

TSE:9543

SHIZGAS

FY2016
Financial Results
(January-December)



SHIZUOKA GAS CO.,LTD

February 10th,2017

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Disclaimer

- 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 2016 Financial Highlights



◎ FY2016 Results: Lower sales, lower profits

- Sales, operating income lower due to downward revision in sliding unit prices.

Operating income 8% higher after sliding time lag adjustment.

- Gas sales volume up 4.0% vs. prior year

→Wholesale sales up 7.5% vs. prior year due to commencement of full operation of Shizuham Trunk Line ,
Large-lot sales up 1.5% due to gas sales for power generation, etc.; small-lot sales level with prior year.

	FY2015	FY2016	Change	Change (%)
● Net sales (billion yen)	146.0	108.5	-37.5	74.3
● Revised operating income with sliding time lag adjustment (billion yen)	6.3	6.8	+0.5	108.0
Operating income	11.5	10.2	-1.3	88.5
Sliding time lag	-5.2	-3.3	+1.8	—
● Gas sales volume (Non-Consolidated) (million m ³ ,45MJ)	1,380	1,436	+55	104.0
Wholesale	600	645	+45	107.5
Large-lot Sale	620	629	+9	101.5
Small-lot Sale	160	161	+1	100.5

Gas Sales Volume (Non-Consolidated)

<Year-on-year comparison>



© Change factors : Increase in wholesale sales due to commencement of full operation of Shizuhama Trunkline



Unit; million m³(45MJ)

* Figures in [] indicate change in sales volume (million m³)

Wholesale

- Increase in sales volume via Shizuhama Trunk Line [+ 83]
- Lower due to supply and demand adjustments [-34]
- Decrease in demand for wholesale customers [- 4]

Large-lot Sale

- Increase in sales volume due to newly developed customers [+ 16]
- Full operation through a whole year of newly developed customers in 2015 [+ 3]
- Existing customers [-10]

Small-lot Sale

- Increase in sales volume to commercial due to changes of temperature [+1]

Breakdown of Consolidated Operating Profit

<Year-on-year comparison>



Unit; billion yen

*[] denotes year-on-year change

*Transactions between the consolidated companies are offset

Net Sales **108.5** [-37.5]

City Gas **89.1** [-37.5]

LPG **10.9** [+0.4]

Others **8.4** [-0.4]

Operation Income **10.2** [-1.3]

Sliding Time Lag* **+3.3** [-1.8]

* Non-consolidated

Gross Profit
36.7 [-1.7]

City Gas **32.8** [-1.3]

■ **Net sales** **89.1** [-37.5]

Downward adjustment of
unit price of gas -37.5

Increase in sales volume +0.1

Others -0.1

■ **Cost of sales** **56.3** [-36.2]

Decrease in gas prices -36.3

Increase in gas consumption +0.1

LPG and Others **3.9** [-0.4]

Sales and administrative expenses

26.5 [-0.4]

2016 Initiatives



© 2016 : Taking One Step Forward, Away From Over-Reliance on Gas

Jan.	Sales of condominiums which adopting T-Grid system started. Accepting applications for low-voltage electricity contracts started.
Feb.	Construction of cogeneration system at a chemical manufacturers started.
Apr.	Sales of Low-voltage electricity started. Fuji power plant went into operation. Leasing service of home electric appliances for energy conservation launched. On-call Service, 'Suguikune', launched.
May.	Received M&A awarded, sponsored by Development Bank of Japan Inc.
Jun.	Shizuoka Gas and Power was certified as the first 'Regional PPS in Fuji-city'. The sale and Purchase agreement for LNG reloaded at Shimizu LNG Terminal signed.
Aug.	Service of energy-saving diagnosis, 'Anata ni motto yasashii kurashi', launched. Started construction on first stationary hydrogen station in Shizuoka Prefecture.
Nov	Signed comprehensive partnership agreement with Shizuoka City/Panasonic to build Shizuoka-Style Hydrogen Town. Launched Shizuoka Gas Accelerator 2016. (work with start-up companies to develop new businesses)
Jan 2017	Launched gas appliance warranty extension service. 'Sonae areba urei nashi' Established SHIZUOKA GAS TRADING PTE LTD. (local Singapore entity)

II . Projects Over the Next Three Years 2017-2019



Becoming the No.1 Solutions Company in the Region



Residential Customers

- Provide new lifestyle products and services
- SHIZGAS Electricity
- Promote the use of leading-edge, advanced energy

Multi-Energy

- Work toward greater adoption of gas cogeneration
- Promote wider-area sales

Electricity

- Electricity sales target

Terminals

- Terminal use and LNG purchase price reduction



Provide new lifestyle products and services



<On-call service>

いつでも SHIZGAS

「すぐいくね」

“SuguiKune”



<Electricity>

<Collaboration with Creww>

creww



“SHIZGAS Denki”



<Gas appliance warranty extension service>

備えあれば憂いなし

“Sonae areba urei nashi”

<Web service for affiliate >

静岡ガス会員サイト

Web エネリア

“Web Eneria”

<SHIZGAS landlord club>

<Leasing service of home electric appliances for energy conservation>

SHIZGAS
省エネ家電リース

<Energy-saving diagnosis>

あなたにもっとやさしい暮らし

“Anata ni motto yasashii kurashi”

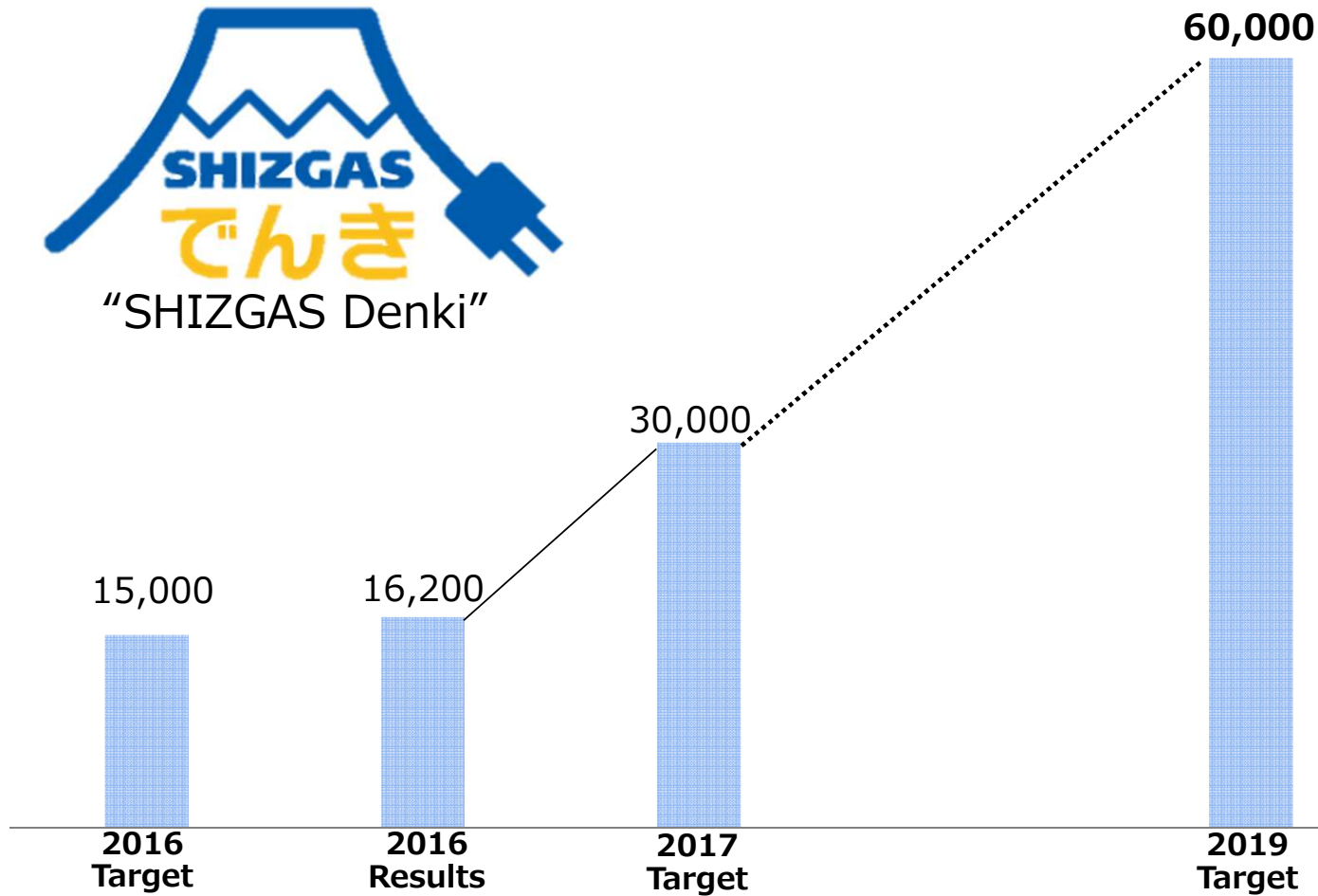


SHIZGAS Electricity



■ Number of applications for electricity

Unit; Number of customers

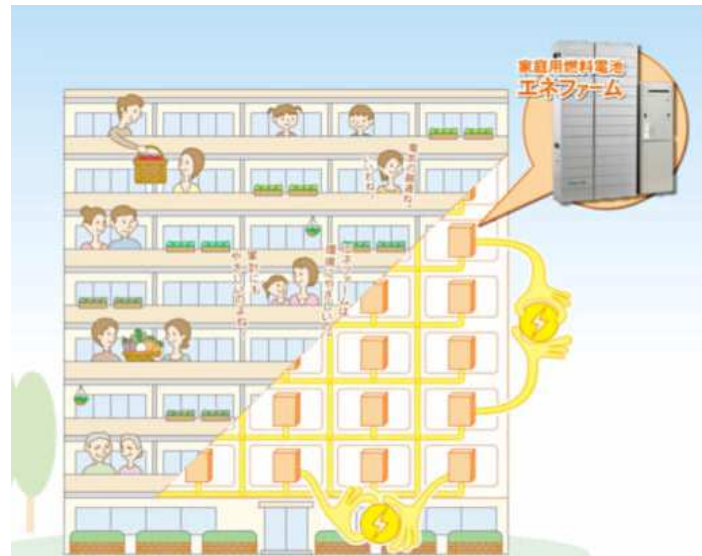


□ Nagaizumi Eco-Life Town Project

Condominiums (two buildings x 95 units),
detached housing (10 houses)

- Management and operations of first T-grid system in Japan
- Energy visualization using cloud-based HEMS
- Integrated automatic meter reading /billing of electricity and gas
- Return value of Ene-farm CO2 reduction to condominium management association

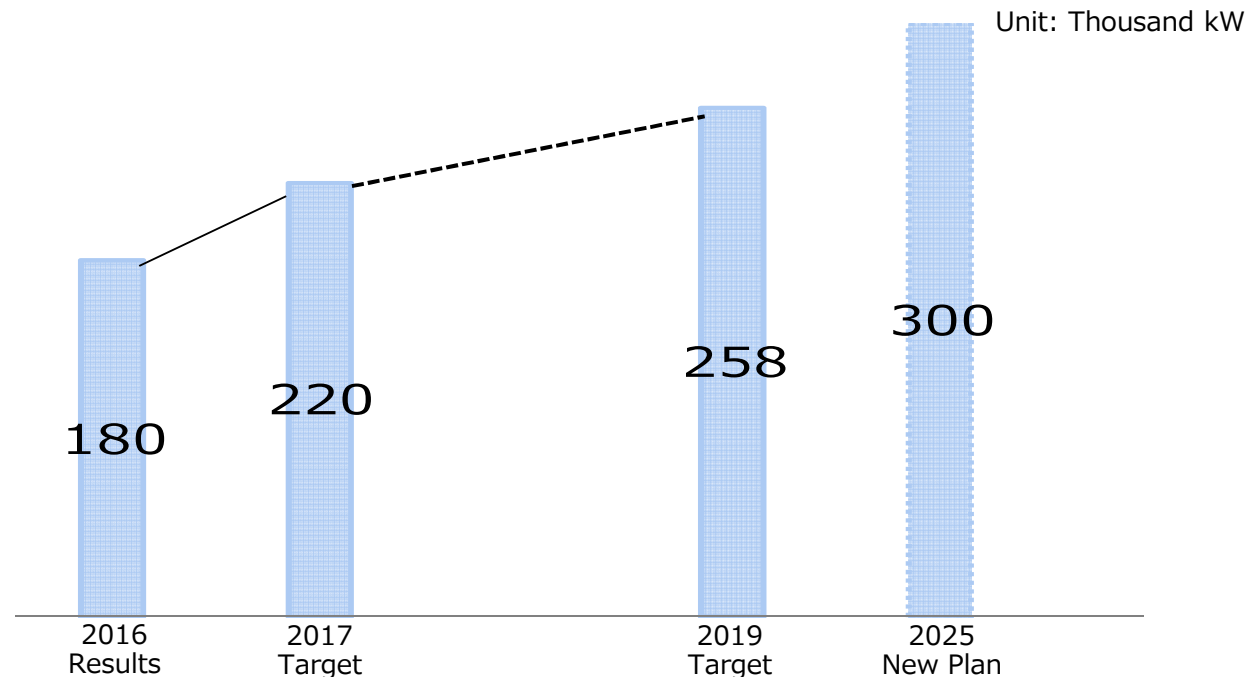
■ T-grid system



Work toward greater adoption of gas cogeneration



■ Gas Cogeneration Power Generation Capacity (In operation)



■ Launch cogeneration operations in 2017

	Category of industry	Model	Capacity
A	Chemical	Gas Turbines: 3 Gas Engines: 1	30,300kW
B	Food	Gas Turbines: 1	7,500kW
C (Wholesale)	Food	Gas Engines: 2	2,400kW
	Commercial	Gas Engines: 4	45kW

□ Expand sales area

- Development of new demand via Shizuham Trunk Line
- Promote cooperative sales with wholesale customers

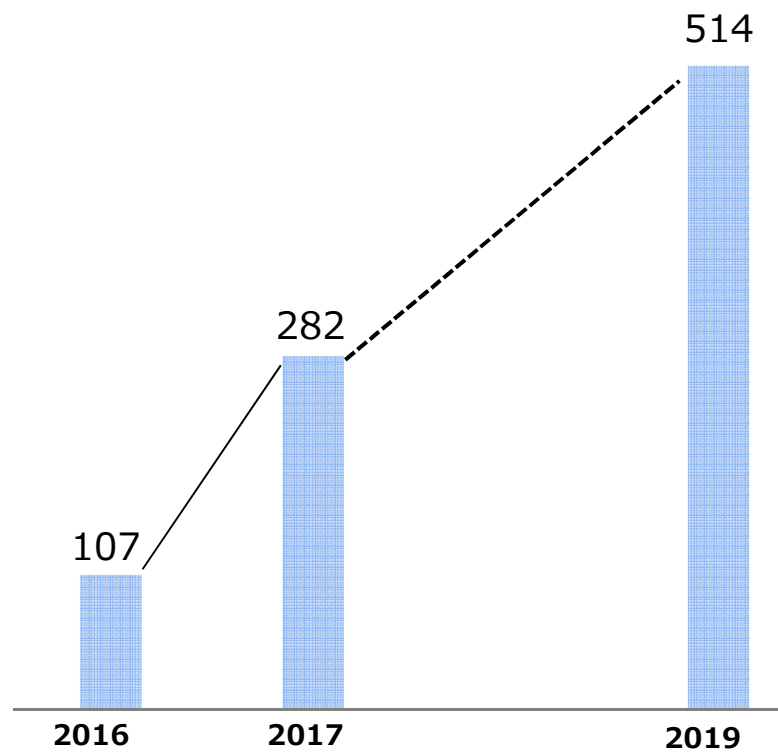
Category of industry	City	Approach	Start of operation
Paper	Shimada	Fuel conversion from fuel oil	2016
Food	Fujieda	Cogeneration adoption contracts	Apr. 2017

□ Expand business in Southeast Asia

- Focus on Southeast Asia, where demand for energy is growing
- Develop systems and expertise in the efficient use of energy cultivated in Japan

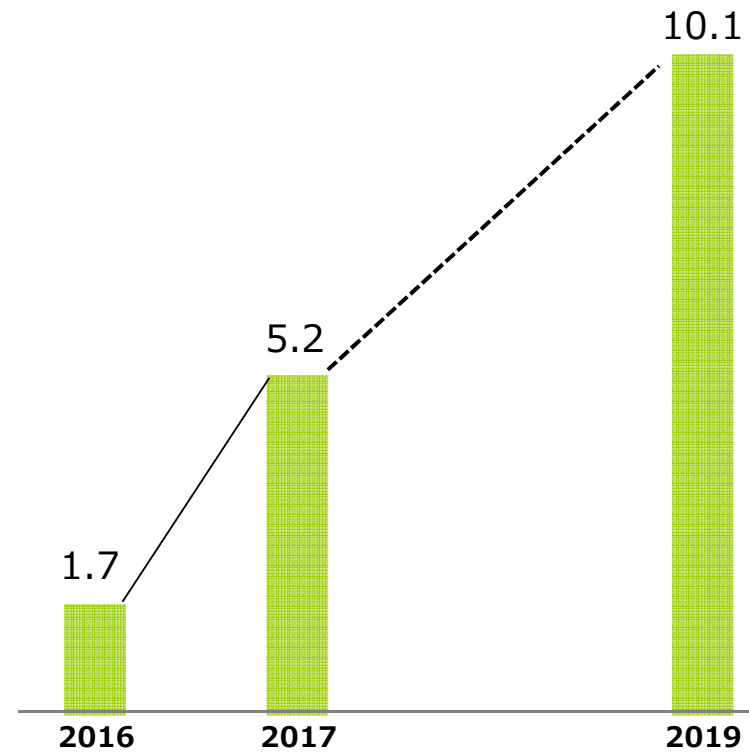
■ Sale of Electricity in Volume

Unit : million kWh



■ Net Sales

Unit : Billion Yen



Sales of LNG via reloading

- Implement reloading via standard ships between February 3 and 5
- Commercialize reloading sales to medium- and small-sized ships

 Utilize existing LNG terminal

- Provide LNG ship cool down service
- LNG bunkering potential

 LNG trading business

- Pursue LNG liquidity

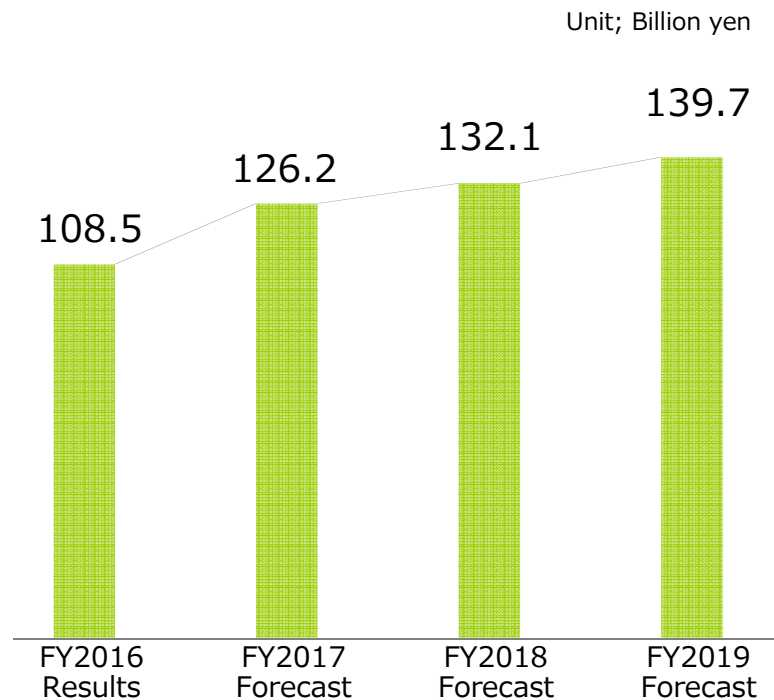
 Shimizu Natural Gas Power Plant**<Sodeshi Terminal Advantages>**

- Located in a bay with low ship traffic congestion
- Favorable weather, oceanographic environment
- One of the few reloading facilities in Japan

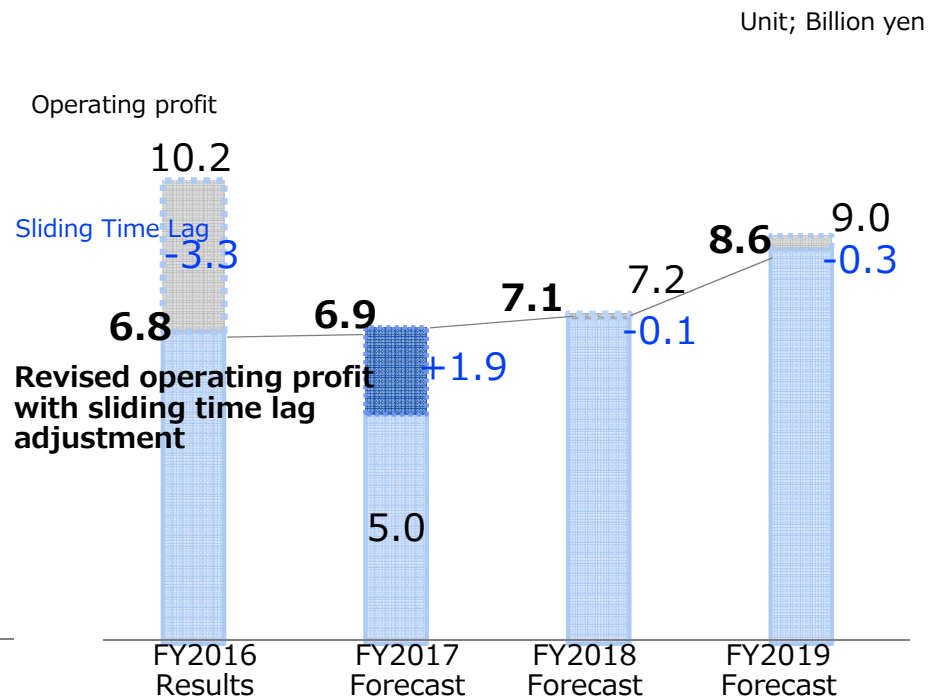
Forecast: Net Sales and Operating Income



Net Sales



Operating income & Sliding time lag



	2016 Results	2017 Forecast	2018 Forecast	2019 Forecast
Exchange rate (Yen/US\$)	109	115	115	115
Crude oil price CIF (JCC) (\$/bbl)	41.9	55	55	55

Gross Profit Sensitivity (FY2017)	
(+) 1yen/\$	-100 million yen
(+) 1\$/bbl	-180 million yen

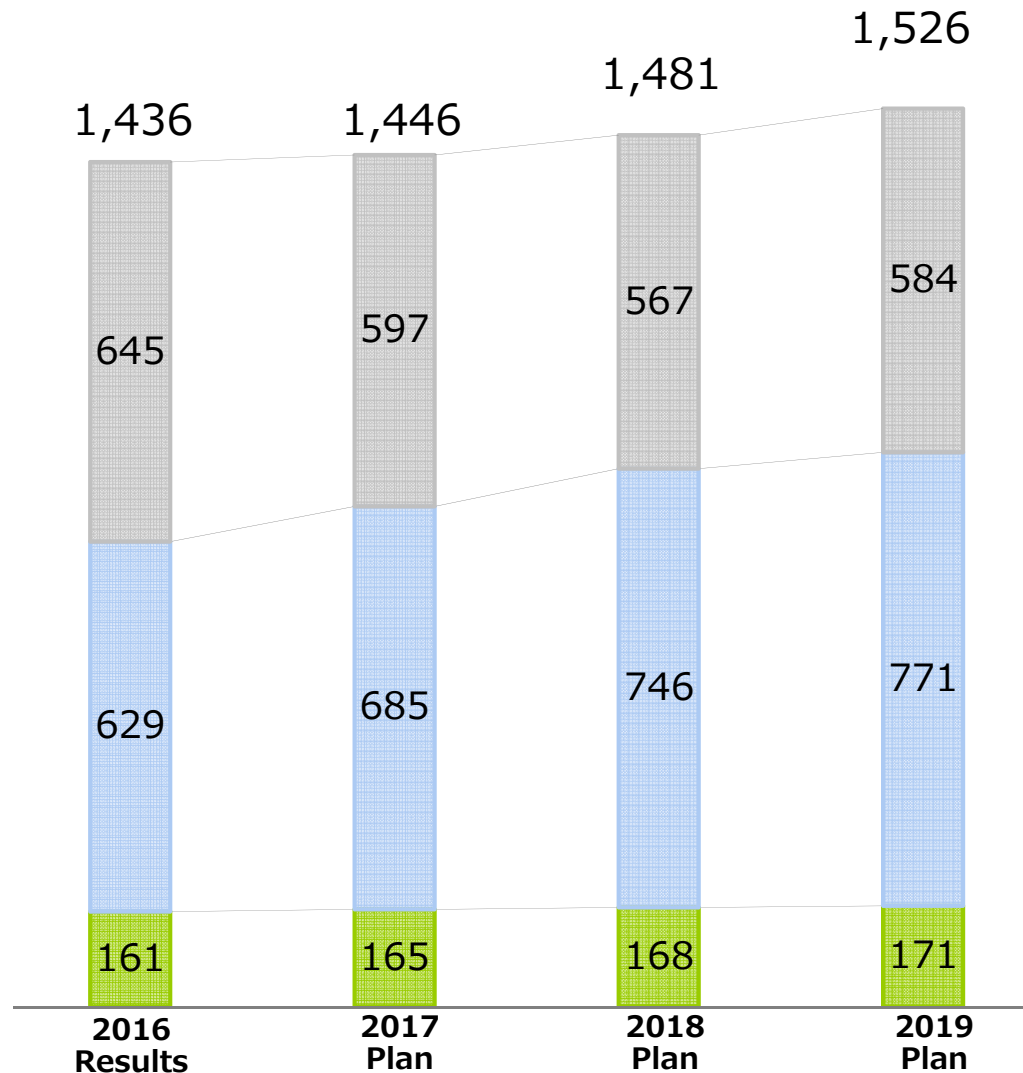
□ Dividend per share

2016 13yen
2017 14yen (Forecast)

III. Supplementary Information



Plan Sale of Gas in Volume (Non-consolidated)



Total sales volume

Average annual growth
FY2016 to FY2019
+2.1%

Wholesale

Average annual growth
FY2016 to FY2019
-3.2%

Large-lot sale

Average annual growth
FY2016 to FY2019
+7.5%

Small-lot sale

Average annual growth
FY2016 to FY2019
+2.1%

Forecast: Breakdown of Consolidated Operating Income



Unit; billion yen

*Parentheses indicate comparison to 2016

*Transactions between the consolidated companies are offset

Net sales **126.2** [+17.6]

ガス	100.3	[+11.1]
LPG	15.1	[+4.2]
その他	10.6	[+2.2]

Operating income **5.0** [-5.2]

Sliding time lag* **-1.9** [-5.3]

※ Non-consolidated

Gross Profit

33.0 [-3.7]

City gas **28.7** [-4.1]

■ Sales **100.3** [+11.1]

Increase in gas sales volume +6.6

Upward adjustment of
unit price of gas +4.6

Gas tariff -0.1

Others +0.1

■ Cost of sales **71.6** [+15.3]

Increase in gas consumption +5.5

Increase in gas prices +10.3

LNG terminal cost -0.3

Others -0.2

LPG and Others **4.3** [+0.3]

Sales and administrative expenses

28.0 [+1.4]

Gas Sales Plan (Non-Consolidated)



Unit : million m³

	2016	2017	2018	2019
Gas sales volume	1,436	1,446	1,481	1,526
Own sale	790	849	914	942
Residential	85	87	87	88
Commercial	67	68	70	72
Industrial	638	695	756	783
Wholesale	645	597	567	584

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

Gas sales volume	629	685	746	771
Share in the total sale	79.6%	80.6%	81.6%	81.8%

※ Large-lot-sale : Annual contract quantity are 100 thousand m³

Statement of Income



Unit ; billion yen

	2016	2017	2018	2019
Net sales	108.5	126.2	132.1	139.7
Cost of sales	71.8	93.2	96.8	102.2
Gross profit	36.7	33.0	35.3	37.4
Selling, general and administrative expenses	26.5	28.0	28.1	28.3
Operating income	10.2	5.0	7.2	9.0
Ordinary income	10.7	5.5	7.7	9.6
Earning before tax	10.6	5.5	7.7	9.6
Net income	6.7	3.2	4.8	6.1

Balance Sheet



Unit ; billion yen

	2016	2017	2018	2019
Assets	110.9	110.5	113.7	117.2
Noncurrent assets	83.0	81.0	83.1	86.2
PPE and Intangible assets	62.2	60.9	63.6	67.4
Investments and other assets	20.8	20.1	19.5	18.8
Current assets	27.8	29.4	30.6	31.0
Liabilities	32.8	30.6	30.2	28.8
Long-term debts	14.7	13.8	12.1	10.5
Total net assets	78.1	79.8	83.4	88.4

Statement of Cash Flows & Capital Expenditure



Unit ; billion yen

	2016	2017	2018	2019
Operating cash flow	16.6	10.1	15.8	15.5
Investing cash flow	-8.9	-7.6	-11.4	-12.1
Financing cash flow	-6.1	-3.2	-3.7	-3.7
Net increase in cash and cash equivalents	1.4	-0.7	0.6	-0.3
Capital expenditure	9.4	8.2	12.1	12.8
Depreciation	10.1	9.5	9.4	9.0