



## Flash Report for the First Quarter of 2017 [Japan GAAP](Consolidated)

May 10, 2017

Company Name: SHIZUOKA GAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)  
 Code Number: 9543 URL: [http://ir.shizuokagas.co.jp/corp\\_en/](http://ir.shizuokagas.co.jp/corp_en/)  
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 Date for presentation of the quarterly report: May 12, 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 Quarter (January 1 through March 31, 2017)

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

#### (1) Operating Results

	Net sales (¥ million)	Operating income (¥ million)	Ordinary income (¥ million)
Reporting First Quarter	33,170 (2.5)%	2,820 (59.3) %	3,015 (57.2)%
Previous First Quarter	34,031 (24.6)	6,936 55.7	7,040 59.9

Note: Total comprehensive income (¥ million)

Reporting First Quarter: 1,811 ((45.0%)) Previous First Quarter: 3,294 ((12.3%))

	Profit attributable to owners of parent (¥ million)	Profit per share (¥)	Diluted profit per share (¥)
Reporting First Quarter	1,838 (60.6) %	24.92	24.88
Previous First Quarter	4,671 68.9	63.34	63.26

#### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
Reporting First Quarter	110,413	78,375	64.9	970.52
Previous full term	110,938	78,110	63.6	956.52

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

Reporting First Quarter: 71,611 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	—	/	/	/	/
FY 2017 (forecast)	/	7.00	—	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 (¥)
Half term	62,040 1.9%	3,160 (71.5)%	3,460 (69.7)%	2,100 (72.5)%	28.46
Full term	126,230 16.3	5,020 (50.9)	5,540 (48.4)	3,200 (52.4)	43.37

Note: Revision of previously announced consolidated business forecasts: No

## ※Notes

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

Note: Transfer of specified subsidiaries during the reporting First Quarter 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(2) 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 Quarter: 76,192,950

Previous full term: 76,192,950

b) Number of treasury shares at end of period

Reporting First Quarter: 2,406,480

Previous full term: 2,422,180

c) Average number of shares outstanding during the term

Reporting First Quarter: 73,775,184

Previous First Quarter: 73,743,091

## 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.

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 three months of the current fiscal year (January through March, 2017) amounted to ¥33,170 million, a 2.5% decrease year on year. Despite LNG sales utilizing the reloading facilities at Shimizu LNG Terminal, the gas rate adjustment system necessitated downward revisions in gas unit sales prices.

Operating income amounted to ¥2,822 million, representing a 59.3% 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 ¥3,015 million (57.2% decrease), while profit attributable to owners of parent fell 60.6% to ¥1,838 million.

The following describes our performance by segment.

Note that segment earnings include inter-segment transactions.

### 1. Gas

Gas sales volume decreased 1.5% year on year, down to 376 million m<sup>3</sup>. This result was mainly due to a decrease in demand among wholesale customers.

Gas net sales amounted to ¥27,409 million, a 5.9% year-on-year decrease, mainly due to downward revisions in gas unit sales prices necessitated under the gas rate adjustment system. Meanwhile, segment income (operating income) fell 55.2% to ¥3,268 million, mainly due to a decrease in the influence of time lag until fluctuation in raw material prices are reflected in unit gas sales prices.

### 2. LPG and Other Energy Services

Net sales increased 37.8% year on year to ¥3,949 million, mainly due to the launch of electricity sales in April 2016. Meanwhile, segment income (operating income) fell 8.3% year on year to ¥227 million, mainly due to an increase in operating expenses.

### 3. Other Businesses

Net sales were nearly level year on year at ¥3,384 million. Segment income (operating income) amounted to ¥186 million, a decrease of 8.2%.

## (2) Qualitative Information Regarding Consolidated Financial Position

Total assets at the end of the first three months of the consolidated fiscal year amounted to ¥110,413 million. This was a ¥524 million decrease compared to the end of the prior consolidated fiscal year, owing mainly to a decrease in cash and deposits and higher depreciation and amortization. Despite an increase in notes and accounts receivable-trade, cash and deposits were lower due to the timing of payments.

Liabilities decreased ¥790 million to ¥32,037 million. This result was mainly due to a decrease in accounts payable-trade due to the timing of raw materials payment settlements and repayments of long-term loans payable.

Net assets increased ¥265 million compared to the end of the prior consolidated fiscal year, up to ¥78,375 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 first quarter stood at 64.9%.

## (3) Qualitative Information Regarding Consolidated Business Forecasts

There are no revisions to the forecasts announced on February 8, 2017 for the first half and the full fiscal year ending in December 2017.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Consolidated Balance Sheets

	(¥ million)	
	December 31, 2016	March 31, 2017
<b>Assets</b>		
Non-current assets		
Property, plant and equipment		
Production facilities	11,473	<b>11,024</b>
Distribution facilities	35,737	<b>35,129</b>
Service and maintenance facilities	5,064	<b>5,006</b>
Other facilities	8,038	<b>8,850</b>
Construction in progress	1,036	<b>454</b>
Total property, plant and equipment	61,350	<b>60,463</b>
Intangible assets	867	<b>849</b>
Investments and other assets		
Investment securities	11,787	<b>11,049</b>
Long-term loans receivable	7,203	<b>7,075</b>
Deferred tax assets	367	<b>368</b>
Other investments and other assets	1,567	<b>1,595</b>
Allowance for doubtful accounts	(92)	<b>(98)</b>
Total investments and other assets	20,833	<b>19,991</b>
Total non-current assets	83,052	<b>81,305</b>
Current assets		
Cash and deposits	11,446	<b>9,022</b>
Notes and accounts receivable-trade	7,313	<b>10,225</b>
Merchandise and finished goods	241	<b>291</b>
Raw materials and supplies	5,936	<b>7,011</b>
Deferred tax assets	568	<b>572</b>
Other current assets	2,405	<b>2,012</b>
Allowance for doubtful accounts	(26)	<b>(28)</b>
Total current assets	27,886	<b>29,108</b>
Total assets	110,938	<b>110,413</b>

Note: Amounts under one million yen are omitted.

	(¥ million)	
	December 31,2016	March 31,2017
<b>Liabilities</b>		
Non-current liabilities		
Long-term loans payable	11,432	<b>10,705</b>
Deferred tax liabilities	559	<b>460</b>
Net defined benefit liability	3,948	<b>3,895</b>
Other non-current liabilities	119	<b>112</b>
Total non-current liabilities	16,060	<b>15,173</b>
Current liabilities		
Current portion of non-current liabilities	3,356	<b>2,951</b>
Accounts payable-trade	7,503	<b>6,246</b>
Short-term loans payable	—	<b>2,500</b>
Accounts payable-other	1,307	<b>1,258</b>
Income taxes payable	1,238	<b>775</b>
Provision for bonuses	482	<b>707</b>
Other current liabilities	2,878	<b>2,422</b>
Total current liabilities	16,767	<b>16,863</b>
Total liabilities	32,828	<b>32,037</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,279	<b>6,279</b>
Capital surplus	4,653	<b>4,656</b>
Retained earnings	56,512	<b>57,871</b>
Treasury shares	(1,230)	<b>(1,222)</b>
Total shareholders' equity	66,214	<b>67,584</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,488	<b>4,151</b>
Deferred gains or losses on hedges	(1)	—
Foreign currency translation adjustment	(253)	<b>(244)</b>
Remeasurements of defined benefit plans	115	<b>120</b>
Total accumulated other comprehensive income	4,349	<b>4,027</b>
Subscription rights to shares	79	<b>69</b>
Non-controlling interests	7,467	<b>6,695</b>
Total net assets	78,110	<b>78,375</b>
Total liabilities and net assets	110,938	<b>110,413</b>

*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 quarter ended March 31	2016	2017
Net sales	34,031	<b>33,170</b>
Cost of sales	20,627	<b>23,944</b>
Gross profit	13,403	<b>9,226</b>
Selling, general and administrative expenses	6,467	<b>6,406</b>
Operating income	6,936	<b>2,820</b>
Non-operating income		
Interest income	36	<b>33</b>
Dividend income	2	<b>2</b>
Share of profit of entities accounted for using equity method	41	<b>40</b>
Foreign exchange gains	35	<b>88</b>
Miscellaneous income	55	<b>86</b>
Total non-operating income	171	<b>251</b>
Non-operating expenses		
Interest expenses	67	<b>49</b>
Miscellaneous expenses	0	<b>5</b>
Total non-operating expenses	67	<b>55</b>
Ordinary income	7,040	<b>3,015</b>
Extraordinary losses		
Loss on valuation of investment securities	53	<b>26</b>
Total extraordinary losses	53	<b>26</b>
Profit before income taxes	6,986	<b>2,989</b>
Income taxes	2,041	<b>855</b>
Profit	4,945	<b>2,133</b>
Profit attributable to non-controlling interests	273	<b>294</b>
Profit attributable to owners of parent	4,671	<b>1,838</b>

*Note: Amounts under one million yen are omitted.*

## Consolidated Statements of Comprehensive Income

	(¥ million)	
First quarter ended March 31	2016	<b>2017</b>
Profit	4,945	<b>2,133</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,561)	<b>(337)</b>
Deferred gains or losses on hedges	(4)	<b>1</b>
Foreign currency translation adjustment	—	<b>0</b>
Remeasurements of defined benefit plans, net of tax	4	<b>5</b>
Share of other comprehensive income of entities accounted for using equity method	(88)	<b>8</b>
Total other comprehensive income	(1,650)	<b>(322)</b>
Comprehensive income	3,294	<b>1,811</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,024	<b>1,516</b>
Comprehensive income attributable to non-controlling interests	270	<b>294</b>

*Note: Amounts under one million yen are omitted.*

### **(3) Notes**

#### **(1) Note on Going Concerns' Premise**

Not applicable.

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

#### **(3) Note on Significant Change in Shareholders' Equity**

Not applicable.

#### **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

Three Months Ended March 31, 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	28,866	2,804	31,671	2,360	34,031	—	34,031
Inter-segment sales and transfers	261	60	322	1,011	1,334	(1,334)	—
<b>Total</b>	<b>29,128</b>	<b>2,865</b>	<b>31,994</b>	<b>3,372</b>	<b>35,366</b>	<b>(1,334)</b>	<b>34,031</b>
Segment income(loss)	7,294	247	7,542	203	7,746	(810)	6,936

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 (¥810) million in segment income adjustments includes ¥58 million in inter-segment eliminations and (¥868) 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.

Three Months Ended March 31, 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	26,982	3,867	30,849	2,320	33,170	—	33,170
Inter-segment sales and transfers	426	82	509	1,063	1,572	(1,572)	—
<b>Total</b>	<b>27,409</b>	<b>3,949</b>	<b>31,359</b>	<b>3,384</b>	<b>34,743</b>	<b>(1,572)</b>	<b>33,170</b>
Segment income(loss)	3,268	227	3,495	186	3,682	(862)	2,820

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 (¥862) million in segment income adjustments includes ¥59 million in inter-segment eliminations and (¥921) 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.