FY2021 2Q Financial Results

(January-June)

SHIZUOKA GAS CO.,LTD.

TSE:9543

August 6th,2021

Contents

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.

Ⅰ. Summary Financial Results for FY2021 2Q

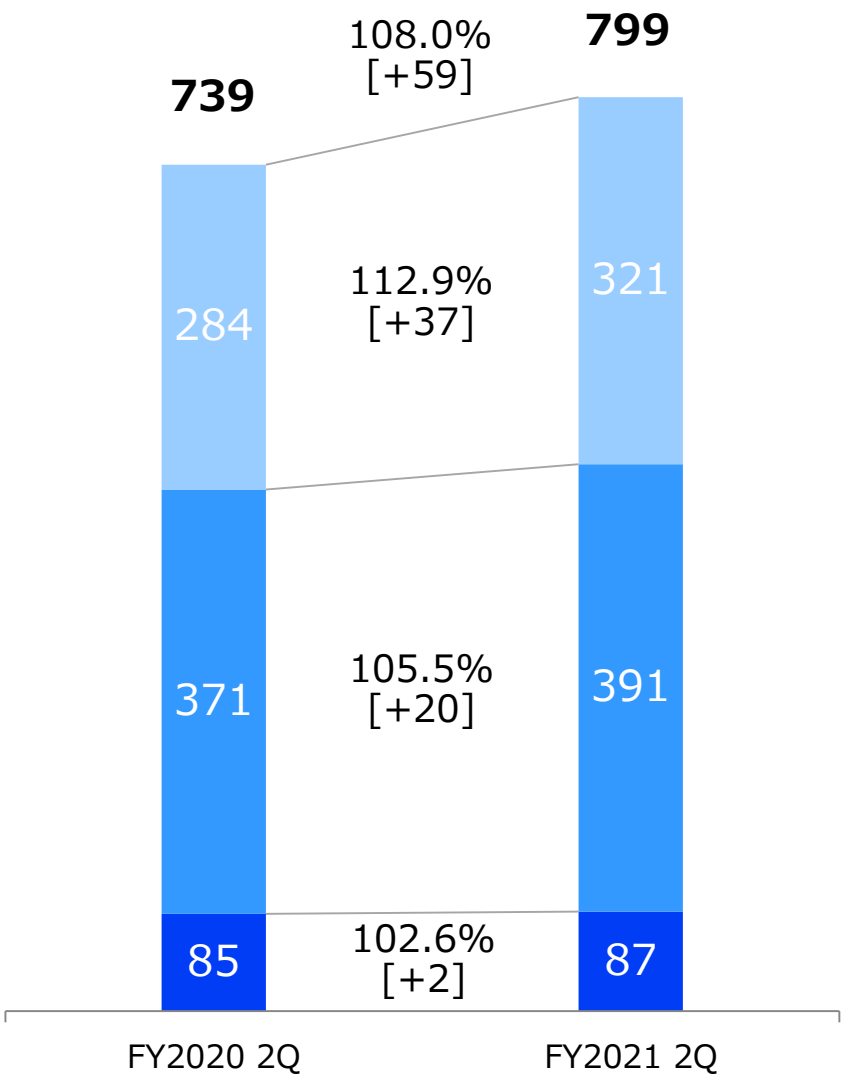
FY2021 2Q Financial Highlights

◎2Q Results : Lower sales, Higher profits

- Gas sales volume +8.0% year on year
  (Wholesale) Increased in sales volume to wholesale customers.
  (Large-Lot Sale) Increased in sales volume to existing customers.
  (Small-Lot Sale) Increased in sales volume to commercial customers.
- Net sales decreased by 6.3% due to downslide in city gas unit price.
  Operating profit increased by 97.3% due to falling raw material prices and absence of allowance for ship allocation adjustment accrued in previous year.

	FY2020 2Q	**FY2021 2Q**	Change	*Change*(%)
●**Gas sales volume** **(Non-Consolidated)** (million m^3,45MJ)	739	**799**	+59	*108.0*
Wholesale	284	**321**	+37	*112.9*
Large-lot-sale	371	**391**	+20	*105.5*
Small-lot-sale	85	**87**	+2	*102.6*
●**Net sales** (billion yen)	66.6	**62.4**	-4.1	*93.7*
●**Operating profit after Sliding time lag adjustment** (billion yen)	3.3	**8.3**	+5.0	*253.2*
Operating profit	2.7	**5.5**	+2.7	*197.3*
Sliding time lag	-0.5	**-2.8**	-2.3	–

Gas Sales Volume (Non-consolidated)



Unit; Million m^3(45MJ/m^3)

* Figures in [ ] are the difference from the results in FY2020 2Q

Wholesale

- Increased in sales volume to wholesale customers [+37]

Large-lot-sale

- Full operation in factories of customers added in 2020 [+1]
- Existing customers [+19]

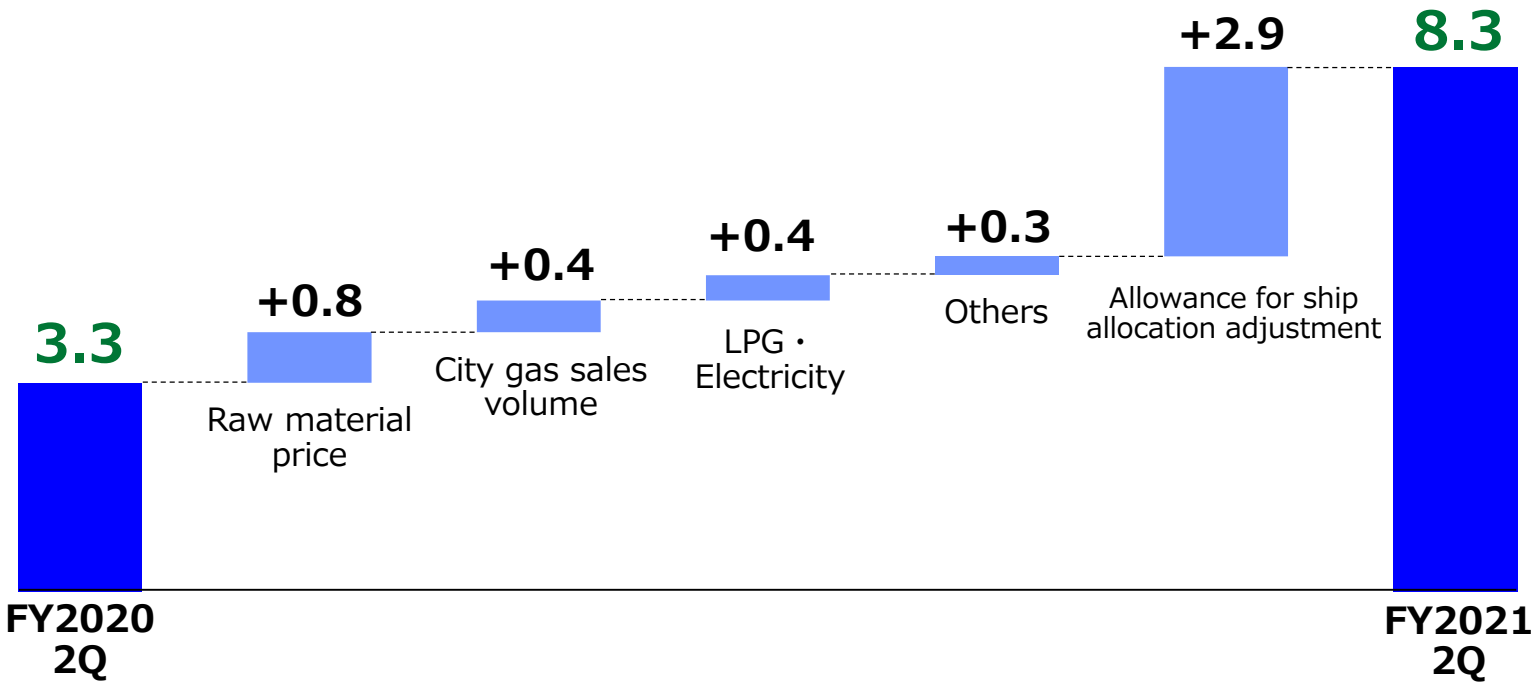
Small-lot-sale

- Increased in sales volume to commercial customers [+2]

Breakdown of Consolidated Operating Profit (Year-on-Year comparison)

Unit : billion yen

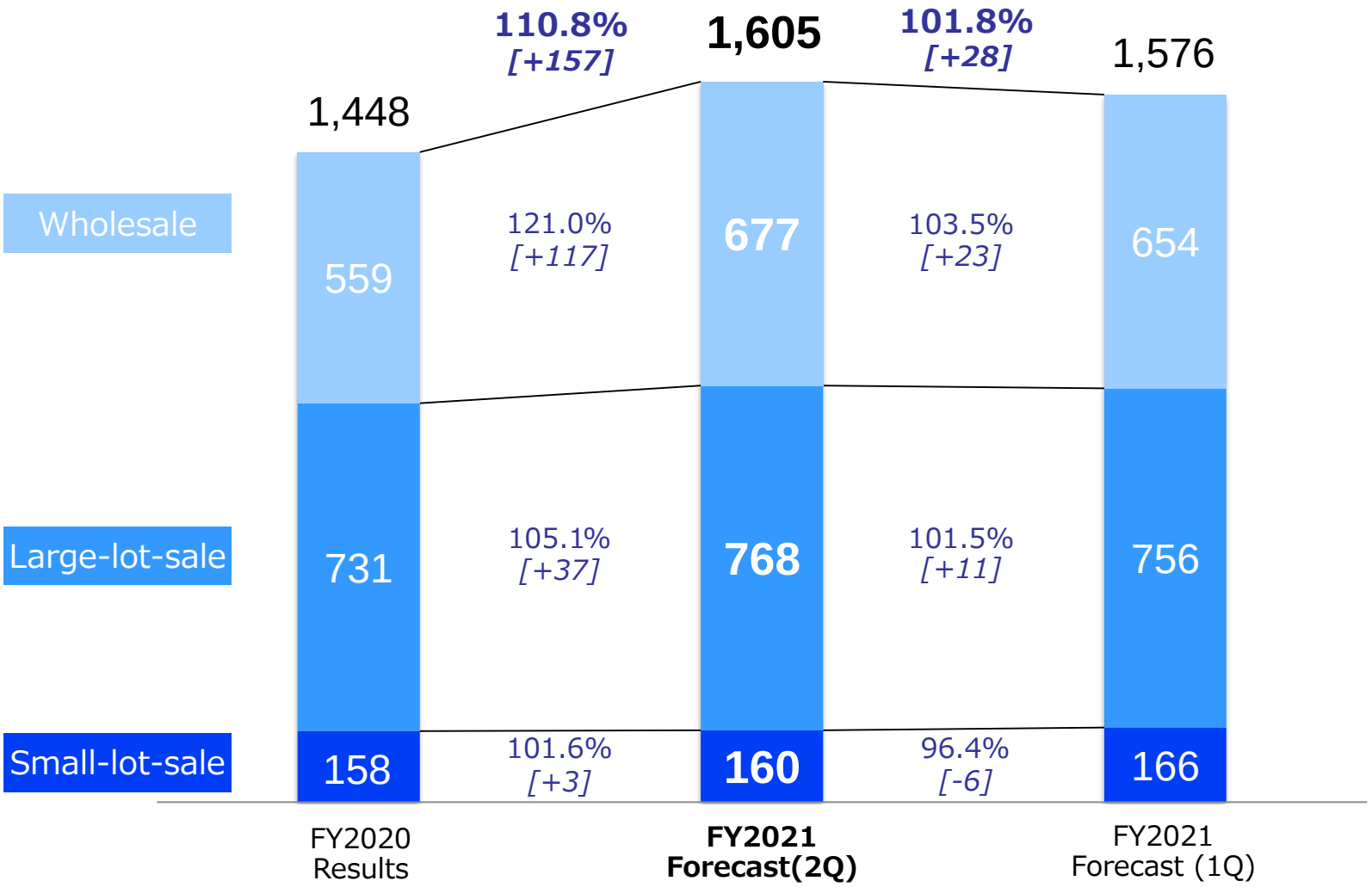
	FY2020 2Q	FY2021 2Q	Change
Operating profit after Sliding-time-lag adjustment	**3.3**	**8.3**	**+5.0**
Operating profit	2.7	**5.5**	+2.7
Sliding-time-lag	-0.5	**-2.8**	-2.3



Ⅱ. FY2021 Forecast

FY2021 Forecast: Gas Sale Volume (Non-consolidated)

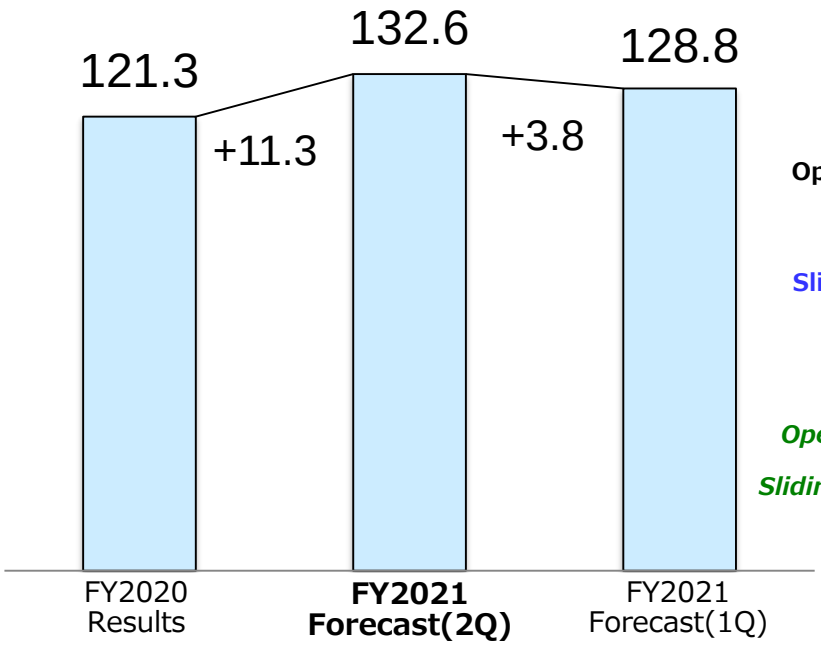
Unit; million m^3(45MJ/m^3)



FY2021 Forecast: Net Sales and Operating Profit

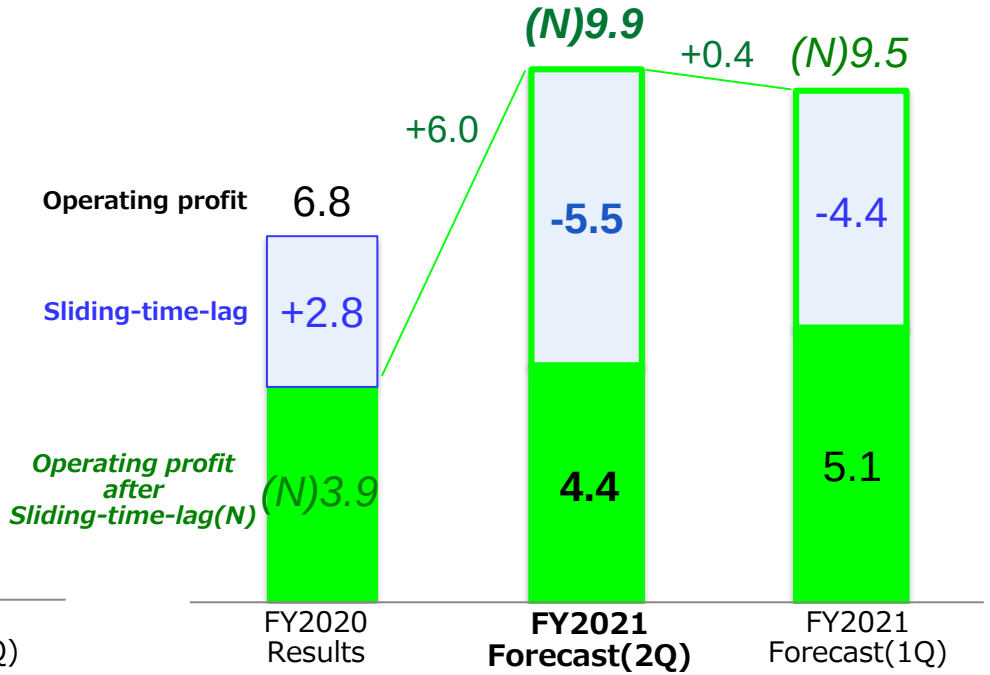
Net Sales

Unit; Billion yen



Operating profit & Sliding-time-lag

Unit; Billion yen



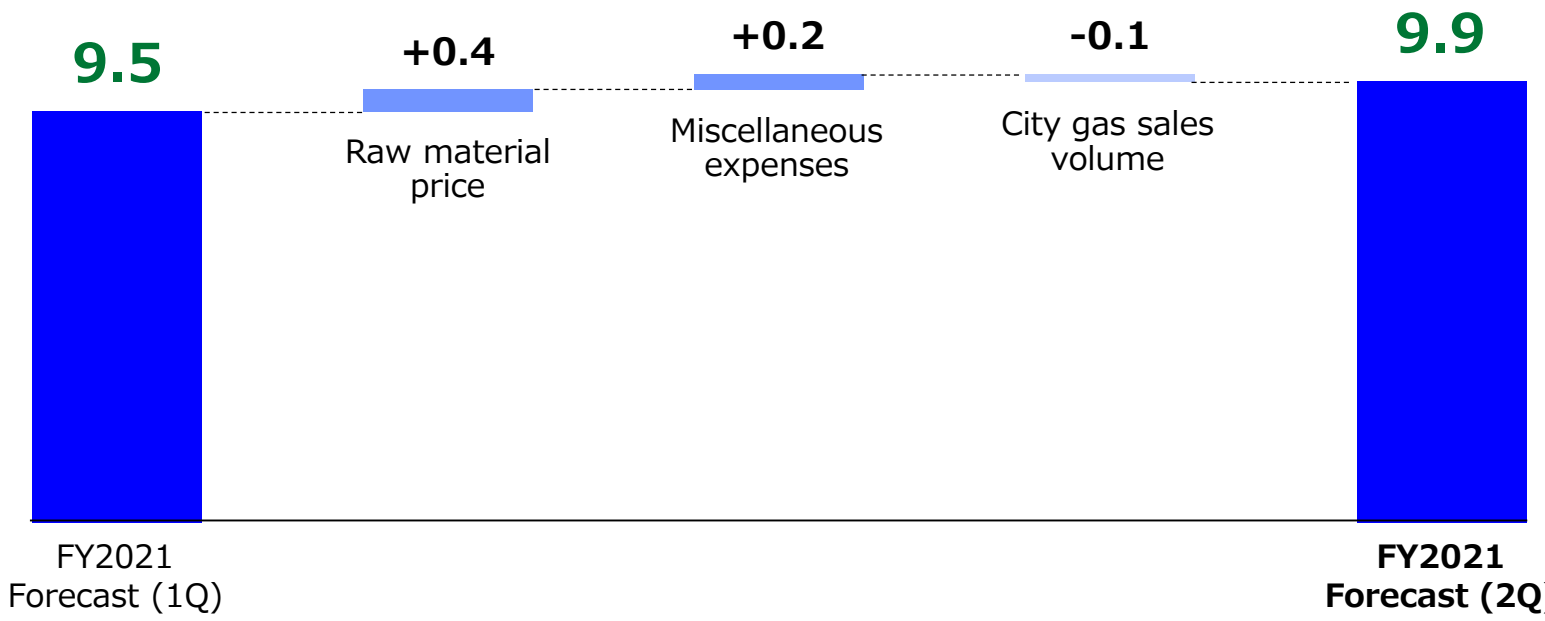
	FY2021 1-2Q	Jul. 2021 Forecast	Aug.-Dec. 2021 Forecast
Exchange rate (Yen/US$)	**107.1**	**110.7**	**110.0**
Crude oil price CIF (JCC) (US$/bbl)	**61.6**	**77.0**	**75.0**

Effect on Gross Profit (Aug.-Dec. 2021)	
(+) 1yen/US$	-120 million yen
(+)1US$/bbl	-80 million yen

Breakdown of Operating Profit (FY2021 Forecast) <vs. FY2021 Forecast(1Q)>

Unit : billion yen

	FY2021 Forecast (1Q)	FY2021 Forecast (2Q)	Change
Operating profit after sliding-time-lag adjustment	**9.5**	**9.9**	**+0.4**
Operating profit	5.1	4.4	-0.7
Sliding-time-lag	-4.4	-5.5	-1.1



Ⅲ. Shizuoka Gas Group
Carbon Neutral Vision 2050

Carbon Neutral Vision 2050

Working With Customers and Communities to Achieve Carbon Neutrality by 2050

Shizuoka Prefecture is an area blessed with rich natural resources, and boasts a variety of industries, such as food and paper manufacturing. We at the Shizuoka Gas Group will tackle the challenge of achieving carbon neutrality by 2050 alongside our customers and our local communities, while taking advantage of the area's unique strengths. In addition, we will build out our expertise gained here into Southeast Asia and other regions, contributing to problem-solving in each of these areas.

Shizuoka's Unique Characteristics

1) Rich natural resources

- Abundant forest resources (approx. 65% of prefecture land is forest)
- Ample groundwater and other water resources
- Izu Peninsula Geopark
- Mild climate

➡ **Environment and forest conservation**

2) Diverse industries

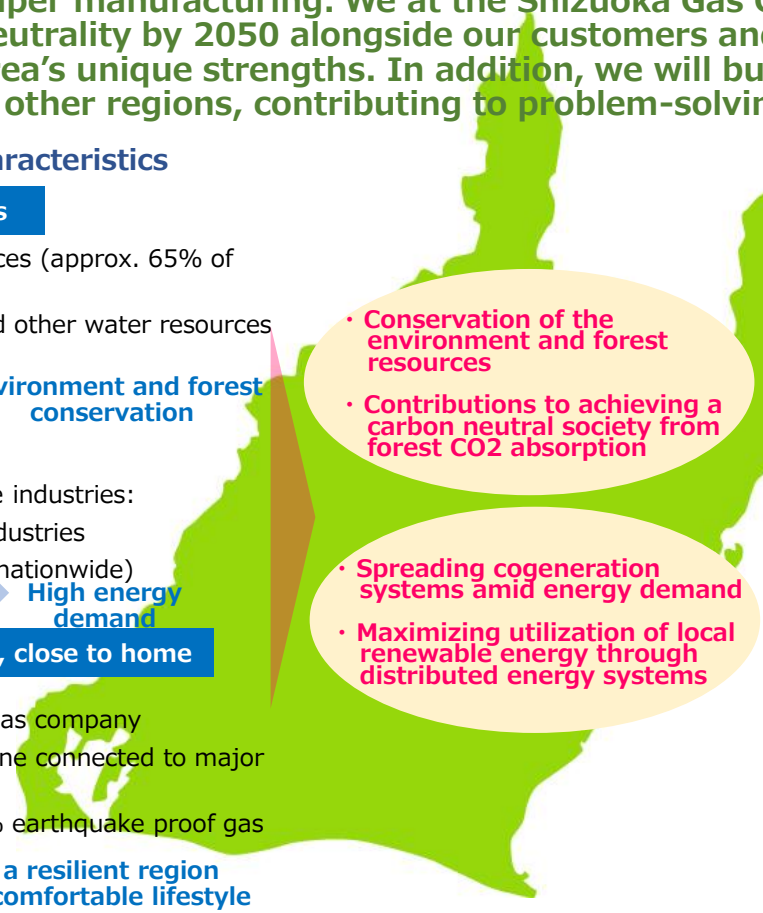
- Hub of energy-intensive industries:
  E.g. Paper, beverage industries
  (#1 in shipment volume nationwide)

➡ **High energy demand**

3) Robust infrastructure, close to home

- Community-based city gas company
- High-pressure gas pipeline connected to major metropolitan areas
- Advancing toward 100% earthquake proof gas pipelines

➡ **Building a resilient region offering a comfortable lifestyle**



- **Conservation of the environment and forest resources**
- **Contributions to achieving a carbon neutral society from forest CO_2 absorption**

- **Spreading cogeneration systems amid energy demand**
- **Maximizing utilization of local renewable energy through distributed energy systems**

Forest resources

Fuji area paper industry

伊豆半島ジオパーク IZU PENINSULA GEOPARK × SHIZGAS 静岡ガスグループ

Long-term partnership agreement

Shimizu LNG Co., Ltd., Sodeshi Terminal

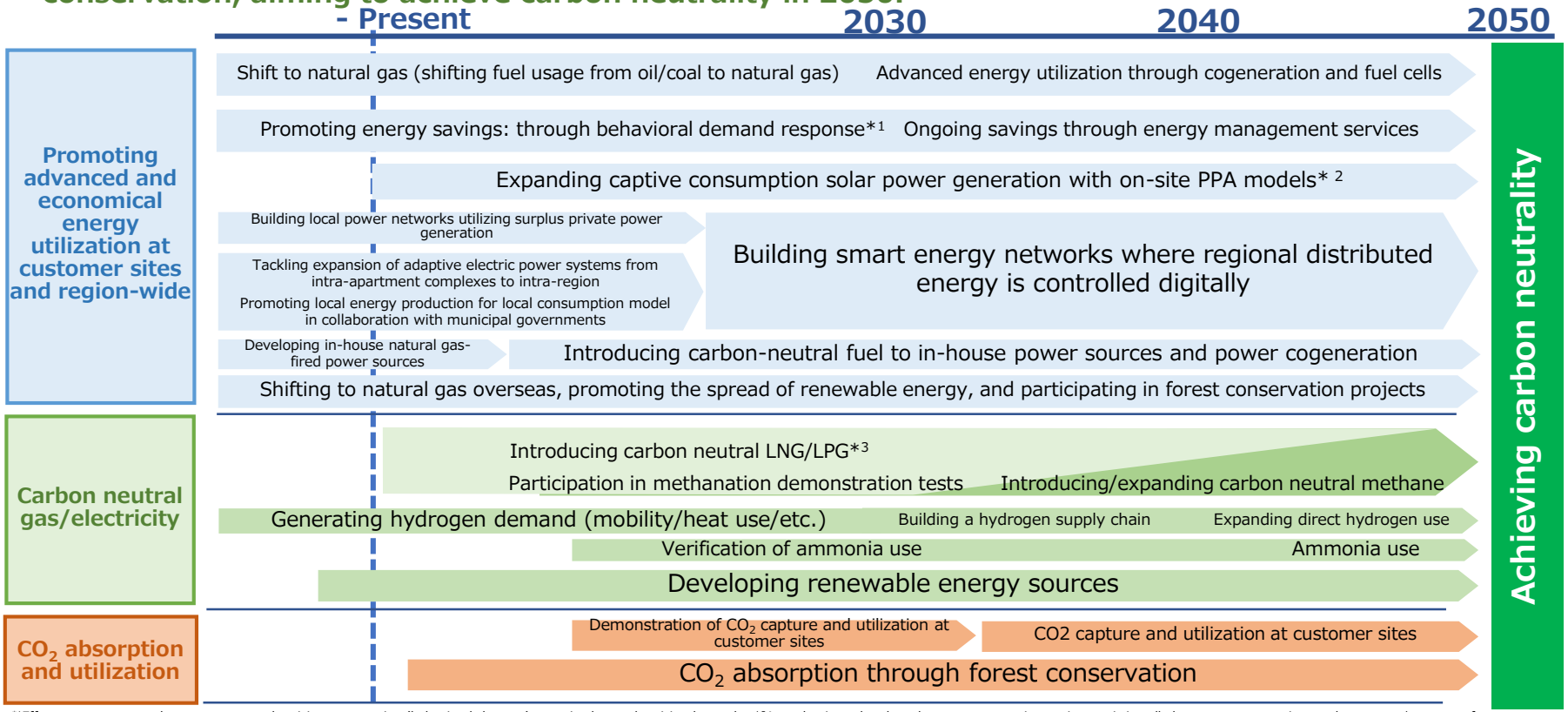
Transferring expertise to Southeast Asia and other overseas regions

(Overseas Businesses)

Carbon Neutral Vision 2050

Roadmap towards Carbon Neutrality

We will work alongside our customers to accelerate efforts toward reduced carbon footprints, and tackle the challenges of utilizing carbon-neutral methane, hydrogen, and ammonia. We will also promote the development of renewable energy power sources and CO_2 absorption through forest conservation, aiming to achieve carbon neutrality in 2050.

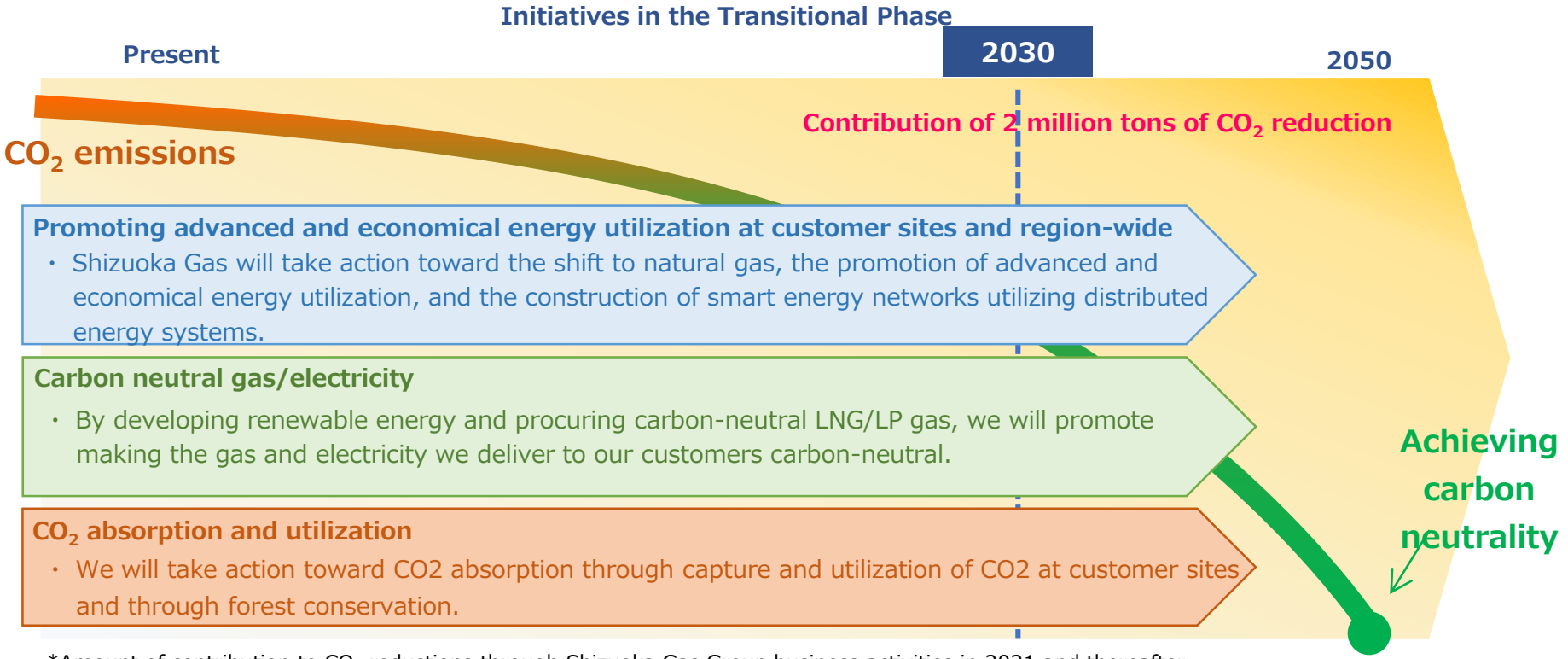


*1Efforts to encourage voluntary customer electricity conservation (behavioral changes) targeting lower electricity demand *2A mechanism whereby solar power generation equipment is installed on customer premises at the operator's expense for provision of generated energy to customers *3LNG/LPG in which greenhouse gases generated in the process from mining to combustion are offset by CO_2 reductions from reforestation support, etc.

Carbon Neutral Vision 2050

Tackling the Challenge of 2 Million Tons* of Reduction in CO_2 Emissions by 2030

Rigorous CO_2 emission reductions are key in the transitional phase until practical implementation of innovative technologies. The Shizuoka Gas Group will take a variety of actions to contribute to CO_2 reductions through 2030.



*Amount of contribution to CO_2 reductions through Shizuoka Gas Group business activities in 2021 and thereafter

Carbon Neutral Vision 2050

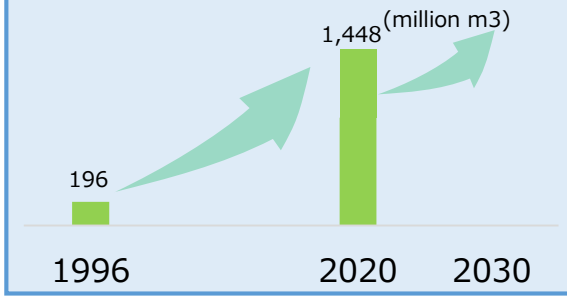
Promoting advanced and economical energy utilization at customer sites and region-wide

Reduce carbon footprints at customer sites

Shift to natural gas

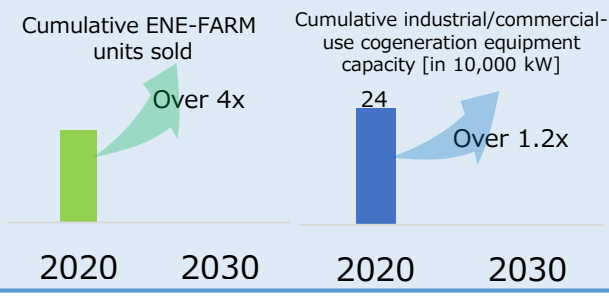
From the 1996 introduction of natural gas to 2020, the shift to natural gas has contributed to a total of 800,000 tons of CO2 reductions

City gas sales volume (non-consolidated)



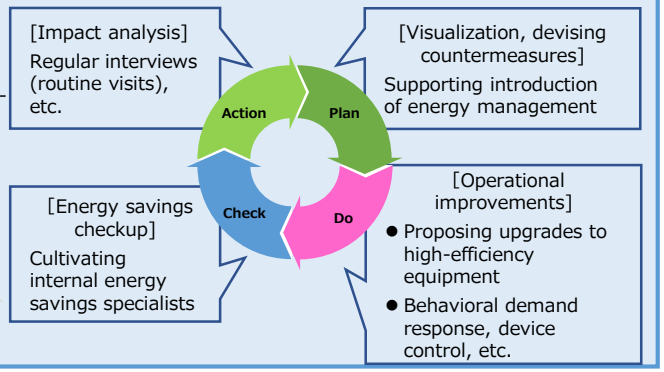
Promoting advanced energy utilization

We will accelerate the spread of ENE-FARM (residential use), cogeneration equipment (industrial/commercial use), high-efficiency air conditioners (gas engine-driven heat pumps, absorption chiller-heaters), and etc.



Promoting energy conservation

We will achieve cost and energy savings through long-term engagement with customers through utilization of demand response and other methods.



Building smart energy networks

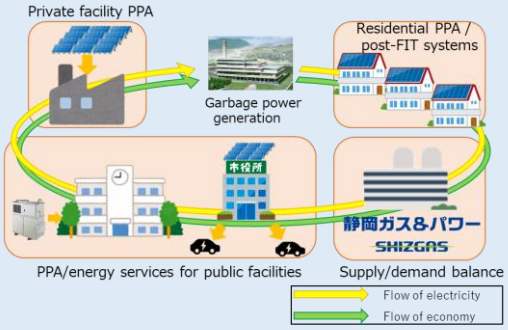
Distributed energy systems

■The T-Grid System* adaptive electric power system for apartment complexes

Chalier Nagaizumi

*Technology for interchange of power within an apartment complex by combining collective power reception and ENE-FARM units, enabling greater energy savings and CO_2 reduction and greatly reducing electricity purchase volumes from external providers

■ Example local production for local consumption models with community participation



We will begin by leveraging systems on an intra-regional level, then expand to cross-regional use

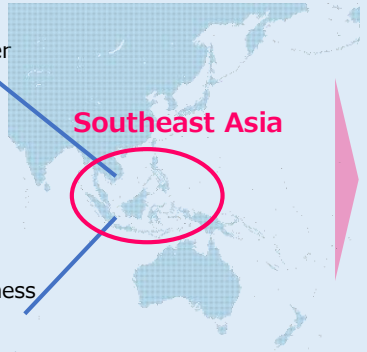
Overseas initiatives

Contribute to reduced carbon footprints and decarbonization around the world

Ongoing efforts

■ Natural gas power generation business and solar power generation business in Thailand

■ Gas energy business in Indonesia



Future

・Promoting the shift to natural gas

・Expanding capacity and types of renewable energy sources

・Participating in forest conservation projects

Contributing to CO2 reduction by utilizing bilateral credit systems*

*A system in which Japanese companies utilize superior decarbonization technologies to implement projects to reduce greenhouse gas emissions in developing countries, with reduction impact shared between the target country and Japan

Carbon Neutral Vision 2050
Carbon neutral gas/electricity
CO2 absorption and utilization

Tackle the challenges of utilizing carbon-neutral methane, hydrogen, and ammonia.

Use of hydrogen and ammonia

Present

Hydrogen Station Shizuoka

Future

Cogeneration

Fuel cells

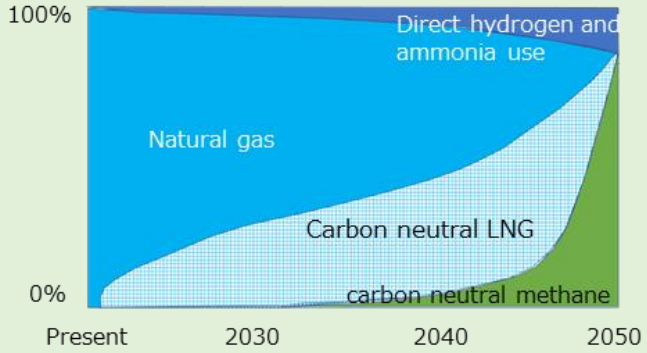
Industrial furnaces

Methanation

In partnership with stakeholders, we will work to demonstrate methanation technology that can generate methane from hydrogen and CO2.

Utilize carbon-neutral LNG during the transitional phase

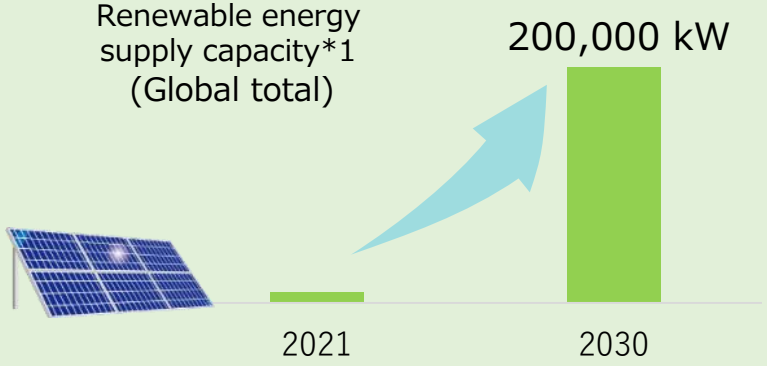
Illustration of transition to carbon neutrality by 2050



Developing renewable energy sources

We will promote development of renewable energy sources, focused on solar and biomass.

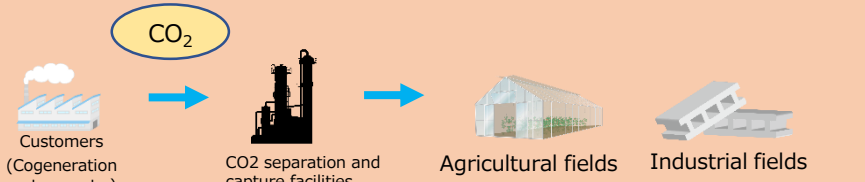
Renewable energy supply capacity*1 (Global total)



*1Including FIT power and procured power

CO2 Capture and Utilization at Customer Sites, Forest Conservation

CO2 capture and utilization at customer sites



CO2 absorption through forest conservation

CO2 Absorption

SHIZGAS 静岡ガスグループ

Partnership

Forest owners

Forestry management organizations

Creating CO2 reduction value through J-Credit*

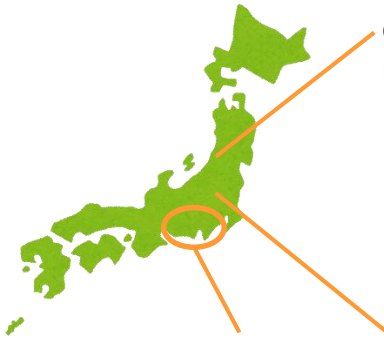
*A system in which the national government provides certification in credits for the amount of CO2, etc. absorbed through appropriate forest management and the amount of reduction of CO2 emissions through utilization of renewable energy, etc.

Ⅳ. Topics

Initiatives for Growth

Growth investment in renewable energy, etc. in Japan and overseas, and resiliency investment in natural gas infrastructure

Initiatives in Japan



Chokai-Mimami Biomass Power Co., Ltd.*1
Output scale (planned): 52,900 kW
Main fuel: Imported wood pellets

Shizuoka
・PV-PPA(third-party ownership)
・PV、Agricultural solar power generation (solar sharing)

Higashimatsuyama Biomass Power Generation, LLC*2
Output scale (planned): 1,990kW
Main fuel: Pruned tree branches

Overseas initiatives

- Solar power generation business in Thailand

Power purchase agreement with Rajabhat Mahasarakham University

Rajabhat Mahasarakham University

- ✓ Supply energy for 20 years
- ✓ Power output of 2,139kWp
- ✓ Predicted annual power generation is approx. 2.7 million kWh
- ✓ "Financing Programme for Joint Crediting Mechanism (JCM) Model Projects" in FY2020

Bolstering natural gas infrastructure resilience

- Resiliency work for high-pressure pipelines
- Resiliency work for LNG terminal

High-pressure pipelines

Sodeshi Terminal

*1 Joint investment with Tohoku Electric Power Co., Inc. and Olympia Corporation
*2 Joint investment with Mitsubishi Estate Co., Ltd. and Prospec AZ Inc.

Building Bridges to Customers and Local Communities

Shizuoka Gas's new Fuji Branch offers a bridge to customers and boasts resilience and energy efficiency

- New office creates connections with customers as a landmark in the Fuji area
  - ✓Eneria Cafeteria
    - •Provides a test kitchen for entrepreneurs looking to start their own restaurant
    - •Hosts sales promotion events with local restaurant
  - ✓New showroom capable of hosting a variety of events
- Multiple distributed energy sources (solar panels, batteries, fuel cells, city gas-fired power, EVs) and energy-efficient equipment
  - ✓Building expertise for future demand response and blanket control
  - ✓High resilience enabling stable supply and business continuity
  - ✓The first hybrid air conditioning (SMART MULTI GHP*) in the supply coverage area
  - ✓Leading reduction in carbon footprint and decarbonization in the region by disseminating information on the above initiatives to the local community, partner companies, etc.

*An air conditioning system combining gas heat pumps (GHP) and electric heat pumps (EHP). Optimal control achieves energy and cost savings.

- Working space accommodating diverse work styles

◆ New Fuji Branch building

◆ Eneria Cafeteria

◆ EV power supply makes maximum use of renewable energy sources

◆ Solar panels, hybrid air conditioning, self-sustaining power generation GHP

◆ High-productivity office