

Flash Report for the First Three Quarters of 2014 [Japan GAAP] (Consolidated)

November 6, 2014

Company Name: SHIZUOKAGAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)
 Code Number: 9543 URL: http://ir.shizuokagas.co.jp/corp_en/Top.html
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Date for presentation of the quarterly report: November 10, 2014

Date of dividend payment: —

Preparation of supplemental explanatory materials: No

Holding of quarterly results briefing session: No

1. Consolidated Business Results for the First Three Quarters (January 1 through September 30, 2014)

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

(1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first three quarters	124,826	10.1%	5,339	8.5%	5,667	10.2%
Previous first three quarters	113,328	4.6	4,923	(28.0)	5,141	(26.2)

Note: Total comprehensive income (¥ million)

Reporting first three quarters: 4,028((16.2)%) Previous first three quarters: 4,808(4.1%)

	Net income (¥ million)		Net income per share (¥)	Diluted net income per share (¥)
Reporting first three quarters	3,215	27.7%	43.61	43.59
Previous first three quarters	2,518	(31.7)	34.42	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
Reporting first three quarters	119,935	66,985	49.8
Previous full term	115,746	64,691	49.4

Note: Owners' equity (¥ million)

Reporting first three quarters: 59,724
 Previous full term: 57,152

2. Dividend Payment

	Annual dividend per share (¥)				
	Q1	Q2	Q3	Term-end	Total
Fiscal 2013	—	5.00	—	5.00	10.00
Fiscal 2014	—	5.00	—	/	/
Fiscal 2014 (forecast)	/	/	/	5.00	10.00

Note: Revision of previously announced dividend forecasts: None

3. Consolidated Business Forecasts for Current Term (January 1 through December 31, 2014)

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

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)		Net income per share (¥)
Full term	167,940	9.4%	5,610	(7.8)%	5,800	(10.0)%	2,950	(24.1)%	40.01

Note: Revision of previously announced forecasts: Yes

※Notes

(1) Major changes in subsidiaries: None

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

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

(Please refer to the section “2. Other Information” on P4)

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

a) Changes in accounting policies due to revisions of accounting standards: None

b) Other: None

c) Changes in accounting estimates: None

d) Retrospective restatements: None

(4) Number of issued shares (ordinary shares)

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

Reporting first three quarters: 76,192,950

Previous full term: 76,192,950

b) Number of treasury shares at end of the period

Reporting first three quarters: 2,463,963

Previous full term: 2,463,938

c) Average number of shares outstanding during the term

Reporting first three quarters: 73,728,988

Previous first three quarters: 73,140,006

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.

Disclaimer

The preceding earnings forecasts are based on information available as of the date of the publication of this document and assumptions deemed rational and do not constitute any guarantee that such results will be achieved. Actual earnings may differ from forecasts due to various factors occurring in the future.

In consideration of our recent business performance, we have revised our full-year business forecasts for the current term ending December 31, 2014, which was released on August 6, 2014. For further 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 three quarters of the current fiscal year (January through September 2014) amounted to ¥108,999 million, a 10.5% year-on-year increase, due to upward adjustment in the unit gas sales price under the gas rate adjustment system. Consolidated net sales as a whole, including LPG/Other Energy Services net sales and Other Business net sales, reached ¥124,826 million, an increase of 10.1% year-on-year.

Although the cost of sales increased due to an increase in the price of raw materials, the increase in net sales exceeded such cost. As a result, operating income amounted to ¥5,339 million, a 8.5% year-on-year increase, and ordinary income amounted to ¥5,667 million, an increase of 10.2% year-on-year. Likewise, net income amounted to ¥3,215 million, a 27.7% year-on-year increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of the end of the first three quarters of the current fiscal year increased by ¥4,188 million compared to the last day of the fiscal year ended on December 31, 2013 (“prior fiscal year end”), amounting to ¥119,935 million. This was because while continued progress was made in the depreciation of existing assets, an increase in raw materials due to the timing of the receipt of raw materials and investments related to the Shizuhama Trunkline resulted in an increase in assets.

Although long-term loans decreased, there was an increase in short-term loans due to operating capital requirements, resulting in a ¥1,894 million increase in liabilities compared to the prior fiscal year end to ¥52,949 million.

Net assets increased ¥2,294 million compared to the prior fiscal year end to ¥66,985 million due to an increase in retained earnings as a result of recording quarterly net profits. The company equity ratio was 49.8%.

(3) Qualitative Information Regarding Consolidated Business Forecasts

The full year business forecasts have been revised due mainly to revisions in crude oil prices and exchange rate projections from the fourth quarter, and considerations for the consolidated results of the first three quarters under review. As a result, these forecasts call for net sales of ¥167,940 million, operating income of ¥5,610 million, ordinary income of ¥5,800 million and net income of ¥2,950 million.

(Reference) Crude Oil Price/Exchange Rate Projections

Crude oil prices (JAPAN CIF)	Previous Forecast	\$113/bbl (Q4)
	Revised Forecast	\$95/bbl (Q4)
Exchange rate	Previous Forecast	¥102/\$ (Q4)
	Revised Forecast	¥109/\$ (Q4)

2. Other Information

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 (cumulative period). A rational estimate was made of the effective tax rate after applying tax-effect accounting to income before income taxes for the consolidated fiscal year (including the first three quarters of the current consolidated fiscal year).

Consolidated Balance Sheets

	Millions of yen	
	December 31, 2013	September 30, 2014
Assets		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	¥ 18,700	¥ 16,534
Distribution facilities	28,632	38,423
Service and maintenance facilities	5,760	5,689
Other facilities	4,137	4,389
Construction in progress	10,429	269
Total property, plant and equipment	67,659	65,307
Intangible assets	1,640	1,438
Investments and other assets –		
Investment securities	9,727	10,086
Long-term loans receivable	7,528	8,584
Deferred tax assets	464	433
Other investments and other assets	1,179	1,916
Allowance for doubtful accounts	(193)	(138)
Total investments and other assets	18,706	20,881
Total noncurrent assets	88,006	87,627
Current assets:		
Cash and deposits	526	594
Notes and accounts receivable-trade	13,113	13,566
Merchandise and finished goods	426	403
Raw materials and supplies	10,236	15,275
Deferred tax assets	647	634
Other current assets	2,844	1,875
Allowance for doubtful accounts	(53)	(42)
Total current assets	27,740	32,307
Total assets	¥115,746	¥119,935

Note: Amounts under one million yen are omitted.

Millions of yen

December 31, 2013 September 30, 2014

Liabilities

Noncurrent liabilities:

Long-term loans payable	¥ 19,613	¥ 17,422
Deferred tax liabilities	839	965
Provision for retirement benefits	2,431	2,079
Provision for gas holder repairs	94	—
Negative goodwill	21	—
Other noncurrent liabilities	297	219
Total noncurrent liabilities	23,298	20,686

Current liabilities:

Current portion of noncurrent liabilities	6,364	6,259
Accounts payable-trade	9,535	9,592
Short-term loans payable	4,710	10,607
Accounts payable-other	2,542	1,849
Income taxes payable	1,687	1,123
Deferred tax liabilities	—	6
Provision for bonuses	454	1,036
Other current liabilities	2,462	1,786
Total current liabilities	27,756	32,262
Total liabilities	51,055	52,949

Net assets

Shareholders' equity:

Capital stock	6,279	6,279
Capital surplus	4,626	4,626
Retained earnings	43,420	45,899
Treasury stock	(1,252)	(1,252)
Total shareholders' equity	53,074	55,553

Accumulated other comprehensive income:

Valuation difference on available-for-sale securities	4,071	4,171
Deferred gains or losses on hedges	6	—
Total accumulated other comprehensive income	4,077	4,171

Subscription rights to shares

— 34

Minority interests

7,539 7,226

Total net assets	64,691	66,985
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Total liabilities and net assets	¥115,746	¥119,935
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Note: Amounts under one million yen are omitted.

Consolidated Statements of Income

First three quarters ended September 30	Millions of yen	
	2013	2014
Net sales	¥113,328	¥124,826
Cost of sales	90,216	99,759
Gross profit	23,111	25,066
Selling, general and administrative expenses	18,187	19,726
Operating income	4,923	5,339
Non-operating income:		
Interest income	132	119
Dividends income	86	91
Amortization of negative goodwill	176	21
Share of profit of entities accounted for using equity method	—	170
Miscellaneous income	201	217
Total non-operating income	596	619
Non-operating expenses:		
Interest expenses	361	279
Miscellaneous expenses	16	11
Total non-operating expenses	378	291
Ordinary income	5,141	5,667
Extraordinary loss:		
Loss on sales of noncurrent assets	71	—
Impairment loss	314	—
Total extraordinary losses	385	—
Income before income taxes and minority interests	4,755	5,667
Income taxes	1,548	1,733
Income before minority interests	3,207	3,934
Minority interests in income	689	718
Net income	¥ 2,518	¥ 3,215

Note: Amounts under one million yen are omitted.

Consolidated Statements of Comprehensive Income

First three quarters ended September 30	Millions of yen	
	2013	2014
Income before minority interests	¥3,207	¥3,934
Other comprehensive income		
Valuation difference on available-for-sale securities	1,611	100
Deferred gains or losses on hedges	(10)	(6)
Total other comprehensive income	1,601	93
Comprehensive income	4,808	4,028
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,113	3,309
Comprehensive income attributable to minority interests	¥ 694	¥ 718

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 three quarters ended September 30, 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	98,060	8,867	106,928	6,399	113,328	—	113,328
Inter-segment	582	244	826	2,904	3,731	(3,731)	—
Total	98,642	9,112	107,754	9,304	117,059	(3,731)	113,328
Segment income	6,885	402	7,287	127	7,415	(2,491)	4,923

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 (¥2,491) million in segment income adjustments includes ¥185 million in eliminations of inter-segment transactions and (¥2,677) 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 three quarters ended September 30, 2014							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	108,066	9,743	117,810	7,015	124,826	—	124,826
Inter-segment	932	314	1,247	3,484	4,732	(4,732)	—
Total	108,999	10,058	119,057	10,500	129,558	(4,732)	124,826
Segment income	6,990	459	7,449	288	7,738	(2,398)	5,339

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 (¥2,398) million in segment income adjustments includes ¥191 million in eliminations of inter-segment transactions and (¥2,590) 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.