

# Flash Report for the Term Ended December 31, 2013 [Japan GAAP] (Consolidated)

February 7, 2014

Company Name: SHIZUOKAGAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)  
 Code Number: 9543 URL: <http://www.shizuokagas.co.jp>  
 Representative: Hiroshi Tonoya, President  
 Contact: Masanobu Morita, Accounting Manager, Corporate Service Dept.  
 Tel: +81-54-284-7990

Date of annual general meeting of shareholders: March 27, 2014  
 Date for presentation of the financial statements report: March 28, 2014  
 Date of dividend payment: March 28, 2014  
 Preparation of supplemental explanatory materials: Yes  
 Holding of FY2013 financial briefing session: Yes(for institutional investors)

## 1. Consolidated Business Results (January 1 to December 31, 2013)

(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	153,459	6.3%	6,085	(23.3)%	6,443	(20.8)%	3,887	(4.7)%
Previous term	144,307	12.6	7,937	111.8	8,133	106.1	4,078	133.9
Note: Total comprehensive income (¥ million)	Reporting term: 6,602 (19.4%)				Previous term: 5,528 (154.4%)			

	Earnings per share (¥)	Return on equity (ROE) (%)	Ordinary income / Total assets (%)	Operating income / Net sales (%)
Reporting term	53.13	7.1	5.6	4.0
Previous term	55.76	8.2	7.4	5.5

Note: Equity-method investment: not applicable

### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting term	115,746	64,691	49.4	775.16
Previous term	113,429	59,521	45.7	707.96

Note: Owners' equity (¥ million) Reporting term: 57,152 Previous term: 51,781

### (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	12,927	(6,432)	(6,466)	503
Previous term	17,686	(12,102)	(5,542)	475

## 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 2012	—	4.50	—	4.50	9.00	658	16.1	1.3
FY 2013	—	5.00	—	5.00	10.00	734	18.8	1.3
FY 2014 (forecast)	—	5.00	—	5.00	10.00	/	26.4	/

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

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

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)		Earnings per share (¥)
Half term	82,900	9.8%	4,280	27.5 %	4,420	24.9 %	2,670	46.4 %	36.21
Full term	164,870	7.4	5,300	(12.9)	5,510	(14.5)	2,790	(28.2)	37.84

## ※Notes

(1) Major changes in subsidiaries: None

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: Applicable

b) Other: None

c) Changes in accounting estimates: Applicable

d) Retrospective restatements: None

(Starting this consolidated fiscal year, the depreciation method has been changed and falls under "Accounting policy changes that are difficult to distinguish from changes to accounting estimates."

For details, see "Consolidated Financial Statements, Notes regarding Consolidated Financial Statements (Changes in accounting policies or estimates and retrospective restatements)" on page 16.

(3) Number of issued shares (ordinary shares)

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

Reporting term: 76,192,950

Previous term: 76,192,950

b) Number of treasury shares at end of the period

Reporting term: 2,463,938

Previous term: 3,052,798

c) Average number of shares outstanding during the term

Reporting term: 73,149,646

Previous term: 73,140,620

### **Presentation of the Fiscal Year 2013 review procedure status**

This flash report is exempt from review procedures based on the Financial Instruments and Exchange Act. At the point in time of its disclosure, review procedures based on the Financial Instruments and Exchange Act have not been completed.

Disclaimer: 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 "Forecasts for the Fiscal Year 2014" on page 4.

## 1. Operating Results and Financial Position

### (1) Analysis of Operating Results

#### (Operating Results in Fiscal Year 2013)

The Japanese economy in the current consolidated fiscal year (hereafter the “term”) showed a gradual recovery, due mainly to an improvement in business performance—particularly exports, against the backdrop of government economic policy—and signs of regain in consumer spending.

In the energy industry, discussions about a new energy policy are moving forward with raised expectations for natural gas, and the discussion of institutional reform in the power and gas industries is going underway, leading to dramatic changes in the gas business.

Under these circumstances, the Shizuoka Gas Group was committed to working in order to ensure a more stable supply of city gas and LPG and to promote a wider use of them as well as to provide solutions for better life with gas. Net sales during the term increased 6.3% year-on-year to ¥153,459 million due to upward adjustment in the unit gas sales price under the gas rate adjustment system.

Operating income decreased 23.3% year-on-year to ¥6,085 million as a result of the impact of the time lag between the rise in raw materials prices and their reflection in the unit gas sales price. Ordinary income decreased 20.8% year-on-year to ¥6,443 million, and net income in the term decreased 4.7% year-on-year to ¥3,887 million.

Performance in each segment was as follows:

#### (1) Gas

Customer numbers (meter installed basis) increased by 29 during the term to 340,297 as of the end of the term thanks to area focused promotion of sales and services and new customer acquisition initiatives in newly-built houses and existing houses markets in the midst of increasingly fierce competition with other fuels.

Gas sales volume declined 1.7% year-on-year to 1,383 million m<sup>3</sup>. By usage, residential use decreased 2.8% year-on-year to 94 million m<sup>3</sup> due to lower demand for boiler and heating driven by the milder weather. Commercial use (offices, retail outlets, public facilities, and medical institutions) increased 1.9% year-on-year to 79 million m<sup>3</sup> due to increases in air conditioning demand and development of new customers.

Industrial use declined 3.2% year-on-year to 667 million m<sup>3</sup> as a result of lower operating rates at existing customers and other such factors. Wholesale declined 0.1% year-on-year to 543 million m<sup>3</sup> due to decreased demand at wholesale customers.

Gas sales volumes declined, but gas net sales grew 6.2% year-on-year to ¥133,378 million due to upward trend in unit gas sales prices based on the gas rate adjustment system.

In the meantime, segment income (operating income) decreased 14.5% year-on-year to ¥8,930 million due to such factors as an increase in the cost of sales resulting from the rise in raw materials prices and the time lag between raw materials prices and their reflection in the gas unit sales price.

#### (2) LPG and Other Energy Services

LPG sales increased 4.4% year-on-year to ¥12,261 million due to upward adjustment of unit gas sales prices caused by rising raw materials prices despite decrease in gas sales volume.

Meanwhile, segment income (operating income) declined by 47.2% year-on-year to ¥312 million due to the cost of sales rising faster than sales as a result of the increase in raw materials prices.

#### (3) Other Businesses

Other businesses’ (such as the construction of facilities and gas piping installations and gas appliance sales) net sales increased 3.9% year-on-year to ¥13,296 million due to increases in the construction of facilities, including remodeling work, and segment income (operating income) increased 531.7% year-on-year to ¥230 million.

			FY 2013	FY 2012	Change	Change (%)
Number of Customers			340,297	340,268	29	0.0
Gas Sales	Residential	million m <sup>3</sup>	94	96	(3)	(2.8)
	Commercial	"	79	77	2	1.9
	Industrial	"	667	689	(22)	(3.2)
	Wholesale	"	543	543	(0)	(0.1)
	Total	"	1,383	1,406	(24)	(1.7)

- (Notes) 1. "Number of Customers" lists 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 figures include intersegment transactions.  
4. Sales volume assumes 45 MJ (Mega Joule) per 1m<sup>3</sup> and figures less than one unit are rounded off.  
5. Consumption tax is excluded

#### (Forecasts for the Fiscal Year 2014)

We expect unit gas sales prices based on the gas rate adjustment system to be higher level than that of the previous fiscal year in addition to increases in gas sales volumes, as a result of which, we forecast that net sales will increase 7.4% year-on-year to ¥164,870 million. Meanwhile, taking into account high-pressure pipeline depreciation associated with operation of the Shizuhama Trunkline, we expect operating income to decrease 12.9% year-on-year to ¥5,300 million, ordinary income to decrease 14.5% year-on-year to ¥5,510 million and net income to decrease 28.2% to ¥2,790 million. Additionally, we expect capital investment to remain it nearly as-is year on year with ¥8,700 million.

(Unit: million yen)

Item	FY 2014 Forecast	FY 2013 Result	Change	Change (%)
Net Sales	164,870	153,459	11,410	7.4
Operating Income	5,300	6,085	(785)	(12.9)
Ordinary Income	5,510	6,443	(933)	(14.5)
Net Income	2,790	3,887	(1,097)	(28.2)
Capital Investment	8,700	8,834	(134)	(1.5)

Presumptions: Crude oil prices (Japan CIF) \$ 110/bbl, Exchange rate ¥100/\$

## (2) Analysis of Financial Position

### (Analysis of status of assets, liabilities, net assets and cash flow conditions)

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

Total assets increased ¥2,316 million year-on-year to ¥115,746 million owing to factors such as an increase in the value of investment securities resulting from stock market conditions and an increase in accounts receivable resulting from an increase in gas sales, despite the ongoing depreciation of existing assets.

Although accounts payable increased due to higher LNG charges, liabilities decreased by ¥2,852 million year-on-year to ¥51,055 million due to a decrease in interest-bearing liabilities.

Net assets increased ¥5,169 million year-on-year to ¥64,691 million. This was primarily attributable to increased retained earnings due to the posting of current term profits and an increase in valuation difference in the market price of investment securities.

As a result, the equity ratio as of the end of the term was 49.4%.

## 2. Cash Flow

Cash and cash equivalents (correctively hereinafter “cash”) increased ¥28 million in the current term and the balance as of the end of the term was ¥503 million.

The following describes the status of each cash flow in the term and the related main reasons for changes

### (Cash Flows from Operating Activities)

Cash from operating activities was ¥12,927 million (the previous fiscal year net inflow of ¥17,686 million). Although net income before depreciation and amortization was ¥16,619 million, this increase was due to such factors as increased accounts receivable and payment of income taxes; despite the increases on accounts payable.

### (Cash Flows from Investing Activities)

Cash from investment activities saw an expenditure of ¥6,432 million (the previous fiscal year net cash outlay of ¥12,102 million). This was primarily used to make capital investments in gas pipeline construction, including the Shizuhamu Trunkline.

### (Cash Flows from Financing Activities)

Cash from financing activities saw an expenditure of ¥6,466 million (the previous fiscal year net cash outlay of ¥5,542 million). This was primarily due to ongoing repayment of past long-term loans, payment of dividends, and the like.

## (Trends in Cash Flow Related Indices)

	FY ended in Dec. 2009	FY ended in Dec. 2010	FY ended in Dec. 2011	FY ended in Dec. 2012	FY ended in Dec. 2013
Equity Ratio (%)	39.4	44.6	44.4	45.7	49.4
Market Value Basis Equity Ratio (%)	40.0	34.1	33.3	37.7	39.9
Debt/Cash flow ratio (Years)	1.2	5.6	4.1	2.0	2.4
Interest Coverage Ratio (Times)	41.1	9.8	16.2	33.3	27.3

Equity Ratio: Shareholders equity / total assets

Market Value Basis Equity Ratio: Market capitalization / total assets

Debt/Cash flow ratio: Interest-bearing liabilities ratio / cash flows

Interest Coverage Ratio: Cash flows / interest payments

### (Notes)

1. Calculation based on the consolidated basis financial figures.
2. Total market capitalization is calculated by multiplying the closing price as of the end of the fiscal year by the total number of shares issued and outstanding (excluding treasury stock).
3. Cash flow means cash flows from operating activities.
4. Interest bearing liabilities include long-term loans (including loans with maturing date within 1 year) and short-term loans accounted for under the liabilities section of the consolidated balance sheets. Also, interest payments equal the amount of interest paid on the consolidated cash flow statements.

### **(3) Basic Policy on Profit Distribution and Dividends for Current Fiscal Year and Following Fiscal Year**

Shizuoka Gas has been returning profits to shareholders under a basic policy of stable and continuous dividends.

Currently, the Company carries out its mission of ensuring a long-term, stable supply of city gas as a public utility. At the same time, the Company is allocating benefits created through the introduction of natural gas in capital investment for business expansion, to further bolster its revenue base for the future.

Against this backdrop, the Company will continue to return profits to shareholders in accordance with the basic policy of maintaining continuous, stable dividends, while taking into consideration the Company's financial position and operating results.

In keeping with the above policy the Company expects to pay annual dividends for FY2013 of 10 yen per share, including the 5 yen interim dividend. With respect to the following fiscal year, the Company anticipates an annual dividend of 10 yen per share including a 5 yen interim dividends premised on the "Forecasts for the Following Fiscal Year" noted above.

### **(4) Business and Other Risks**

The risk factors that might affect the operating results and financial position of Shizuoka Gas Group are discussed below.

The forward-looking statements in the text are judgments made by the Company based on the information available as of the end of FY 2013.

#### 1. Contingencies in Raw Materials Procurement

All of the LNG purchased by Shizuoka Gas is imported from overseas. The gas supply of the Shizuoka Gas Group might negatively be affected by the occurrence of contingencies in raw materials procurement, including problems at LNG import sources and operational difficulties at LNG carrier.

#### 2. Natural Disasters

The operating results of the Shizuoka Gas Group could negatively be affected if the facilities of the Group or its customers suffer extensive damage as a result of a large-scale natural disaster such as an earthquake, typhoon, or tsunami.

#### 3. Contingencies in the Production and Supply of City Gas.

The gas supply of the Shizuoka Gas Group could negatively be affected, and the Group could suffer losses as well as be responsible for compensation to society at large, if difficulties occur in the production of city gas by Shimizu LNG Company Ltd., a consolidated subsidiary, or a leakage, explosion or other large-scale accidents in conjunction with the city gas supply by the Group.

Additionally, if a major electrical outage occurs in the Company's city gas supply area and the electrical power supply from the grid source is interrupted, a certain volume of gas can be transmitted using the Company's privately-owned electrical power facilities. However, depending on the time of the day, such electrical outage could affect the production and supply of city gas.

#### 4. Raw Materials Prices

Shizuoka Gas must obtain new LNG in response to increases in gas and LNG demand, and procures LNG through the use of short- and long-term contracts and spot purchases. The operating results can negatively be affected if the price of LNG procured by the Company differs from the raw materials price level used when setting gas rates because of these new procurement prices or changes in the pricing system for existing long-term contracts.

#### 5. Gas Rate Adjustment System

Gas rates are set based on the gas rate adjustment system (a system of revising gas rates to reflect changes in raw materials prices). The price of LNG and LPG used as raw materials will have an impact in determining gas rates based on the gas rate adjustment system. While the LNG price and the LPG price are subject to changes in crude oil prices and exchange rate fluctuations, these effects are offset and limited because the changes in raw materials prices are reflected in gas rates based on that system. However, changes in raw materials prices might affect operating results if those price changes are reflected in gas rates for a different accounting period due to the time lag until the changes are reflected in gas rates.

#### 6. Large-Lot Customer Trends

The Company's Customer gas sales volume might be reduced as a result of factors such as cutbacks in facilities operations by large-lot customers due to economic trends and the development of energy saving activities. Additionally, gas rates for large-lot customers may be subject to competition with other gas suppliers because the rates are determined in individual negotiations. As a result of this, the Company's gas sales volume and gas sales may be impacted by trends in large-lot customers.

#### 7. Fluctuations in Air/Water Temperatures and in Seasonal Operating Results

The operating results of the Shizuoka Gas Group could be affected by gas sales, the main business of the Group, because such sales are subject to warm weather and changes in water temperatures. Moreover, the earnings of the Group tend to be concentrated in the first half of the year as gas sales volume and sales tend to increase in the winter and to decline in the summer.

#### 8. Intensifying Competition

The operating results of the Shizuoka Gas Group could negatively be affected by growing competition with alternative energy providers such as power utilities, and with increased competition from new entrants into the gas business.

#### 9. Changes in Interest Rate Trends

The operating results of the Shizuoka Gas Group can adversely be affected by changes in interest rate trends when the Company seeks to procure new capital. However, the effect on the Group is limited through the use of fixed interest rates for long-term debt, which accounts for a relatively large percentage of the Group's interest bearing liabilities.

#### 10. Information Leakage

The operating results may adversely be affected by the Shizuoka Gas Group's response and a loss of trust in the Group, if customers' personal information managed by it is leaked outside of the Group.

#### 11. Disruption or Malfunctioning of Core IT Systems

The operating results of Shizuoka Gas Group could adversely be affected if there is a disruption or malfunction in the core IT systems relating to gas production and supply, customer service inquiries and rates.



## Consolidated Balance Sheets

As of December 31	Millions of yen	
	2012	2013
<b>Assets</b>		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	¥ 21,668	¥ 18,700
Distribution facilities	29,302	28,632
Service and maintenance facilities	4,045	5,760
Other facilities	4,239	4,137
Construction in progress	9,590	10,429
Total property, plant and equipment	68,845	67,659
Intangible assets	1,884	1,640
Investments and other assets –		
Investment securities	7,201	9,727
Long-term loans receivable	7,078	7,528
Deferred tax assets	800	464
Other investments and other assets	1,106	1,179
Allowance for doubtful accounts	(209)	(193)
Total investments and other assets	15,977	18,706
Total noncurrent assets	86,707	88,006
Current assets:		
Cash and deposits	497	526
Notes and accounts receivable – trade	11,685	13,113
Merchandise and finished goods	362	426
Raw materials and supplies	9,476	10,236
Deferred tax assets	632	647
Other current assets	4,126	2,844
Allowance for doubtful accounts	(57)	(53)
Total current assets	26,722	27,740
Total assets	¥113,429	¥115,746

Note: Amounts under one million yen are omitted.

As of December 31	Millions of yen	
	2012	2013
<b>Liabilities</b>		
Noncurrent liabilities:		
Long-term loans payable	¥ 22,304	¥ 19,613
Deferred tax liabilities	19	839
Provision for retirement benefits	2,648	2,431
Provision for gas holder repairs	94	94
Negative goodwill	256	21
Other noncurrent liabilities	463	297
<b>Total noncurrent liabilities</b>	<b>25,786</b>	<b>23,298</b>
Current liabilities:		
Current portion of noncurrent liabilities	7,272	6,364
Accounts payable – trade	7,946	9,535
Short-term loans payable	6,156	4,710
Accounts payable – other	2,011	2,542
Income taxes payable	1,896	1,687
Provision for bonuses	446	454
Other current liabilities	2,392	2,462
<b>Total current liabilities</b>	<b>28,121</b>	<b>27,756</b>
<b>Total liabilities</b>	<b>53,907</b>	<b>51,055</b>
<b>Net assets</b>		
Shareholders' equity:		
Capital stock	6,279	6,279
Capital surplus	4,589	4,626
Retained earnings	40,235	43,420
Treasury stock	(1,551)	(1,252)
<b>Total shareholders' equity</b>	<b>49,552</b>	<b>53,074</b>
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,228	4,071
Deferred gains or losses on hedges	—	6
<b>Total accumulated other comprehensive income</b>	<b>2,228</b>	<b>4,077</b>
Minority interests	7,740	7,539
<b>Total net assets</b>	<b>59,521</b>	<b>64,691</b>
<b>Total liabilities and net assets</b>	<b>¥113,429</b>	<b>¥115,746</b>

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Income

Year ended December 31	Millions of yen	
	2012	2013
Net sales	¥144,307	¥153,459
Cost of sales	111,624	122,738
Gross profit	32,682	30,721
Selling, general and administrative expenses	24,745	24,635
Operating income	7,937	6,085
Non-operating income:		
Interest income	156	178
Dividends income	138	153
Amortization of negative goodwill	236	236
Miscellaneous income	260	276
Total non-operating income	792	844
Non-operating expenses:		
Interest expenses	528	465
Miscellaneous expenses	68	20
Total non-operating expenses	596	486
Ordinary income	8,133	6,443
Extraordinary income:		
Gain on sales of noncurrent assets	—	952
Total extraordinary income	—	952
Extraordinary loss:		
Loss on sales of noncurrent assets	—	71
Impairment loss	62	323
Loss on valuation of investment securities	375	—
Total extraordinary losses	437	395
Income before income taxes and minority interests	7,695	7,000
Income taxes - current	1,966	1,798
Income taxes - deferred	912	457
Total income taxes	2,878	2,255
Income before minority interests	4,817	4,744
Minority interests in income	738	857
Net income	¥ 4,078	¥ 3,887

Note: Amounts under one million yen are omitted.

## Consolidated Statement of Comprehensive Income

Year ended December 31	Millions of yen	
	2012	2013
Income before minority interests	¥4,817	¥4,744
Other comprehensive income		
Valuation difference on available-for-sale securities	706	1,850
Deferred gains or losses on hedges	5	6
Total other comprehensive income	711	1,857
Comprehensive income	5,528	6,602
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,787	5,736
Comprehensive income attributable to minority interests	¥ 740	¥ 865

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

## Consolidated Statements of Changes in Net Assets

Year ended December 31	Millions of yen	
	2012	2013
<b>Shareholders' equity</b>		
Capital stock		
Balance at the beginning of current period	¥ 6,279	¥ 6,279
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	¥ 6,279	¥ 6,279
Capital surplus		
Balance at the beginning of current period	¥ 4,589	¥ 4,589
Changes of items during the period		
Disposal of treasury stock	—	37
Total changes of items during the period	—	37
Balance at the end of current period	¥ 4,589	¥ 4,626
Retained earnings		
Balance at the beginning of current period	¥36,815	¥40,235
Changes of items during the period		
Dividends from surplus	(658)	(694)
Net income	4,078	3,887
Change of scope of equity method	—	(6)
Total changes of items during the period	3,420	3,185
Balance at the end of current period	¥40,235	¥43,420
Treasury stock		
Balance at the beginning of current period	¥(1,550)	¥(1,551)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	—	299
Total changes of items during the period	(0)	299
Balance at the end of current period	¥(1,551)	¥(1,252)
Total shareholders' equity		
Balance at the beginning of current period	¥46,132	¥49,552
Changes of items during the period		
Dividends from surplus	(658)	(694)
Net income	4,078	3,887
Change of scope of equity method	—	(6)
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	—	336
Total changes of items during the period	3,419	3,521
Balance at the end of current period	¥49,552	¥53,074

Year ended December 31	Millions of yen	
	2012	2013
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	¥ 1,524	¥ 2,228
Changes of items during the period		
Net changes of items other than shareholders' equity	703	1,842
Total changes of items during the period	703	1,842
Balance at the end of current period	2,228	4,071
Deferred gains or losses on hedges		
Balance at the beginning of current period	(5)	—
Changes of items during the period		
Net changes of items other than shareholders' equity	5	6
Total changes of items during the period	5	6
Balance at the end of current period	—	6
Total accumulated other comprehensive income		
Balance at the beginning of current period	1,519	2,228
Changes of items during the period		
Net changes of items other than shareholders' equity	709	1,849
Total changes of items during the period	709	1,849
Balance at the end of current period	2,228	4,077
<b>Minority interests</b>		
Balance at the beginning of current period	8,067	7,740
Changes of items during the period		
Net changes of items other than shareholders' equity	(326)	(201)
Total changes of items during the period	(326)	(201)
Balance at the end of current period	7,740	7,539
<b>Total net assets</b>		
Balance at the beginning of current period	55,719	59,521
Changes of items during the period		
Dividends from surplus	(658)	(694)
Net income	4,078	3,887
Change of scope of equity method	—	(6)
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	—	336
Net changes of items other than shareholders' equity	382	1,647
Total changes of items during the period	3,802	5,169
Balance at the end of current period	¥59,521	¥64,691

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Cash Flows

Year ended December 31	Millions of yen	
	2012	2013
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	¥ 7,695	¥ 7,000
Depreciation and amortization	10,737	9,618
Impairment loss	62	323
Amortization of negative goodwill	(236)	(236)
Loss on retirement of property, plant and equipment	103	58
Loss (gain) on valuation of investment securities	375	—
Increase (decrease) in allowance for doubtful accounts	(19)	(19)
Increase (decrease) in provision for retirement benefits	(182)	(217)
Increase (decrease) in provision for bonuses	12	8
Interest and dividends income	(295)	(331)
Interest expenses	528	465
Loss (gain) on sales of property, plant and equipment	—	(880)
Decrease (increase) in notes and accounts receivable – trade	(480)	(1,410)
Decrease (increase) in inventories	(3,604)	(821)
Increase (decrease) in notes and accounts payable – trade	5,375	1,481
Decrease/increase in consumption taxes receivable/payable	(355)	(103)
Other, net	(75)	227
Subtotal	19,640	15,162
Interest and dividends income received	296	333
Interest expenses paid	(531)	(472)
Income taxes paid	(1,718)	(2,095)
Net cash provided by (used in) operating activities	17,686	12,927
Net cash provided by (used in) investing activities:		
Payments into time deposits	(22)	(23)
Proceeds from withdrawal of time deposits	22	22
Purchase of property, plant and equipment and intangible assets	(9,690)	(8,108)
Proceeds from sales of property, plant and equipment and intangible assets	15	991
Purchase of investment securities	(123)	(7)
Gain on sales of investment securities	0	9
Net decrease (increase) in short-term loans receivable	(337)	1,584
Payments of loans receivable	(1,730)	(650)
Collection of loans receivable	206	200
Other, net	(442)	(451)
Net cash provided by (used in) investing activities	(12,102)	(6,432)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(1,375)	(1,445)
Proceeds from long-term loans payable	3,180	4,440
Repayment of long-term loans payable	(5,624)	(8,038)
Cash dividends paid	(656)	(692)
Cash dividends paid to minority shareholders	(1,064)	(1,065)
Proceeds from sales of treasury stock	—	336
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(5,542)	(6,466)
Net increase (decrease) in cash and cash equivalents	42	28
Cash and cash equivalents at beginning of period	432	475
Cash and cash equivalents at end of period	¥ 475	¥ 503

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)

There have been no significant changes since the recent financial statements report (submitted on March 25, 2013) except for changes made under "Changes in accounting policies or estimates and retrospective restatements", so the disclosure has been omitted.

(Changes in accounting policies or estimates and retrospective restatements)

Accounting policy changes that are difficult to distinguish from changes to accounting estimates

As the result of revisions to the Corporate Tax Act, beginning with the current consolidated fiscal year Shizuoka Gas and consolidated subsidiaries have changed to depreciation methods outlined in the revised Corporate Tax Act for property, plants and equipment acquired after January 1, 2013. As a result, compared to the previous method, operating income, ordinary income, and income before income taxes and minority interests all increased by ¥156 million for the current consolidated fiscal year.

(Segment Information)

### 1. Reporting Segment Overview

Shizuoka Gas Group reporting 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 reporting segments along product/service lines: (1) Gas and (2) LPG/Other Energy Services.

The following details the principal products and services offered by each reporting 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 those other items by each reporting 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".

The reporting segment income is the operating profit base figures. Inter-segment sales and transferred amounts are transactions between consolidated companies and are based on market prices, etc.

### 3. Information concerning the amount of the sales, profit or losses, assets and those other items of each reporting segment.



(Amounts under one million yen are omitted.)

**Previous consolidated fiscal year (January 1, 2012 - December 31, 2012)**

Millions of yen

	Reporting segment			Other businesses (Note1)	Total	Elimination or corporate (Note2)	Amount recorded on consolidated statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Outside customers	124,837	11,424	136,262	8,044	144,307	—	144,307
Inter-segment	719	320	1,039	4,754	5,794	(5,794)	—
Total	125,557	11,745	137,302	12,799	150,101	(5,794)	144,307
Segment income	10,443	591	11,035	36	11,071	(3,133)	7,937
Segment Assets	92,643	4,952	97,595	6,084	103,679	9,750	113,429
Others							
Depreciation	9,409	447	9,856	814	10,671	66	10,737
Increase in property, plant, equipment, and intangible assets	7,632	359	7,992	600	8,592	1,812	10,405

Notes:

1. The "Other businesses" classification consists of businesses not defined as reporting 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 (¥3,133) million in segment income adjustments includes ¥197 million in eliminations of inter-segment transactions and (¥3,331) million of corporate expenses not allocated to the respective reporting segments. Corporate expenses are general and administrative expenses not attributable to reporting segments.

(2) The ¥9,750 million in segment asset adjustments includes (¥1,885) million in eliminations of inter-segment transaction and ¥11,635 million of corporate assets not attributable to the respective reporting segments. Corporate assets are surplus funds (cash and deposits), long-term investments (investment securities) and assets related to administrative departments.

(3) The adjusted amount of ¥1,812 million for increase in property, plant, equipment, and intangible assets includes inter-segment eliminations of (¥61) million and an increase of ¥1,874 million to corporate assets not attributable to the reporting segments in question.

3. The segment income is adjusted to reflect operating income as recorded on our consolidated statement of income.

**Current consolidated fiscal year (January 1, 2013 - December 31, 2013)**

Millions of yen

	Reporting segment			Other businesses (Note1)	Total	Elimination or corporate (Note2)	Amount recorded on consolidated statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Outside customers	<b>132,569</b>	<b>11,924</b>	<b>144,493</b>	<b>8,965</b>	<b>153,459</b>	—	<b>153,459</b>
Inter-segment	<b>808</b>	<b>337</b>	<b>1,145</b>	<b>4,330</b>	<b>5,476</b>	<b>(5,476)</b>	—
Total	<b>133,378</b>	<b>12,261</b>	<b>145,639</b>	<b>13,296</b>	<b>158,935</b>	<b>(5,476)</b>	<b>153,459</b>
Segment income	<b>8,930</b>	<b>312</b>	<b>9,242</b>	<b>230</b>	<b>9,473</b>	<b>(3,388)</b>	<b>6,085</b>
Segment Assets	<b>92,194</b>	<b>5,090</b>	<b>97,285</b>	<b>6,074</b>	<b>103,359</b>	<b>12,387</b>	<b>115,746</b>
Others							
Depreciation	<b>8,417</b>	<b>427</b>	<b>8,845</b>	<b>522</b>	<b>9,367</b>	<b>251</b>	<b>9,618</b>
Increase in property, plant, equipment, and intangible assets	<b>7,075</b>	<b>425</b>	<b>7,501</b>	<b>318</b>	<b>7,819</b>	<b>1,014</b>	<b>8,834</b>

## Notes:

1. The "Other businesses" classification consists of businesses not defined as reporting 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 (¥3,388) million in segment income adjustments includes ¥237 million in eliminations of inter-segment transaction and (¥3,625) million of corporate expenses not allocated to the respective reporting segments.

Corporate expenses are general administrative expenses not attributable to reporting segments.

(2) The ¥12,387 million in segment asset adjustments includes (¥1,569) million in eliminations of inter-segment transaction and ¥13,956 million of corporate assets not attributable to the respective reporting segments.

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

(3) The adjusted amount of ¥1,014 million for increase in property, plant, equipment, and intangible assets includes inter-segment eliminations of (¥20) million and an increase of ¥1,035 million to corporate assets not attributable to the reporting segments in question.

3. The segment income is adjusted to reflect operating income as recorded on our consolidated statement of income.