

# Flash Report for the Term Ended December 31, 2015 [Japan GAAP] (Consolidated)

February 8, 2016

Company Name: SHIZUOKA GAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)  
 Code Number: 9543 URL: [http://ir.shizuokagas.co.jp/corp\\_en/Top.html](http://ir.shizuokagas.co.jp/corp_en/Top.html)  
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Date of annual general meeting of shareholders: March 23, 2016  
 Date for presentation of the financial statements report: March 24, 2016  
 Date of dividend payment: March 24, 2016  
 Preparation of supplemental explanatory materials: Yes  
 Holding of FY2015 financial briefing session: Yes(for institutional investors)

## 1. Consolidated Business Results (January 1 to December 31, 2015)

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

### (1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)	
Reporting term	146,058	(12.3)%	11,563	101.0%	12,056	101.0%	7,638	162.6%
Previous term	166,599	8.6	5,753	(5.5)	5,996	(6.9)	2,909	(25.2)

Note: Total comprehensive income (¥ million) Reporting term: 8,831(112.3%) Previous term: 4,160((37.0%))

	Earnings per share (¥)	Diluted net income per share (¥)	Return on equity (ROE) (%)	Ordinary income / Total assets (%)	Operating income / Net sales (%)
Reporting term	103.60	103.47	12.2	10.3	7.9
Previous term	39.45	39.43	5.0	5.1	3.5

Reference: Income or loss on investment accounted for by equity method (¥ million) Reporting term: 93 Previous term: (33)

### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting term	115,466	73,148	56.5	884.63
Previous term	117,926	67,284	50.7	811.33

Reference: Owners' equity (¥ million) Reporting term: 65,223 Previous term: 59,818

### (3) Cash Flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Cash and cash equivalents at term end (¥ million)
Reporting term	30,845	(9,253)	(12,010)	9,999
Previous term	13,050	(9,823)	(3,284)	446

## 2. Dividend Payment

	Dividend per share (¥)					Total amount for annual dividend payments (¥ million)	Pay-out ratio (%)	Dividend payments/ Net assets (%)
	Q1	Q2	Q3	Term-end	Total			
FY 2014	—	5.00	—	5.00	10.00	737	25.3	1.3
FY 2015	—	6.00	—	6.00	12.00	811	11.6	1.4
FY 2016 (forecast)	—	6.50	—	6.50	13.00	/	24.7	/

## 3. Consolidated Business Forecast for Current Term (January 1 to December 31, 2016)

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

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Profit attributable to owners of parent (¥ million)		Earnings per share (¥)
Half term	63,120	(23.7)%	7,930	(10.3) %	8,200	(6.3) %	4,750	(14.4) %	64.42
Full term	123,040	(15.8)	5,970	(48.4)	6,440	(46.6)	3,880	(49.2)	52.62

## ※Notes

(1) Major changes in subsidiaries: No

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

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

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

b) Changes in accounting policies other than a) above: No

c) Changes in accounting estimates: No

d) Retrospective restatements: No

(3) Number of issued shares (common stock)

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

Reporting term: 76,192,950

Previous term: 76,192,950

b) Number of treasury shares at end of the period

Reporting term: 2,464,080

Previous term: 2,464,038

c) Average number of shares outstanding during the term

Reporting term: 73,728,896

Previous term: 73,728,972

### **Presentation of the Fiscal Year 2015 review procedure status**

This flash report is exempt from review procedures under the Financial Instruments and Exchange Act. Furthermore, this flash report was undergoing the review procedure process under the Financial Instruments and Exchange Act at the time of this release.

### **Caution Concerning Forward-Looking Statements**

The preceding earnings forecasts are based on information available as of the date of the publication of this document 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. For further details, please refer to " FY2016 Forecast " on page 4.

## 1. Operating Results and Financial Position

### (1) Analysis of Operating Results

#### (Operating Results in Fiscal Year 2015)

During the consolidated fiscal year, the Japanese economy showed signs of a gradual recovery, supported by stable personal consumption amid continuing improvements in corporate earnings and employment.

In the energy industry, a determination has been made for the energy mix leading up to the year 2030. While natural gas is becoming more important, authorities have made advancements in the institutional design of electricity and gas systems. At the same time, upcoming deregulation has created a more competitive environment with new entrants into the market and cross-industry tie-ups.

In response to these circumstances, the Shizuoka Gas Group is engaged in initiatives for the wider use of city gas, for expanding home renovation services, and for products related to electricity and home living. We have pursued these and other initiatives to grow our solutions businesses to meet customer needs.

Consolidated Net sales for the fiscal year amounted to ¥146,058 million, a 12.3% year-on-year decrease. This decrease was mainly due to downward revisions in gas unit sales prices necessitated under the gas rate adjustment system.

Operating income amounted to ¥11,563 million, representing a 101.0% year-on-year increase, with ordinary income of ¥12,056 million (101.0% increase). Net income amounted to ¥7,638 million (162.6% increase). These gains mainly reflect a time lag between the decrease in raw materials prices for gas and the time that such decreases are reflected in gas unit sales prices.

The following describes our performance by segment.

#### 1. Gas

Customers (installed meter basis) increased by 1,398 during the period, up to 346,858 as of the period-end. This increase was mainly due to our efforts to grow our customer base in the new housing and existing housing markets in the face of intensifying competition from other fuel sources.

Gas sales volume increased 1.0% year on year, up to 1,394 million m<sup>3</sup>. Residential-use gas volume decreased 2.1% year on year to 93 million m<sup>3</sup>, mainly due to the higher temperatures and lower demand for hot water and heating. Commercial-use gas (offices, retail outlets, public facilities, and medical institutions) volume increased 0.2%, up to 77 million m<sup>3</sup>, mainly due to our efforts to win new demand. Industrial-use gas volume decreased 2.7%, down to 644 million m<sup>3</sup>. This was mainly due to a slowdown in operations at customer facilities. Wholesale gas volume increased 6.1%, up to 580 million m<sup>3</sup>. This increase was mainly due to the whole open of the Shizuoka Trunkline in October 2015.

Gas net sales fell 12.4% year on year to ¥127,821 million, mainly due to lower unit gas sales prices stemming from the gas rate adjustment system.

Segment income (operating income) rose 66.1% to ¥13,750 million. This increase was mainly due to the time lag between raw materials prices and the reflection of these cost decreases in unit gas sales prices.

#### 2. LPG and Other Energy Services

LPG sales decreased 17.6% year on year to ¥10,728 million, mainly due to decreases in unit gas sales prices and gas sales volume. Segment income (operating income) increased 8.6% to ¥486 million. This increase was mainly due to lower cost of sales stemming from lower raw materials prices.

### 3. Other Businesses

Net sales for our Other Businesses segment (facilities construction, gas piping installations, gas appliance sales, etc.) amounted to ¥13,590 million, representing a 3.7% year-on-year decrease. This decrease was mainly due to lower facilities construction revenues. However, segment income (operating income) increased 46.2% to ¥624 million, owing mainly to decreases in operating expenses.

			FY 2015	FY 2014	Change	Change (%)
Number of Customers			346,858	345,460	1,398	0.4
Gas Sales	Residential	million m <sup>3</sup>	93	95	(2)	(2.1)
	Commercial	"	77	77	0	0.2
	Industrial	"	644	662	(18)	(2.7)
	Wholesale	"	580	547	33	6.1
	Total	"	1,394	1,381	14	1.0

(Notes)

1. Number of Customers represents the number of meters installed as of the end of the period.
2. Number of Customers does not include the number of end users of wholesale customers.
3. Segment performance includes inter-segment transactions.
4. Sales volume reflects a conversion of 45MJ/m<sup>3</sup>, rounded down to the nearest whole unit.
5. Consumption tax excluded.

#### (FY2016 Forecast)

The Company forecasts net sales of ¥123,040 million, representing a 15.8% decrease year on year. This forecast reflects lower gas unit sales prices due to the effects of the gas rate adjustment system, despite higher gas sales volume. We forecast operating income of ¥5,970 million (48.4% decrease), ordinary income of ¥6,440 million (46.6% decrease), and profit attributable to owners of parent in the amount of ¥3,880 million (49.2% decrease). Despite lower raw materials prices, the time lag in price changes reflected in gas sales prices results in a smaller-scale decrease in raw materials prices when compared to net sales. The Company plans to make capital investments of ¥10,490 million (29.0% increase year on year) related to construction of electric power facilities for Shizuoka Gas & Power.

(Unit: million yen)

Account	FY 2016 Forecast	FY 2015 Result	Change	Change (%)
Net Sales	123,040	146,058	(23,018)	(15.8)
Operating Income	5,970	11,563	(5,593)	(48.4)
Ordinary Income	6,440	12,056	(5,616)	(46.6)
Profit attributable to owners of parent	3,880	7,638	(3,758)	(49.2)
Capital Investment	10,490	8,125	2,364	29.0

Assumptions: Crude oil prices (Japan CIF) \$ 53/bbl, Exchange rate ¥125/USD

## **(2) Analysis of Financial Position (Assets, Liabilities, Net Assets, and Cash Flows)**

### 1. Assets, Liabilities, and Net Assets

Total assets as of the end the period amounted to ¥115,466 million, ¥2,460 million less than at the end of the prior period. This decrease was mainly due to decreases in accounts receivable-trade and raw materials due to lower raw materials prices. These decreases more than offset increases in investment securities due to the impact of the Company's participation in the wholesale power generation business in Thailand and trends in the stock market.

Liabilities amounted to ¥42,317 million, which was ¥8,323 million lower than the end of the prior period. Despite increases in liabilities related to retirement benefits due to the application of the Accounting Standard for Retirement Benefits, the Company recorded lower accounts payable-trade due to declines in raw materials prices, as well as repayments of short-term loans.

Net assets increased ¥5,863 million compared to the end of the prior year, rising to ¥73,148 million. This increase was mainly due to higher retained earnings stemming from net income generated during the period.

As a result, the Company's shareholders' equity ratio at the end of the period was 56.5%.

### 2. Cash Flows

Cash and cash equivalents ("Cash") amounted to ¥9,999 million as of the end of the period, an increase of ¥9,553 million compared to the end of the prior term.

The following details Company cash flows and factors related to increases or decreases in cash flows.

#### (Cash Flows from Operating Activities)

Cash from operating activities amounted to ¥30,845 million, compared to cash from operating activities of ¥13,050 million in the prior period. While income before depreciation and amortization amounted to ¥22,912 million, this increase in cash was mainly due to a decrease in inventories related to lower raw materials prices and lower accounts receivable.

#### (Cash Flows from Investing Activities)

Cash used in investing activities amounted to ¥9,253 million compared to cash used in investing activities of ¥9,823 million in the prior period. This result was mainly due to expansion and maintenance of gas pipeline networks, capital investment related to power generation facilities, and capital related to participation in the wholesale power generation business in Thailand.

#### (Cash Flows from Financing Activities)

Cash used in financing activities amounted to ¥12,010 million compared to cash used in financing activities of ¥3,284 million in the prior period. This result was mainly due to repayments of loans and payments of dividends.

### (Cash Flow Indices)

	FY December 2011	FY December 2012	FY December 2013	FY December 2014	FY December 2015
Shareholders' Equity Ratio (%)	44.4	45.7	49.4	50.7	56.5
Shareholders' Equity Ratio at Market Value (%)	33.3	37.7	39.9	47.3	49.5
Interest-Bearing Debt/Cash flow ratio (Years)	4.1	2.0	2.4	2.3	0.6
Interest Coverage Ratio (Times)	16.2	33.3	27.3	35.1	110.8

Shareholders' Equity Ratio: Shareholders' equity / total assets

Shareholders' Equity Ratio at Market Value: Market capitalization / total assets

Interest-Bearing Debt/Cash Flow Ratio: Interest-bearing debt / cash flows

Interest Coverage Ratio: Cash flows / interest payments

### (Notes)

1. Calculated using consolidated financial figures.
2. Market capitalization is calculated by multiplying the closing price at the end of the fiscal year by the total number of shares issued and outstanding (excluding treasury shares).
3. Here, cash flows means cash flows from operating activities.
4. Interest-bearing liabilities are those long-term loans (including loans whose maturation date is within one year) and short-term loans as recorded on the balance sheet Interest payments means the amount of interest payments as recorded on the consolidated statements of cash flows.

### (3) Basic Policy on Profit Distribution and Current Period/Next-Period Dividends

To maximize corporate value over the long term, Shizuoka Gas invests capital and retains internal reserves toward future growth. At the same time, the Company's basic policy is one of continuing to provide stable dividends to our shareholders. We balance considerations of earnings, return on equity, and dividends on equity multiplied by dividend payout ratio as we endeavor to expand ongoing returns of profits to shareholders.

For the period under review, the Company plans to pay an annual dividend of 12 yen per share, including a 6 yen interim dividend. Further, the Company plans to pay an annual dividend of 13 yen per share, including a 6.5 yen interim dividend for the next period based on the assumptions provided in FY2016 Forecast above.

### (4) Business and Other Risks

The following discusses risks that could potentially affect Shizuoka Gas Group earnings and financial position.

Forward-looking statements included below are based on judgments made by Company management as of the end of the consolidated fiscal year under review.

#### 1. Contingencies related to Procurement of Raw Materials

Shizuoka Gas purchases its entire volume of LNG as imports from overseas. Issues at import sources, trouble with LNG ships during transport, or other contingencies related to raw materials procurement

could have a negative effect on the Shizuoka Gas Group's ability to supply LNG.

## 2. Natural Disasters

Extensive damage to Shizuoka Gas Group or customer facilities caused by earthquakes, typhoons, tsunamis, or other large-scale disasters could have a negative affect on Shizuoka Gas Group earnings.

## 3. Contingencies related to City Gas Production and Supply

Production contingencies at consolidated subsidiary Shimizu LNG Company Ltd. or large-scale leaks, explosions, etc. related to city gas supplies could affect the Group's ability to supply gas and could give rise to liabilities owed to society. In the event of a major electrical outage and electrical grid interruption within the area supplied by Shizuoka Gas city gas, the Company has the ability to supply a limited volume of gas through the use of private power generation facilities. However, city gas production and supply could be interrupted during certain times of the day.

## 4. Raw Materials Prices

Shizuoka Gas procures new LNG gas through term contracts. Changes in these long-term contract pricing structures could result in raw materials prices for LNG procured by the Company that are different than the raw materials prices used when determining gas rates. These differences could have a negative effect on Group earnings.

## 5. Gas Rate Adjustment System

Gas rates are set according to the gas rate adjustment system (system of rate adjustments based on changes in raw materials prices). The price of LNG and LPG (gas raw materials) impacts determinations of gas rates based on the gas rate adjustment system. LNG and LPG prices are affected by crude oil prices and exchange rate fluctuations; however, such impact is limited, as changes in raw materials prices are reflected in gas prices based on the gas rate adjustment system. However, the time lag between a change in raw materials prices and when such changes are reflected in gas rates may result in cost changes not being reflected in the gas prices until a subsequent accounting period. This time lag could have a negative effect on Shizuoka Gas Group earnings.

## 6. Major Customer Trends

A slowdown in facilities operations or energy savings activities on the part of major customers could result in lower gas sales volume and overall business for the Group. Further, gas rates charged to major customers may be subject to competitive bids by other suppliers, as major customers negotiate contracts on an individual basis. As a result, changes in trends among major customers could have a negative effect on Shizuoka Gas Group earnings.

## 7. Fluctuations in Air/Water Temperatures and Earnings Seasonality

Gas sales represent the main business of the Shizuoka Gas Group. Such sales are subject to the effects of warm air and water temperatures, which could have a negative effect on Group earnings. Group gas sales volume and net sales tend to rise during the winter and decline during the summer, leading to

seasonal profits that lean more heavily toward the first half of the fiscal year.

#### 8. Intensified Competition

Intensified competition from power companies and other energy companies, as well as from new entrants in the gas business, could have a negative effect on Shizuoka Gas Group earnings.

#### 9. Trends in interest rate conditions

Interest rate fluctuations in acquiring new capital could have a negative effect on Shizuoka Gas Group earnings. However, long-term loans account for a relatively large portion of the Group's interest-bearing debt, which serves to minimize the effect of interest rate fluctuations on the Group.

#### 10. Information Leakage

The leakage of customer personal information managed by the Group, and the Group's response to an incident or a loss of public trust could have a negative effect on Shizuoka Gas Group earnings.

#### 11. Interruption or Malfunction in Core IT Systems

A disruption or malfunction in core gas production and supply IT systems or customer service systems could have a negative effect on Shizuoka Gas Group earnings.



## Consolidated Balance Sheets

As of December 31	Millions of yen	
	2014	2015
<b>Assets</b>		
Non-current assets		
Property, plant and equipment		
Production facilities	15,850	<b>13,413</b>
Distribution facilities	38,378	<b>37,100</b>
Service and maintenance facilities	5,604	<b>5,316</b>
Other facilities	4,290	<b>4,110</b>
Construction in progress	359	<b>2,518</b>
Total property, plant and equipment	64,483	<b>62,458</b>
Intangible assets	1,374	<b>1,069</b>
Investments and other assets		
Investment securities	10,199	<b>12,814</b>
Long-term loans receivable	8,535	<b>7,867</b>
Deferred tax assets	454	<b>404</b>
Other investments and other assets	1,553	<b>1,565</b>
Allowance for doubtful accounts	(129)	<b>(126)</b>
Total investments and other assets	20,614	<b>22,525</b>
Total non-current assets	86,471	<b>86,053</b>
Current assets		
Cash and deposits	470	<b>10,024</b>
Notes and accounts receivable – trade	14,588	<b>10,771</b>
Merchandise and finished goods	379	<b>276</b>
Raw materials and supplies	11,725	<b>4,952</b>
Deferred tax assets	605	<b>676</b>
Other current assets	3,728	<b>2,750</b>
Allowance for doubtful accounts	(43)	<b>(40)</b>
Total current assets	31,454	<b>29,412</b>
Total assets	117,926	<b>115,466</b>

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

As of December 31	Millions of yen	
	2014	2015
<b>Liabilities</b>		
Non-current liabilities		
Long-term loans payable	16,267	<b>13,688</b>
Deferred tax liabilities	1,093	<b>690</b>
Net defined benefit liability	1,908	<b>4,033</b>
Other non-current liabilities	319	<b>156</b>
<b>Total non-current liabilities</b>	<b>19,588</b>	<b>18,569</b>
Current liabilities		
Current portion of non-current liabilities	6,237	<b>5,272</b>
Accounts payable – trade	11,209	<b>8,084</b>
Short-term loans payable	7,237	—
Accounts payable – other	1,486	<b>3,845</b>
Income taxes payable	2,096	<b>3,166</b>
Deferred tax liabilities	2	—
Provision for bonuses	452	<b>456</b>
Other current liabilities	2,330	<b>2,921</b>
<b>Total current liabilities</b>	<b>31,053</b>	<b>23,748</b>
<b>Total liabilities</b>	<b>50,641</b>	<b>42,317</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,279	<b>6,279</b>
Capital surplus	4,626	<b>4,626</b>
Retained earnings	45,592	<b>50,709</b>
Treasury shares	(1,252)	<b>(1,252)</b>
<b>Total shareholders' equity</b>	<b>55,246</b>	<b>60,363</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,405	<b>4,893</b>
Deferred gains or losses on hedges	—	<b>(39)</b>
Foreign currency translation adjustment	—	<b>(180)</b>
Remeasurements of defined benefit plans	167	<b>186</b>
<b>Total accumulated other comprehensive income</b>	<b>4,572</b>	<b>4,859</b>
Subscription rights to shares	34	<b>70</b>
Minority interests	7,431	<b>7,854</b>
<b>Total net assets</b>	<b>67,284</b>	<b>73,148</b>
<b>Total liabilities and net assets</b>	<b>117,926</b>	<b>115,466</b>

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Income

Year ended December 31	Millions of yen	
	2014	2015
Net sales	166,599	<b>146,058</b>
Cost of sales	134,036	<b>107,531</b>
Gross profit	32,563	<b>38,527</b>
Selling, general and administrative expenses	26,809	<b>26,963</b>
Operating income	5,753	<b>11,563</b>
Non-operating income		
Interest income	159	<b>159</b>
Dividend income	167	<b>185</b>
Amortization of negative goodwill	21	—
Share of profit of entities accounted for using equity method	—	<b>93</b>
Miscellaneous income	311	<b>391</b>
Total non-operating income	659	<b>829</b>
Non-operating expenses		
Interest expenses	364	<b>295</b>
Share of loss of entities accounted for using equity method	33	—
Miscellaneous expenses	18	<b>41</b>
Total non-operating expenses	416	<b>336</b>
Ordinary income	5,996	<b>12,056</b>
Extraordinary income		
Gain on sales of non-current assets	—	<b>525</b>
Total extraordinary income	—	<b>525</b>
Extraordinary losses		
Impairment loss	—	<b>37</b>
Total extraordinary losses	—	<b>37</b>
Income before income taxes and minority interests	5,996	<b>12,544</b>
Income taxes - current	2,122	<b>3,690</b>
Income taxes - deferred	42	<b>313</b>
Total income taxes	2,164	<b>4,003</b>
Income before minority interests	3,832	<b>8,541</b>
Minority interests in income	923	<b>902</b>
Net income	2,909	<b>7,638</b>

Note: Amounts under one million yen are omitted.

## Consolidated Statement of Comprehensive Income

Year ended December 31	Millions of yen	
	2014	2015
Income before minority interests	3,832	<b>8,541</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	334	<b>492</b>
Deferred gains or losses on hedges	(6)	<b>(39)</b>
Remeasurements of defined benefit plans, net of tax	—	<b>18</b>
Share of other comprehensive income of entities accounted for using equity method	—	<b>(180)</b>
<b>Total other comprehensive income</b>	<b>327</b>	<b>290</b>
Comprehensive income	4,160	<b>8,831</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,237	<b>7,925</b>
Comprehensive income attributable to minority interests	923	<b>906</b>

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

## Consolidated Statements of Changes in Net Assets

Fiscal Year Ended December 31, 2014

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,279	4,626	43,420	(1,252)	53,074
Changes of items during period					
Dividends of surplus			(737)		(737)
Net income			2,909		2,909
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	2,172	(0)	2,171
Balance at end of current period	6,279	4,626	45,592	(1,252)	55,246

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	4,071	6	—	4,077	—	7,539	64,691
Changes of items during period							
Dividends of surplus							(737)
Net income							2,909
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	334	(6)	167	495	34	(107)	421
Total changes of items during period	334	(6)	167	495	34	(107)	2,593
Balance at end of current period	4,405	—	167	4,572	34	7,431	67,284

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,279	4,626	45,592	(1,252)	55,246
Cumulative effects of changes in accounting policies			(1,710)		(1,710)
Restated balance	6,279	4,626	43,882	(1,252)	53,535
Changes of items during period					
Dividends of surplus			(811)		(811)
Net income			7,638		7,638
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	6,827	(0)	6,827
Balance at end of current period	6,279	4,626	50,709	(1,252)	60,363

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	4,405	—	—	167	4,572	34	7,431	67,284
Cumulative effects of changes in accounting policies								(1,710)
Restated balance	4,405	—	—	167	4,572	34	7,431	65,573
Changes of items during period								
Dividends of surplus								(811)
Net income								7,638
Purchase of treasury shares								(0)
Net changes of items other than shareholders' equity	488	(39)	(180)	18	287	36	423	746
Total changes of items during period	488	(39)	(180)	18	287	36	423	7,574
Balance at end of current period	4,893	(39)	(180)	186	4,859	70	7,854	73,148

## Consolidated Statements of Cash Flows

Year ended December 31	Millions of yen	
	2014	2015
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	5,996	<b>12,544</b>
Depreciation	10,817	<b>10,367</b>
Impairment loss	—	<b>37</b>
Amortization of negative goodwill	(21)	—
Loss on retirement of property, plant and equipment	132	<b>38</b>
Increase (decrease) in allowance for doubtful accounts	(75)	<b>(6)</b>
Increase (decrease) in net defined benefit liability	(301)	<b>(295)</b>
Increase (decrease) in provision for gas holder repairs	(94)	—
Increase (decrease) in provision for bonuses	(2)	<b>3</b>
Interest and dividend income	(327)	<b>(344)</b>
Interest expenses	364	<b>295</b>
Share of (profit) loss of entities accounted for using equity method	33	<b>(93)</b>
Loss (gain) on sales of property, plant and equipment	—	<b>(525)</b>
Decrease (increase) in notes and accounts receivable – trade	(1,385)	<b>3,821</b>
Decrease (increase) in inventories	(1,420)	<b>6,877</b>
Increase (decrease) in notes and accounts payable – trade	1,683	<b>(3,116)</b>
Decrease/increase in consumption taxes receivable/payable	(172)	<b>2,493</b>
Other, net	(449)	<b>726</b>
Subtotal	14,778	<b>32,824</b>
Interest and dividend income received	327	<b>481</b>
Interest expenses paid	(371)	<b>(278)</b>
Income taxes paid	(1,683)	<b>(2,182)</b>
Net cash provided by (used in) operating activities	13,050	<b>30,845</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(23)	<b>(25)</b>
Proceeds from withdrawal of time deposits	22	<b>24</b>
Purchase of property, plant and equipment and intangible assets	(8,072)	<b>(7,972)</b>
Proceeds from sales of property, plant and equipment and intangible assets	4	<b>767</b>
Purchase of investment securities	(7)	<b>(2,344)</b>
Payments of loans receivable	(1,190)	—
Collection of loans receivable	183	<b>667</b>
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	28	—
Other, net	(770)	<b>(370)</b>
Net cash provided by (used in) investing activities	(9,823)	<b>(9,253)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	2,316	<b>(7,237)</b>
Proceeds from long-term loans payable	3,267	<b>2,775</b>
Repayments of long-term loans payable	(7,068)	<b>(6,288)</b>
Proceeds from share issuance to minority shareholders	—	<b>618</b>
Cash dividends paid	(735)	<b>(812)</b>
Cash dividends paid to minority shareholders	(1,064)	<b>(1,065)</b>
Other, net	(0)	<b>(0)</b>
Net cash provided by (used in) financing activities	(3,284)	<b>(12,010)</b>
Effect of exchange rate change on cash and cash equivalents	—	<b>(28)</b>
Net increase (decrease) in cash and cash equivalents	(56)	<b>9,553</b>
Cash and cash equivalents at beginning of period	503	<b>446</b>
Cash and cash equivalents at end of period	446	<b>9,999</b>

Note: Amounts under one million yen are omitted.

## Notes regarding Consolidated Financial Statements

(Items related to assumptions used for going concerns)

No applicable items.

(Important items in the basis of presenting consolidated financial statements)

Disclosure is omitted as no significant changes have occurred subsequent the Company's filing of its most recent securities report (filed March 26, 2015) with the exception of matters noted in "Changes in accounting policies, estimates or retrospective restatements."

(Changes in accounting policies, estimates or retrospective restatements)

(Changes in accounting policies)

Effective from the current consolidated fiscal year, the Company began applying Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard on Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015) under the provisions contained in Paragraph 35 of the Accounting Standard for Retirement Benefits and the provisions of Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. The Company has revised its method for calculating retirement benefit obligations and service costs, changing the period attribution method for the projected retirement benefit from the point method to a benefit formula basis. Further, the Company has changed the method for determining discount rate from a discount rate corresponding to average remaining service period of the employee to a single weighted-average discount rate reflecting the estimated timing and amount of payments for retirement benefits and respective payment periods. This application of Accounting Standard for Retirement Benefits is in accordance with the transitional treatment as provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. As of the beginning of the consolidated fiscal year, the Company has recorded differences arising from changes in the calculation method for retirement benefit obligations and service costs directly to retained earnings. As a result, as of the beginning of the consolidated fiscal year, retained earnings decreased ¥1,710 million.

This change in accounting standard will not have a material effect on operating income, ordinary income, or net income before income taxes and minority interests for the consolidated fiscal year.

Net assets per share have decreased ¥23.20.

(Segment Information)

### 1. Overview of reportable segments

Shizuoka Gas Group's reportable segments are those segments capable of providing separate financial information, and which the Board of Directors regularly reviews to determine the allocation of management resources and evaluate performance results.

The basic business of the Shizuoka Gas Group is the development of general energy businesses, mainly in city gas and the LPG adoption. We have identified two reportable segments along product/service lines: (1) Gas and (2) LPG and other energy services.

The following details the principal products and services offered by each reportable segment:

Gas: Natural gas; liquefied natural gas (LNG)

LPG and other energy services: LPG; on-site energy services

### 2. Accounting method of sales, profit or losses, assets and other items by each reportable segment

The accounting procedures of the reported business segments are the same as set forth in "Important items in the basis of presenting consolidated financial statements".

Reportable segment income is based on operating profit figures.

Inter-segment sales and transfers are transactions between consolidated companies and are based on market prices, etc.



### 3. Net Sales, Income (Loss), Assets, and Other Balances by each Reportable Segment

Fiscal Year Ended December 31, 2014							Millions of yen
	Reportable segment			Other businesses (Note1)	Total	Adjustments (Note2)	Amount recorded on consolidated statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Sales to external customers	144,615	12,630	157,246	9,353	166,599	—	166,599
Inter-segment sales and transfers	1,290	394	1,684	4,761	6,445	(6,445)	—
Total	145,905	13,025	158,930	14,114	173,045	(6,445)	166,599
Segment income	8,280	448	8,728	427	9,155	(3,401)	5,753
Segment Assets	94,461	4,779	99,241	6,050	105,291	12,634	117,926
Others							
Depreciation expenses	9,671	396	10,068	492	10,560	257	10,817
Investments in entities accounted for using equity method	458	—	458	—	458	—	458
Increase in property, plant, equipment, and intangible assets	6,183	327	6,510	405	6,916	9	6,925

#### Notes:

1. The "Other businesses" classification consists of businesses not defined as reportable segments, and include gas construction of facilities/gas piping installations and gas appliance sales, remodeling and leasing.

2. The adjusted amount is as follows.

(1) The (¥3,401) million in segment income adjustments includes ¥226 million in eliminations of inter-segment transactions and (¥3,628) million of corporate expenses not allocated to the respective reportable segments.

Corporate expenses are general and administrative expenses not allocable to a reportable segment.

(2) The ¥12,634 million in segment asset adjustments includes (¥1,650) million in eliminations of inter-segment transactions and ¥14,284 million of corporate assets not allocated to the respective reportable segments.

Corporate assets are surplus funds (cash and deposits), long-term investments (investment securities) and assets related to administrative departments.

3. Segment income is adjusted to reflect operating income as recorded on the consolidated statements of income.

Fiscal Year Ended December 31, 2015							Millions of yen
	Reportable segment			Other businesses (Note1)	Total	Adjustments (Note2)	Amount recorded on consolidated statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Sales to external customers	126,697	10,499	137,196	8,861	146,058	—	146,058
Inter-segment sales and transfers	1,124	228	1,353	4,729	6,082	(6,082)	—
Total	127,821	10,728	138,550	13,590	152,140	(6,082)	146,058
Segment income	13,750	486	14,237	624	14,861	(3,298)	11,563
Segment Assets	79,229	7,574	86,804	6,276	93,080	22,385	115,466
Others							
Depreciation expenses	9,242	367	9,610	510	10,121	246	10,367
Investments in entities accounted for using equity method	531	1,972	2,504	—	2,504	—	2,504
Increase in property, plant, equipment, and intangible assets	6,537	1,203	7,740	347	8,088	36	8,125

Notes:

1. The "Other businesses" classification consists of businesses not defined as reportable segments, and include gas construction of facilities/gas piping installations and gas appliance sales, remodeling and leasing.

2. The adjusted amount is as follows.

(1) The (¥3,298) million in segment income adjustments includes ¥268 million in eliminations of inter-segment transactions and (¥3,566) million of corporate expenses not allocated to the respective reportable segments.

Corporate expenses are general and administrative expenses not allocable to a reportable segment.

(2) The ¥22,385 million in segment asset adjustments includes (¥1,839) million in eliminations of inter-segment transactions and ¥24,224 million of corporate assets not allocated to the respective reportable segments. Corporate assets are surplus funds (cash and deposits), long-term investments (investment securities) and assets related to administrative departments.

3. Segment income is adjusted to reflect operating income as recorded on the consolidated statements of income.