

Flash Report for the First Half of 2020 [Japan GAAP](Consolidated)

August 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 for presentation of the quarterly report: August 12, 2020
 Date of dividend payment: September 1, 2020
 Preparation of supplemental explanatory materials: Yes
 Holding of quarterly results briefing session: Yes (for institutional investors)

1. Consolidated Business Results for the First Half (January 1 through June 30, 2020)

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

(1) Operating Results

	Net sales (¥ million)	Operating profit (¥ million)	Ordinary profit (¥ million)
Reporting First Half	66,645 (14.5)%	2,788 (60.3)%	2,897 (60.9)%
Previous First Half	77,990 10.7	7,018 36.0	7,404 31.3

Note: Total comprehensive income (¥ million)

Reporting First Half: (658) (—%) Previous First Half: 5,125 (70.1%)

	Profit attributable to owners of parent (¥ million)	Profit per share (¥)	Diluted profit per share (¥)
Reporting First Half	828 (83.1)%	11.18	11.16
Previous First Half	4,902 36.2	66.32	66.19

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
Reporting First Half	111,196	84,079	70.8
Previous full term	115,027	86,410	69.9

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

Reporting First Half: 78,741 Previous full term: 80,382

2. Dividend Payment

	Annual dividend per share (¥)				
	1Q	2Q	3Q	Term-end	Total
FY 2019	—	8.00	—	8.00	16.00
FY 2020	—	8.50	/	/	/
FY 2020(forecast)	/	/	—	8.50	17.00

Note: Revision of previously announced dividend forecast: No

3. Consolidated Business Forecast for Current Term (January 1 through 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	119,210 (15.8)%	5,480 (30.2)%	5,830 (31.7)%	2,830 (48.7)%	38.22

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 Half 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 Half: 76,192,950

Previous full term: 76,192,950

b) Number of treasury shares at end of period

Reporting First Half: 2,145,143

Previous full term: 2,183,743

c) Average number of shares outstanding during the term

Reporting First Half: 74,028,082

Previous First Half: 73,919,041

Quarterly Review

Quarterly financial results are exempt from quarterly review.

Notes on proper use of forecast, 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.

Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	(¥ million)	
	December 31, 2019	June 30, 2020
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	6,831	6,285
Distribution facilities	34,631	34,250
Service and maintenance facilities	5,066	4,971
Other facilities	7,763	7,575
Construction in progress	368	482
Total property, plant and equipment	54,661	53,566
Intangible assets	806	956
Investments and other assets		
Investment securities	9,545	8,051
Long-term loans receivable	5,235	4,907
Deferred tax assets	707	1,290
Other investments and other assets	1,760	1,793
Allowance for doubtful accounts	(93)	(93)
Total investments and other assets	17,155	15,950
Total non-current assets	72,623	70,472
Current assets		
Cash and deposits	24,498	24,415
Notes and accounts receivable-trade	10,458	9,430
Merchandise and finished goods	336	275
Raw materials and supplies	4,905	4,703
Other current assets	2,238	1,928
Allowance for doubtful accounts	(34)	(29)
Total current assets	42,404	40,724
Total assets	115,027	111,196

Note: Amounts under one million yen are omitted.

	(¥ million)	
	December 31,2019	June 30,2020
Liabilities		
Non-current liabilities		
Long-term borrowings	5,779	4,866
Deferred tax liabilities	229	156
Retirement benefit liability	3,245	3,119
Other non-current liabilities	119	94
Total non-current liabilities	9,373	8,237
Current liabilities		
Current portion of non-current liabilities	2,437	1,980
Accounts payable-trade	8,735	6,655
Accounts payable-other	2,888	1,751
Income taxes payable	2,077	1,913
Provision for bonuses	437	447
Allowance for ship allocation adjustment	—	2,960
Other current liabilities	2,668	3,171
Total current liabilities	19,243	18,879
Total liabilities	28,617	27,117
Net assets		
Shareholders' equity		
Share capital	6,279	6,279
Capital surplus	4,950	4,974
Retained earnings	67,095	67,332
Treasury shares	(1,109)	(1,090)
Total shareholders' equity	77,215	77,495
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,020	2,041
Deferred gains or losses on hedges	6	(851)
Foreign currency translation adjustment	(40)	(106)
Remeasurements of defined benefit plans	179	161
Total accumulated other comprehensive income	3,166	1,246
Share acquisition rights	114	108
Non-controlling interests	5,914	5,229
Total net assets	86,410	84,079
Total liabilities and net assets	115,027	111,196

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 Half ended June 30	2019	2020
Net sales	77,990	66,645
Cost of sales	57,288	50,257
Gross profit	20,701	16,388
Selling, general and administrative expenses	13,682	13,600
Operating profit	7,018	2,788
Non-operating income		
Interest income	58	51
Dividend income	113	112
Share of profit of entities accounted for using equity method	172	—
Miscellaneous income	174	176
Total non-operating income	518	339
Non-operating expenses		
Interest expenses	62	48
Foreign exchange losses	58	103
Share of loss of entities accounted for using equity method	—	68
Miscellaneous expenses	11	10
Total non-operating expenses	132	230
Ordinary profit	7,404	2,897
Extraordinary income		
Gain on sales of investment securities	—	30
Total extraordinary income	—	30
Profit before income taxes	7,404	2,927
Income taxes	2,012	1,653
Profit	5,391	1,273
Profit attributable to non-controlling interests	489	445
Profit attributable to owners of parent	4,902	828

Note: Amounts under one million yen are omitted.

Consolidated Statements of Comprehensive Income

	(¥ million)	
First Half ended June 30	2019	2020
Profit	5,391	1,273
Other comprehensive income		
Valuation difference on available-for-sale securities	(286)	(990)
Deferred gains or losses on hedges	(4)	(857)
Foreign currency translation adjustment	(1)	(3)
Remeasurements of defined benefit plans, net of tax	(16)	(17)
Share of other comprehensive income of entities accounted for using equity method	42	(62)
Total other comprehensive income	(265)	(1,932)
Comprehensive income	5,125	(658)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,634	(1,092)
Comprehensive income attributable to non-controlling interests	491	434

Note: Amounts under one million yen are omitted.

(3) Consolidated Statements of Cash Flows

First Half ended June 30	(¥ million)	
	2019	2020
Cash flows from operating activities		
Profit before income taxes	7,404	2,927
Depreciation	4,099	4,126
Loss on retirement of property, plant and equipment	48	131
Increase (decrease) in allowance for doubtful accounts	(6)	(4)
Increase (decrease) in retirement benefit liability	(174)	(150)
Increase (decrease) in provision for bonuses	21	10
Interest and dividend income	(171)	(163)
Interest expenses	62	48
Share of loss (profit) of entities accounted for using equity method	(172)	68
Loss (gain) on sales of investment securities	—	(30)
Decrease (increase) in trade receivables	2,041	1,028
Decrease (increase) in inventories	3,167	263
Increase (decrease) in Allowance for ship allocation adjustment	—	2,960
Increase (decrease) in trade payables	(5,799)	(2,146)
Decrease/increase in consumption taxes receivable/payable	762	(68)
Other, net	(116)	(179)
Subtotal	11,166	8,820
Interest and dividends received	171	163
Interest paid	(84)	(69)
Income taxes paid	(646)	(1,748)
Net cash provided by (used in) operating activities	10,607	7,165
Cash flows from investing activities		
Payments into time deposits	(52)	(80)
Proceeds from withdrawal of time deposits	33	57
Purchase of property, plant and equipment and intangible assets	(3,088)	(4,260)
Proceeds from sales of property, plant and equipment and intangible assets	9	0
Purchase of investment securities	(2)	(2)
Proceeds from sales of investment securities	2	35
Collection of loans receivable	326	327
Proceeds from contribution received for construction	5	—
Other, net	(213)	(133)
Net cash provided by (used in) investing activities	(2,979)	(4,055)
Cash flows from financing activities		
Proceeds from long-term borrowings	400	—
Repayments of long-term borrowings	(1,302)	(1,357)
Dividends paid	(556)	(592)
Dividends paid to non-controlling interests	(1,079)	(1,067)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(28)	(34)
Other, net	(0)	0
Net cash provided by (used in) financing activities	(2,565)	(3,052)
Effect of exchange rate change on cash and cash equivalents	(67)	(164)
Net increase (decrease) in cash and cash equivalents	4,993	(106)
Cash and cash equivalents at beginning of period	12,338	24,386
Cash and cash equivalents at end of period	17,332	24,279

Note: Amounts under one million yen are omitted.

(4) 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 Half. We multiply this effective tax rate by the quarterly profit before income taxes for the cumulative period to calculate tax expenses.

Additional Information

A high degree of uncertainty exists regarding the impact of COVID-19. However, it is assumed that group demand will gradually recover toward the second half of 2021 regarding any impact on accounting estimates.

Also, in the current consolidated fiscal year, a portion of contracted volume based on LNG procurement contracts will be postponed to a later year in response to the sudden decrease in demand caused by the impact of COVID-19. We anticipate the payment amount for this response will be ¥2,960 million. We can apply this payment when the amount in question is received in a later year. However, the timing for such payments remains uncertain at this time due to demand forecasts based on the above assumptions and the status of LNG procurement contracts. As the timing for receipt of the amount in question is undetermined and highly uncertain at the moment, we have recorded the entire amount of the expected payment as an allowance for ship allocation adjustment and have expensed it as cost of sales for the current fiscal year.

Note that assumptions regarding the impact of COVID-19 are highly uncertain and future consolidated financial statements could be affected if the situation or level of impact changes.

Segment Information

Net Sales and Income (Loss) by Reportable Segment

Six Months Ended June 30, 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	63,337	9,356	72,693	5,296	77,990	—	77,990
Inter-segment sales and transfers	948	123	1,072	1,898	2,970	(2,970)	—
Total	64,286	9,480	73,766	7,194	80,960	(2,970)	77,990
Segment income	7,827	639	8,466	206	8,672	(1,654)	7,018

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 (¥1,654) million in segment income adjustments include ¥138 million in inter-segment eliminations and (¥1,792) 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.

Six Months Ended June 30, 2020

(¥ 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	53,298	8,735	62,034	4,611	66,645	—	66,645
Inter-segment sales and transfers	614	169	784	2,084	2,868	(2,868)	—
Total	53,913	8,905	62,818	6,696	69,514	(2,868)	66,645
Segment income	3,546	607	4,154	228	4,383	(1,595)	2,788

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 (¥1,595) million in segment income adjustments include ¥134 million in inter-segment eliminations and (¥1,729) 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.