

# Flash Report for the Term Ended December 31, 2011 [Japan GAAP](Consolidated)

February 9, 2012

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Date of annual general meeting of shareholders: March 22, 2012  
 Date for presentation of the financial statements report: March 23, 2012  
 Date of dividend payment: March 23, 2012  
 Preparation of supplemental explanatory materials: Yes  
 Holding of FY2011 financial briefing session: Yes(for institutional investors)

## 1. Consolidated Business Results (January 1 to December 31, 2011)

(Amounts under one million yen are omitted; YoY % change)

### (1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)	
Reporting term	¥128,171	8.3%	¥3,747	(47.8)%	¥3,947	(45.3)%	¥1,743	(59.5)%
Previous term	118,319	19.1	7,184	(40.9)	7,215	(40.6)	4,303	(33.3)

  

	Earnings per share (¥)	Return on equity (ROE) (%)	Ordinary income / Total assets (%)	Operating income / Net sales (%)
Reporting term	¥23.15	3.6%	3.7%	2.9%
Previous term	56.51	9.2	6.5	6.1

Note: Equity-method investment: not applicable

### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting term	¥107,432	¥55,719	44.4%	¥651.50
Previous term	108,362	56,155	44.6	634.36

Note: Owners' equity (¥ million)

Reporting term:	¥47,652
Previous term:	¥48,302

### (3) Cash Flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Cash and cash equivalents at term end (¥ million)
Reporting term	¥9,686	¥(9,211)	¥ (776)	¥432
Previous term	6,684	(9,534)	(1,462)	734

## 2. Dividend Payment

	Dividend per share (¥)					Total amount for annual dividend payments (¥ million)	Pay-out ratio (%)	Dividend payments/ Net assets (%)
	Q1	Q2	Q3	Term-end	Total			
Fiscal 2010	—	¥5.00	—	¥4.00	¥9.00	¥685	15.9%	1.5%
Fiscal 2011	—	4.50	—	4.50	9.00	671	38.9	1.4
Fiscal 2012 (forecast)	—	4.50	—	4.50	9.00	/	14.6	/

Note: Breakdown of dividend payment for the first half of the term ended December 31, 2010:

Ordinary dividend: ¥4.00; Commemorative dividend (centennial anniversary): ¥1.00

## 3. Consolidated Business Forecast for Current Term (January 1 to December 31, 2012)

(Amounts under one million yen are omitted; YoY % change)

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)		Earnings per share (¥)
First-half period	¥ 73,060	17.8%	¥5,990	128.0%	¥6,100	121.7%	¥3,480	171.0%	¥47.57
Full term	141,740	10.6	7,830	109.0	7,980	102.2	4,500	158.0	61.52

#### 4. Others

(1) Major changes in subsidiaries: None

Note: Transfer of specified subsidiaries during the reporting period resulting in changes in the scope of consolidation

(2) Changes in accounting policy

a) Changes in accounting standards: Applicable

b) Other: None

(3) Number of issued shares (ordinary shares)

a) Number of shares issued at end of the period (including shares in treasury)

Reporting term: 76,192,950

Previous term: 76,192,950

b) Number of treasury shares at end of the period

Reporting term: 3,051,988

Previous term: 50,773

c) Average number of shares outstanding during the term

Reporting term: 75,311,506

Previous term: 76,142,349

#### Presentation of the FY2011 review procedure status

This flash report is exempt from review procedures based on the Financial Instruments and Exchange Act. At the point in time of its disclosure, review procedures based on the Financial Instruments and Exchange Act have not been completed.

Disclaimer: The preceding earnings forecasts are based on information available as of the date of the publication of this document. Actual earnings may differ from forecasts due to various factors occurring in the future. For further details, please refer to "Forecasts for the Fiscal Year 2012" on P5.

## 1. Operating Results

### (1) Analysis of Operating Results

#### (Operating Results in Fiscal Year 2011)

The Japanese economy during our fiscal year 2011 (hereinafter “the term”) showed a rapid recovery from the severe setback in industrial activity caused by the March 11th earthquake in eastern Japan. Nevertheless, the economy continued to confront harsh conditions such as an increased uncertainty over the economic recovery due to the rapid appreciation of the yen from the summer onwards, the floods in Thailand and, furthermore, the slowdown of overseas economies caused in part by the European financial crisis.

The business environment of the city gas industry is entering a period of great change following the nuclear power plant’s radioactive leakage caused by the disaster, which forced a fundamental review of our nation’s energy policy.

Under these circumstances, the Shizuoka Gas Group is working hard to ensure a more stable supply of city gas and LPG and to promote a wider use of them as well as to provide solutions for better life with gas.

Net sales during the term increased 8.3% year-on-year to ¥128,171 million due to a rise in unit gas sales prices and sales volume.

On the other hand, from an expenses perspective, the growth in the cost of sales exceeded sales growth due to rising raw material prices which resulted in operating income falling 47.8% year-on-year to ¥3,747 million, ordinary income falling 45.3% year-on-year to ¥3,947 million, and net income in the term falling 59.5% year-on-year to ¥1,743 million.

Performance in each segment was as follows.

#### (1) Gas

The Company worked to prevent our existing customers from changing fuels by our area focused sales and services to other fuels and also strove to gain more new customers who plan to build new houses or those who are using other fuels in their residence. Customer numbers (meter installed basis), however, declined by 638 during the term to 339,909 as of the end of the term due to an increase in customers turning off their gas supply.

Gas sales volume increased 2.6% year-on-year to 1,422 million m<sup>3</sup>. By usage, residential use declined 1.1% year-on-year to 96 million m<sup>3</sup> due to reduced sales volume per household even though temperatures were slightly lower than an average year. Business use (offices, retail outlets, public facilities, and medical institutions) declined 7.2% year-on-year to 75 million m<sup>3</sup> because of such factors as falling air conditioning demand due to an increased

awareness of energy saving. Industrial use, despite supply chain disruptions and an electric power supply shortage caused by the March 11 disaster, increased 1.9% year-on-year to 702 million m<sup>3</sup> as a result of increased operations at existing customers and the development of new large-lot customers. Wholesale increased 5.8% year-on-year to 548 million m<sup>3</sup> due to increased demand at wholesale customers.

Gas net sales grew 9.1% year-on-year to ¥110,018 million as a result of growth in gas sales volume and upward trend in unit gas sales prices based on the gas rate adjustment system.

Meanwhile, operating income declined 38.4% to ¥5,923 million because of the impact of rising raw material prices and the time lag of the price reflection under the gas rate adjustment system.

## (2) LPG and Other Energy Services

Although gas sales volume declined, LPG sales increased 1.3% year-on-year to ¥11,256 million due to an upward adjustment of unit gas sales prices accompanying rising raw materials prices. Meanwhile, operating income increased by just 0.1% year-on-year to ¥687 million. This was attributable to an increase of cost of sales resulting from rising raw material prices.

## (3) Other Businesses

Other businesses' (such as the construction of facilities and gas piping installations and gas appliance sales) net sales fell 2.9% year-on-year to ¥11,676 million due to a decline in the construction of facilities and gas piping installations. However, operating income grew by ¥119 million to ¥41 million because of a decline in expenses.

			<u>FY 2011</u>	<u>FY 2010</u>	<u>Change</u>	<u>Change (%)</u>
<u>Number of Customers</u>			339,909	340,547	(638)	(0.2)
<u>Gas Sales</u>	<u>Residential</u>	million m <sup>3</sup>	96	97	(1)	(1.1)
	<u>Business</u>	”	75	81	(6)	(7.2)
	<u>Industrial</u>	”	702	689	13	1.9
	<u>Wholesale</u>	”	548	518	30	5.8
	<u>Total</u>	”	1,422	1,385	37	2.6

- (Notes)
1. “Number of Customers” lists the number of meters installed as of the end of the period.
  2. “Number of Customers” does not include the number of end users of wholesale customers.
  3. Segment performance figures include intersegment transactions.
  4. Sales volume assumes 45 MJ (Mega Joule) per 1 meter<sup>3</sup> and figures less than one unit are rounded off.
  5. Consumption tax is excluded

(Forecasts for the Fiscal Year 2012)

Although the Company will reduce the gas rates applicable to the Company’s small-lot customers, we expect unit gas sales prices based on the gas rate adjustment system to stay on a higher level than that in the previous fiscal year. As a result, we forecast that sales will increase 10.6% year-on-year to ¥141,740 million. In addition to net sales increases, we expect operating income to increase 109.0% year-on-year to ¥7,830 million, ordinary income to increase 102.2% year-on-year to ¥7,980 million and net income to increase 158.0% to ¥4,500 million. This is because the impact of the time lag before seeing LNG price fluctuations reflected in unit gas sales prices is expected to improve compared to the previous year. Additionally, we expect capital investment to increase 57.2% year-on-year to ¥11,830 million due to the expansion of the Company’s pipeline network, the strengthening of tsunami countermeasures and the reconstruction of the Company’s head office building.

(Unit: million yen)

Item	FY 2012 Forecast	FY 2011 Result	Change	Change (%)
Net Sales	141,740	128,171	13,568	10.6
Operating Income	7,830	3,747	4,082	109.0
Ordinary Income	7,980	3,947	4,032	102.2
Net Income	4,500	1,743	2,756	158.0
Capital Investment	11,830	7,523	4,306	57.2

Presumptions: Crude oil prices (Japan CIF) \$110/bbl, Exchange rate ¥80/\$

## (2) Analysis of Financial Position

### (Analysis of status of assets, liabilities, net assets and cash flow conditions)

#### 1. Assets, Liabilities and Net Assets

Total assets declined ¥930 million year-on-years during the term to ¥107,432 million. While making Shizuham Trunkline related investments, noncurrent assets fell ¥4,034 million year-on-years to ¥85,304 million on account of the ongoing depreciation of existing assets. Additionally, current assets increased ¥3,104 million year-on-years to ¥22,127 million due to accounts receivable increases resulting from the growth in gas sales and also in the amount of stocks of raw materials caused by a raise in raw material prices.

Although short-term loans payable increased, liabilities declined by ¥493 million year-on-year to ¥51,713 million due to a decline in accounts payable as a result of the ongoing repayment of long-term loans payable and the timing of raw material payments.

Despite increased retained earnings due to the posting of current term profits, net assets declined ¥436 million year-on-years to ¥55,719 million primarily attributable to purchases of treasury stock.

As a result, equity ratio as of the end of the term was 44.4%.

## 2. Cash Flows

Cash and cash equivalents (correctively hereinafter “cash”) fell ¥301 million in the current term and the balance as of the end of the term was ¥432 million.

The following describes the status of each cash flow in the term and the related main reasons for changes.

### (Cash Flows from Operating Activities)

Cash from operating activities was ¥9,686 million (the previous fiscal year net inflow of ¥6,684 million). Although net income before depreciation and amortization was ¥15,880 million, this increase was due to growth in the amount of raw materials caused by a rise in raw materials prices and increased accounts receivable due to growth in gas sales in addition to the timing of raw material payments.

### (Cash Flows from Investing Activities)

Cash from investment activities saw an expenditure of ¥9,211 million (the previous fiscal year net cash outlay of ¥9,534 million). This was primarily used to make capital investments in the Shizuhama Trunkline and others.

### (Cash Flows from Financing Activities)

Cash from financing activities saw expenditure of ¥776 million (the previous fiscal year net cash outlay of ¥1,462 million). This was primarily due to the acquisition of treasury stocks and ongoing repayment of long-term loans while on the other hand short-term loans payable increased to address the demand for operating capital.

(Trends in Cash Flow Related Indices)

	FY ended in Dec. 2007	FY ended in Dec. 2008	FY ended in Dec. 2009	FY ended in Dec. 2010	FY ended in Dec. 2011
Equity Ratio (%)	39.8	34.0	39.4	44.6	44.4
Market Value Basis Equity Ratio (%)	35.3	38.1	40.0	34.1	33.3
Debt/Cash flow ratio (Years)	3.8	6.9	1.2	5.6	4.1
Interest Coverage Ratio (Times)	13.7	8.8	41.1	9.8	16.2

Equity Ratio: Shareholders equity / total assets

Market Value Basis Equity Ratio: Market capitalization / total assets

Debt/Cash flow ratio: Interest-bearing liabilities ratio / cash flows

Interest Coverage Ratio: Cash flows / interest payments

- (Notes)
1. Calculation based on the consolidated basis financial figures.
  2. Total market capitalization is calculated by multiplying the closing price as of the end of the fiscal year by the total number of shares issued and outstanding (excluding treasury stock).
  3. Cash flow means cash flows from operating activities.
  4. Interest bearing liabilities include long-term loans (including loans with maturing date within 1 year) and short-term loans accounted for under the liabilities section of the consolidated balance sheets. Also, interest payments equal the amount of interest paid on the consolidated cash flow statements.

### **(3) Basic Policy on Profit Distribution and Dividends for Current Fiscal Year and Following Fiscal Year**

Shizuoka Gas has been returning profits to shareholders under a basic policy of stable and continuous dividends.

Currently, the Company carries out its mission of ensuring a long-term, stable supply of city gas as a public utility. At the same time, the Company is allocating benefits created through the introduction of natural gas in capital investment for business expansion, to further bolster its revenue base for the future.

Against this backdrop, the Company will continue to return profits to shareholders in accordance with the basic policy of maintaining continuous, stable dividends, while taking into consideration the Company's financial position and operating results.

In keeping with the above policy the Company expects to pay annual dividends for FY2011 of 9 yen per share, including the 4.5 yen interim dividend. With respect to the following fiscal year, the Company anticipates an annual dividend of 9 yen per share including a 4.5 yen interim dividends premised on the "Forecasts for the Following Fiscal Year" noted above.

#### **(4) Business and Other Risks**

The risk factors that might affect the operating results and financial position of Shizuoka Gas Group are discussed below.

The forward-looking statements in the text are judgments made by the Company based on the information available as of the end of FY 2011.

##### **1. Contingencies in Raw Materials Procurement**

All of the LNG purchased by Shizuoka Gas is imported from overseas. The gas supply of the Shizuoka Gas Group might negatively be affected by the occurrence of contingencies in raw materials procurement, including problems at LNG import sources and operational difficulties at LNG carrier.

##### **2. Natural Disasters**

The operating results of the Shizuoka Gas Group could negatively be affected if the facilities of the Group or its customers suffer extensive damage as a result of a large-scale natural disaster such as an earthquake, typhoon, or tsunami.

##### **3. Contingencies in the Production and Supply of City Gas.**

The gas supply of the Shizuoka Gas Group could negatively be affected, and the Group could suffer losses as well as be responsible for compensation to society at large, if difficulties occur in the production of city gas by Shimizu LNG Company Ltd., a consolidated subsidiary, or a leakage, explosion or other large-scale accidents in conjunction with the city gas supply by the Group.

Additionally, if a major electrical outage occurs in the Company's city gas supply area and the electrical power supply from the grid source is interrupted, a certain volume of gas can be transmitted using the Company's privately-owned electrical power facilities. However, depending on the time of the day, such electrical outage could affect the production and supply of city gas.

##### **4. Raw Materials Prices**

Shizuoka Gas must obtain new LNG in response to increases in gas and LNG demand, and procures LNG through the use of short- and long-term contracts and spot purchases. The operating results can negatively be affected if the price of LNG procured by the Company differs from the raw materials price level used when setting gas rates because of these new procurement prices or changes in the pricing system for existing long-term contracts.

##### **5. Gas Rate Adjustment System**

Gas rates are set based on the gas rate adjustment system (a system of revising gas rates to reflect changes in raw materials prices). The price of LNG and LPG used as raw materials will have an impact in determining gas rates based on the gas rate adjustment system. While the LNG price and the LPG price are subject to changes in crude oil prices and exchange rate fluctuations, these effects are offset and limited because the changes in raw materials prices

are reflected in gas rates based on that system. However, changes in raw materials prices might affect operating results if those price changes are reflected in gas rates for a different accounting period due to the time lag until the changes are reflected in gas rates.

#### 6. Large-Lot Customer Trends

The Company's gas sales volume might be reduced as a result of factors such as cutbacks in facilities operations by large-lot customers due to economic trends and the development of energy saving activities. Additionally, gas rates for large-lot customers may be subject to competition with other gas suppliers because the rates are determined in individual negotiations. As a result of this, the Company's gas sales volume and gas sales may be impacted by trends in large-lot customers.

#### 7. Fluctuations in Air/Water Temperatures and in Seasonal Operating Results

The operating results of the Shizuoka Gas Group could be affected by gas sales, the main business of the Group, because such sales are subject to warm weather and changes in water temperatures. Moreover, the earnings of the Group tend to be concentrated in the first half of the year as gas sales volume and sales tend to increase in the winter and to decline in the summer.

#### 8. Intensifying Competition

The operating results of the Shizuoka Gas Group could negatively be affected by growing competition with alternative energy providers such as power utilities, and with increased competition from new entrants into the gas business.

#### 9. Changes in Interest Rate Trends

The operating results of the Shizuoka Gas Group can adversely be affected by changes in interest rate trends when the Company seeks to procure new capital. However, the effect on the Group is limited through the use of fixed interest rates and by hedging interest volatility through the use of interest swap transactions for long-term debt, which accounts for a relatively large percentage of the Group's interest bearing liabilities.

#### 10. Information Leakage

The operating results may adversely be affected by the Shizuoka Gas Group's response and a loss of trust in the Group, if customers' personal information managed by it is leaked outside of the Group.

#### 11. Disruption or Malfunctioning of Core IT Systems

The operating results of Shizuoka Gas Group could adversely be affected if there is a disruption or malfunction in the core IT systems relating to gas production and supply, customer service inquiries and rates.

## Consolidated Balance Sheets

As of December 31	Millions of yen	
	2010	2011
<b>Assets</b>		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	¥ 29,291	¥ 24,768
Distribution facilities	32,951	30,363
Service and maintenance facilities	3,981	3,818
Other facilities	4,940	4,451
Construction in progress	3,385	5,869
Total property, plant and equipment	74,550	69,270
Intangible assets	1,580	1,998
Investments and other assets –		
Investment securities	7,239	6,495
Long-term loans receivable	3,811	5,554
Deferred tax assets	1,544	1,199
Other investments and other assets	859	1,007
Allowance for doubtful accounts	(246)	(222)
Total investments and other assets	13,208	14,035
Total noncurrent assets	89,339	85,304
Current assets:		
Cash and deposits	756	455
Notes and accounts receivable – trade	8,989	11,192
Merchandise and finished goods	305	314
Raw materials and supplies	4,573	5,908
Deferred tax assets	831	1,382
Other current assets	3,625	2,937
Allowance for doubtful accounts	(58)	(63)
Total current assets	19,023	22,127
Total assets	¥108,362	¥107,432

Note: Amounts under one million yen are omitted.

As of December 31	Millions of yen	
	2010	2011
<b>Liabilities</b>		
Noncurrent liabilities:		
Long-term loans payable	¥ 29,248	¥ 26,407
Deferred tax liabilities	19	2
Provision for retirement benefits	2,941	2,831
Provision for gas holder repairs	196	94
Negative goodwill	725	490
Other noncurrent liabilities	674	574
<b>Total noncurrent liabilities</b>	<b>33,807</b>	<b>30,401</b>
Current liabilities:		
Current portion of noncurrent liabilities	6,882	5,613
Accounts payable – trade	5,083	2,681
Short-term loans payable	1,586	7,532
Accounts payable – other	957	1,468
Income taxes payable	1,056	1,508
Provision for bonuses	447	434
Other current liabilities	2,384	2,072
<b>Total current liabilities</b>	<b>18,399</b>	<b>21,311</b>
<b>Total liabilities</b>	<b>52,206</b>	<b>51,713</b>
<b>Net assets</b>		
Shareholders' equity:		
Capital stock	6,279	6,279
Capital surplus	4,589	4,589
Retained earnings	35,718	36,815
Treasury stock	(26)	(1,550)
<b>Total shareholders' equity</b>	<b>46,560</b>	<b>46,132</b>
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,753	1,524
Deferred gains or losses on hedges	(12)	(5)
<b>Total accumulated other comprehensive income</b>	<b>1,741</b>	<b>1,519</b>
Minority interests	7,853	8,067
<b>Total net assets</b>	<b>56,155</b>	<b>55,719</b>
<b>Total liabilities and net assets</b>	<b>¥108,362</b>	<b>¥107,432</b>

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Income

Years ended December 31	Millions of yen	
	2010	2011
Net sales	¥118,319	¥128,171
Cost of sales	85,878	99,979
Gross profit	32,441	28,191
Selling, general and administrative expenses	25,257	24,444
Operating income	7,184	3,747
Non-operating income:		
Interest income	77	112
Dividends income	146	148
Amortization of negative goodwill	240	237
Miscellaneous income	260	327
Total non-operating income	724	825
Non-operating expenses:		
Interest expenses	668	592
Miscellaneous expenses	24	33
Total non-operating expenses	693	626
Ordinary income	7,215	3,947
Extraordinary income:		
Gain on sales of noncurrent assets	442	190
Gain on sales of investment securities	47	—
Reversal of provision for gas holder repairs	—	97
Compensation for transfer	73	—
Total extraordinary income	563	287
Extraordinary loss:		
Loss on sales of noncurrent assets	2	32
Impairment loss	205	—
Loss on valuation of investment securities	13	266
Total extraordinary losses	222	299
Income before income taxes and minority interests	7,556	3,935
Income taxes - current	1,570	1,517
Income taxes - deferred	1,044	22
Total income taxes	2,614	1,540
Income before minority interests	—	2,395
Minority interests in income	638	651
Net income	¥ 4,303	¥ 1,743

Note: Amounts under one million yen are omitted.

## Consolidated Statement of Comprehensive Income

Years ended December 31	Millions of yen	
	2010	2011
Income before minority interests	—	¥2,395
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(229)
Deferred gains or losses on hedges	—	7
Total other comprehensive income	—	(222)
Comprehensive income	—	2,173
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	—	1,521
Comprehensive income attributable to minority interests	—	¥ 651

*Note: Amounts under one million yen are omitted.*

## Consolidated Statements of Changes in Net Assets

Years ended December 31	Millions of yen	
	2010	2011
<b>Shareholders' equity</b>		
Capital stock		
Balance at the end of previous period	¥ 6,279	¥ 6,279
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	¥ 6,279	¥ 6,279
Capital surplus		
Balance at the end of previous period	¥ 4,589	¥ 4,589
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	¥ 4,589	¥ 4,589
Retained earnings		
Balance at the end of previous period	¥32,100	¥35,718
Changes of items during the period		
Dividends from surplus	(685)	(647)
Net income	4,303	1,743
Total changes of items during the period	3,617	1,096
Balance at the end of current period	¥35,718	¥36,815
Treasury stock		
Balance at the end of previous period	¥ (25)	¥ (26)
Changes of items during the period		
Purchase of treasury stock	(0)	(1,524)
Total changes of items during the period	(0)	(1,524)
Balance at the end of current period	¥ (26)	¥(1,550)
Total shareholders' equity		
Balance at the end of previous period	¥42,943	¥46,560
Changes of items during the period		
Dividends from surplus	(685)	(647)
Net income	4,303	1,743
Purchase of treasury stock	(0)	(1,524)
Total changes of items during the period	3,617	(427)
Balance at the end of current period	¥46,560	¥46,132

Years ended December 31	Millions of yen	
	2010	2011
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	¥ 2,025	¥ 1,753
Changes of items during the period		
Net changes of items other than shareholders' equity	(271)	(229)
Total changes of items during the period	(271)	(229)
Balance at the end of current period	1,753	1,524
Deferred gains or losses on hedges		
Balance at the end of previous period	4	(12)
Changes of items during the period		
Net changes of items other than shareholders' equity	(16)	7
Total changes of items during the period	(16)	7
Balance at the end of current period	(12)	(5)
Total accumulated other comprehensive income		
Balance at the end of previous period	2,029	1,741
Changes of items during the period		
Net changes of items other than shareholders' equity	(288)	(222)
Total changes of items during the period	(288)	(222)
Balance at the end of current period	1,741	1,519
<b>Minority interests</b>		
Balance at the end of previous period	7,233	7,853
Changes of items during the period		
Net changes of items other than shareholders' equity	620	213
Total changes of items during the period	620	213
Balance at the end of current period	7,853	8,067
<b>Total net assets</b>		
Balance at the end of previous period	52,206	56,155
Changes of items during the period		
Dividends from surplus	(685)	(647)
Net income	4,303	1,743
Purchase of treasury stock	(0)	(1,524)
Net changes of items other than shareholders' equity	331	(8)
Total changes of items during the period	3,949	(436)
Balance at the end of current period	¥56,155	¥55,719

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Cash Flows

Year ended December 31	Millions of yen	
	2010	2011
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	¥ 7,556	¥ 3,935
Depreciation and amortization	12,894	11,944
Impairment loss	205	—
Amortization of negative goodwill	(240)	(237)
Loss on retirement of property, plant and equipment	96	66
Loss (gain) on valuation of investment securities	13	266
Increase (decrease) in allowance for doubtful accounts	(46)	(18)
Increase (decrease) in provision for retirement benefits	(103)	(110)
Increase (decrease) in provision for gas holder repairs	(9)	(101)
Increase (decrease) in provision for bonuses	2	(13)
Interest and dividends income	(224)	(261)
Interest expenses	668	592
Loss (gain) on sales of property, plant and equipment	(439)	(158)
Loss (gain) on sales of investment securities	(47)	—
Decrease (increase) in notes and accounts receivable – trade	(2,038)	(2,177)
Decrease (increase) in inventories	(264)	(1,336)
Increase (decrease) in notes and accounts payable – trade	(4,653)	(2,407)
Decrease/increase in consumption taxes receivable/payable	(1,529)	1,097
Other, net	313	(328)
Subtotal	12,156	10,752
Interest and dividends income received	225	261
Interest expenses paid	(680)	(599)
Income taxes paid	(5,016)	(727)
Net cash provided by (used in) operating activities	6,684	9,686
Net cash provided by (used in) investing activities:		
Payments into time deposits	(22)	(22)
Proceeds from withdrawal of time deposits	28	22
Purchase of property, plant and equipment and intangible assets	(8,498)	(7,524)
Proceeds from sales of property, plant and equipment and intangible assets	599	266
Purchase of investment securities	(22)	(5)
Proceeds from sales of investment securities	69	0
Payments of loans receivable	(1,560)	(1,950)
Collection of loans receivable	221	206
Proceeds from contribution received for construction	400	23
Other, net	(750)	(228)
Net cash provided by (used in) investing activities	(9,534)	(9,211)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	1,544	5,945
Proceeds from long-term loans payable	3,750	2,780
Repayment of long-term loans payable	(6,060)	(6,890)
Purchase of treasury stock	—	(1,526)
Cash dividends paid	(683)	(650)
Cash dividends paid to minority shareholders	(13)	(434)
Other, net	(0)	—
Net cash provided by (used in) financing activities	(1,462)	(776)
Net increase (decrease) in cash and cash equivalents	(4,312)	(301)
Cash and cash equivalents at beginning of period	5,046	734
Cash and cash equivalents at end of period	¥ 734	¥ 432

Note: Amounts under one million yen are omitted.

## Notes on consolidated financial statements

(Consolidated Statement of Comprehensive Income)

Current consolidated fiscal year (January 1 to December 31, 2011)	(millions of yen)
Comprehensive income in the previous fiscal year	
Comprehensive income attributable to owners of parent	¥4,014
Comprehensive income attributable to minority interests	640
Total	4,655
Other comprehensive income in the previous fiscal year	
Valuation difference on available-for-sale-securities	¥ (270)
Deferred gains or losses on hedges	(16)
Total	(286)

## Segment Information

(1) Segment information by business category

(Amounts under one million yen are omitted.)

Year ended December 31, 2010

						Millions of yen
	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Sales and operating income and loss:						
Net sales						
Outside customers	100,129	10,810	7,380	118,319	—	118,319
Inter-segment	701	298	4,645	5,646	(5,646)	—
Total	100,830	11,109	12,026	123,966	(5,646)	118,319
Costs and expenses	91,212	10,422	12,104	113,739	(2,603)	111,135
Operating income (loss)	9,618	686	(78)	10,226	(3,042)	7,184
Assets, depreciation, impairment loss and capital expenditure:						
Assets	88,596	5,186	5,611	99,394	8,967	108,362
Depreciation	11,563	537	837	12,939	(44)	12,894
Impairment loss	128	—	—	128	76	205
Capital expenditure	6,947	349	542	7,839	250	8,090

Note:

1. Business segments and principal products in each classification.

Business Segments	Principal Products
Gas	Natural gas, liquefied natural gas (LNG)
LPG and other Energy Services	LPG, on-site energy services
Other Businesses	Construction of facilities/gas piping installations, gas appliance sales, remodeling, leasing

2. Within operating expenses, the amount of unallocated operating expenses included in the Elimination or corporate heading is ¥3,076 million and are related mainly to general administrative department expenses.

3. Within assets, the amount of corporate assets included in Elimination or corporate heading is ¥10,454 million and are mainly comprised of surplus funds (cash and deposits), long-term investments (investment securities) and assets related to administrative departments.

(2) Segment Information by Location

Not applicable as we have no overseas consolidated subsidiaries and branches in the previous consolidated fiscal year.

(3) Overseas Sales

Not applicable as we have no overseas sales in the previous consolidated fiscal year.

#### (4) Segment information

##### ① Reporting Segment Overview

Shizuoka Gas Group reporting segments are those segments capable of providing separate financial information, and which the Board of Directors regularly reviews to determine the allocation of management resources and evaluate performance results.

The basic business of the Shizuoka Gas Group is the development of general energy businesses, mainly in city gas and the LPG adoption. We have identified two reporting segments along product/service lines: (1) Gas and (2) LPG/Other Energy Services.

The following details the principal products and services offered by each reporting segment.

Gas: Natural gas; liquefied natural gas (LNG)

LPG and other energy services: LPG; on-site energy services

##### ② Accounting method of sales, profit or losses, assets and those other items by each reporting segment

The accounting procedures of the reported business segments are the same as set forth in “Important Items in the Basis of Presenting Consolidated Financial Statements.”

The reporting segment income is the operating profit base figures.

Inter-segment sales and transferred amounts are transactions between consolidated companies and are based on market prices, etc.

##### ③ Information concerning the amount of the sales, profit or losses, assets and those other items of each reporting segment

Previous consolidated accounting period (from January 1, 2010 to December 31, 2010)

Consolidated statement segment information based on the handling of segment information up to now will be omitted as the same information will be disclosed when conforming to *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (Accounting Standards Board of Japan Statement No. 17 of March 27, 2009).

Year ended December 31, 2011

Millions of yen

	Reporting segment			Other businesses (Note1)	Total	Elimination or corporate (Note2)	Amount recorded on consolidated statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Outside customers	109,419	10,933	120,353	7,817	128,171	—	128,171
Inter-segment	599	322	922	3,859	4,781	(4,781)	—
Total	110,018	11,256	121,275	11,676	132,952	(4,781)	128,171
Segment income(loss)	5,923	687	6,610	41	6,651	(2,904)	3,747
Segment Assets	88,153	4,596	92,750	5,684	98,434	8,997	107,432
Others							
Depreciation	10,627	480	11,107	853	11,961	(17)	11,944
Increase in property, plant, equipment, and intangible assets	5,753	260	6,014	974	6,988	534	7,523

Note:

1. The “Other businesses” classification consists of businesses not defined as reporting segments, and include gas construction of facilities/gas piping installations and gas appliance sales, remodeling and leasing.

2. The adjusted amount is as follows.

(1) The -¥2,904 million in segment income adjustments includes ¥266 million in eliminations of inter-segment transaction and -¥3,170 million of corporate expenses not allocated to the respective reporting segments.

Corporate expenses are general administrative expenses not attributable to reporting segments.

(2) The ¥8,997 million in segment asset adjustments includes -¥1,487 million in eliminations of inter-segment transaction and ¥10,485 million of corporate expenses not attributable to the respective reporting segments. Corporate assets are surplus funds (cash and deposits), long-term investments (investment securities) and assets related to administrative departments.

3. The segment income is adjusted to reflect operating income as recorded on our consolidated statement of income.

(Additional Information)

Beginning with the current consolidated fiscal year, we have applied the *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information* (Accounting Standards Board of Japan Statement No. 17 of March 27, 2009) and the *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (Accounting Standards Board of Japan Guidance No. 20 of March 21, 2008).