

Summary of Consolidated Financial Results for the Second 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
 Contact Person: Title: Executive Officer and Manager of General Affair Department Name: Hirofumi Ikegami
 Tel: +81-(82) 252-3000
 Scheduled date of filing of quarterly securities report: November 14, 2016
 Scheduled date of commencement of dividend payment: December 1, 2016
 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 2017 (April 1, 2016 – September 30, 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	%
Second quarter of FY3/2017	31,823	(14.4)	2,072	(25.9)	2,306	(24.8)	4,141	114.3
Second quarter of FY3/2016	37,158	(9.6)	2,795	110.4	3,067	93.3	1,932	150.0

Note: Comprehensive income: Second quarter of FY3/2017: 3,544 million yen [61.6%], Second quarter of FY3/2016: 2,193 million yen [60.6%]

	Net income per share (basic)		Net income per share (diluted)	
	Yen		Yen	
Second quarter of FY3/2017	61.13		-	
Second quarter of FY3/2016	29.55		-	

(2) Financial position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of September 30, 2016	99,297		45,630		43.4	
As of March 31, 2016	102,357		41,991		39.0	

Reference: Shareholders' equity As of September 30, 2016: 43,072 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 September 30, 2016: 67,998,590 | As of March 31, 2016: 67,998,590 |
|--------------------------------------|----------------------------------|
- (b) Treasury shares
- | | |
|-----------------------------------|-------------------------------|
| As of September 30, 2016: 198,210 | As of March 31, 2016: 281,010 |
|-----------------------------------|-------------------------------|
- (c) Average number of shares (quarterly consolidated cumulative period)
- | | |
|---|---|
| Period ended September 30, 2016: 67,749,179 | Period ended September 30, 2015: 65,410,580 |
|---|---|

*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

Index for Supplementary Information

1.	Consolidated Business Results	2
	(1) Results of Operations	2
	(2) Financial Condition	2
	(3) Forecast for the Fiscal Year Ending March 2017	2
2.	Summary Information (notes)	3
	(1) Changes in significant subsidiaries	3
	(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements	3
	(3) Changes in accounting principles and estimates, and retrospective restatements	3
3.	Quarterly Consolidated Financial Statements	4
	(1) Quarterly consolidated balance sheets	4
	(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income	6
	Quarterly consolidated statements of income	6
	Quarterly consolidated statements of comprehensive income	7

1. Consolidated Business Results

(1) Results of Operations

In the second quarter, sales decreased 14.4% from one year earlier to 31,823 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 25.9% to 2,072 million yen and, after non-operating income and expenses, ordinary income was down 24.8% to 2,306 million yen. Net income attributable to the parent company was 4,141 million yen, 114.3% 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.

(2) Financial Condition

Total assets were 99,297 million yen at the end of the second quarter. This was 3,060 million yen less than at the end of the previous fiscal year due to a decrease cash and deposits.

Liabilities declined 6,699 million compared with the end of the previous fiscal year to 53,667 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 3,638 million yen to 45,630 million yen mainly because of an increase in retained earnings. As a result, the equity ratio was 43.4% at the end of the second 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 September 30, 2016
ASSETS		
Non-current assets		
Property, plant and equipment		
Production facilities	18,321	17,558
Distribution facilities	26,970	27,680
Service and maintenance facilities	4,385	4,146
Other facilities	7,537	7,661
Construction in progress	4,118	4,788
Total property, plant and equipment	61,334	61,835
Intangible assets	879	935
Investments and other assets		
Investment securities	8,939	8,133
Other investments and other assets	8,852	8,647
Allowance for doubtful accounts	(277)	(280)
Total investments and other assets	17,514	16,500
Total non-current assets	79,727	79,271
Current assets		
Cash and deposits	11,093	7,569
Notes and accounts receivable - trade	5,763	3,857
Merchandise and finished goods	680	528
Raw materials and supplies	2,400	3,886
Other current assets	2,700	4,208
Allowance for doubtful accounts	(7)	(24)
Total current assets	22,630	20,025
Total assets	102,357	99,297

	As of March 31, 2016	As of September 30, 2016
LIABILITIES		
Non-current liabilities		
Bonds payable	12,500	12,500
Long-term loans payable	18,074	15,719
Provision for directors' retirement benefits	358	471
Provision for gas holder repairs	385	429
Provision for safety measures	620	560
Provision for appliances warranties	170	163
Net defined benefit liability	5,472	5,191
Asset retirement obligations	108	109
Other non-current liabilities	310	363
Total non-current liabilities	38,000	35,509
Current liabilities		
Current portion of non-current liabilities	6,607	7,412
Notes and accounts payable - trade	5,187	4,000
Short-term loans payable	-	30
Income taxes payable	1,690	616
Commercial papers	-	500
Other current liabilities	8,880	5,598
Total current liabilities	22,365	18,158
Total liabilities	60,366	53,667
NET ASSETS		
Shareholders' equity		
Capital stock	5,181	5,181
Capital surplus	1,141	1,141
Retained earnings	33,005	36,875
Treasury shares	(121)	(85)
Total shareholders' equity	39,207	43,113
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,326	2,086
Deferred gains or losses on hedges	(12)	(699)
Remeasurements of defined benefit plans	(1,560)	(1,428)
Total accumulated other comprehensive income	753	(40)
Non-controlling interests	2,030	2,557
Total net assets	41,991	45,630
Total liabilities and net assets	102,357	99,297

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

Quarterly consolidated statements of income

(First quarter ended September 2016)

(Million yen)

	Second quarter ended September 2015 (Apr. 1, 2015 – September 30, 2015)	Second quarter ended September 2016 (Apr. 1, 2016 – September 30, 2016)
Net sales	37,158	31,823
Cost of sales	22,995	17,864
Gross profit	14,163	13,959
Selling, general and administrative expenses	11,367	11,887
Operating income	2,795	2,072
Non-operating income		
Interest income	3	3
Dividends income	77	88
Share of profit of entities accounted for using equity method	190	98
Miscellaneous income	273	273
Total non-operating income	546	464
Non-operating expenses		
Interest expenses	176	128
Miscellaneous expenses	97	100
Total non-operating expenses	273	229
Ordinary income	3,067	2,306
Extraordinary income		
Gain on forgiveness of debts	-	2,105
Total extraordinary income	-	2,105
Income before income taxes and minority interests	3,067	4,412
Income taxes-current	813	348
Income taxes-deferred	185	(275)
Total income taxes	998	72
Profit	2,069	4,339
Profit attributable to non-controlling interests	136	197
Profit attributable to owners of parent	1,932	4,141

Quarterly consolidated statements of comprehensive income
(Second quarter ended September 2016)

(Million yen)

	Second quarter ended September 2015 (Apr. 1, 2015 – September 30, 2015)	Second quarter ended September 2016 (Apr. 1, 2016 – September 30, 2016)
Profit	1,935	4,222
Other comprehensive income		
Valuation difference on available-for-sale securities	520	(486)
Deferred gains or losses on hedges	38	(868)
Remeasurements of defined benefit plans	13	66
Total other comprehensive income	571	(1,288)
Comprehensive income	2,506	2,934
Comprehensive income attributable to owners of parent	2,419	2,825
Comprehensive income attributable to non-controlling interests	87	109