

# Flash Report for the First Quarter of 2013 [Japan GAAP] (Consolidated)

May 9, 2013

Name: SHIZUOKAGAS CO., LTD. Stock Exchange: TSE (1st section)

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Date of dividend payment: —

Preparation of supplemental explanatory materials: No

Holding of quarterly results briefing session: No

## 1. Consolidated Business Results for the First Quarter (January 1 through March 31, 2013)

(Amounts under one million yen are omitted; YoY % change)

### (1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first quarter	¥38,367	(2.5)%	¥2,238	(47.1)%	¥2,277	(46.4)%
Previous first quarter	39,333	22.9	4,228	37.7	4,250	39.3

Note: Total comprehensive income (¥ million) Reporting first quarter:¥2,175((29.2)%) Previous first quarter:¥3,071(78.2%)

	Net income (¥ million)		Net income per share (¥)
Reporting first quarter	¥ 958	(59.5)%	¥13.11
Previous first quarter	2,370	47.7	32.41

### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
Reporting first quarter	¥111,576	¥60,301	47.8%
Previous full term	113,429	59,521	45.7

Note: Owners' equity (¥ million)

Reporting first quarter:	¥53,337
Previous full term:	¥51,781

## 2. Dividend Payment

	Annual dividend per share (¥)				
	Q1	Q2	Q3	Term-end	Total
Fiscal 2012	—	¥4.50	—	¥4.50	¥9.00
Fiscal 2013	—	/	/	/	/
Fiscal 2013 (forecast)	/	¥4.50	—	¥4.50	¥9.00

Note: Revision of previously announced dividend forecasts: Not applicable

## 3. Consolidated Business Forecasts for Current Term (January 1 through December 31, 2013)

(Amounts under one million yen are omitted; YoY % change)

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)		Earnings per share (¥)
Half term	¥ 77,450	4.2%	¥4,060	(22.5)%	¥4,210	(21.4)%	¥2,260	(21.8)%	¥30.89
Full term	154,900	7.3	6,400	(19.4)	6,670	(18.0)	3,690	(9.5)	50.45

Note: Revision of previously announced forecasts: Not applicable

## ※Notes

(1) Major changes in subsidiaries: None

Note: Transfer of specified subsidiaries during the reporting first quarter resulting in changes in the scope of consolidation

(2) Simplified accounting and special accounting methods for quarterly financial reporting: Applicable

(Please refer to the section “2. Other Information” on P3)

(3) Changes in accounting policies, estimates, or retrospective restatements

a) Changes in accounting policies due to revisions of accounting standards: Applicable

b) Other: None

c) Changes in accounting estimates: Applicable

d) Retrospective restatements: None

(Beginning with the first quarter, depreciation and amortization methods have been changed and these changes are applicable to “Accounting policy changes that are difficult to distinguish from changes to accounting estimates”.

For details, please refer to, “2. Other Information (2) Changes in accounting policies, estimates, or retrospective restatements”) on P3

(4) Number of issued shares (ordinary shares)

a) Number of shares issued at end of the period (including shares in treasury)

Reporting first quarter: 76,192,950

Previous full term: 76,192,950

b) Number of treasury shares at end of the period

Reporting first quarter: 3,052,798

Previous full term: 3,052,798

c) Average number of shares outstanding during the term

Reporting first quarter: 73,140,152

Previous first quarter: 73,140,962

### **Presentation of quarterly review procedure status**

This quarterly earnings report is exempt from quarterly review procedures based on the Financial Instruments and Exchange Act. Thus, at the time that these quarterly financial statements were disclosed, review procedures for them were completed based on the Financial Instruments and Exchange Act.

Note: The preceding earnings forecasts are based on information available as of the date of the publication of this document. Actual earnings may differ from forecasts due to various factors occurring in the future. For details, please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance (3) Qualitative Information regarding Consolidated Business Forecasts” on P3.

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Qualitative Information regarding Consolidated Operating Results

Gas sales for the first quarter of the current fiscal year (January through March 2013) amounted to ¥32,913 million, a 3.7% year-on-year decrease, due to a decrease in gas sales volumes. Consolidated net sales as a whole, including LPG/Other Energy Services net sales and Other Business net sales, reached ¥38,367 million, a decrease of 2.5% year-on-year. Operating income decreased 47.1% year-on-year to ¥2,238 million due to the impact of a time lag in the gas rate adjustment system, and ordinary income amounted to ¥2,277 million, a year-on-year decrease of 46.4%. Likewise, net income decreased 59.5% year-on-year reaching ¥958 million.

### (2) Qualitative Information regarding Consolidated Financial Position

Total assets as of the end of the first quarter of the current fiscal year decreased by ¥1,853 million compared to the last day of the fiscal year ended on December 31, 2012 (“prior fiscal year end”), amounting to ¥111,576 million. Non-current assets increased due to an increase in the estimated value of investment securities influenced by the market conditions. On the other hand, current assets decreased due to a decrease in raw materials, which was caused by the decreased volume of inventories subject to change by the timing of the receipt of raw materials.

Although accounts payable increased due to an increase in the value of LNG, liabilities decreased ¥2,633 million compared to the prior fiscal year end to ¥51,274 million as a result of a decrease in short-term loans payable.

Net assets increased ¥780 million compared to the prior fiscal year end to ¥60,301 million due to an increase in retained earnings as a result of recording quarterly net profits. Company equity ratio was 47.8%.

### (3) Qualitative Information regarding Consolidated Business Forecasts

There are no revisions to the full year (January 1, 2013 to December 31, 2013) consolidated business forecasts announced on February 8, 2013.

## 2. Other Information

### (1) Application of special accounting methods in the preparation of the quarterly consolidated statement of income.

Calculation of tax expenses

Tax expense was calculated by multiplying the estimated effective tax rate by quarterly income before income taxes and minority interest (cumulative period). We made a rational estimate of the effective tax rate after applying tax-effect accounting to income before income taxes and minority interest for the consolidated fiscal year (including the first quarter of the current consolidated fiscal year).

### (2) Changes in accounting policies, estimates, or retrospective restatements

Accounting policy changes that are difficult to distinguish from changes to accounting estimates

As the result of revisions to the Corporate Tax Act, beginning with first quarter of the current consolidated fiscal year Shizuoka Gas and consolidated subsidiaries have changed to depreciation methods outlined in the revised Corporate Tax Act for property, plants, and equipment acquired after January 1, 2013. As a result, compared to the previous method, operating income, ordinary income, and income before income taxes and minority interests all increased by ¥12 million for the first quarter of the current consolidated fiscal year.

## Consolidated Balance Sheets

	Millions of yen	
	December 31, 2012	March 31, 2013
<b>Assets</b>		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	¥ 21,668	¥ 20,915
Distribution facilities	29,302	28,866
Service and maintenance facilities	4,045	6,147
Other facilities	4,239	4,216
Construction in progress	9,590	8,839
Total property, plant and equipment	68,845	68,984
Intangible assets	1,884	1,702
Investments and other assets –		
Investment securities	7,201	8,561
Long-term loans receivable	7,078	7,379
Deferred tax assets	800	451
Other investments and other assets	1,106	1,152
Allowance for doubtful accounts	(209)	(218)
Total investments and other assets	15,977	17,326
Total noncurrent assets	86,707	88,014
Current assets:		
Cash and deposits	497	553
Notes and accounts receivable – trade	11,685	11,836
Merchandise and finished goods	362	374
Raw materials and supplies	9,476	8,406
Deferred tax assets	632	655
Other current assets	4,126	1,788
Allowance for doubtful accounts	(57)	(52)
Total current assets	26,722	23,562
Total assets	¥113,429	¥111,576

*Note: Amounts under one million yen are omitted.*

	Millions of yen	
	December 31, 2012	March 31, 2013
<b>Liabilities</b>		
Noncurrent liabilities:		
Long-term loans payable	¥ 22,304	¥ 22,547
Deferred tax liabilities	19	84
Provision for retirement benefits	2,648	2,588
Provision for gas holder repairs	94	94
Negative goodwill	256	197
Other noncurrent liabilities	463	462
<b>Total noncurrent liabilities</b>	<b>25,786</b>	<b>25,976</b>
Current liabilities:		
Current portion of noncurrent liabilities	7,272	9,173
Accounts payable – trade	7,946	9,150
Short-term loans payable	6,156	478
Accounts payable – other	2,011	2,012
Income taxes payable	1,896	985
Provision for bonuses	446	1,006
Other current liabilities	2,392	2,491
<b>Total current liabilities</b>	<b>28,121</b>	<b>25,298</b>
<b>Total liabilities</b>	<b>53,907</b>	<b>51,274</b>
<b>Net assets</b>		
Shareholders' equity:		
Capital stock	6,279	6,279
Capital surplus	4,589	4,589
Retained earnings	40,235	40,864
Treasury stock	(1,551)	(1,551)
<b>Total shareholders' equity</b>	<b>49,552</b>	<b>50,181</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,228	3,186
Deferred gains or losses on hedges	—	(30)
<b>Total accumulated other comprehensive income</b>	<b>2,228</b>	<b>3,156</b>
Minority interests	7,740	6,964
<b>Total net assets</b>	<b>59,521</b>	<b>60,301</b>
<b>Total liabilities and net assets</b>	<b>¥113,429</b>	<b>¥111,576</b>

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Income

First quarter ended March 31	Millions of yen	
	2012	2013
Net sales	¥39,333	<b>¥38,367</b>
Cost of sales	29,176	<b>30,168</b>
Gross profit	10,157	<b>8,199</b>
Selling, general and administrative expenses	5,928	<b>5,960</b>
Operating income	4,228	<b>2,238</b>
Non-operating income:		
Interest income	34	<b>43</b>
Dividends income	1	<b>2</b>
Amortization of negative goodwill	58	<b>58</b>
Miscellaneous income	70	<b>55</b>
Total non-operating income	165	<b>160</b>
Non-operating expenses:		
Interest expenses	136	<b>120</b>
Miscellaneous expenses	7	<b>1</b>
Total non-operating expenses	143	<b>121</b>
Ordinary income	4,250	<b>2,277</b>
Extraordinary loss:		
Loss on sales of noncurrent assets	—	<b>56</b>
Total extraordinary losses	—	<b>56</b>
Income before income taxes and minority interests	4,250	<b>2,220</b>
Income taxes	1,652	<b>975</b>
Income before minority interests	2,598	<b>1,245</b>
Minority interests in income	227	<b>286</b>
Net income	¥ 2,370	<b>¥ 958</b>

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Comprehensive Income

First quarter ended March 31	Millions of yen	
	2012	2013
Income before minority interests	¥2,598	¥1,245
Other comprehensive income		
Valuation difference on available-for-sale securities	480	960
Deferred gains or losses on hedges	(7)	(30)
Total other comprehensive income	473	930
Comprehensive income	3,071	2,175
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,842	1,886
Comprehensive income attributable to minority interests	¥ 228	¥ 288

*Note: Amounts under one million yen are omitted.*

## Segment Information

Information related to net sales and profit and loss amounts by reporting segment

(Amounts under one million yen are omitted.)

First quarter ended March 31, 2012							Millions of yen
	Reporting segment			Other businesses (Note1)	Total	Adjustments (Note2)	Amount recorded on consolidated statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Outside customers	34,007	3,289	37,297	2,036	39,333	—	39,333
Inter-segment	180	101	281	874	1,155	(1,155)	—
Total	34,188	3,390	37,579	2,910	40,489	(1,155)	39,333
Operating income	4,568	380	4,949	22	4,971	(742)	4,228

Notes :

1. The "Other businesses" classification consists of businesses not defined as reporting segments, and include construction of facilities/gas piping installations and gas appliance sales, remodeling, and leasing.
2. The (¥742) million in segment income adjustments includes ¥61 million in eliminations of inter-segment transactions and (¥804) million of corporate expenses not allocated to the respective reporting segments. Corporate expenses are general and administrative expenses not attributable to reporting segments.
3. The segment income is adjusted to reflect operating income as recorded on our quarterly consolidated statements of income.

First quarter ended March 31, 2013							Millions of yen
	Reporting segment			Other businesses (Note1)	Total	Adjustments (Note2)	Amount recorded on consolidated statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Outside customers	32,735	3,403	36,138	2,228	38,367	—	38,367
Inter-segment	178	109	287	947	1,235	(1,235)	—
Total	32,913	3,512	36,426	3,176	39,602	(1,235)	38,367
Operating income	2,715	279	2,995	90	3,086	(847)	2,238

Notes :

1. The "Other businesses" classification consists of businesses not defined as reporting segments, and include construction of facilities/gas piping installations and gas appliance sales, remodeling, and leasing.
2. The (¥847) million in segment income adjustments includes ¥58 million in eliminations of inter-segment transactions and (¥906) million of corporate expenses not allocated to the respective reporting segments. Corporate expenses are general and administrative expenses not attributable to reporting segments.
3. The segment income is adjusted to reflect operating income as recorded on our quarterly consolidated statements of income.