

TSE:9543

# SHIZUGAS

## Financial Results 2015 (January-December)



SHIZUOKA GAS CO.,LTD

February 10<sup>th</sup> ,2016

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#### Disclaimer

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- Forecasts are based on information available to the management when this was drafted.
  - Actual financial results may significantly differ from these forecasts due to any unforeseen economic and business circumstances.
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# I . Summary Financial Results



# FYE December 2015 Financial Highlights



## ◎ FY Results: Lower sales, higher profits

- Decrease in sliding unit prices results in lower sales; crude oil price drop results in lower gas cost of sales
- Gas sales volume up 1% vs. prior year
  - Wholesale sales up 6% vs. prior year due to opening of Shizuhamu Trunk Line and other factors; wholesale sales down to large-lot/small-lot customers

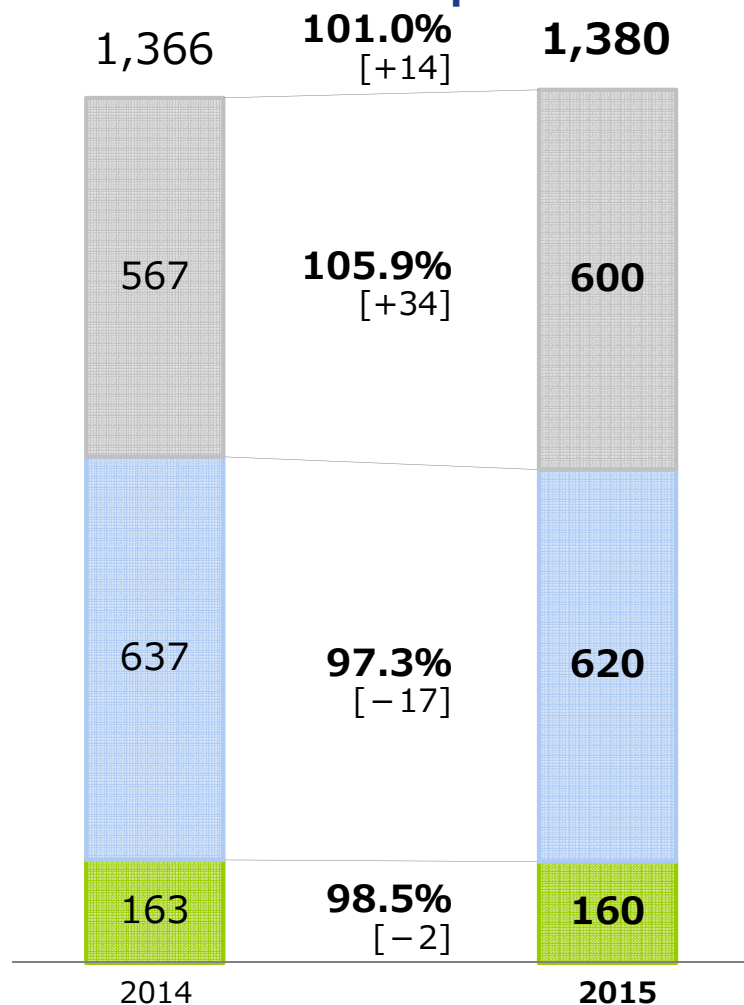
	2014	2015	Growth	Growth (%)
● Sales (Billion)	166.5	<b>146.0</b>	-20.5	87.7
● Revised operating profit with sliding time lag adjustment (Billion)	7.3	<b>6.3</b>	-1.0	86.9
Operating profit	5.7	<b>11.5</b>	+5.8	201.0
Sliding Time Lag	-1.6	<b>+5.2</b>	+6.7	—
● Volume of Gas Sold (Non-Consolidated) (Million m3)	1,366	<b>1,380</b>	+14	101.0
Wholesale	567	<b>600</b>	+33	105.9
Large-lot Sale	637	<b>620</b>	-17	97.3
Small-lot Sale	163	<b>160</b>	-2	98.5

# Volume of Gas Sold (Non-Consolidated)

~ Year-on-year comparison ~



◎ **Change factors: Increase in wholesale due to Shizuham Trunk Line; large-lot sales lower due to pre-existing demand; small-lot sales lower due to warmer temperatures**



Unit; Million m<sup>3</sup>(45MJ/m<sup>3</sup>)  
\* Figures in [ ] are million m<sup>3</sup>

## Wholesale

- Increase in sales volume via Shizuham Trunk Line [+36]
- Decrease in sales volume to other gas distributors [-3]

## Large-lot Sale

- Existing customers [-26]
- Full operation through a whole year of Newly Developed Customers in 2014 [+7]
- Increase due to new demand [+2]

## Small-lot Sale

- Decrease in sales volume to residential due to lower temperature [-2]
- Existing customers [-0]

# Breakdown of Consolidated Operating Profit

~ Year-on-year comparison ~



◎ Lower sales, higher profits: Decrease in sliding unit prices results in lower sales; crude oil price drop results in lower gas cost of sales

Unit; billion yen

\*[ ] denotes year-on-year change

\*Transactions between the consolidated companies are offset

**Sales** **146.0** [-20.5]

**City Gas** **126.6** [-17.9]

**LPG** **10.4** [-2.1]

**Others** **8.8** [-0.4]

**Operating Profit** **11.5** [+5.8]

**Sliding Time Lag** **+5.2** [+6.7]

**Gross Profit**  
**38.5** [+5.9]

**City Gas** **34.1** [+6.0]

■ **Sales** **126.6** [-17.9]

Downward adjustment of unit price of gas -14.8

Decrease in gas sales volume -3.0

Tariff revisions -0.1

■ **Cost of Sales** **92.5** [-23.9]

Upward adjustment of unit price of gas -21.1

Decrease in gas sales volume -2.5

Tariff revisions -0.3

**LPG and Others** **4.3** [-0.0]

**Marketing Expenses**  
**26.9** [+0.1]

# 2015 Initiatives



## © 2015: A year preparing for new businesses

Feb	Announced Medium-Term Initiatives through 2025
Apr	Shizuoka Gas reorganized into divisions Start of Fuji power plant construction (Power) Sales of <i>kaiteki watch</i> monitoring system (Living) New Shizuoka Gas Singapore office
Jul	Shizuoka Gas participates in IPP project company in Thailand
Aug	Tests using excess power generated via Ene-Farms for use as a regional resource (Power)
Sep	Three-party agreement for Environmental Creation Community Planning in Nagaizumi-cho (Town Planning)
Oct	Full operation of pipeline between Shizuoka and Hamamatsu (“Shizuhama Trunkline”) Chemical manufacturers decide to adopt electrical cogeneration (Multi-Energy/Power) Shizuoka Gas & Power (PPS) registers as a retail electricity business (Power) New Company established for LNG thermal electric power generation Shizuoka Gas obtains credit rating from S&P
Nov	Participation in Gotemba City Komakado District Eco-City Promotion Council (Town Planning)
Dec	Shizuoka Gas heads of agreement with JERA for the sale and purchase of LNG
Jan 2016	Sales of apartments using T-Grid system (Living) Accept applications for low-voltage electricity contracts (Living/Power)

## II . Mid-Term Strategy



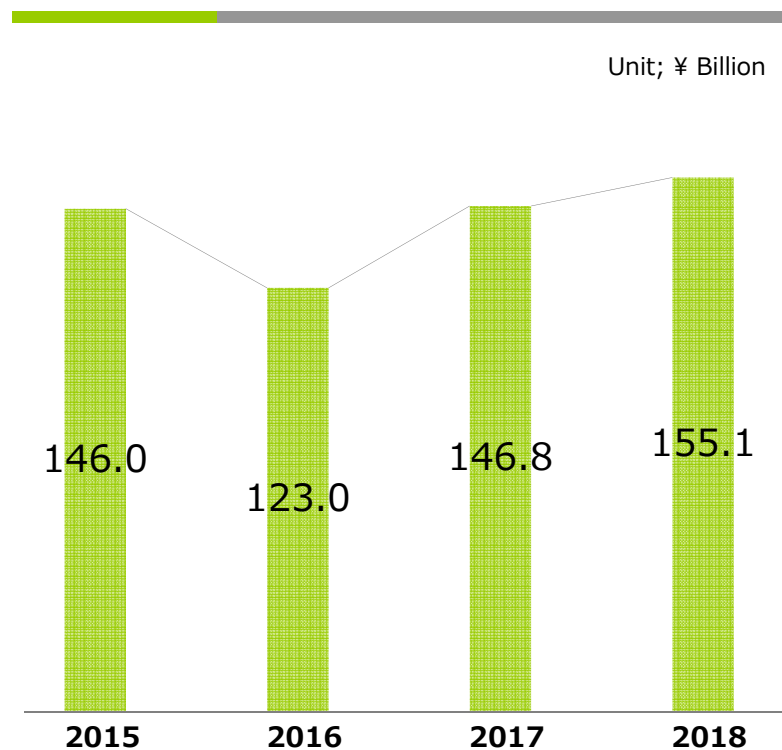


# Sales & Operating Profit

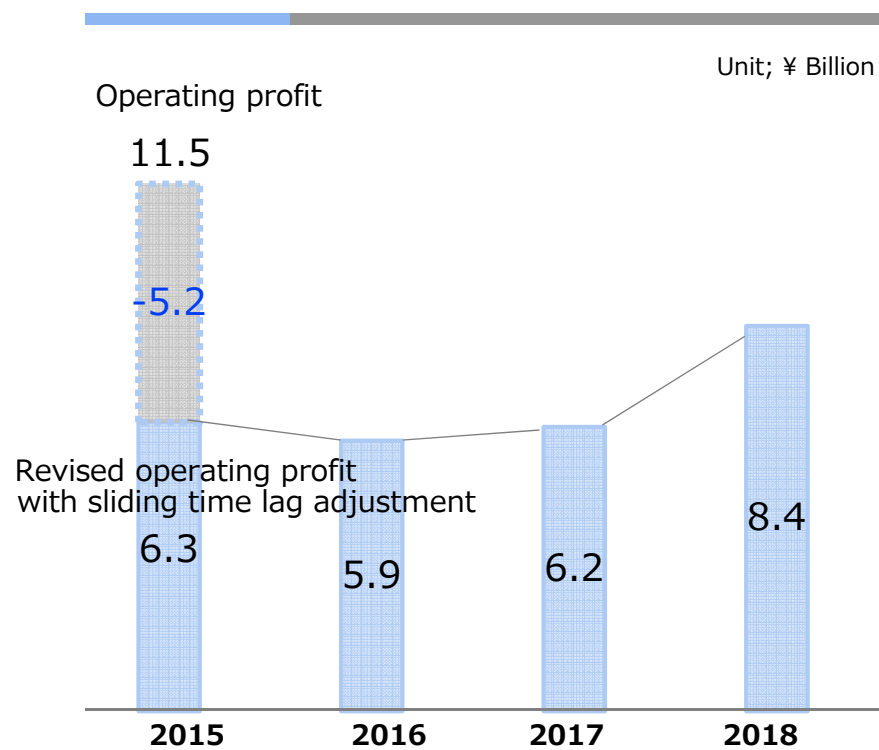
~ Year-on-year comparison ~



## Sales



## Operating Profit • Sliding Time Lag



	2015	2016	2017	2018	Gross Profit Sensitivity	
Exchange rate (Yen/US\$)	121	125	125	125	(+)1yen/US\$	-70million yen
Crude oil price C I F ( J C C ) (US\$/bbl)	55	53	60	60	(+)1US\$/bbl	-170million yen

## Leading regional solution company

～Transformation from gas distributor to solution provider～

### Value Creation for Our Residential Customers



#### 暮らし事業

- ・ガス/電力 Gas/Power Renovation
- ・リフォーム Customer Living
- ・暮らし関連サービス

Town Planning  
Hydrogen Business  
Smart Energy Network

#### 街づくり 水素ビジネス スマートエネルギー ネットワーク

### Multi-energy Business

#### マルチエネルギー事業



- ・ガス/LNG/電力 Gas/LNG/Power Maintenance/Conservation
- ・メンテナンス/省エネ PPS Business/Utilities
- ・PPS事業/ユーティリティ

### 導管ネットワーク事業 Gas Pipeline Network Business

- ・パイプライン工事 Pipeline Construction
- ・保安サービス/安定供給 Secure Services/Stable Supply
- ・パイプライン管理 Pipeline Management

### LNG基地事業 LNG Receiving Terminal Business

- ・調達価格低減 Lower Purchase Prices
- ・LNG周辺事業 LNG-Peripheral Business

# Major Projects Over the Next Three Years



## Living

- Roll out initiatives to expand residential customers, customer living solutions →(P.12)

## Multi-Energy

- Energy solutions combining gas, electricity, and thermal; increase share of commercial use; expand sales area →(P.13,14)

## Supply Line

- Maintain/improve stable and secure supply levels

## Terminals

- Utilization of LNG terminal solutions →(P.15)

## Raw Materials

- Competitive/flexible raw materials procurement; adapt to market fluidity →(P.15)

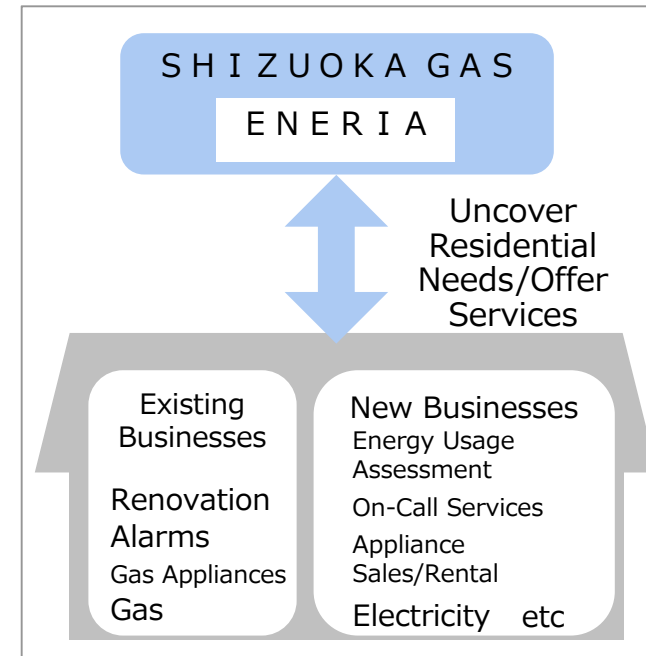
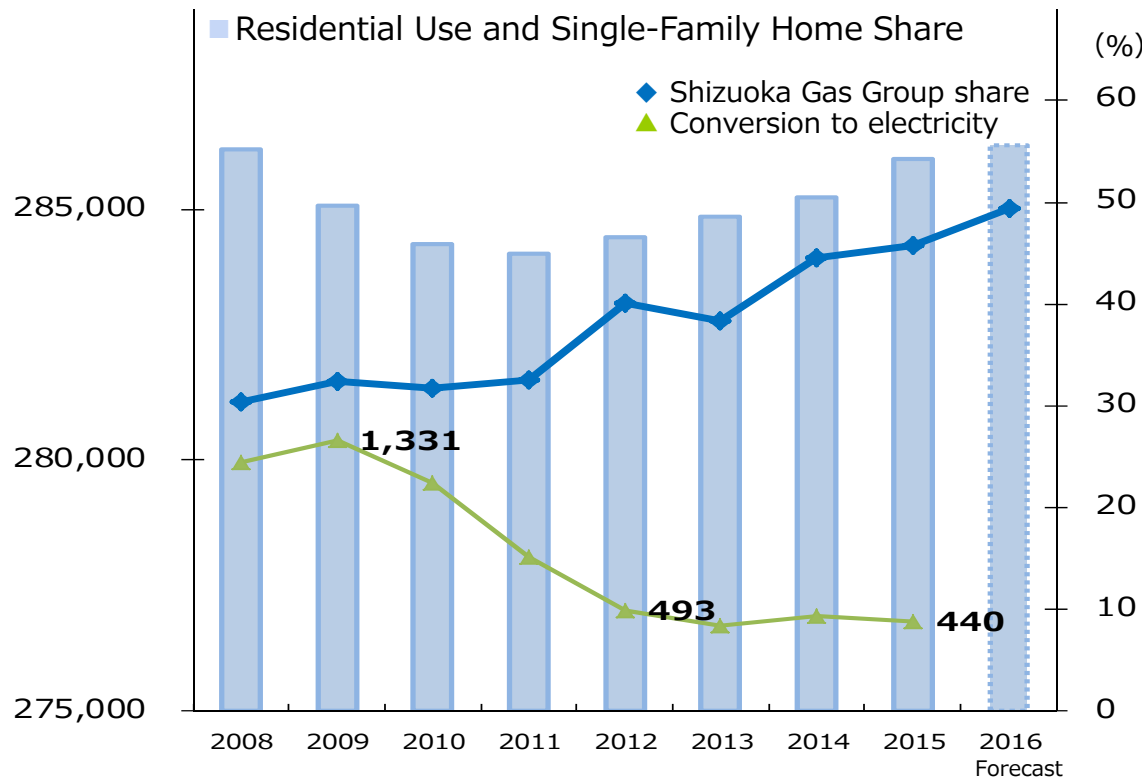
# Value Creation for Our Residential Customers

## Roll out initiatives to expand residential customers, customer living solutions



Residential Customers

- Expand customer base
- Uncover customer needs through "fureai junkai (communication cycle)," expand Living services, etc.
- Combine gas and electricity to offer optimal energy solutions



**kaiteki watch monitoring system**

快適環境おしらせ  
住宅用火災(煙式)・ガス・CO警報器

**快適ウォッチ**

新発売! 月額リース料金 **388** (税込) 円/台

火災警報 (煙式) | 不完全燃焼警報 | ガスもれ警報 | 熱中症おしらせ | 乾燥おしらせ

# Multi-Energy Business

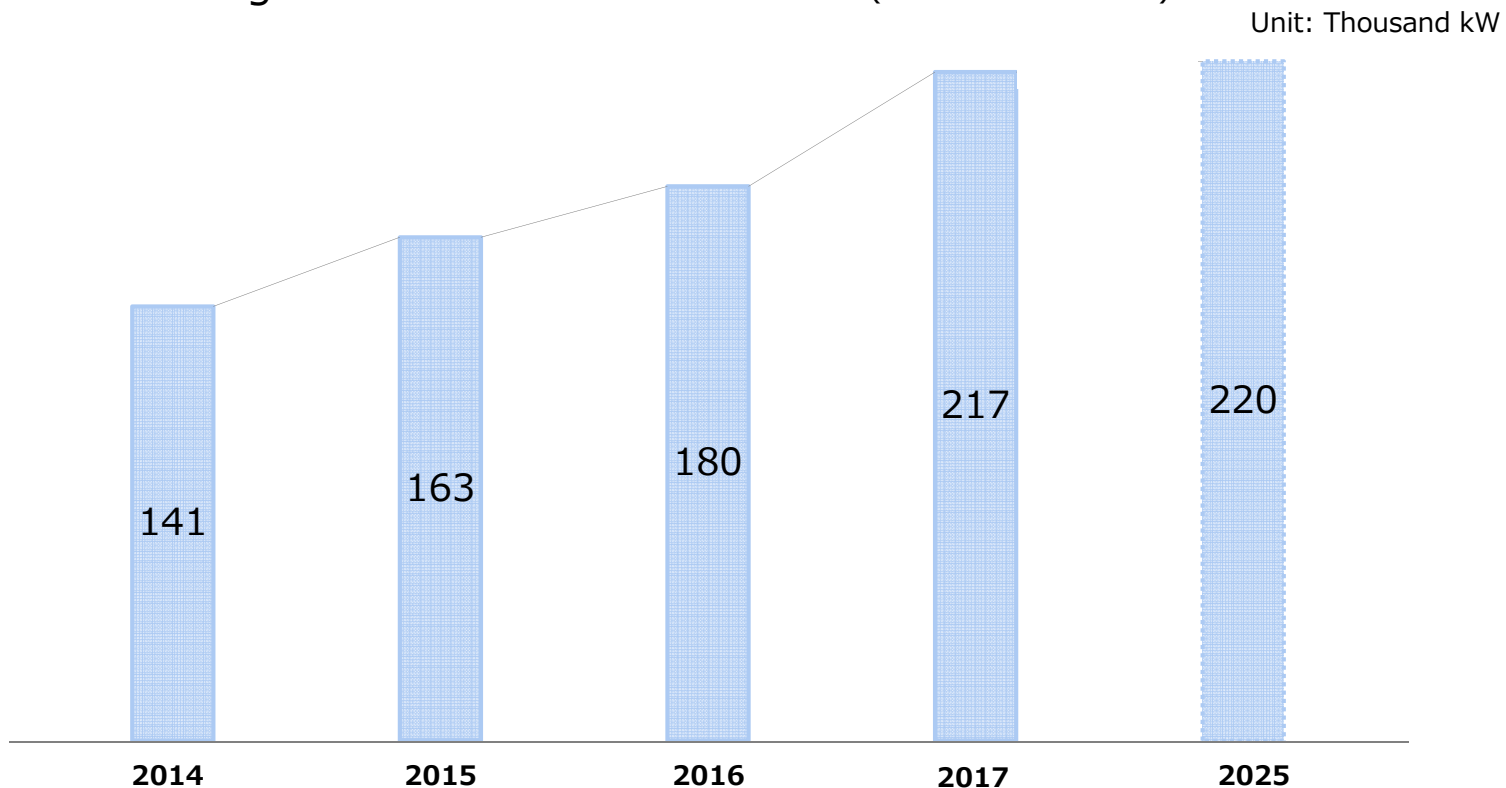
## Expand share through solutions



Multi-energy

- Fuel conversion in commercial use sector; develop air conditioning to expand share
- Open sales areas; develop new customers through cooperative sales with wholesale customers
- Find new gas cogeneration customers by combining with electricity; replacement sales

■ Gas Cogeneration Power Generation (Non-Consolidated)



# Multi-Energy Business

## Expand share through solutions

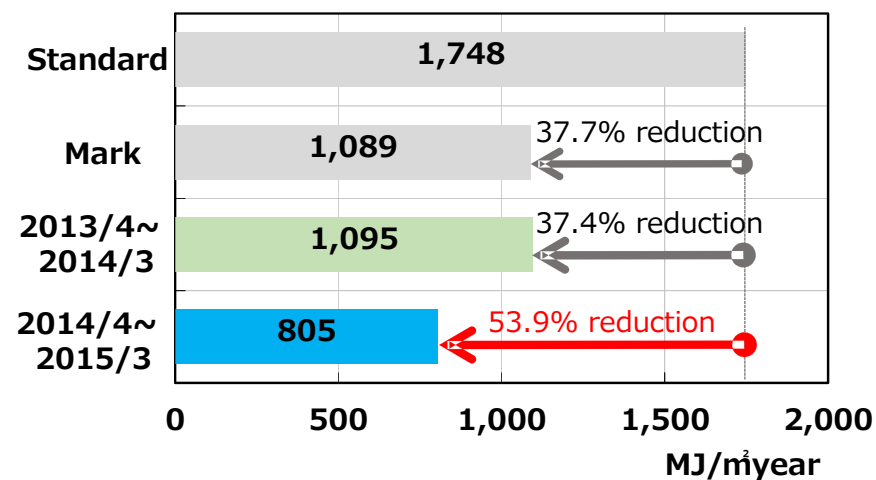


### Whole-building showroom demonstrating low-carbon society solutions

- More than 3,500 visitors from throughout Japan in 2 1/2 years since completion
- Integrated renewable energy and gas cogeneration solutions
- Given S rank by CASBEE Shizuoka
- Performance tests showed 54% reduction in primary energy consumption for second year of operations
- Awarded Minister of Economy, Trade and Industry Energy Conservation Prize and Minister of Environment Global Warming Prevention Prize



Annual Primary Energy Use at HQ Bldg.



# Terminal Use and Raw Material Price Reduction



## Raw Materials

- Reduce raw materials purchase price; adapt to procurement diversity and fluidity

## Terminals

- Maximize potential of Shimizu Port; advance usage of terminals

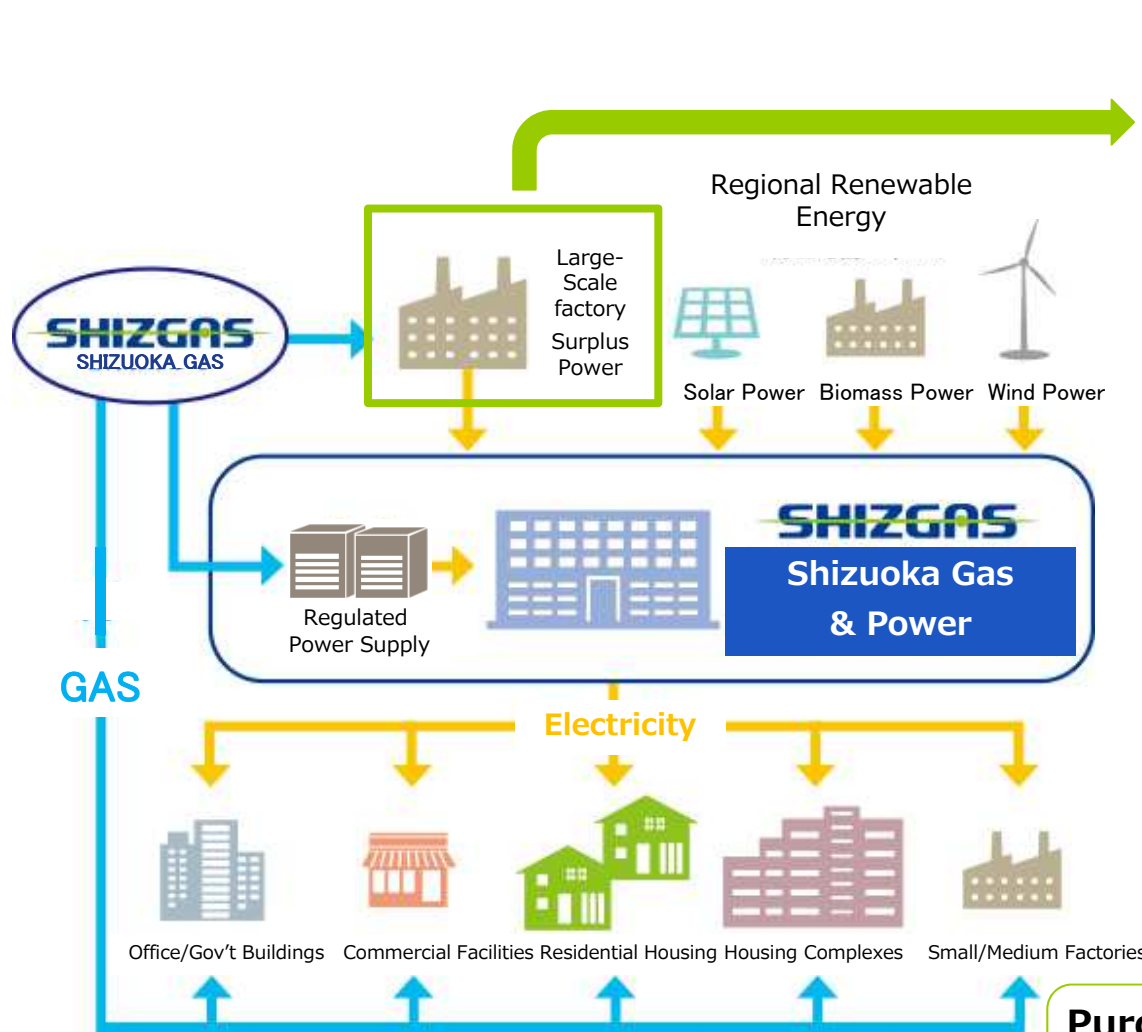
## Newly Constructed LNG Tanker Gas Testing

- Result 2014: 1 ship; 2015: 1 ship
- Test Period One week
- Details
  - Gas replacement operation
  - Cool-down operation
  - Cargo pump performance test





# New Energy Utilizing Distributed Energy Generation



Large-Scale  
factory  
Surplus  
Power

## Electricity Cogeneration Usage Model

### A (Chemical)

Considering restarting existing equipment

### B (Chemical)

Planned for Operation: 2017-  
Gas Turbines: 3  
Gas Engines: 1

### C (Food)

Planned for Operation: 2017-  
Gas Turbines: 1

**Power Procurement  
15,000kW**

**Purchase Excess Ene-Farm Power  
(METI Pilot Project)  
Mishima City Planned Operation Start: Feb '16**




# Shizuoka Gas Power Business (Residential)



## Concept: Reliability + Courtesy + Savings [SHIZGAS Electricity]

- Reliability: Providing gas services in Shizuoka for 106 years
- Courtesy: Work closely with customers through the communications cycle
- Savings: Simple, advantageous rate plans for Group customers





### 料金メニュー

お客さま契約アンペア			
30A	40A	50A	60A

<b>基本プラン</b>	電力のみご使用される場合の料金プランです。
<b>セット割</b>	ガスとセットでご使用される場合の料金プランです。

<b>創エネ割</b>	エネファーム、エコウィルをお使いで、「発電プラン」を適用されている場合の料金プランです。
<b>ほっと割</b>	ガス暖房をお使いで、「ほかほかプラン」「床暖プラン」を適用されている場合の料金プランです。 <small>※「創エネ割」と「ほっと割」は同時適用できません。</small>
+	
<b>安心割</b>	ガス警報器と消火器をセットでリース契約されている場合の料金プランです。
+	
<b>早期割</b>	2017年12月31日までにお申込みいただいた場合の料金プランです。(使用開始後1年間適用)
<b>ウェルカム割</b>	新たにガスをお使いいただける場合の料金プランです。(使用開始後1年間適用) <small>※「早期割」と「ウェルカム割」は同時適用できません。</small>

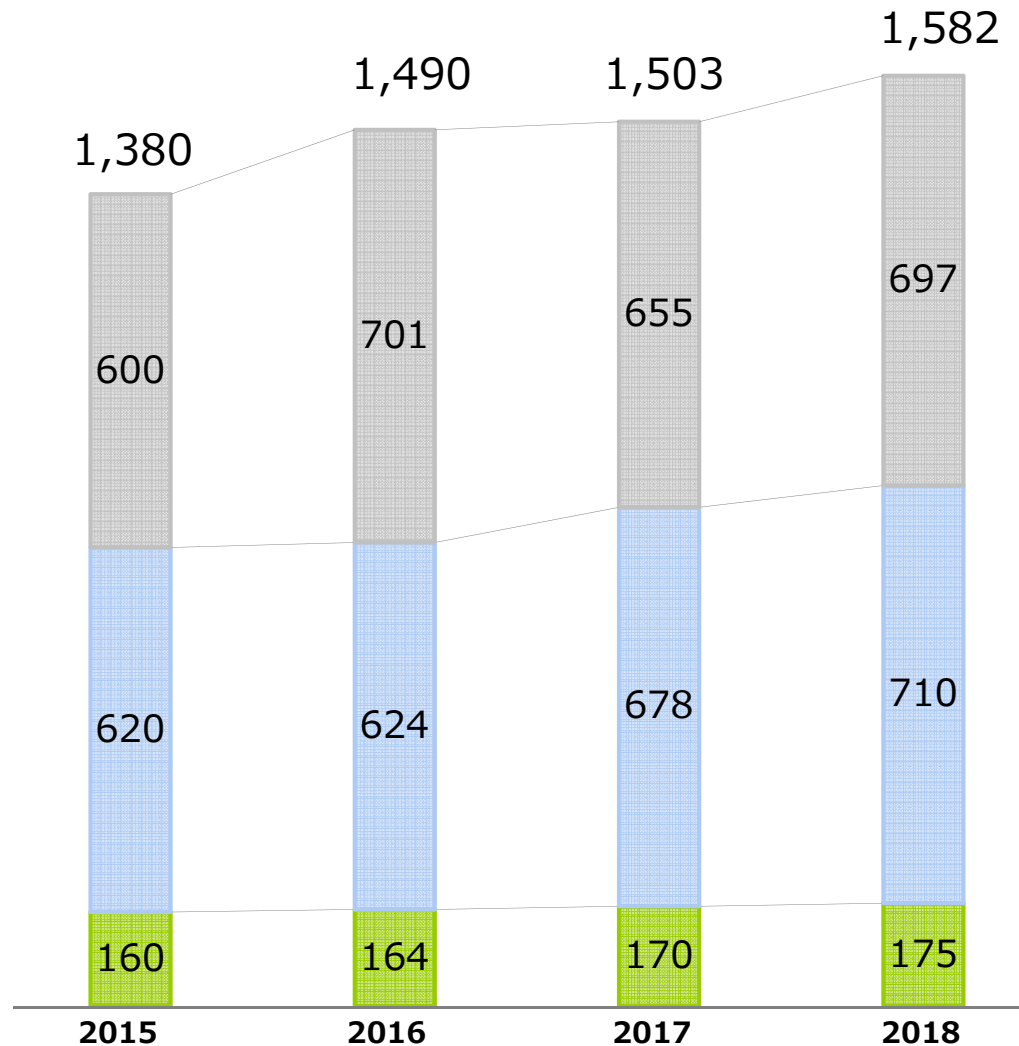
電力量料金単価		
最初の120kWhまで	1kWhにつき	19.43円
120kWhをこえ300kWhまで	1kWhにつき	25.91円
300kWhをこえる	1kWhにつき	29.93円

※燃料費調整額、再生可能エネルギー発電促進賦課金を含みません。

## III. Supplementary Information



# Target Sale of Gas in Volume (Non-consolidated)



Unit; Million m<sup>3</sup>

**Total sales volume**

Average increase  
+4.6%

Wholesale

Average increase  
+5.1%

Large-lot sale

Average Increase  
+4.6%

Small-lot sale

Average increase  
+3.0%

# Assumption of Consolidated Operating Profit

~ Year-on-year comparison ~



Unit; billion yen

\*[ ] denotes year-on-year change

\*Transactions between the consolidated companies are offset

**Sales** **123.0** [-23.0]

**City Gas** **100.3** [-26.3]

**LPG** **12.2** [+1.7]

**Others** **10.4** [+1.6]

**Operating Profit** **5.9** [-5.5]

**Sliding Time Lag** **-0.0** [-5.2]

**Gross Profit**

**33.6** [-4.8]

**Marketing Expenses**

**27.7** [+0.7]

**City Gas** **28.8** [-5.3]

■ **Sales** **100.3** [-26.3]

Downward adjustment of  
unit price of gas -28.9

Increase in gas sales volume +3.0

Rate revision of Large-lot sale -0.4

■ **Cost of Sales** **715** [△209]

Downward adjustment of  
unit price of gas -22.9

Decrease in gas sales volume +2.2

Tariff revisions -0.2

**LPG and Others** **4.8** [+0.5]

# Forecast Gas Sale (Non-Consolidated)



Unit; million m<sup>3</sup>

	2015	2016	2017	2018
Gas Sales Volume	1,380	1,490	1,503	1,582
Own Sale	780	788	848	885
Residential	87	87	88	89
Commercial	66	69	72	75
Industrial	628	632	688	721
Wholesale	600	701	655	697

〈Large-lot sale (A part of "Own sale")〉

Gas Sales Volume	620	624	678	710
Share in the total sale	79.5%	79.1%	80.0%	80.2%

# Statement of Income



Unit ; billion yen

	2015	2016	2017	2018
Net Sales	146.0	123.0	146.8	155.1
Cost of sales	107.5	89.3	112.0	117.2
Gross profit	38.5	33.6	34.7	37.8
Sales and administration expenses	26.9	27.7	28.7	29.2
Manpower	10.1	10.2	10.4	10.6
Other expenses	9.3	10.1	10.8	10.9
Depreciation	7.4	7.3	7.5	7.6
Operating income	11.5	5.9	6.2	8.4
Ordinary income	12.0	6.4	6.4	9.2
Net income	7.6	3.8	3.8	5.8

# Balance Sheet



Unit ; billion yen

	2015	2016	2017	2018
Assets	115.4	112.0	111.7	112.5
Current assets	86.0	85.3	84.0	83.0
Fixed assets	63.5	63.2	62.7	62.5
Tangible/Intangible fixed assets	22.5	22.0	21.2	20.5
Investments and other assets	29.4	26.6	27.7	29.5
Liabilities	42.3	34.0	31.2	27.4
Interest-bearing debts	18.9	18.4	14.4	9.7
Net assets	73.1	77.9	80.4	85.1

# Statement of Cash Flows & Capital Expenditure



Unit ; billion yen

	2015	2016	2017	2018
Operating cash flow	30.8	8.1	14.7	15.5
Investing cash flow	-9.2	-9.7	-8.6	-8.8
Financing cash flow	-12.0	-2.3	-6.0	-6.6
Net increase in cash and cash equivalents	9.5	-3.9	0.0	-0.0
Capital expenditure	7.9	10.4	9.4	9.6
Depreciation	10.3	10.3	9.9	9.8