



Flash Report for the First Quarter of 2018[Japan GAAP](Consolidated)

May 9, 2018

Company Name: SHIZUOKA GAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)
 Code Number: 9543 URL: <http://ir.shizuokagas.co.jp/en/>
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 Date for presentation of the quarterly report: May 11, 2018
 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, 2018)

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

(1) Operating Results

	Net sales (¥ million)		Operating profit (¥ million)		Ordinary profit (¥ million)	
Reporting First Quarter	39,170	18.1%	4,232	50.1%	4,391	45.6%
Previous First Quarter	33,170	(2.5)	2,820	(59.3)	3,015	(57.2)

Note: Total comprehensive income (¥ million)

Reporting First Quarter: 2,304((27.2%))

Previous First Quarter: 1,811 ((45.0%))

	Profit attributable to owners of parent (¥ million)		Profit per share (¥)	Diluted profit per share (¥)
Reporting First Quarter	2,886	57.0%	39.11	39.04
Previous First Quarter	1,838	(60.6)	24.92	24.88

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
Reporting First Quarter	108,242	83,295	71.1	1,042.99
Previous full term	109,229	82,472	69.1	1,022.66

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

Reporting First Quarter: 76,986

Previous full term: 75,459

2. Dividend Payment

	Annual dividend per share (¥)				
	1Q	2Q	3Q	Term-end	Total
FY 2017	—	7.00	—	7.00	14.00
FY 2018	—	/	/	/	/
FY 2018 (forecast)	/	7.50	—	7.50	15.00

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

3. Consolidated Business Forecast for Current Term (January 1 through December 31, 2018)

(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	141,760 16.2%	5,770 (25.2)%	6,320 (24.2)%	3,860 (22.6)%	52.29

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 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 P9)

(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: 2,380,505

Previous full term: 2,406,480

c) Average number of shares outstanding during the term

Reporting First Quarter: 73,805,245

Previous First Quarter: 73,775,184

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 P4.

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, 2018) amounted to ¥39,170 million, an increase of 18.1% year on year. This result was mainly due to higher 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 higher overall performance.

Operating profit rose 50.1% year on year to ¥4,232 million, while ordinary profit rose 45.6% to ¥4,391 million. Profit attributable to owners of parent amounted to ¥2,886 million, an increase of 57.0% compared to the prior fiscal year. This performance improvement was mainly due to the time lag between increases in gas raw materials prices and the time that such increases are reflected in gas sales prices.

The following describes our performance by segment.

Note that segment earnings include inter-segment transactions.

1. Gas

Gas sales volume increased 7.8% year on year to 406 million m³. This growth was mainly due to ongoing demand increases for industrial-use gas, as well as increases in both commercial- and residential-use gas driven by demand for hot water and heating in response to slightly colder temperatures.

Gas net sales rose 16.1% year on year to ¥31,815 million, mainly due to higher unit gas sales prices stemming from the gas rate adjustment system, as well as higher gas sales volume. Segment income (operating profit) rose 34.0% to ¥4,378 million. This increase was mainly due to the impact of the 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 29.5% year on year to ¥5,116 million, mainly due to an increase in gas unit sales prices for LPG and higher gas sales volume. Segment income (operating profit) rose 79.3% to ¥407 million.

3. Other Businesses

Net sales increased 15.5% year on year to ¥3,909 million, mainly due to increases in facilities construction revenues. Segment income (operating profit) was ¥215 million, an increase of 15.3% compared to the same period in the prior fiscal year.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets at the end of the first three months of the fiscal year amounted to ¥108,242 million. This was a ¥987 million decrease compared to the end of the prior consolidated fiscal year, owing mainly to a valuation decrease in investment securities due to the impact of the stock market and lower raw materials due to the timing of raw materials receipts.

Liabilities decreased ¥1,810 million to ¥24,947 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 loans payable.

Net assets increased ¥823 million compared to the end of the prior consolidated fiscal year, up to ¥83,295 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 71.1%.

(3) Qualitative Information Regarding Consolidated Business Forecasts

Based on the cumulative consolidated earnings results through the first three months of the current fiscal year, as well as revised projections in crude oil prices and exchange rates for the first half and beyond, the Company has revised its full-year business forecast.

As a result, we now forecast net sales of ¥141,760 million, lower than the previous forecast. Meanwhile, we forecast operating profit of ¥5,770 million, ordinary profit of ¥6,320 million, and profit attributable to owners of parent of ¥3,860 million.

(Reference) Crude Oil Price/Exchange Rate Projections

Crude oil price (Japan CIF)	Previous forecast	US\$55/bbl (2Q through 4Q)
	Revised forecast	US\$65/bbl (2Q through 4Q)
Exchange rate	Previous forecast	US\$1/115yen (2Q through 4Q)
	Revised forecast	US\$1/109yen (2Q through 4Q)

2. Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	(¥ million)	
	December 31, 2017	March 31, 2018
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	9,628	9,216
Distribution facilities	34,954	34,671
Service and maintenance facilities	5,235	5,141
Other facilities	8,425	8,361
Construction in progress	205	242
Total property, plant and equipment	58,449	57,633
Intangible assets	878	886
Investments and other assets		
Investment securities	12,665	11,332
Long-term loans receivable	6,542	6,380
Deferred tax assets	220	355
Other investments and other assets	1,632	1,737
Allowance for doubtful accounts	(94)	(105)
Total investments and other assets	20,966	19,700
Total non-current assets	80,294	78,220
Current assets		
Cash and deposits	10,048	13,720
Notes and accounts receivable-trade	10,686	11,228
Merchandise and finished goods	332	320
Raw materials and supplies	4,808	2,109
Deferred tax assets	508	495
Other current assets	2,585	2,179
Allowance for doubtful accounts	(33)	(31)
Total current assets	28,935	30,022
Total assets	109,229	108,242

Note: Amounts under one million yen are omitted.

	(¥ million)	
	December 31,2017	March 31,2018
Liabilities		
Non-current liabilities		
Long-term loans payable	9,055	8,379
Deferred tax liabilities	851	677
Net defined benefit liability	3,340	3,315
Other non-current liabilities	214	224
Total non-current liabilities	13,461	12,597
Current liabilities		
Current portion of non-current liabilities	2,646	2,572
Accounts payable-trade	4,025	3,232
Short-term loans payable	—	85
Accounts payable-other	1,772	1,972
Income taxes payable	1,570	1,164
Provision for bonuses	531	702
Other current liabilities	2,748	2,621
Total current liabilities	13,295	12,350
Total liabilities	26,757	24,947
Net assets		
Shareholders' equity		
Capital stock	6,279	6,279
Capital surplus	4,692	4,697
Retained earnings	60,501	62,872
Treasury shares	(1,222)	(1,209)
Total shareholders' equity	70,250	72,638
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,019	4,138
Deferred gains or losses on hedges	(32)	10
Foreign currency translation adjustment	(147)	(167)
Remeasurements of defined benefit plans	368	366
Total accumulated other comprehensive income	5,208	4,347
Subscription rights to shares	104	87
Non-controlling interests	6,908	6,221
Total net assets	82,472	83,295
Total liabilities and net assets	109,229	108,242

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	2017	2018
Net sales	33,170	39,170
Cost of sales	23,944	28,438
Gross profit	9,226	10,732
Selling, general and administrative expenses	6,406	6,499
Operating profit	2,820	4,232
Non-operating income		
Interest income	33	30
Dividend income	2	2
Share of profit of entities accounted for using equity method	40	44
Foreign exchange gains	88	34
Miscellaneous income	86	104
Total non-operating income	251	216
Non-operating expenses		
Interest expenses	49	39
Miscellaneous expenses	5	18
Total non-operating expenses	55	57
Ordinary profit	3,015	4,391
Extraordinary losses		
Loss on valuation of investment securities	26	—
Total extraordinary losses	26	—
Profit before income taxes	2,989	4,391
Income taxes	855	1,220
Profit	2,133	3,170
Profit attributable to non-controlling interests	294	284
Profit attributable to owners of parent	1,838	2,886

Note: Amounts under one million yen are omitted.

Consolidated Statements of Comprehensive Income

	(¥ million)	
First quarter ended March 31	2017	2018
Profit	2,133	3,170
Other comprehensive income		
Valuation difference on available-for-sale securities	(337)	(886)
Deferred gains or losses on hedges	1	42
Foreign currency translation adjustment	0	(3)
Remeasurements of defined benefit plans, net of tax	5	(2)
Share of other comprehensive income of entities accounted for using equity method	8	(16)
Total other comprehensive income	(322)	(866)
Comprehensive income	1,811	2,304
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,516	2,025
Comprehensive income attributable to non-controlling interests	294	278

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.

Segment Information

Net Sales and Income (Loss) by Reportable Segment

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)	—
Total	27,409	3,949	31,359	3,384	34,743	(1,572)	33,170
Segment income	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 include orders for construction related to the gas business, sales of gas appliances, remodeling, and leasing.
2. The (¥862) million in segment income adjustments include ¥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 profit as recorded on the Company's quarterly consolidated statements of income.

Three Months Ended March 31, 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	31,238	5,013	36,251	2,919	39,170	—	39,170
Inter-segment sales and transfers	577	103	680	990	1,671	(1,671)	—
Total	31,815	5,116	36,932	3,909	40,841	(1,671)	39,170
Segment income	4,378	407	4,786	215	5,001	(769)	4,232

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 (¥769) million in segment income adjustments include ¥60 million in inter-segment eliminations and (¥829) 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.