

# Flash Report for the First Half of 2014 [Japan GAAP] (Consolidated)

August 6, 2014

Company Name: SHIZUOKAGAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)  
 Code Number: 9543 URL: [http://ir.shizuokagas.co.jp/corp\\_en/Top.html](http://ir.shizuokagas.co.jp/corp_en/Top.html)  
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Date for presentation of the quarterly report: August 13, 2014

Date of dividend payment: September 2, 2014

Preparation of supplemental explanatory materials: Yes

Holding of quarterly results briefing session: Yes (for institutional investors)

## 1. Consolidated Business Results for the First Half (January 1 through June 30, 2014)

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

### (1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first half	85,461	13.2%	4,380	30.5%	4,785	35.3%
Previous first half	75,507	1.6	3,357	(35.9)	3,537	(34.0)

Note: Total comprehensive income (¥ million) Reporting first half: 3,308((12.9)%) Previous first half: 3,800(6.7%)

	Net income (¥ million)		Net income per share (¥)	Diluted net income per share (¥)
Reporting first half	2,880	57.9%	39.07	39.06
Previous first half	1,823	(36.9)	24.93	—

### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
Reporting first half	116,192	66,634	51.3
Previous full term	115,746	64,691	49.4

Note: Owners' equity (¥ million)

Reporting first half: 59,565  
 Previous full term: 57,152

## 2. Dividend Payment

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

Note: Revision of previously announced dividend forecasts: None

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

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

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)		Net income per share (¥)
Full term	168,890	10.1	4,620	(24.1)	4,820	(25.2)	2,330	(40.1)	31.60

Note: Revision of previously announced forecasts: Yes

## ※Notes

(1) Major changes in subsidiaries: None

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

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

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

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

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

b) Other: None

c) Changes in accounting estimates: None

d) Retrospective restatements: None

(4) Number of issued shares (ordinary shares)

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

Reporting first half: 76,192,950

Previous full term: 76,192,950

b) Number of treasury shares at end of the period

Reporting first half: 2,463,963

Previous full term: 2,463,938

c) Average number of shares outstanding during the term

Reporting first half: 73,728,989

Previous first half: 73,140,078

### **Presentation of quarterly review procedure status**

This quarterly earnings report is exempt from quarterly review procedures based on the Financial Instruments and Exchange Act. Thus, at the time that these quarterly financial statements were disclosed, review procedures for them were completed based on the Financial Instruments and Exchange Act.

### **Disclaimer**

The preceding earnings forecasts are based on information available as of the date of the publication of this document. Actual earnings may differ from forecasts due to various factors occurring in the future. For further details, please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance (3) Qualitative Information regarding Consolidated Business Forecasts” on P3.

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Qualitative Information Regarding Consolidated Operating Results

Gas sales for the first half of the current fiscal year (January through June 2014) amounted to ¥74,103 million, a 13.0% year-on-year increase, due to upward adjustment in the unit gas sales price under the gas rate adjustment system. Consolidated net sales as a whole, including LPG/Other Energy Services net sales and Other Business net sales, reached ¥85,461 million, an increase of 13.2% year-on-year.

Although the cost of sales increased due to an increase in the price of raw materials, the increase in net sales exceeded such cost. As a result, operating income amounted to ¥4,380 million, a 30.5% year-on-year increase, and ordinary income amounted to ¥4,785 million, an increase of 35.3% year-on-year. Likewise, net income amounted to ¥2,880 million, a 57.9% year-on-year increase.

### (2) Qualitative Information Regarding Consolidated Financial Position

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

Total assets as of the end of the first half of the current fiscal year increased by ¥445 million compared to the last day of the fiscal year ended on December 31, 2013 (“prior fiscal year end”), amounting to ¥116,192 million. This was because while continued progress was made in the depreciation of existing assets, investments related to the Shizuham Trunkline and the increase in raw material prices resulted in an increase in assets.

Although short-term loans increased, liabilities decreased ¥1,497 million compared to the end of the previous fiscal year to ¥49,557 million due to a decrease in payable construction work charges and long-term loans.

Net assets increased ¥1,943 million compared to the prior fiscal year end to ¥66,634 million due to an increase in retained earnings as a result of recording quarterly net profits. The company equity ratio was 51.3%.

#### 2. Cash Flow

Cash and cash equivalents (collectively hereinafter “cash”) at the end of the first half were ¥581 million, which is almost where they were at the end of the fiscal year ended on December 31, 2013.

The following describes the status of each cash flow in the term and the related main reasons for changes (Cash Flows from Operating Activities)

Net income before depreciation and amortization was ¥9,994 million, but due to higher income tax payments and increased inventories, cash from operating activities was ¥7,202 million.

(Cash Flows from Investing Activities)

Due to investments related to the Shizuham Trunkline, cash flows from investing activities saw an expenditure of ¥5,732 million.

(Cash Flows from Financing Activities)

Cash flows from financing activities saw an expenditure of ¥1,390 million. This was due primarily to repayment of long-term loans and payment of dividends while procuring capital funds.

### (3) Qualitative Information Regarding Consolidated Business Forecasts

The full year business forecasts have been revised due mainly to revisions in crude oil price and exchange rate projections from the third quarter, and considerations for the consolidated results of the first half under review. As a result, these forecasts call for net sales of ¥168,890 million, operating income of ¥4,620 million, ordinary income of ¥4,820 million and net income of ¥2,330 million.

(Reference) Crude Oil Price/Exchange Rate Projections

Crude oil price (Japan CIF)	Previous forecast	\$110/bbl (Q3 through Q4)
	Revised forecast	\$113/bbl (Q3 through Q4)
Exchange rate	Previous forecast	¥100/\$ (Q3 through Q4)
	Revised forecast	¥102/\$ (Q3 through Q4)

## 2. Other Information

(1) Application of special accounting methods in the preparation of the quarterly consolidated statement of income.

### Calculation of tax expenses

Tax expense was calculated by multiplying the estimated effective tax rate by quarterly income before income taxes and minority interest (cumulative period). We made a rational estimate of the effective tax rate after applying tax-effect accounting to income before income taxes and minority interest for the consolidated fiscal year (including the first half of the current consolidated fiscal year).

(2) Establishment of new company Shizuoka Gas&Power Co., Ltd.

As part of greater efforts to promote a total energy business, we established a new power company, Shizuoka Gas&Power Co., Ltd., which will aim to commence supplying power in 2016.

Shizuoka Gas Group is continuously committed to contributing to the revitalization of local communities and our mission to achieve a low-carbon society by building and promoting new business models based on the utilization of locally-generated energy and power from our gas co-generation system.

### (Overview of new company)

1. Company name: Shizuoka Gas&Power Co., Ltd.
2. Business description: Power generation and energy trading
3. Established: July 2, 2014
4. Capital: ¥495 million

## Consolidated Balance Sheets

	Millions of yen	
	December 31, 2013	June 30, 2014
<b>Assets</b>		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	¥ 18,700	¥ 17,349
Distribution facilities	28,632	36,867
Service and maintenance facilities	5,760	5,659
Other facilities	4,137	4,386
Construction in progress	10,429	1,381
Total property, plant and equipment	67,659	65,643
Intangible assets	1,640	1,497
Investments and other assets –		
Investment securities	9,727	9,887
Long-term loans receivable	7,528	8,626
Deferred tax assets	464	442
Other investments and other assets	1,179	1,716
Allowance for doubtful accounts	(193)	(132)
Total investments and other assets	18,706	20,541
Total noncurrent assets	88,006	87,682
Current assets:		
Cash and deposits	526	605
Notes and accounts receivable – trade	13,113	13,500
Merchandise and finished goods	426	421
Raw materials and supplies	10,236	10,657
Deferred tax assets	647	653
Other current assets	2,844	2,720
Allowance for doubtful accounts	(53)	(50)
Total current assets	27,740	28,509
Total assets	¥115,746	¥116,192

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

	Millions of yen	
	December 31, 2013	June 30, 2014
<b>Liabilities</b>		
Noncurrent liabilities:		
Long-term loans payable	¥ 19,613	¥ 19,279
Deferred tax liabilities	839	869
Provision for retirement benefits	2,431	2,095
Provision for gas holder repairs	94	—
Negative goodwill	21	—
Other noncurrent liabilities	297	216
<b>Total noncurrent liabilities</b>	<b>23,298</b>	<b>22,461</b>
Current liabilities:		
Current portion of noncurrent liabilities	6,364	6,323
Accounts payable – trade	9,535	9,626
Short-term loans payable	4,710	5,665
Accounts payable – other	2,542	1,006
Income taxes payable	1,687	1,940
Provision for bonuses	454	450
Other current liabilities	2,462	2,082
<b>Total current liabilities</b>	<b>27,756</b>	<b>27,096</b>
<b>Total liabilities</b>	<b>51,055</b>	<b>49,557</b>
<b>Net assets</b>		
Shareholders' equity:		
Capital stock	6,279	6,279
Capital surplus	4,626	4,626
Retained earnings	43,420	45,933
Treasury stock	(1,252)	(1,252)
<b>Total shareholders' equity</b>	<b>53,074</b>	<b>55,586</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,071	3,993
Deferred gains or losses on hedges	6	(14)
<b>Total accumulated other comprehensive income</b>	<b>4,077</b>	<b>3,978</b>
Subscription rights to shares	—	34
Minority interests	7,539	7,034
<b>Total net assets</b>	<b>64,691</b>	<b>66,634</b>
<b>Total liabilities and net assets</b>	<b>¥115,746</b>	<b>¥116,192</b>

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Income

First half ended June 30	Millions of yen	
	2013	2014
Net sales	¥75,507	¥85,461
Cost of sales	59,968	67,903
Gross profit	15,538	17,558
Selling, general and administrative expenses	12,181	13,177
Operating income	3,357	4,380
Non-operating income:		
Interest income	87	78
Dividends income	83	89
Amortization of negative goodwill	117	21
Share of profit of entities accounted for using equity method	—	249
Miscellaneous income	147	168
Total non-operating income	437	606
Non-operating expenses:		
Interest expenses	242	190
Miscellaneous expenses	15	11
Total non-operating expenses	257	201
Ordinary income	3,537	4,785
Extraordinary loss:		
Loss on sales of noncurrent assets	56	—
Total extraordinary losses	56	—
Income before income taxes and minority interests	3,481	4,785
Income taxes	1,144	1,377
Income before minority interests	2,337	3,408
Minority interests in income	513	527
Net income	¥ 1,823	¥ 2,880

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Comprehensive Income

First half ended June 30	Millions of yen	
	2013	2014
Income before minority interests	¥2,337	¥3,408
Other comprehensive income:		
Valuation difference on available-for-sale securities	1,463	(77)
Deferred gains or losses on hedges	—	(21)
Total other comprehensive income	1,463	(99)
Comprehensive income	3,800	3,308
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	3,282	2,782
Comprehensive income attributable to minority interests	¥ 517	¥ 526

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



## Consolidated Statements of Cash Flows

First half ended June 30	Millions of yen	
	2013	2014
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	¥3,481	¥4,785
Depreciation and amortization	4,717	5,208
Amortization of negative goodwill	(117)	(21)
Loss on retirement of property, plant and equipment	22	19
Increase (decrease) in allowance for doubtful accounts	(23)	(65)
Increase (decrease) in provision for retirement benefits	(284)	(352)
Increase (decrease) in provision for gas holder repairs	—	(94)
Increase (decrease) in provision for bonuses	(4)	(4)
Interest and dividends income	(171)	(167)
Interest expenses	242	190
Share of (profit) loss of entities accounted for using equity method	—	(249)
Loss (gain) on sales of property, plant and equipment	56	—
Decrease (increase) in notes and accounts receivable – trade	(32)	(299)
Decrease (increase) in inventories	(2,095)	(395)
Increase (decrease) in notes and accounts payable – trade	(39)	60
Decrease/increase in consumption taxes receivable/payable	(163)	(234)
Other, net	(359)	(231)
Subtotal	5,227	8,147
Interest and dividends income received	173	167
Interest expenses paid	(244)	(193)
Income taxes (paid) refund	(1,214)	(919)
Net cash provided by (used in) operating activities	3,942	7,202
Net cash provided by (used in) investing activities:		
Payments into time deposits	(13)	(13)
Proceeds from withdrawal of time deposits	13	13
Purchase of property, plant and equipment and intangible assets	(4,837)	(3,909)
Proceeds from sales of property, plant and equipment and intangible assets	31	4
Purchase of investment securities	(3)	(3)
Proceeds from sales of investment securities	9	—
Net decrease (increase) in short-term loans receivable	1,584	—
Payments of loans receivable	(350)	(1,190)
Collection of loans receivable	104	92
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	28
Other, net	(241)	(755)
Net cash provided by (used in) investing activities	(3,702)	(5,732)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	128	744
Proceeds from long-term loans payable	3,650	3,000
Repayment of long-term loans payable	(2,655)	(3,702)
Cash dividends paid	(328)	(368)
Cash dividends paid to minority shareholders	(1,065)	(1,064)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(270)	(1,390)
Net increase (decrease) in cash and cash equivalents	(30)	78
Cash and cash equivalents at beginning of period	475	503
Cash and cash equivalents at end of period	¥ 444	¥ 581

Note: Amounts under one million yen are omitted.

## Segment Information

Information related to net sales and profit and loss amounts by reporting segment

(Amounts under one million yen are omitted.)

First half ended June 30, 2013							Millions of yen
	Reporting segment			Other businesses (Note1)	Total	Adjustments (Note2)	Amount recorded on consolidated statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Outside customers	65,184	6,287	71,472	4,035	75,507	—	75,507
Inter-segment	374	177	552	1,929	2,481	(2,481)	—
Total	65,559	6,465	72,024	5,964	77,989	(2,481)	75,507
Operating income	4,519	460	4,980	92	5,072	(1,714)	3,357

Notes :

1. The “Other businesses” classification consists of businesses not defined as reporting segments, and include construction of facilities/gas piping installations and gas appliance sales, remodeling, and leasing.
2. The (¥1,714) million in segment income adjustments includes ¥122 million in eliminations of inter-segment transactions and (¥1,837) million of corporate expenses not allocated to the respective reporting segments. Corporate expenses are general and administrative expenses not attributable to reporting segments.
3. The segment income is adjusted to reflect operating income as recorded on our quarterly consolidated statements of income.

First half ended June 30, 2014							Millions of yen
	Reporting segment			Other businesses (Note1)	Total	Adjustments (Note2)	Amount recorded on consolidated statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Outside customers	73,445	7,089	80,534	4,927	85,461	—	85,461
Inter-segment	658	243	901	1,784	2,686	(2,686)	—
Total	74,103	7,332	81,436	6,712	88,148	(2,686)	85,461
Operating income	5,282	493	5,776	211	5,987	(1,607)	4,380

Notes :

1. The “Other businesses” classification consists of businesses not defined as reporting segments, and include construction of facilities/gas piping installations and gas appliance sales, remodeling, and leasing.
2. The (¥1,607) million in segment income adjustments includes ¥131 million in eliminations of inter-segment transactions and (¥1,738) million of corporate expenses not allocated to the respective reporting segments. Corporate expenses are general and administrative expenses not attributable to reporting segments.
3. The segment income is adjusted to reflect operating income as recorded on our quarterly consolidated statements of income.