



**SHIZUOKA GAS CO.,LTD.**

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**Financial Results 2011  
(January-December)**

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# Contents



<b>I . Summary Financial Results</b>	.....	<b>3</b>
<b>II . Mid-Term Strategy</b>	.....	<b>9</b>
<b>III . Growth Initiatives</b>	.....	<b>15</b>
<b>IV . Supplementary Information</b>	.....	<b>22</b>

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Disclaimer
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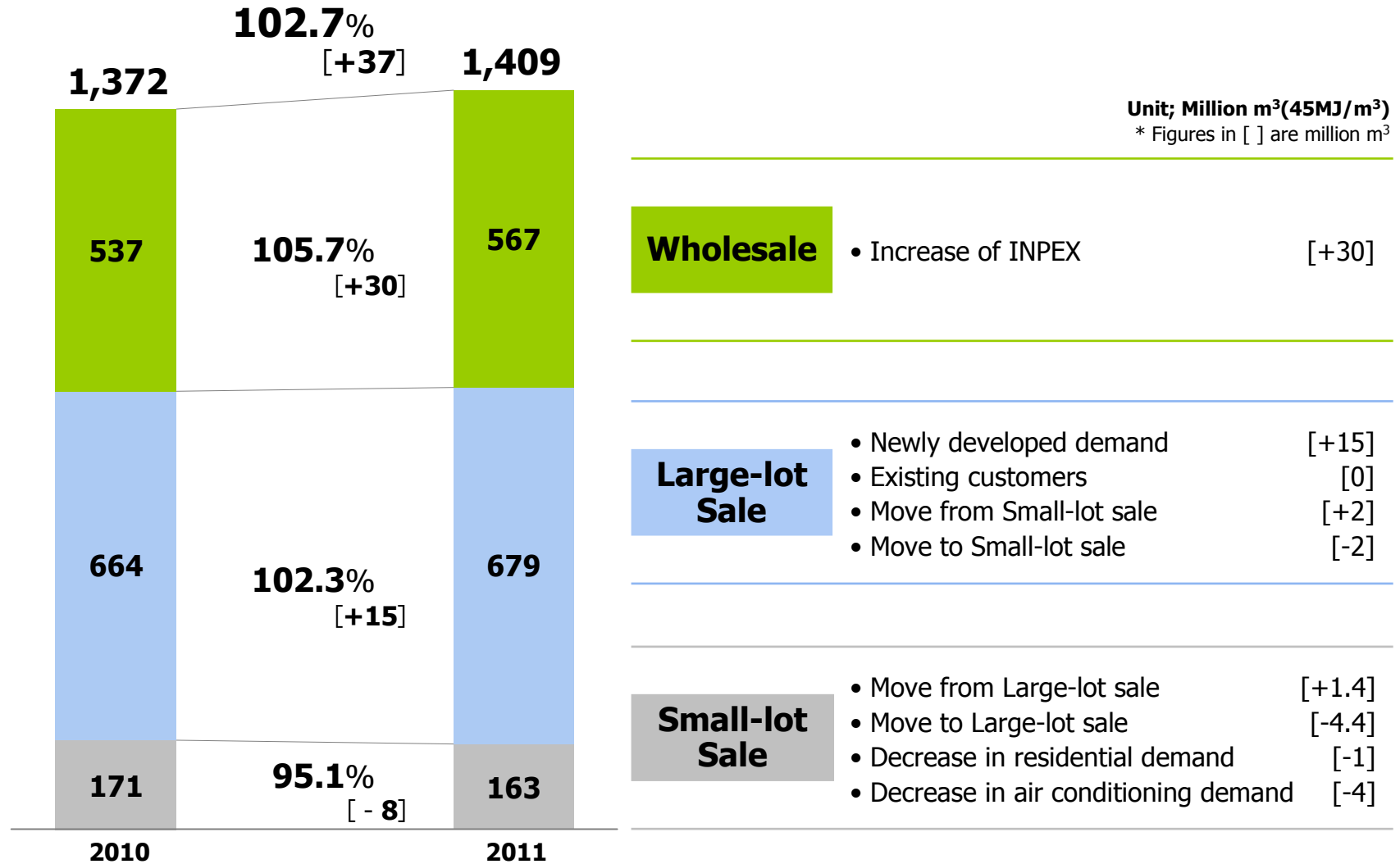
- Forecasts are based on information available to the management when this was drafted.
- Actual financial results may significantly differ from these forecasts due to any unforeseen economic and business circumstances.

# I. Summary Financial Results

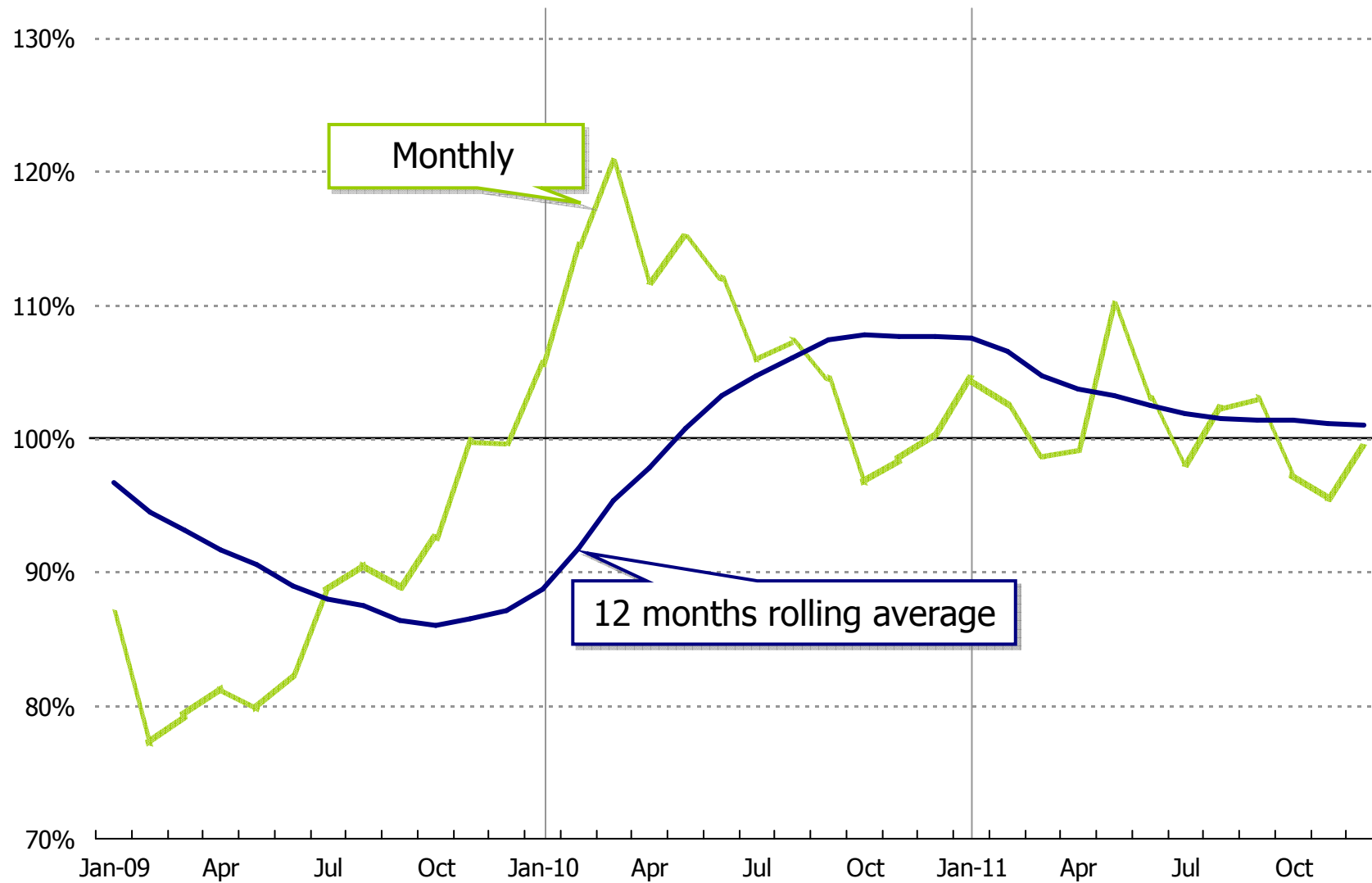
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# Volume of Gas Sold (Non-Consolidated)

~ Year-on-year comparison ~



# Large-Lot Customer's Performance

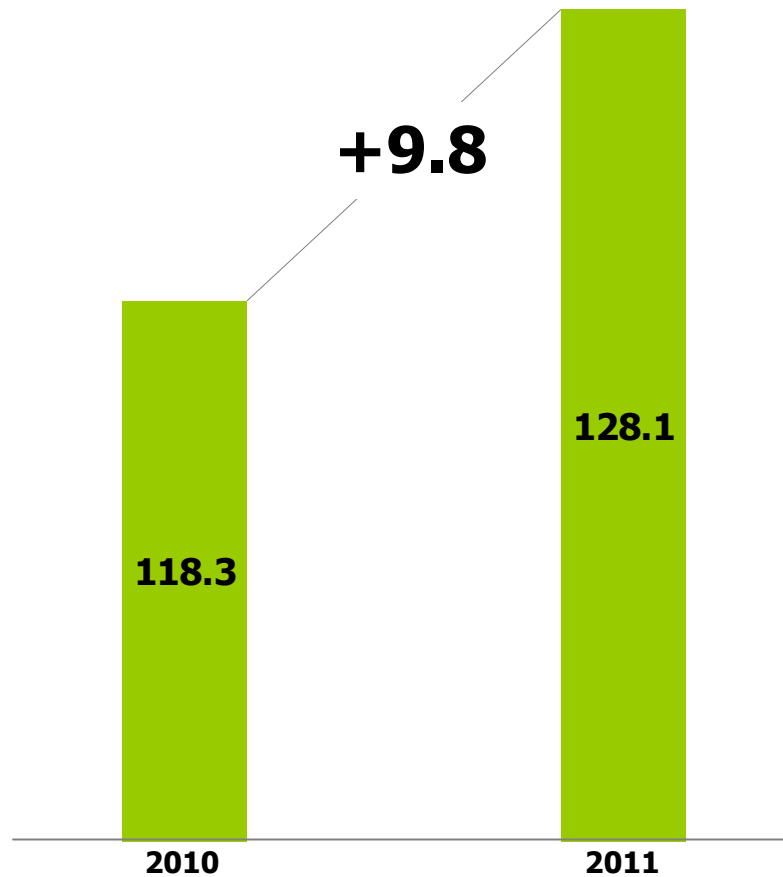


# Sales & Operating Profit ~ Year-on-year comparison ~



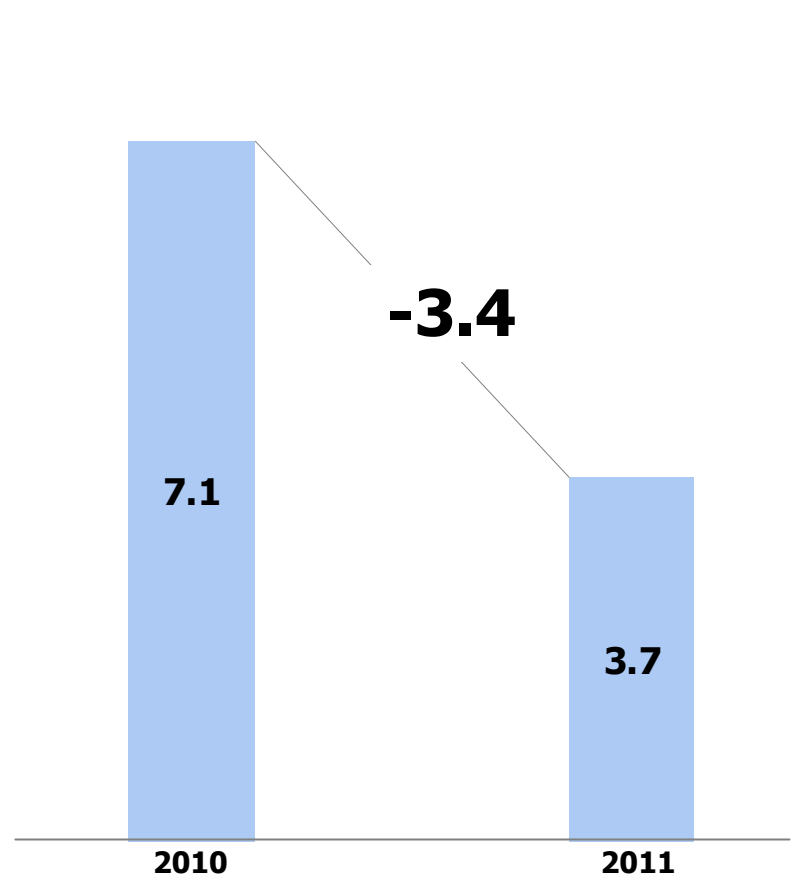
## Sales

Unit; ¥ Billion



## Operating Profit

Unit; ¥ Billion



# Breakdown of Consolidated Operating Profit

~ Year-on-year comparison ~



**Sales** **128.1** [+9.8]

City Gas	<b>109.4</b>	[+9.2]
LPG	<b>10.9</b>	[+0.1]
Others	<b>7.8</b>	[+0.4]

**Operating Profit** **3.7** [-3.4]

**Sliding Time Lag** **-4.4** [-3.3]

Unit: ¥ Billion

\*[ ] denotes year-on-year change

\*Transactions between the consolidated companies are offset

**Gross Profit** **28.1** [-4.2]

City Gas	<b>24.0</b>	[-4.1]
■ Sales	<b>109.4</b>	[+9.2]
+ Volume of sale	1.9	
+ Unit price	9.1	
- Change in Large-lot price rate	1.7	
■ Cost of Sales	<b>85.3</b>	[+13.4]
+ Amount of feedgas	2.1	
+ LNG prices	12.3	
- LNG terminal cost	1.0	
LPG and Others	<b>4.1</b>	[-0.1]

**Marketing Expenses** **24.4** [-0.8]

- Depreciation and Other expenses		
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# Summary of Consolidated financial Results



Point

1

**Gas sales volume** increased by 2.7% year-on-year (Shizuoka Gas non-consolidated) and reached 1.490 billion m<sup>3</sup>. This was mainly due to the newly developed demand of the large – lot customers and increased demand sale to wholesalers while there was decrease in air conditioner demand due to the customers` energy conservation efforts. On a consolidated basis, gas sales volume increased by 2.6 to 1.422 billion m<sup>3</sup>.

Point

2

**Net sales** during the term increased 8.3% year-on-year to ¥128.1 billion due to a rise in unit gas sales prices and sales.

Point

3

Growth in the cost of sales exceeded sales growth due to rising raw material prices which resulted in **operating income** to ¥3.7 billion, **ordinary income** to ¥3.9 billion, and **net income** to ¥1.7 billion.

Point

4

**Dividend** payable is Yen 9.0 per annum.

Point

5

**Capital expenditures** continued for the Shizuhamu trunkline and other construction work, of which amount is Yen 7.5 billion close to the level of the previous year.

Point

6

**Interest-Bearing Debt** was nearly unchanged from the prior year at 39.5 billion yen. While we made payments on long-term debt, these payments were offset by short-term debt meeting increased demand for operating capital.

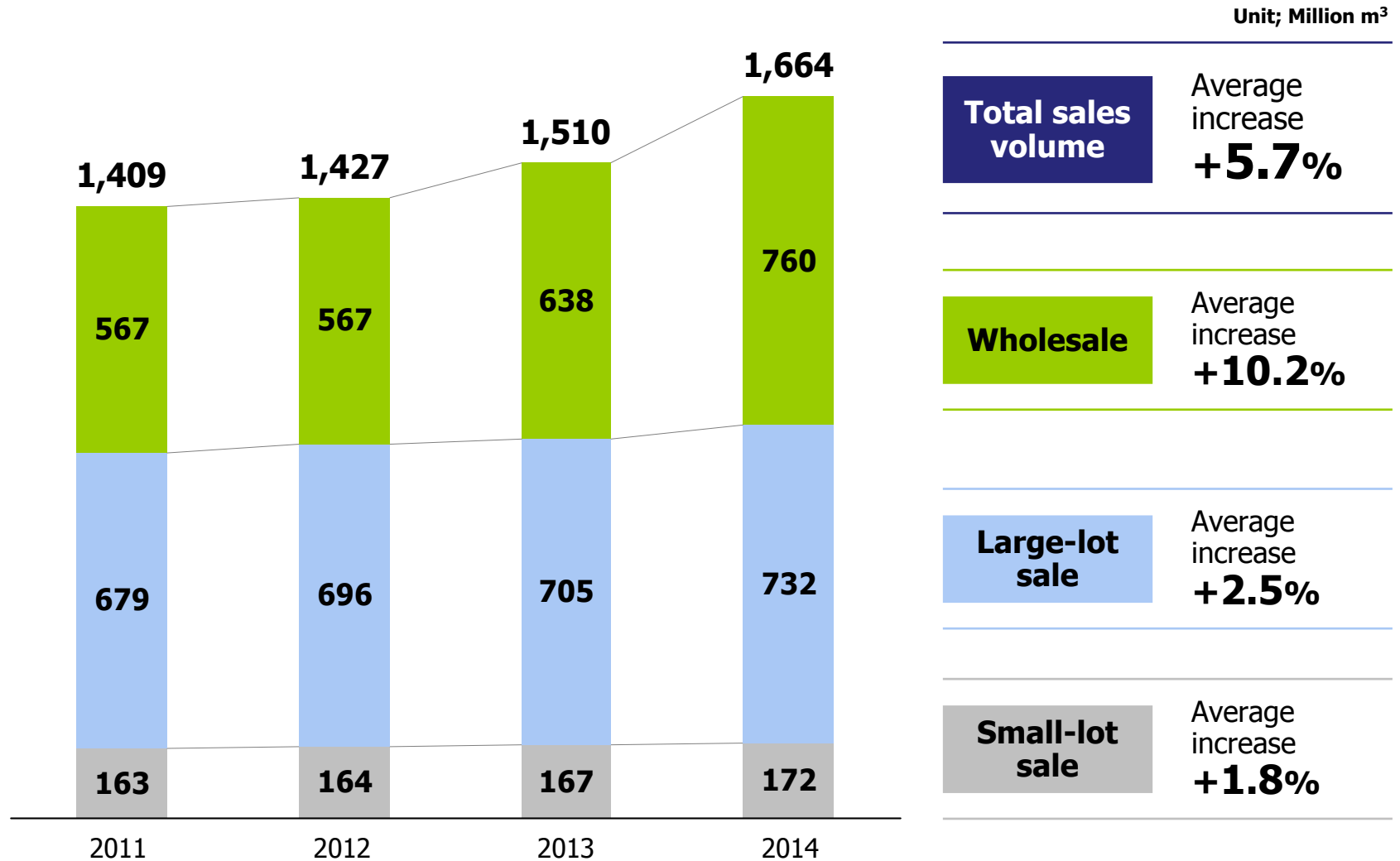


## **II. Mid-Term Strategy**

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# Target Sale of Gas in Volume (Non-consolidated)

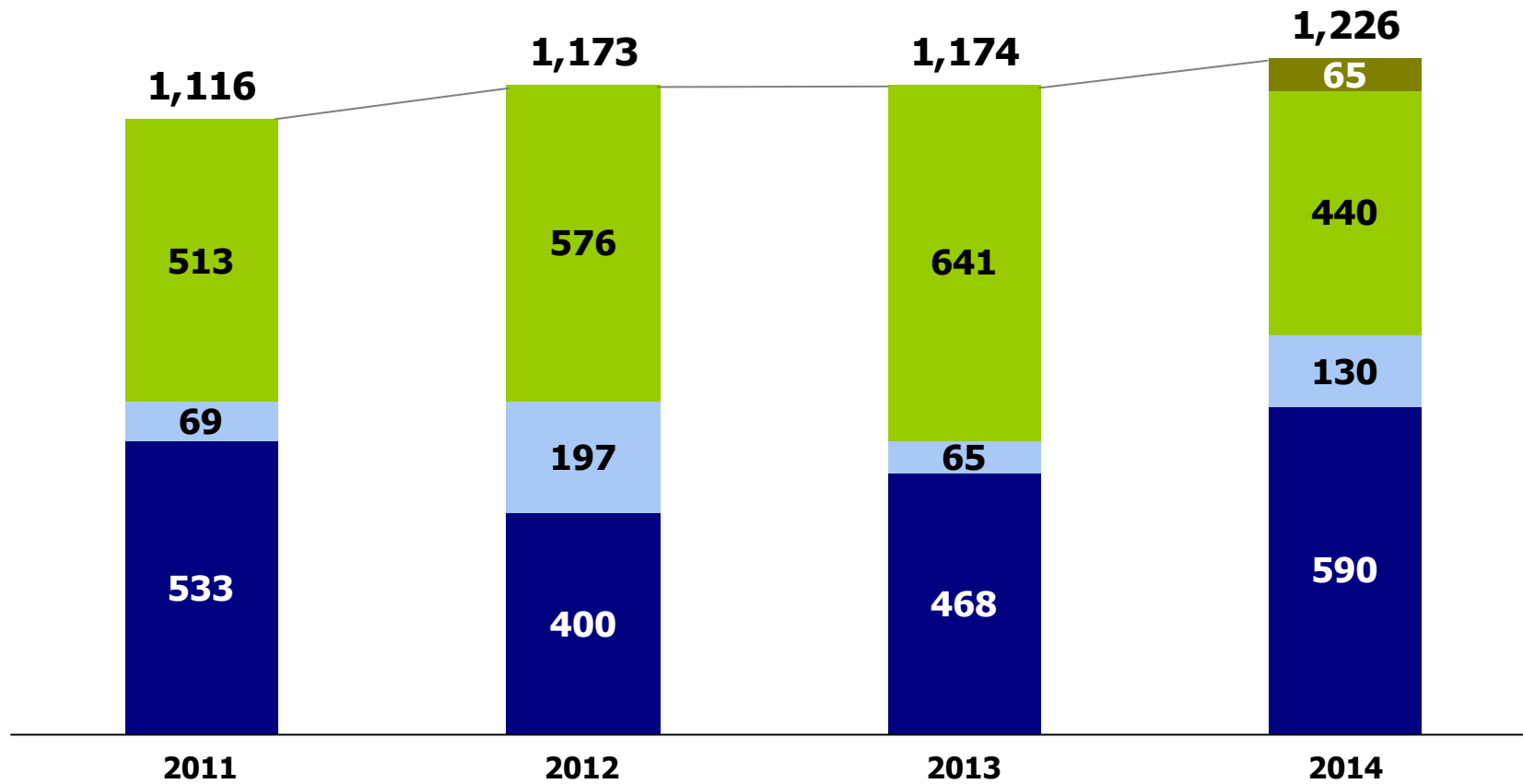


# LNG Procurement



- Osaka Gas and Tokyo Electric Power
- Mid-term LNG contracts
- Australia
- Malaysia

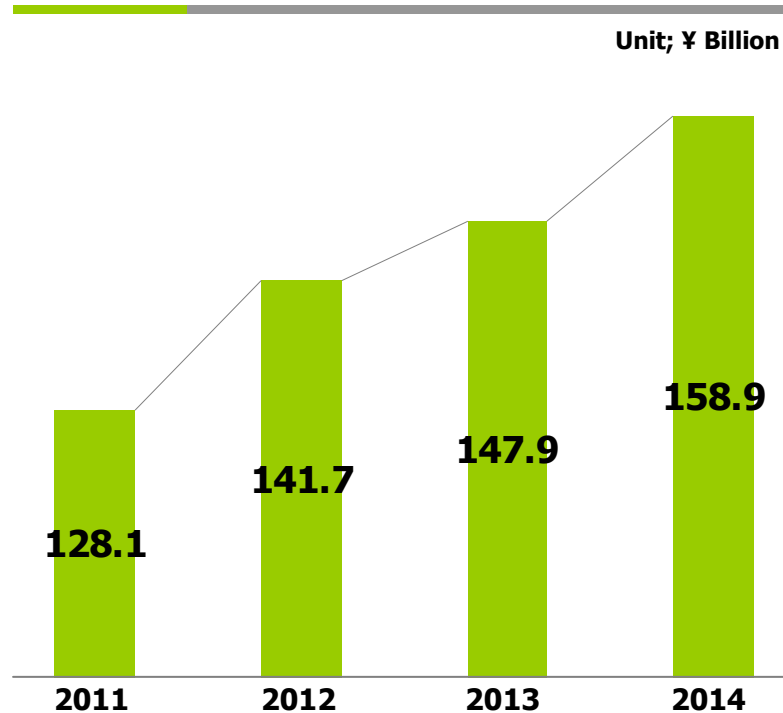
Unit; Thousand tones



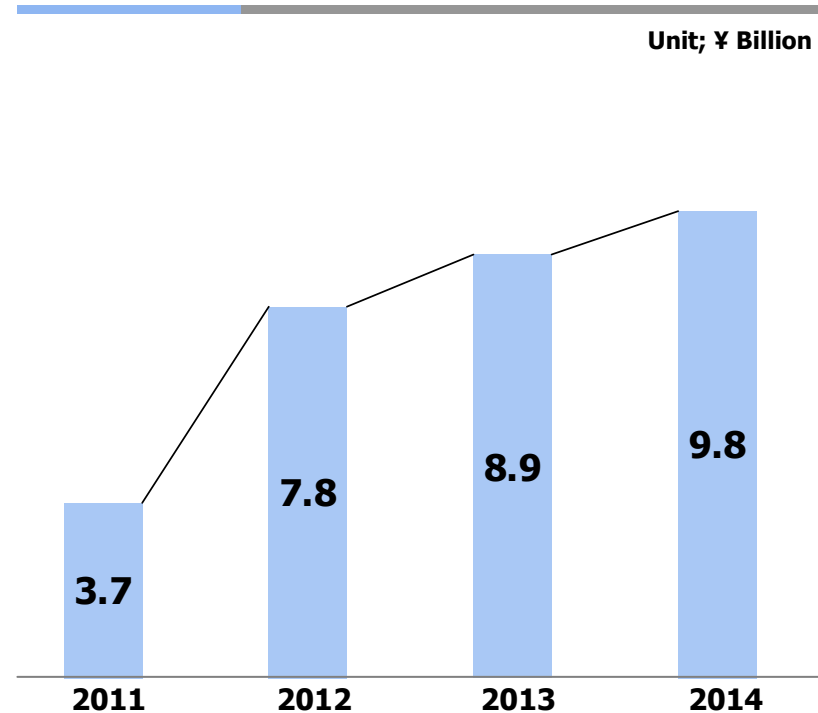
# Forecast Sales & Operating Profit



## Sales



## Operating Profit



	2011	2012	2013	2014	Gross Profit Sensitivity	
Exchange rate (Yen/US\$)	79.9	80	80	80	(+) 1 yen/\$	-30 million yen
Crude oil price C I F ( J C C ) (US\$/bbl)	109.1	110	110	110	(+) \$1/bbl	-100 million yen

# Assumption of Consolidated Operating Profit

~ Year-on-year comparison ~



**Sales** **141.7** [+13.5]

City Gas **124.0** [+14.6]

LPG **10.6** [-0.2]

Others **6.9** [-0.8]

**Operating Profit** **7.8** [+4.0]

**Sliding Time Lag** **-0.4** [+4.0]

**Gross Profit** **33.2** [+5.1]

City Gas **29.9** [+5.8]

■ **Sales** **124.0** [+14.6]

+ Volume of sale 1.8

+ Unit price 13.0

- Tariff revisions 1.1

+ Change in Large-lot price rate 0.7

■ **Cost of Sales** **94.1** [+8.8]

+ Amount of feedgas 1.4

+ LNG prices 8.1

- LNG terminal cost 0.7

LPG and Others **3.3** [-0.7]

**Marketing Expenses** **25.4** [+1.0]

+ Expenditure of System Development

Unit: ¥ Billion

\*[ ] denotes year-on-year change

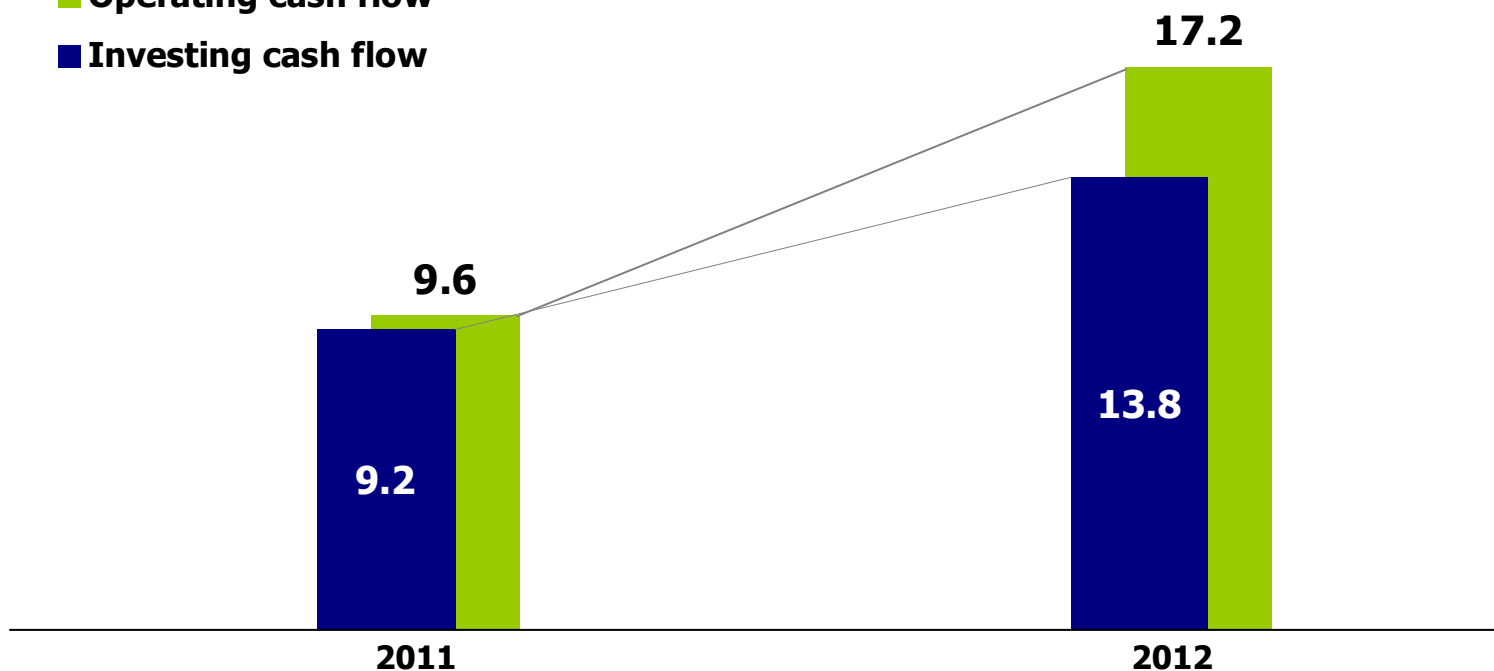
\*Transactions between the consolidated companies are offset

# Cash Flow and Capital Expenditure



■ Operating cash flow  
■ Investing cash flow

Unit: ¥ Billion



	2011	2012
<b>Capital Expenditure</b>	<b>7.5</b>	<b>11.8</b>
Shizuham a Trunkline	2.2	2.3
<b>D e p r e c i a t i o n</b>	<b>11.9</b>	<b>10.9</b>

## **III. Various Efforts to Expand Our Business**

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# Strategies of Each Sector for Expanding Sale of Gas



## Wholesale

- Starts wholesales to Chubu Gas in 2013

## Commercial / Industrial

- Reinforces marketing to gas air conditioners
- Promotes the introduction of the off-grid co-generation system
- Builds up the decentralized energy system  
(“Local Power Generation for Local Demand Project”)
- Develops gas demand along Shizuham Trunkline  
-Target sale of gas in volume in next three years is around 63million m<sup>3</sup>

## Residential

- Sells more gas in volume per customer by appealing the reduction in gas tariff and the new type of gas tariff
- Increases the number of “ENE·FARM” sold to 1,100 in 2014 from 165 in 2011
- Sells more gas appliances and expands the remodel business by reinforcing area marketing efforts



# “Local Power Generation for Local Demand Project”



## Current Status of Fuji and Fujinomiya

- Geographically situated at the far end of TEPCO`s power grids
- Concentration of the paper and chemical industries consuming huge amount of heat
- Response to small-and-medium-sized firms faced with power shortage

Our proposal to solve these challenges by introduction of the decentralized energy system

## The Decentralized Energy System Committee of Shizuoka Prefecture (Set up in October, 2011)

- Studies the feasibility of “Local Power Generation for Local Demand” jointly conducted by industries and local government where large-sized factories in Fuji area would install co-generations to meet own their thermal demand and then share power surplus with local small-and-medium-sized factories.

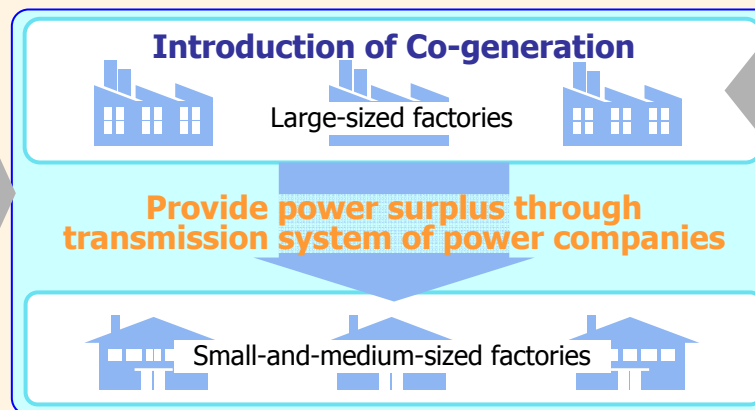
[Committee Members]

Shizuoka Prefecture, Fuji City, Fujinomiya City, Paper and Chemical industries, the Chamber of Commerce and Industry, Regional banks, TEPCO, Chubu Electric, Shizuoka Gas

[Profile of Scheme]



Subsidies or loans with lower interests for the industries` investments for their facilities



- Gas supply
- Technical assistance for co-generation users

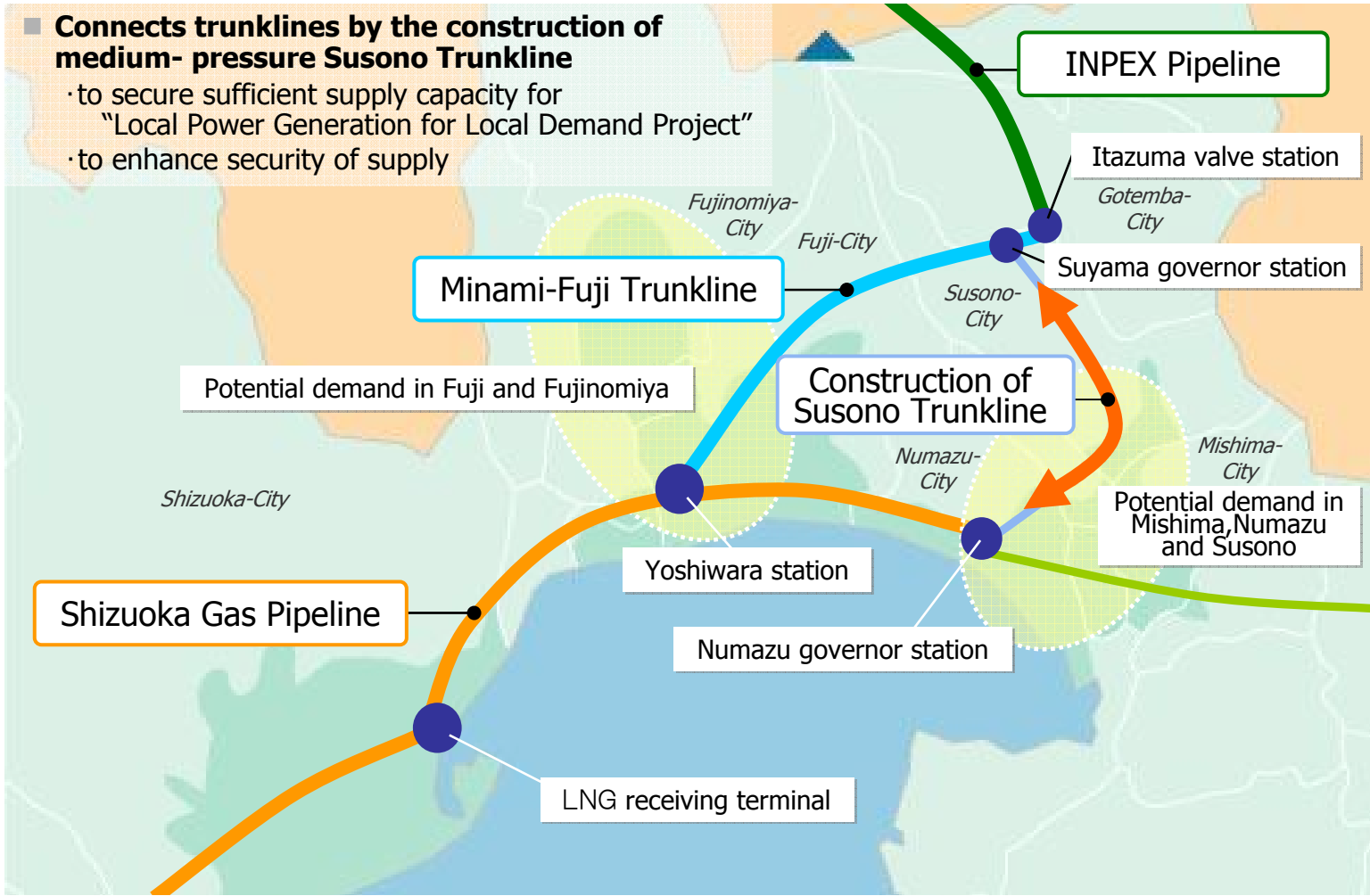
**Creates 300,000 to 400,000kw of power in Fuji and Fujinomiya**

## Economics of cost of the power generation

- Co-generation ≒ LNG thermal plant currently installed (quoted from Energy & Environment Committee)

# Improvements of the Pipeline Network

## Improvements of the pipeline network in response to demand expansion

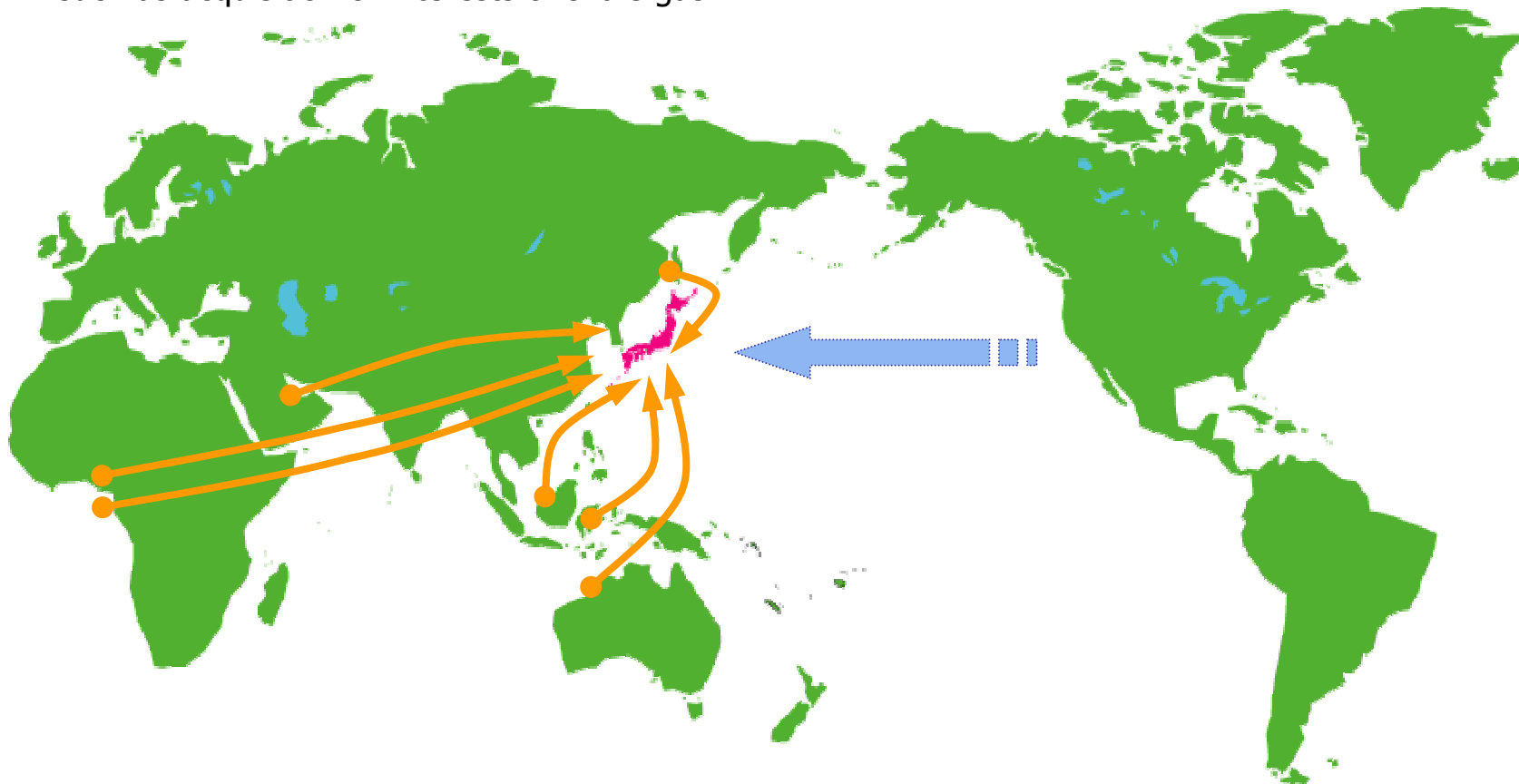


# Efforts to Secure LNG with Competitiveness

## Diversification of our LNG portfolio

## Efforts to reduce the cost of LNG

- Study a possibility to be involved in the upstream business such as acquisition of interests of shale gas.



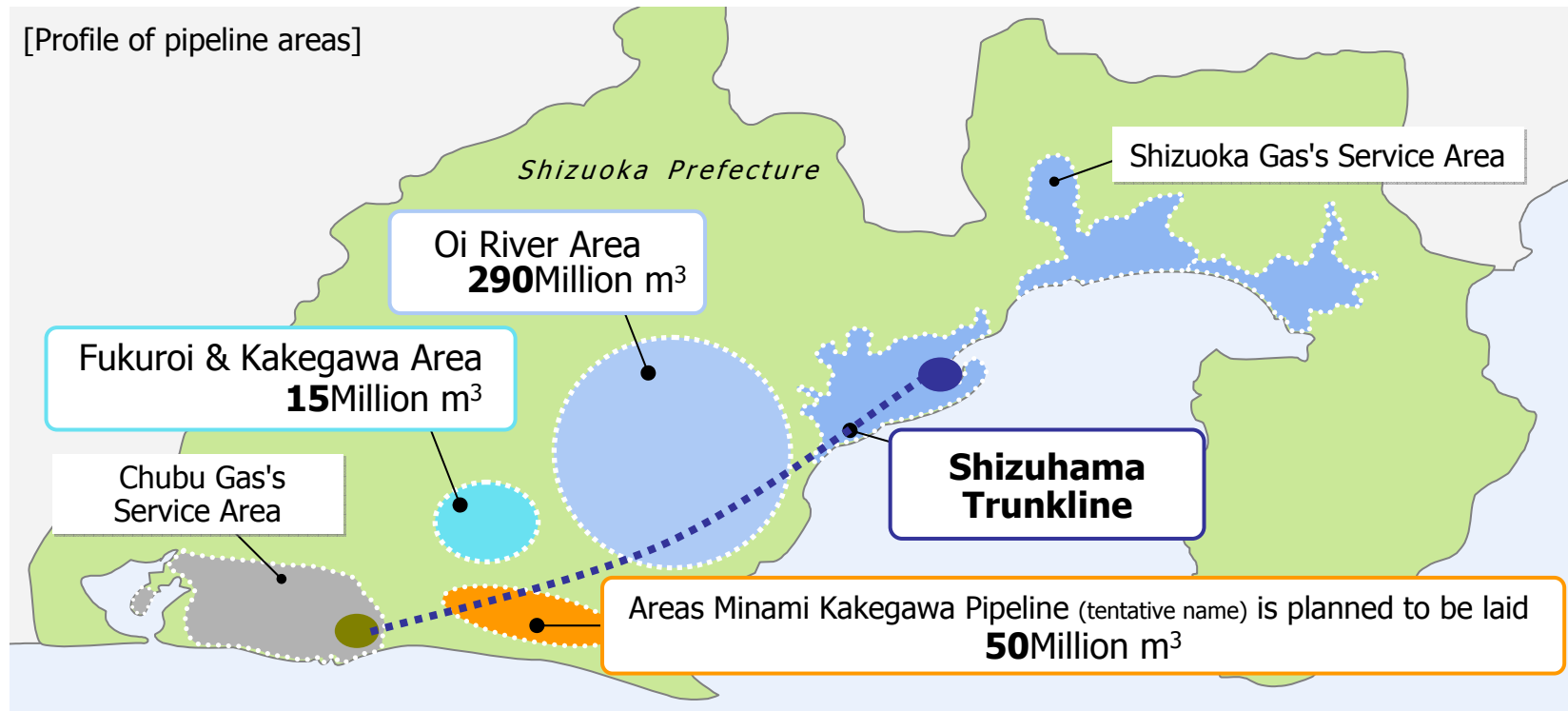
# New Demand Development <Along Shizuham Trunkline>



## Shizuham Trunkline ————— Potential demand **350Million m<sup>3</sup>**

- Fukuroi and Kakegawa areas  
: Starts large-lot sale to Yamashina area of Fukuroi city in 2012
- Minami Kakegawa Pipeline (tentative name)  
: A wholesale company scheduled to be set up in April, 2012  
[ Shareholders: Chubu Gas40%, Chubu Electric40%, Shizuoka Gas20% ]

[Profile of pipeline areas]



# Reinforce Disaster Preventions

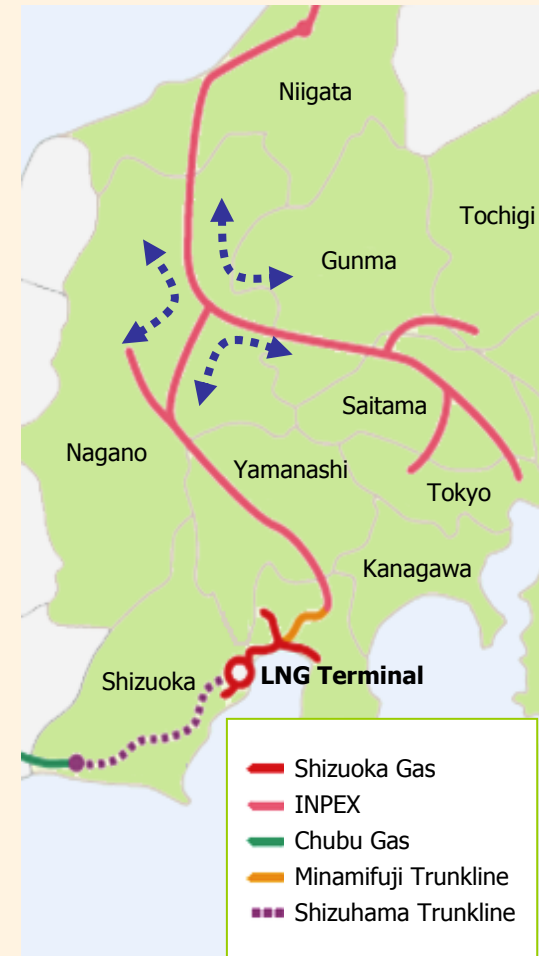
## Reinforce disaster preventions of supply and distribution facilities

- Reinforce the waterproof and protection of LNG receiving terminal and pipelines against anticipated disasters
- Promotion to build up the earthquake-proof system for the distributing pipelines
- Response to anticipated damages caused by a series of earthquakes of Tokai, Tonankai and Nankai

## Arrangement for the mutually dependent system

- Building up the mutually dependent system with other pipeline operators to bolster the security of supply

[Greater Regional Pipelines]



# IV. Supplementary Information

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# Forecast Gas Sale (Non-Consolidated)



Unit; Million m<sup>3</sup>

	2011	2012	2013	2014
Number of customers (Thousand)	313	315	316	317
Volume of sale	1,409	1,427	1,510	1,664
Own sale	842	860	872	904
Residential	90	92	93	94
Commercial	66	63	64	66
Industrial	686	705	715	743
Wholesale	567	567	638	760

[Large-lot sale (A part of "Own sale")]

Volume of sale	679	696	705	732
Share in the total sale	80.7%	80.9%	80.8%	81.0%

# Statement of Income



Unit; ¥ Billion

	2011	2012	2013	2014
Total sales	128.1	141.7	147.9	158.9
Cost of sales	99.9	108.4	112.6	121.4
Gross profit	28.1	33.2	35.2	37.4
Sales and administration expenses	24.4	25.4	26.3	27.6
Manpower	9.8	10.0	10.0	10.0
Other expenses	7.7	8.6	9.0	9.5
Depreciation	6.7	6.8	7.2	7.9
Operating income	3.7	7.8	8.9	9.8
Ordinary income	3.9	7.9	9.1	9.9
Net income	1.7	4.5	5.1	5.5



# Balance Sheet



Unit; ¥ Billion

	2011	2012	2013	2014
<b>A s s e t s</b>	<b>107.4</b>	<b>111.7</b>	<b>110.8</b>	<b>107.6</b>
Current assets	22.1	22.6	23.6	25.7
Fixed assets	85.3	89.1	87.2	81.9
Tangible/Intangible fixed assets	71.2	72.6	70.2	65.6
Investments and other a s s e t s	14.0	16.4	16.9	16.2
<b>L i a b i l i t i e s</b>	<b>51.7</b>	<b>52.4</b>	<b>47.3</b>	<b>39.5</b>
Current liabilities	21.3	16.0	13.5	9.9
Fixed liabilities	30.4	36.4	33.7	29.5
<b>N e t a s s e t s</b>	<b>55.7</b>	<b>59.3</b>	<b>63.5</b>	<b>68.1</b>

# Statement of Cash Flows and Capital Expenditure



Unit; ¥ Billion

	2011	2012	2013	2014
Operating cash flow	9.6	17.2	17.1	17.3
Investing cash flow	-9.2	-13.8	-9.1	-6.4
Financing cash flow	-0.7	-3.4	-7.8	-9.6
Net increase in cash and cash equivalents	-0.3	-0.0	0.1	1.2
Interest-bearing debts	39.5	38.9	32.8	25.0
Capital expenditure	7.5	11.8	8.4	6.8
Shizuham a Trunkline	2.2	2.3	0.9	-
Depreciation	11.9	10.9	10.8	11.3