

Flash Report for the First Half of 2013 [Japan GAAP] (Consolidated)

August 7, 2013

Company Name: SHIZUOKAGAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)
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Date for presentation of the quarterly report: August 13, 2013

Date of dividend payment: September 3, 2013

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, 2013)

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

(1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first half	¥75,507	1.6%	¥3,357	(35.9)%	¥3,537	(34.0)%
Previous first half	74,298	19.8	5,237	99.3	5,357	94.7
Note: Total comprehensive income (¥ million)	Reporting first half: ¥3,800(6.7%)		Previous first half: ¥3,560(135.0%)			

	Net income (¥ million)		Net income per share (¥)
Reporting first half	¥1,823	(36.9)%	¥24.93
Previous first half	2,888	125.0	39.49

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
Reporting first half	¥115,248	¥61,926	47.5%
Previous full term	113,429	59,521	45.7
Note: Owners' equity (¥ million)	Reporting first half: ¥54,733	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: Applicable

Regarding the details of the said dividend forecast revision, please refer to the "Notification of Payment of FY2013 Interim Dividends and Revision to Term-End Dividend Payment Forecast" released on August 7, 2013.

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)		Earnings per share (¥)
Full term	154,340	7.0	5,780	(27.2)	6,050	(25.6)	2,990	(26.7)	40.88

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 half: 76,192,950

Previous full term: 76,192,950

b) Number of treasury shares at end of the period

Reporting first half: 3,053,048

Previous full term: 3,052,798

c) Average number of shares outstanding during the term

Reporting first half: 73,140,078

Previous first half: 73,140,772

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 February 8, 2013. For further details, please refer to P4, “(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 half of the current fiscal year under review (January through June 2013), gas sales rose 1.4% year-on-year to ¥65,559 million. Despite a decrease in gas sales volume, factors such as an upward adjustment in unit gas prices under the gas rate adjustment system contributed to this gain. Consolidated net sales as a whole, including those of LPG/Other Energy Services and Other Business, rose by 1.6% year-on-year to ¥75,507 million.

Operating income in the first half of the current fiscal year decreased by 35.9% year-on-year to ¥3,357 million, reflecting the impact of the time lag in passing on the rise in raw materials prices to unit gas prices and other factors. Ordinary income declined by 34.0% to ¥3,537 million and net income fell by 36.9% to ¥1,823 million year-on-year.

(2) Qualitative Information regarding Consolidated Financial Position

Total assets as of the end of the second quarter of the current fiscal year rose in value to ¥115,248 million, an increase of ¥1,819 million compared to December 31, 2012, the final day of the prior fiscal year (“prior fiscal year end”). While continued progress was made in the depreciation of existing assets, increases in the value of raw material inventories due to the rise in raw material prices and the increase in the estimated value of investment securities affected by stock market conditions contributed to the rise in assets.

Liabilities decreased by ¥585 million compared to the prior fiscal year end to ¥53,322 million, reflecting a decline in payable construction work charges and other payments in arrears.

Net assets grew by ¥2,404 million compared to the prior fiscal year end to ¥61,926 million, due to an increase in retained earnings as a result of recording quarterly net profit. The Company’s equity ratio was 47.5%.

2) State of cash flows

Cash and cash equivalents (hereinafter, collectively referred to as “cash”) at the end of the second quarter were ¥444 million, roughly equivalent to the level at the prior fiscal year end.

The following describes the status of each cash flow in the first half and the primary reasons for the changes.

(Cash Flows from Operating Activities)

While net income before depreciation and amortization was ¥8,198 million, cash from operating activities resulted in ¥3,942 million in income due to rising raw material prices, increased inventories and higher income tax payments.

(Cash Flows from Investing Activities)

Cash from investing activities saw expenditures of ¥3,702 million. This amount was spent primarily for construction of the Shizuhama Trunkline and other gas pipeline projects.

(Cash Flows from Financing Activities)

Cash from financing activities saw expenditures of ¥270 million. This was due primarily to progress made in repaying long-term loans and the payment of dividends, while procuring new 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, as well as considerations for the consolidated results of the first half under review. As a result, these forecasts call for net sales of ¥154,340 million, operating income of ¥5,780 million, ordinary income of ¥6,050 million and net income of ¥2,990 million.

(Reference) Crude Oil Price/Exchange Rate Projections

Crude oil price (Japan CIF)	Previous forecast	\$115/bb l (Q3 through Q4)
	Revised forecast	\$105/bb l (Q3 through Q4)
Exchange rate	Previous forecast	¥90/\$ (Q3 through Q4)
	Revised forecast	¥100/\$ (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) 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 ¥45 million for the first half of the current consolidated fiscal year.

Consolidated Balance Sheets

	Millions of yen	
	December 31, 2012	June 30, 2013
Assets		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	¥ 21,668	¥ 20,178
Distribution facilities	29,302	28,739
Service and maintenance facilities	4,045	6,271
Other facilities	4,239	4,215
Construction in progress	9,590	8,708
Total property, plant and equipment	68,845	68,114
Intangible assets	1,884	1,700
Investments and other assets –		
Investment securities	7,201	9,188
Long-term loans receivable	7,078	7,323
Deferred tax assets	800	441
Other investments and other assets	1,106	1,152
Allowance for doubtful accounts	(209)	(193)
Total investments and other assets	15,977	17,912
Total noncurrent assets	86,707	87,726
Current assets:		
Cash and deposits	497	467
Notes and accounts receivable – trade	11,685	11,734
Merchandise and finished goods	362	367
Raw materials and supplies	9,476	11,567
Deferred tax assets	632	643
Other current assets	4,126	2,791
Allowance for doubtful accounts	(57)	(50)
Total current assets	26,722	27,522
Total assets	¥113,429	¥115,248

Note: Amounts under one million yen are omitted.

Millions of yen

	December 31, 2012	June 30, 2013
Liabilities		
Noncurrent liabilities:		
Long-term loans payable	¥ 22,304	¥ 21,526
Deferred tax liabilities	19	207
Provision for retirement benefits	2,648	2,363
Provision for gas holder repairs	94	94
Negative goodwill	256	138
Other noncurrent liabilities	463	374
Total noncurrent liabilities	25,786	24,705
Current liabilities:		
Current portion of noncurrent liabilities	7,272	9,045
Accounts payable – trade	7,946	8,023
Short-term loans payable	6,156	6,284
Accounts payable – other	2,011	896
Income taxes payable	1,896	1,833
Provision for bonuses	446	441
Other current liabilities	2,392	2,092
Total current liabilities	28,121	28,617
Total liabilities	53,907	53,322
Net assets		
Shareholders' equity:		
Capital stock	6,279	6,279
Capital surplus	4,589	4,589
Retained earnings	40,235	41,729
Treasury stock	(1,551)	(1,551)
Total shareholders' equity	49,552	51,046
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,228	3,686
Total accumulated other comprehensive income	2,228	3,686
Minority interests	7,740	7,192
Total net assets	59,521	61,926
Total liabilities and net assets	¥113,429	¥115,248

Note: Amounts under one million yen are omitted.

Consolidated Statements of Income

First half ended June 30	Millions of yen	
	2012	2013
Net sales	¥74,298	¥75,507
Cost of sales	56,976	59,968
Gross profit	17,321	15,538
Selling, general and administrative expenses	12,083	12,181
Operating income	5,237	3,357
Non-operating income:		
Interest income	73	87
Dividends income	75	83
Amortization of negative goodwill	118	117
Miscellaneous income	147	147
Total non-operating income	414	437
Non-operating expenses:		
Interest expenses	268	242
Miscellaneous expenses	25	15
Total non-operating expenses	294	257
Ordinary income	5,357	3,537
Extraordinary loss:		
Loss on sales of noncurrent assets	—	56
Total extraordinary losses	—	56
Income before income taxes and minority interests	5,357	3,481
Income taxes	2,057	1,144
Income before minority interests	3,300	2,337
Minority interests in income	411	513
Net income	¥ 2,888	¥ 1,823

Note: Amounts under one million yen are omitted.

Consolidated Statements of Comprehensive Income

First half ended June 30	Millions of yen	
	2012	2013
Income before minority interests	¥3,300	¥2,337
Other comprehensive income		
Valuation difference on available-for-sale securities	254	1,463
Deferred gains or losses on hedges	5	—
Total other comprehensive income	259	1,463
Comprehensive income	3,560	3,800
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,149	3,282
Comprehensive income attributable to minority interests	¥ 411	¥ 517

Note: Amounts under one million yen are omitted.

Consolidated Statements of Cash Flows

Millions of yen

First half ended June 30	2012	2013
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	¥5,357	¥3,481
Depreciation and amortization	5,434	4,717
Amortization of negative goodwill	(118)	(117)
Loss on retirement of property, plant and equipment	33	22
Increase (decrease) in allowance for doubtful accounts	(2)	(23)
Increase (decrease) in provision for retirement benefits	(284)	(284)
Increase (decrease) in provision for bonuses	9	(4)
Interest and dividends income	(148)	(171)
Interest expenses	268	242
Loss (gain) on sales of property, plant and equipment	—	56
Decrease (increase) in notes and accounts receivable – trade	312	(32)
Decrease (increase) in inventories	(4,087)	(2,095)
Increase (decrease) in notes and accounts payable – trade	857	(39)
Decrease/increase in consumption taxes receivable/payable	(298)	(163)
Other, net	(41)	(359)
Subtotal	7,292	5,227
Interest and dividends income received	149	173
Interest expenses paid	(270)	(244)
Income taxes (paid) refund	(959)	(1,214)
Net cash provided by (used in) operating activities	6,212	3,942
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	(4,563)	(4,837)
Proceeds from sales of property, plant and equipment and intangible assets	11	31
Purchase of investment securities	(120)	(3)
Proceeds from sales of investment securities	—	9
Net decrease (increase) in short-term loans receivable	240	1,584
Payments of loans receivable	(800)	(350)
Collection of loans receivable	106	104
Other, net	(236)	(241)
Net cash provided by (used in) investing activities	(5,362)	(3,702)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	1,284	128
Proceeds from long-term loans payable	2,550	3,650
Repayment of long-term loans payable	(3,304)	(2,655)
Cash dividends paid	(330)	(328)
Cash dividends paid to minority shareholders	(1,064)	(1,065)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(865)	(270)
Net increase (decrease) in cash and cash equivalents	(14)	(30)
Cash and cash equivalents at beginning of period	432	475
Cash and cash equivalents at end of period	¥ 418	¥ 444

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, 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	64,279	6,253	70,533	3,764	74,298	—	74,298
Inter-segment	356	172	528	2,056	2,584	(2,584)	—
Total	64,636	6,426	71,062	5,821	76,883	(2,584)	74,298
Operating income(loss)	6,195	577	6,773	(5)	6,767	(1,529)	5,237

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 (¥1,529) million in segment income/loss adjustments includes ¥119 million in eliminations of inter-segment transactions and (¥1,649) 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 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(loss)	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.