

Flash Report for the First Half of 2021 [Japan GAAP](Consolidated)

August 4, 2021

Company Name: SHIZUOKA GAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)
 Code Number: 9543 URL: <https://ir.shizuokagas.co.jp/en/>
 Representative: Kishida Hiroyuki, Representative Director and President
 Inquiries to: Taniguchi Katsumi, Accounting and Finance Manager, Management Strategy Dept.
 Telephone: +81-54-284-7990
 Date for presentation of the quarterly report: August 6, 2021
 Date of dividend payment: September 1, 2021
 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, 2021)

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

(1) Operating Results

	Net sales (¥ million)		Operating profit (¥ million)		Ordinary profit (¥ million)	
Reporting First Half	62,480	(6.3)%	5,500	97.3%	6,487	123.9%
Previous First Half	66,645	(14.5)	2,788	(60.3)	2,897	(60.9)

Note: Total comprehensive income (¥ million)

Reporting First Half: 5,858 (—%) Previous First Half: (658) (—%)

	Profit attributable to owners of parent (¥ million)		Profit per share (¥)	Diluted profit per share (¥)
Reporting First Half	4,330	423.0%	58.46	58.36
Previous First Half	828	(83.1)	11.18	11.16

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
Reporting First Half	113,848	92,399	76.3
Previous full term	118,177	87,673	69.4

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

Reporting First Half: 86,812 Previous full term: 82,073

2. Dividend Payment

	Annual dividend per share (¥)				
	1Q	2Q	3Q	Term-end	Total
FY 2020	—	8.50	—	8.50	17.00
FY 2021	—	9.00	/	/	/
FY 2021 (forecast)	/	/	—	9.00	18.00

Note: Revision of previously announced dividend forecast: No

3. Consolidated Business Forecast for Current Term (January 1 through December 31, 2021)

(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	132,670 9.4%	4,400 (35.6)%	5,840 (21.0)%	3,600 (2.9)%	48.59

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: 2,090,699

Previous full term: 2,145,148

c) Average number of shares outstanding during the term

Reporting First Half: 74,073,290

Previous First Half: 74,028,082

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, 2020	June 30, 2021
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	5,892	5,279
Distribution facilities	34,213	33,713
Service and maintenance facilities	5,135	6,119
Other facilities	7,481	7,494
Construction in progress	2,096	1,752
Total property, plant and equipment	54,819	54,359
Intangible assets	935	1,000
Investments and other assets		
Investment securities	8,218	10,006
Long-term loans receivable	4,463	4,101
Deferred tax assets	987	694
Other investments and other assets	1,810	1,931
Allowance for doubtful accounts	(73)	(72)
Total investments and other assets	15,406	16,661
Total non-current assets	71,160	72,022
Current assets		
Cash and deposits	31,732	22,000
Notes and accounts receivable-trade	8,492	9,830
Merchandise and finished goods	307	307
Raw materials and supplies	4,863	7,314
Other current assets	1,646	2,407
Allowance for doubtful accounts	(25)	(34)
Total current assets	47,016	41,826
Total assets	118,177	113,848

Note: Amounts under one million yen are omitted.

	(¥ million)	
	December 31,2020	June 30,2021
Liabilities		
Non-current liabilities		
Long-term borrowings	4,373	3,779
Deferred tax liabilities	172	222
Retirement benefit liability	3,045	2,961
Other non-current liabilities	99	99
Total non-current liabilities	7,691	7,062
Current liabilities		
Current portion of non-current liabilities	1,712	1,519
Accounts payable-trade	9,571	6,368
Accounts payable-other	3,140	2,086
Income taxes payable	2,089	1,951
Provision for bonuses	423	420
Allowance for ship allocation adjustment	2,900	—
Other current liabilities	2,976	2,040
Total current liabilities	22,812	14,386
Total liabilities	30,503	21,449
Net assets		
Shareholders' equity		
Share capital	6,279	6,279
Capital surplus	4,948	4,971
Retained earnings	69,583	73,284
Treasury shares	(1,090)	(1,062)
Total shareholders' equity	79,721	83,472
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,341	2,877
Deferred gains or losses on hedges	(218)	262
Foreign currency translation adjustment	(104)	(104)
Remeasurements of defined benefit plans	333	304
Total accumulated other comprehensive income	2,352	3,339
Share acquisition rights	108	91
Non-controlling interests	5,491	5,495
Total net assets	87,673	92,399
Total liabilities and net assets	118,177	113,848

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	2020	2021
Net sales	66,645	62,480
Cost of sales	50,257	43,439
Gross profit	16,388	19,041
Selling, general and administrative expenses	13,600	13,540
Operating profit	2,788	5,500
Non-operating income		
Interest income	51	42
Dividend income	112	542
Share of profit of entities accounted for using equity method	—	275
Miscellaneous income	176	198
Total non-operating income	339	1,058
Non-operating expenses		
Interest expenses	48	37
Foreign exchange losses	103	22
Share of loss of entities accounted for using equity method	68	—
Miscellaneous expenses	10	12
Total non-operating expenses	230	72
Ordinary profit	2,897	6,487
Extraordinary income		
Gain on sales of investment securities	30	—
Total extraordinary income	30	—
Profit before income taxes	2,927	6,487
Income taxes	1,653	1,623
Profit	1,273	4,863
Profit attributable to non-controlling interests	445	533
Profit attributable to owners of parent	828	4,330

Note: Amounts under one million yen are omitted.

Consolidated Statements of Comprehensive Income

	(¥ million)	
First Half ended June 30	2020	2021
Profit	1,273	4,863
Other comprehensive income		
Valuation difference on available-for-sale securities	(990)	543
Deferred gains or losses on hedges	(857)	480
Foreign currency translation adjustment	(3)	4
Remeasurements of defined benefit plans, net of tax	(17)	(29)
Share of other comprehensive income of entities accounted for using equity method	(62)	(4)
Total other comprehensive income	(1,932)	994
Comprehensive income	(658)	5,858
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,092)	5,317
Comprehensive income attributable to non-controlling interests	434	541

Note: Amounts under one million yen are omitted.

(3) Consolidated Statements of Cash Flows

	(¥ million)	
First Half ended June 30	2020	2021
Cash flows from operating activities		
Profit before income taxes	2,927	6,487
Depreciation	4,126	4,107
Loss on retirement of property, plant and equipment	131	10
Increase (decrease) in allowance for doubtful accounts	(4)	7
Increase (decrease) in retirement benefit liability	(150)	(125)
Increase (decrease) in provision for bonuses	10	(2)
Interest and dividend income	(163)	(584)
Interest expenses	48	37
Share of loss (profit) of entities accounted for using equity method	68	(275)
Loss (gain) on sales of investment securities	(30)	—
Decrease (increase) in trade receivables	1,028	(1,287)
Decrease (increase) in inventories	263	(2,450)
Increase (decrease) in Allowance for ship allocation adjustment	2,960	(2,900)
Increase (decrease) in trade payables	(2,146)	(3,273)
Decrease/increase in consumption taxes receivable/payable	(68)	(497)
Other, net	(179)	(556)
Subtotal	8,820	(1,301)
Interest and dividends received	163	584
Interest paid	(69)	(54)
Income taxes paid	(1,748)	(1,889)
Net cash provided by (used in) operating activities	7,165	(2,661)
Cash flows from investing activities		
Payments into time deposits	(80)	(51)
Proceeds from withdrawal of time deposits	57	55
Purchase of property, plant and equipment and intangible assets	(4,260)	(4,231)
Proceeds from sales of property, plant and equipment and intangible assets	0	2
Purchase of investment securities	(2)	(803)
Proceeds from sales of investment securities	35	0
Collection of loans receivable	327	361
Other, net	(133)	(437)
Net cash provided by (used in) investing activities	(4,055)	(5,104)
Cash flows from financing activities		
Proceeds from long-term borrowings	—	100
Repayments of long-term borrowings	(1,357)	(923)
Dividends paid	(592)	(629)
Dividends paid to non-controlling interests	(1,067)	(537)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(34)	(0)
Other, net	0	0
Net cash provided by (used in) financing activities	(3,052)	(1,990)
Effect of exchange rate change on cash and cash equivalents	(164)	27
Net increase (decrease) in cash and cash equivalents	(106)	(9,729)
Cash and cash equivalents at beginning of period	24,386	31,615
Cash and cash equivalents at end of period	24,279	21,885

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

(Allowance for ship allocation adjustment)

During the previous consolidated fiscal year, we postponed the delivery of a certain portion of contracted volume to subsequent years based on the LNG procurement contract in response to the dramatic decrease in demand caused by COVID-19. We recorded ¥2,900 million yen as an allowance for ship allocation adjustment in unpaid amounts related to this development. During the current consolidated first quarter, we finalized and paid said amount.

This payment may be used to reduce future payments by allocating said payment to the price when taking delivery of the volume in question in subsequent years. However, based on projected demand as of the end of the current consolidated First Half and the circumstances surrounding LNG procurement contracts, we have not yet determined the timing of said delivery.

(Impact of COVID-19 on Accounting Estimates)

While the impact of COVID-19 remains highly uncertain, we have made accounting estimates based on the assumption that group demand will recover gradually during the second half of the current consolidated fiscal year. The impact of COVID-19 on group consolidated financial statements for the current consolidated First Half was minimal.

However, assumptions regarding the impact of COVID-19 involve a high degree of uncertainty, and any future changes in circumstances or impact may have an impact on our consolidated financial statements.

Segment Information

Net Sales and Income (Loss) by Reportable Segment

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.

Six Months Ended June 30, 2021

(¥ 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	47,211	10,313	57,525	4,954	62,480	—	62,480
Inter-segment sales and transfers	971	157	1,128	2,341	3,470	(3,470)	—
Total	48,182	10,471	58,654	7,296	65,950	(3,470)	62,480
Segment income	5,636	927	6,564	477	7,041	(1,540)	5,500

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 (¥1,540) million in segment income adjustments include ¥139 million in inter-segment eliminations and (¥1,680) 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.