or losses on hedges	(61)	(1,046)
Remeasurements of defined benefit plans	(379)	(340)
Total accumulated other comprehensive income	2,317	1,568
Non-controlling interests	1,897	2,049
Total net assets	39,237	40,755
Total liabilities and net assets	99,759	99,464

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

Quarterly consolidated statements of income

(Third quarter ended December 2015)

(Million yen)

	Third quarter ended September 2014 (Apr. 1, 2014 – December 31, 2014)	Third quarter ended September 2015 (Apr. 1, 2015 – December 31, 2015)
Net sales	61,943	54,526
Cost of sales	43,363	34,111
Gross profit	18,580	20,414
Selling, general and administrative expenses	17,067	17,097
Operating income	1,513	3,317
Non-operating income		
Interest income	5	5
Dividends income	129	142
Share of profit of entities accounted for using equity method	122	192
Revenue from CNG sales	209	174
Miscellaneous income	332	184
Total non-operating income	800	699
Non-operating expenses		
Interest expenses	309	252
Miscellaneous expenses	144	140
Total non-operating expenses	454	392
Ordinary income	1,859	3,624
Extraordinary losses		
Loss on sales of non-current assets	37	-
Special contribution relating to withdrawal of employees' pension fund	68	-
Total extraordinary loss	106	-
Income before income taxes and minority interests	1,753	3,624
Income taxes-current	442	742
Income taxes-deferred	293	357
Total income taxes	735	1,100
Profit	1,018	2,524
Profit attributable to non-controlling interests	99	166
Profit attributable to owners of parent	918	2,357

Quarterly consolidated statements of comprehensive income
(Third quarter ended December 2015)

(Million yen)

	Third quarter ended December 2014 (Apr. 1, 2014 – December 31, 2014)	Third quarter ended December 2015 (Apr. 1, 2015 – December 31, 2015)
Profit	1,018	2,524
Other comprehensive income		
Valuation difference on available-for-sale securities	552	196
Deferred gains or losses on hedges	(66)	(984)
Remeasurements of defined benefit plans	34	39
Total other comprehensive income	519	(748)
Comprehensive income	1,538	1,775
Comprehensive income attributable to owners of parent	1,438	1,608
Comprehensive income attributable to non-controlling interests	99	166