

Flash Report for the First Quarter of 2015 [Japan GAAP] (Consolidated)

May 12, 2015

Company Name: SHIZUOKA GAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)
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Date for presentation of the quarterly report: May 14, 2015

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, 2015)

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

(1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first quarter	45,150	1.7%	4,456	73.1%	4,403	86.0%
Previous first quarter	44,390	15.7	2,573	15.0	2,367	4.0

Note: Total comprehensive income (¥ million)

Reporting first quarter: 3,757(307.5%) Previous first quarter: 922((57.6)%)

	Net income (¥ million)		Net income per share (¥)	Diluted net income per share (¥)
Reporting first quarter	2,765	134.6%	37.50	37.47
Previous first quarter	1,178	22.9	15.98	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
Reporting first quarter	118,962	67,865	51.4
Previous full term	117,926	67,284	50.7

Note: Owners' equity (¥ million)

Reporting first quarter: 61,192
 Previous full term: 59,818

2. Dividend Payment

	Annual dividend per share (¥)				
	1Q	2Q	3Q	Term-end	Total
FY 2014	—	5.00	—	5.00	10.00
FY 2015	—	/	/	/	/
FY 2015 (forecast)	/	6.00	—	6.00	12.00

Note: Revision of previously announced dividend forecasts: No

3. Consolidated Business Forecasts for Current Term (January 1 through December 31, 2015)

(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 (¥)
Half term	83,730	(2.0)%	8,700	98.6%	8,520	78.0%	5,420	88.1%	73.51
Full term	151,960	(8.8)%	9,960	73.1%	10,290	71.6%	6,630	127.9%	89.92

Note: Revision of previously announced business forecasts: No

※Notes

(1) Major changes in subsidiaries: No

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: 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: Yes

b) Other: No

c) Changes in accounting estimates: No

d) Retrospective restatements: No

(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: 2,464,038

Previous full term: 2,464,038

c) Average number of shares outstanding during the term

Reporting first quarter: 73,728,912

Previous first quarter: 73,728,992

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. Actual earnings may differ from forecasts due to various factors occurring in the future. 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 quarter of the current fiscal year (January through March 2015) amounted to ¥45,150 million, a 1.7% year-on-year increase, due to upward adjustment in the unit gas sales price under the gas rate adjustment system and an increase in gas sales volume.

At the same time, due to such factors as a decrease in the price of raw materials, operating income amounted to ¥4,456 million, a 73.1% year-on-year increase, and ordinary income amounted to ¥4,403 million, an increase of 86.0% year-on-year. Likewise, net income amounted to ¥2,765 million, a 134.6% year-on-year increase.

Performance in each segment was as follows:

Note that the segment performance numbers below include internal transactions between segments.

1. Gas

The gas sales volume reached 358 million m³, a 3.5% year-on-year increase due primarily to an increase in wholesale volume.

Gas net sales amounted to ¥39,820 million, an increase of 5.4% year-on-year and segment income (operating income) amounted to ¥4,703 million, a 64.7% year-on-year increase, due to upward adjustment in the unit gas sales price under the gas rate adjustment system and an increase in gas sales volume.

2. LPG and Other Energy Services

Net sales declined 19.4% year-on-year to ¥3,329 million due to a decline in the unit gas sales price in LPG sales. Meanwhile, the cost of sales also decreased due mainly to lower raw materials prices, segment income (operating income) amounted to ¥376 million, a 34.8% year-on-year increase.

3. Other Businesses

Net sales declined 16.1% year-on-year to ¥3,275 million due to a decrease in the sales of gas appliances and orders for construction related to gas business, and segment income (operating income) declined 33.5% year-on-year to ¥147 million.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets at the end of the first quarter of the current fiscal year increased by ¥1,036 million compared to December 31, 2014 (hereinafter “end of the previous fiscal year”), amounting to ¥118,962 million. This was because while accounts receivable-trade decreased and continued process was made in the depreciation of existing assets, an increase in accounts receivable - other due to the timing of payment for raw materials cost.

Although long-term loans decreased, there was an increase in liabilities for retirement benefits associated with the application of the “Accounting Standard for Retirement Benefits”, liabilities increased by ¥455 million compared to the end of the previous fiscal year, amounting to ¥51,097 million.

Net assets increased by ¥580 million compared to the end of the previous fiscal year to ¥67,865 million due primarily to an increase in retained earnings as a result of recording of quarterly net income. The company equity ratio was 51.4%.

(3) Qualitative Information Regarding Consolidated Business Forecasts

The full year (January 1, 2015 to December 31, 2015) consolidated business forecasts released on February 6, 2015 remain unchanged.

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. 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 or estimates and retrospective restatements

Changes in accounting policies

Application of Accounting Standard for Retirement Benefits

The “Accounting Standard for Retirement Benefits” (Corporate Accounting Standard No. 26 of May 17, 2012; hereinafter “Retirement Benefit Accounting Standard”) and “Guidance on Accounting Standard for Retirement Benefits” (Corporate Accounting Standard Application Guideline No. 25 of May 17, 2012; hereinafter “Retirement Benefit Application Guidance”) have been applied as of the first quarter of the current consolidated accounting period in accordance with Paragraph 35 of the Retirement Benefit Accounting Standard and Paragraph 67 of the Retirement Benefit Application Guidance. The method of calculating projected benefit obligation and service cost has been reviewed, and the attribution method for projected benefit obligation has been changed from a point basis to a benefit formula basis. At the same time, the method for determining the discount rate has been changed from a discount rate corresponding to the employee’s average remaining service years to a single weighted average discount rate reflecting the amount for the projected retirement benefit payment period and each projected payment period.

With regards to application of the Retirement Benefit Accounting Standard, we comply with progressive handling as set forth in paragraph 37 of the Retirement Benefit Accounting Standard, at the beginning of the first quarter of the current consolidated accounting period, retained earnings have been adjusted according to the amount of financial impact associated with the change in the method of calculating projected benefit obligation and service cost.

As a result, retained earnings at the beginning of the first quarter of the current consolidated accounting period have been decreased by ¥1,710 million. Additionally, the impact on operating income, ordinary income and net income before tax and other adjustments for the first quarter of the current consolidated accounting period is minor.

Consolidated Balance Sheets

	Millions of yen	
	December 31, 2014	March 31, 2015
Assets		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	15,850	15,211
Distribution facilities	38,378	38,013
Service and maintenance facilities	5,604	5,520
Other facilities	4,290	4,318
Construction in progress	359	563
Total property, plant and equipment	64,483	63,627
Intangible assets	1,374	1,300
Investments and other assets –		
Investment securities	10,199	10,831
Long-term loans receivable	8,535	8,486
Deferred tax assets	454	430
Other investments and other assets	1,553	1,566
Allowance for doubtful accounts	(129)	(134)
Total investments and other assets	20,614	21,179
Total noncurrent assets	86,471	86,107
Current assets:		
Cash and deposits	470	1,214
Notes and accounts receivable-trade	14,588	13,585
Merchandise and finished goods	379	321
Raw materials and supplies	11,725	11,060
Deferred tax assets	605	608
Other current assets	3,728	6,108
Allowance for doubtful accounts	(43)	(43)
Total current assets	31,454	32,854
Total assets	117,926	118,962

Note: Amounts under one million yen are omitted.

Millions of yen

	December 31, 2014	March 31, 2015
Liabilities		
Noncurrent liabilities:		
Long-term loans payable	16,267	14,511
Deferred tax liabilities	1,093	541
Net defined benefit liability	1,908	4,330
Other noncurrent liabilities	319	319
Total noncurrent liabilities	19,588	19,702
Current liabilities:		
Current portion of noncurrent liabilities	6,237	6,062
Accounts payable-trade	11,209	10,189
Short-term loans payable	7,237	8,318
Accounts payable-other	1,486	1,824
Income taxes payable	2,096	1,530
Deferred tax liabilities	2	—
Provision for bonuses	452	1,018
Other current liabilities	2,330	2,450
Total current liabilities	31,053	31,394
Total liabilities	50,641	51,097
Net assets		
Shareholders' equity:		
Capital stock	6,279	6,279
Capital surplus	4,626	4,626
Retained earnings	45,592	46,278
Treasury shares	(1,252)	(1,252)
Total shareholders' equity	55,246	55,932
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	4,405	5,089
Remeasurements of defined benefit plans	167	169
Total accumulated other comprehensive income	4,572	5,259
Subscription rights to shares	34	34
Minority interests	7,431	6,638
Total net assets	67,284	67,865
Total liabilities and net assets	117,926	118,962

Note: Amounts under one million yen are omitted.

Consolidated Statements of Income

First quarter ended March 31	Millions of yen	
	2014	2015
Net sales	44,390	45,150
Cost of sales	35,431	34,065
Gross profit	8,959	11,084
Selling, general and administrative expenses	6,385	6,628
Operating income	2,573	4,456
Non-operating income:		
Interest income	45	39
Dividends income	2	2
Amortization of negative goodwill	11	—
Miscellaneous income	90	141
Total non-operating income	149	183
Non-operating expenses:		
Interest expenses	97	78
Share of loss of entities accounted for using equity method	255	157
Miscellaneous expenses	3	0
Total non-operating expenses	356	236
Ordinary income	2,367	4,403
Extraordinary income:		
Gain on sales of noncurrent assets	—	219
Total extraordinary income	—	219
Income before income taxes and minority interests	2,367	4,622
Income taxes	899	1,552
Income before minority interests	1,468	3,070
Minority interests in income	289	304
Net income	1,178	2,765

Note: Amounts under one million yen are omitted.

Consolidated Statements of Comprehensive Income

	Millions of yen	
First quarter ended March 31	2014	2015
Income before minority interests	1,468	3,070
Other comprehensive income:		
Valuation difference on available-for-sale securities	(539)	685
Deferred gains or losses on hedges	(6)	—
Remeasurements of defined benefit plans, net of tax	—	2
Total other comprehensive income	(546)	687
Comprehensive income	922	3,757
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	634	3,452
Comprehensive income attributable to minority interests	287	305

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, 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	37,417	3,969	41,386	3,003	44,390	—	44,390
Inter-segment	351	160	511	900	1,412	(1,412)	—
Total	37,768	4,130	41,898	3,904	45,803	(1,412)	44,390
Segment income	2,855	279	3,135	222	3,357	(784)	2,573

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 (¥784) million in segment income adjustments includes ¥62 million in eliminations of inter-segment transactions and (¥846) 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, 2015							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	39,470	3,249	42,719	2,430	45,150	—	45,150
Inter-segment	350	79	430	844	1,274	(1,274)	—
Total	39,820	3,329	43,149	3,275	46,424	(1,274)	45,150
Segment income	4,703	376	5,080	147	5,228	(772)	4,456

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 (¥772) million in segment income adjustments includes ¥60 million in eliminations of inter-segment transactions and (¥833) 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.