



Flash Report for the First Quarter of 2016 [Japan GAAP] (Consolidated)

May 11, 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
 Representative: Hiroshi Tonoya, President
 Contact: Nobuhide Nakamura, Accounting Manager, Corporate Service Dept.
 Tel: +81-54-284-7990

Date for presentation of the quarterly report: May 13, 2016

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, 2016)

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

(1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first quarter	34,031	(24.6)%	6,936	55.7%	7,040	59.9%
Previous first quarter	45,150	1.7	4,456	73.1	4,403	86.0

Note: Total comprehensive income (¥ million)

Reporting first quarter: 3,294(12.3%) Previous first quarter: 3,757(307.5%)

	Profit attributable to owners of parent (¥ million)		Net income per share (¥)	Diluted net income per share (¥)
Reporting first quarter	4,671	68.9%	63.34	63.26
Previous first quarter	2,765	134.6	37.50	37.47

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
Reporting first quarter	107,538	74,933	63.1	919.59
Previous full term	115,466	73,148	56.5	884.63

Note: Owners' equity (¥ million)

Reporting first quarter: 67,839

Previous full term: 65,223

2. Dividend Payment

	Annual dividend per share (¥)				
	1Q	2Q	3Q	Term-end	Total
FY 2015	—	6.00	—	6.00	12.00
FY 2016	—	/	/	/	/
FY 2016 (forecast)	/	6.50	—	6.50	13.00

Note: Revision of previously announced dividend forecasts: No

3. Consolidated Business Forecasts for Current Term (January 1 through 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)		Net income per share (¥)
Half term	63,120	(23.7)%	7,930	(10.3)%	8,200	(6.3)%	5,360	(3.4)%	72.67
Full term	123,040	(15.8)	5,970	(48.4)	6,440	(46.6)	3,880	(49.2)	52.62

Note: Revision of previously announced business forecasts: Yes

※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 “Summary Information (Notes) (1) Application of Special Accounting Methods in the Preparation of Quarterly Consolidated Financial Statements ” 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 treasury shares)

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: 2,422,180

Previous full term: 2,464,080

c) Average number of shares outstanding during the term

Reporting first quarter: 73,743,091

Previous first quarter: 73,728,912

Disclosure regarding Quarterly Review Procedures

This quarterly flash 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.

Caution Concerning Forward-Looking Statements

Earnings forecasts and other forward-looking statements contained in this document are assumptions based on information available to the company and judgments deemed rational at the time this document was published. Forward-looking statements are not a guarantee that forecasts will be achieved. Actual earnings may differ significantly from earnings forecasts due to various factors.

The Company has revised its half-year earnings forecast from those originally published in February 8, 2016 in Flash Report for the Term Ended December 31, 2016. See Page 4, “(3) Qualitative Information Regarding Consolidated Business Forecasts” for more.

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative Information Regarding Consolidated Operating Results

Net sales for the first three months of the current fiscal year (January 1 to March 31) amounted to ¥34,031 million, a 24.6% decrease year on year. Despite an increase in sales volume, gas sales unit prices were adjusted downward as necessitated under the gas rate adjustment system.

Operating income amounted to ¥6,936 million, representing a 55.7% year-on-year increase. This increase was mainly due to significant declines in raw materials prices resulting from lower oil costs. Ordinary income amounted to ¥7,040 million (59.9% increase) and profit attributable to owners of parent increased 68.9% to ¥4,671 million.

The following describes our performance by segment.

Note that segment earnings include inter-segment transactions.

1. Gas

Gas sales volume increased 6.7% year on year, up to 382 million m³. This increase was mainly due to higher wholesale gas sales after the full operation of the Shizuhama Trunk Line beginning October 2015.

Gas net sales fell 26.8% year on year to ¥29,128 million. Despite higher sales volume, net sales were lower mainly due to downward revisions in gas unit sales prices necessitated under the gas rate adjustment system. Segment income (operating income) rose 55.1% to ¥7,294 million, mainly due to lower raw materials prices resulting from lower oil costs.

2. LPG and Other Energy Services

Net sales decreased 13.9% year on year to ¥2,865 million, mainly due to decreases in LPG unit gas sales prices. Meanwhile, segment income (operating income) decreased 34.2% to ¥247 million. This decrease was mainly due to lower costs of sales stemming from lower raw materials costs.

3. Other Businesses

Net sales increased 3.0% year on year to ¥3,372 million, mainly due to increases in gas appliance sales and facilities construction. Segment income (operating income) was ¥203 million, an increase of 37.3% compared to the same period in the prior fiscal year.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets at the end of the first three months of the consolidated fiscal year amounted to ¥107,538 million. This was a ¥7,928 million decrease compared to the end of the prior fiscal year, owing mainly to lower raw materials prices due to the timing of raw materials receipts and the impact of the stock market.

Liabilities decreased ¥9,713 million compared to the prior fiscal year end, amounting to ¥32,604 million. This decrease was mainly due to a decrease in accounts payable-trade in connection with the timing of raw materials payment settlements.

Net assets rose ¥1,785 million to ¥74,933 million. This result was mainly due to increased retained earnings stemming from profit attributable to owners of parent reported for the period. The Company's equity ratio at the end of the period stood at 63.1%.

(3) Qualitative Information Regarding Consolidated Business Forecasts

Due to changed estimates of income taxes and other factors, the Company has revised its business forecast for the first six months of the current fiscal year compared to the consolidated business forecast for the fiscal year ending December 2016 as published on February 8, 2016. As a result, the Company now forecasts profit attributable to owners of parent in the amount of ¥5,360 million. No changes have been made to business forecasts for the full year.

2. Summary Information (Notes)

(1) Application of Special Accounting Methods in the Preparation of Quarterly Consolidated Financial Statements

Calculation of Tax Expenses

The Company calculates tax expenses based on a reasonable estimate of the effective tax rate after the application of tax effect accounting to income before income taxes and minority interests for the current consolidated fiscal year including the consolidated first quarter. We multiply this tax rate by quarterly income before income taxes and minority interests for the cumulative period to calculate tax expenses.

(2) Changes in Accounting Policies, Accounting Estimates, or Restatements

Application of Accounting Standard for Business Combinations

Beginning with the first quarter of the consolidated fiscal year under review, the Company has applied the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ No. 22, September 13, 2013), and Accounting Standard for Business Divestitures (ASBJ No. 7, September 13, 2013). Under these standards, the Company will record differences stemming from changes in equity in subsidiaries for which the Company continues to exercise control as capital surplus. At the same time, the Company will now record acquisition-related costs as expenses for the consolidated fiscal year in which they are incurred. For business combinations conducted on or after the beginning of the consolidated first quarter under review, adjustments to the allocation of finalized acquisition costs stemming from provisional accounting treatments will be reflected on the quarterly consolidated financial statements of the quarterly consolidated period in which the date of the business combination occurred. The Company has changed the nominal presentation of net income, as well as changing the nominal presentation of minority interests to non-controlling interests. The quarterly consolidated financial statements and consolidated financial statements for the cumulative consolidated first quarter and for the prior consolidated fiscal year have been reclassified to reflect these changes in presentation.

The Company has made the transitional application of these accounting standards beginning on the first day of the first quarter of the consolidated fiscal year under review as provided under Article 58-2(4) of the Accounting Standard for Business Combinations, Article 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4(4) of the Accounting Standard for Business Divestitures.

This change in accounting policy has no material effect on the Company's financial statements for the first quarter of the current consolidated fiscal year.

Consolidated Balance Sheets

	Millions of yen	
	December 31, 2015	March 31, 2016
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	13,413	12,783
Distribution facilities	37,100	36,665
Service and maintenance facilities	5,316	5,253
Other facilities	4,110	4,136
Construction in progress	2,518	4,560
Total property, plant and equipment	62,458	63,400
Intangible assets	1,069	989
Investments and other assets		
Investment securities	12,814	10,375
Long-term loans receivable	7,867	7,705
Deferred tax assets	404	392
Other investments and other assets	1,565	1,646
Allowance for doubtful accounts	(126)	(136)
Total investments and other assets	22,525	19,984
Total non-current assets	86,053	84,374
Current assets		
Cash and deposits	10,024	7,235
Notes and accounts receivable - trade	10,771	10,504
Merchandise and finished goods	276	213
Raw materials and supplies	4,952	1,601
Deferred tax assets	676	688
Other current assets	2,750	2,958
Allowance for doubtful accounts	(40)	(37)
Total current assets	29,412	23,163
Total assets	115,466	107,538

Note: Amounts under one million yen are omitted.

	Millions of yen	
	December 31, 2015	March 31, 2016
Liabilities		
Non-current liabilities		
Long-term loans payable	13,688	13,255
Deferred tax liabilities	690	142
Net defined benefit liability	4,033	4,034
Other non-current liabilities	156	120
Total non-current liabilities	18,569	17,552
Current liabilities		
Current portion of non-current liabilities	5,272	4,877
Accounts payable - trade	8,084	2,611
Short-term loans payable	—	30
Accounts payable - other	3,845	2,035
Income taxes payable	3,166	1,951
Provision for bonuses	456	1,041
Other current liabilities	2,921	2,504
Total current liabilities	23,748	15,051
Total liabilities	42,317	32,604
Net assets		
Shareholders' equity		
Capital stock	6,279	6,279
Capital surplus	4,626	4,639
Retained earnings	50,709	54,938
Treasury shares	(1,252)	(1,230)
Total shareholders' equity	60,363	64,626
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,893	3,335
Deferred gains or losses on hedges	(39)	(43)
Foreign currency translation adjustment	(180)	(269)
Remeasurements of defined benefit plans	186	190
Total accumulated other comprehensive income	4,859	3,212
Subscription rights to shares	70	43
Non-controlling interests	7,854	7,050
Total net assets	73,148	74,933
Total liabilities and net assets	115,466	107,538

Note: Amounts under one million yen are omitted.

Consolidated Statements of Income

First quarter ended March 31	Millions of yen	
	2015	2016
Net sales	45,150	34,031
Cost of sales	34,065	20,627
Gross profit	11,084	13,403
Selling, general and administrative expenses	6,628	6,467
Operating income	4,456	6,936
Non-operating income		
Interest income	39	36
Dividend income	2	2
Share of profit of entities accounted for using equity method	—	41
Foreign exchange gains	0	35
Miscellaneous income	141	55
Total non-operating income	183	171
Non-operating expenses		
Interest expenses	78	67
Share of loss of entities accounted for using equity method	157	—
Miscellaneous expenses	0	0
Total non-operating expenses	236	67
Ordinary income	4,403	7,040
Extraordinary income		
Gain on sales of non-current assets	219	—
Total extraordinary income	219	—
Extraordinary losses		
Loss on valuation of investment securities	—	53
Total extraordinary losses	—	53
Income before income taxes and minority interests	4,622	6,986
Income taxes	1,552	2,041
Profit	3,070	4,945
Profit attributable to non-controlling interests	304	273
Profit attributable to owners of parent	2,765	4,671

Note: Amounts under one million yen are omitted.

Consolidated Statements of Comprehensive Income

First quarter ended March 31	Millions of yen	
	2015	2016
Profit	3,070	4,945
Other comprehensive income		
Valuation difference on available-for-sale securities	685	(1,561)
Deferred gains or losses on hedges	—	(4)
Remeasurements of defined benefit plans, net of tax	2	4
Share of other comprehensive income of entities accounted for using equity method	—	(88)
Total other comprehensive income	687	(1,650)
Comprehensive income	3,757	3,294
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,452	3,024
Comprehensive income attributable to non-controlling interests	305	270

Note: Amounts under one million yen are omitted.

Segment Information

Net Sales and Income (Loss) by Reporting Segment

Three Months 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							
Sales to external customers	39,470	3,249	42,719	2,430	45,150	—	45,150
Inter-segment sales and transfers	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(loss)	4,703	376	5,080	147	5,228	(772)	4,456

Notes :

1. The Other Business category consists of businesses not categorized as individual reporting segments. Other Businesses includes orders for construction related to the gas business, sales of gas appliances, remodeling, and leasing.
2. The (¥772) million in segment income adjustments includes ¥60 million in inter-segment eliminations and (¥833) million in corporate expenses not allocable to a reporting segment. Corporate expenses are general and administrative expenses not allocable to a reporting segment.
3. Segment income is adjusted to reflect operating income as recorded on the Company's quarterly consolidated statements of income.

Three Months Ended March 31, 2016							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							
Sales to external customers	28,866	2,804	31,671	2,360	34,031	—	34,031
Inter-segment sales and transfers	261	60	322	1,011	1,334	(1,334)	—
Total	29,128	2,865	31,994	3,372	35,366	(1,334)	34,031
Segment income(loss)	7,294	247	7,542	203	7,746	(810)	6,936

Notes :

1. The Other Business category consists of businesses not categorized as individual reporting segments. Other Businesses includes orders for construction related to the gas business, sales of gas appliances, remodeling, and leasing.
2. The (¥810) million in segment income adjustments includes ¥58 million in inter-segment eliminations and (¥868) million in corporate expenses not allocable to a reporting segment. Corporate expenses are general and administrative expenses not allocable to a reporting segment.
3. Segment income is adjusted to reflect operating income as recorded on the Company's quarterly consolidated statements of income.