

Flash Report for the Term Ended December 31, 2023 [Japan GAAP] (Consolidated)

February 7, 2024

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 of annual general meeting of shareholders: March 27, 2024
 Date for presentation of the financial statements report: March 28, 2024
 Date of dividend payment: March 28, 2024
 Preparation of supplemental explanatory materials: Yes
 Holding of FY2023 financial briefing session: Yes (for institutional investors)

1. Consolidated Business Results (January 1 to December 31, 2023)

(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	214,004	3.2%	18,340	112.5%	20,064	111.4%	14,107	136.1%
Previous term	207,325	55.9%	8,629	73.0%	9,491	46.6%	5,975	45.2%

Note: Total comprehensive income (¥ million) Reporting term: 16,673(105.5%) Previous term: 8,115(28.0%)

	Profit per share (¥)	Diluted profit per share (¥)	Return on equity (ROE) (%)	Ordinary profit / Total assets (%)	Operating profit / Net sales (%)
Reporting term	190.19	189.91	14.1	12.8	8.6
Previous term	80.60	80.48	6.7	6.7	4.2

Reference: Share of profit of entities accounted for using equity method (¥ million) Reporting term: (172) Previous term: 660

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
Reporting term	154,709	114,421	69.4	1,447.28
Previous term	159,497	99,608	58.2	1,252.17

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

Reporting term: 107,359 Previous term: 92,847

(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	37,755	(14,123)	(15,909)	35,242
Previous term	4,116	(14,074)	23,552	27,264

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 2022	—	9.50	—	9.50	19.00	1,408	23.5	1.6
FY 2023	—	10.00	—	15.00	25.00	1,854	13.1	1.9
FY 2024 (forecast)	—	13.00	—	13.00	26.00	/	35.3	/

3. Consolidated Business Forecast for the Term Ended December 31, 2024

(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	206,710 (3.4) %	8,070 (56.0) %	8,770 (56.3) %	5,460 (61.3) %	73.60

※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: **Yes**

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: 2,013,483

Previous term: 2,043,820

c) Average number of shares outstanding during the term

Reporting term: 74,170,388

Previous term: 74,137,107

※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.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	6,209	5,892
Distribution facilities	34,425	34,485
Service and maintenance facilities	5,792	5,507
Other facilities	9,789	13,654
Construction in progress	1,928	2,256
Total property, plant and equipment	58,146	61,795
Intangible assets	2,449	2,769
Investments and other assets		
Investment securities	14,333	16,661
Long-term loans receivable	3,323	2,673
Deferred tax assets	857	634
Other investments	2,091	3,509
Allowance for doubtful accounts	(78)	(76)
Total investments and other assets	20,527	23,402
Total non-current assets	81,124	87,967
Current assets		
Cash and deposits	27,649	35,621
Notes and accounts receivable - trade, and contract assets	25,887	17,237
Merchandise and finished goods	661	692
Raw materials and supplies	18,231	10,376
Accounts receivable - other	3,940	1,075
Securities	132	-
Other current assets	1,928	1,776
Allowance for doubtful accounts	(59)	(38)
Total current assets	78,373	66,741
Total assets	159,497	154,709

(Million yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Non-current liabilities		
Bonds payable	-	5,000
Long-term borrowings	12,218	12,233
Deferred tax liabilities	901	1,526
Retirement benefit liability	2,717	2,280
Asset retirement obligations	-	109
Other noncurrent liabilities	357	191
Total non-current liabilities	16,195	21,342
Current liabilities		
Current portion of non-current liabilities	1,784	984
Accounts payable - trade	13,429	3,268
Short-term borrowings	174	95
Commercial papers	17,999	-
Accounts payable - other	3,306	4,794
Income taxes payable	3,554	5,093
Provision for bonuses	416	566
Other current liabilities	3,028	4,142
Total current liabilities	43,693	18,945
Total liabilities	59,888	40,287
Net assets		
Shareholders' equity		
Share capital	6,279	6,279
Capital surplus	5,004	5,028
Retained earnings	77,599	90,260
Treasury shares	(1,038)	(1,023)
Total shareholders' equity	87,844	100,544
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,371	5,944
Deferred gains or losses on hedges	118	45
Foreign currency translation adjustment	81	178
Remeasurements of defined benefit plans	431	646
Total accumulated other comprehensive income	5,002	6,814
Share acquisition rights	85	85
Non-controlling interests	6,674	6,976
Total net assets	99,608	114,421
Total liabilities and net assets	159,497	154,709

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Net sales	207,325	214,004
Cost of sales	169,654	166,436
Gross profit	37,670	47,567
Selling, general and administrative expenses	29,040	29,227
Operating profit	8,629	18,340
Non-operating income		
Interest income	84	75
Dividend income	440	483
Foreign exchange gains	-	147
Share of profit of entities accounted for using equity method	660	-
Gain on investments in silent partnerships	-	1,104
Miscellaneous income	378	349
Total non-operating income	1,564	2,160
Non-operating expenses		
Interest expenses	90	154
Foreign exchange losses	112	-
Share of loss of entities accounted for using equity method	-	172
Loss on investments in silent partnerships	479	-
Miscellaneous expenses	20	108
Total non-operating expenses	702	436
Ordinary profit	9,491	20,064
Profit before income taxes	9,491	20,064
Income taxes - current	2,655	5,244
Income taxes - deferred	14	30
Total income taxes	2,669	5,274
Profit	6,821	14,790
Profit attributable to non-controlling interests	845	682
Profit attributable to owners of parent	5,975	14,107

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Profit	6,821	14,790
Other comprehensive income		
Valuation difference on available-for-sale securities	1,426	1,593
Deferred gains or losses on hedges	(201)	(73)
Foreign currency translation adjustment	13	9
Remeasurements of defined benefit plans, net of tax	(72)	214
Share of other comprehensive income of entities accounted for using equity method	126	139
Total other comprehensive income	1,293	1,883
Comprehensive income	8,115	16,673
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,275	15,918
Comprehensive income attributable to non-controlling interests	840	755

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended December 31,2022

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,279	4,984	72,403	(1,062)	82,604
Cumulative effects of changes in accounting policies			591		591
Restated balance	6,279	4,984	72,995	(1,062)	83,196
Changes during period					
Dividends of surplus			(1,371)		(1,371)
Profit attributable to owners of parent			5,975		5,975
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		2		3	5
Change in ownership interest of parent due to transactions with non-controlling interests		3			3
Restricted stock compensation		14		20	34
Net changes in items other than shareholders' equity					
Total changes during period	-	19	4,604	23	4,648
Balance at end of period	6,279	5,004	77,599	(1,038)	87,844

	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 period	2,938	320	(59)	503	3,703	91	5,749	92,150
Cumulative effects of changes in accounting policies								591
Restated balance	2,938	320	(59)	503	3,703	91	5,749	92,742
Changes during period								
Dividends of surplus								(1,371)
Profit attributable to owners of parent								5,975
Purchase of treasury shares								(0)
Disposal of treasury shares								5
Change in ownership interest of parent due to transactions with non-controlling interests								3
Restricted stock compensation								34
Net changes in items other than shareholders' equity	1,432	(201)	140	(72)	1,299	(5)	924	2,218
Total changes during period	1,432	(201)	140	(72)	1,299	(5)	924	6,866
Balance at end of period	4,371	118	81	431	5,002	85	6,674	99,608

For the fiscal year ended December 31,2023

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,279	5,004	77,599	(1,038)	87,844
Changes during period					
Dividends of surplus			(1,446)		(1,446)
Profit attributable to owners of parent			14,107		14,107
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					-
Change in ownership interest of parent due to transactions with non-controlling interests		4			4
Restricted stock compensation		18		15	34
Net changes in items other than shareholders' equity					
Total changes during period	-	23	12,660	15	12,699
Balance at end of period	6,279	5,028	90,260	(1,023)	100,544

	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 period	4,371	118	81	431	5,002	85	6,674	99,608
Changes during period								
Dividends of surplus								(1,446)
Profit attributable to owners of parent								14,107
Purchase of treasury shares								(0)
Disposal of treasury shares								-
Change in ownership interest of parent due to transactions with non-controlling interests								4
Restricted stock compensation								34
Net changes in items other than shareholders' equity	1,573	(73)	96	214	1,811	-	301	2,113
Total changes during period	1,573	(73)	96	214	1,811	-	301	14,812
Balance at end of period	5,944	45	178	646	6,814	85	6,976	114,421

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	9,491	20,064
Depreciation	8,741	9,369
Loss on retirement of property, plant and equipment	25	66
Increase (decrease) in allowance for doubtful accounts	12	(22)
Increase (decrease) in retirement benefit liability	(120)	(116)
Increase (decrease) in provision for bonuses	2	150
Interest and dividend income	(524)	(558)
Interest expenses	90	154
Share of loss (profit) of entities accounted for using equity method	(660)	172
Decrease (increase) in trade receivables and contract assets	(10,645)	8,653
Decrease (increase) in inventories	(9,134)	7,824
Increase (decrease) in trade payables	(1,702)	(8,947)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	425	1,403
Decrease (increase) in accounts receivable - other	5,688	2,429
Other, net	2,709	(645)
Subtotal	4,399	39,997
Interest and dividends received	525	554
Interest paid	(90)	(158)
Income taxes paid	(718)	(2,637)
Net cash provided by (used in) operating activities	4,116	37,755
Cash flows from investing activities		
Payments into time deposits	(130)	(142)
Proceeds from withdrawal of time deposits	126	148
Purchase of property, plant and equipment and intangible assets	(12,421)	(14,038)
Proceeds from sale of property, plant and equipment and intangible assets	71	13
Purchase of investment securities	(2,842)	(484)
Proceeds from sale of investment securities	731	-
Proceeds from redemption of investment securities	675	175
Proceeds from redemption of securities	-	142
Loan advances	(43)	(296)
Proceeds from collection of loans receivable	738	976
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(115)	-
Other, net	(864)	(617)
Net cash provided by (used in) investing activities	(14,074)	(14,123)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(194)	(79)
Net increase (decrease) in commercial papers	17,999	(17,999)
Proceeds from long-term borrowings	8,597	1,099
Repayments of long-term borrowings	(1,513)	(2,035)
Proceeds from issuance of bonds	-	5,000
Dividends paid	(1,371)	(1,445)
Dividends paid to non-controlling interests	(536)	(538)
Proceeds from share issuance to non-controlling shareholders	572	90
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(0)	(0)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	23,552	(15,909)
Effect of exchange rate change on cash and cash	121	254

(Million yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
equivalents		
Net increase (decrease) in cash and cash equivalents	13,715	7,978
Cash and cash equivalents at beginning of period	13,548	27,264
Cash and cash equivalents at end of period	27,264	35,242

(5) Notes regarding Consolidated Financial Statements

Note on Going Concerns' Premise

Not applicable.

(Changes in Accounting Policies)

(Application of Implementation Guidance Accounting Standard for Fair Value Measurement)

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan Guidance No. 31, issued on June 17, 2021, hereinafter "Implementation Guidance on Fair Value Accounting Standard") since the beginning of the current consolidated fiscal year. In accordance with the transitional treatment set forth in Article 27-2 of the Implementation Guidance on the Fair Value Accounting Standard, the Implementation Guidance on Fair Value Accounting Standard has been adopted prospectively. There is no impact on the consolidated financial statements by adopting the guidance.

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 2021 fiscal year. This payment does not affect the consolidated financial statements for the current consolidated fiscal year.

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

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, 2022

(Million yen)

	Reportable segment			Other businesses (Note1)	Total	Adjustment s (Note2)	Amount recorded on consolidated statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Sales to external customers	169,453	27,058	196,512	10,813	207,325	—	207,325
Inter-segment sales and transfers	3,980	640	4,620	5,086	9,707	(9,707)	—
Total	173,433	27,698	201,132	15,899	217,032	(9,707)	207,325
Segment income	9,055	1,523	10,578	956	11,534	(2,905)	8,629
Segment Assets	94,432	21,302	115,734	9,113	124,848	34,648	159,497
Others							
Depreciation expenses	7,568	761	8,329	284	8,614	126	8,741
Investments in entities accounted for using equity method	1,777	1,048	2,825	—	2,825	—	2,825
Increase in property, plant, equipment, and intangible assets	7,895	4,627	12,523	533	13,057	12	13,069

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 adjusted amount is as follows.

(1) The (¥2,905) million in segment income adjustments includes ¥303 million in eliminations of inter-segment transactions and (¥3,208) 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 ¥34,648million in segment asset adjustments includes (¥3,831) million in eliminations of inter-segment transactions and ¥38,480 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, 2023

(Million yen)

	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	175,191	26,608	201,799	12,204	214,004	—	214,004
Inter-segment sales and Transfers	2,438	560	2,998	8,123	11,122	(11,122)	—
Total	177,629	27,168	204,798	20,328	225,127	(11,122)	214,004
Segment income	19,261	1,296	20,557	1,004	21,562	(3,222)	18,340
Segment Assets	72,585	25,546	98,131	9,419	107,551	47,157	154,709
Others							
Depreciation Expenses	7,954	990	8,945	296	9,241	127	9,369
Investments in entities accounted for using equity method	1,854	446	2,300	—	2,300	—	2,300
Increase in property, plant, equipment, and intangible assets	6,778	5,882	12,660	669	13,330	—	13,330

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 adjusted amount is as follows.

(1) The (¥3,222) million in segment income adjustments includes ¥291 million in eliminations of inter-segment transactions and (¥3,513) 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 ¥47,157 million in segment asset adjustments includes (¥2,936) million in eliminations of inter-segment transactions and ¥50,094 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.