



Flash Report for the First Three Quarters of 2019 [Japan GAAP](Consolidated)

November 6, 2019

Company Name: SHIZUOKA GAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)
 Code Number: 9543 URL: <https://ir.shizuokagas.co.jp/en/>
 Representative: Hiroyuki Kishida, Representative Director and President
 Inquiries to: Yuichiro Hikino, Accounting Manager, Management Control Dept.
 Telephone: +81-54-284-7990
 Date for presentation of the quarterly report: November 11, 2019
 Date of dividend payment: —
 Preparation of supplemental explanatory materials: **Yes**
 Holding of quarterly results briefing session: **No**

1. Consolidated Business Results for the First Three Quarters (January 1 through September 30, 2019)

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

(1) Operating Results

	Net sales (¥ million)		Operating profit (¥ million)		Ordinary profit (¥ million)	
Reporting First Three Quarters	110,417	7.7%	8,259	36.8 %	8,752	32.3%
Previous First Three Quarters	102,534	15.9	6,038	(8.0)	6,615	(6.3)

Note: Total comprehensive income (¥ million)

Reporting First Three Quarters: 6,220 (65.9%)

Previous First Three Quarters: 3,748 ((28.2%))

	Profit attributable to owners of parent (¥ million)		Profit per share (¥)	Diluted profit per share (¥)
Reporting First Three Quarters	5,699	36.7 %	77.07	76.92
Previous First Three Quarters	4,168	(4.5)	56.48	56.36

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
Reporting First Three Quarters	109,155	86,344	73.6
Previous full term	113,454	82,356	66.7

Note: Net assets excluding share acquisition rights and non-controlling interests (¥ million)

Reporting First Three Quarters: 80,388

Previous full term: 75,669

2. Dividend Payment

	Annual dividend per share (¥)				
	1Q	2Q	3Q	Term-end	Total
FY 2018	—	7.50	—	7.50	15.00
FY 2019	—	8.00	—	/	/
FY 2019 (forecast)	/	/	/	8.00	16.00

Note: Revision of previously announced dividend forecast: **No**

3. Consolidated Business Forecast for Current Term (January 1 through December 31, 2019)

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

	Net sales (¥ million)	Operating profit (¥ million)	Ordinary profit (¥ million)	Profit attributable to owners of parent (¥ million)	Profit per share (¥)
Full term	141,930 (0.9)%	7,810 60.4%	8,230 47.2%	5,060 53.8%	68.41

Note: Revision of previously announced consolidated business forecast: **Yes**

※Notes

(1) Major changes in subsidiaries: **No**

Note: Transfer of specified subsidiaries during the reporting First Three Quarters resulting in changes in the scope of consolidation

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

(Please refer to the section “Notes(3) Application of Special Accounting Methods in Preparation of Quarterly Consolidated Financial Statements” on P8)

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

a) Changes in accounting policies due to revisions of accounting standards: **No**

b) Other: **No**

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

d) Retrospective restatements: **No**

(4) Number of issued shares (ordinary shares)

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

Reporting First Three Quarters: 76,192,950

Previous full term: 76,192,950

b) Number of treasury shares at end of period

Reporting First Three Quarters: 2,183,670

Previous full term: 2,349,097

c) Average number of shares outstanding during the term

Reporting First Three Quarters: 73,949,455

Previous First Three Quarters: 73,810,064

Quarterly Review

Quarterly financial results are exempt from quarterly review.

Notes on proper use of forecast, and other matters

Business forecast 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 forecast will be achieved. Actual earnings may differ significantly from business forecast due to various factors.

For further details, please refer to the section “Qualitative Information on Quarterly Consolidated Financial Performance (3) Qualitative Information Regarding Consolidated Business Forecast” on P3.

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative Information Regarding Consolidated Operating Results

Net sales for the first nine months of the current fiscal year (January through September 2019) amounted to ¥110,417 million, an increase of 7.7% year on year. This result was mainly due to an increase in gas sales volume and upward revisions in gas unit sales prices necessitated under the gas rate adjustment system. An increase in electricity sales also contributed to the higher performance.

Operating profit rose 36.8% year on year to ¥8,259 million, while ordinary profit rose 32.3% to ¥8,752 million. Profit attributable to owners of parent amounted to ¥5,699 million, an increase of 36.7%. This result was mainly due to the timing difference between raw materials cost fluctuations and the impact of these fluctuations on gas unit sales prices.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of the end of the first nine months of the current consolidated fiscal year amounted to ¥109,155 million, a decrease of ¥4,299 million compared to the end of the prior consolidated fiscal year. This decrease was mainly due to a decrease in non-current assets associated with ongoing depreciation and amortization, as well as a decrease in raw materials related to LNG inventory volumes.

Liabilities decreased ¥8,287 million compared to the end of the prior consolidated fiscal year, to ¥22,810 million. This result was mainly due to a decrease in accounts payable-trade in connection with the timing of raw materials payment settlements.

Net assets increased ¥3,988 million compared to the end of the prior consolidated fiscal year, to ¥86,344 million. This result was mainly due to increased retained earnings stemming from profit attributable to owners of parent. The Company's equity ratio at the end of this period stood at 73.6%.

(3) Qualitative Information Regarding Consolidated Business Forecast

The Company has revised its full-year earnings forecast based on the consolidated earnings for the first nine months of the current fiscal year.

As a result, we now forecast net sales of ¥141,930 million, operating profit of ¥7,810 million, ordinary profit of ¥8,230 million, and profit attributable to owners of parent of ¥5,060 million.

(Reference) Crude Oil Price/Exchange Rate Projections

Crude oil price (Japan CIF)	Previous forecast	US\$65/bbl (4Q)
	Revised forecast	US\$65/bbl (4Q)
Exchange rate	Previous forecast	US\$1/110yen (4Q)
	Revised forecast	US\$1/109yen (4Q)

2. Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	(¥ million)	
	December 31, 2018	September 30, 2019
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	8,052	7,077
Distribution facilities	34,647	34,063
Service and maintenance facilities	5,042	5,075
Other facilities	8,024	7,893
Construction in progress	161	231
Total property, plant and equipment	55,929	54,342
Intangible assets	836	804
Investments and other assets		
Investment securities	9,810	9,519
Long-term loans receivable	5,886	5,399
Deferred tax assets	669	787
Other investments and other assets	1,705	1,770
Allowance for doubtful accounts	(94)	(98)
Total investments and other assets	17,977	17,378
Total non-current assets	74,744	72,524
Current assets		
Cash and deposits	12,419	17,341
Notes and accounts receivable-trade	13,196	10,426
Merchandise and finished goods	353	314
Raw materials and supplies	9,896	6,098
Other current assets	2,886	2,484
Allowance for doubtful accounts	(40)	(35)
Total current assets	38,710	36,630
Total assets	113,454	109,155

Note: Amounts under one million yen are omitted.

	(¥ million)	
	December 31,2018	September 30,2019
Liabilities		
Non-current liabilities		
Long-term loans payable	7,370	5,756
Deferred tax liabilities	201	225
Net defined benefit liability	3,362	3,270
Other non-current liabilities	120	120
Total non-current liabilities	11,055	9,373
Current liabilities		
Current portion of non-current liabilities	2,509	2,452
Accounts payable-trade	11,645	4,030
Accounts payable-other	1,585	2,177
Income taxes payable	1,412	1,803
Provision for bonuses	411	1,077
Other current liabilities	2,478	1,895
Total current liabilities	20,042	13,436
Total liabilities	31,097	22,810
Net assets		
Shareholders' equity		
Capital stock	6,279	6,279
Capital surplus	4,712	4,938
Retained earnings	62,722	67,276
Treasury shares	(1,193)	(1,109)
Total shareholders' equity	72,520	77,384
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,132	2,986
Deferred gains or losses on hedges	11	(26)
Foreign currency translation adjustment	(149)	(84)
Remeasurements of defined benefit plans	153	128
Total accumulated other comprehensive income	3,148	3,003
Share acquisition rights	115	114
Non-controlling interests	6,572	5,842
Total net assets	82,356	86,344
Total liabilities and net assets	113,454	109,155

Note: Amounts under one million yen are omitted.

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

	(¥ million)	
First Three Quarters ended September 30	2018	2019
Net sales	102,534	110,417
Cost of sales	76,754	81,636
Gross profit	25,779	28,781
Selling, general and administrative expenses	19,740	20,521
Operating profit	6,038	8,259
Non-operating income		
Interest income	91	85
Dividend income	119	118
Share of profit of entities accounted for using equity method	183	245
Foreign exchange gains	10	—
Miscellaneous income	306	227
Total non-operating income	712	676
Non-operating expenses		
Interest expenses	113	91
Foreign exchange losses	—	69
Miscellaneous expenses	22	22
Total non-operating expenses	135	182
Ordinary profit	6,615	8,752
Profit before income taxes	6,615	8,752
Income taxes	1,849	2,389
Profit	4,765	6,363
Profit attributable to non-controlling interests	596	663
Profit attributable to owners of parent	4,168	5,699

Note: Amounts under one million yen are omitted.

Consolidated Statements of Comprehensive Income

	(¥ million)	
First Three Quarters ended September 30	2018	2019
Profit	4,765	6,363
Other comprehensive income		
Valuation difference on available-for-sale securities	(923)	(145)
Deferred gains or losses on hedges	(127)	(38)
Foreign currency translation adjustment	(1)	(3)
Remeasurements of defined benefit plans, net of tax	(8)	(24)
Share of other comprehensive income of entities accounted for using equity method	42	68
Total other comprehensive income	(1,017)	(143)
Comprehensive income	3,748	6,220
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,151	5,555
Comprehensive income attributable to non-controlling interests	596	664

Note: Amounts under one million yen are omitted.

(3) Notes

(1) Note on Going Concerns' Premise

Not applicable.

(2) Note on Significant Change in Shareholders' Equity

Not applicable.

(3) Application of Special Accounting Methods in Preparation of Quarterly Consolidated Financial Statements

Calculation of tax expenses

The Company calculates tax expenses based on a reasonable estimate of the effective tax rate after the application of tax effect accounting to profit before income taxes for the current consolidated fiscal year including the consolidated First Three Quarters. We multiply this effective tax rate by the quarterly profit before income taxes for the cumulative period to calculate tax expenses.

Additional Information

Adoption of the "Partial Amendments to Accounting Standard for Tax Effect Accounting"

The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No.28 on February 16, 2018) from the beginning of the first quarter of the consolidated fiscal year. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

Segment Information

Net Sales and Income (Loss) by Reportable Segment

Nine Months Ended September 30, 2018

(¥ 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	81,503	13,240	94,744	7,789	102,534	—	102,534
Inter-segment sales and transfers	1,471	209	1,681	3,283	4,964	(4,964)	—
Total	82,975	13,450	96,425	11,073	107,498	(4,964)	102,534
Segment income	7,335	678	8,013	279	8,293	(2,254)	6,038

Notes:

1. The Other businesses category consists of businesses not categorized as individual reportable segments. Other businesses include orders for construction related to the gas business, sales of gas appliances, remodeling, and leasing.
2. The (¥2,254) million in segment income adjustments include ¥179 million in inter-segment eliminations and (¥2,434) million in corporate expenses not allocable to a reportable segment. Corporate expenses are general and administrative expenses not allocable to a reportable segment.
3. Segment income is adjusted to reflect operating profit as recorded on the Company's quarterly consolidated statements of income.

Nine Months Ended September 30, 2019

(¥ 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	88,301	13,510	101,811	8,606	110,417	—	110,417
Inter-segment sales and transfers	1,320	170	1,490	2,990	4,481	(4,481)	—
Total	89,621	13,681	103,302	11,596	114,899	(4,481)	110,417
Segment income	9,594	623	10,217	452	10,670	(2,410)	8,259

Notes:

1. The Other businesses category consists of businesses not categorized as individual reportable segments. Other businesses include orders for construction related to the gas business, sales of gas appliances, remodeling, and leasing.
2. The (¥2,410) million in segment income adjustments include ¥198 million in inter-segment eliminations and (¥2,609) million in corporate expenses not allocable to a reportable segment. Corporate expenses are general and administrative expenses not allocable to a reportable segment.
3. Segment income is adjusted to reflect operating profit as recorded on the Company's quarterly consolidated statements of income.