



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

August 7, 2019

Company Name: SHIZUOKA GAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)
 Code Number: 9543 URL: <https://ir.shizuokagas.co.jp/en/>
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 Date for presentation of the quarterly report: August 13, 2019
 Date of dividend payment: September 2, 2019
 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, 2019)

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

(1) Operating Results

	Net sales (¥ million)		Operating profit (¥ million)		Ordinary profit (¥ million)	
Reporting First Half	77,990	10.7%	7,018	36.0%	7,404	31.3%
Previous First Half	70,476	15.5	5,159	7.1	5,639	7.8

Note: Total comprehensive income (¥ million)

Reporting First Half: 5,125 (70.1%) Previous First Half: 3,012 ((24.3%))

	Profit attributable to owners of parent (¥ million)		Profit per share (¥)	Diluted profit per share (¥)
Reporting First Half	4,902	36.2%	66.32	66.19
Previous First Half	3,600	11.8	48.77	48.67

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
Reporting First Half	111,226	85,842	72.0
Previous full term	113,454	82,356	66.7

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

Reporting First Half: 80,059 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	148,620	3.8%	8,190	68.2%	8,620	54.2%	5,320	61.7%	71.92

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 Half 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 P10)

(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 Half: 76,192,950

Previous full term: 76,192,950

b) Number of treasury shares at end of period

Reporting First Half: 2,183,586

Previous full term: 2,349,097

c) Average number of shares outstanding during the term

Reporting First Half: 73,919,041

Previous First Half: 73,808,865

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 six months of the current fiscal year (January through June 2019) amounted to ¥77,990 million, an increase of 10.7% 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 36.0% year on year to ¥7,018 million, while ordinary profit rose 31.3% to ¥7,404 million. Profit attributable to owners of parent amounted to ¥4,902 million, an increase of 36.2%. 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

1. Assets, Liabilities, and Net Assets

Total assets as of the end of the first six months of the current consolidated fiscal year amounted to ¥111,226 million, a decrease of ¥2,227 million compared to the end of the prior consolidated fiscal year. This result was mainly due to a decrease in raw materials related to LNG inventory volumes.

Liabilities decreased ¥5,713 million compared to the end of the prior consolidated fiscal year, to ¥25,384 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 ¥3,486 million compared to the end of the prior consolidated fiscal year, to ¥85,842 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 72.0%.

2. Cash Flows

Cash and cash equivalents ("Cash") as of the end of the first six months of the current consolidated fiscal year amounted to ¥17,332 million, a year-on-year increase of ¥4,993 million.

The following describes the Company's cash flows and major factors in cash flow changes.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥10,607 million (compared to ¥8,269 million for the first six months of the prior fiscal year). This result was mainly due to the recording of profit before income taxes and depreciation, despite cash outlays in payment of income taxes.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥2,979 million (compared to ¥2,564 million for the first six months of the prior fiscal year). This result was mainly due to purchase of non-current assets.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to ¥2,565 million (compared to ¥3,064 million for the first six months of the prior fiscal year). This result was mainly due to repayments of long-term loans payable and payments of dividends.

(3) Qualitative Information Regarding Consolidated Business Forecast

The Company has revised its full-year earnings forecast based on the consolidated earnings for the first six months of the current consolidated fiscal year and revised projections for oil prices and foreign exchange rates for the third quarter and beyond.

As a result, we now forecast net sales of ¥148,620 million, operating profit of ¥8,190 million, ordinary profit of ¥8,620 million, and profit attributable to owners of parent of ¥5,320 million, lower than our previous forecast.

(Reference) Crude Oil Price/Exchange Rate Projections

Crude oil price (Japan CIF)	Previous forecast	US\$75/bbl (3Q through 4Q)
	Revised forecast	US\$65/bbl (3Q through 4Q)
Exchange rate	Previous forecast	US\$1/110yen (3Q through 4Q)
	Revised forecast	US\$1/110yen (3Q through 4Q)

2. Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	(¥ million)	
	December 31, 2018	June 30, 2019
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	8,052	7,381
Distribution facilities	34,647	33,886
Service and maintenance facilities	5,042	5,025
Other facilities	8,024	7,881
Construction in progress	161	395
Total property, plant and equipment	55,929	54,571
Intangible assets	836	814
Investments and other assets		
Investment securities	9,810	9,609
Long-term loans receivable	5,886	5,560
Deferred tax assets	669	812
Other investments and other assets	1,705	1,741
Allowance for doubtful accounts	(94)	(99)
Total investments and other assets	17,977	17,625
Total non-current assets	74,744	73,011
Current assets		
Cash and deposits	12,419	17,432
Notes and accounts receivable-trade	13,196	11,150
Merchandise and finished goods	353	336
Raw materials and supplies	9,896	6,745
Other current assets	2,886	2,580
Allowance for doubtful accounts	(40)	(30)
Total current assets	38,710	38,215
Total assets	113,454	111,226

Note: Amounts under one million yen are omitted.

(¥ million)

	December 31,2018	June 30,2019
Liabilities		
Non-current liabilities		
Long-term loans payable	7,370	6,382
Deferred tax liabilities	201	229
Net defined benefit liability	3,362	3,210
Other non-current liabilities	120	121
Total non-current liabilities	11,055	9,944
Current liabilities		
Current portion of non-current liabilities	2,509	2,575
Accounts payable-trade	11,645	6,020
Accounts payable-other	1,585	1,660
Income taxes payable	1,412	2,439
Provision for bonuses	411	433
Other current liabilities	2,478	2,309
Total current liabilities	20,042	15,440
Total liabilities	31,097	25,384
Net assets		
Shareholders' equity		
Capital stock	6,279	6,279
Capital surplus	4,712	4,938
Retained earnings	62,722	67,071
Treasury shares	(1,193)	(1,109)
Total shareholders' equity	72,520	77,179
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,132	2,844
Deferred gains or losses on hedges	11	7
Foreign currency translation adjustment	(149)	(108)
Remeasurements of defined benefit plans	153	136
Total accumulated other comprehensive income	3,148	2,880
Share acquisition rights	115	114
Non-controlling interests	6,572	5,669
Total net assets	82,356	85,842
Total liabilities and net assets	113,454	111,226

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 Half ended June 30	2018	2019
Net sales	70,476	77,990
Cost of sales	52,212	57,288
Gross profit	18,264	20,701
Selling, general and administrative expenses	13,104	13,682
Operating profit	5,159	7,018
Non-operating income		
Interest income	60	58
Dividend income	115	113
Share of profit of entities accounted for using equity method	125	172
Foreign exchange gains	14	—
Miscellaneous income	262	174
Total non-operating income	578	518
Non-operating expenses		
Interest expenses	77	62
Foreign exchange losses	—	58
Miscellaneous expenses	20	11
Total non-operating expenses	97	132
Ordinary profit	5,639	7,404
Profit before income taxes	5,639	7,404
Income taxes	1,572	2,012
Profit	4,067	5,391
Profit attributable to non-controlling interests	467	489
Profit attributable to owners of parent	3,600	4,902

Note: Amounts under one million yen are omitted.

Consolidated Statements of Comprehensive Income

	(¥ million)	
First Half ended June 30	2018	2019
Profit	4,067	5,391
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,030)	(286)
Deferred gains or losses on hedges	36	(4)
Foreign currency translation adjustment	(3)	(1)
Remeasurements of defined benefit plans, net of tax	(5)	(16)
Share of other comprehensive income of entities accounted for using equity method	(52)	42
Total other comprehensive income	(1,054)	(265)
Comprehensive income	3,012	5,125
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,549	4,634
Comprehensive income attributable to non-controlling interests	463	491

Note: Amounts under one million yen are omitted.

(3) Consolidated Statements of Cash Flows

First Half ended June 30	(¥ million)	
	2018	2019
Cash flows from operating activities		
Profit before income taxes	5,639	7,404
Depreciation	4,338	4,099
Loss on retirement of property, plant and equipment	10	48
Increase (decrease) in allowance for doubtful accounts	(4)	(6)
Increase (decrease) in net defined benefit liability	(363)	(174)
Increase (decrease) in provision for bonuses	(108)	21
Interest and dividend income	(175)	(171)
Interest expenses	77	62
Share of loss(profit) of entities accounted for using equity method	(125)	(172)
Decrease (increase) in notes and accounts receivable-trade	221	2,041
Decrease (increase) in inventories	(160)	3,167
Increase (decrease) in notes and accounts payable-trade	(344)	(5,799)
Decrease/increase in consumption taxes receivable/payable	222	762
Other, net	(89)	(116)
Subtotal	9,138	11,166
Interest and dividend income received	175	171
Interest expenses paid	(104)	(84)
Income taxes paid	(941)	(646)
Net cash provided by (used in) operating activities	8,269	10,607
Cash flows from investing activities		
Payments into time deposits	(15)	(52)
Proceeds from withdrawal of time deposits	70	33
Purchase of property, plant and equipment and intangible assets	(3,002)	(3,088)
Proceeds from sales of property, plant and equipment and intangible assets	10	9
Purchase of investment securities	(4)	(2)
Proceeds from sales of investment securities	65	2
Proceeds from redemption of investment securities	127	—
Collection of loans receivable	327	326
Proceeds from contribution received for construction	18	5
Other, net	(160)	(213)
Net cash provided by (used in) investing activities	(2,564)	(2,979)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(15)	—
Proceeds from long-term loans payable	—	400
Repayments of long-term loans payable	(1,430)	(1,302)
Cash dividends paid	(513)	(556)
Dividends paid to non-controlling interests	(1,085)	(1,079)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(43)	(28)
Other, net	23	(0)
Net cash provided by (used in) financing activities	(3,064)	(2,565)
Effect of exchange rate change on cash and cash equivalents	(23)	(67)
Net increase (decrease) in cash and cash equivalents	2,616	4,993
Cash and cash equivalents at beginning of period	10,024	12,338
Cash and cash equivalents at end of period	12,641	17,332

Note: Amounts under one million yen are omitted.

(4) 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 Half. 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

Six Months Ended June 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	56,279	9,052	65,332	5,144	70,476	—	70,476
Inter-segment sales and transfers	996	151	1,148	2,098	3,246	(3,246)	—
Total	57,276	9,204	66,480	7,242	73,723	(3,246)	70,476
Segment income	5,838	649	6,488	204	6,692	(1,533)	5,159

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 (¥1,533) million in segment income adjustments include ¥119 million in inter-segment eliminations and (¥1,652) 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.

Six Months Ended June 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	63,337	9,356	72,693	5,296	77,990	—	77,990
Inter-segment sales and transfers	948	123	1,072	1,898	2,970	(2,970)	—
Total	64,286	9,480	73,766	7,194	80,960	(2,970)	77,990
Segment income	7,827	639	8,466	206	8,672	(1,654)	7,018

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 (¥1,654) million in segment income adjustments include ¥138 million in inter-segment eliminations and (¥1,792) 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.