



FY2018 2Q
Financial Results
(Jan.1,2018-Jun.30,2018)

SHIZUOKA GAS CO.,LTD

TSE:9543

Aug 10th ,2018

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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 of Financial Results
for FY2018 2Q



FY2018 2Q Financial Highlights



◎ 2Q Results: Higher Sales, Higher Profits

- Increase in gas sales volume and upward revision in sliding time lag effect.

Operating income higher with increase in sales volume.

Operating income +8.5% after sliding time lag adjustment.

- Gas sales volume +5.9% year on year.

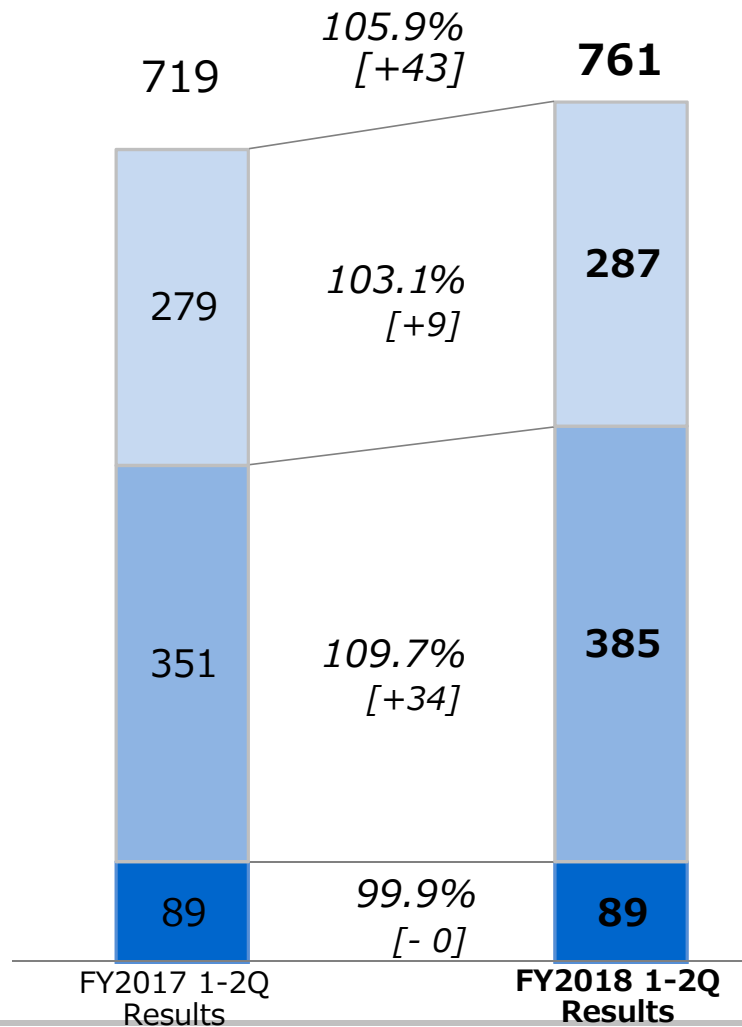
(Wholesale) Positive impact of supply-demand adjustments in previous year.

(Large-Lot Sales) Positive impact of full operation in factories developed as clients in the previous year.

(Small-Lot Sales) Negative impact of higher temperatures.

| | FY2017 1Q-2Q | FY2018 1Q-2Q | Change | Change (%) |
|---|--------------|--------------|--------|------------|
| ● Net sales (billion yen) | 61.0 | 70.4 | +9.4 | 115.5 |
| ● Adjusted operating income [reflecting sliding time lag adjustment](billion yen) | 6.3 | 6.8 | +0.5 | 108.5 |
| Operating income | 4.8 | 5.1 | +0.3 | 107.1 |
| Sliding time lag | -1.5 | -1.7 | -0.2 | — |
| ● Gas sales volume (non-consolidated) (million m ³) | 719 | 761 | +43 | 105.9 |
| Wholesale | 279 | 287 | +9 | 103.1 |
| Large-lot sale | 351 | 385 | +34 | 109.7 |
| Small-lot sale | 89 | 89 | -0 | 99.9 |

Gas Sales Volume (Non-Consolidated)



Unit; Million m³(45MJ/m³)

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

Wholesale

- Supply-demand adjustments in previous year [+8]

Large-lot-sale

- Newly developed customers [+1]
- Full operation in factories developed as clients in the previous year [+41]
- Existing customers [-8]

Small-lot-sale

- Increase in sales volume to commercial [+0]
- Decrease in sales volume to residential [-0]

Breakdown of Consolidated Operating Income 1

<vs. FY2017 1-2Q Results>



Unit; billion yen

*Parentheses indicate comparison to 1-2Q in 2017

*Transactions between the consolidated companies are offset

Net sales **70.4** [+9.4]

| | | |
|----------|-------------|--------|
| City gas | 56.2 | [+6.8] |
| LPG | 9.0 | [+1.6] |
| Others | 5.1 | [+0.9] |

Operating income **5.1** [+0.3]

Sliding time lag* **-1.7** [-0.2]

*Non-consolidated

Gross profit **18.2** [+0.6]

| | | |
|--|-------------|--------|
| City gas | 15.3 | [+0.1] |
| <p>■ Net sales 56.2 [+6.8]</p> <p>Increase in gas sales volume +2.3</p> <p>Upward adjustment of unit price of gas +4.3</p> <p>Others +0.2</p> | | |
| <p>■ Cost of sales 40.8 [+6.7]</p> <p>Increase in gas sales volume +2.1</p> <p>Increase in gas prices +4.7</p> <p>LNG terminal cost -0.1</p> | | |
| LPG·Others | 2.8 | [+0.4] |

Sales and administrative expenses **13.1** [+0.2]

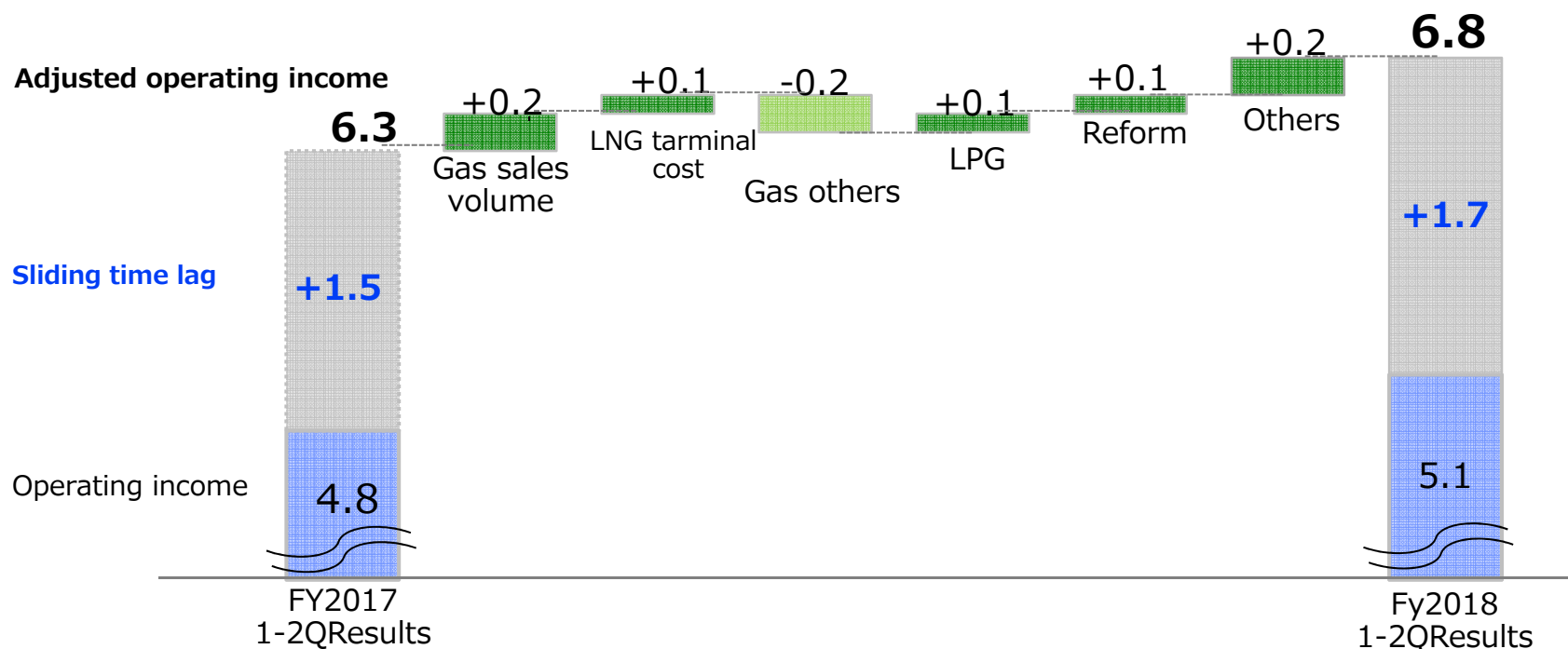
Breakdown of Consolidated Operating Income 2

<vs. FY2017 1-2Q Results>



Unit : billion yen

| | FY2017 1-2Q Results | FY2018 1-2Q Results | Change |
|--|---------------------|---------------------|-------------|
| Adjusted operating income [reflecting sliding time lag adjustment] | 6.3 | 6.8 | +0.5 |
| <i>Operating income</i> | 4.8 | 5.1 | +0.3 |
| <i>Sliding time lag</i> | -1.5 | -1.7 | -0.2 |



II . FY2018 Forecast

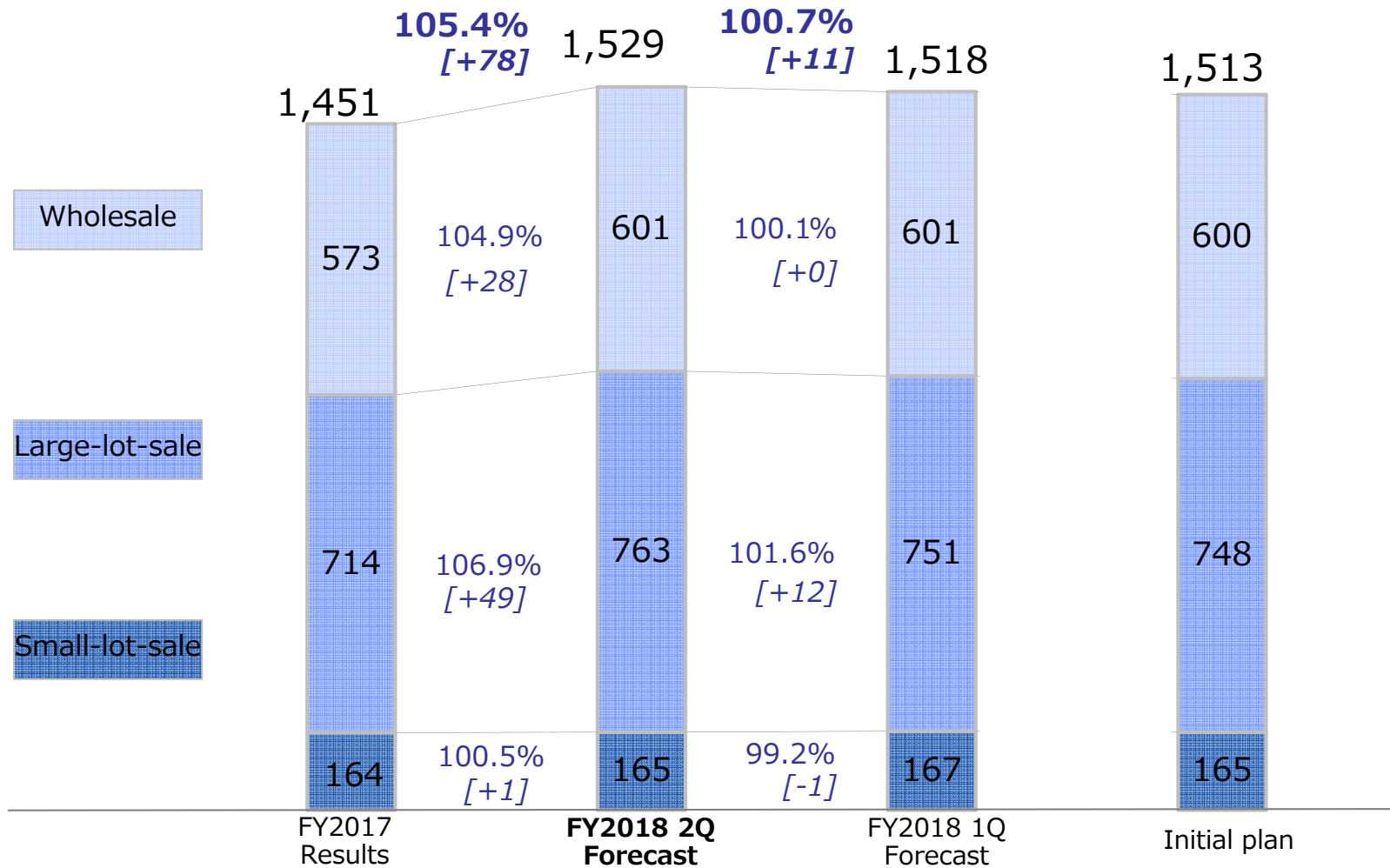


FY2018 Forecast: Gas sale volume (Non-consolidated)



Unit : million m³(45MJ)

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

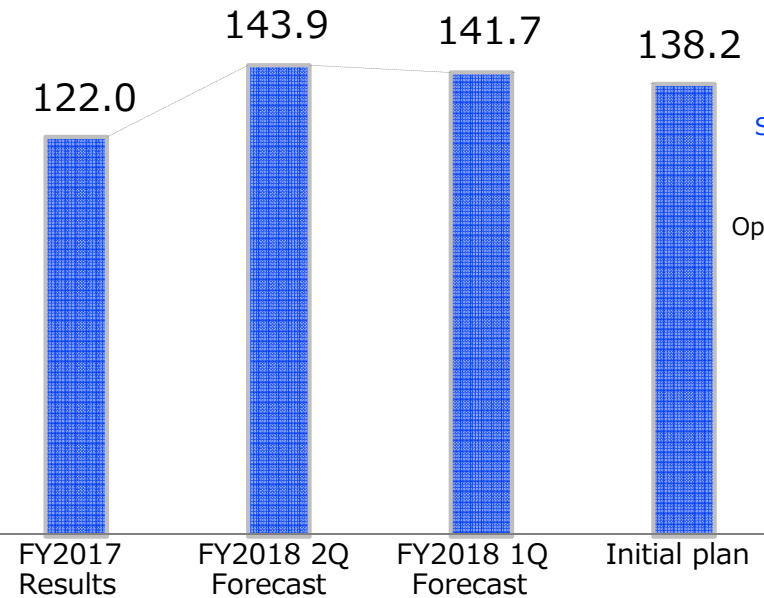


FY2018 Forecast: Net sales and Operating income



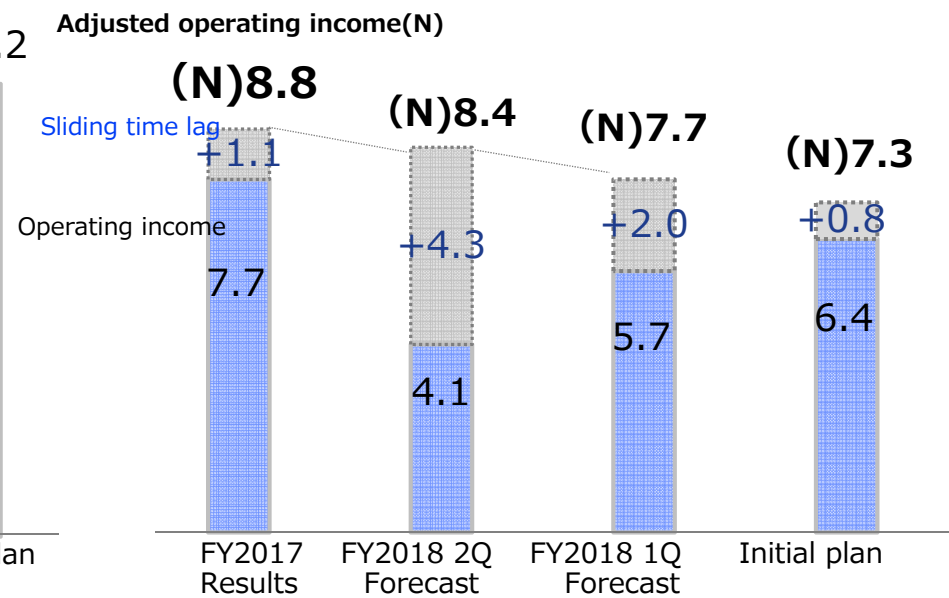
Net sales

Unit : billion yen



Operating income & Sliding time lag

Unit : billion yen



| | FY2018 1-2Q | July 2018 | Aug-Dec 2018 Forecast | Effect on Gross profit (Aug.-Dec 2018) | |
|--|--------------|--------------|-----------------------|--|-----------------|
| Exchange rate (Yen/US\$) | 108.9 | 110.1 | 110 | (+) 1円/US\$ | -130million yen |
| Crude oil price C I F (J C C) (US\$/bbl) | 69.1 | 78.0 | 75 | (+)1US\$/bbl | -60million yen |

III. TOPICS



Initiatives toward 2025



FY2015 - FY2017

FY2018 - FY2020

FY2021-FY2025

FY2025



静岡ガス

**No.1 Solutions
Corporate Group
in the Region**

Foundation-Building

Transition away from over-reliance on gas business

April 2016

Electricity
Retail Sales
Opened to
Competition

April 2017

City Gas
Retail Sales
Opened to
Competition

Results and Further Foundation-Building

Strengthen the Shizuoka Gas Brand

FY2018

March

- Eneria Tobu Higashi Co., Ltd. established
- Converted Shimada Gas Co., Ltd. to subsidiary

April

- Completion of apartment complex using (Toray Construction) T-Grid system

June

- Launch of VPP demonstration project

July

- Order receipt and start of large-scale co-generation construction project for a paper manufacturer

- Signed agreement with Fujinomiya City to partner in project for effective use of resources and community revitalization through the sharing economy

August

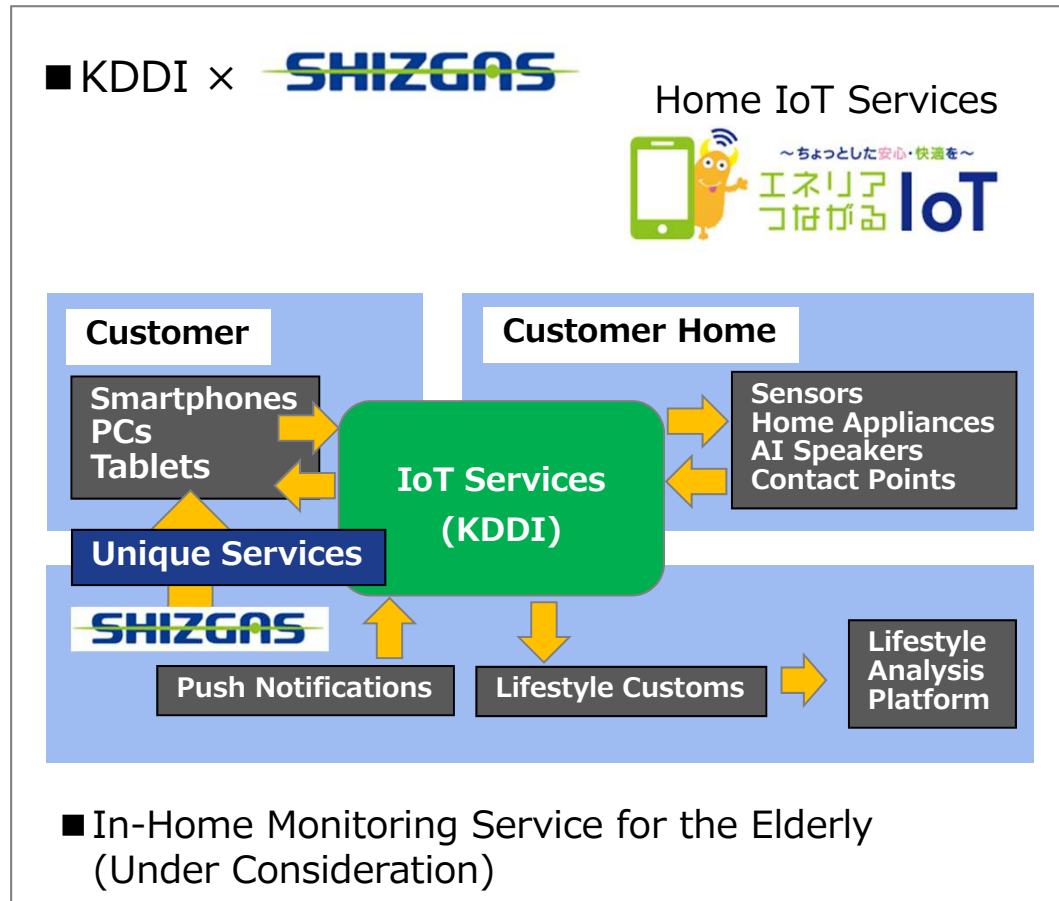
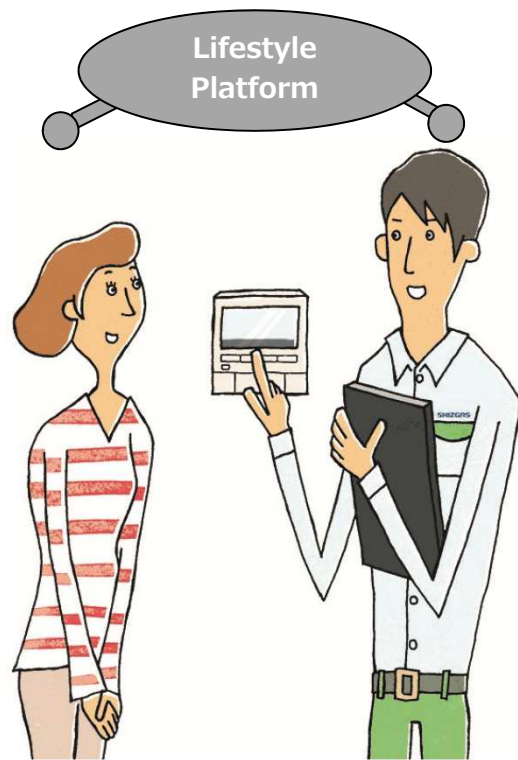
- Launched IoT-Linked Eneria service

Lifestyle Creation Business



Developing a Lifestyle Platform That Integrates Shizgas With Customers

Creating Services With Alliance Partners



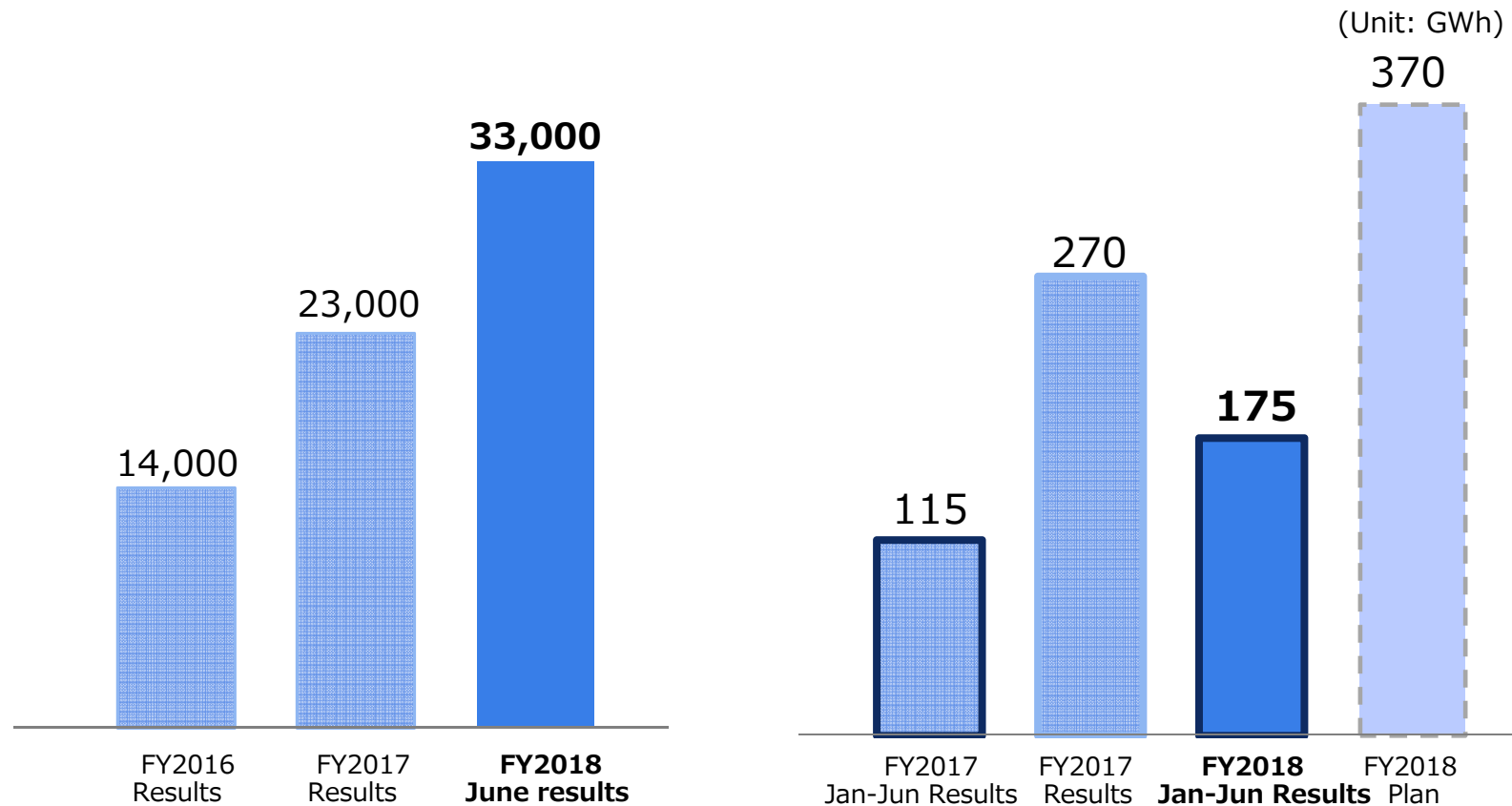
Electricity Business



Growing Customer Base Steadily Through Face-to-Face Engagement



■ Number of Customers (Supply Basis) ■ Electricity Sales Volume



Shimada Gas Conversion to Consolidated Subsidiary

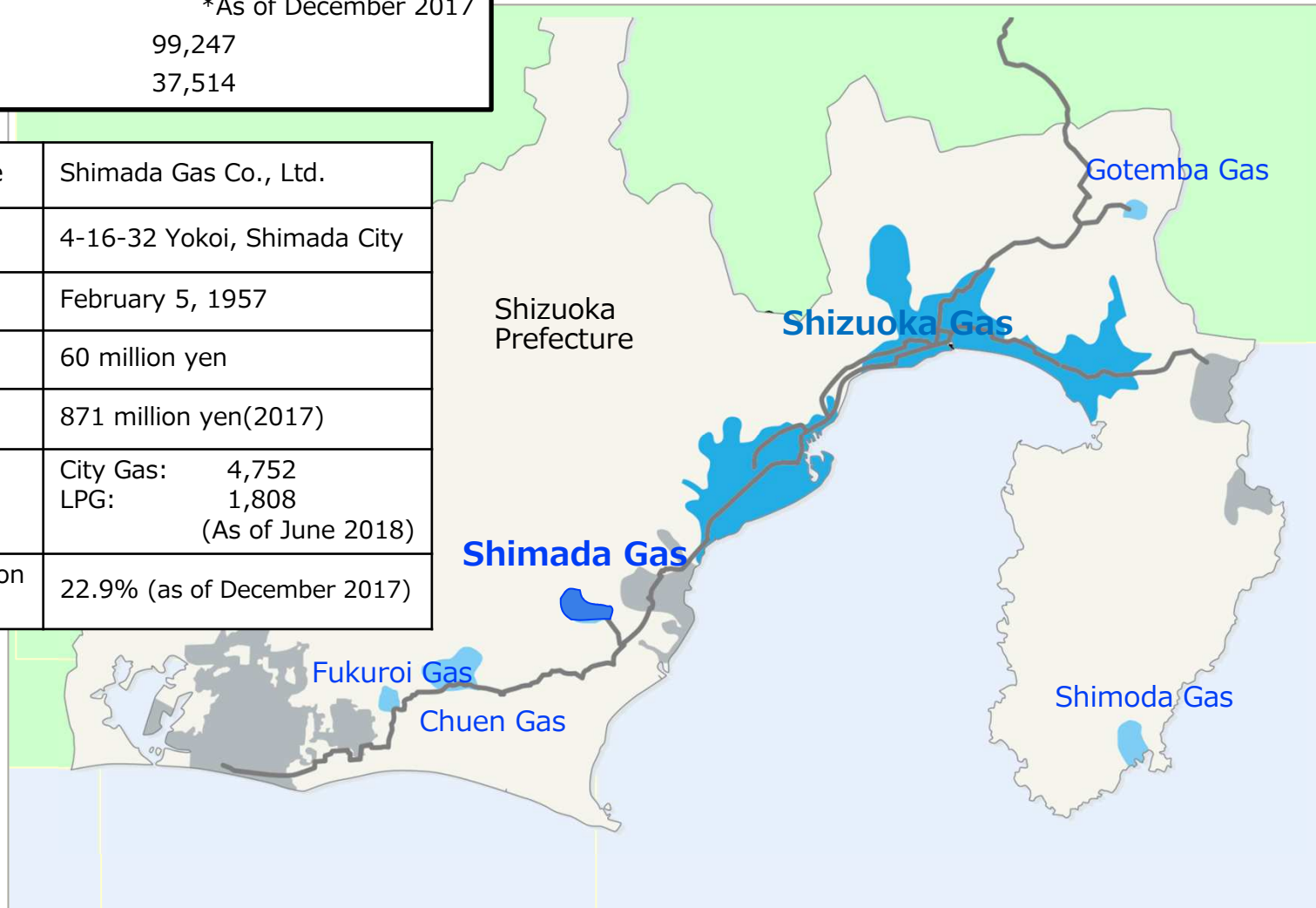


[Shimada City Population and Households]

*As of December 2017

- Population: 99,247
- Households: 37,514

| | |
|------------------------|--|
| Company Name | Shimada Gas Co., Ltd. |
| Location | 4-16-32 Yokoi, Shimada City |
| Established | February 5, 1957 |
| Capital | 60 million yen |
| Net Sales | 871 million yen(2017) |
| Number of Customer | City Gas: 4,752 LPG: 1,808 (As of June 2018) |
| City Gas Adoption Rate | 22.9% (as of December 2017) |



Earthquake, Disaster Preparedness Measures (Shizuoka Gas)

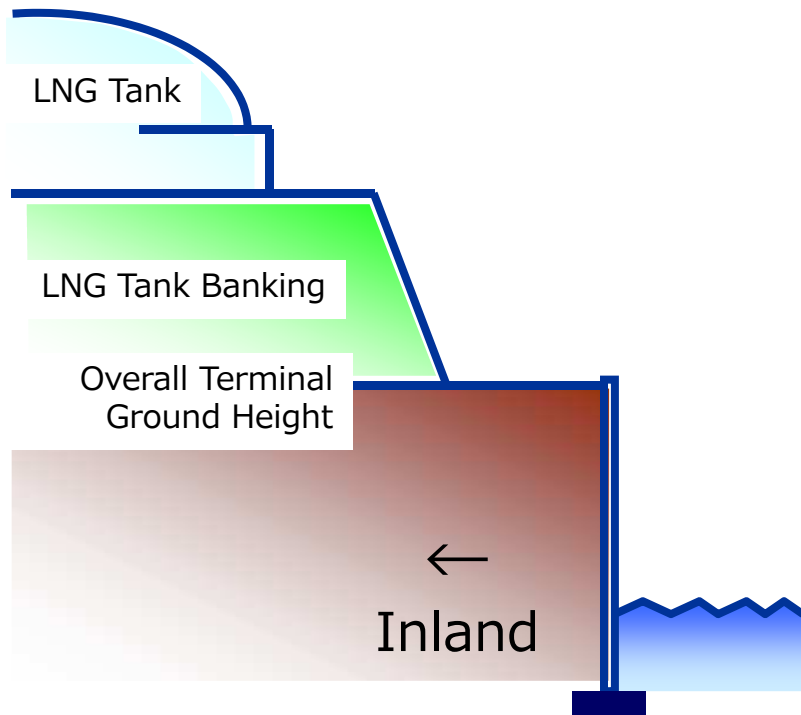


● LNG Terminal Earthquake Preparedness

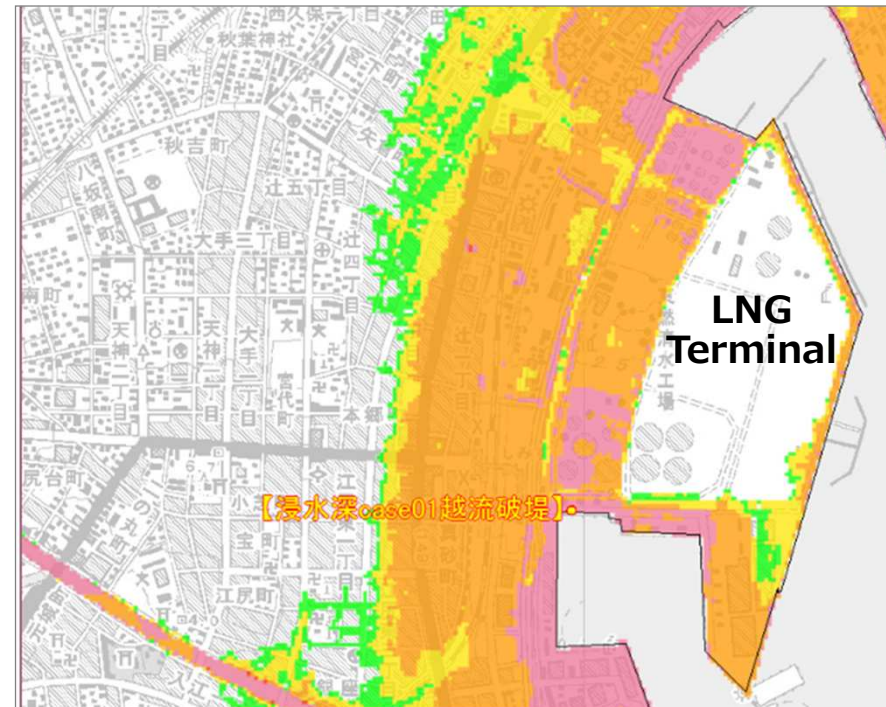
Designed to resist earthquake stronger than the Tokai Earthquake (7.0)

Banking used to raise entire terminal property to withstand a tsunami

■ LNG Terminal Banking Illustration



■ Expected Flood Area (Source: Shizuoka Prefecture)



Earthquake, Disaster Preparedness Measures (Shizuoka Gas)



- Pipeline Disaster Preparedness Earthquake Proofing: 96%
- Emergency Shut-Off System
Supply area divided into 37 blocks; gas shut off automatically when a strong vibration is detected

■ Polyethylene Pipes, Resistant to Ground Tremors



■ High-Pressure Pipeline Facilities Construction



Steel Pipe Welds Resistant to Ground Tremors and Liquefaction

IV. Supplementary Information



FY2018 Forecast : Breakdown of consolidated Operating Income



Unit; billion yen

*Parentheses indicate comparison to the initial plan

*Transactions between the consolidated companies are offset

Net sales **143.9** [+2.1]

| | | |
|----------|--------------|--------|
| City gas | 114.3 | [+1.5] |
| LPG | 18.2 | [+0.2] |
| Others | 11.3 | [+0.3] |

Operating income **4.1** [-1.6]

Sliding time lag* **-4.3** [-2.3]

*Non-consolidated

Gross profit income

32.1 [-1.7]

City gas **27.1** [-1.9]

■ Net sales **114.3** [+1.5]

Increase in gas sales volume +0.4

Upward adjustment of
unit price of gas +1.1

■ Cost of sales **87.2** [+3.4]

Increase in gas sales volume +0.4

Increase in gas prices +3.1

Others -0.1

LPG·Others **5.0** [+0.2]

Sales and administrative expenses

27.9 [-0.1]

Gas sales Plan (Non-consolidated)

<vs.FY2017 1Q-2Q Results>



Unit : million Yen

| | FY2018 1Q-2Q Results | FY2017 1Q-2Q Results | Change | % | FY2018 Forecast |
|------------------|-------------------------|-------------------------|--------|-------|--------------------|
| Gas sales volume | 761 | 719 | +43 | 105.9 | 1,529 |
| Own sale | 474 | 440 | +34 | 107.7 | 928 |
| Residential | 52 | 52 | -0 | 99.5 | 86 |
| Commercial | 33 | 32 | +0 | 101.6 | 69 |
| Industrial | 390 | 356 | +34 | 109.5 | 772 |
| Wholesale | 287 | 279 | +9 | 103.1 | 601 |

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

| | | | | | |
|----------------------------|-------|-------|-----|-------|-------|
| Gas sales volume | 385 | 351 | +34 | 109.7 | 763 |
| Share in the total sale | 81.2% | 79.7% | | | 82.2% |

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

Statement Income <vs. FY2017 2Q Results>



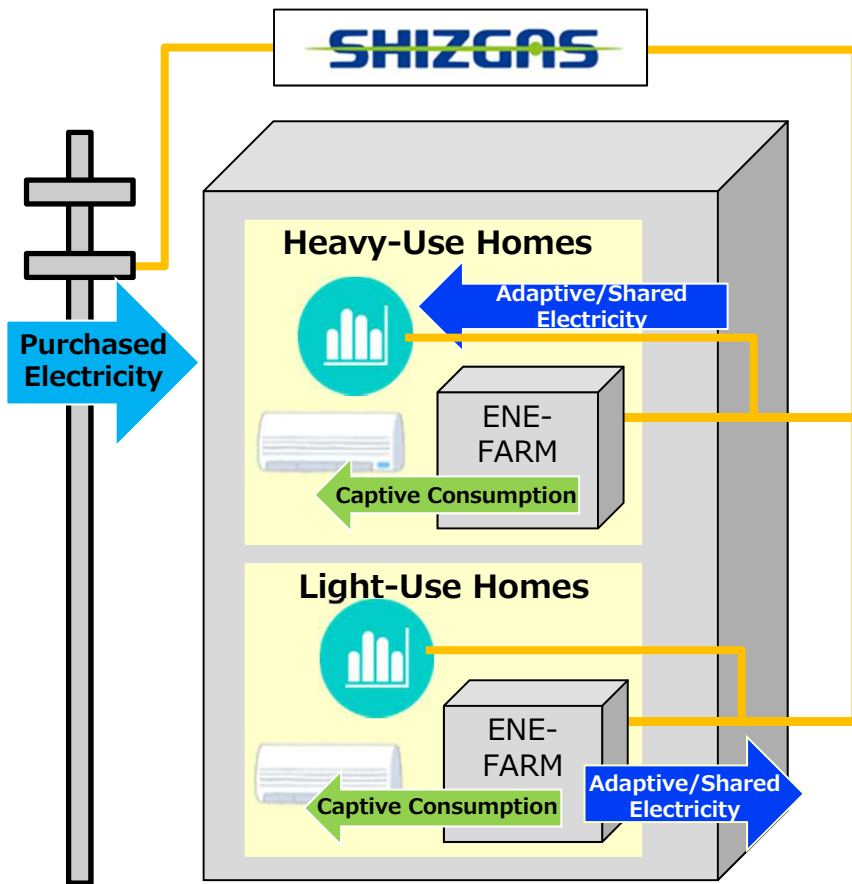
Unit : Billion Yen

| | FY2018 2Q Results | FY2017 2Q Results | Change | % | FY2018 Forecast |
|-----------------------------|----------------------|----------------------|--------|-------|--------------------|
| Net sales | 70.4 | 61.0 | +9.4 | 115.5 | 143.9 |
| Cost of sales | 52.2 | 43.3 | +8.8 | 120.4 | 111.8 |
| Gross Profit | 18.2 | 17.6 | +0.6 | 103.5 | 32.1 |
| Sales and administrative | 13.1 | 12.8 | +0.2 | 102.1 | 27.9 |
| Manpower | 5.0 | 5.0 | +0.0 | 101.3 | 10.3 |
| Other expenses | 4.7 | 4.4 | +0.2 | 106.1 | 10.8 |
| Depreciation | 3.2 | 3.3 | -0.0 | 97.9 | 6.7 |
| Operating income | 5.1 | 4.8 | +0.3 | 107.1 | 4.1 |
| Ordinary income | 5.6 | 5.2 | +0.4 | 107.8 | 4.8 |
| Net income | 3.6 | 3.2 | +0.3 | 111.8 | 2.7 |

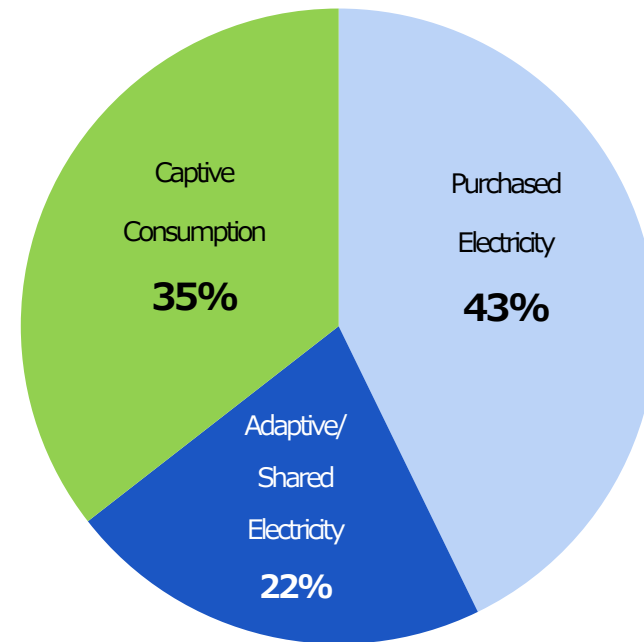
Power of the T-Grid System



- T-Grid System: Adaptive Electric Power System for Apartment Complexes



Power Contribution Ratio for Electricity Demand Within Apartment Complexes



(Cumulative total, April 2017 through March 2018)

Installation: (*Chalier Nagaizumi Grand Marks*, developed by Toray Construction)

Two Buildings/190 Units: First phase completed April 2017