

# FY2019 2Q Financial Results

(January-June)



SHIZUOKA GAS CO.,LTD.

TSE:9543

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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 FY2019 2Q

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# FY2019 2Q Financial Highlights



## ◎ 2Q Results : Higher Sales, Higher Profits

- Net sales increased due to higher gas sales volume and upward revision in Sliding-time-lag effect.

Operating income adjusted for Sliding-time-lag decreased 28.6% year on year.

- Gas sales volume increased 4.7% year on year.

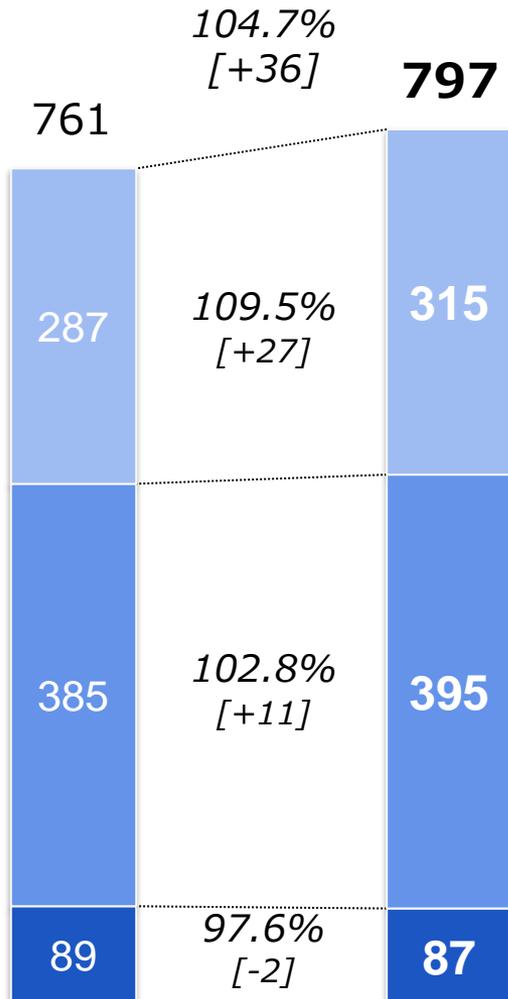
(Wholesale) Increased due to supply-demand adjustments on the contract.

(Large-lot-sale) Increased due to additional customers in FY2019.

(Small-lot-sale) Decreased due to higher temperature.

		FY2018 2Q	FY2019 2Q	Change	Change(%)
● Net sales	(billion yen)	70.4	<b>77.9</b>	+7.5	110.7
● Operating income adjusted for Sliding-time-lag	(billion yen)	6.8	<b>4.9</b>	-1.9	71.4
Operating income	(billion yen)	5.1	<b>7.0</b>	+1.8	136.0
Sliding-time-lag	(billion yen)	-1.7	<b>+2.1</b>	+3.8	-
● Gas sales volume (Non-consolidated)	(million m <sup>3</sup> )	761	<b>797</b>	+36	104.7
Wholesale	(million m <sup>3</sup> )	287	<b>315</b>	+27	109.5
Large-lot-sale	(million m <sup>3</sup> )	385	<b>395</b>	+11	102.8
Small-lot-sale	(million m <sup>3</sup> )	89	<b>87</b>	△2	97.6

# Gas Sales Volume (Non-consolidated)



Unit; Million m<sup>3</sup>(45MJ/m<sup>3</sup>)

\* Figures in [ ] are the difference from the results in FY2018

## Wholesale

- Supply-demand adjustments on the contract [+27]

## Large-lot-sale

- Additional customers in 2019 [+10]
- Full operation in factories of customers added in 2018 [+9]
- Existing customers [-8]

## Small-lot-sale

- Decreased in sales volume to commercial customers [-1]
- Decreased in sales volume to residential customers [-1]

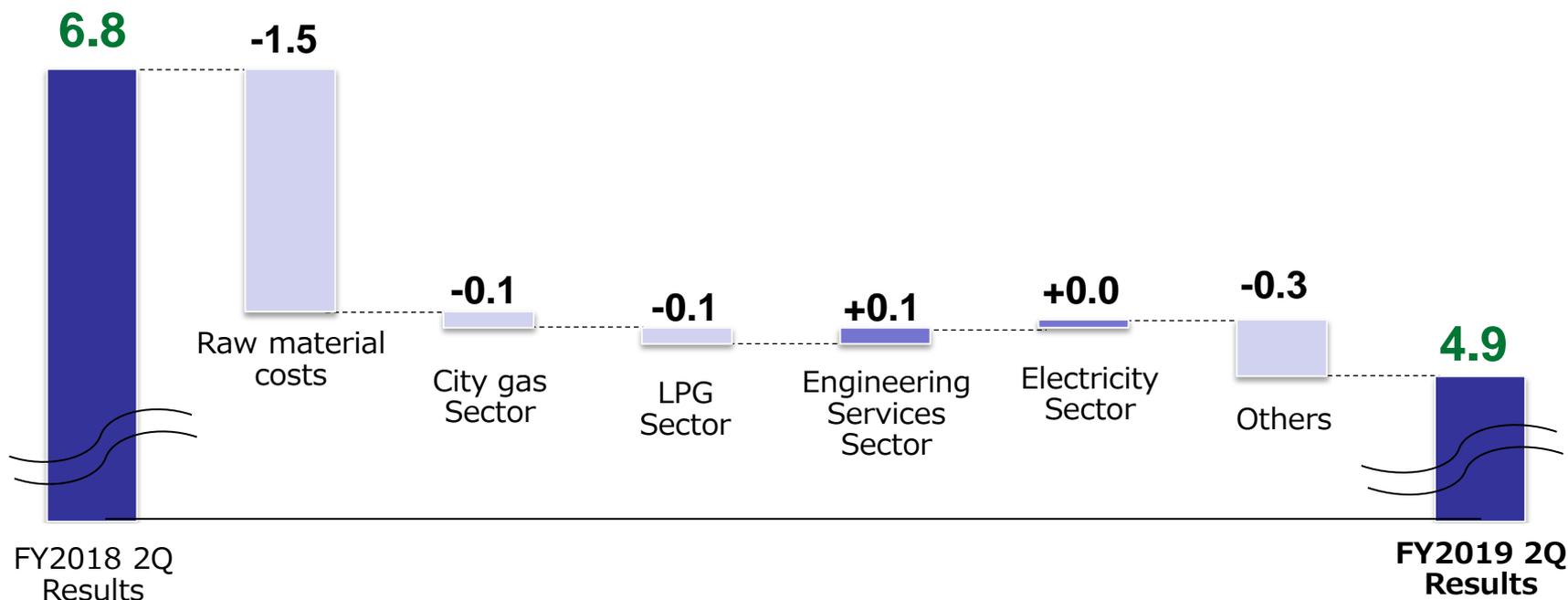
FY2018 2Q Results **FY2019 2Q Results**

# Breakdown of Consolidated Operating Income (Year on Year)



Unit : billion yen

	FY2018 2Q Results	FY2019 2Q Results	Change
<i>Operating income adjusted for Sliding-time-lag</i>	6.8	4.9	-1.9
Operating income	5.1	7.0	+1.8
Sliding-time-lag	-1.7	+2.1	+3.8



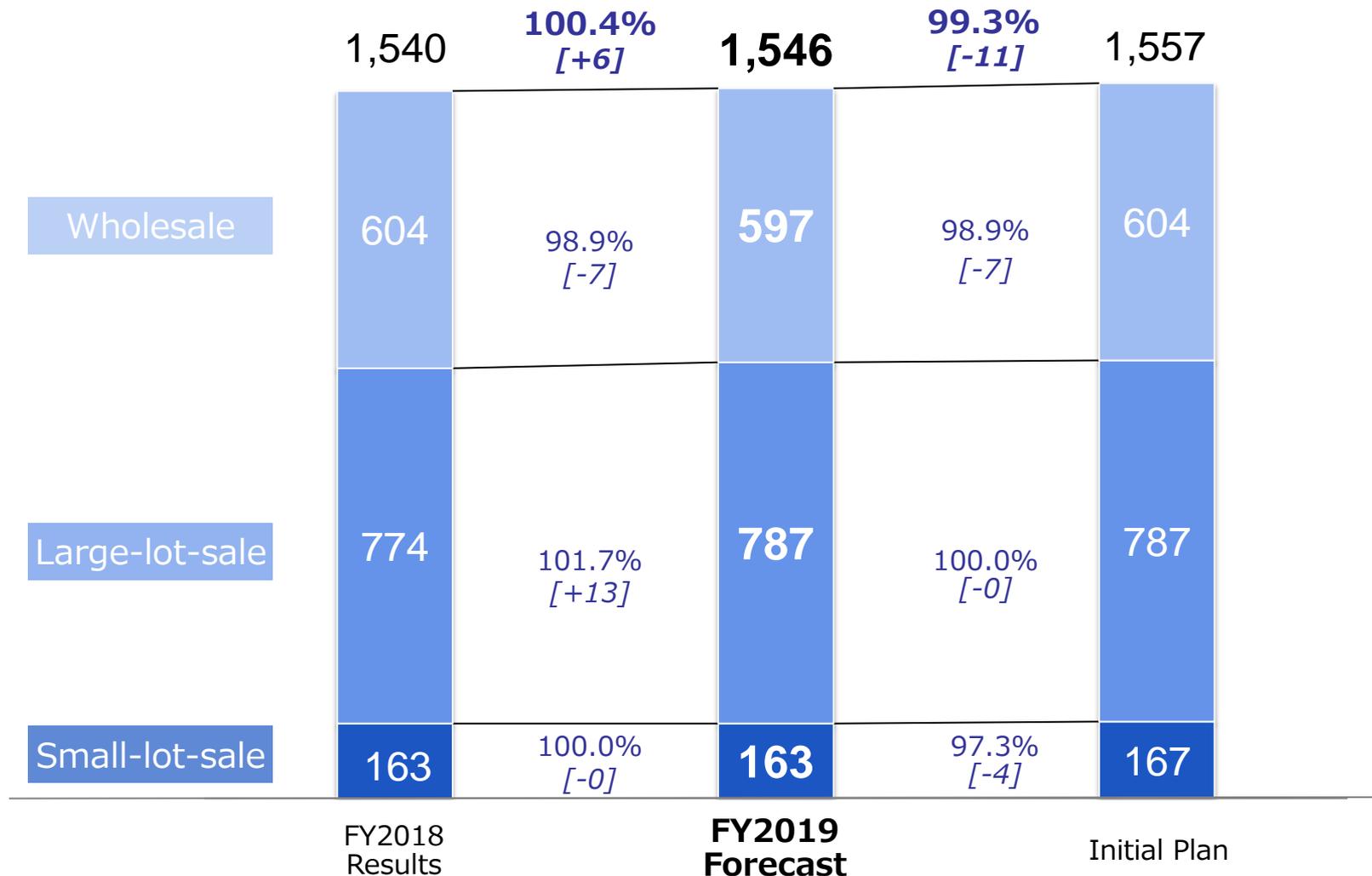
## II . FY2019 Forecast

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# FY2019 Forecast: Gas sale volume (Non-consolidated)



Unit; Million m<sup>3</sup>(45MJ/m<sup>3</sup>)

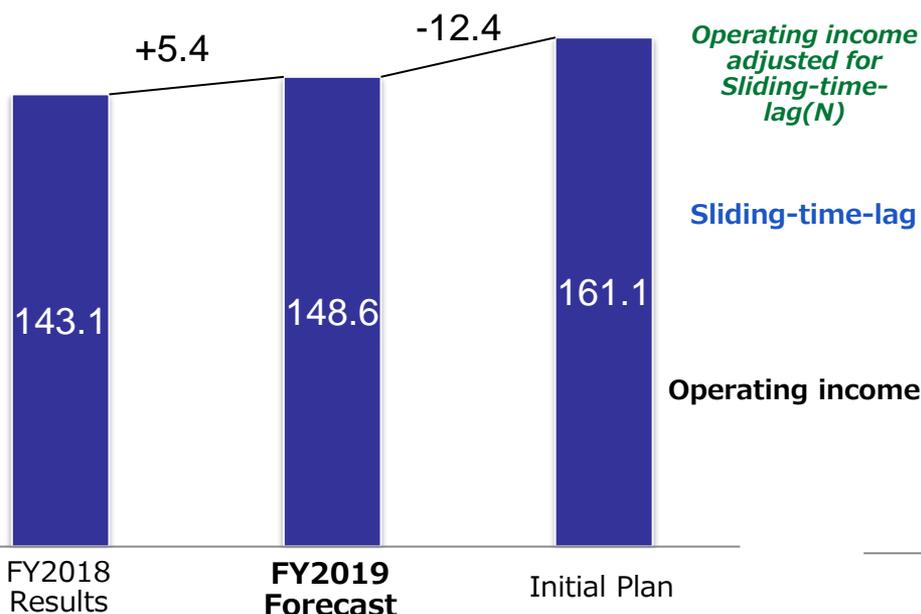


# FY2019 Forecast: Net sales and Operating income



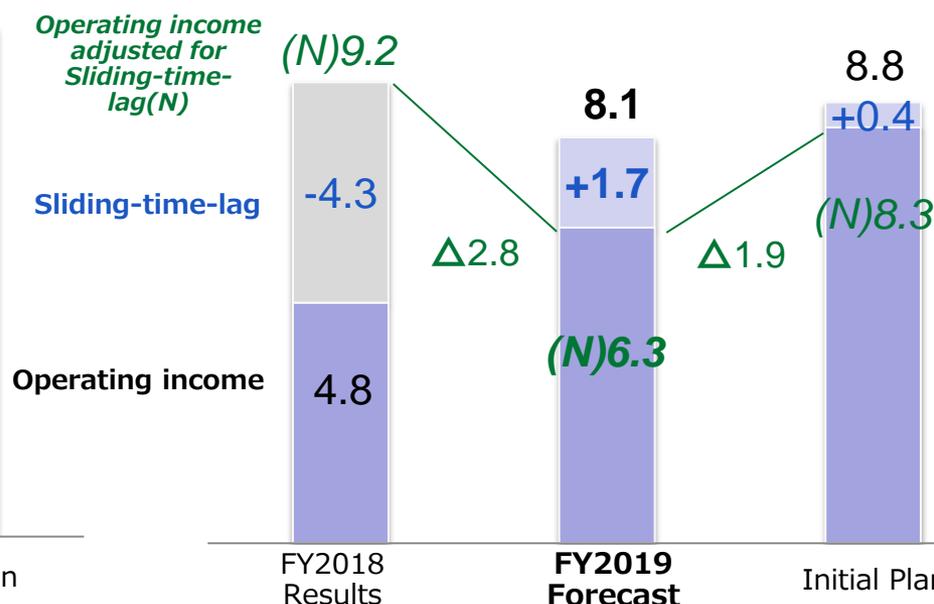
## Net sales

Unit: billion yen



## Operating income & Sliding-time-lag

Unit: billion yen



	FY2019 1-2Q	July 2019	Aug-Dec 2019 Forecast
Exchange rate (Yen/US\$)	110.2	108.1	110.0
Crude oil price CIF (JCC) (\$/bbl)	67.5	65.3	65.0

Effect on Gross profit (Aug-Dec 2019)	
(+) 1yen/US\$	-80 million yen
(+) 1\$/bbl	-80 million yen

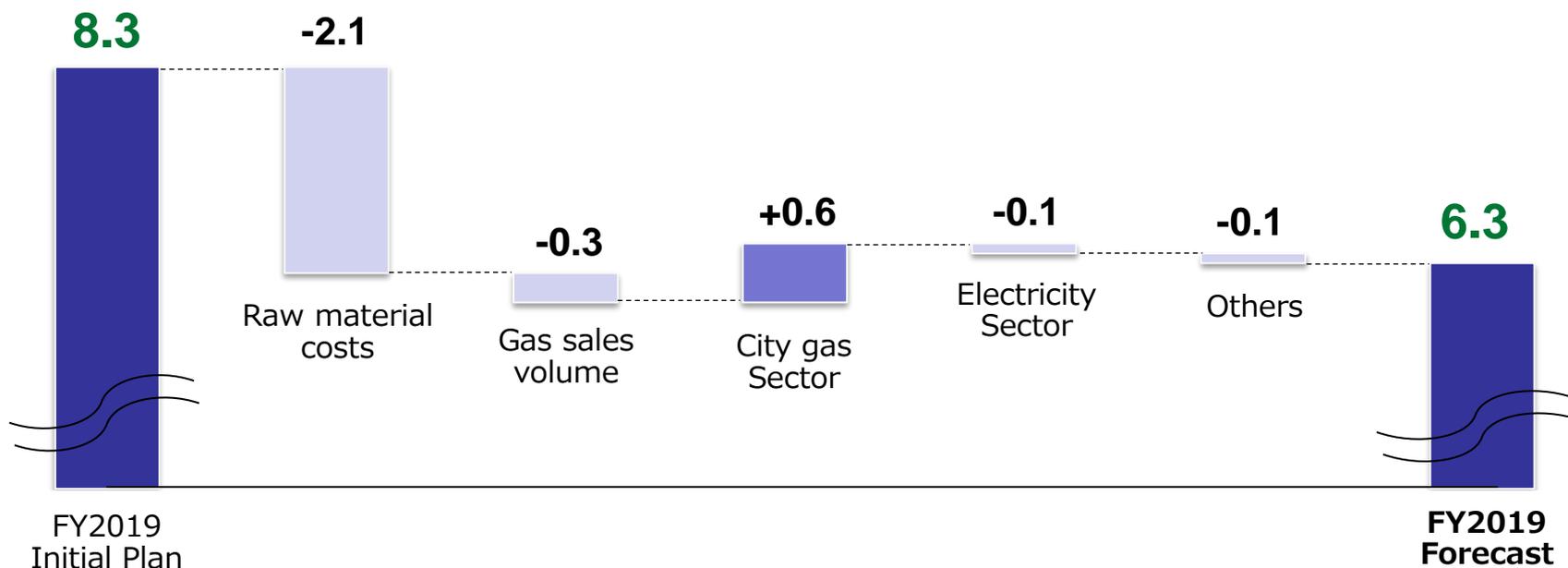
# Breakdown of Operating income (FY2019 Forecast)

<vs. Initial Plan>



Unit: billion yen

	FY2019 Initial Plan	FY2019 Forecast	Change
<i>Operating income adjusted for Sliding-time-lag</i>	8.3	6.3	-1.9
Operating income	8.8	8.1	-0.6
Sliding-time-lag	+0.4	+1.7	+1.3

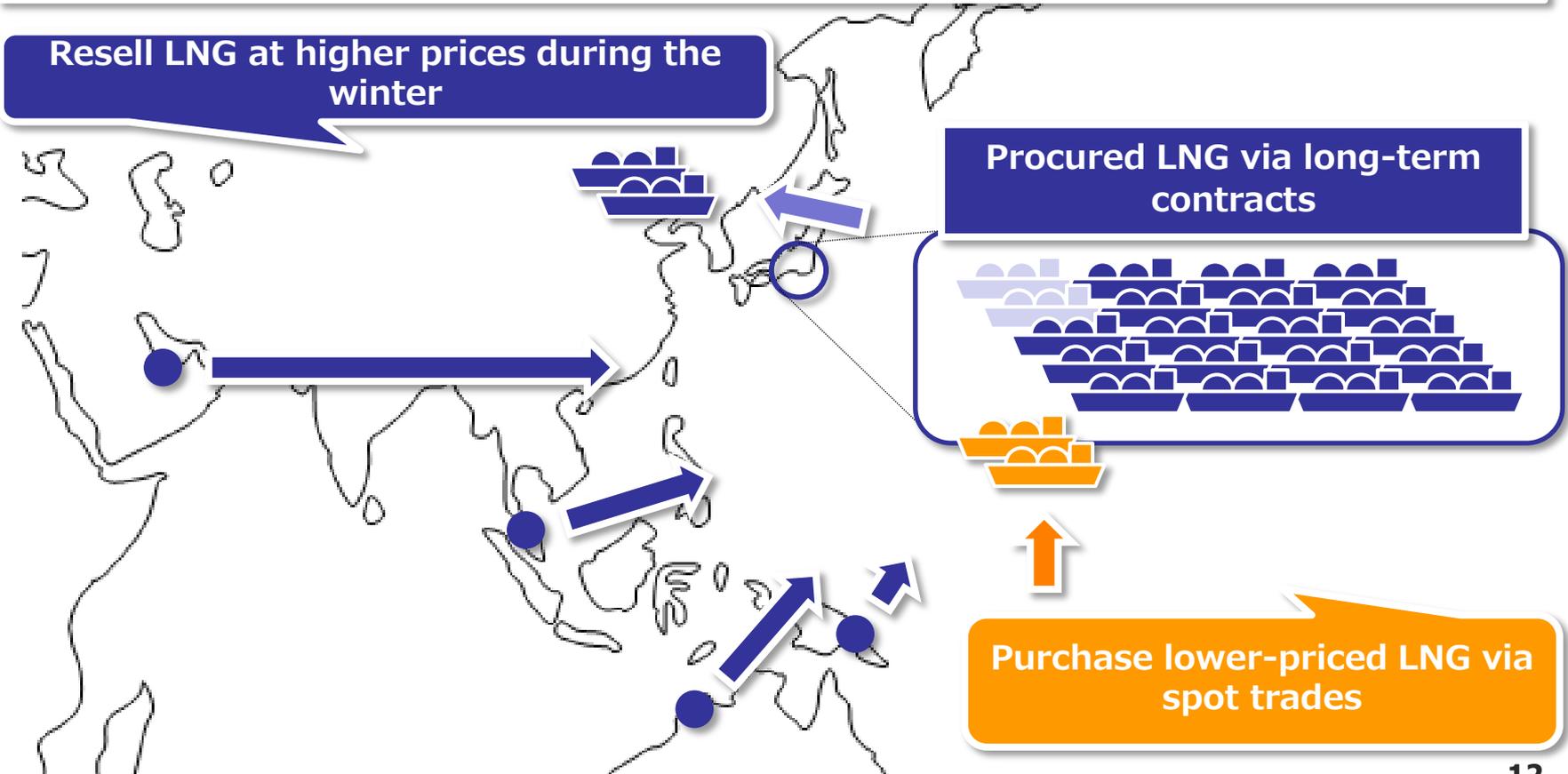


## III. Medium-Term Management Plan Progress

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# LNG Procurement Strategy

- Increase LNG trading liquidity.
- Enter Chinese LNG trading market (already achieved through small container ships).
- Secure deals using medium-sized ships (next target).

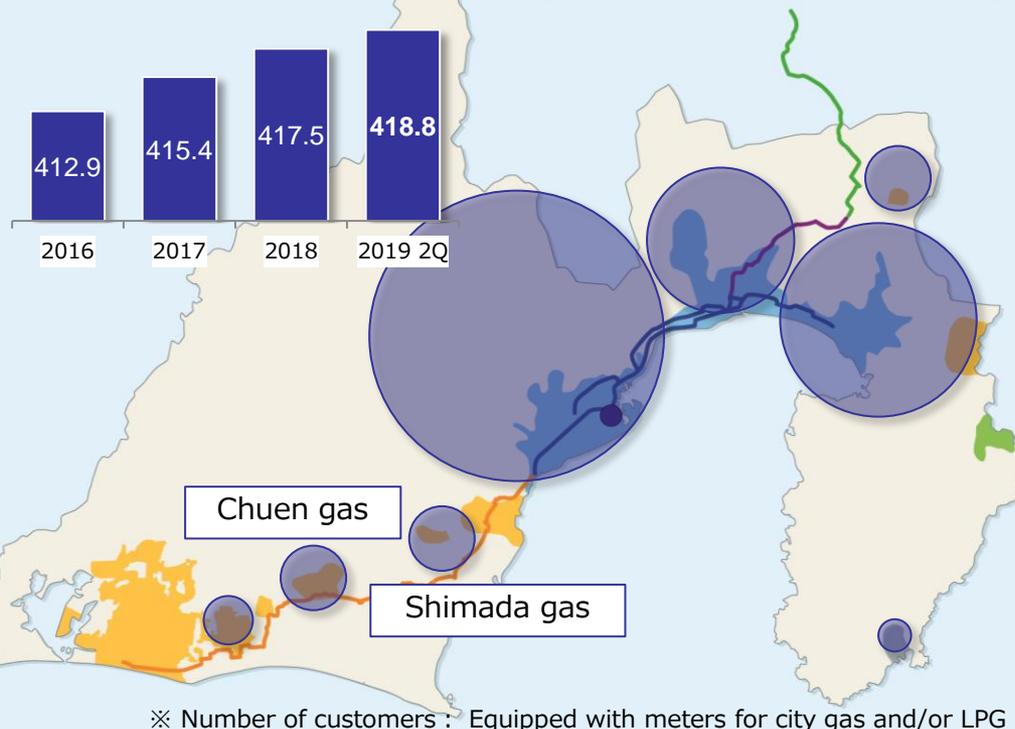


# Retail Strategy (Residential Customers)

## Measures to expand customer base:

- Shimada Gas, Chuen Gas converted to wholly owned subsidiaries in 2018 and 2019, respectively.
- Reorganized sales offices into Enarea bases in January 2019.
- Focus on offering larger selection of services for customers.

■ No. of Residential Customers (end of year; in thousands)



## Q2 2019 New Services

Purchase electricity from customer PV

Revise fixed price schedule

New smartphone services

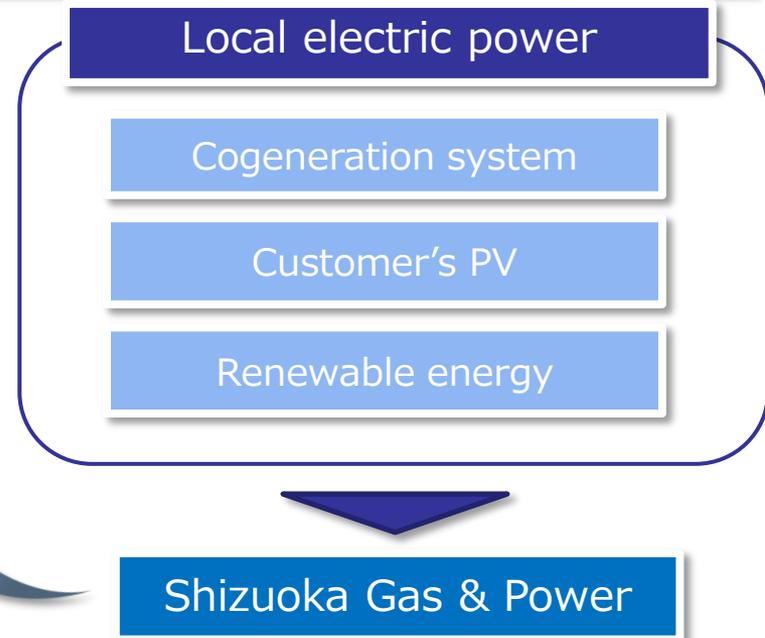
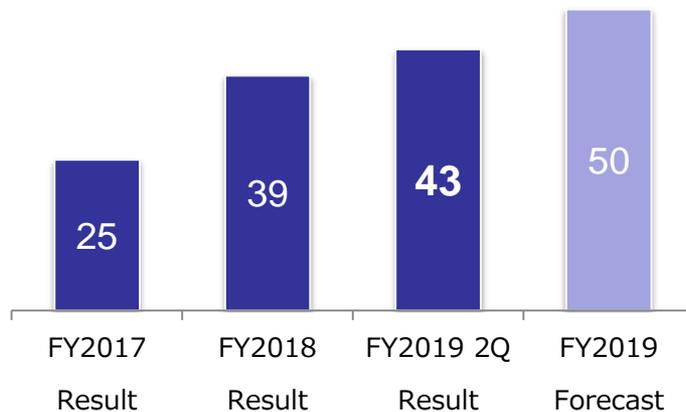
Offer services via face-to-face sales



# Retail Strategy (Electricity Customers)

- Electric power business has built a base of more than 40,000 customers.
- Engage in stronger sales to commercial customers.
- Build stronger relationships with customers through PV, other services.
- Develop renewable energy to offer greater environmental value.

■ No. of Electricity Customers  
(end of year; in thousands)



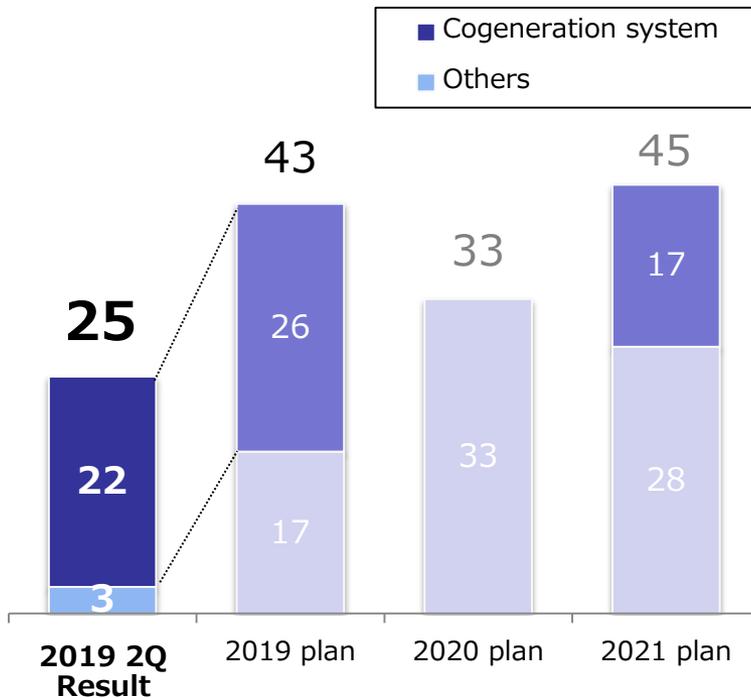
Local electric power for local consumption

# Retail Strategy (Industrial Customers)

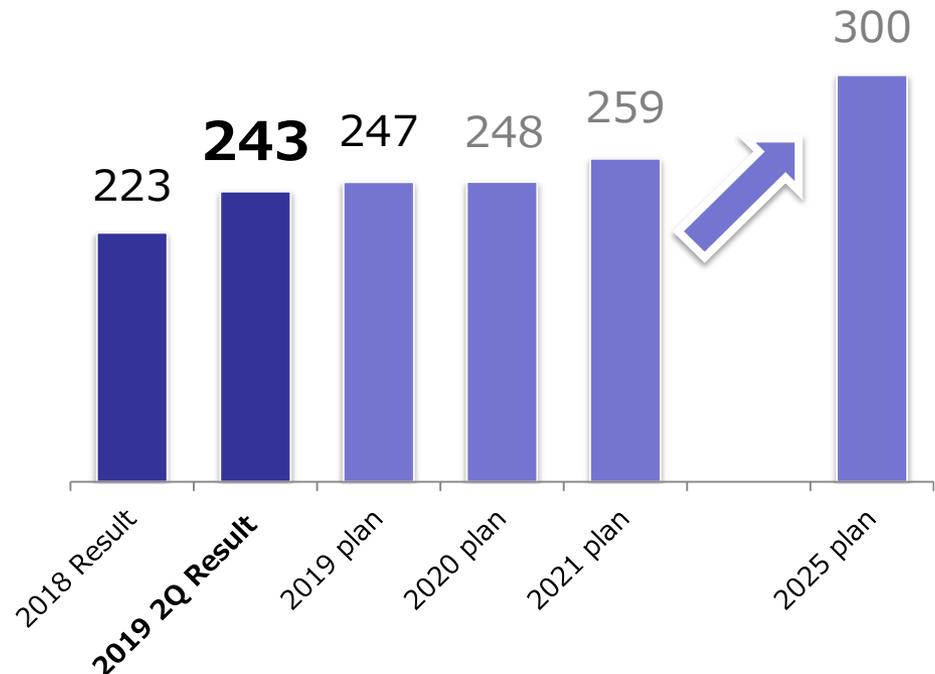


- Number of cogeneration system customers have already achieved 58% compared to the initial plan.
- Acquire the cogeneration system customers operate from 2020 with the adoption of subsidies.

■ Gas Sales Volume (Large-Lot Sales) [million m<sup>3</sup>/year]



■ Generation Capacity of Customer-Installed Co-Generation Systems [MW]

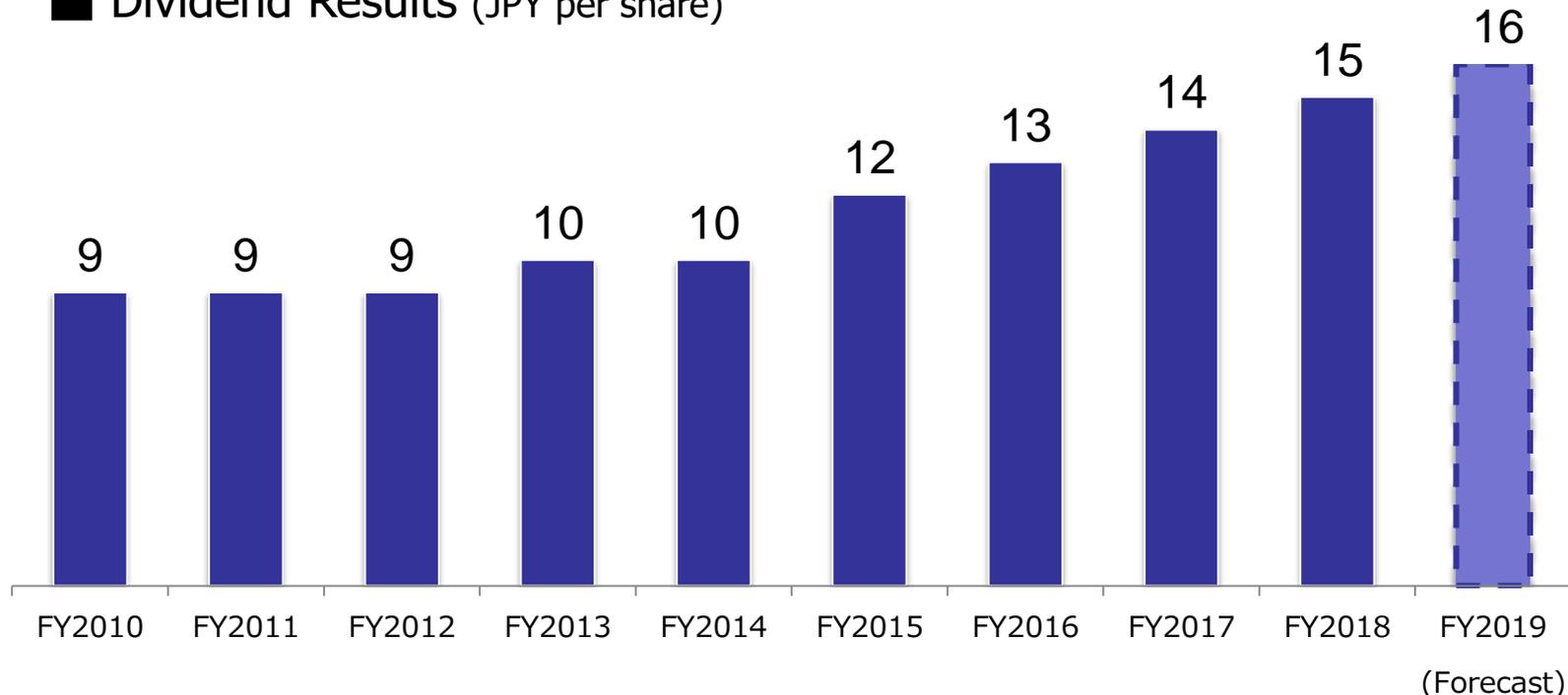


# Return to Shareholder Returns



FY2019 Interim Dividends per Share	JPY 8.0
Dividend policy	<ul style="list-style-type: none"><li>➤ Stable dividend</li><li>➤ Based on performance and DOE (FY2018 1.46% → FY2019(Forecast) 1.51%)</li></ul>

■ Dividend Results (JPY per share)



## IV. Supplementary Information

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# Gas Sales Volume (Non-Consolidated)



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

	FY2018 2Q Results	FY2019 2Q Results	Change	%	FY2019 Forecast
Gas sales volume	761	797	+36	104.7	1,546
Direct sales	474	482	+8	101.8	949
Residential	52	51	- 1	98.0	85
Commercial	33	31	- 1	96.2	68
Industrial	390	400	+11	102.8	796
Wholesale	287	315	+27	109.5	597

## 〈 Large-lot-sale 〉

Gas sales volume	385	395	+11	102.8	787
Sales composition ratio	81.2%	82.0%			82.9%

# Profit and Loss



Unit : billion yen

	FY2018.2Q	FY2019.2Q	Year on year		FY2019 Forecast	Compared to initial plan
Net sales	70.4	77.9	+7.5	110.7%	148.6	- 12.4
Cost of sales	56.2	63.3	+7.0	112.5%	118.9	- 9.2
Gross Profit	18.2	20.7	+2.4	103.2%	37.0	- 1.1
Sales and administrative expenses	13.1	13.6	+0.5	113.3%	28.8	- 0.4
Personnel	5.0	5.5	+0.4	113.2%	11.1	+0.0
Other expenses	4.7	4.9	+0.2	114.0%	11.0	- 0.2
Depreciation	3.2	3.1	- 0.0	104.4%	6.6	- 0.2
Operating income	5.1	7.0	+1.8	108.5%	8.1	- 0.6
Ordinary income	-1.7	2.1	+3.8	104.2%	1.7	+1.3
Net income	6.8	4.9	- 1.9	98.2%	6.3	- 1.9

# Medium-Term Plan



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

Identify latent needs  
Strengthen relationships with customers



**Expand business fields  
Strengthen relationships with new customers in new fields**

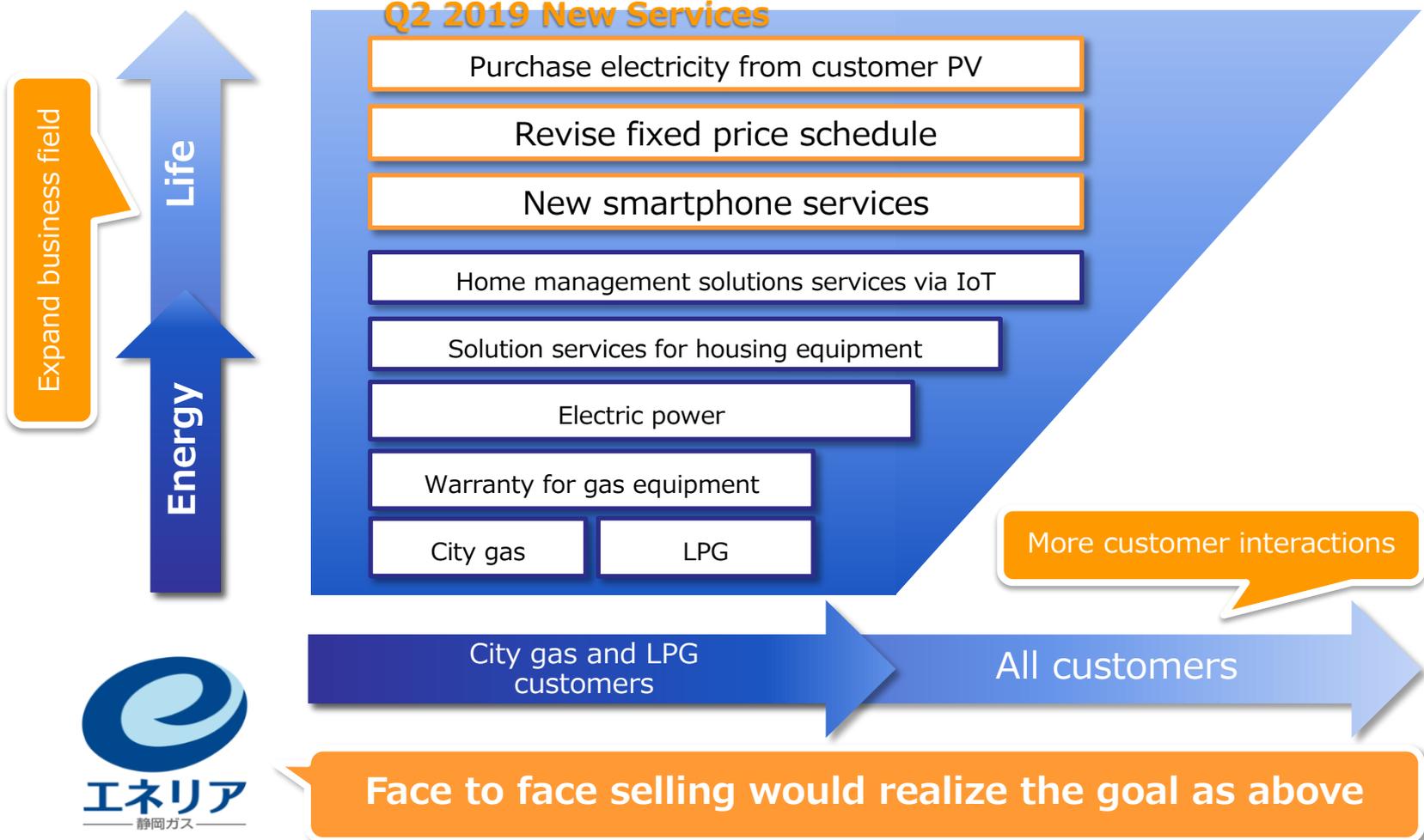
Strengthen Shizuoka-gas brand

Build business base



# Retail Strategy (Residential Customers)

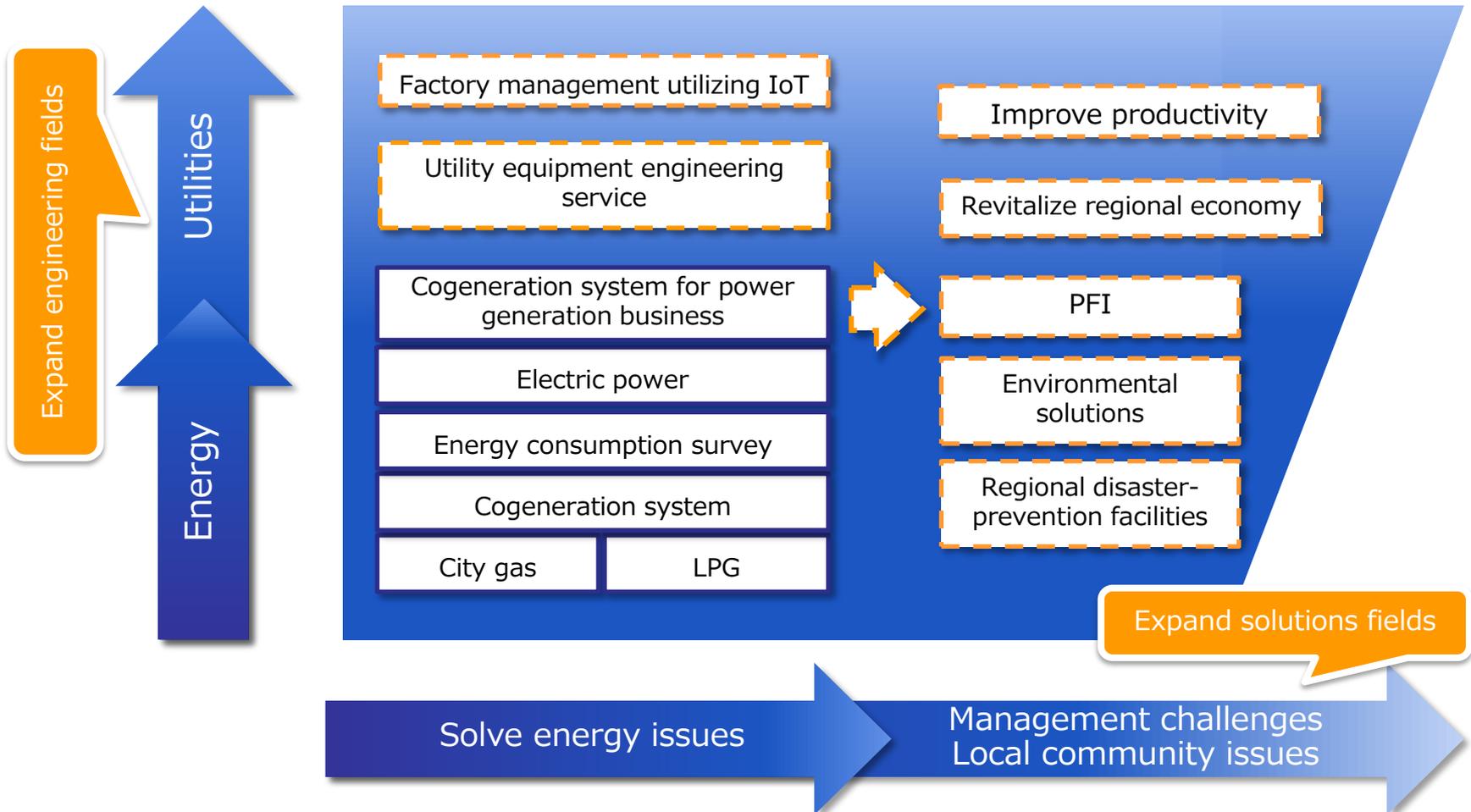
## Become a Company That Provides Life Services



# Retail Strategy (Commercial and Industrial Customers)

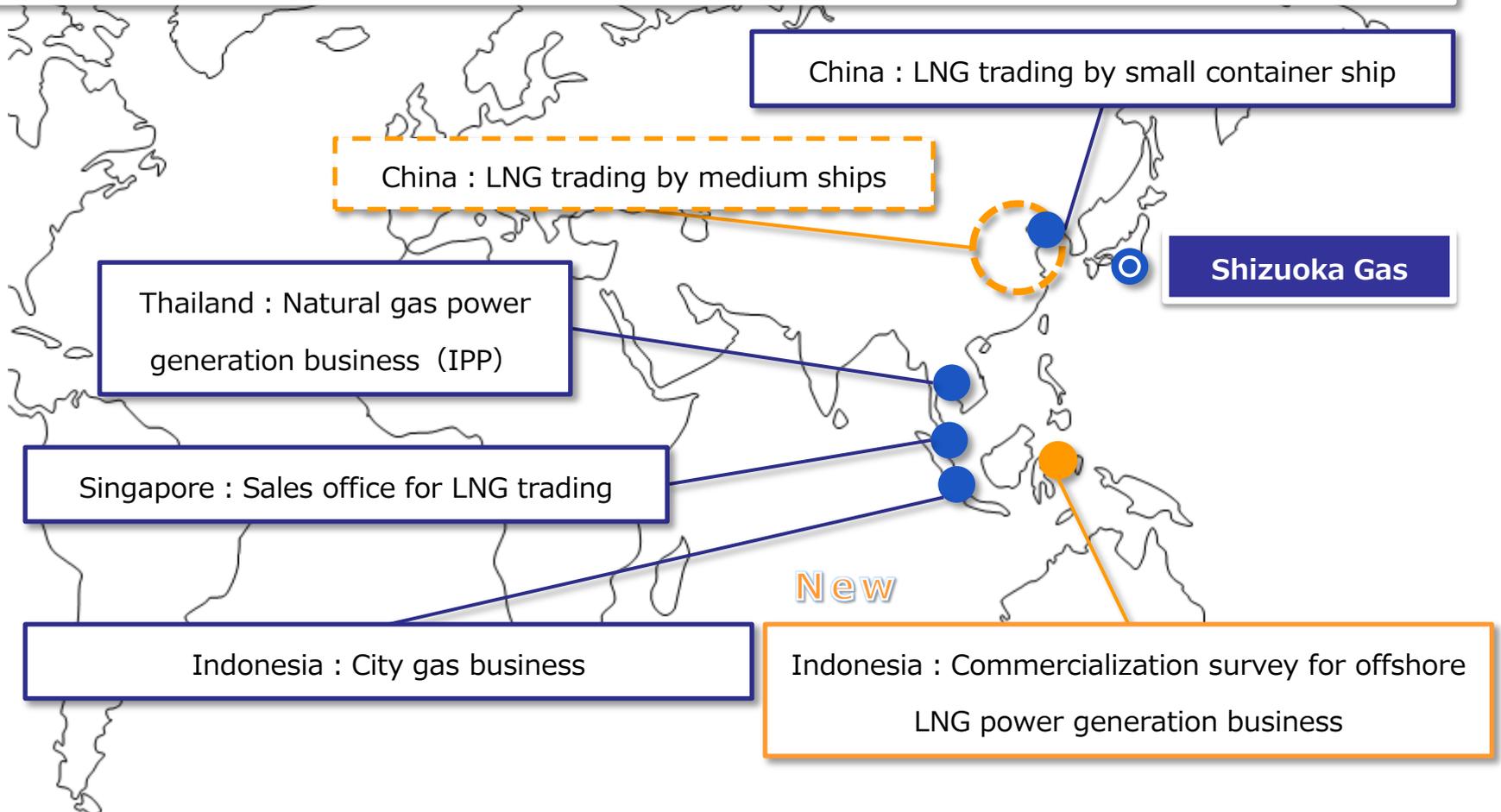


## Expand Solutions and Engineering Fields



# Overseas Business Development

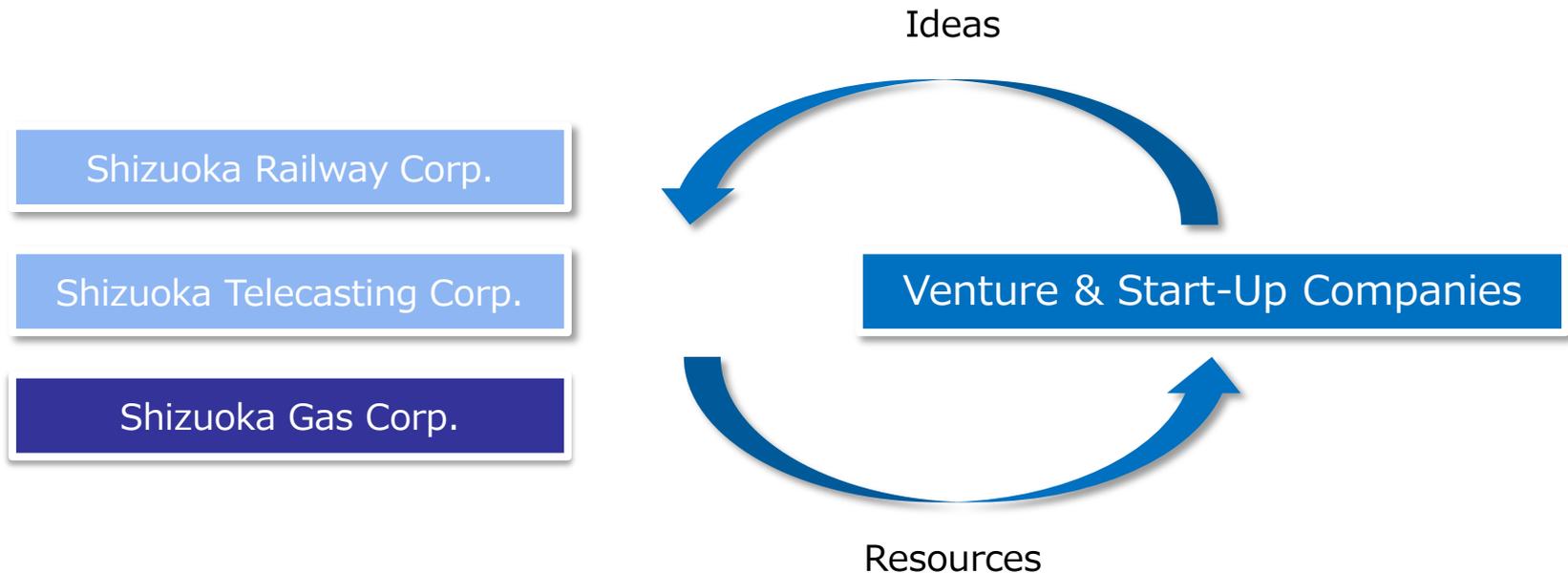
- Reduce LNG procurement prices
- Develop energy business in niche markets overseas



# Activities to Expand Business

**Aiming to expand business fields  
by using our strengthened customer base**

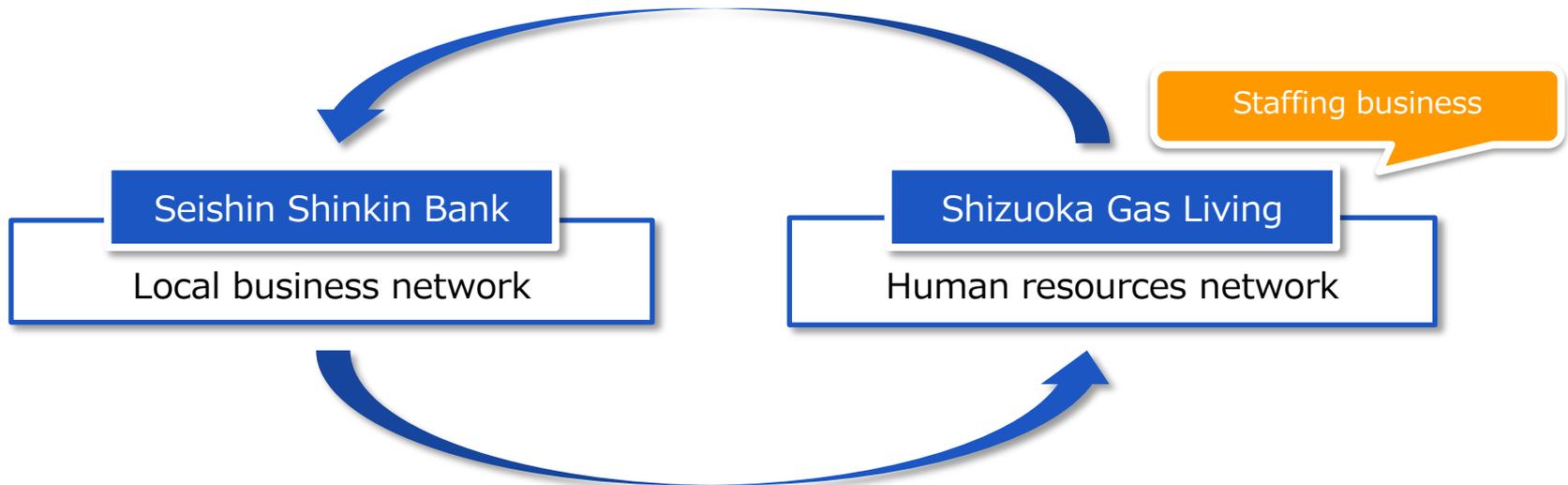
Work with regional business resources in Shizuoka and incorporate ideas from venture and start-up companies to create new value for the next 100 years:  
Shizuoka Future Co-Creation Program (Open Innovation)



# Activities to Revitalize Regional Economy

## Solve Regional Economic Issues Using Regional Business Resources

Employ active seniors to solve human resources shortages in Shizuoka



くらしを考え、明日をつくる。

**SHIZOGAS**

**静岡ガス**