

# Flash Report for the First Three Quarters of 2013 [Japan GAAP] (Consolidated)

November 7, 2013

Company Name: SHIZUOKAGAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)  
 Code Number: 9543 URL: <http://www.shizuokagas.co.jp>  
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Date for presentation of the quarterly report: November 13, 2013

Date of dividend payment: —

Preparation of supplemental explanatory materials: No

Holding of quarterly results briefing session: No

## 1. Consolidated Business Results for the First Three Quarters (January 1 through September 30, 2013)

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

### (1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first three quarters	¥113,328	4.6%	¥4,923	(28.0)%	¥5,141	(26.2)%
Previous first three quarters	108,337	16.0	6,838	194.0	6,968	186.2

Note: Total comprehensive income (¥ million)

Reporting first three quarters: ¥4,808(4.1%) Previous first three quarters: ¥4,617(272.7%)

	Net income (¥ million)		Net income per share (¥)
Reporting first three quarters	¥2,518	(31.7)%	¥34.42
Previous first three quarters	3,684	296.6	50.38

### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
Reporting first three quarters	¥112,337	¥62,568	49.1%
Previous full term	113,429	59,521	45.7

Note: Owners' equity (¥ million)

Reporting first three quarters: ¥55,198 Previous full term: ¥51,781

## 2. Dividend Payment

	Annual dividend per share (¥)				
	Q1	Q2	Q3	Term-end	Total
Fiscal 2012	—	¥4.50	—	¥4.50	¥9.00
Fiscal 2013	—	¥5.00	—	/	/
Fiscal 2013 (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, 2013)

(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	153,450	6.3	5,740	(27.7)	6,040	(25.7)	3,640	(10.8)	49.76

Note: Revision of previously announced forecasts: Applicable

## ※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: Applicable

b) Other: None

c) Changes in accounting estimates: Applicable

d) Retrospective restatements: None

(Beginning with the first quarter, depreciation and amortization methods have been changed and these changes are applicable to “Accounting policy changes that are difficult to distinguish from changes to accounting estimates”.

For details, please refer to, “2. Other Information (2) Changes in accounting policies, estimates, or retrospective restatements”) on P4

(4) Number of issued shares (ordinary shares)

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

Reporting first three quarters: 76,192,950

Previous full term: 76,192,950

b) Number of treasury shares at end of the period

Reporting first three quarters: 3,053,113

Previous full term: 3,052,798

c) Average number of shares outstanding during the term

Reporting first three quarters: 73,140,006

Previous first three quarters: 73,140,702

### **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.

Notes:

1. 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.

2. In consideration of our recent business performance, we have revised our full-year business forecasts for the current term ending December 31, 2013, which was released on August 7, 2013. For further details, please refer to P3, “(3) Qualitative Information regarding Consolidated Business Forecasts”

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

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

In the first three quarters of the current fiscal year (January through September 2013), gas sales rose 4.4% year-on-year to ¥98,642 million due to factors such as higher gas sales prices under the gas rate adjustment system despite a decrease in gas sales volume. Consolidated net sales as a whole, including those of LPG/Other Energy Services and Other Business, rose by 4.6% year-on-year to ¥113,328 million.

Operating income in the first three quarters of the current fiscal year decreased by 28.0% year-on-year to ¥4,923 million as a result of the time lag in passing on the rise in raw materials prices to gas sales prices and other factors. Ordinary income declined by 26.2% to ¥5,141 million and net income fell by 31.7% to ¥2,518 million year-on-year.

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

While the estimated value of investment securities increased thanks to better stock market conditions, the depreciation of existing assets continued, and the value of raw material inventories decreased. As a result, total assets as of the end of the first three quarters of the current fiscal year decreased by ¥1,092 million compared to December 31, 2012, the final day of the prior fiscal year (“prior fiscal year end”), amounting to ¥112,337 million.

Liabilities decreased by ¥4,138 million compared to the prior fiscal year end to ¥49,768 million because of a decrease in interest-bearing debt, construction accounts payable and income taxes payable.

Net assets grew by ¥3,046 million compared to the prior fiscal year end to ¥62,568 million, due to an increase in retained earnings as a result of recording quarterly net profit and an increase in the market value of investment securities. The Company’s equity ratio was 49.1%.

### (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 fourth quarter, and the incorporation of gain on sale of land as well as considerations for the consolidated results of the first three quarters under review.

As a result, these forecasts call for net sales of ¥153,450 million, operating income of ¥5,740 million, ordinary income of ¥6,040 million and net income of ¥3,640 million.

(Reference) Crude Oil Price/Exchange Rate Projections

Crude oil price (Japan CIF)	Previous forecast	\$105/bbl (Q4)
	Revised forecast	\$113/bbl (Q4)
Exchange rate	Previous forecast	¥100/\$ (Q4)
	Revised forecast	¥99/\$ (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). A rational estimate was made 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 three quarters of the current consolidated fiscal year).

### **(2) 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 first quarter of 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 ¥90 million for the first three quarters of the current consolidated fiscal year.

### **(3) Additional information**

At the meeting of the board of directors held on September 25, 2013, the decision was made to sell land owned by Shizuoka Gas (4,105.39 m<sup>2</sup>, including 1-1-1 Yahata, Suruga-ku, Shizuoka City) to Japan Broadcasting Corporation, and the transaction was completed on October 18, 2013.

In conjunction with this sale, an extraordinary gain of approximately ¥900 million is scheduled to be recorded on the consolidated statements of income for this consolidated fiscal year.

## Consolidated Balance Sheets

	Millions of yen	
	December 31, 2012	September 30, 2013
<b>Assets</b>		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	¥ 21,668	¥ 19,428
Distribution facilities	29,302	28,397
Service and maintenance facilities	4,045	5,864
Other facilities	4,239	4,225
Construction in progress	9,590	8,894
Total property, plant and equipment	68,845	66,810
Intangible assets	1,884	1,619
Investments and other assets –		
Investment securities	7,201	9,395
Long-term loans receivable	7,078	7,578
Deferred tax assets	800	429
Other	1,106	1,174
Allowance for doubtful accounts	(209)	(196)
Total investments and other assets	15,977	18,381
Total noncurrent assets	86,707	86,811
Current assets:		
Cash and deposits	497	622
Notes and accounts receivable-trade	11,685	11,949
Merchandise and finished goods	362	383
Raw materials and supplies	9,476	9,006
Deferred tax assets	632	640
Other	4,126	2,976
Allowance for doubtful accounts	(57)	(53)
Total current assets	26,722	25,525
Total assets	¥113,429	¥112,337

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

Millions of yen

December 31, 2012 September 30, 2013

**Liabilities**

## Noncurrent liabilities:

Long-term loans payable	¥ 22,304	¥ 19,859
Deferred tax liabilities	19	263
Provision for retirement benefits	2,648	2,337
Provision for gas holder repairs	94	94
Negative goodwill	256	80
Other	463	377
<b>Total noncurrent liabilities</b>	<b>25,786</b>	<b>23,013</b>

## Current liabilities:

Current portion of noncurrent liabilities	7,272	6,452
Accounts payable-trade	7,946	7,514
Short-term loans payable	6,156	8,306
Accounts payable-other	2,011	940
Income taxes payable	1,896	906
Provision for bonuses	446	988
Other	2,392	1,646
<b>Total current liabilities</b>	<b>28,121</b>	<b>26,755</b>
<b>Total liabilities</b>	<b>53,907</b>	<b>49,768</b>

**Net assets**

## Shareholders' equity:

Capital stock	6,279	6,279
Capital surplus	4,589	4,589
Retained earnings	40,235	42,057
Treasury stock	(1,551)	(1,551)
<b>Total shareholders' equity</b>	<b>49,552</b>	<b>51,375</b>

## Valuation and translation adjustments:

Valuation difference on available-for-sale securities	2,228	3,834
Deferred gains or losses on hedges	—	(10)
<b>Total valuation and translation adjustments</b>	<b>2,228</b>	<b>3,823</b>

## Minority interests

Minority interests	7,740	7,369
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<b>Total net assets</b>	<b>59,521</b>	<b>62,568</b>
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<b>Total liabilities and net assets</b>	<b>¥113,429</b>	<b>¥112,337</b>
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Note: Amounts under one million yen are omitted.

## Consolidated Statements of Income

First three quarters ended September 30	Millions of yen	
	2012	2013
Net sales	¥108,337	¥113,328
Cost of sales	83,347	90,216
Gross profit	24,990	23,111
Selling, general and administrative expenses	18,151	18,187
Operating income	6,838	4,923
Non-operating income:		
Interest income	112	132
Dividends income	76	86
Amortization of negative goodwill	177	176
Miscellaneous income	194	201
Total non-operating income	561	596
Non-operating expenses:		
Interest expenses	400	361
Miscellaneous expenses	31	16
Total non-operating expenses	431	378
Ordinary income	6,968	5,141
Extraordinary loss:		
Loss on sales of noncurrent assets	—	71
Impairment loss	—	314
Loss on valuation of investment securities	172	—
Total extraordinary losses	172	385
Income before income taxes and minority interests	6,796	4,755
Income taxes	2,510	1,548
Income before minority interests	4,285	3,207
Minority interests in income	600	689
Net income	¥ 3,684	¥ 2,518

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Comprehensive Income

First three quarters ended September 30	Millions of yen	
	2012	2013
Income before minority interests	¥4,285	¥3,207
Other comprehensive income		
Valuation difference on available-for-sale securities	326	1,611
Deferred gains or losses on hedges	5	(10)
Total other comprehensive income	331	1,601
Comprehensive income	4,617	4,808
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,016	4,113
Comprehensive income attributable to minority interests	¥ 600	¥ 694

*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 three quarters ended September 30, 2012							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	93,971	8,543	102,514	5,822	108,337	—	108,337
Inter-segment	527	229	756	3,174	3,931	(3,931)	—
Total	94,498	8,773	103,271	8,997	112,268	(3,931)	108,337
Operating income(loss)	8,501	613	9,114	(5)	9,109	(2,270)	6,838

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 (¥2,270) million in segment income/loss adjustments includes ¥168 million in eliminations of inter-segment transactions and (¥2,439) 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/loss is adjusted to reflect operating income as recorded on our quarterly consolidated statements of income.

First three quarters ended September 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	98,060	8,867	106,928	6,399	113,328	—	113,328
Inter-segment	582	244	826	2,904	3,731	(3,731)	—
Total	98,642	9,112	107,754	9,304	117,059	(3,731)	113,328
Operating income	6,885	402	7,287	127	7,415	(2,491)	4,923

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 (¥2,491) million in segment income adjustments includes ¥185 million in eliminations of inter-segment transactions and (¥2,677) 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.