



Flash Report for the First Three Quarters of 2017 [Japan GAAP](Consolidated)

November 8, 2017

Company Name: SHIZUOKA GAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)
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 Date for presentation of the quarterly report: November 10, 2017
 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, 2017)

(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	88,502 6.1%	6,565 (40.9) %	7,056 (38.8)%
Previous First Three Quarters	83,425 (27.0)	11,102 3.6	11,530 4.7

Note: Total comprehensive income (¥ million)

Reporting First Three Quarters: 5,218 ((28.8%)) Previous First Three Quarters: 7,324((8.4%))

	Profit attributable to owners of parent (¥ million)	Profit per share (¥)	Diluted profit per share (¥)
Reporting First Three Quarters	4,364 (42.0) %	59.14	59.03
Previous First Three Quarters	7,529 3.9	102.07	101.92

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
Reporting First Three Quarters	109,289	80,972	67.8
Previous full term	110,938	78,110	63.6

Note: Net assets excluding subscription rights to shares and non-controlling interests (¥ million)

Reporting First Three Quarters: 74,135 Previous full term: 70,563

2. Dividend Payment

	Annual dividend per share (¥)				
	1Q	2Q	3Q	Term-end	Total
FY 2016	—	6.50	—	6.50	13.00
FY 2017	—	7.00	—	/	/
FY 2017 (forecast)	/	/	/	7.00	14.00

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

3. Consolidated Business Forecast for Current Term (January 1 through December 31, 2017)

(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	122,550 12.9	6,320 (38.2)	6,950 (35.2)	4,160 (38.1)	56.38

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 “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: 2,406,480

Previous full term: 2,422,180

c) Average number of shares outstanding during the term

Reporting First Three Quarters: 73,782,749

Previous First Three Quarters: 73,761,577

Quarterly Review

Quarterly financial results are exempt from quarterly review.

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.

Given recent earnings trends, the Company has revised its full-year earnings forecast from those originally published in August 8, 2017 in Flash Report for the Term Ended December 31, 2017.

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 through September ,2017) amounted to ¥88,502 million, a 6.1% increase year on year.

Operating income amounted to ¥6,565 million, representing a 40.9% year-on-year decrease, mainly due to a decrease in the influence of time lag until fluctuation in raw material prices are reflected in unit gas sales prices. Ordinary income amounted to ¥7,056 million (38.8% decrease), while profit attributable to owners of parent fell 42.0% to ¥4,364 million.

The following describes our performance by segment.

Note that segment earnings include inter-segment transactions.

1. Gas

Gas sales volume was essentially level on year at 1,085 million m3. Despite an increase in activity among major industrial-use customers, among wholesale customers was lower.

Gas net sales amounted to ¥72,562 million, an increase of 3.5% year on year. This result was mainly due to LNG sales utilizing reloading facilities. Segment income (operating income) fell 35.8% to ¥8,179 million. This decrease was mainly due to the impact of a shorter time lag between raw materials price changes and the reflection of these changes in gas unit sales prices for this period as compared to the same period in the prior fiscal year.

2. LPG and Other Energy Services

Net sales increased 35.4% year on year to ¥10,997 million, mainly due to the launch of electricity sales in April 2016. Segment income (operating income) rose 12.4% year on year to ¥523 million.

3. Other Businesses

Net sales rose 4.1% year on year to ¥9,661 million. Segment income (operating income) rose 21.1% year on year to ¥392 million.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets at the end of the first nine months of the consolidated fiscal year amounted to ¥109,289 million. This was a ¥1,648 million decrease compared to the end of the prior consolidated fiscal year, owing mainly to higher depreciation and amortization.

Liabilities decreased ¥4,510 million to ¥28,317 million. This result was mainly due to repayments of loans payable and a decrease in accounts payable-trade due to the timing of raw materials payment settlements.

Net assets increased ¥2,861 million compared to the end of the prior consolidated fiscal year, up to ¥80,972 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 the period stood at 67.8%.

(3) Qualitative Information Regarding Consolidated Business Forecasts

Given recent earnings trends, the Company has revised earnings forecasts for the full year. We forecast net sales of ¥122,550 million, in line with our most-recent business forecast. At the same time, we have revised our projection for operating income higher than our most-recent forecast to ¥6,320 million. Here, we expect to see a drop in raw materials prices resulting from declining materials costs. Further, we now project both ordinary income and profit attributable to owners of parent to exceed our most-recent business forecasts, amounting to ¥6,950 million and ¥4,160 million respectively.

(Reference) Crude Oil Price/Exchange Rate Projections

Crude oil price (Japan CIF)	Previous forecast	US\$55/bbl (4Q)
	Revised forecast	US\$55/bbl (4Q)
Exchange rate	Previous forecast	US\$1/115yen (4Q)
	Revised forecast	US\$1/114yen (4Q)

2. Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	(¥ million)	
	December 31, 2016	September 30, 2017
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	11,473	10,099
Distribution facilities	35,737	34,668
Service and maintenance facilities	5,064	5,194
Other facilities	8,038	8,582
Construction in progress	1,036	356
Total property, plant and equipment	61,350	58,900
Intangible assets	867	808
Investments and other assets		
Investment securities	11,787	12,078
Long-term loans receivable	7,203	6,709
Deferred tax assets	367	355
Other investments and other assets	1,567	1,606
Allowance for doubtful accounts	(92)	(96)
Total investments and other assets	20,833	20,653
Total non-current assets	83,052	80,362
Current assets		
Cash and deposits	11,446	10,513
Notes and accounts receivable-trade	7,313	9,189
Merchandise and finished goods	241	274
Raw materials and supplies	5,936	6,072
Deferred tax assets	568	557
Other current assets	2,405	2,347
Allowance for doubtful accounts	(26)	(27)
Total current assets	27,886	28,927
Total assets	110,938	109,289

Note: Amounts under one million yen are omitted.

(¥ million)

	December 31,2016	September 30,2017
Liabilities		
Non-current liabilities		
Long-term loans payable	11,432	9,370
Deferred tax liabilities	559	631
Net defined benefit liability	3,948	3,613
Other non-current liabilities	119	116
Total non-current liabilities	16,060	13,731
Current liabilities		
Current portion of non-current liabilities	3,356	2,702
Accounts payable-trade	7,503	6,653
Accounts payable-other	1,307	1,351
Income taxes payable	1,238	837
Provision for bonuses	482	1,029
Other current liabilities	2,878	2,011
Total current liabilities	16,767	14,585
Total liabilities	32,828	28,317
Net assets		
Shareholders' equity		
Capital stock	6,279	6,279
Capital surplus	4,653	4,692
Retained earnings	56,512	59,880
Treasury shares	(1,230)	(1,222)
Total shareholders' equity	66,214	69,628
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,488	4,527
Deferred gains or losses on hedges	(1)	28
Foreign currency translation adjustment	(253)	(180)
Remeasurements of defined benefit plans	115	131
Total accumulated other comprehensive income	4,349	4,507
Subscription rights to shares	79	105
Non-controlling interests	7,467	6,731
Total net assets	78,110	80,972
Total liabilities and net assets	110,938	109,289

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	2016	2017
Net sales	83,425	88,502
Cost of sales	53,013	62,665
Gross profit	30,411	25,837
Selling, general and administrative expenses	19,309	19,272
Operating income	11,102	6,565
Non-operating income		
Interest income	108	100
Dividend income	103	111
Share of profit of entities accounted for using equity method	153	147
Miscellaneous income	264	290
Total non-operating income	631	649
Non-operating expenses		
Interest expenses	183	140
Miscellaneous expenses	19	17
Total non-operating expenses	202	158
Ordinary income	11,530	7,056
Extraordinary losses		
Loss on valuation of investment securities	86	31
Total extraordinary losses	86	31
Profit before income taxes	11,443	7,024
Income taxes	3,306	1,972
Profit	8,137	5,051
Profit attributable to non-controlling interests	607	687
Profit attributable to owners of parent	7,529	4,364

Note: Amounts under one million yen are omitted.

Consolidated Statements of Comprehensive Income

	(¥ million)	
First Three Quarters ended September 30	2016	2017
Profit	8,137	5,051
Other comprehensive income		
Valuation difference on available-for-sale securities	(645)	48
Deferred gains or losses on hedges	74	30
Foreign currency translation adjustment	—	2
Remeasurements of defined benefit plans, net of tax	6	15
Share of other comprehensive income of entities accounted for using equity method	(248)	70
Total other comprehensive income	(812)	166
Comprehensive income	7,324	5,218
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,714	4,521
Comprehensive income attributable to non-controlling interests	610	696

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

Beginning with the first quarter of the consolidated fiscal year, the Company has applied "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued March 28, 2016) .

Segment Information

Net Sales and Income (Loss) by Reportable Segment

Nine Months Ended September 30, 2016

(¥ 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	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 is adjusted to reflect operating income as recorded on the Company's quarterly consolidated statements of income.

Nine Months Ended September 30, 2017

(¥ 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	71,378	10,818	82,196	6,306	88,502	—	88,502
Inter-segment sales and transfers	1,184	179	1,363	3,355	4,719	(4,719)	—
Total	72,562	10,997	83,560	9,661	93,221	(4,719)	88,502
Segment income(loss)	8,179	523	8,703	392	9,096	(2,531)	6,565

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 (¥2,531) million in segment income adjustments includes ¥181 million in inter-segment eliminations and (¥2,713) 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 income as recorded on the Company's quarterly consolidated statements of income.