



Flash Report for the Term Ended December 31, 2019 [Japan GAAP] (Consolidated)

February 5, 2020

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 of annual general meeting of shareholders: March 25, 2020
 Date for presentation of the financial statements report: March 26, 2020
 Date of dividend payment: March 26, 2020
 Preparation of supplemental explanatory materials: Yes
 Holding of FY2019 financial briefing session: Yes (for institutional investors)

1. Consolidated Business Results (January 1 to December 31, 2019)

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

(1) Operating Results

	Net sales (¥ million)	Operating profit (¥ million)	Ordinary profit (¥ million)	Profit attributable to owners of parent (¥ million)
Reporting term	141,544 (1.2)%	7,852 61.3%	8,537 52.7%	5,519 67.7%
Previous term	143,199 17.4	4,869 (36.9)	5,589 (33.0)	3,290 (34.0)

Note: Total comprehensive income (¥ million) Reporting term: 6,361 (225.2%) Previous term: 1,956 ((70.9)%)

	Profit per share (¥)	Diluted profit per share (¥)	Return on equity (ROE) (%)	Ordinary profit / Total assets (%)	Operating profit / Net sales (%)
Reporting term	74.62	74.47	7.1	7.5	5.5
Previous term	44.58	44.49	4.4	5.0	3.4

Reference: Share of profit of entities accounted for using equity method (¥ million) Reporting term: 233 Previous term: 183

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
Reporting term	115,027	86,410	69.9	1,086.11
Previous term	113,454	82,356	66.7	1,024.71

Reference: Net assets excluding share acquisition rights and non-controlling interests (¥ million)

Reporting term: 80,382 Previous term: 75,669

(3) Cash Flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Reporting term	21,921	(5,825)	(4,002)	24,386
Previous term	11,885	(5,334)	(4,239)	12,338

2. Dividend Payment

	Dividend per share (¥)					Total amount for annual dividend payments (¥ million)	Pay-out ratio (consolidated) (%)	Dividend payments/ Net assets (consolidated) (%)
	End of Q1	End of Q2	End of Q3	End of Q4	Total			
FY 2018	—	7.50	—	7.50	15.00	1,070	33.6	1.5
FY 2019	—	8.00	—	8.00	16.00	1,145	21.4	1.5
FY 2020 (forecast)	—	8.50	—	8.50	17.00	/	28.8	/

3. Consolidated Business Forecast for the Term Ended December 31, 2020

(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	136,150 (3.8)%	6,450 (17.9)%	6,980 (18.2)%	4,370 (20.8)%	59.08

※Notes

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

Note: Transfer of specified subsidiaries during the reporting period resulting in changes in the scope of consolidation

(2) 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**

(3) Number of issued shares (ordinary shares)

a) Number of issued shares at end of period (including treasury shares)

Reporting term: 76,192,950

Previous term: 76,192,950

b) Number of treasury shares at end of period

Reporting term: 2,183,743

Previous term: 2,349,097

c) Average number of shares outstanding during the term

Reporting term: 73,964,531

Previous term: 73,813,326

※This flash report is exempt from review procedures under the Financial Instruments and Exchange Act.

※Caution Concerning Forward-Looking Statements

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.

1. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

As of December 31	(¥ million)	
	2018	2019
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	8,052	6,831
Distribution facilities	34,647	34,631
Service and maintenance facilities	5,042	5,066
Other facilities	8,024	7,763
Construction in progress	161	368
Total property, plant and equipment	55,929	54,661
Intangible assets	836	806
Investments and other assets		
Investment securities	9,810	9,545
Long-term loans receivable	5,886	5,235
Deferred tax assets	669	707
Other investments and other assets	1,705	1,760
Allowance for doubtful accounts	(94)	(93)
Total investments and other assets	17,977	17,155
Total non-current assets	74,744	72,623
Current assets		
Cash and deposits	12,419	24,498
Notes and accounts receivable-trade	13,196	10,458
Merchandise and finished goods	353	336
Raw materials and supplies	9,896	4,905
Other current assets	2,886	2,238
Allowance for doubtful accounts	(40)	(34)
Total current assets	38,710	42,404
Total assets	113,454	115,027

Note: Amounts under one million yen are omitted.

As of December 31	(¥ million)	
	2018	2019
Liabilities		
Non-current liabilities		
Long-term loans payable	7,370	5,779
Deferred tax liabilities	201	229
Net defined benefit liability	3,362	3,245
Other non-current liabilities	120	119
Total non-current liabilities	11,055	9,373
Current liabilities		
Current portion of non-current liabilities	2,509	2,437
Accounts payable-trade	11,645	8,735
Accounts payable-other	1,585	2,888
Income taxes payable	1,412	2,077
Provision for bonuses	411	437
Other current liabilities	2,478	2,668
Total current liabilities	20,042	19,243
Total liabilities	31,097	28,617
Net assets		
Shareholders' equity		
Capital stock	6,279	6,279
Capital surplus	4,712	4,950
Retained earnings	62,722	67,095
Treasury shares	(1,193)	(1,109)
Total shareholders' equity	72,520	77,215
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,132	3,020
Deferred gains or losses on hedges	11	6
Foreign currency translation adjustment	(149)	(40)
Remeasurements of defined benefit plans	153	179
Total accumulated other comprehensive income	3,148	3,166
Share acquisition rights	115	114
Non-controlling interests	6,572	5,914
Total net assets	82,356	86,410
Total liabilities and net assets	113,454	115,027

Note: Amounts under one million yen are omitted.

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

Year ended December 31	(¥ million)	
	2018	2019
Net sales	143,199	141,544
Cost of sales	111,503	106,118
Gross profit	31,696	35,425
Selling, general and administrative expenses	26,827	27,573
Operating profit	4,869	7,852
Non-operating income		
Interest income	119	111
Dividend income	223	224
Share of profit of entities accounted for using equity method	183	233
Miscellaneous income	418	316
Total non-operating income	945	886
Non-operating expenses		
Interest expenses	147	118
Foreign exchange losses	46	52
Miscellaneous expenses	30	29
Total non-operating expenses	224	201
Ordinary profit	5,589	8,537
Extraordinary income		
Gain on sales of investment securities	146	183
Total extraordinary income	146	183
Extraordinary losses		
Impairment loss	77	—
Loss on valuation of investment securities	14	14
Total extraordinary losses	92	14
Profit before income taxes	5,644	8,705
Income taxes-current	1,478	2,373
Income taxes-deferred	131	5
Total income taxes	1,609	2,378
Profit	4,035	6,326
Profit attributable to non-controlling interests	744	807
Profit attributable to owners of parent	3,290	5,519

Note: Amounts under one million yen are omitted.

Consolidated Statements of Comprehensive Income

Year ended December 31	(¥ million)	
	2018	2019
Profit	4,035	6,326
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,905)	(95)
Deferred gains or losses on hedges	44	(5)
Foreign currency translation adjustment	(2)	0
Remeasurements of defined benefit plans, net of tax	(215)	26
Share of other comprehensive income of entities accounted for using equity method	0	109
Total other comprehensive income	(2,078)	34
Comprehensive income	1,956	6,361
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,230	5,537
Comprehensive income attributable to non-controlling interests	725	823

Note: Amounts under one million yen are omitted.

(3) Consolidated Statements of Changes in Net Assets

Fiscal Year Ended December 31, 2018

(¥ million)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,279	4,692	60,501	(1,222)	70,250
Changes of items during period					
Dividends of surplus			(1,070)		(1,070)
Profit attributable to owners of parent			3,290		3,290
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		19		29	48
Change in ownership interest of parent due to transactions with non-controlling interests		1			1
Net changes of items other than shareholders' equity					
Total changes of items during period	—	20	2,220	29	2,270
Balance at end of current period	6,279	4,712	62,722	(1,193)	72,520

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	5,019	(32)	(147)	368	5,208	104	6,908	82,472
Changes of items during period								
Dividends of surplus								(1,070)
Profit attributable to owners of parent								3,290
Purchase of treasury shares								(0)
Disposal of treasury shares								48
Change in ownership interest of parent due to transactions with non-controlling interests								1
Net changes of items other than shareholders' equity	(1,887)	44	(2)	(215)	(2,060)	10	(336)	(2,386)
Total changes of items during period	(1,887)	44	(2)	(215)	(2,060)	10	(336)	(115)
Balance at end of current period	3,132	11	(149)	153	3,148	115	6,572	82,356

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,279	4,712	62,722	(1,193)	72,520
Changes of items during period					
Dividends of surplus			(1,145)		(1,145)
Profit attributable to owners of parent			5,519		5,519
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		7		15	23
Change in ownership interest of parent due to transactions with non-controlling interests		230		68	298
Net changes of items other than shareholders' equity					
Total changes of items during period	—	237	4,373	83	4,694
Balance at end of current period	6,279	4,950	67,095	(1,109)	77,215

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	3,132	11	(149)	153	3,148	115	6,572	82,356
Changes of items during period								
Dividends of surplus								(1,145)
Profit attributable to owners of parent								5,519
Purchase of treasury shares								(0)
Disposal of treasury shares								23
Change in ownership interest of parent due to transactions with non-controlling interests								298
Net changes of items other than shareholders' equity	(112)	(5)	109	26	18	(1)	(658)	(640)
Total changes of items during period	(112)	(5)	109	26	18	(1)	(658)	4,053
Balance at end of current period	3,020	6	(40)	179	3,166	114	5,914	86,410

(4) Consolidated Statements of Cash Flows

Year ended December 31	(¥ million)	
	2018	2019
Cash flows from operating activities		
Profit before income taxes	5,644	8,705
Depreciation	8,964	8,540
Impairment loss	77	—
Loss on retirement of property, plant and equipment	7	36
Loss (gain) on valuation of investment securities	14	14
Increase (decrease) in allowance for doubtful accounts	7	(7)
Increase (decrease) in net defined benefit liability	(279)	(80)
Increase (decrease) in provision for bonuses	(126)	25
Interest and dividend income	(343)	(336)
Interest expenses	147	118
Share of loss (profit) of entities accounted for using equity method	(183)	(233)
Loss (gain) on sales of investment securities	(146)	(183)
Decrease (increase) in notes and accounts receivable-trade	(2,410)	2,741
Decrease (increase) in inventories	(5,087)	5,014
Increase (decrease) in notes and accounts payable-trade	7,499	(2,886)
Decrease/increase in consumption taxes receivable/payable	(295)	834
Other, net	(11)	694
Subtotal	13,478	22,999
Interest and dividend income received	343	336
Interest expenses paid	(157)	(124)
Income taxes paid	(1,778)	(1,290)
Net cash provided by (used in) operating activities	11,885	21,921
Cash flows from investing activities		
Payments into time deposits	(57)	(125)
Proceeds from withdrawal of time deposits	118	131
Purchase of property, plant and equipment and intangible assets	(6,355)	(6,681)
Proceeds from sales of property, plant and equipment and intangible assets	73	15
Purchase of investment securities	(123)	(6)
Proceeds from sales of investment securities	347	244
Proceeds from redemption of investment securities	330	353
Collection of loans receivable	655	658
Proceeds from contribution received for construction	27	5
Other, net	(350)	(421)
Net cash provided by (used in) investing activities	(5,334)	(5,825)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(85)	—
Proceeds from long-term loans payable	730	930
Repayments of long-term loans payable	(2,713)	(2,602)
Cash dividends paid	(1,067)	(1,146)
Dividends paid to non-controlling interests	(1,085)	(1,079)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(84)	(104)
Other, net	65	(0)
Net cash provided by (used in) financing activities	(4,239)	(4,002)
Effect of exchange rate change on cash and cash equivalents	2	(45)
Net increase (decrease) in cash and cash equivalents	2,313	12,047
Cash and cash equivalents at beginning of period	10,024	12,338
Cash and cash equivalents at end of period	12,338	24,386

Note: Amounts under one million yen are omitted.

(5)Notes regarding Consolidated Financial Statements

Note on Going Concerns' Premise

Not applicable.

Changes in presentation method

Adoption of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”

The Company has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No.28 on February 16, 2018) from the beginning of the consolidated fiscal year. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

Segment Information

1. Overview of reportable segments

Shizuoka Gas Group's reportable segments are those segments capable of providing separate financial information, and which the Board of Directors regularly reviews to determine the allocation of management resources and evaluate performance results.

The basic business of the Shizuoka Gas Group is the development of general energy businesses, mainly in city gas and the LPG adoption. We have identified two reportable segments along product/service lines: (1) Gas and (2) LPG and other energy services.

The following details the principal products and services offered by each reportable segment:

Gas: Natural gas and liquefied natural gas (LNG)
 LPG and other energy services: Liquefied petroleum gas (LPG), electric power, and on-site energy services

2. Accounting method of sales, profit or losses, assets and other items by each reportable segment

The accounting procedures of the reported business segments are the same as set forth in "Important items in the basis of presenting consolidated financial statements".

Reportable segment income is based on operating profit.

Inter-segment sales and transfers are transactions between consolidated companies and are based on market prices, etc.

3. Net Sales, Income (Loss), Assets, and Other Material Items by each Reportable Segment

Fiscal Year Ended December 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	114,938	17,655	132,594	10,605	143,199	—	143,199
Inter-segment sales and Transfers	1,964	282	2,246	4,814	7,061	(7,061)	—
Total	116,902	17,938	134,841	15,420	150,261	(7,061)	143,199
Segment income	6,568	691	7,259	649	7,909	(3,040)	4,869
Segment Assets	75,409	10,585	85,994	6,274	92,268	21,185	113,454
Others							
Depreciation Expenses	7,937	567	8,505	306	8,811	152	8,964
Investments in entities accounted for using equity method	183	1,586	1,770	—	1,770	—	1,770
Increase in property, plant, equipment, and intangible assets	5,531	399	5,931	296	6,228	78	6,306

Notes:

1. The "Other businesses" classification consists of businesses not defined as reportable segments, and include gas construction of facilities/gas piping installations and gas appliance sales, remodeling and leasing.

2. The adjusted amount is as follows.

(1) The (¥3,040) million in segment income adjustments includes ¥279 million in eliminations of inter-segment transactions and (¥3,320) million of corporate expenses not allocated to the respective reportable segments. Corporate expenses are general and administrative expenses not allocable to a reportable segment.

(2) The ¥21,398 million in segment asset adjustments includes (¥2,087) million in eliminations of inter-segment transactions and ¥23,485 million of company-wide assets not allocated to the respective reportable segments. Company-wide assets are surplus funds (cash and deposits), long-term investments (investment securities) and assets related to administrative departments.

3. Segment income is adjusted to reflect operating profit as recorded on the consolidated statements of income.

Fiscal Year Ended December 31, 2019

(¥ 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	112,994	17,556	130,550	10,993	141,544	—	141,544
Inter-segment sales and transfers	1,628	225	1,853	4,301	6,155	(6,155)	—
Total	114,623	17,781	132,404	15,295	147,699	(6,155)	141,544
Segment income	9,768	604	10,373	654	11,027	(3,175)	7,852
Segment Assets	66,822	10,507	77,330	6,105	83,435	31,592	115,027
Others							
Depreciation expenses	7,521	564	8,085	306	8,392	148	8,540
Investments in entities accounted for using equity method	141	1,553	1,695	—	1,695	—	1,695
Increase in property, plant, equipment, and intangible assets	6,198	386	6,585	479	7,064	196	7,261

Notes:

1. The "Other businesses" classification consists of businesses not defined as reportable segments, and include gas construction of facilities/gas piping installations and gas appliance sales, remodeling and leasing.

2. The adjusted amount is as follows.

(1) The (¥3,175) million in segment income adjustments includes ¥283 million in eliminations of inter-segment transactions and (¥3,459) million of corporate expenses not allocated to the respective reportable segments.

Corporate expenses are general and administrative expenses not allocable to a reportable segment.

(2) The ¥31,592 million in segment asset adjustments includes (¥1,890) million in eliminations of inter-segment transactions and ¥33,482 million of company-wide assets not allocated to the respective reportable segments.

Company-wide assets are surplus funds (cash and deposits), long-term investments (investment securities) and assets related to administrative departments.

3. Segment income is adjusted to reflect operating profit as recorded on the consolidated statements of income.