

TSE:9543

SHIZUGAS

FY2016 2Q Financial Results (Jan.1th-Jun.30th,2016)



SHIZUOKA GAS CO.,LTD

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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 FY2016 2Q

FY2016 2Q Financial Highlights



◎ 2Q Results : Lower sales, higher profits

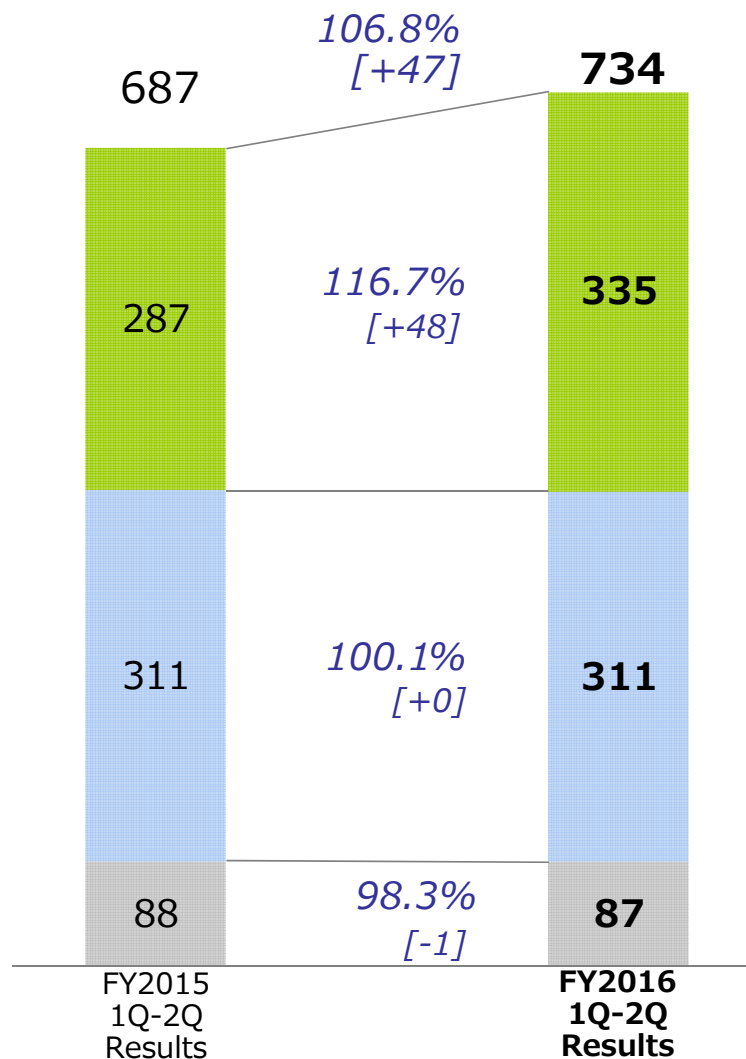
- Decrease in sliding unit prices results in lower sales; LNG price drop results in lower gas cost of sales.
- Gas sales volume up 6.8% vs. prior year
 - Wholesale sales up 16.7% vs. prior year due to operation of Shizuhama Trunkline and other factors, Small-lot-sales decrease due to warmer weather.

	FY2015 1Q-2Q	FY2016 1Q-2Q	Change	Change(%)
● Net sales (billion yen)	82.7	60.8	-21.8	73.6
● Revised operating income with Sliding time lag adjustment (billion yen)	5.3	5.7	+0.4	107.6
Operating income	8.8	11.0	+2.2	125.2
Sliding time lag	-3.5	-5.3	+1.8	-
● Gas sales volume (Non-Consolidated) (million m ³ ,45MJ)	687	734	+47	106.8
Wholesale	287	335	+48	116.7
Large-lot-sale	311	311	+0	100.1
Small-lot-sale	88	87	△1	98.3

Gas Sales Volume (Non-Consolidated)



© Change factors : Increase in wholesale sales due to operation of Shizuham Trunkline



Unit; million m³(45MJ)

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

- Wholesale**
 - Increase in sales volume via Shizuham Trunkline [+ 52]
 - Decrease in demand for wholesale customers [- 4]
- Large-lot-sale**
 - Increase due to new demand [+ 4]
 - Full operation through a whole year of newly developed customers in 2015 [+ 2]
 - Change in demand for existing customers [- 6]
- Small-lot-sale**
 - Decrease in sales volume to residential due to warmer temperature [- 1]

Breakdown of Consolidated Operating Income

<vs. FY2015 1Q-2Q Results> **SHIZGAS**

Unit; billion yen

*Parentheses indicate comparison to 1Q-2Q in 2015

*Transactions between the consolidated companies are offset

Net sales **60.8** [-21.8]

CityGas	51.2	[-21.2]
LPG	5.4	[-0.5]
Others	4.1	[-0.0]

Gross profit

23.9 [+1.8]

Operating income **11.0** [+2.2]

Sliding time lag* **+5.3** [+1.8]

* Non-consolidated

Sales and administrative expenses

12.9 [-0.3]

City Gas	21.4	[+2.1]
■ Sales	51.2	[-21.2]
Downward adjustment of unit price of gas	-20.9	
Decrease in gas sales volume	-0.1	
Tariff revisions	-0.2	
■ Cost of sales	29.8	[-23.3]
Decrease in gas prices	-23.1	
Decrease in gas consumption	-0.1	
Tariff revisions	-0.1	
LPG and Others	2.5	[-0.2]

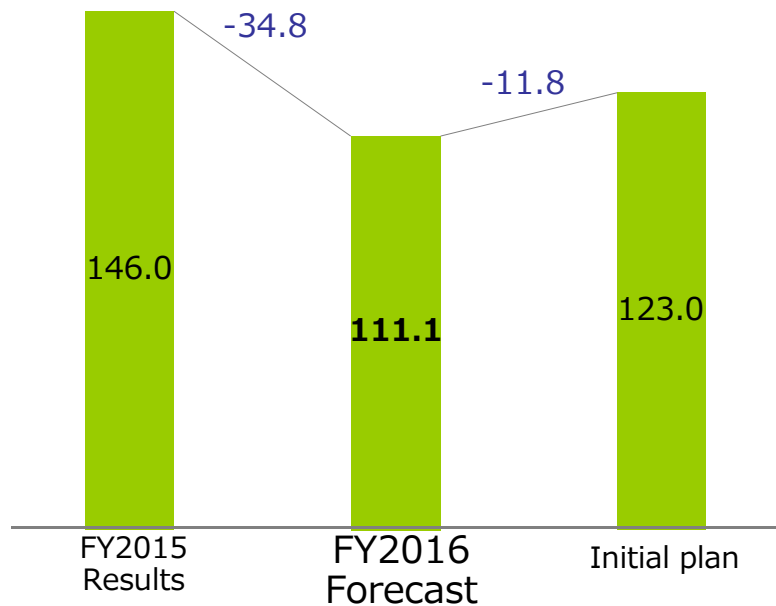
II . FY2016 Forecast

FY2016 Forecast: Net Sales and Operating Income



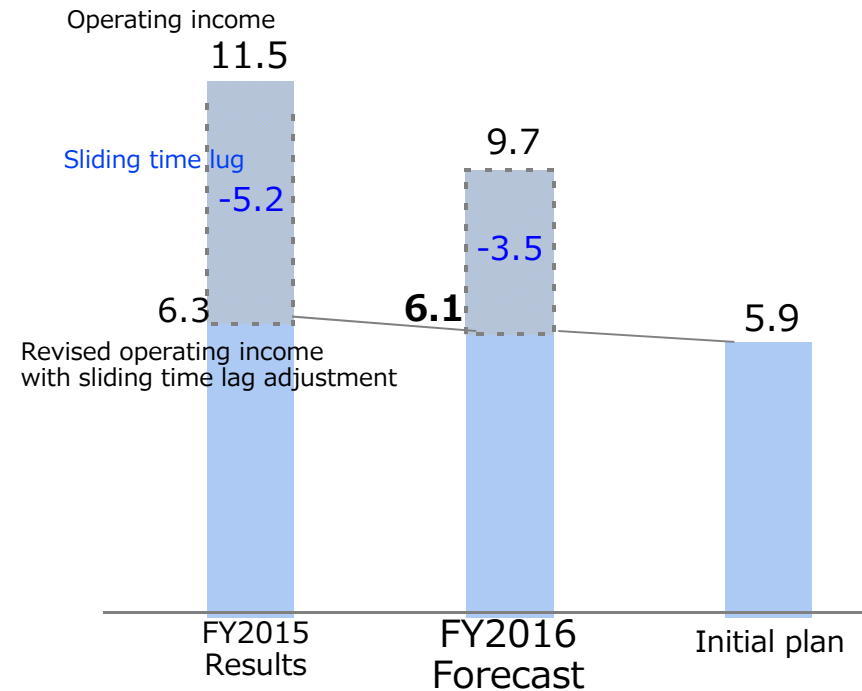
Net sales

Unit : billion yen



Operating income & Sliding time lag

Unit : billion yen



	FY2016 1Q-2Q Results	July 2016 Results	Aug.-Dec. 2016 Forecast
Exchange rate (Yen/US\$)	113.1	102.9	105
Crude oil price C I F (J C C) (US\$/bbl)	37.2	49.2	50

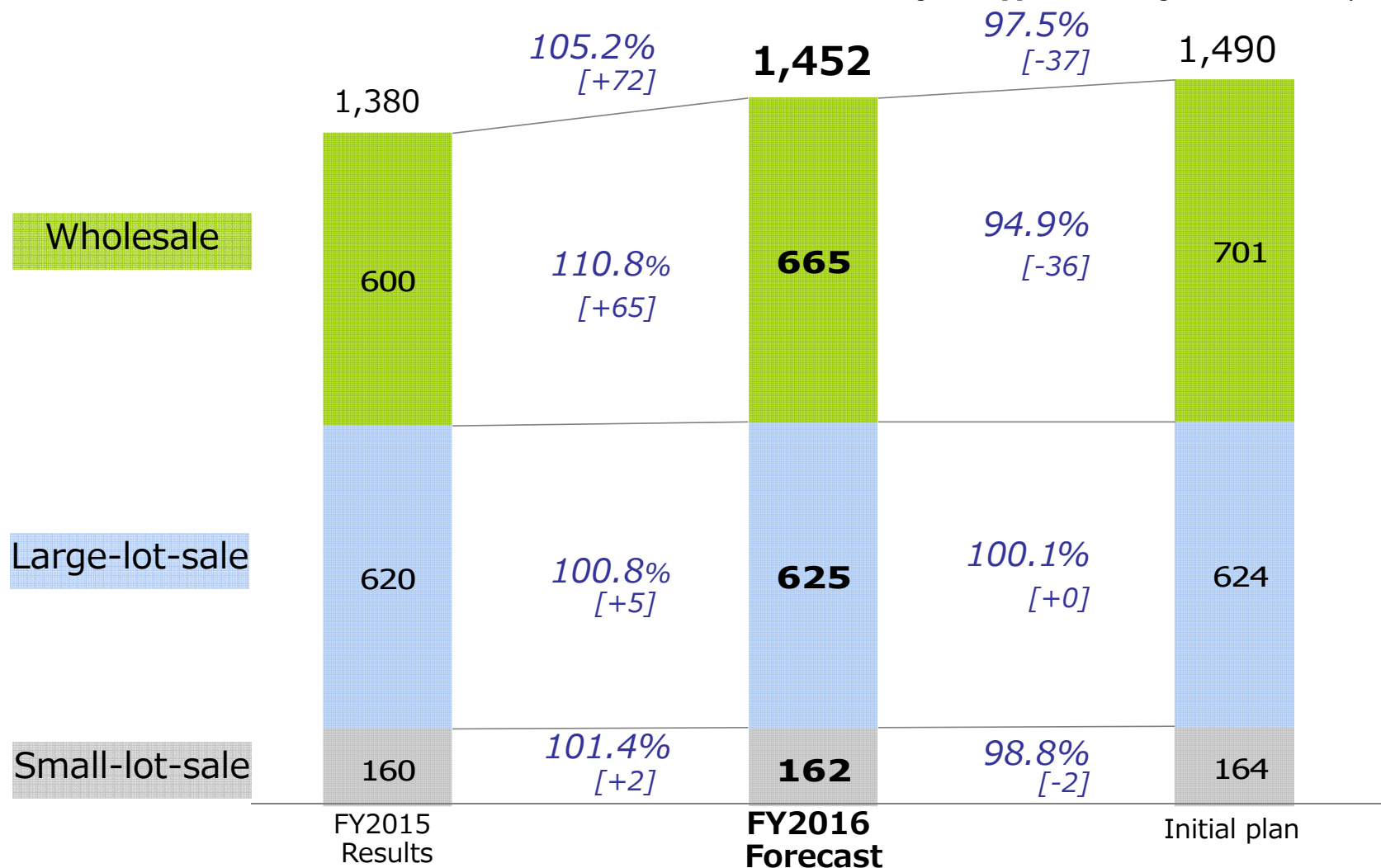
Effect on Gross profit (Aug.-Dec.2016)	
(+) 1yen/US\$	-90 million yen
(+) 1US\$/bbl	-80 million yen

FY2016 Forecast : Gas Sales Volume (Non-Consolidated)



Unit : million m³(45MJ)

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



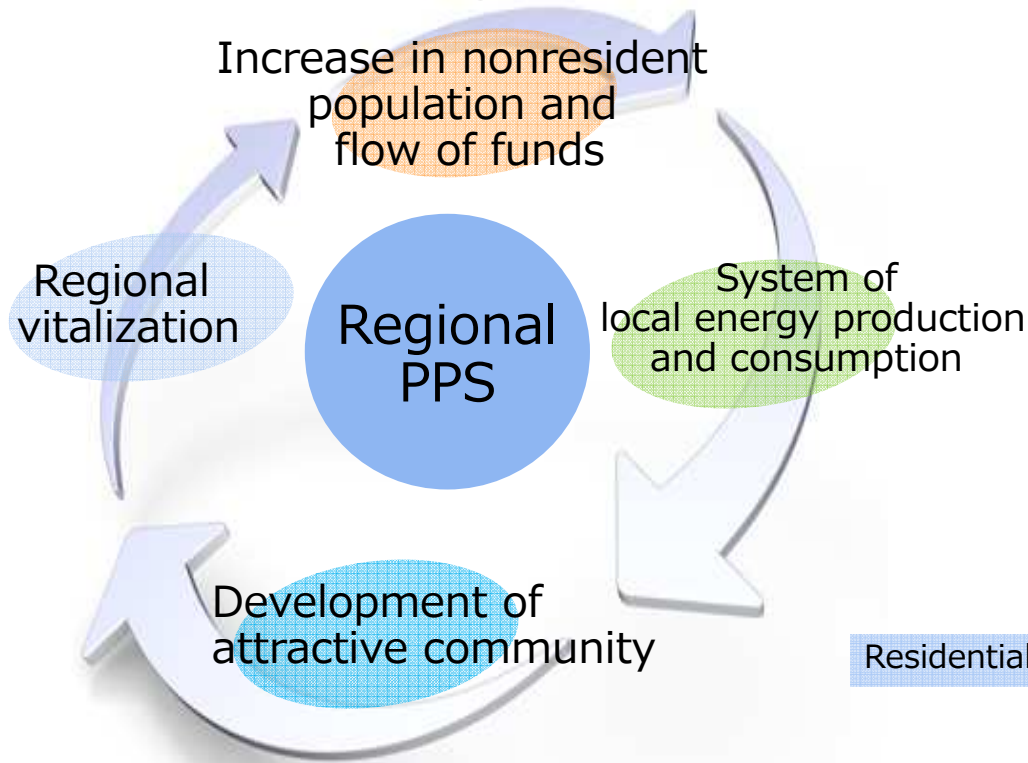
III. TOPICS

Shizuoka Gas and Power Certified as the First 'Regional PPS*' in Fuji-city'



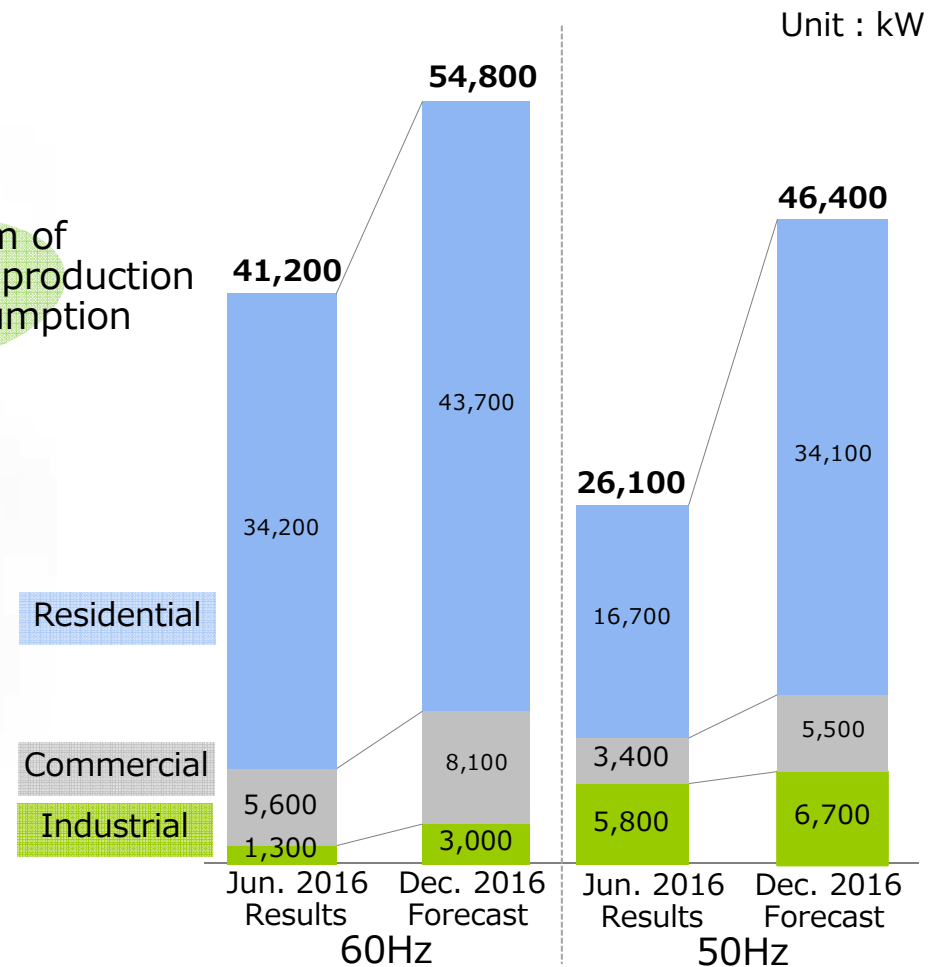
* Power Producer and Supplier who work on regional energy production and consumption.

■ Concept of Regional PPS



We continue to work on community development and regional vitalization by utilizing system of local energy production and consumption as the first certified Regional PPS in Fuji-city.

■ Contracted volume of electricity

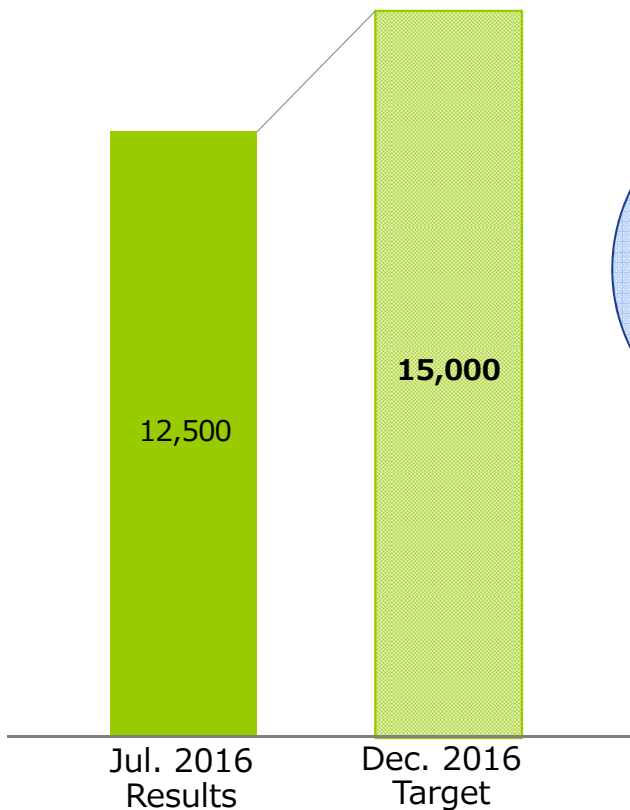


Expansion of Value Creation for Residential Customer

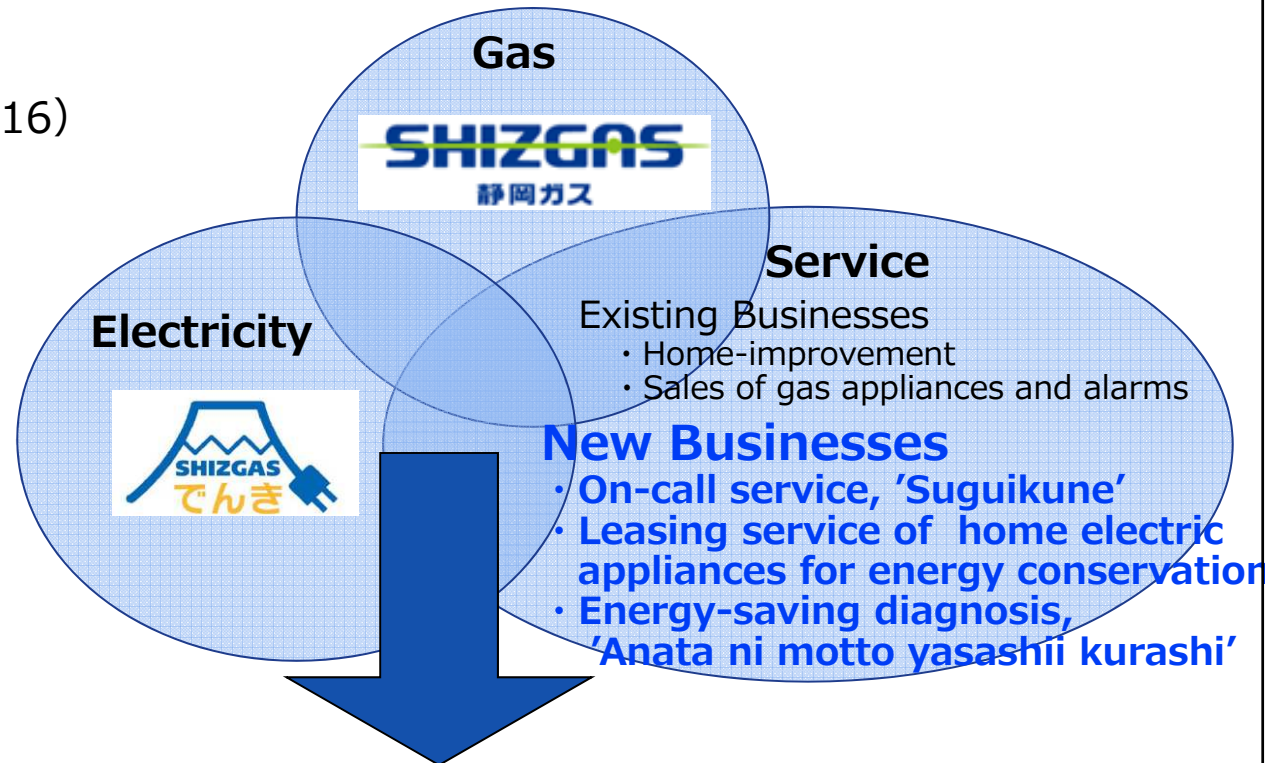


■ Number of applications for electricity

12,500 (as of Jul. 2016)



■ Launch of new service



Expansion of solution proposition

- Discount service in combination of commodities
- Promotion of home energy conservation
- Convenience improvement etc.

New Challenge of Utilizing Reloading Facilities



- Installed reloading facilities at Shimizu LNG Terminal
- Signed the sale and Purchase agreement for LNG reloaded at Shimizu LNG Terminal in June 2016
- Develop LNG market for small-medium size tankers in Asia



First Half of FY2016 Initiatives



- Jan. Sales of condominiums which adopting T-Grid system started.
Accepting applications for low-voltage electricity contracts started.
- Feb. Construction of cogeneration devices at 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. Construction of 'Shizuoka hydrogen refueling station' announced.
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.

IV. Supplementary Information

FY2016 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 **111.1** [-11.8]

City Gas **90.0** [-10.2]

LPG **11.8** [-0.3]

Others **9.2** [-1.2]

Operating income **9.7** [+3.7]

Sliding time lag* **+3.5** [+3.5]

* Non-consolidated

Gross profit income

37.3 [+3.6]

City Gas **32.6** [+3.8]

■ Net sales **90.0** [-10.2]

Downward adjustment of
unit price of gas -8.2

Decrease in gas sales volume -2.0

■ Cost of sales **57.4** [-14.0]

Decrease in gas prices -12.3

Decrease in gas consumption -1.6

Tariff revisions -0.1

LPG and Others **4.7** [-0.1]

Sales and administrative expenses

27.6 [-0.0]

Gas Sales Plan (Non-Consolidated)

<vs. FY2015 1Q-2Q Results>



Unit : million m³

	FY2016 1Q-2Q Results	FY2015 1Q-2Q Results	Change		FY2016 Forecast
				%	
Gas sales volume	734	687	+47	106.8	1,452
Own sale	398	399	- 1	99.7	787
Residential	51	52	- 1	97.7	86
Commerical	32	32	-0	98.6	68
Industrial	316	315	+0	100.1	633
Wholesale	335	287	+48	116.7	665

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

Gas sales volume	311	311	+0	100.1	625
Share in the total sale	78.2%	77.9%			79.4%

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

Statement of Income

<vs. FY2015 2Q Results>



Unit : billion yen

	FY2016 2Q Results	FY2015 2Q Results	Change	%	FY2016 Forecast
Net sales	60.8	82.7	-21.8	73.6	111.1
Cost of sales	36.8	60.6	-23.7	60.9	73.7
Gross Profit	23.9	22.1	+1.8	108.5	37.3
Sales and administrative expenses	12.9	13.2	-0.3	97.3	27.6
Salaries expenses	5.0	5.0	+0.0	101.3	10.3
Other expenses	4.4	4.6	-0.2	94.7	10.1
Depreciation	3.4	3.5	-0.1	95.0	7.1
Operating income	11.0	8.8	+2.2	125.2	9.7
Ordinary income	11.4	8.7	+2.6	130.4	10.2
Net income	7.6	5.5	+2.0	137.6	6.6