



Flash Report for the First Three Quarters of 2022[Japan GAAP] (Consolidated)

November 9, 2022

Company Name: SHIZUOKA GAS CO., LTD. Listing: Tokyo Stock Exchange
 Code Number: 9543 URL: <https://ir.shizuokagas.co.jp/en/>
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 Date for presentation of the quarterly report: November 11, 2022
 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, 2022)

(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	143,972	51.3%	6,768	19.5%	7,410	9.4%
Previous First Three Quarters	95,150	0.3	5,662	(13.9)	6,772	(1.4)

Note: Total comprehensive income (¥ million)

Reporting First Three Quarters: 5,617 ((12.0%)) Previous First Three Quarters: 6,384 (153.8%)

	Profit attributable to owners of parent (¥ million)		Profit per share (¥)	Diluted profit per share (¥)
Reporting First Three Quarters	4,513	3.7%	60.87	60.78
Previous First Three Quarters	4,353	21.6	58.76	58.66

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
Reporting First Three Quarters	137,008	97,104	66.0
Previous full term	123,996	92,150	69.6

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

Reporting First Three Quarters: 90,459 Previous full term: 86,308

2. Dividend Payment

	Annual dividend per share (¥)				
	1Q	2Q	3Q	Term-end	Total
FY 2021	—	9.00	—	9.00	18.00
FY 2022	—	9.50	—	/	/
FY 2022(forecast)	/	/	/	9.50	19.00

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

3. Consolidated Business Forecast for Current Term (January 1 through December 31, 2022)

(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	206,750	55.5 %	5,190	4.0%	6,590	1.8%	3,960 (3.8)%	53.41

Note: Revision of previously announced consolidated business forecast: **No**

※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 P7)

(3) Changes in accounting policies, estimates, or retrospective restatements

a) Changes in accounting policies due to revisions of accounting standards: **Yes**

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: 2,043,810

Previous full term: 2,090,713

c) Average number of shares outstanding during the term

Reporting First Three Quarters: 74,133,054

Previous First Three Quarters: 74,083,048

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 yen)

	As of December 31,2021	As of September 30,2022
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	4,736	4,427
Distribution facilities	33,926	33,708
Service and maintenance facilities	6,000	5,831
Other facilities	7,984	8,711
Construction in progress	2,343	3,678
Total property, plant and equipment	54,992	56,356
Intangible assets	1,266	1,575
Investments and other assets		
Investment securities	10,113	12,991
Long-term loans receivable	4,030	3,510
Deferred tax assets	703	703
Other investments	1,937	2,347
Allowance for doubtful accounts	(71)	(76)
Total investments and other assets	16,713	19,476
Total non-current assets	72,972	77,408
Current assets		
Cash and deposits	13,658	18,098
Notes and accounts receivable - trade	15,013	-
Notes and accounts receivable - trade, and contract assets	-	18,733
Merchandise and finished goods	565	652
Raw materials and supplies	9,193	18,065
Accounts receivable - other	10,478	1,859
Other current assets	2,167	2,242
Allowance for doubtful accounts	(53)	(51)
Total current assets	51,024	59,599
Total assets	123,996	137,008

	As of December 31,2021	As of September 30,2022
Liabilities		
Non-current liabilities		
Long-term borrowings	5,124	5,529
Deferred tax liabilities	389	436
Retirement benefit liability	2,739	2,696
Other noncurrent liabilities	98	189
Total non-current liabilities	8,352	8,851
Current liabilities		
Current portion of non-current liabilities	1,500	1,780
Accounts payable - trade	15,189	13,368
Short-term borrowings	-	366
Commercial papers	-	7,999
Accounts payable - other	1,882	1,907
Income taxes payable	1,724	2,332
Provision for bonuses	411	1,037
Other current liabilities	2,784	2,257
Total current liabilities	23,494	31,051
Total liabilities	31,846	39,903
Net assets		
Shareholders' equity		
Share capital	6,279	6,279
Capital surplus	4,984	5,004
Retained earnings	72,403	76,131
Treasury shares	(1,062)	(1,038)
Total shareholders' equity	82,604	86,376
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,938	3,484
Deferred gains or losses on hedges	320	74
Foreign currency translation adjustment	(59)	93
Remeasurements of defined benefit plans	503	429
Total accumulated other comprehensive income	3,703	4,082
Share acquisition rights	91	85
Non-controlling interests	5,749	6,559
Total net assets	92,150	97,104
Total liabilities and net assets	123,996	137,008

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

Consolidated Statements of Income

(Million yen)

	For the nine months ended September 30,2021	For the nine months ended September 30,2022
Net sales	95,150	143,972
Cost of sales	69,086	115,974
Gross profit	26,064	27,998
Selling, general and administrative expenses	20,401	21,229
Operating profit	5,662	6,768
Non-operating income		
Interest income	62	64
Dividend income	548	303
Share of profit of entities accounted for using equity method	432	-
Miscellaneous income	236	470
Total non-operating income	1,278	837
Non-operating expenses		
Interest expenses	56	66
Foreign exchange losses	97	11
Share of loss of entities accounted for using equity method	-	104
Miscellaneous expenses	13	13
Total non-operating expenses	168	196
Ordinary profit	6,772	7,410
Profit before income taxes	6,772	7,410
Income taxes	1,706	2,161
Profit	5,066	5,248
Profit attributable to non-controlling interests	713	734
Profit attributable to owners of parent	4,353	4,513

Consolidated Statements of Comprehensive Income

(Million yen)

	For the nine months ended September 30,2021	For the nine months ended September 30,2022
Profit	5,066	5,248
Other comprehensive income		
Valuation difference on available-for-sale securities	801	536
Deferred gains or losses on hedges	549	(246)
Foreign currency translation adjustment	4	17
Remeasurements of defined benefit plans, net of tax	(44)	(73)
Share of other comprehensive income of entities accounted for using equity method	7	135
Total other comprehensive income	1,318	369
Comprehensive income	6,384	5,617
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,664	4,891
Comprehensive income attributable to non-controlling interests	720	725

(3) Notes

(Note on Going Concerns' Premise)

Not applicable.

(Note on Significant Change in Shareholders' Equity)

Not applicable.

(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.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition and Other Standards)

The Company has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29, issued on March 31, 2020, hereinafter "Accounting Standard for Revenue Recognition") and other standards since the beginning of the first quarter of the current fiscal year. The new standard recognizes revenues for goods or services based on the amount estimated to be received in exchange for such goods or services at the point when control of the promised goods or services is transferred to the customer. The main changes caused by adopting the new standard are described below.

Revenues associated with the electricity business and LPG business were previously recognized based on monthly meter readings, but the method of revenue recognition has been changed to recognize the revenue which reflects the estimated usage between the last meter reading day in the account closing month and the closing date. Also, we were previously recognizing revenue for the charges collected from customers under the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities based on the feed-in tariff system for renewable energy. However, we are no longer recognizing the charges as revenue from the beginning of the first quarter of the current fiscal year because it is collected on behalf of a third party.

The Company has applied the Accounting Standard for Revenue Recognition transitionally, in accordance with the proviso in Article 84 of the standard. The cumulative effect of retroactively applying the new accounting policy to before the start of the first quarter of the current fiscal year has been added to or deducted from the retained earnings at the start of the current fiscal year. The new accounting policy has been applied from said starting balance. However, the new accounting policy has not been applied retrospectively to the contracts in which almost all of revenues has been recognized before the beginning of the first quarter of the current fiscal year in accordance with the previous treatment by applying the method stipulated in Article 86 of the standard. Furthermore, using the method specified in explanatory note (1) of Article 86 in the standard, retained earnings at the beginning of the first quarter of the current fiscal year are adjusted by the cumulative effect of contract terms and conditions effective after applying all contractual changes made before the beginning of the first quarter of the current fiscal year.

As a result, retained earnings at the beginning of the first quarter of the current fiscal year increased by ¥591 million, net sales for the first three quarters of the current fiscal year decreased by ¥2,653 million, cost of sales decreased by ¥2,424 million, selling, general and administrative expenses decreased by ¥86 million, operating profit, ordinary profit and profit before income taxes decreased by ¥142 million respectively.

Due to the adoption of the Accounting Standard for Revenue Recognition and other standards, "Notes and accounts receivable - trade" which were included in "Current assets" in the consolidated balance sheet for the previous fiscal year, have been included in "Notes and accounts receivable - trade, and contract assets" since the first quarter of the current fiscal year.

In accordance with the transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated. Moreover, in accordance with the transitional treatment stipulated in Article 28-15 of the Accounting Standard for Quarterly Financial

Reporting (Accounting Standards Board of Japan Statement No. 12, issued on March 31, 2020), a breakdown of income from contracts with customers has not been presented for the first three quarters of the previous fiscal year.

(Application of Accounting Standard for Fair Value Measurement and Other Standards)

The Company has applied the Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan Statement No. 30, issued on July 4, 2019, hereinafter “Fair Value Accounting Standards”) and other standards since the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment set forth in Article 19 of Fair Value Accounting Standards and Article 44-2 of the Accounting Standard for Financial Instruments (Accounting Standards Board of Japan Statement No. 10, issued on July 4, 2019), the Fair Value Accounting Standards and others have been adopted prospectively. There is no impact on the quarterly consolidated financial statements by adopting the standard.

(Additional Information)

(Payment related to the LNG procurement contract)

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 paid US\$24 million during the first quarter of the previous fiscal year. This payment does not affect the consolidated financial statements for the current first three quarters.

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 three quarters and the circumstances surrounding LNG procurement contracts, we have not yet determined the timing of said delivery.

(Impact of COVID-19 on Accounting Estimates)

We have not made significant changes to the assumptions regarding the impact of COVID-19 described in the securities report for the previous consolidated fiscal year. 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

Nine Months Ended September 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	72,643	15,170	87,814	7,336	95,150	—	95,150
Inter-segment sales and transfers	1,449	225	1,674	3,657	5,332	(5,332)	—
Total	74,092	15,396	89,489	10,993	100,483	(5,332)	95,150
Segment income	6,136	983	7,120	713	7,834	(2,171)	5,662

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 (¥2,171) million in segment income adjustments include ¥203 million in inter-segment eliminations and (¥2,375) 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, 2022

(¥ 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	116,621	19,732	136,353	7,618	143,972	—	143,972
Inter-segment sales and transfers	2,929	289	3,219	3,370	6,589	(6,589)	—
Total	119,551	20,021	139,573	10,989	150,562	(6,589)	143,972
Segment income	7,363	1,127	8,490	494	8,984	(2,216)	6,768

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 (¥2,216) million in segment income adjustments include ¥229 million in inter-segment eliminations and (¥2,445) 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.