

TSE:9543

# FY2017 2Q Financial Results

(Jan.1,2017-Jun.30,2017)

**SHIZGAS**



**SHIZUOKA GAS CO.,LTD.**

August 10<sup>th</sup>,2017

# Contents



I .	Summary of Financial Results for FY2017 2Q	...	3
II .	FY2017 Forecast	...	7
III .	Topics	...	10
IV .	Supplementary Information	...	16

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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 of Financial Results for FY2017 2Q

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# FY2017 2Q Financial Highlights

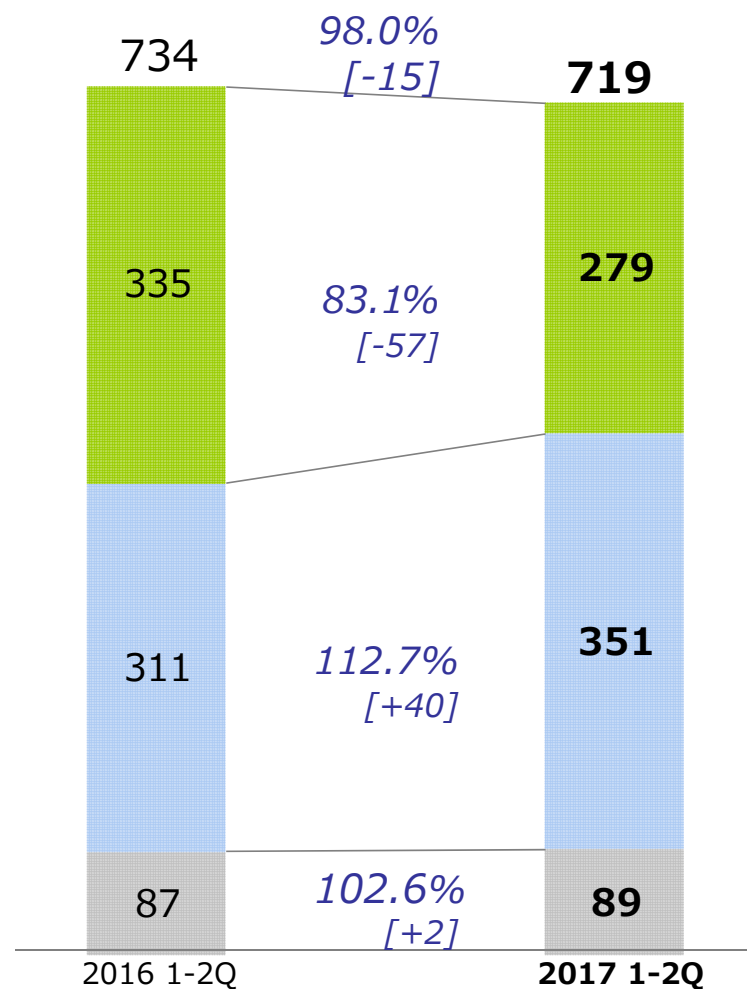


## ◎ 2Q Results : Higher sales, lower profits

- While sales had dropped due mainly to sliding unit prices, electricity sales contributed to a 0.2% increase and operating income up 10.1% after sliding time lag adjustment.
- Gas sales volume down 2.0% year-on-year
  - Wholesale sales down 16.9% due to contract-based volume decrease
  - Large-lot sales up 12.7% due to additional electricity cogeneration operations; small-lot sales up 2.6% due to temperature impacts

	FY2016 1-2Q	FY2017 1-2Q	Change	Change (%)
● Net sales (billion yen)	60.8	<b>61.0</b>	+0.1	100.2
● Revised operating income with Sliding time lag adjustment (billion yen)	5.7	<b>6.3</b>	+0.5	110.1
Operating income	11.0	<b>4.8</b>	-6.2	43.5
Sliding time lag	-5.3	<b>+1.5</b>	-6.8	-
● Gas sales volume (Non-Consolidated) (million m <sup>3</sup> ,45MJ)	734	<b>719</b>	-15	98.0
Wholesale	335	<b>279</b>	-57	83.1
Large-lot-sale	311	<b>351</b>	+40	112.7
Small-lot-sale	87	<b>89</b>	+2	102.6

# Gas Sales Volume (Non-Consolidated)



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

- |                |                                                                                                                                                                                                                                                                                          |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Wholesale      | <ul style="list-style-type: none"> <li>• Wholesale decrease in sales volume based on contract quantity and supply and demand adjustments [-69]</li> <li>• Increase in sales volume via Shizuhamma Trunk Line [+14]</li> <li>• Decrease in demand for wholesale customers [-2]</li> </ul> |
| Large-lot sale | <ul style="list-style-type: none"> <li>• Newly developed customers [+27]</li> <li>• Full operation through a whole year of newly developed customers in 2016 [+5]</li> <li>• Existing customers [+8]</li> </ul>                                                                          |
| Small-lot sale | <ul style="list-style-type: none"> <li>• Increase in sales volume to residential due to changes of temperature [+2]</li> </ul>                                                                                                                                                           |

# Breakdown of Consolidated Operating Income

<vs. FY2016 1Q-2Q Results> **SHIZGAS**

Unit; billion yen

\*Parentheses indicate comparison to 1Q-2Q in 2016

\*Transactions between the consolidated companies are offset

**Net sales** **61.0** [+0.1]

**City gas** **49.4** [-1.7]

**LPG** **7.3** [+1.9]

**Others** **4.1** [-0.0]

**Operating income** **4.8** [-6.2]

**Sliding time lag\*** **-1.5** [-6.8]

\*Non-consolidated

**Gross profit**  
**17.6** [-6.3]

**City gas** **15.2** [-6.3]

**Net sales** **49.4** [-1.7]

Increase in gas sales volume +2.6

Downward adjustment of  
unit price of gas -4.2

Others -0.1

**Cost of sales** **34.2** [+4.6]

Increase in gas consumption +2.3

Increase in gas prices +2.9

LNG terminal cost -0.4

Others -0.2

**LPG·Others** **2.4** [-0.0]

**Sales and administrative expenses**

**12.8** [-0.0]

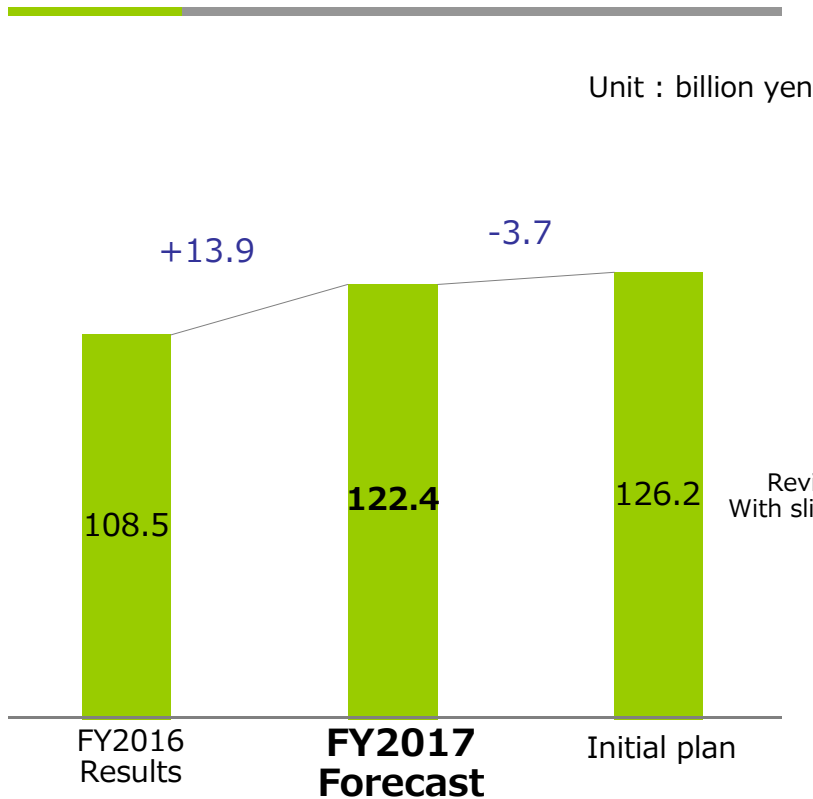
## II . FY2017 Forecast



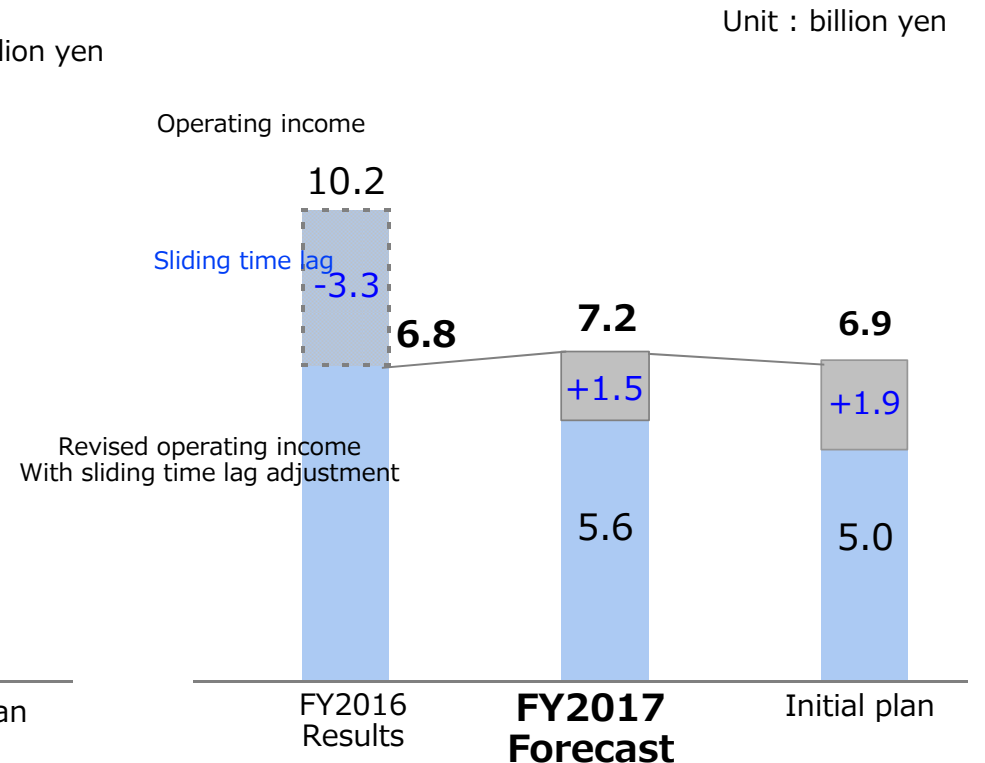
# FY2017 Forecast: Net Sales and Operating Income



## Net sales



## Operating income & Sliding time lag



	FY2017 1-2Q Results	July 2017 Results	Aug-Dec 2017 Forecast	Effect on Gross profit (Aug.-Dec 2017)	
Exchange rate (Yen/US\$)	112.8	112.1	115	(+) 1yen/US\$	-80million yen
Crude oil price C I F ( J C C ) (US\$/bbl)	54.2	48.2	55	(+) 1US\$/bbl	-120million yen

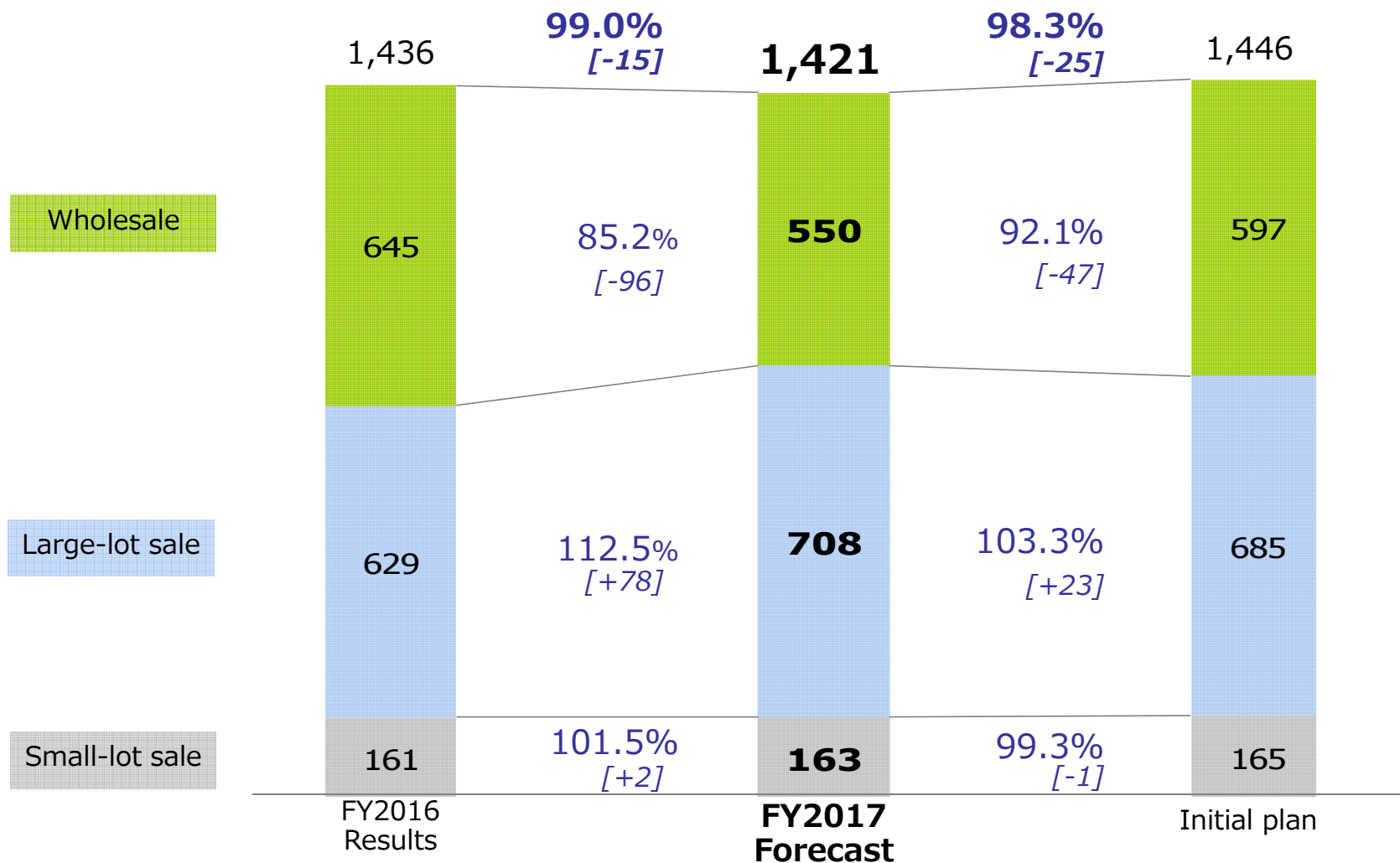


# FY2017 Forecast : Gas Sales Volume (Non-Consolidated)



Unit : million m<sup>3</sup>(45MJ)

\* Figures in [ ] indicate change in sales volume (million m<sup>3</sup>)



# III. TOPICS



# Progress of Electricity Business for a Year



Number of applications for electricity

2017 Target	June 2017
30,000	21,600

**Shizuoka Gas and Fuji Power Plant Supply and Demand Management System**

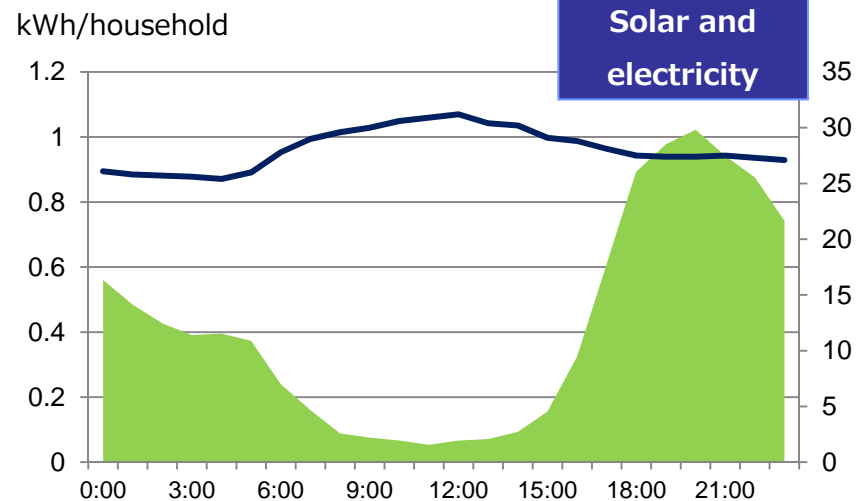
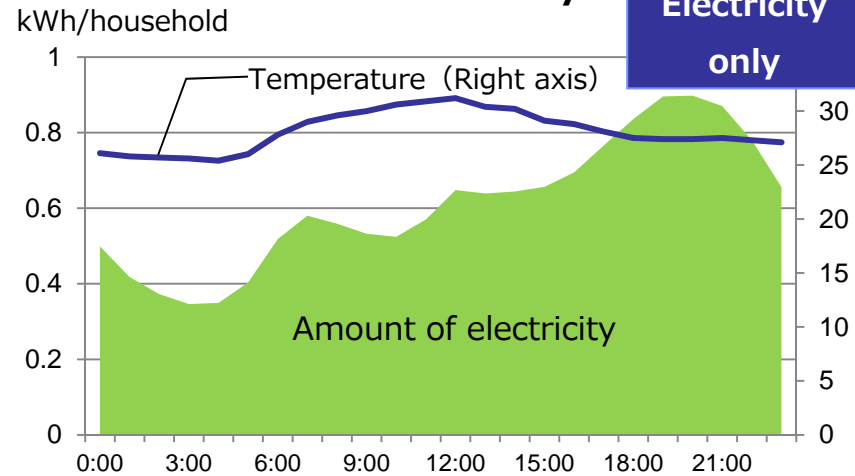
Customer data collected from April 2016

**Utilizing IoT**

- Improved ability to offer solutions to customers
- Applicable to residential business

**Further increase in customers**

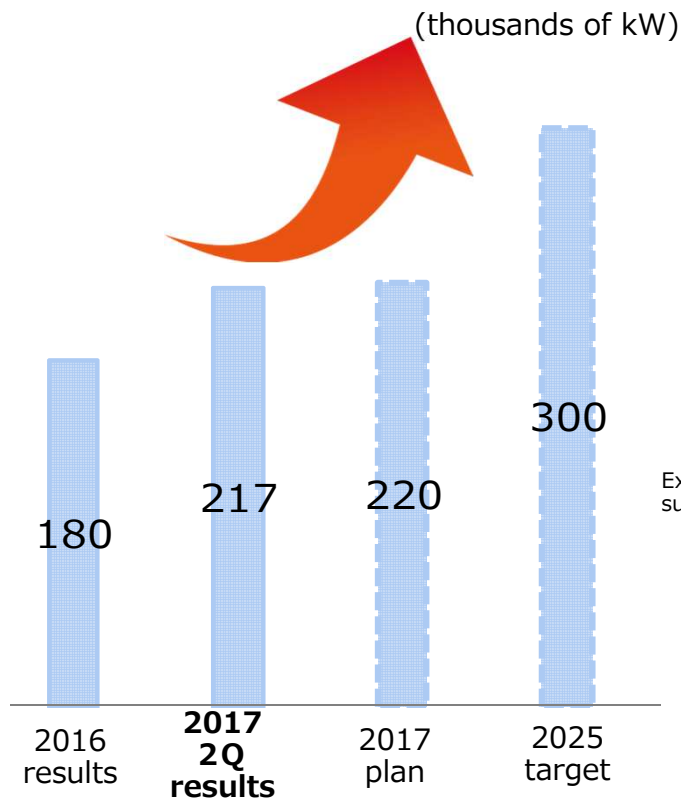
**Electricity load curve of households in Shizuoka City**



# Expansion of Multi-Energy Field



## ■ Generation capacity of gas cogeneration (In operation)

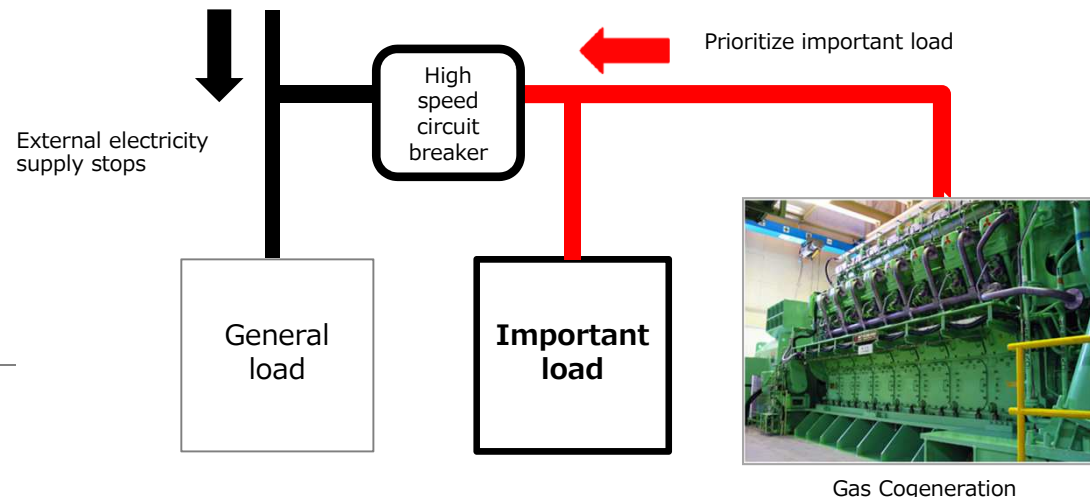


## ■ On-site energy service business

~Achieved 100,000 operation hours of gas cogeneration~

- Our customers had potential risks of suspension to their production lines resulting from power outages.
- Based on the concept of no power outages and equipment management, we proposed an on-site energy service using gas cogeneration.
- Improved power source security enabled our customers the continued operations after the Great East Japan Earthquake and even during planned power outages.

### Power outage survival system

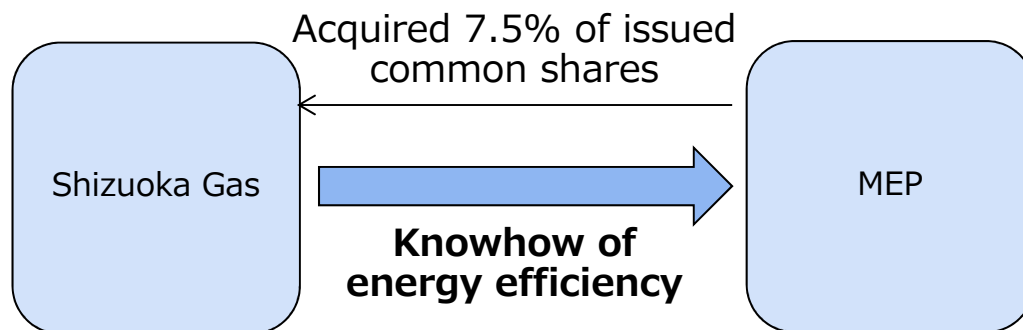


# Business Expansion to Indonesia



## ■ Business alliance with MEP

- Decision made to expand gas energy business to Indonesia
- Formed business alliance with Indonesian company MEP (July)
- Both MEP and SHIZGAS playing an important role of marketing in MEP's sales region of South Sumatra
- Considering further new business developments in the island nation of Indonesia



Indonesia:

- Remarkable population growth and economic growth
- Increased energy demand in power generation and industrial sectors
- Advanced development of distributed energy infrastructure

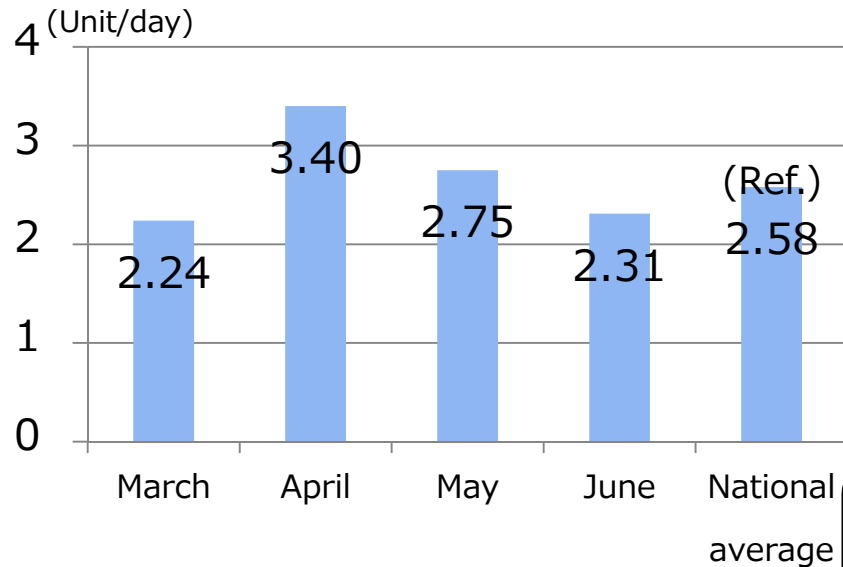
Business area



# Initiatives of Hydrogen Station Shizuoka



## Number of visitors per day



## Shizuoka City Hydrogen Energy Promotion Council

### Members

(Chair) Professor Ichiro Yamanaka of Tokyo

Institute of Technology Shizuoka City

Suzuyo Shizuoka Chamber of Commerce and Industry

Shizuoka University Suzuki Honda Panasonic

Shizuoka Gas Mitsubishi Corp. Toyota Shizuoka Railway

Fuji Electric

### Observers

METI Shizuoka Prefecture

## Achieving the "Shizuoka Hydrogen Town"

### ① Urban model

#### Creation project

Using hydrogen energy by utilizing IoT

### ② Port model

#### Creation project

Using hydrogen energy by utilizing Shimizu Port

### ③ Mountain model

#### Creation project

Using hydrogen energy by utilizing unused energy



Suzuki fuel cell motorcycle



Panasonic Residential Pure Hydrogen Fuel Cell (Mono-generation type; commercial image)

# Highlights (First Half of FY2017 )



- Jan. Launched warranty extension service of gas appliance *"Sonae areba urei nashi"*  
Established SHIZUOKA GAS TRADING PTE LTD. (local Singapore entity)
- Feb. Achievement of first LNG sale through reloading facilities at Shimizu LNG Terminal  
Our head office building achieved highest ranking under the Building-Housing Energy-efficiency Labeling System
- Mar. Commenced operation of *"Hydrogen Station Shizuoka"*  
Commenced sales of Ene-Farm Type S  
Commenced service to buy back excess power generated by Ene-Farms *"Osusowake Service"*
- Jul. Achieved 100,000 operating hours for gas cogeneration systems as part of our on-site energy service business  
SHIZGAS participates in natural gas business in Indonesia  
Publicly announced a new gas tariff *"Poka Poka Plan 2"*  
(On service from October 2017)

# IV. Supplementary Information





# FY2017 Forecast: Breakdown of Consolidated Operating Income

<vs. Initial Plan> **SHIZGAS**

Unit; billion yen

\*Parentheses indicate comparison to the initial plan

\*Transactions between the consolidated companies are offset

Net sales **122.4** [-3.7]

City gas **97.1** [-3.2]

LPG **14.6** [-0.5]

Others **10.7** [+0.0]

Operating income **5.6** [+0.6]

Sliding time lag\* **-1.5** [+0.4]

\*Non-consolidated

Gross profit income

**33.3** [+0.3]

City gas **29.2** [+0.4]

■ Net sales **97.1** [-3.2]

Decrease in gas sales volume -2.0

Downward adjustment of

Unit price of gas -1.0

Others -0.2

■ Cost of sales **67.8** [-3.7]

Decrease in gas consumption -1.9

Decrease in gas price -1.5

LNG terminal cost -0.1

Others -0.2

LPG·Others **4.1** [-0.1]

Sales and administrative expenses

**27.6** [-0.3]

# Gas sales Plan (Non-consolidated)

<vs. FY2016 1Q-2Q Results>



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

	FY2017 1Q-2Q Results	FY2016 1Q-2Q Results	Change	%	FY2017 Forecast
Gas sales volume	719	734	- 15	98.0	1,421
Own sale	440	398	+42	110.5	871
Residential	52	51	+1	102.1	87
Commerical	32	32	+0	101.5	67
Industrial	356	316	+40	112.8	717
Wholesale	279	335	- 57	83.1	550

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

Gas sales volume	351	311	+0	112.7	708
Share in the total sale	79.7%	78.2%			81.2%

※ Large-lot-sale : Annual contract quantity are 100 thousand m<sup>3</sup>

# Statement of Income

<vs. FY2016 2Q Results>



Unit : billion yen

	FY2017 2Q Results	FY2016 2Q Results	Change	%	FY2017 Forecast
Net sales	61.0	60.8	+0.1	100.2	122.4
Cost of sales	43.3	36.8	+6.4	117.5	89.1
Gross Profit	17.6	23.9	- 6.3	73.6	33.3
Sales and adminidtrative expenses	12.8	12.9	-0.0	99.4	27.6
Manpower	5.0	5.0	-0.0	99.1	10.1
Other expenses	4.4	4.4	+0.0	101.4	10.4
Deprection	3.3	3.4	-0.0	97.4	7.0
Opataring income	4.8	11.0	- 6.2	43.5	5.6
Ordinary income	5.2	11.4	- 6.1	45.9	6.3
Net income	3.2	7.6	- 4.4	42.2	3.7