



Flash Report for the Term Ended December 31, 2016 [Japan GAAP] (Consolidated)

February 8, 2017

Company Name: SHIZUOKA GAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)
 Code Number: 9543 URL: http://ir.shizuokagas.co.jp/corp_en/
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Date of annual general meeting of shareholders March 22, 2017

Date for presentation of the financial statements report March 23, 2017

Date of dividend payment: March 23, 2017

Preparation of supplemental explanatory materials: Yes

Holding of FY2016 financial briefing session: Yes (for institutional investors)

1. Consolidated Business Results (January 1 to December 31, 2016)

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

(1) Operating Results

	Net sales (¥ million)	Operating income (¥ million)	Ordinary income (¥ million)	Profit attributable to owners of parent (¥ million)
Reporting term	108,554 (25.7)%	10,228 (11.5)%	10,731 (11.0)%	6,724 (12.0)%
Previous term	146,058 (12.3)	11,563 101.0	12,056 101.0	7,638 162.6

Note: Total comprehensive income (¥ million) Reporting term: 6,987((20.9)%) Previous term: 8,831(112.3%)

	Profit per share (¥)	Diluted profit per share (¥)	Return on equity (ROE) (%)	Ordinary income / Total assets (%)	Operating income / Net sales (%)
Reporting term	91.16	91.02	9.9	9.5	9.4
Previous term	103.60	103.47	12.2	10.3	7.9

Reference: Income or loss on investment accounted for by equity method (¥ million) Reporting term: 180 Previous term: 93

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
Reporting term	110,938	78,110	63.6	956.52
Previous term	115,466	73,148	56.5	884.63

Reference: Net assets excluding subscription rights to shares and non-controlling interests (¥ million)

Reporting term: 70,563 Previous term: 65,223

(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 end of period (¥ million)
Reporting term	16,697	(8,956)	(6,185)	11,421
Previous term	30,845	(9,253)	(12,010)	9,999

2. Dividend Payment

	Dividend per share (¥)					Total amount for annual dividend payments (¥ million)	Pay-out ratio (consolidated) (%)	Dividend payments/ Net assets (consolidated) (%)
	End of Q1	End of Q2	End of Q3	End of Q4	Total			
FY 2015	—	6.00	—	6.00	12.00	811	11.6	1.4
FY 2016	—	6.50	—	6.50	13.00	921	14.3	1.4
FY 2017(forecast)	—	7.00	—	7.00	14.00	/	32.3	/

3. Consolidated Business Forecast for Current Term (January 1 to December 31, 2017)

(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	62,040 1.9%	3,160 (71.5)%	3,460 (69.7)%	2,100 (72.5)%	28.46
Full term	126,230 16.3	5,020 (50.9)	5,540 (48.4)	3,200 (52.4)	43.37

※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) Other: **No**

c) Changes in accounting estimates: **No**

d) Retrospective restatements: **No**

(3) Number of issued shares (ordinary shares)

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

Reporting term: 76,192,950

Previous term: 76,192,950

b) Number of treasury shares at end of period

Reporting term: 2,422,180

Previous term: 2,464,080

c) Average number of shares outstanding during the term

Reporting term: 73,763,888

Previous term: 73,728,896

Presentation of the Fiscal Year 2016 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

Business 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 business forecasts due to various factors. For further details, please refer to " FY2017 Forecast " on page 4.

1. Operating Results and Financial Position

(1) Analysis of Operating Results (Operating Results in Fiscal Year 2016)

During the consolidated fiscal year, the Japanese economy showed signs of a continuing economic recovery, supported by improving employment numbers and personal income.

At the same time, the environment surrounding the energy industry is undergoing significant and rapid change. This change includes deregulation of electricity retailing, as well as the upcoming April 2017 deregulation of city gas retailing.

In response to these circumstances, the Shizuoka Gas Group has expanded into solutions-based businesses that respond to a diverse range of customer needs, including electricity and other home living products and services.

Consolidated net sales for the fiscal year amounted to ¥108,554 million, a 25.7% 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 ¥10,228 million, representing an 11.5% year-on-year decrease. This decrease was mainly due to declines in city gas raw materials prices resulting from falling materials costs. Ordinary income amounted to ¥10,731 million (11% decrease), while profit attributable to owners of parent decreased 12% to ¥6,724 million.

The following describes our performance by segment.

1. Gas

Customers (installed meter basis) increased by 2,198 during the period, up to 349,056 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 4.1% year on year, up to 1,451 million m³. Residential-use gas volume decreased 2.0% year on year to 91 million m³, 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 2.4%, up to 79 million m³, mainly due to increases in air conditioning demand. Industrial-use gas volume increased 1.8%, up to 656 million m³, mainly due to increases in operations at customer facilities. Wholesale gas volume increased 7.7%, up to 625 million m³. This increase was mainly due to the full operation of the Shizuhama Trunk Line beginning October 2015.

Gas net sales fell 29.4% year on year to ¥90,296 million, mainly due to lower unit gas sales prices stemming from the gas rate adjustment system.

Segment income (operating income) fell 8.0% to ¥12,656 million. This decrease was mainly due to lower costs of raw materials stemming from lower materials costs.

2. LPG and Other Energy Services

LPG sales increased 3.9% year on year to ¥11,145 million. While unit gas sales prices decreased, the Group's entry into electricity sales contributed to income gains. Meanwhile, segment income (operating income) decreased 11.9% to ¥428 million. This decrease was mainly due to smaller-scale decrease in raw materials prices when compared to net sales.

3. Other Businesses

Net sales for our Other Businesses segment (facilities construction, gas piping installations, gas appliance sales, etc.) amounted to ¥12,973 million, representing a 4.5% year-on-year decrease. This decrease was mainly due to lower facilities construction revenues. Segment income (operating income) was ¥502 million, a 19.5% year-on-year decrease.

		(million m ³)			
		FY 2016	FY 2015	Change	Change (%)
Number of Customers		349,056	346,858	2,198	0.6
Gas Sales	Residential	91	93	(2)	(2.0)
	Commercial	79	77	2	2.4
	Industrial	656	644	12	1.8
	Wholesale	625	580	45	7.7
	Total	1,451	1,394	57	4.1

(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/m³, rounded down to the nearest whole unit.
5. Consumption tax excluded.

(FY2017 Forecast)

The Company forecasts net sales of ¥126,230 million, representing a 16.3% increase year on year. This forecast reflects higher gas sales volume, anticipated slight increases in gas unit sales prices due to the effects of the gas rate adjustment system, and sales of LNG by utilizing the reloading facilities at Shimizu LNG Terminal (“Sodeshi Terminal”). We forecast operating income of ¥5,020 million (50.9% decrease), ordinary income of ¥5,540 (48.4% decrease), and profit attributable to owners of parent of ¥3,200 million (52.4% decrease). These forecasts reflect the time lag between increased in gas raw materials prices and the time that such increases are reflected in gas sales prices. As such, we expect raw materials prices to increase higher in ratio to net sales. The Company expects to make capital investments of ¥8,270 million. This represents a 10.4% decrease compared to the prior year, during which the Group constructed electric power facilities for Shizuoka Gas & Power Co.,Ltd.

		(¥ million)			
		FY 2017 Forecast	FY 2016 Result	Change	Change (%)
Net Sales		126,230	108,554	17,675	16.3
Operating Income		5,020	10,228	(5,208)	(50.9)
Ordinary Income		5,540	10,731	(5,191)	(48.4)
Profit attributable to owners of parent		3,200	6,724	(3,524)	(52.4)
Capital Investment		8,270	9,234	(964)	(10.4)

Assumptions: Crude oil prices (Japan CIF) \$ 55/bbl, Exchange rate ¥115/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 of the period amounted to ¥110,938 million, ¥4,528 million less than at the end of the prior period. This decrease was mainly due to decreases in accounts receivable-trade and lower non-current assets due to ongoing depreciation and amortization.

Liabilities amounted to ¥32,828 million, which was ¥9,489 million lower than the end of the prior period. This decrease was mainly due to decreases in accrued consumption taxes and income taxes payable, as well as repayments of short-term loans.

Net assets increased ¥4,961 million compared to the end of the prior year, rising to ¥78,110 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 63.6%.

2. Cash Flows

Cash and cash equivalents ("Cash") amounted to ¥11,421 million as of the end of the period, an increase of ¥1,421 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 ¥16,697 million, compared to cash from operating activities of ¥30,845 million in the prior period. While income before depreciation and amortization amounted to ¥20,787 million, this decrease in cash was due mainly to an increase in inventories and a decrease in accrued consumption taxes.

(Cash Flows from Investing Activities)

Cash used in investing activities amounted to ¥8,956 million compared to cash used in investing activities of ¥9,253 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.

(Cash Flows from Financing Activities)

Cash used in financing activities amounted to ¥6,185 million compared to cash used in financing activities of ¥12,010 million in the prior period. This result was mainly due to repayments of loans and payments of dividends.

(Cash Flow Indices)

	FY December 2012	FY December 2013	FY December 2014	FY December 2015	FY December 2016
Shareholders' Equity Ratio (%)	45.7	49.4	50.7	56.5	63.6
Shareholders' Equity Ratio at Market Value (%)	37.7	39.9	47.3	49.5	54.9
Interest-Bearing Debt/Cash Flow Ratio (Years)	2.0	2.4	2.3	0.6	0.9
Interest Coverage Ratio (Times)	33.3	27.3	35.1	110.8	69.7

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. Each index is calculated based on 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 13 yen per share, including a 6.5 yen interim dividend. Further, the Company plans to pay an annual dividend of 14 yen per share, including a 7 yen interim dividend for the next period based on the assumptions provided in FY2017 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.

12. Changes in laws, regulations, institutions, and national/local energy policy

Shizuoka Gas Group executes its business in accordance with the Gas Utility Industry Law, Electricity Business Act, Companies Act, Financial Instruments and Exchange Law, other laws and regulations, and the energy policy of national and local governments. Changes in such policy consequently could have a negative effect on Shizuoka Gas Group earnings.

Consolidated Balance Sheets

As of December 31	(¥ million)	
	2015	2016
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	13,413	11,473
Distribution facilities	37,100	35,737
Service and maintenance facilities	5,316	5,064
Other facilities	4,110	8,038
Construction in progress	2,518	1,036
Total property, plant and equipment	62,458	61,350
Intangible assets	1,069	867
Investments and other assets		
Investment securities	12,814	11,787
Long-term loans receivable	7,867	7,203
Deferred tax assets	404	367
Other investments and other assets	1,565	1,567
Allowance for doubtful accounts	(126)	(92)
Total investments and other assets	22,525	20,833
Total non-current assets	86,053	83,052
Current assets		
Cash and deposits	10,024	11,446
Notes and accounts receivable-trade	10,771	7,313
Merchandise and finished goods	276	241
Raw materials and supplies	4,952	5,936
Deferred tax assets	676	568
Other current assets	2,750	2,405
Allowance for doubtful accounts	(40)	(26)
Total current assets	29,412	27,886
Total assets	115,466	110,938

Note: Amounts under one million yen are omitted.

As of December 31	(¥ million)	
	2015	2016
Liabilities		
Non-current liabilities		
Long-term loans payable	13,688	11,432
Deferred tax liabilities	690	559
Net defined benefit liability	4,033	3,948
Other non-current liabilities	156	119
Total non-current liabilities	18,569	16,060
Current liabilities		
Current portion of non-current liabilities	5,272	3,356
Accounts payable-trade	8,084	7,503
Accounts payable-other	3,845	1,307
Income taxes payable	3,166	1,238
Provision for bonuses	456	482
Other current liabilities	2,921	2,878
Total current liabilities	23,748	16,767
Total liabilities	42,317	32,828
Net assets		
Shareholders' equity		
Capital stock	6,279	6,279
Capital surplus	4,626	4,653
Retained earnings	50,709	56,512
Treasury shares	(1,252)	(1,230)
Total shareholders' equity	60,363	66,214
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,893	4,488
Deferred gains or losses on hedges	(39)	(1)
Foreign currency translation adjustment	(180)	(253)
Remeasurements of defined benefit plans	186	115
Total accumulated other comprehensive income	4,859	4,349
Subscription rights to shares	70	79
Non-controlling interests	7,854	7,467
Total net assets	73,148	78,110
Total liabilities and net assets	115,466	110,938

Note: Amounts under one million yen are omitted.

Consolidated Statements of Income

Year ended December 31	(¥ million)	
	2015	2016
Net sales	146,058	108,554
Cost of sales	107,531	71,804
Gross profit	38,527	36,749
Selling, general and administrative expenses	26,963	26,521
Operating income	11,563	10,228
Non-operating income		
Interest income	159	143
Dividend income	185	191
Share of profit of entities accounted for using equity method	93	180
Miscellaneous income	391	313
Total non-operating income	829	828
Non-operating expenses		
Interest expenses	295	238
Foreign exchange losses	5	64
Miscellaneous expenses	36	23
Total non-operating expenses	336	326
Ordinary income	12,056	10,731
Extraordinary income		
Gain on sales of non-current assets	525	—
Total extraordinary income	525	—
Extraordinary losses		
Impairment loss	37	—
Loss on valuation of investment securities	—	86
Total extraordinary losses	37	86
Profit before income taxes	12,544	10,644
Income taxes-current	3,690	2,930
Income taxes-deferred	313	226
Total income taxes	4,003	3,156
Profit	8,541	7,487
Profit attributable to non-controlling interests	902	763
Profit attributable to owners of parent	7,638	6,724

Note: Amounts under one million yen are omitted.

Consolidated Statement of Comprehensive Income

Year ended December 31	(¥ million)	
	2015	2016
Profit	8,541	7,487
Other comprehensive income		
Valuation difference on available-for-sale securities	492	(394)
Deferred gains or losses on hedges	(39)	37
Remeasurements of defined benefit plans, net of tax	18	(70)
Share of other comprehensive income of entities accounted for using equity method	(180)	(72)
Total other comprehensive income	290	(500)
Comprehensive income	8,831	6,987
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,925	6,214
Comprehensive income attributable to non-controlling interests	906	773

Note: Amounts under one million yen are omitted.

Consolidated Statements of Changes in Net Assets

Fiscal Year Ended December 31, 2015

(¥ million)

	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)
Profit attributable to owners of parent			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	Non-controlling 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)
Profit attributable to owners of parent								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

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,279	4,626	50,709	(1,252)	60,363
Changes of items during period					
Dividends of surplus			(921)		(921)
Profit attributable to owners of parent			6,724		6,724
Disposal of treasury shares		5		21	26
Change in treasury shares of parent arising from transactions with non-controlling shareholders		21			21
Net changes of items other than shareholders' equity					
Total changes of items during period	—	27	5,802	21	5,851
Balance at end of current period	6,279	4,653	56,512	(1,230)	66,214

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling 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	4,893	(39)	(180)	186	4,859	70	7,854	73,148
Changes of items during period								
Dividends of surplus								(921)
Profit attributable to owners of parent								6,724
Disposal of treasury shares								26
Change in treasury shares of parent arising from transactions with non-controlling shareholders								21
Net changes of items other than shareholders' equity	(405)	37	(72)	(70)	(510)	8	(387)	(897)
Total changes of items during period	(405)	37	(72)	(70)	(510)	8	(387)	4,961
Balance at end of current period	4,488	(1)	(253)	115	4,349	79	7,467	78,110

Consolidated Statements of Cash Flows

Year ended December 31	(¥ million)	
	2015	2016
Cash flows from operating activities		
Profit before income taxes	12,544	10,644
Depreciation	10,367	10,143
Impairment loss	37	—
Loss on retirement of property, plant and equipment	38	62
Loss (gain) on valuation of investment securities	—	86
Increase (decrease) in allowance for doubtful accounts	(6)	(48)
Increase (decrease) in net defined benefit liability	(295)	(184)
Increase (decrease) in provision for bonuses	3	25
Interest and dividend income	(344)	(334)
Interest expenses	295	238
Share of (profit) loss of entities accounted for using equity method	(93)	(180)
Loss (gain) on sales of property, plant and equipment	(525)	—
Decrease (increase) in notes and accounts receivable-trade	3,821	3,492
Decrease (increase) in inventories	6,877	(950)
Increase (decrease) in notes and accounts payable-trade	(3,116)	(533)
Decrease/increase in consumption taxes receivable/payable	2,493	(3,108)
Other, net	726	1,776
Subtotal	32,824	21,128
Interest and dividend income received	481	334
Interest expenses paid	(278)	(239)
Income taxes paid	(2,182)	(4,526)
Net cash provided by (used in) operating activities	30,845	16,697
Cash flows from investing activities		
Payments into time deposits	(25)	(25)
Proceeds from withdrawal of time deposits	24	25
Purchase of property, plant and equipment and intangible assets	(7,972)	(9,428)
Proceeds from sales of property, plant and equipment and intangible assets	767	9
Purchase of investment securities	(2,344)	(9)
Collection of loans receivable	667	663
Proceeds from contribution received for construction	—	263
Other, net	(370)	(455)
Net cash provided by (used in) investing activities	(9,253)	(8,956)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(7,237)	—
Proceeds from long-term loans payable	2,775	1,320
Repayments of long-term loans payable	(6,288)	(5,444)
Proceeds from share issuance to non-controlling shareholders	618	—
Cash dividends paid	(812)	(921)
Dividends paid to non-controlling interests	(1,065)	(1,093)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(46)
Other, net	(0)	0
Net cash provided by (used in) financing activities	(12,010)	(6,185)
Effect of exchange rate change on cash and cash equivalents	(28)	(133)
Net increase (decrease) in cash and cash equivalents	9,553	1,421
Cash and cash equivalents at beginning of period	446	9,999
Cash and cash equivalents at end of period	9,999	11,421

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 24, 2016) with the exception of matters noted in "Changes in accounting policies, estimates or retrospective restatements."

(Changes in accounting policies, estimates or retrospective restatements)

Application of Accounting Standard for Business Combinations

Effective from the current consolidated fiscal year, 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 fiscal year, adjustments to the allocation of finalized acquisition costs stemming from provisional accounting treatments will be reflected on the consolidated financial statements of the consolidated period in which the date of the business combination occurred. The Company has changed the nominal presentation of profit, as well as changing the nominal presentation of minority interests to non-controlling interests.

The Company has made the transitional application of these accounting standards beginning on the first day of the current consolidated fiscal year 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.

Under the consolidated statement of cash flow for the current fiscal year, cash flows associated with payments or proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation are included in the category of "cash flows from financing activities." Cash flows associated with the costs related to the purchase of shares of subsidiaries resulting in change in scope of consolidation or the costs incurred with respect to payments or proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation are included in the category of "cash flows from operating activities."

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

Change in depreciation method

With the revision to the Corporation Tax Act, the Company has adopted the Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Changes (Accounting Standards Board of Japan Practical Issue Task Force No. 32, June 17, 2016) beginning with the current fiscal year. Accordingly, the Company has changed from the declining-balance method of depreciation to the straight-line method for the equipment attached to buildings and structures which were acquired on or after April 1, 2016.

This change in accounting policy will not have a material effect on Company operating income, ordinary income, or profit before income taxes for the current consolidated fiscal year.

(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 and liquefied natural gas (LNG)

LPG and other energy services: Liquefied petroleum gas (LPG), electric power, and 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 income.

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 Material Items by each Reportable Segment

Fiscal Year Ended December 31, 2015

(¥ million)

	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 company-wide assets not allocated to the respective reportable segments.

Company-wide 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, 2016

(¥ million)

	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	89,172	10,948	100,121	8,432	108,554	—	108,554
Inter-segment sales and transfers	1,124	196	1,320	4,541	5,862	(5,862)	—
Total	90,296	11,145	101,442	12,973	114,416	(5,862)	108,554
Segment income	12,656	428	13,085	502	13,587	(3,359)	10,228
Segment Assets	72,029	9,994	82,023	5,553	87,577	23,360	110,938
Others							
Depreciation expenses	8,973	493	9,467	426	9,893	249	10,143
Investments in entities accounted for using equity method	376	1,770	2,146	—	2,146	—	2,146
Increase in property, plant, equipment, and intangible assets	6,064	2,909	8,974	241	9,215	18	9,234

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 (¥3,359) million in segment income adjustments includes ¥260 million in eliminations of inter-segment transactions and (¥3,620) 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 ¥23,360 million in segment asset adjustments includes (¥1,437) million in eliminations of inter-segment transactions and ¥24,798 million of company-wide assets not allocated to the respective reportable segments.

Company-wide 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.