

# FY2018 Financial Results

(January-December)



**SHIZUOKA GAS CO.,LTD.**

**TSE:9543**

**February 8<sup>th</sup>,2019**

# Contents



I .	Summary Financial Results	...	3
II .	Projects Over the Next Three Years	...	8
III .	Supplementary Information	...	18

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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

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# FY2018 Financial Highlights



## ◎ Results : Higher sales, lower profits

- Gas sales volume +6.1% year on year

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

(Large-Lot Sales) Positive impact of full operation in factories of customers added in the previous year.

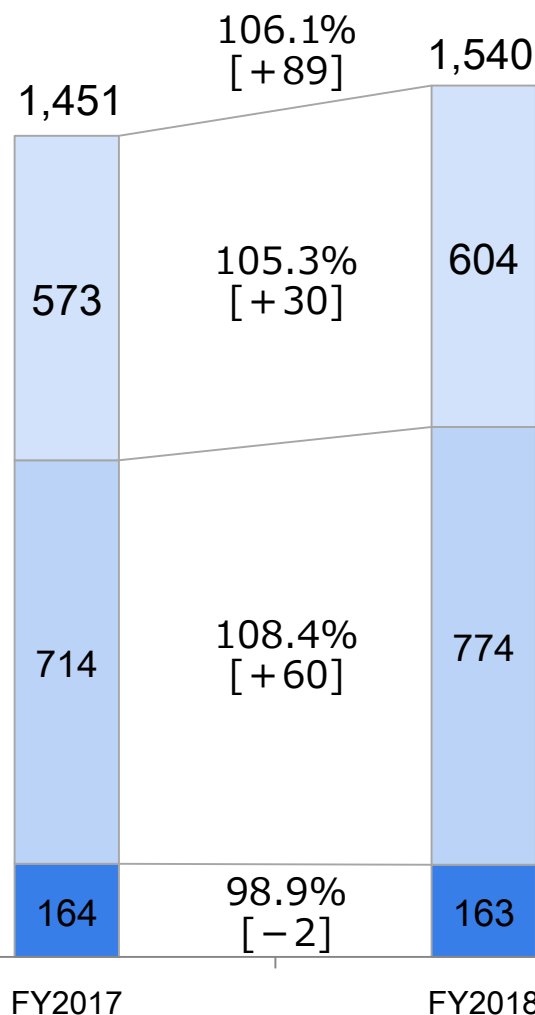
(Small-Lot Sales) Negative impact of higher temperatures.

- Net sales increase in gas sales volume and upward revision in sliding time lag effect and higher sales of electricity.

Operating income +1.9% after sliding time lag adjustment.

	FY2017	FY2018	Change	Change (%)
● Gas sales volume (Non-Consolidated) (million m <sup>3</sup> , 45MJ)	1,451	<b>1,540</b>	+89	106.1
Wholesale	573	<b>604</b>	+30	105.3
Large-lot-sale	714	<b>774</b>	+60	108.4
Small-lot-sale	164	<b>163</b>	-2	98.9
● Net sales (billion yen)	122.0	<b>143.1</b>	+21.1	117.4
● Revised operating income with Sliding time lag adjustment (billion yen)	8.8	<b>9.2</b>	+0.4	104.9
Operating income	7.7	<b>4.8</b>	-2.8	63.1
Sliding time lag	-1.1	<b>-4.3</b>	-3.2	-

# Gas Sales Volume (Non-Consolidated)



Unit; Million m³(45MJ/m³)

\* Figures in [ ] are the difference from the results in FY2017

## Wholesale

- Supply-demand adjustments in previous year [+35]

## Large-lot sale

- Full operation in factories of customers added in 2017 [+60]
- Additional customers in 2018 [+11]
- Existing customers [-11]

## Small-lot sale

- Increase in sales volume to commercial customers [+1]
- Decrease in sales volume to residential customers [-2]

# Breakdown of Consolidated Operating Income 1

<Year-on-year comparison> **SHIZGAS**

Unit; billion yen

Net sales **143.1** [+21.1]

City gas	<b>114.9</b>	[+16.4]
LPG/Electricity/ Other Energy	<b>17.6</b>	[+2.8]
Others	<b>10.6</b>	[+1.8]

Operating income **4.8** [− 2.8]

Sliding time lag\* **− 4.3** [− 3.2]

\*Non-consolidated

Gross profit

**31.6** [− 2.5]

\* Figures in [ ] are the difference from the results in FY2017  
\*Transactions between the consolidated companies are offset

City gas **26.7** [− 3.1]

■ Net sales **114.9** [+16.4]

Increase in gas sales volume +4.5

Upward adjustment of  
unit price of gas +11.4

Others +0.5

■ Cost of sales **88.1** [+19.6]

Increase in gas sales volume +4.3

Increase in gas prices +15.4

LNG terminal cost −0.2

Others +0.1

LPG/Electricity/  
Other Energy/Others **4.9** [+0.6]

Sales and administrative expenses

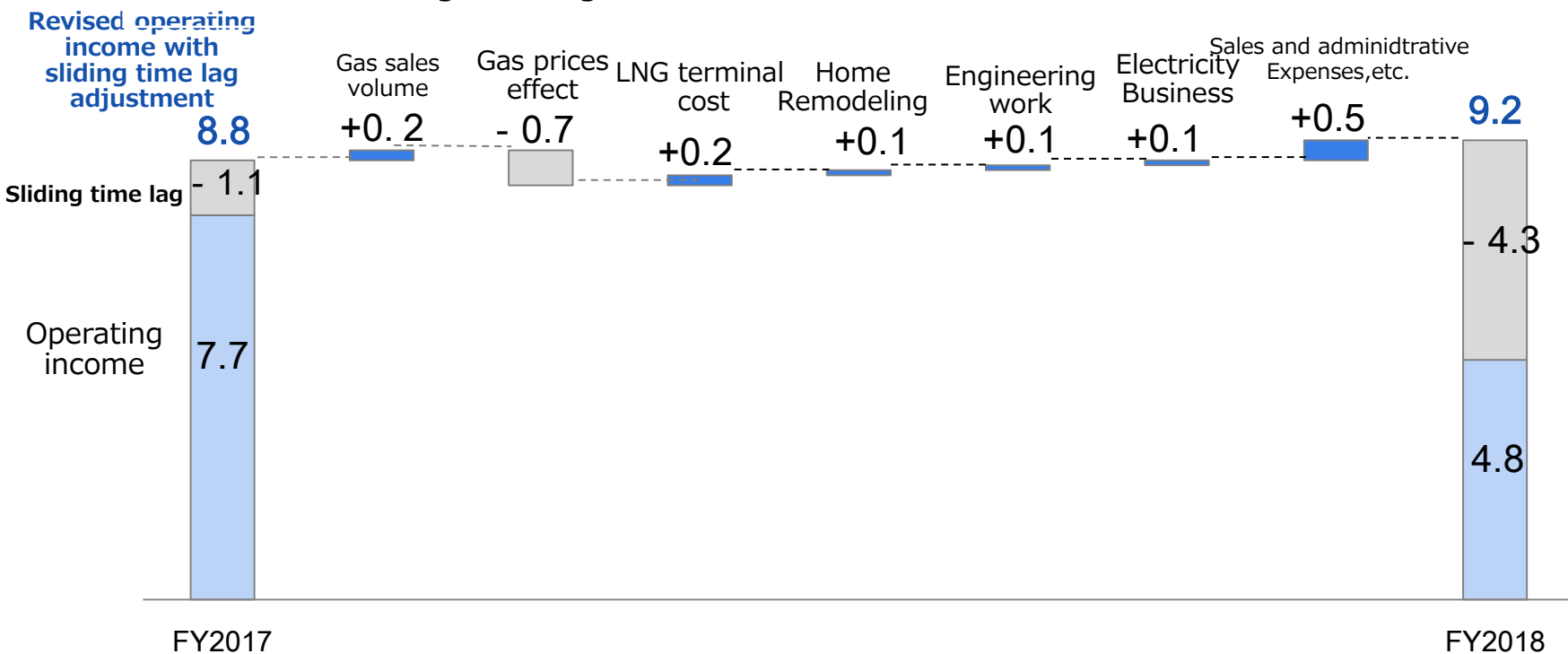
**26.8** [+0.2]

# Breakdown of Consolidated Operating Income 2

<Year-on-year comparison> **SHIZGAS**

Unit : billion yen

	FY2017	FY2018	Change
Revised operating income with sliding time lag adjustment	<b>8.8</b>	<b>9.2</b>	<b>+0.4</b>
Operating income	7.7	4.8	-2.8
Sliding time lag	-1.1	-4.3	-3.2



## II . Projects Over the Next Three Years 2019-2021

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# Initiatives toward 2025



FY2015-FY2017

FY2018-FY2020

FY2021-FY2025

(FY2019-FY2021 Basic Policies)

## Results and Further Foundation-Building

Strengthen ties to customers and communities,  
putting a brighter shine on the Shizuoka Gas brand

**FY2025**

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



**Foundation  
-Building**

(1) Strengthen ties to customers and communities

(2) Establish new growth fields

(3) Strengthen Management Foundation

# Greater Resilience in Our Energy Business Foundation

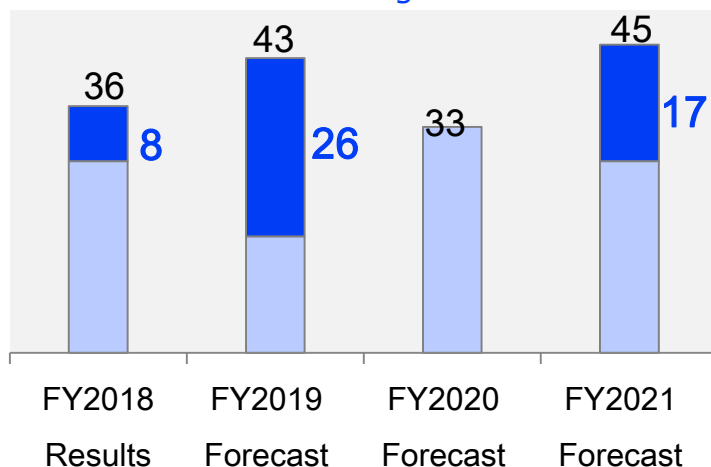


## Use Electricity and Gas Liberalization as an Opportunity

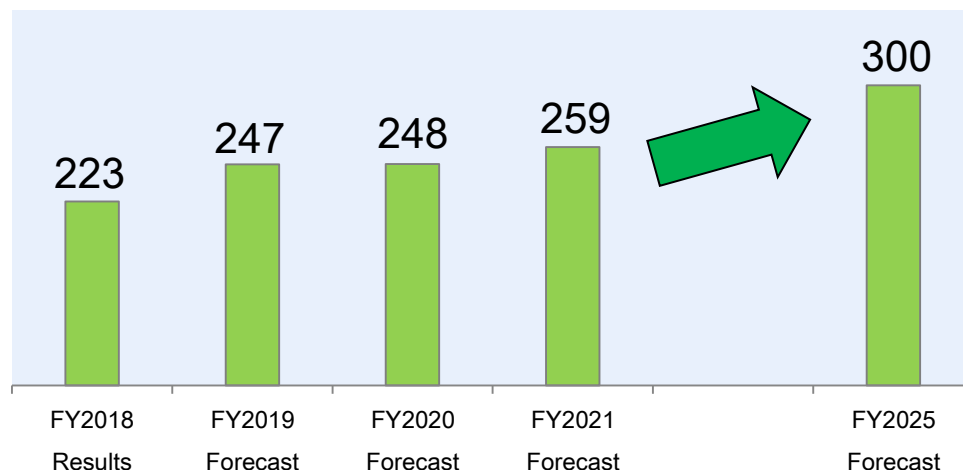
### ■ Additional Industrial Gas Sales

(million m3/year)

Blue No's.: Additional Cogeneration Sales



### ■ Power generation capacity of installed Cogeneration System (1,000kW)



## Explore New Fields

New businesses leveraging group technological capabilities, alliances, etc.

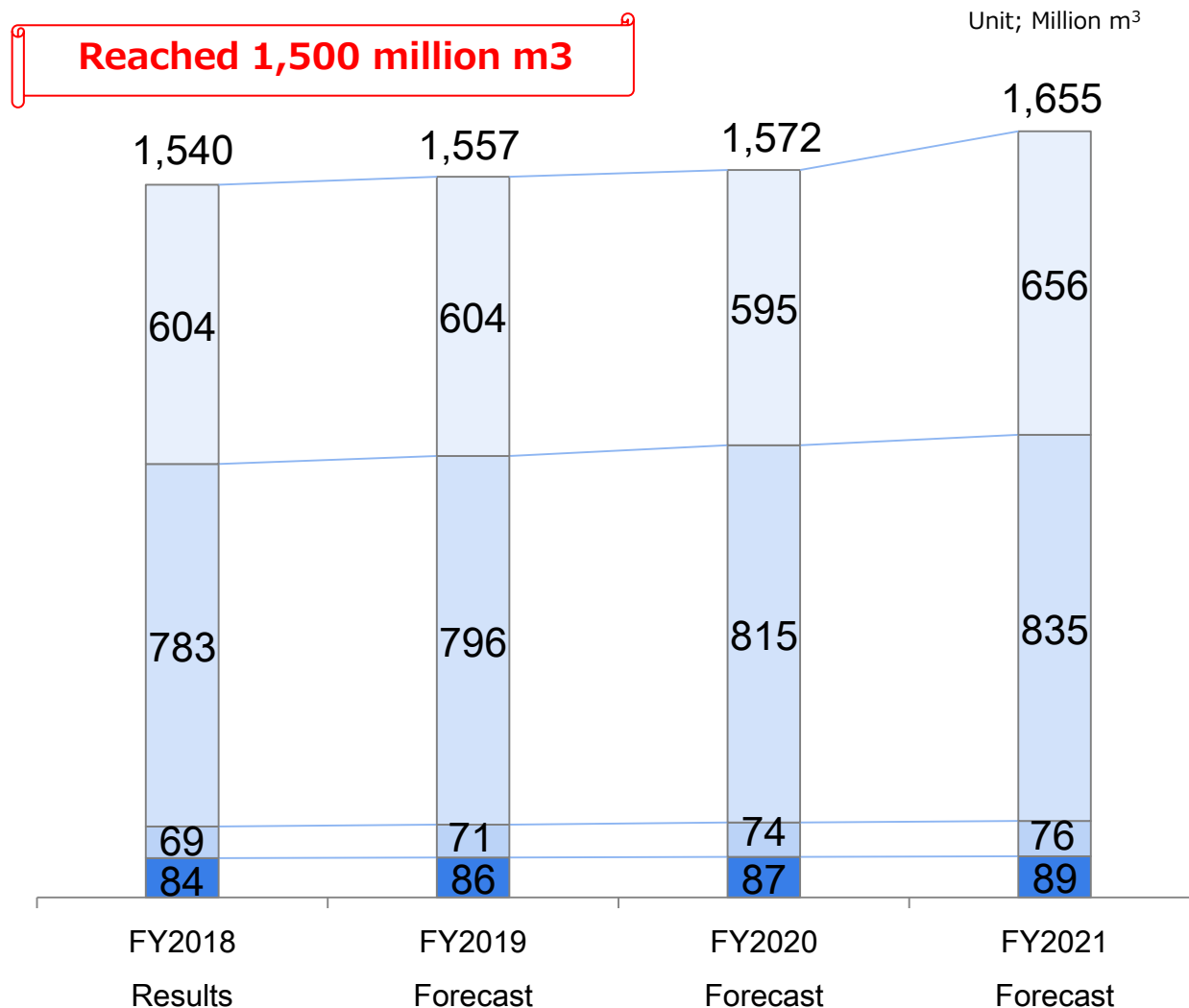
- Gas, plumbing, electricity, steam pipe construction, and other utilities fields; engineering and other new fields
- Upgrade maintenance services using IoT, etc.



# Greater Resilience in Our Energy Business Foundation



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



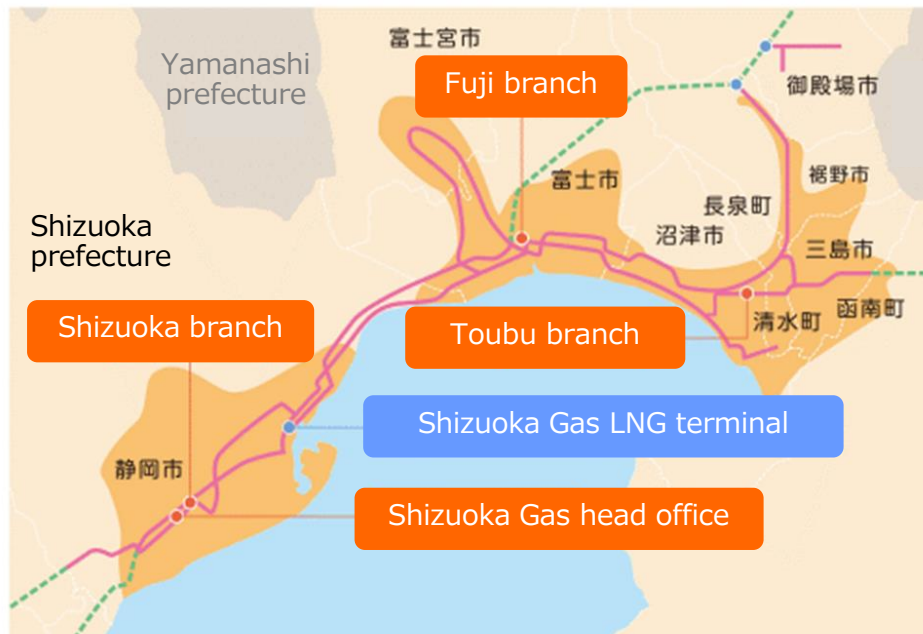
<b>Total</b>	Average annual growth FY2018 to FY2021 <b>+2.4%</b>
<b>Wholesale</b>	Average annual growth FY2018 to FY2021 <b>+2.8%</b>
<b>Industrial</b>	Average annual growth FY2018 to FY2021 <b>+2.2%</b>
<b>Business</b>	Average annual growth FY2018 to FY2021 <b>+3.4%</b>
<b>Residential</b>	Average annual growth FY2018 to FY2021 <b>+1.6%</b>

# Greater Resilience in Our Energy Business Foundation



## Greater Resilience in Our Network for Stable Supply

- Preventive maintenance on trunk pipelines
- Pipeline earthquake proofing: 96.7% (2018)  $\Rightarrow$  100% (2023)
- Heightened earthquake/tsunami countermeasures for LNG terminals



Trunk Pipeline Network



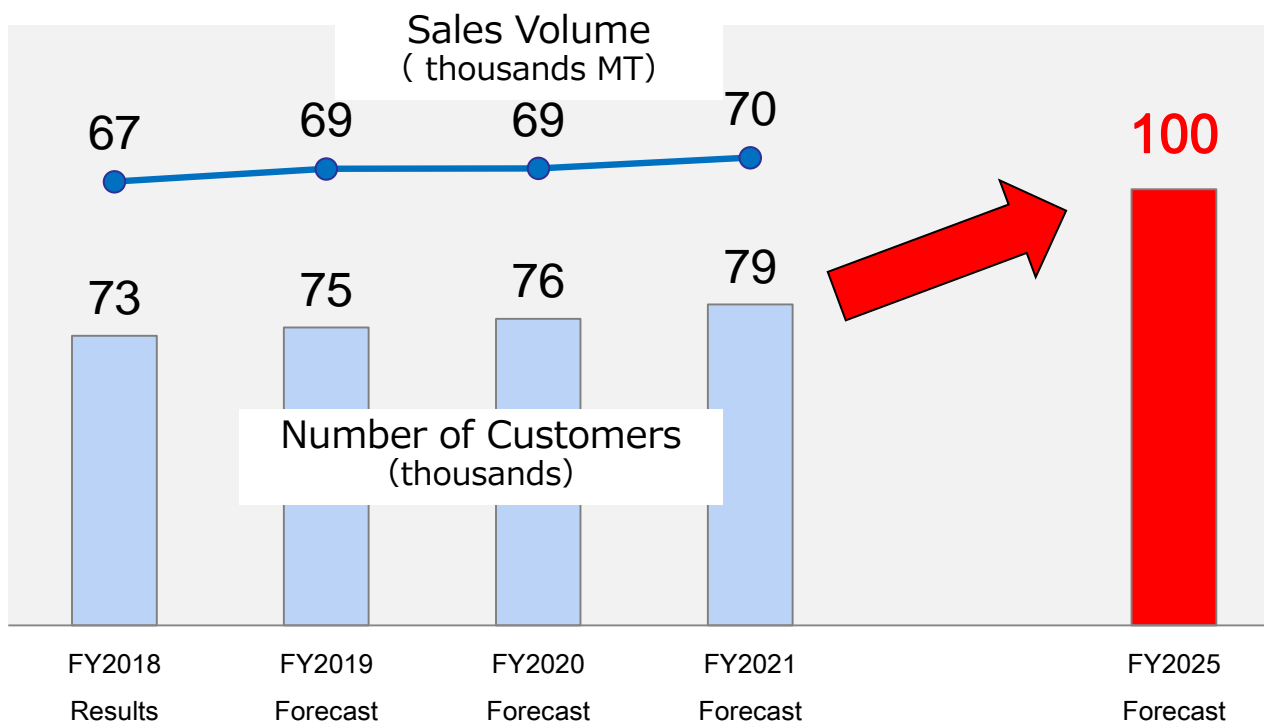
Shimizu LNG Co., Ltd.

# Greater Resilience in Our Energy Business Foundation

## Strengthening of the LPG Business

- Grow customer base through integrated sales of city gas and electricity
- Further growth through M&A

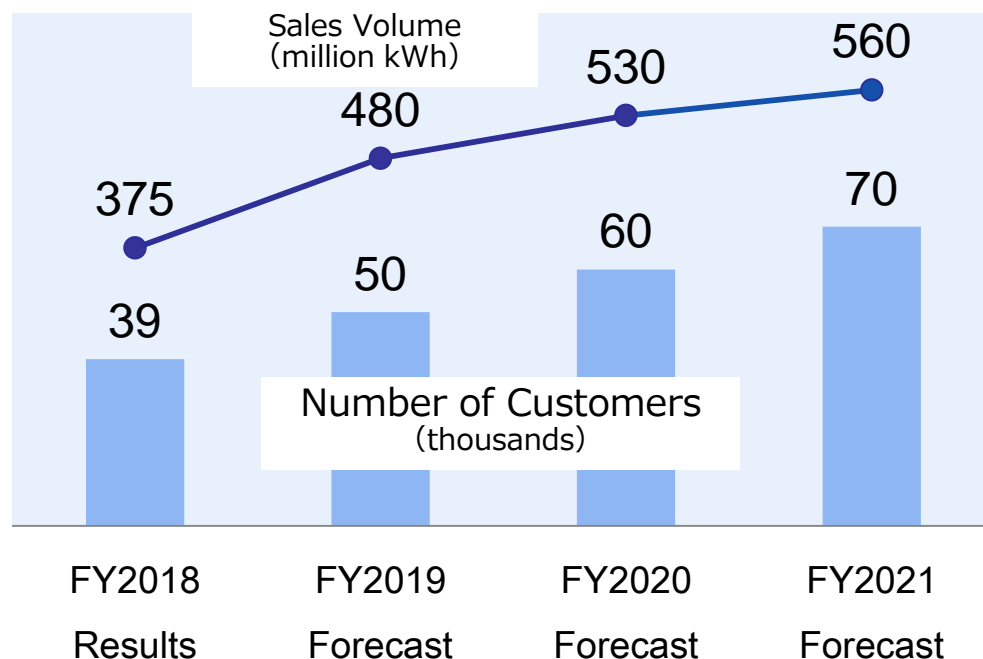
■ LPG Number of Customers and Gas Sales Volume



# Greater Resilience in Our Energy Business Foundation

## Expansion of the Electricity Business

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



Solar Power Plant

## Efforts to Renewable Energy

Increase the introduction of renewable energy sources such as solar power and biomass power

# Enhancement and Growth of Lifestyle Creation Business

## Strengthen Ties to Customers and Communities

### Energy

- City Gas
- LPG
- Electricity
- Regional use of excess PV electricity
- VPP

### Lifestyle products and services

- Appliance Sales
- Remodeling
- Gas appliance warranties extension service
- Energy Savings Checkup
- Home appliances
- Residential equipment
- Quick-response svcs.
- Parking lot sharing services
- IoT-connected engineering

### Financial services

- Lease
- Installment Sales
- Insurance
- Point Service

### More Contact Points With Customers

⇒ Reconfigure Eneria

### Future Customers

Existing Customers





# LNG purchase price reduction and Expansion of business in global niche market



## LNG purchase price reduction

- Revise contract price
- Implement reloading via standard ships
- **Commercialize reloading sales to medium- and small-sized ships**

## Expansion of business in global niche market

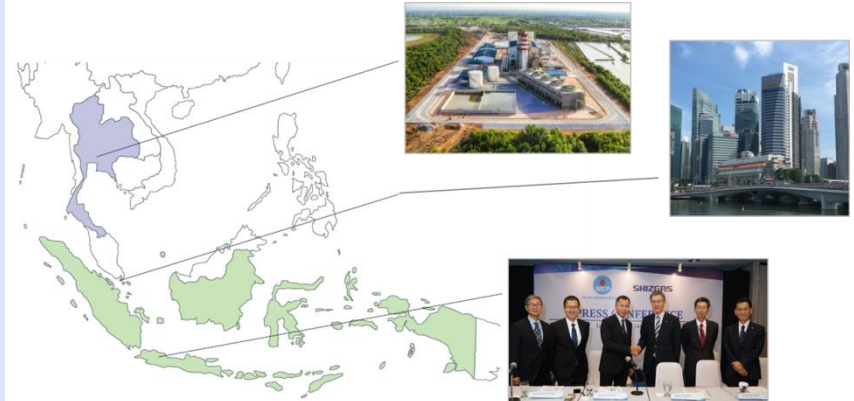
- **LNG container sales**
- Expand sales of industrial-use gas with MEP of Indonesia  
(co-generation proposals, CNG truck transport, etc.)



Signing Ceremony with  
Clean Energy CO., LTD



LNG Transport  
Container



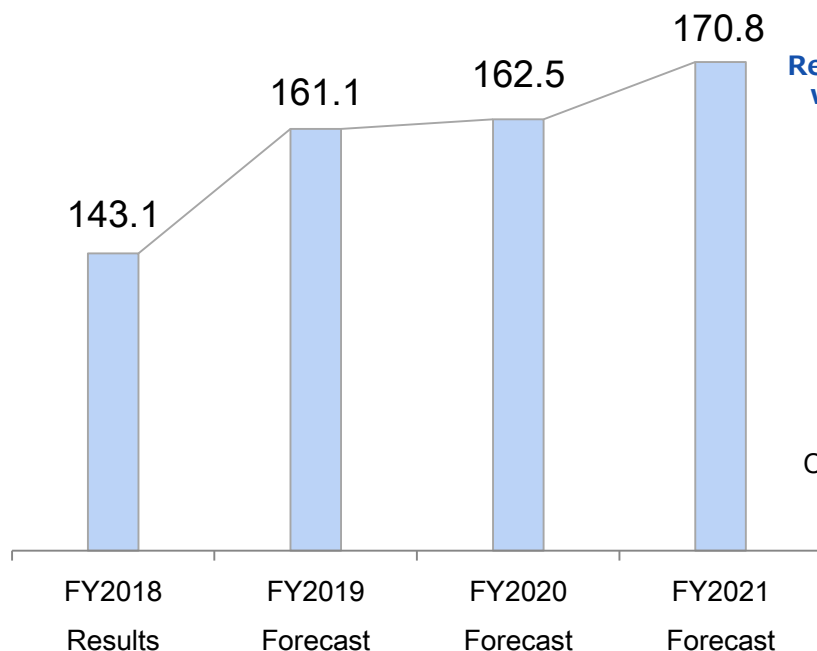


# Forecast: Net Sales and Operating Income



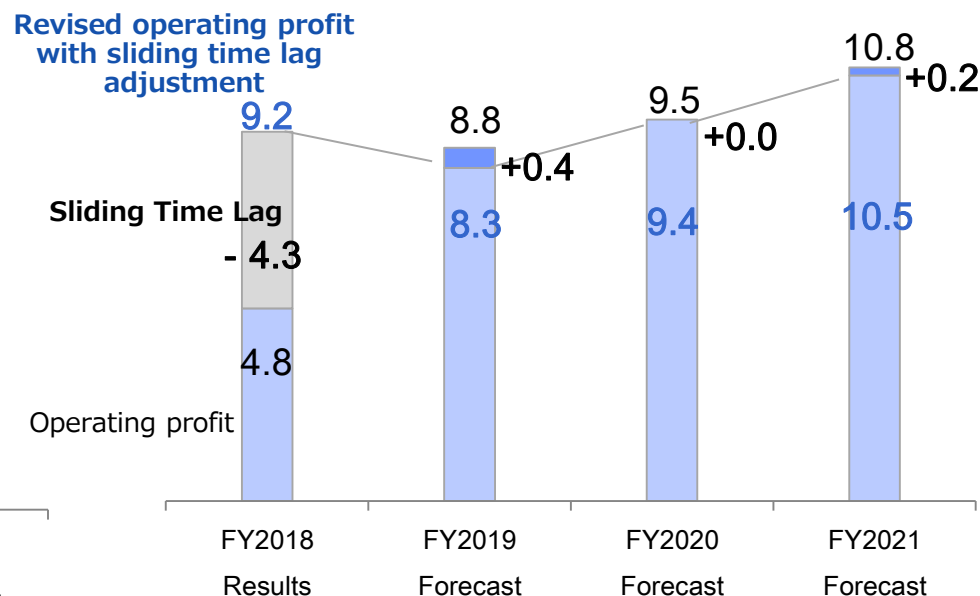
## Net Sales

Unit; Billion yen



## Operating income & Sliding time lag

Unit; Billion yen



	FY2018 Results	FY2019 Forecast	FY2020 Forecast	FY2021 Forecast
Exchange rate (Yen/US\$)	110.5	110	110	110
Crude oil price CIF (JCC) (\$/bbl)	73.0	75	75	75

Gross Profit Sensitivity (FY2019)	
(+) 1yen/\$	-140 million yen
(+) 1\$/bbl	-180 million yen

□ Dividend per share

**FY2018 15 yen**  
**FY2019 16 yen**  
 (Forecast)

## III. Supplementary Information

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# Forecast: Breakdown of Consolidated Operating Income

<Year-on-year comparison >

**SHIZUGAS**

Net sales **161.1** [+17.9]

Unit; billion yen

\*Parentheses indicate comparison to 2018

\*Transactions between the consolidated companies are offset

City gas	<b>128.1</b>	[+13.1]
LPG/Electricity/ Other Energy	<b>20.1</b>	[+2.5]
Others	<b>12.7</b>	[+2.1]

Gross profit

**38.2** [+6.5]

City gas **31.8** [+5.1]

■ Net sales **128.1** [+13.1]

Increase in gas sales volume +4.1

Upward adjustment of  
unit price of gas +8.8

Others +0.2

■ Cost of sales **96.2** [+8.0]

Increase in gas sales volume +3.6

Increase in gas prices +4.5

LNG terminal cost +0.1

Others -0.2

LPG/Electricity/  
Other Energy/Others **6.3** [+1.3]

Operating income **8.8** [+3.9]

Sliding time lag\* **+0.4** [+4.8]

\*Non-consolidated

Sales and administrative expenses

**29.3** [+2.5]

# Gas Sales Plan (Non-Consolidated)



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

	FY2018 Results	FY2019 Forecast	FY2020 Forecast	FY2021 Forecast
Gas sales volume	1,540	1,557	1,572	1,655
Own sale	936	954	977	1,000
Residential	84	86	87	89
Commercial	69	71	74	76
Industrial	783	796	815	835
Wholesale	604	604	595	656

## A breakdown of the Own sale

Large-lot sale	774	787	805	823
Small-lot sale	163	167	172	176

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

# Statement of Income



Unit ; billion yen

	FY2018 Results	FY2019 Forecast	FY2020 Forecast	FY2021 Forecast
Net sales	143.1	161.1	162.5	170.8
Cost of sales	111.5	122.8	123.1	129.2
Gross Profit	31.6	38.2	39.4	41.5
Sales and administrative expenses	26.8	29.3	29.9	30.7
Salaries	10.1	11.1	11.2	11.3
Other expenses	9.8	11.3	11.4	12.1
Depreciation	6.8	6.9	7.2	7.2
Operating income	4.8	8.8	9.5	10.8
Ordinary income	5.5	9.2	9.9	11.3
Net income	3.2	5.8	6.3	7.4

# Balance Sheet



Unit ; billion yen

	FY2018 Results	FY2019 Forecast	FY2020 Forecast	FY2021 Forecast
Assets	113.6	112.4	114.8	120.0
Noncurrent assets	74.4	76.1	77.3	79.9
Current assets	39.2	36.3	37.4	40.0
Liabilities	31.3	25.0	22.5	21.3
Long-term debts	9.8	8.4	6.2	4.7
Total net assets	82.3	87.4	92.2	98.7

# Statement of Cash Flows & Capital Expenditure



Unit ; billion yen

	FY2018 Results	FY2019 Forecast	FY2020 Forecast	FY2021 Forecast
Operating cash flow	11.8	12.4	15.6	16.0
Investing cash flow	- 5.3	- 9.0	- 10.1	- 11.5
Financing cash flow	- 4.2	- 3.4	- 4.4	- 3.3
Capital expenditure	6.3	10.0	11.1	12.7
Depreciation	8.9	8.7	8.9	8.9

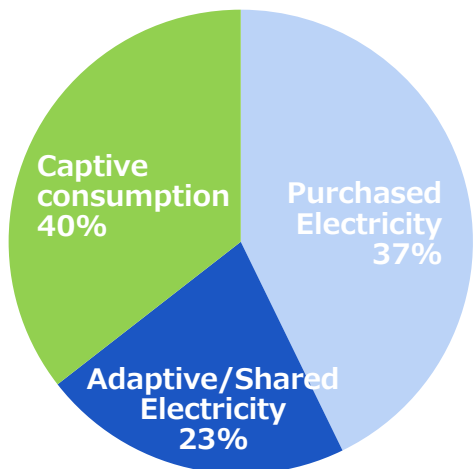
# Electricity Business

## The development of distributed energy system with regional cooperation

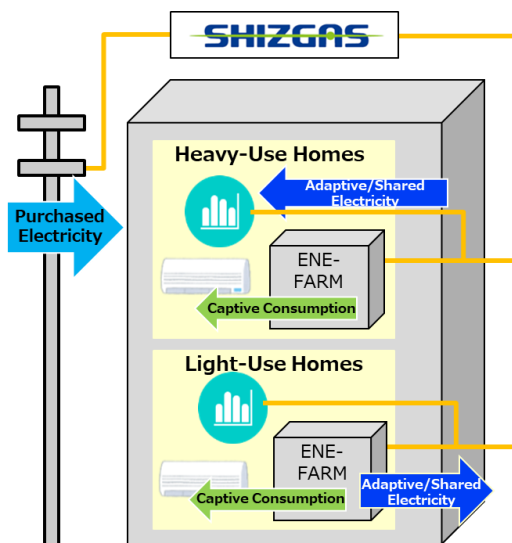
### ■ Regional electricity model



### ■ T-Grid System



(Cumulative total, May 2017 through April 2018)



Installation:  
(Chalier Nagaizumi Grand Marks, developed by Toray Construction)  
Two Buildings/190 Units



# Integrate Digital and Analog

Integrate digital and analog for better customer satisfaction and operational efficiency

## ■ Digitize customer interactions

Use mobile device (Fiemo) for efficient, paperless operations



## ■ Utilizing customer information for increasing sales strength

Face to Face × Digital

Utilize customer information collected during the interactions to identify needs and offer the best solutions



# Strengthening Our Management Foundation



## Corporate Governance Initiatives

### ● Reduced Share Cross-Holdings

- Reduced holdings in seven companies with no rational need to hold

### ● Board of Director Effectiveness

- Four of eleven directors are outside directors (three of whom are independent directors)
- Elected a female director (March 2018)
- Two of three members of the Audit and Supervisory Board are outside members (two of whom are independent members)
- Scheduled to add one additional outside member of the Audit and Supervisory Board (March 2019)
- Established optional nominating and compensation committees

## Investment in Human Resources

### ● Leadership training (coaching) to develop skills in subordinates

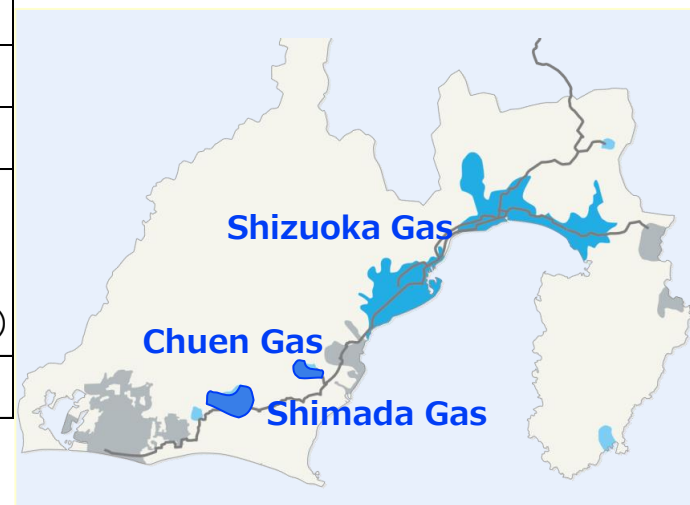
### ● Education/training based on individual capabilities

# Group Structure, Organizational Restructuring



## Chuen Gas, Shimada Gas Wholly Owned Subsidiaries

Company Name	Chuen Gas Co., Ltd.	Shimada Gas Co., Ltd.
Location	Chuo, Kakegawa City, Shizuoka	Yokoi, Shimada City, Shizuoka
Established	July 17, 1961	February 5, 1957
Capital	75 million yen	60 million yen
Net Sales	1,387 million yen(2018)	1,281 million yen(2018)
Number of Customer	City Gas: 9,412	City Gas: 5,075
	LPG: 2,241 (As of December 2018)	LPG: 1,773 (As of December 2018)
City Gas Adoption Rate	49.2% (as of December 2018)	29.8% (as of December 2018)



## Revised Construction Systems

- Simultaneous construction of gas and plumbing
- Aiming for integrated construction of residential utilities (gas, water, electricity)

# FY2018 Highlights



- 2018 Feb. • T-Grid System wins 2017 Co-Generation Award, Award of Excellence
- March • Eneria Tobu Higashi established  
• Shimada Gas becomes consolidated subsidiary
- April • The number of electricity customers surpass 30,000
- June • Launch of verification project using electric vehicles as virtual power plant (VPP) power source  
• Dispatch recovery support team to Osaka earthquake site
- July • Launch of large-scale co-generation for a paper manufacturing company  
• Signed a partnership agreement with Fujinomiya City to use SHIZGAS Eneria parking for effective use of resources through the sharing economy and to increase regional activity  
• Launched residential IoT service (Eneria-Linked-IoT)
- Nov. • Provided contributions for Sulawesi Island (Indonesia) earthquake and tsunami recovery  
• Restructured Eneria into four companies as consolidated subsidiaries
- 2019 Jan. • T-Grid System wins Energy Conservation Center Chairman's Award  
• Signed sales contract with Clean Energy CO., LTD for LNG container sales to China
- Feb. • Launched residential service to resolve smartphone-related issues  
• Chuen Gas becomes wholly owned subsidiary