



## Flash Report for the First Three Quarters of 2018 [Japan GAAP](Consolidated)

November 7, 2018

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: November 9, 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 Three Quarters (January 1 through September 30, 2018)

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

#### (1) Operating Results

	Net sales (¥ million)		Operating profit (¥ million)		Ordinary profit (¥ million)	
Reporting First Three Quarters	102,534	15.9%	6,038	(8.0) %	6,615	(6.3)%
Previous First Three Quarters	88,502	6.1	6,565	(40.9)	7,056	(38.8)

Note: Total comprehensive income (¥ million)

Reporting First Three Quarters: 3,748 ((28.2%)) Previous First Three Quarters: 5,218((28.8%))

	Profit attributable to owners of parent (¥ million)		Profit per share (¥)	Diluted profit per share (¥)
Reporting First Three Quarters	4,168	(4.5) %	56.48	56.36
Previous First Three Quarters	4,364	(42.0)	59.14	59.03

#### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
Reporting First Three Quarters	106,824	84,149	72.6
Previous full term	109,229	82,472	69.1

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

Reporting First Three Quarters: 77,569 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	—	7.50	—	/	/
FY 2018 (forecast)	/	/	/	7.50	15.00

Note: Revision of previously announced dividend forecast: **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	143,570 17.7%	4,570 (40.7)%	5,270 (36.8)%	2,980 (40.2)%	40.37

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 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: 2,380,555

Previous full term: 2,406,480

c) Average number of shares outstanding during the term

Reporting First Three Quarters: 73,810,064

Previous First Three Quarters: 73,782,749

## Quarterly Review

Quarterly financial results are exempt from quarterly review.

## Notes on proper use of forecasts, 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 nine months of the current fiscal year (January through September, 2018) amounted to ¥102,534 million, an increase of 15.9% 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 fell 8.0% year on year to ¥6,038 million, while ordinary profit fell 6.3% to ¥6,615 million. Profit attributable to owners of parent amounted to ¥4,168 million, a decrease of 4.5% compared to the prior fiscal year. This result was mainly due to the timing difference between raw material cost fluctuations and the impact of these fluctuations on gas unit sales prices.

## (2) Qualitative Information Regarding Consolidated Financial Position

Total assets at the end of the first nine months of the consolidated fiscal year amounted to ¥106,824 million, a decrease of ¥2,405 million compared to the end of the prior consolidated fiscal year. This decrease was mainly due to a decrease in non-current assets associated with ongoing depreciation and amortization.

Liabilities decreased ¥4,083 million to ¥22,674 million. This result was mainly due to repayments of long-term loans payable.

Net assets increased ¥1,677 million compared to the end of the prior consolidated fiscal year, up to ¥84,149 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 72.6%.

## (3) Qualitative Information Regarding Consolidated Business Forecast

The Company has revised its full-year earnings forecast based on consolidated earnings for the first nine months of the current fiscal year.

As a result, we now forecast net sales of ¥143,570 million, operating profit of ¥4,570 million, ordinary profit of ¥5,270 million, and profit attributable to owners of parent of ¥2,980 million.

### (Reference) Crude Oil Price/Exchange Rate Projections

Crude oil price (Japan CIF)	Previous forecast	US\$75/bbl (4Q)
	Revised forecast	US\$76/bbl (4Q)
Exchange rate	Previous forecast	US\$1/110yen (4Q)
	Revised forecast	US\$1/111yen (4Q)

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Consolidated Balance Sheets

	(¥ million)	
	December 31, 2017	September 30, 2018
<b>Assets</b>		
Non-current assets		
Property, plant and equipment		
Production facilities	9,628	<b>8,408</b>
Distribution facilities	34,954	<b>34,125</b>
Service and maintenance facilities	5,235	<b>5,055</b>
Other facilities	8,425	<b>8,146</b>
Construction in progress	205	<b>356</b>
Total property, plant and equipment	58,449	<b>56,091</b>
Intangible assets	878	<b>854</b>
Investments and other assets		
Investment securities	12,665	<b>11,188</b>
Long-term loans receivable	6,542	<b>6,051</b>
Deferred tax assets	220	<b>343</b>
Other investments and other assets	1,632	<b>1,727</b>
Allowance for doubtful accounts	(94)	<b>(98)</b>
Total investments and other assets	20,966	<b>19,212</b>
Total non-current assets	80,294	<b>76,158</b>
Current assets		
Cash and deposits	10,048	<b>11,592</b>
Notes and accounts receivable-trade	10,686	<b>11,047</b>
Merchandise and finished goods	332	<b>358</b>
Raw materials and supplies	4,808	<b>4,786</b>
Deferred tax assets	508	<b>559</b>
Other current assets	2,585	<b>2,360</b>
Allowance for doubtful accounts	(33)	<b>(39)</b>
Total current assets	28,935	<b>30,666</b>
Total assets	109,229	<b>106,824</b>

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

	(¥ million)	
	December 31,2017	September 30,2018
<b>Liabilities</b>		
Non-current liabilities		
Long-term loans payable	9,055	7,351
Deferred tax liabilities	851	663
Net defined benefit liability	3,340	3,036
Other non-current liabilities	214	158
<b>Total non-current liabilities</b>	<b>13,461</b>	<b>11,209</b>
Current liabilities		
Current portion of non-current liabilities	2,646	2,344
Accounts payable-trade	4,025	3,217
Short-term loans payable	—	70
Accounts payable-other	1,772	1,397
Income taxes payable	1,570	970
Provision for bonuses	531	1,045
Other current liabilities	2,748	2,419
<b>Total current liabilities</b>	<b>13,295</b>	<b>11,465</b>
<b>Total liabilities</b>	<b>26,757</b>	<b>22,674</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,279	6,279
Capital surplus	4,692	4,707
Retained earnings	60,501	63,600
Treasury shares	(1,222)	(1,209)
<b>Total shareholders' equity</b>	<b>70,250</b>	<b>73,377</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,019	4,097
Deferred gains or losses on hedges	(32)	(160)
Foreign currency translation adjustment	(147)	(105)
Remeasurements of defined benefit plans	368	360
<b>Total accumulated other comprehensive income</b>	<b>5,208</b>	<b>4,191</b>
Subscription rights to shares	104	117
Non-controlling interests	6,908	6,463
<b>Total net assets</b>	<b>82,472</b>	<b>84,149</b>
<b>Total liabilities and net assets</b>	<b>109,229</b>	<b>106,824</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 Three Quarters ended September 30	2017	2018
Net sales	88,502	<b>102,534</b>
Cost of sales	62,665	<b>76,754</b>
Gross profit	25,837	<b>25,779</b>
Selling, general and administrative expenses	19,272	<b>19,740</b>
Operating profit	6,565	<b>6,038</b>
Non-operating income		
Interest income	100	<b>91</b>
Dividend income	111	<b>119</b>
Share of profit of entities accounted for using equity method	147	<b>183</b>
Foreign exchange gains	56	<b>10</b>
Miscellaneous income	234	<b>306</b>
Total non-operating income	649	<b>712</b>
Non-operating expenses		
Interest expenses	140	<b>113</b>
Miscellaneous expenses	17	<b>22</b>
Total non-operating expenses	158	<b>135</b>
Ordinary profit	7,056	<b>6,615</b>
Extraordinary losses		
Loss on valuation of investment securities	31	—
Total extraordinary losses	31	—
Profit before income taxes	7,024	<b>6,615</b>
Income taxes	1,972	<b>1,849</b>
Profit	5,051	<b>4,765</b>
Profit attributable to non-controlling interests	687	<b>596</b>
Profit attributable to owners of parent	4,364	<b>4,168</b>

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

## Consolidated Statements of Comprehensive Income

	(¥ million)	
First Three Quarters ended September 30	2017	<b>2018</b>
Profit	5,051	<b>4,765</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	48	<b>(923)</b>
Deferred gains or losses on hedges	30	<b>(127)</b>
Foreign currency translation adjustment	2	<b>(1)</b>
Remeasurements of defined benefit plans, net of tax	15	<b>(8)</b>
Share of other comprehensive income of entities accounted for using equity method	70	<b>42</b>
Total other comprehensive income	166	<b>(1,017)</b>
Comprehensive income	5,218	<b>3,748</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,521	<b>3,151</b>
Comprehensive income attributable to non-controlling interests	696	<b>596</b>

*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.



## Segment Information

### Net Sales and Income (Loss) by Reportable Segment

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)	—
<b>Total</b>	<b>72,562</b>	<b>10,997</b>	<b>83,560</b>	<b>9,661</b>	<b>93,221</b>	<b>(4,719)</b>	<b>88,502</b>
<b>Segment income</b>	<b>8,179</b>	<b>523</b>	<b>8,703</b>	<b>392</b>	<b>9,096</b>	<b>(2,531)</b>	<b>6,565</b>

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 (¥2,531) million in segment income adjustments include ¥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 profit as recorded on the Company's quarterly consolidated statements of income.

Nine Months Ended September 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	<b>81,503</b>	<b>13,240</b>	<b>94,744</b>	<b>7,789</b>	<b>102,534</b>	—	<b>102,534</b>
Inter-segment sales and transfers	<b>1,471</b>	<b>209</b>	<b>1,681</b>	<b>3,283</b>	<b>4,964</b>	<b>(4,964)</b>	—
<b>Total</b>	<b>82,975</b>	<b>13,450</b>	<b>96,425</b>	<b>11,073</b>	<b>107,498</b>	<b>(4,964)</b>	<b>102,534</b>
<b>Segment income</b>	<b>7,335</b>	<b>678</b>	<b>8,013</b>	<b>279</b>	<b>8,293</b>	<b>(2,254)</b>	<b>6,038</b>

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 (¥2,254) million in segment income adjustments include ¥179 million in inter-segment eliminations and (¥2,434) 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.