

Flash Report for the First Three Quarters of 2011 [Japan GAAP] (Consolidated)

November 8, 2011

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1. Consolidated Business Results for the First Three Quarters (January 1 to September 30, 2011)

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

(1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first three quarters	¥93,369	5.5%	¥ 2,325	(48.3)%	¥ 2,435	(46.0)%
Previous first three quarters	88,528	14.6	4,496	(69.3)	4,512	(69.1)

	Net income (¥ million)		Net income per share (¥)
Reporting first three quarters	¥ 929	(65.7)%	¥ 12.21
Previous first three quarters	2,709	(66.8)	35.57

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting first three quarters	¥109,928	¥54,787	42.6%	¥640.19
Previous full term	108,362	56,155	44.6	634.36

Note: Owners' equity (¥ million)

Reporting first three quarters: ¥46,824

Previous full term: ¥48,302

2. Dividend Payment

	Annual dividend per share (¥)				
	Q1	Q2	Q3	Term-end	Total
Fiscal 2010	—	¥5.00	—	¥4.00	¥9.00
Fiscal 2011	—	¥4.50	—	/	/
Fiscal 2011 (forecast)	/	/	/	4.50	9.00

Note: Revision made to the dividend forecast during the reporting quarter: Not applicable

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 Earnings Forecast for Current Term (January 1 through December 31, 2011)

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

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)		Earnings per share (¥)
Full term	127,940	8.1	3,360	(53.2)	3,510	(51.4)	1,630	(62.1)	21.64

Note: Revisions made during the reporting quarter to earnings forecast: Applicable

4. Others

(Please refer to the section "2.Other information" on P4-5)

(1) Major changes in subsidiaries: None

Note: Transfer of specified subsidiaries during the reporting first three quarters resulting in changes in the scope of consolidation

(2) Simplified accounting and special accounting methods for quarterly financial reporting: Applicable

Note: Application of simplified accounting and special accounting methods for preparing quarterly consolidated financial statements

(3) Changes in accounting policy

a) Changes in accounting standards: Applicable

b) Other: None

Note: Changes in procedures and methods of presentation for preparing the quarterly consolidated financial statements (changes described in "Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements")

(4) Number of issued shares (ordinary shares)

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

Reporting first three quarters: 76,192,950

Previous full term: 76,192,950

b) Number of treasury shares at end of the period

Reporting first three quarters: 3,051,679

Previous full term: 50,773

c) Average number of shares outstanding during the first three quarters

Reporting first three quarters: 76,042,912

Previous first three quarters: 76,142,408

Presentation of quarterly review procedure status

This quarterly earnings report is exempt from quarterly review procedures based on the Financial Instruments and Exchange Act. Thus, at the time that these quarterly financial statements were disclosed, review procedures for them were not completed based on the Financial Instruments and Exchange Act.

Note: In consideration of our recent business performance, we have revised our full-year business forecasts for the current term ending December 31, 2011, which was released on August 4, 2011 simultaneously with the account settlement for the first-half period. For further details, please refer to the "Notice Regarding Revised Earning Forecast" issued on November 8 and page four of the attachment, "(3) Qualitative Information regarding Consolidated Earnings Forecasts"

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.

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative Information regarding Consolidated Operating Results

Net sales in the gas segment for the first three quarters (January – September) of fiscal 2011 increased 5.7% year on year to ¥79,822 million, while consolidated sales (including LPG and other energy services and other business segments) increased 5.5% year on year to ¥93,369 million. This was attributable to an upward trend in unit gas sales prices under the official price adjustment system and to an increase gas sales volume.

On the other hand, from an expenses perspective, cost of sales increased, exceeding net sales, climbing 11.2% year on year to ¥73,040 million. This was due to an increase in raw material costs and an increase in feed gas volume.

As a result of this, operating income fell 48.3% year on year to ¥2,325 million, ordinary income fell 46.0% year on year to ¥2,435 million and net income fell 65.7% to ¥929 million.

(2) Qualitative Information regarding Consolidated Financial Position

1. Assets, Liabilities, and Net Assets

Total assets at the end of third quarter of the current consolidated fiscal year increased ¥1,565 million compared to the fiscal year ending December 31, 2010 (hereafter “prior fiscal year end”) to ¥109,928 million. While making Shizuhama Trunkline related investments, etc., noncurrent assets fell ¥1,368 million yen compared to the prior fiscal year end to ¥87,971 million due to ongoing depreciation of existing assets. Current assets increased ¥2,933 million compared to the prior fiscal year end to ¥21,957 million due to an increase in the amount of stocks of raw materials caused by a rise in raw material prices and due to an increase in accounts receivable while, on the other hand, other current assets fell due to a refund of consumption taxes.

Liabilities increased ¥2,933 million compared to the prior fiscal year end to ¥55,140 million. This was attributable to an increase in short-term loans payable and accounts payable-trade caused by a rise in raw material prices while, on the other hand, long-term loans payable fell.

Net assets fell ¥1,368 million compared to the prior fiscal year end to ¥54,787 million due to the acquisition of treasury shares and the equity ratio was 42.6%.

2. Cash Flows

Cash and cash equivalents at the end of the third quarter of the current consolidated fiscal year fell ¥261 million compared to the prior fiscal year end to ¥472 million. The following describes third quarter cash flows and the related main reasons for changes.

(Cash Flows from Operating Activities)

Net income before depreciation and amortization was ¥11,155 million and there was a net cash inflow of ¥7,941 million in operating activities. This was due to the increase in inventories and notes and accounts receivable-trade exceeding the increase in accounts payable.

(Cash Flows from Investing Activities)

Cash flows from investing activities saw an expenditure of ¥7,459 million. This was primarily used to make capital investments in the Shizuhama Trunkline, etc.

(Cash Flows from Financing Activities)

Although short-term loans payable increased to address the demand for operating capital, etc., cash flows from financing activities saw an expenditure of ¥743 million. This was attributable to the ongoing repayments of long-term loans payable and the acquisition of treasury shares.

(3) Qualitative Information regarding Consolidated Earnings Forecasts

The full-year earnings forecast was revised due to the revision in crude oil price and exchange rate projections for the fourth quarter and based on earnings for the first three quarters of the fiscal year.

As a result, our forecast calls for net sales, operating income, ordinary income and net income to amount to ¥127,940 million, ¥3,360 million, ¥3,510 million and ¥1,630 million.

(Reference) Crude Oil Price/Exchange Rate Projections

Crude Oil Price (Japan CIF)	Previous Forecast	\$115/bbl (Q4)
	Revised Forecast	\$109.7/bbl (Q4)
Exchange Rate	Previous Forecast	¥82/dollar (Q4)
	Revised Forecast	¥78/dollar (Q4)

2. Other Information

(1) Overview of Major Changes in Subsidiaries

Not applicable.

(2) Overview of Application of Simplified Accounting Methods and Special Accounting Methods

1. Simplified Accounting Methods

(a) Calculating estimated uncollectible accounts

Estimated uncollectible accounts were estimated using the historical write-off ratio at the end of the previous consolidated fiscal year, as the ratio at the end of the third quarter of the current consolidated fiscal year was not significantly different from that of the end of the previous consolidated fiscal year.

(b) Valuation of inventories

For inventories at the end of the first three quarters of the current consolidated fiscal year, a valuation was determined by using a reasonable method based on physical inventory count at the end of the second quarter of the current consolidated fiscal year.

Inventory write-down was based on the current net sales value of items on which profit margins have declined significantly.

(c) Calculation of income taxes, deferred tax assets and deferred tax liabilities

Determinations regarding recoverability of deferred tax assets were made based on earnings forecasts and tax planning (as in the previous consolidated fiscal year), as there have been no significant changes in the operating environment and in temporary differences since the end of the previous consolidated fiscal year.

2. Special Accounting Methods

Calculation of Tax Expense

Tax expense was calculated by multiplying the estimated effective tax rate by quarterly income before income taxes and minority interest (cumulative period). We made a rational estimate of the effective tax rate after applying tax-effect accounting to income before income taxes and minority interest for the consolidated fiscal year (including the third quarter of the current consolidated fiscal year).

Income tax adjustments are included in the presentation of income taxes.

(3) Overview of Changes in Accounting Treatment, Principles, Procedures, Presentation, Etc.

Accounting Standard for Asset Retirement Obligations

Beginning with the first quarter of the current consolidated fiscal year, we have applied the “*Accounting Standard for Asset Retirement Obligations*” (*Accounting Standards Board of Japan Statement No. 18; March 31, 2008*) and the “*Guidance on Accounting Standard for Asset Retirement Obligations* (*Accounting Standards Board of Japan Guidance No. 21; March 31, 2008*).

The application of these accounting standards has not had a material impact on profits or losses.

Consolidated Balance Sheets

	Millions of yen	
	September 30, 2011	December 31, 2010
Assets		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	¥ 25,903	¥ 29,291
Distribution facilities	30,722	32,951
Service and maintenance facilities	3,833	3,981
Other facilities	4,551	4,940
Construction in progress	5,787	3,385
Total property, plant and equipment	70,798	74,550
Intangible assets	2,073	1,580
Investments and other assets –		
Investment securities	6,660	7,239
Long-term loans receivable	5,610	3,811
Deferred tax assets	2,075	1,544
Other investments and other assets	1,002	859
Allowance for doubtful accounts	(249)	(246)
Total investments and other assets	15,099	13,208
Total noncurrent assets	87,971	89,339
Current assets:		
Cash and deposits	495	756
Notes and accounts receivable – trade	10,158	8,989
Merchandise and finished goods	330	305
Raw materials and supplies	7,809	4,573
Deferred tax assets	842	831
Other current assets	2,383	3,625
Allowance for doubtful accounts	(62)	(58)
Total current assets	21,957	19,023
Total assets	¥109,928	¥108,362

Note: Amounts under one million yen are omitted.

Millions of yen

September 30, 2011 December 31, 2010

Liabilities

Noncurrent liabilities:

Long-term loans payable	¥ 27,240	¥ 29,248
Deferred tax liabilities	1	19
Provision for retirement benefits	2,704	2,941
Provision for gas holder repairs	207	196
Negative goodwill	549	725
Other noncurrent liabilities	553	674
Total noncurrent liabilities	31,257	33,807

Current liabilities:

Current portion of noncurrent liabilities	5,372	6,882
Accounts payable – trade	7,249	5,083
Short-term loans payable	6,970	1,586
Accounts payable – other	1,163	957
Income taxes payable	878	1,056
Provision for bonuses	928	447
Other current liabilities	1,319	2,384
Total current liabilities	23,883	18,399
Total liabilities	55,140	52,206

Net assets

Shareholders' equity:

Capital stock	6,279	6,279
Capital surplus	4,589	4,589
Retained earnings	36,000	35,718
Treasury stock	(1,550)	(26)
Total shareholders' equity	45,318	46,560

Valuation and translation adjustments:

Valuation difference on available-for-sale securities	1,506	1,753
Deferred gains or losses on hedges	—	(12)
Total valuation and translation adjustments	1,506	1,741

Minority interests

Minority interests	7,963	7,853
Total net assets	54,787	56,155
Total liabilities and net assets	¥109,928	¥108,362

Note: Amounts under one million yen are omitted.

Consolidated Statements of Income

First Three Quarters ended September 30	Millions of yen	
	2010	2011
Net sales	¥88,528	¥93,369
Cost of sales	65,674	73,040
Gross profit	22,854	20,329
Selling, general and administrative expenses	18,357	18,003
Operating income	4,496	2,325
Non-operating income:		
Interest income	53	77
Dividends income	93	86
Amortization of negative goodwill	181	176
Miscellaneous income	214	243
Total non-operating income	542	585
Non-operating expenses:		
Interest expenses	506	449
Miscellaneous expenses	20	26
Total non-operating expenses	526	475
Ordinary income	4,512	2,435
Extraordinary income:		
Gain on sales of noncurrent assets	439	77
Gain on sales of investment securities	1	—
Compensation for transfer	73	—
Total extraordinary income	514	77
Extraordinary loss:		
Loss on sales of noncurrent assets	2	—
Loss on valuation of investment securities	10	242
Total extraordinary losses	13	242
Income before income taxes and minority interests	5,014	2,269
Income taxes	1,807	795
Income before minority interests	—	1,474
Minority interests in income	497	544
Net income	¥ 2,709	¥ 929

Note: Amounts under one million yen are omitted.

Consolidated Statements of Cash Flows

First Three Quarters ended September 30	Millions of yen	
	2010	2011
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	¥5,014	¥2,269
Depreciation and amortization	9,608	8,885
Amortization of negative goodwill	(181)	(176)
Loss on retirement of property, plant and equipment	47	47
Loss (gain) on valuation of investment securities	10	242
Increase (decrease) in allowance for doubtful accounts	1	7
Increase (decrease) in provision for retirement benefits	(215)	(237)
Increase (decrease) in provision for gas holder repairs	22	11
Increase (decrease) in provision for bonuses	682	480
Interest and dividends income	(147)	(164)
Interest expenses	506	449
Loss (gain) on sales of property, plant and equipment	(436)	(77)
Loss (gain) on sales of investment securities	(1)	—
Decrease (increase) in notes and accounts receivable – trade	(2,052)	(1,171)
Decrease (increase) in inventories	318	(3,255)
Increase (decrease) in notes and accounts payable – trade	(4,646)	2,135
Decrease/increase in consumption taxes receivable/payable	(1,720)	860
Other, net	(1,117)	(1,328)
Subtotal	5,693	8,978
Interest and dividends income received	147	164
Interest expenses paid	(553)	(487)
Income taxes paid	(5,008)	(713)
Net cash provided by (used in) operating activities	279	7,941
Net cash provided by (used in) investing activities:		
Payments into time deposits	(19)	(16)
Proceeds from withdrawal of time deposits	25	16
Purchase of property, plant and equipment and intangible assets	(7,005)	(6,021)
Proceeds from sales of property, plant and equipment and intangible assets	597	86
Purchase of investment securities	(20)	(3)
Proceeds from sales of investment securities	11	0
Payments of loans receivable	(1,560)	(1,950)
Collection of loans receivable	162	150
Proceeds from contribution received for construction	339	23
Other, net	(631)	255
Net cash provided by (used in) investing activities	(8,100)	(7,459)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	5,907	5,383
Proceeds from long-term loans payable	3,750	2,750
Repayment of long-term loans payable	(5,184)	(6,269)
Purchase of treasury stock	—	(1,525)
Cash dividends paid	(681)	(647)
Cash dividends paid to minority shareholders	(13)	(434)
Other, net	(0)	—
Net cash provided by (used in) financing activities	3,777	(743)
Net increase (decrease) in cash and cash equivalents	(4,043)	(261)
Cash and cash equivalents at beginning of period	5,046	734
Cash and cash equivalents at end of period	¥1,002	¥ 472

Note: Amounts under one million yen are omitted.

Segment Information

Segment information by business category

(Amounts under one million yen are omitted.)

First three quarters ended September 30, 2010

Millions of yen

	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales						
Outside customers	74,950	8,269	5,308	88,528	—	88,528
Inter-segment	540	227	3,670	4,437	(4,437)	—
Total	75,490	8,496	8,978	92,966	(4,437)	88,528
Operating income (loss)	6,057	671	(73)	6,655	(2,158)	4,496

(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 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 Information related to net sales and profit and loss amounts by reporting segment

(Amounts under one million yen are omitted.)

First three quarters ended September 30, 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	79,386	8,364	87,750	5,619	93,369	—	93,369
Inter-segment	436	257	693	2,620	3,313	(3,313)	—
Total	79,822	8,621	88,443	8,239	96,683	(3,313)	93,369
Operating income(loss)	3,779	684	4,463	(17)	4,446	(2,120)	2,325

Note:

- The "Other businesses" classification consists of businesses not defined as reporting segments, and include construction of facilities/gas piping installations and gas appliance sales, remodeling, and leasing.
- The -¥2,120 million in segment income or loss adjustments includes ¥205 million in eliminations of inter-segment transactions and -¥2,325 million of corporate expenses not allocated to the respective reporting segments. Corporate expenses are general and administrative expenses not attributable to reporting segments.
- The segment income or loss is adjusted to reflect operating income as recorded on our quarterly consolidated statements of income.

(Additional information)

Beginning with the first quarter of 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; 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; March 21, 2008).

Significant Change in Shareholder Equity

The Company, pursuant to the resolution of the board of directors, undertook the acquisition of treasury shares. Through this acquisition, treasury shares increased by ¥1,524 million in the first three quarters of the current consolidated fiscal year and stood at ¥1,550 million yen at the end of the third quarter of the current consolidated fiscal year.