



Flash Report for the First Three Quarters of 2016 [Japan GAAP](Consolidated)

November 9, 2016

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 Date for presentation of the quarterly report: November 11, 2016
 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, 2016) (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	83,425	(27.0)%	11,102	3.6 %	11,530	4.7 %
Previous first three quarters	114,300	(8.4)	10,713	100.6	11,015	94.3

Note: Total comprehensive income (¥ million)
 Reporting first three quarters: 7,324 ((8.4%)) Previous first three quarters: 7,994 (98.4%)

	Profit attributable to owners of parent (¥ million)		Profit per share (¥)	Diluted profit per share (¥)
Reporting first three quarters	7,529	3.9 %	102.07	101.92
Previous first three quarters	7,245	125.3	98.27	98.15

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
Reporting first three quarters	106,839	78,447	66.5
Previous full term	115,466	73,148	56.5

Note: Net assets excluding subscription rights to shares and non-controlling interests (¥ million)
 Reporting first three quarters: 71,063 Previous full term: 65,223

2. Dividend Payment

	Annual dividend per share (¥)				
	1Q	2Q	3Q	Term-end	Total
FY 2015	—	6.00	—	6.00	12.00
FY 2016	—	6.50	—	/	/
FY 2016 (forecast)	/	/	/	6.50	13.00

Note: Revision of previously announced dividend forecasts: No

3. Consolidated Business Forecasts for Current Term (January 1 through December 31, 2016) (Amounts under one million yen are omitted; YoY % change)

	Net sales (¥ million)	Operating income (¥ million)	Ordinary income (¥ million)	Profit attributable to owners of parent (¥ million)	Profit per share (¥)
Full term	108,470 (25.7)	9,820 (15.1)	10,350 (14.2)	6,710 (12.2)	90.96

Note: Revision of previously announced consolidated business forecasts: 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 “Summary Information (Notes) (1) Application of Special Accounting Methods in Preparation of Quarterly Consolidated Financial Statements” on P4)
- (3) Changes in accounting policies, estimates, or retrospective restatements
- a) Changes in accounting policies due to revisions of accounting standards: *Yes*
 - 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 the 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 the period

Reporting first three quarters:	2,422,180
Previous full term:	2,464,080
 - c) Average number of shares outstanding during the term

Reporting first three quarters:	73,761,577
Previous first three quarters:	73,728,905

Disclosure of implementation status for Quarterly Review Procedures

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to this quarterly flash report. And the quarterly review procedure based on the Financial Instruments and Exchange Act had not been completed at the time of the release of this quarterly flash report.

Notes on proper use of forecasts, and other matters

Business forecasts 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 forecasts will be achieved. Actual earnings may differ significantly from business forecasts 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 Forecasts” 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 1 through September 30) amounted to ¥83,425 million, a 27.0% decrease year on year.

Operating income amounted to ¥11,102 million, representing a 3.6% year-on-year increase. This increase was mainly due to significant declines in raw materials prices resulting from falling materials costs. Ordinary income amounted to ¥11,530 million (4.7% increase), and profit attributable to owners of parent increased 3.9% to ¥7,529 million.

The following describes our performance by segment.

Note that segment earnings include inter-segment transactions.

1. Gas

Gas sales volume increased 6.1% year on year, up to 1,095 million m³. This increase was mainly due to higher wholesale gas sales with the full operation of the Shizuhamu Trunk Line beginning October 2015.

Gas net sales amounted to ¥70,106 million, a 30.3% year-on-year decrease. This decrease was mainly due to downward revisions in gas unit sales prices necessitated under the gas rate adjustment system. Segment income (operating income) increased 4.7% to ¥12,743 million. This increase was mainly due to lower costs of raw materials stemming from lower materials costs.

2. LPG and Other Energy Services

Net sales decreased 2.1% year on year to ¥8,122 million, mainly due to decreases in LPG unit gas sales prices. Meanwhile, segment income (operating income) fell 17.5% year on year to ¥465 million, owing to lower costs of sales stemming from lower materials costs.

3. Other Businesses

Net sales were nearly level year on year at ¥9,276 million. Segment income (operating income) was 324 million, a decrease of 12.4% compared to the same period in the prior fiscal year. This decrease was mainly due to a decline in highly profitable facilities construction work.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets at the end of the first nine months of the consolidated fiscal year amounted to ¥106,839 million. This was a ¥8,626 million decrease compared to the end of the prior fiscal year, owing mainly to a decrease in raw materials due to LNG price declines and a decrease in notes and accounts receivable-trade.

Liabilities decreased ¥13,925 million to ¥28,392 million. This result was mainly due to a decrease in accounts payable-trade in connection with the timing of raw materials payment settlements and repayments of long-term loans payable.

Net assets rose ¥5,298 million to ¥78,447 million. This result was mainly due to increased retained earnings stemming from net income reported for the period. The Company's equity ratio at the end of the period stood at 66.5%.

(3) Qualitative Information Regarding Consolidated Business Forecasts

The Company has revised its full-year business forecast based on consolidated earnings for the first nine months of the current fiscal year. As a result, we now forecast net sales of ¥108,470 million, operating income of ¥9,820 million, ordinary income of ¥10,350 million, and profit attributable to owners of parent of ¥6,710 million.

(Reference) Crude Oil Price/Exchange Rate Projections

Crude oil price (Japan CIF)	Previous forecast	US\$50/bbl (4Q)
	Revised forecast	US\$48/bbl (4Q)
Exchange rate	Previous forecast	US\$1/105 yen (4Q)
	Revised forecast	US\$1/104 yen (4Q)

2. Summary Information (Notes)

(1) 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 third quarter. We multiply this effective tax rate by the quarterly profit before income taxes for the cumulative period to calculate tax expenses.

(2) Changes in Accounting Policies, Accounting Estimates, or Restatements

(Changes in accounting policies)

Application of accounting standard for business combinations

Beginning with the first quarter of the consolidated fiscal year under review, the Company has applied the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ No. 22, September 13, 2013), and Accounting Standard for Business Divestitures (ASBJ No. 7, September 13, 2013). Under these standards, the Company will record differences stemming from changes in equity in subsidiaries for which the Company continues to exercise control as capital surplus. At the same time, the Company will now record acquisition-related costs as expenses for the consolidated fiscal year in which they are incurred. For business combinations conducted on or after the beginning of the consolidated first quarter under review, adjustments to the allocation of finalized acquisition costs stemming from provisional accounting treatments will be reflected on the quarterly consolidated financial statements of the quarterly consolidated period in which the date of the business combination occurred. The Company has changed the nominal presentation of profit, as well as changing the nominal presentation of minority interests to non-controlling interests. The quarterly consolidated financial statements and consolidated financial statements for the cumulative consolidated first three quarters and for the prior consolidated fiscal year have been reclassified to reflect these changes in presentation.

The Company has made the transitional application of these accounting standards beginning on the first day of the first quarter of the consolidated fiscal year under review as provided under Article 58-2(4) of the Accounting Standard for Business Combinations, Article 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4(4) of the Accounting Standard for Business Divestitures.

This change in accounting policy has no material effect on the Company's financial statements for the first three quarters of the current consolidated fiscal year.

Change in depreciation method

With the revision to the Corporation Tax Act, the Company has adopted the Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Changes (Accounting Standards Board of Japan Practical Issue Task Force No. 32, June 17, 2016) beginning with the second consolidated quarter of the current fiscal year. Accordingly, the Company has changed from the declining-balance method of depreciation to the straight-line method for the equipment attached to buildings and structures which were acquired on or after April 1, 2016.

This change in accounting policy will not have a material effect on Company operating income, ordinary income, or profit before income taxes for the cumulative consolidated first three quarters.

Consolidated Balance Sheets

Millions of yen

	December 31, 2015	September 30, 2016
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	13,413	12,044
Distribution facilities	37,100	35,788
Service and maintenance facilities	5,316	5,128
Other facilities	4,110	8,066
Construction in progress	2,518	1,100
Total property, plant and equipment	62,458	62,128
Intangible assets	1,069	917
Investments and other assets		
Investment securities	12,814	11,304
Long-term loans receivable	7,867	7,374
Deferred tax assets	404	461
Other investments and other assets	1,565	1,585
Allowance for doubtful accounts	(126)	(132)
Total investments and other assets	22,525	20,595
Total non-current assets	86,053	83,642
Current assets		
Cash and deposits	10,024	10,412
Notes and accounts receivable - trade	10,771	6,535
Merchandise and finished goods	276	201
Raw materials and supplies	4,952	3,021
Deferred tax assets	676	660
Other current assets	2,750	2,397
Allowance for doubtful accounts	(40)	(29)
Total current assets	29,412	23,197
Total assets	115,466	106,839

Note: Amounts under one million yen are omitted.

	Millions of yen	
	December 31,2015	September 30,2016
Liabilities		
Non-current liabilities		
Long-term loans payable	13,688	11,665
Deferred tax liabilities	690	584
Net defined benefit liability	4,033	3,785
Other non-current liabilities	156	125
Total non-current liabilities	18,569	16,161
Current liabilities		
Current portion of non-current liabilities	5,272	3,829
Accounts payable - trade	8,084	3,298
Accounts payable - other	3,845	1,099
Income taxes payable	3,166	1,364
Provision for bonuses	456	1,071
Other current liabilities	2,921	1,567
Total current liabilities	23,748	12,230
Total liabilities	42,317	28,392
Net assets		
Shareholders' equity		
Capital stock	6,279	6,279
Capital surplus	4,626	4,653
Retained earnings	50,709	57,317
Treasury shares	(1,252)	(1,230)
Total shareholders' equity	60,363	67,019
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,893	4,245
Deferred gains or losses on hedges	(39)	35
Foreign currency translation adjustment	(180)	(429)
Remeasurements of defined benefit plans	186	192
Total accumulated other comprehensive income	4,859	4,044
Subscription rights to shares	70	79
Non-controlling interests	7,854	7,304
Total net assets	73,148	78,447
Total liabilities and net assets	115,466	106,839

Note: Amounts under one million yen are omitted.

Consolidated Statements of Income

	Millions of yen	
First three quarters ended September 30	2015	2016
Net sales	114,300	83,425
Cost of sales	83,783	53,013
Gross profit	30,516	30,411
Selling, general and administrative expenses	19,803	19,309
Operating income	10,713	11,102
Non-operating income		
Interest income	119	108
Dividend income	100	103
Share of profit of entities accounted for using equity method	16	153
Miscellaneous income	318	264
Total non-operating income	554	631
Non-operating expenses		
Interest expenses	222	183
Miscellaneous expenses	30	19
Total non-operating expenses	252	202
Ordinary income	11,015	11,530
Extraordinary income		
Gain on sales of non-current assets	526	—
Total extraordinary income	526	—
Extraordinary losses		
Loss on valuation of investment securities	—	86
Total extraordinary losses	—	86
Profit before income taxes	11,541	11,443
Income taxes	3,558	3,306
Profit	7,982	8,137
Profit attributable to non-controlling interests	736	607
Profit attributable to owners of parent	7,245	7,529

Note: Amounts under one million yen are omitted.

Consolidated Statements of Comprehensive Income

	Millions of yen	
First three quarters ended September 30	2015	2016
Profit	7,982	8,137
Other comprehensive income		
Valuation difference on available-for-sale securities	237	(645)
Deferred gains or losses on hedges	(18)	74
Remeasurements of defined benefit plans, net of tax	(1)	6
Share of other comprehensive income of entities accounted for using equity method	(206)	(248)
Total other comprehensive income	11	(812)
Comprehensive income	7,994	7,324
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,256	6,714
Comprehensive income attributable to non-controlling interests	737	610

Note: Amounts under one million yen are omitted.

Segment Information

Net Sales and Income (Loss) by Reportable Segment

Nine Months Ended September 30, 2015							Millions of yen
	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	99,675	8,119	107,795	6,505	114,300	—	114,300
Inter-segment sales and transfers	878	176	1,055	2,815	3,870	(3,870)	—
Total	100,553	8,296	108,850	9,320	118,171	(3,870)	114,300
Segment income(loss)	12,169	564	12,734	370	13,104	(2,391)	10,713

Notes:

1. The Other Businesses category consists of businesses not categorized as individual reportable segments. Other Businesses includes orders for construction related to the gas business, sales of gas appliances, remodeling, and leasing.
2. The (¥2,391) million in segment income adjustments includes ¥188 million in inter-segment eliminations and (¥2,580) 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 (loss) is adjusted to reflect operating income as recorded on the Company's quarterly consolidated statements of income.

Nine Months Ended September 30, 2016							Millions of yen
	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	69,245	7,963	77,209	6,216	83,425	—	83,425
Inter-segment sales and transfers	861	158	1,020	3,060	4,080	(4,080)	—
Total	70,106	8,122	78,229	9,276	87,506	(4,080)	83,425
Segment income(loss)	12,743	465	13,208	324	13,533	(2,431)	11,102

Notes:

1. The Other Businesses category consists of businesses not categorized as individual reportable segments. Other Businesses includes orders for construction related to the gas business, sales of gas appliances, remodeling, and leasing.
2. The (¥2,431) million in segment income adjustments includes ¥179 million in inter-segment eliminations and (¥2,610) 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 (loss) is adjusted to reflect operating income as recorded on the Company's quarterly consolidated statements of income.