February 10, 2011

FYE December 2010 Financial Briefing

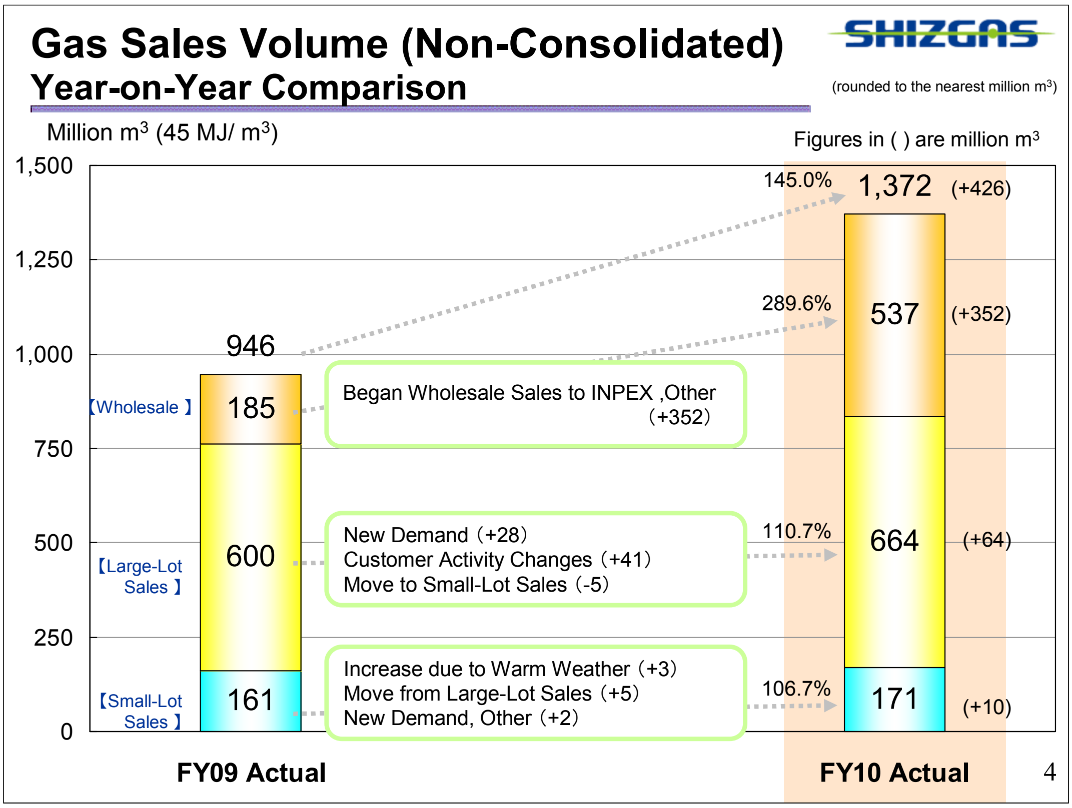
Shizuoka Gas Company, Ltd.

1

Contents

Disclaimer: This document includes forecasts based on certain future assumptions, expectations, and plans as of February 10, 2011. Actual earnings may differ significantly due to risks and uncertainties related to market competition and the economy.

Ⅰ Summary Financial Results



Fiscal 2010 gas sales volume increased 45% year-on-year, reaching 1.372 billion m^3. The increase was due in part to new wholesale sales to INPEX Corporation.

Small-lot sales increased 6.7% year-on-year to 171 million m^3. Residential sales were nearly flat, but the unusually hot weather led to higher demand for business air conditioning. Contracts changing away from large-lot sales amounted to 5 million m^3.

Large-lot sales were 64 million m^3 higher year-on-year, amounting to 664 million m^3. This represented year-on-year growth in excess of 10.7%. A full year of capacity for demand captured during fiscal 2009 and new sales in fiscal 2010 combined for an increase of 28 million m^3, while existing demand reflected a general recovery, contributing another 41 million m^3 in growth.

Wholesale volume increased 2.9 times over the prior year, mainly due to new contracts with INPEX Corporation. We also experienced a recovery in demand for large-lot sales among other wholesale customers.

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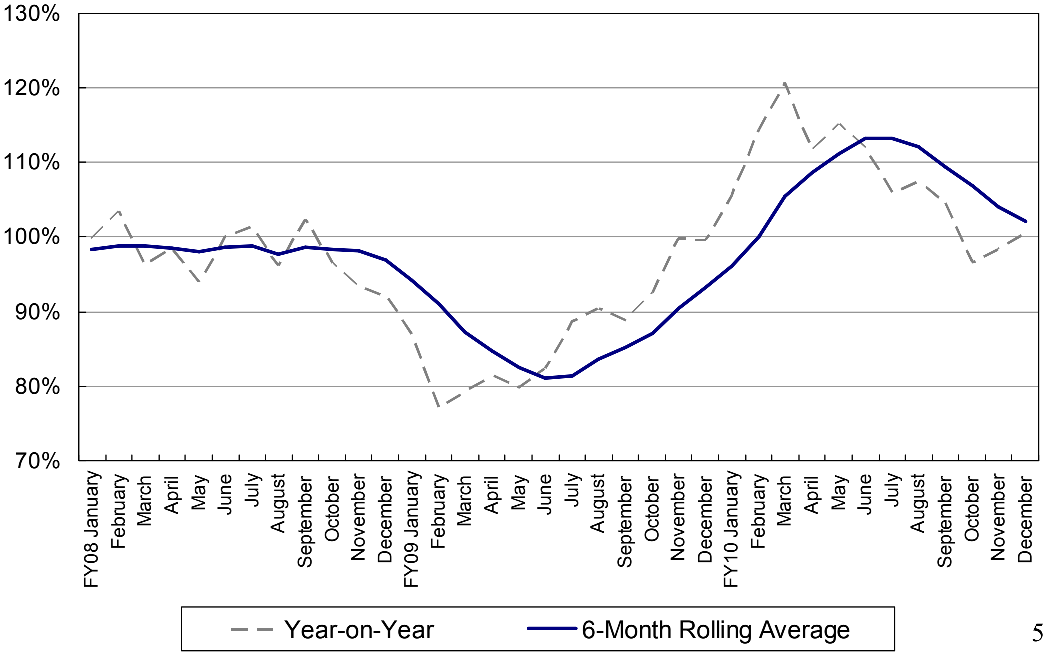
Large-Lot Customer Performance (Monthly)



5

This graph shows a year-on-year comparison of current large-lot sales to industrial customers not making capital investments during the period.

Demand has recovered since 2008 Lehman Shock decline. Fiscal 2010 growth has been in excess of 100% year-on-year from the very beginning of the fiscal period.

However, comparative growth in October and November was less than 100%, due in part to an acceleration of periodic maintenance at some customer factories. December demand was back up to 100%-plus territory.

We were 92.6% higher compared to fiscal 2008—the year of the Lehman Shock.

Consolidated Sales & Operating Profit (Year-on-Year Comparison)

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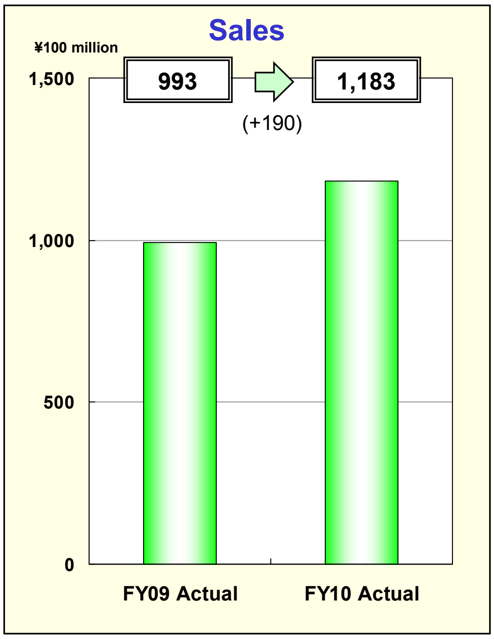
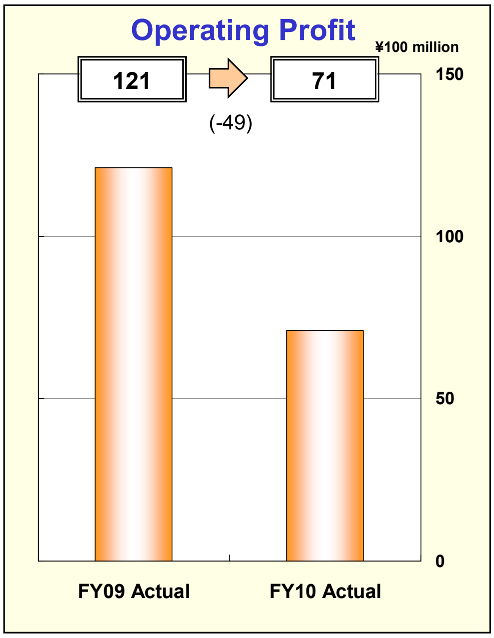
(rounded to the nearest ¥100 million)





6

We recorded period sales of 118.3 billion yen, up 19.0 billion yen year on year. Operating profit was down 4.9 billion yen year on year, to 7.1 billion yen.

Breakdown of Consolidated Operating Profit (Year-on-year comparison)

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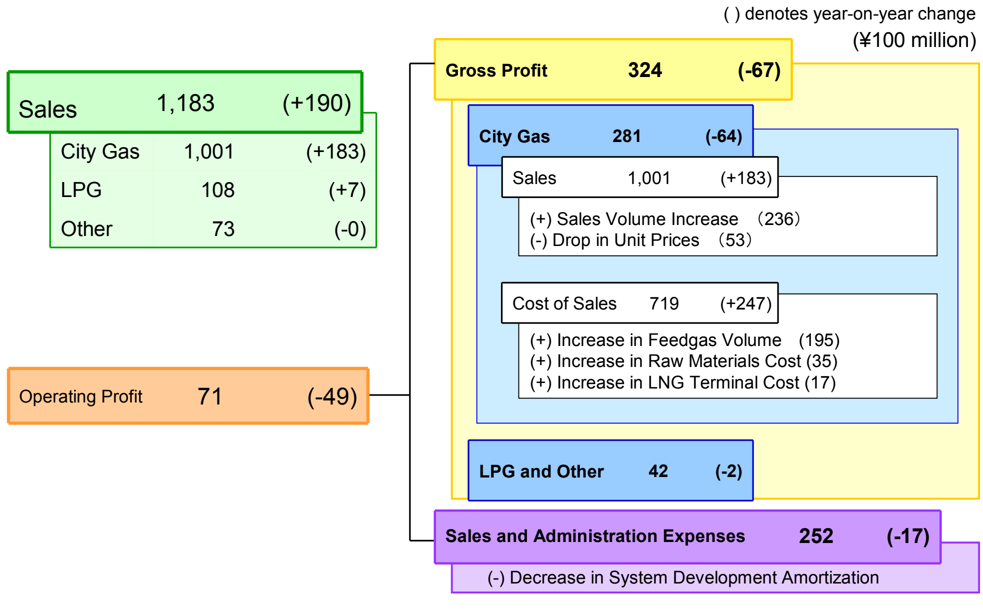
(rounded to the nearest ¥100 million)



*Related-party transactions have been eliminated.

7

Gas Segment sales were up 18.3 billion yen year on year. This growth was driven by 23.6 billion yen of new wholesale contracts with INPEX Corporation and a recovery in industrial demand for large-lot sales. These increases were offset by a 5.3 billion yen decrease in Unit Prices.

At the same time, Cost of Sales increased 24.7 billion yen year on year. The increase was mainly due to a 19.5 billion yen increase in feedgas volume used in connection with greater sales volume, a 3.5 billion yen increase due to increased raw materials costs, and a 1.7 billion yen increase in depreciation and manufacturing costs associated with operations at our Sodeshi Terminal third-phase capital additions.

As a result, Gross Profit for the Gas Segment declined 6.4 billion yen compared to the prior fiscal year.

The time lag before rate adjustment allowances came into effect was a factor leading to an increase of 8.3 billion yen in profits during the prior fiscal year. For fiscal 2010, time lag was a factor leading to a decrease of 1.1 billion yen, resulting in 9.4 billion yen year-on-year decrease in profits.

In our LPG and Other segment, Gross Profit declined 200 million yen compared to the prior year, mainly due to increased LPG purchase prices.

Sales and Administration Expenses decreased by 1.7 billion yen year on year. Expenses increased due to enterprise taxes (tax on revenues) associated with greater sales. These increases were offset by a prior-year lump-sum write-off of system development expenses (2.2 billion yen) that did not recur this fiscal year.

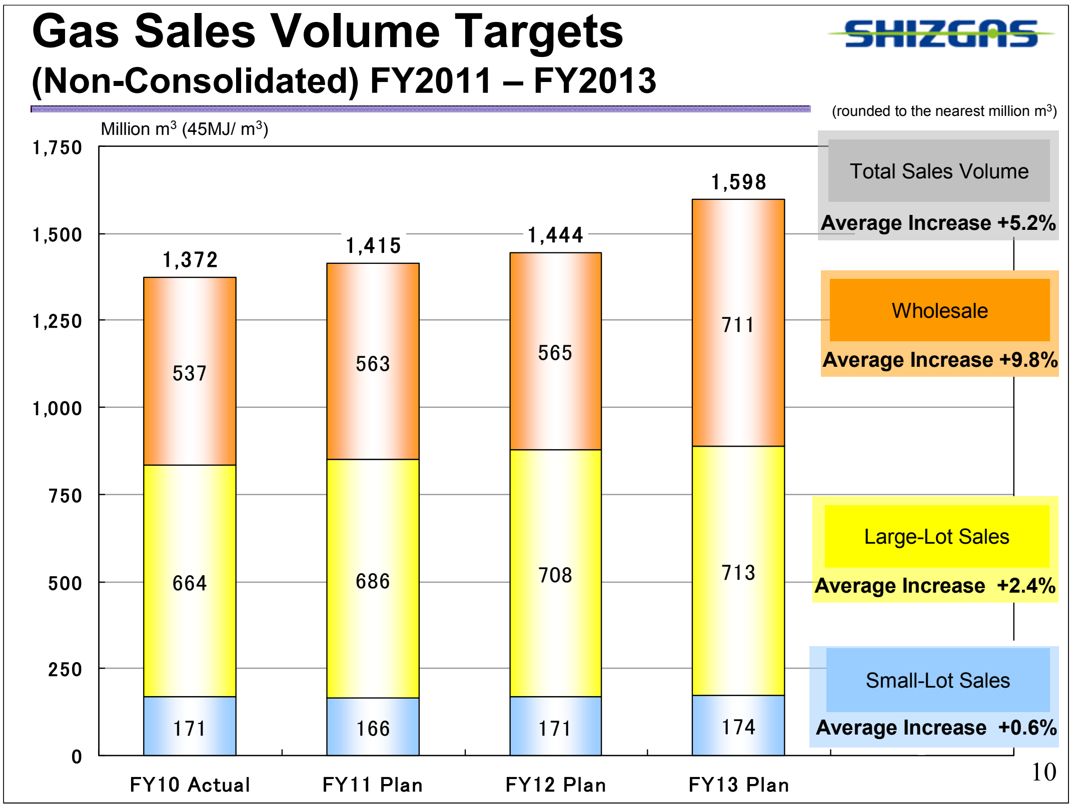
As a result, Operating Profit decreased year-on-year by 4.9 billion yen, coming in at 7.1 billion yen.

Summary of Consolidated Financial Results

- **Gas sales volume** increased by 45.0% year-on-year (Shizuoka Gas non-consolidated), reaching 1.372 billion m^3. This increase stems mainly from the commencement of wholesale sales to INPEX and a recovery in industrial demand for large-lot sales. On a consolidated basis, gas sales volume increased 44.5% to 1.385 billion m^3.
- The rate adjustment system caused slightly lower **sales** unit prices compared to the prior fiscal year. However, gas sales volume increased significantly (19 billion yen year-on-year growth) coming in at 118.3 billion yen.
- While sales unit prices decreased, feedstock prices increased during the fiscal year, reflecting higher crude oil prices. As a result, **Operating Profit** amounted to 7.1 billion yen, with **Ordinary Income** of 7.2 billion yen, and **Net Income** of 4.3 billion yen.
- **Dividends Payable** was nine yen per share, including a four yen-per-share regular dividend payment at the end of the second quarter and a one yen-per-share dividend payment to commemorate our 100th year in business.
- **Capital Investment** decreased 43.2% year-on-year to 8.4 billion yen. This decrease was mainly due to the completion of construction on the No. 3 LNG Tank that started during fiscal 2006. The tank was put into operation during January 2010.
- **Interest-Bearing Debt** was nearly unchanged from the prior year at 37.7 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 FY2011 through FY2013

9



We expect gas sales volume over the next three years to increase by 226 million m^3 (5.2% increase), reaching 1.598 billion m^3 for FY2013.

We expect slight gains in small-lot sales, with new large-lot sales leading to slightly under 60 million m^3 in large-lot sales for an average 2.4% growth over three years. With the start of wholesale sales to Chubu Gas beginning fiscal 2013, we expect wholesale sales to increase an average 9.8% over the same period.

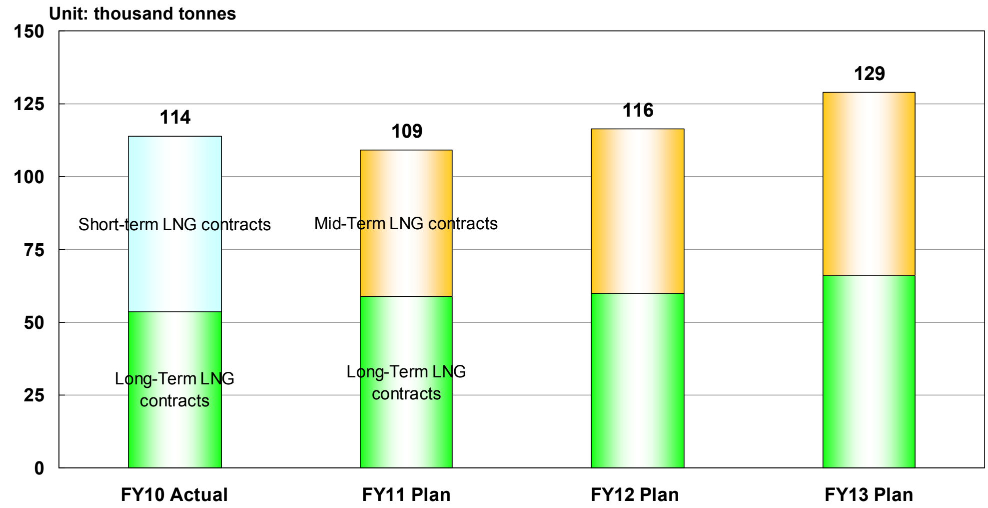
Let's compare fiscal years 2010 and 2011.

We expect small-lot sales to decrease by 5 million m^3. This decrease is made up of a 4 million m^3 decline in usage termination by industrial customers, combined with a 1 million m^3 decline compared to the air conditioning demand that we experienced during an unusually hot 2010.

We expect large-lot sales to increase by 22 million m^3. Of this increase, 7 million m^3 is attributed to new sales/capital additions during fiscal 2011. Another 11 million m^3 is expected to come with a full year of new demand that we captured during fiscal 2010. We attribute another 4 million m^3 increase to existing demand.

We also expect a 26 million m^3 increase in wholesale sales. This is mainly associated with our contracts with INPEX Corporation.

LNG Procurement Plan FY2011 – FY2013



		FY10 Actual	FY11 Plan	FY12 Plan	FY13 Plan	Gross Profit Sensitivity	
Exchange Rate	(Yen/US$)	88.1	85.0	85.0	85.0	(+) 1 yen/$	-100 million yen
Crude Oil Prices CIF(JCC)	(US$/bbl)	79.2	85.0	85.0	85.0	(+) $1/bbl	-200 million yen

11

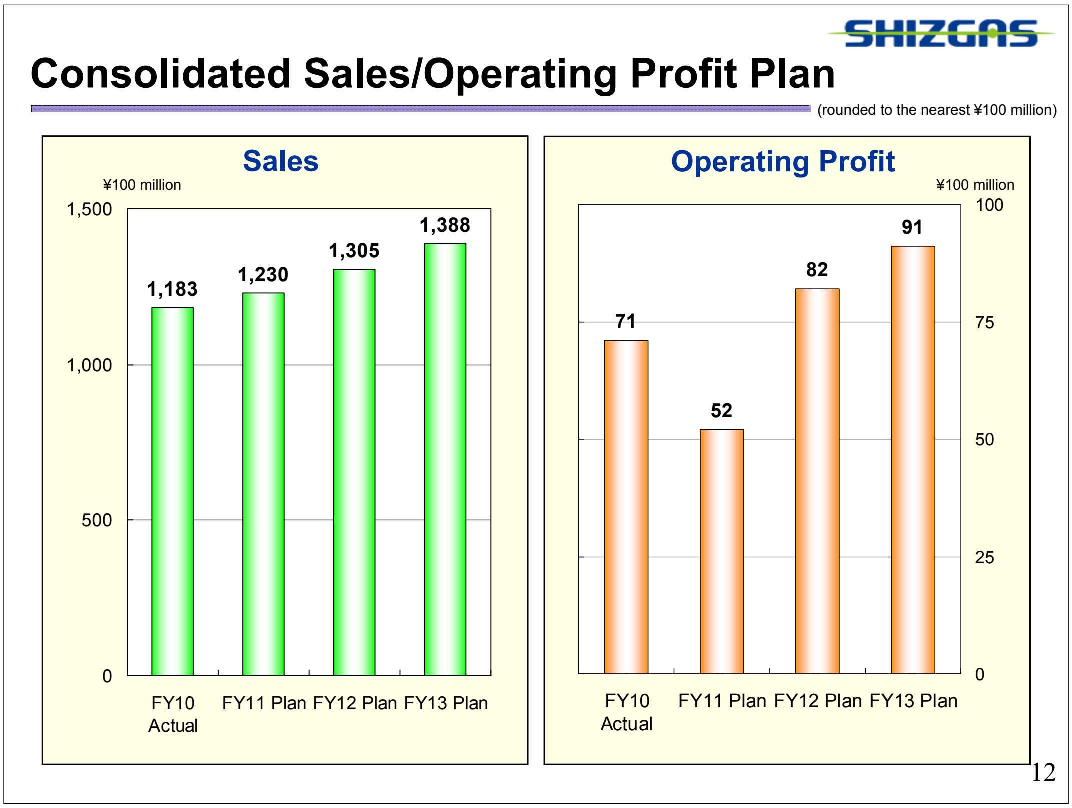
Taking advantage of the timing of an unbalanced supply and demand in the LNG market after the Lehman Shock, at present, nearly all of our needs through 2015 have been settled through medium-term contracts.

Looking to 2016 and beyond, these medium-term contracts will have been concluded, and there will be contract renewals for the long-term contracts. We will need to secure a new source for approximately 1 million tonnes.

Of this amount, approximately 600,000 tonnes are already under long-term contracts with Osaka Gas and Tokyo Electric Power, as announced during the prior year.

Our mid-term strategy assumes an exchange rate of 85 yen to the dollar, and crude oil prices (JCC) of $85 per barrel.

The accompanying chart shows our fiscal 2011 profit sensitivity.

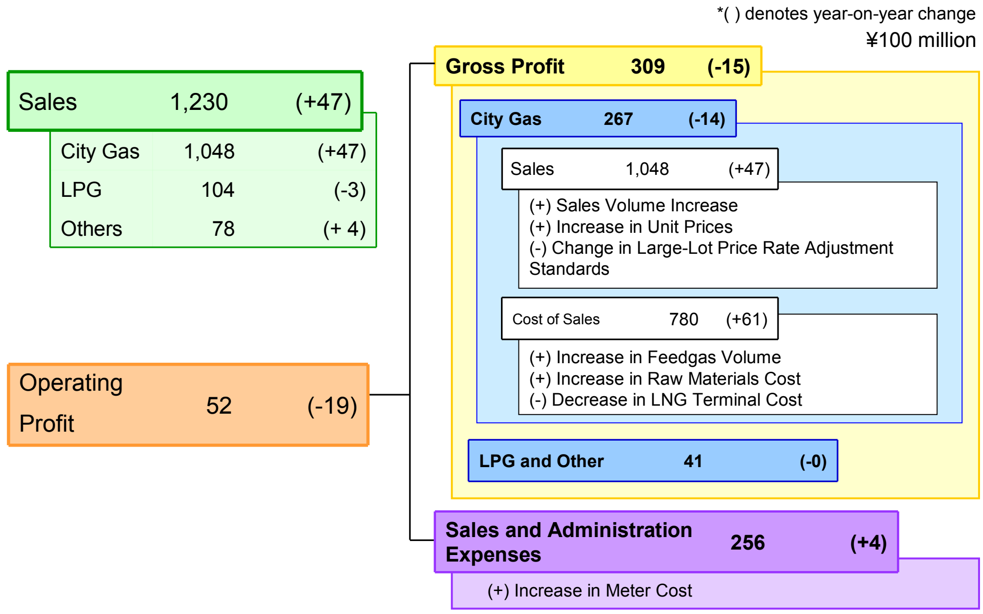


We expect a 138.8 billion yen increase in sales for fiscal 2013. This increase will come from growth in Gas sales, in our Remodeling Business, and in related equipment sales, among other factors.

We expect fiscal 2011 Operating Profit to decline to 5.2 billion yen due to the effect of the time lag in rate adjustments and changes in large-lot sales structure. However, we do expect these figures to increase to 8.2 billion yen and 9.1 billion yen for fiscal years 2012 and 2013.

Assumption of Consolidated Operating Profit ～Year-on-year comparison～

(rounded to the nearest ¥100 million)



*Related-party transactions have been eliminated.

13

We project Gas Segment sales to increase by 4.7 billion yen year on year. An increase in Cost of Sales of 6.1 billion yen will result in a comparative decline in Gross Profit of 1.4 billion yen.

An analysis of this 1.4 billion yen shows the following:

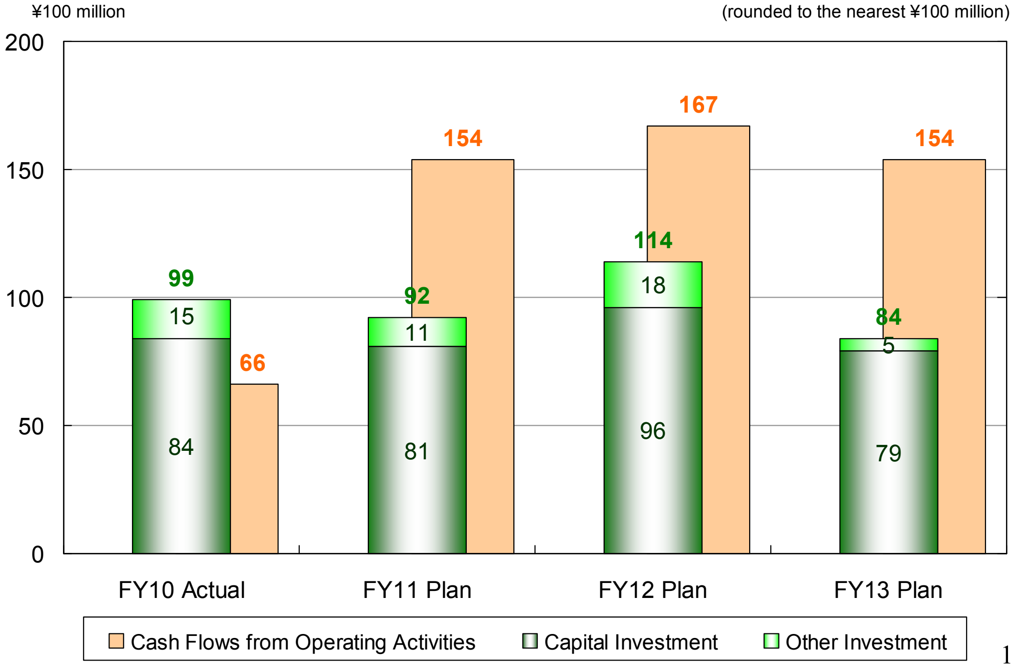
The time lag before the rate adjustment allowances came into effect was responsible for 1.1 billion yen and 2.4 billion yen in decreased profits for the prior fiscal year and this fiscal year. This factor will contribute to an expected 1.3 billion yen decline compared to the prior fiscal year.

Sales structure factors (decrease in small-lot sales volume) will result in a 200 million yen profit decline.

Wholesale sales and changes in large-lot sales structural factors will contribute 1.0 billion yen in profit decline.

A decrease in LNG terminal costs will contribute to 1.1 billion yen in profit gains.

Cash Flows from Operating Activities/Investing Activities (Consolidated)



14

Earnings before depreciation and amortization for fiscal 2010 were 20.4 billion yen. Increased accounts receivable (from increased gas sales volume), increased demand for operating capital (due to decreased accounts payable in connection with the timing of raw material payment), and an increase in income tax payments (due to prior year results) combined to limit cash flows from operating activities to 6.6 billion yen for fiscal 2010.

While we forecast a decrease in earnings before depreciation and amortization for fiscal 2011, we expect cash flows from operating activities to be 15.4 billion yen, mainly due to a decrease in demand for operating capital and income tax payments.

We plan capital investment of 9.2 billion yen. This figure includes loans to Shizuhama Pipeline Company, a non-consolidated subsidiary.

Ⅲ Growth Initiatives

15

Growth Initiatives

Residential Market

- Stronger Area Marketing System: Remodeling Business
- Promote Energy Management Service

Business/Industrial Markets

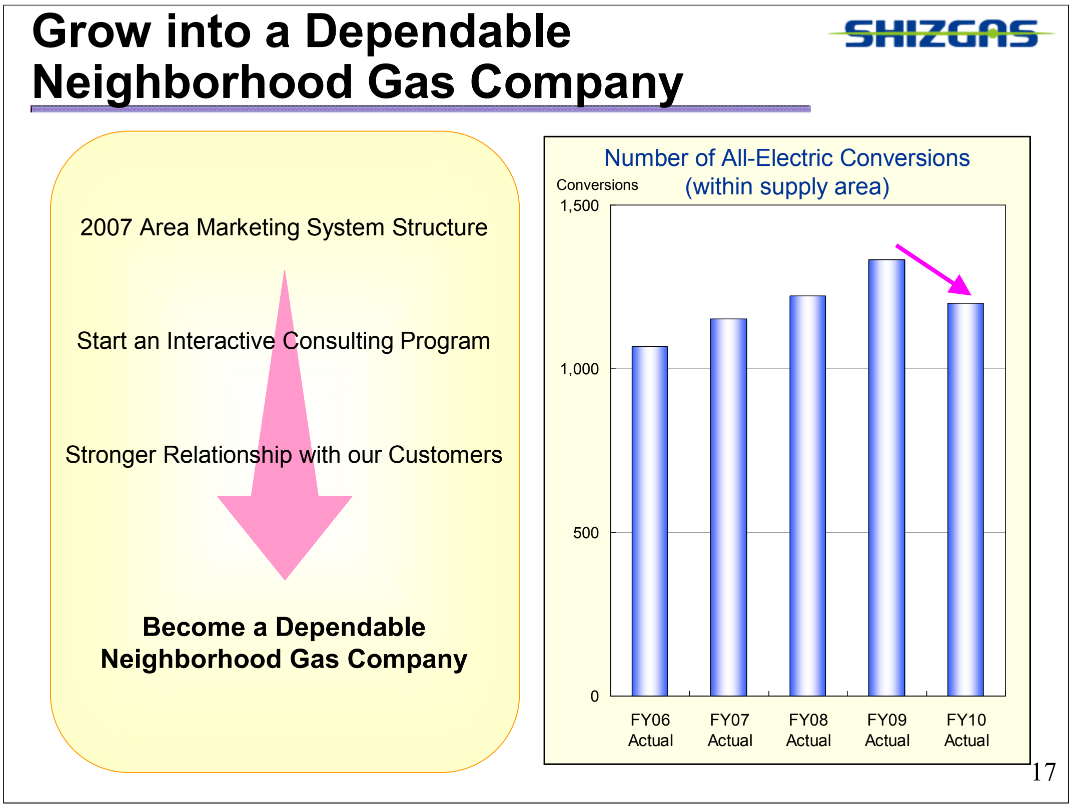
- Pursue Advanced Uses of Natural Gas/Regionally Distributed Energy System
- Create Demand in Western Region (along Shizuhama Trunkline)

Wholesale

- Start Wholesale Sales to Chubu Gas in 2013

16

Next, we will address our growth initiatives for each market: residential, business/industrial, and wholesale.



Next, we will discuss the residential market.

In 2007, we structured a community-based area marketing system focused on Eneria. At this time, we implemented an interactive consulting program in which our staff visits every single-family home customer at least once per year.

Since then, this interactive consulting program has continued to improve in quality and effectiveness, cementing our relationship with our customers. We pride ourselves on becoming a dependable neighborhood gas company.

Despite the strong movement in the market for complete conversion to electricity, our area marketing program has helped reduce the number of homes converting in 2010. We believe that we have firmly established the Shizuoka Gas brand as a dependable neighborhood gas company.

The graph to the right shows the number of former customers who have completely converted to electricity. In 2009, 1,331 customers converted to complete 100% electricity. In 2010, that figure was 1,199 customers, representing an approximately 10% decline.

This stronger relationship with our customers allows us to maintain our customer base, presenting more opportunities to expand our Remodeling Business.

Stronger Area Marketing System ~ Remodeling ~

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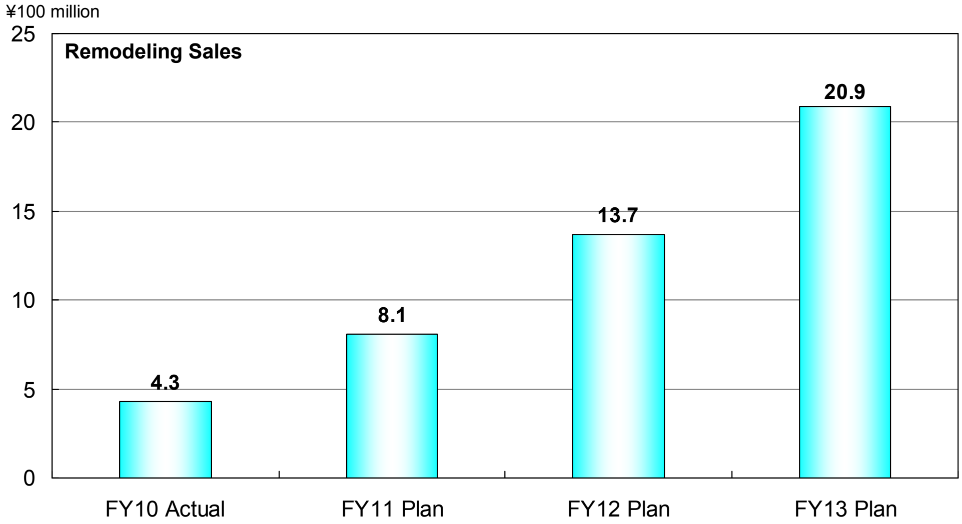
Increase Remodeling Sales 5x by Fiscal 2013

Introduce and Leverage New Products



18

We plan to expand our Remodeling Business by introducing and leveraging new products that meet customer needs, based on relationships of trust with our customers that we have built through our area marketing system. According to the *Remodeling Business Journal*, the remodeling market for Shizuoka Prefecture as a whole is 150 billion yen annually. We expect the available market in our supply area to be approximately 65 billion yen.

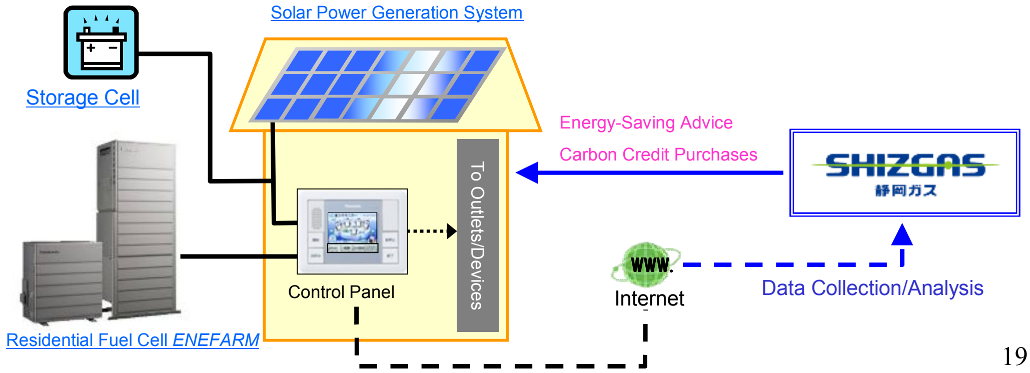
Our target for fiscal 2013 Remodeling Sales is 2.1 billion yen, or approximately five times fiscal 2010 earnings.

Ecolife Square Mishima Kiyozumi

- Completion of **Low-Carbon Town** on Former Site of Our Mishima Branch
- Eco & Smart House Construction
  - Eco-Friendly Housing
  - Install Three-Cell System **(Fuel Cells/Solar Cells/Storage Cells)**

*Storage cells installed in some homes (first installation of three-cell system in a Japanese subdivision)

- Start Energy Management Services in All Homes beginning April
- Purchase **Credits for Carbon Reduction** (First in Japan)



19

We worked with eight homebuilders in Mishima City to build an environmentally friendly neighborhood of houses using *ENEFARM* residential fuel cells, solar cells, and energy visualization systems. All 22 houses were sold in short order after the houses were put on the market last May. Several of the houses are now complete, with six families moved in.

We will launch an Energy Management Service in April. This service will work closely with families in the new homes to improve energy efficiency and reduce the environmental footprint.

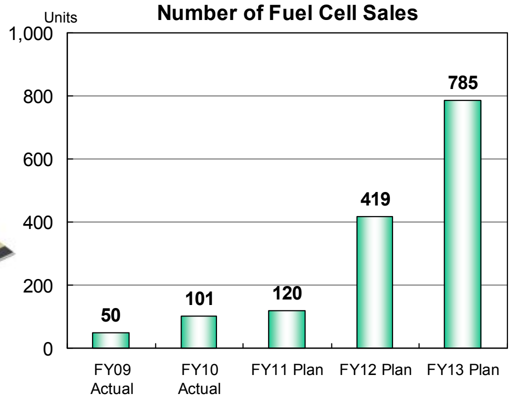
Mishima Kiyozumi Model Roll Out

Promote Two types of Power Generation with Fuel Cells and Solar Cells

Energy Management Service Roll Out

Expand Low-Carbon Neighborhoods

Ecolife Square Mishima Kiyozumi



20

The Shizuoka Prefecture Climate Change Prevention Plan (currently being revised) is scheduled to include the Mishima Kiyozumi Model as one model project.

We intend to focus more efforts into *ENEFARM*, the promotion of solar power, and the expansion of our Energy Management Service.

Business/Industrial Conversion Marketing

Latent Demand in Supply Area is 400 million m^3
(of which 300 million m^3 is C Heavy Crude)

Energy-Savings Technologies and
Value-Added Business Developed
in the Industrial Market

Pursue Advanced Uses/Regionally Distributed Energy System

21

Next, let's discuss the business/industrial market.

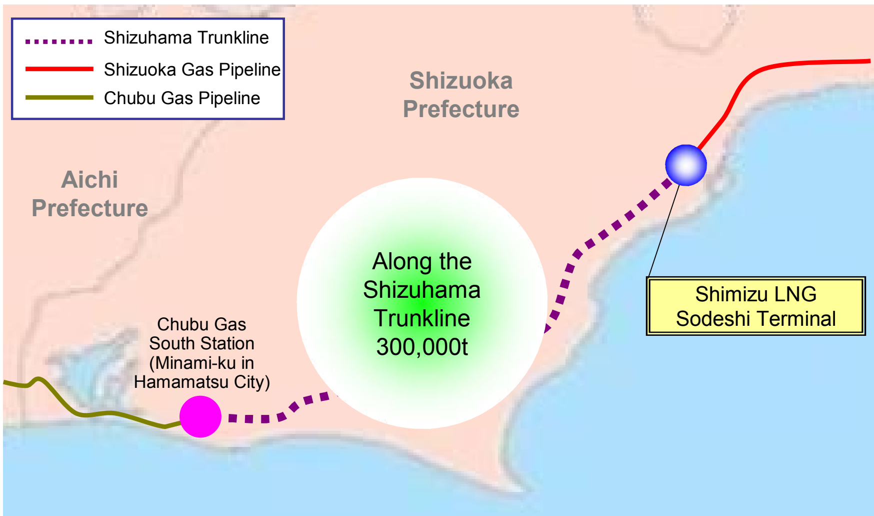
The central-eastern region of Shizuoka Prefecture is our supply area. Here, much of the oil-based fuels have been replaced by natural gas.

However, we believe there is still approximately 400 million m^3 in latent demand. Of this amount, about 300 million m^3 is customers using C Heavy Crude.

Our goal is to promote advanced uses of natural gas, as well as pursue a regionally distributed energy system. Our keys for accomplishing this goal are to further evolve in our energy-savings technologies and value-added business expertise developed in the industrial market, and to properly respond to the issues as they arise on a project-by-project basis.

Create Demand in Western Region (along Shizuhama Trunkline)

Industrial Energy Demand along the Shizuhama Trunkline is approximately 300,000t



22

Together with Chubu Gas, we are currently constructing the Shizuhama Trunkline, a total 105km of track scheduled to begin supply during fiscal 2013. We believe this new line will ensure a stable, economical natural gas supply system to the central-western region of Shizuoka Prefecture, a location we expect future demand to grow significantly.

In addition to selling wholesale to Chubu Gas, we will be targeting the wider adoption of natural gas along the Shizuhama Trunkline, where there exists a 300,000 tonne industrial energy demand.

Ⅳ Supplementary Information

Gas Sales Plan (Non-Consolidated)

(Million m^3)

	2010	2011	2012	2013
Number of Customers (Thousand)	314	314	315	317
Total Sales Volume	1,372	1,415	1,444	1,598
Own Sales	836	852	879	888
Residential	91	92	93	94
Commercial	72	68	69	69
Industrial	673	693	716	724
Wholesale	537	563	565	711

Large-lot sales (A part of "Own sales")

Volume of sales	664	686	708	713
Share in the total sales	79.5%	80.5%	80.5%	80.4%

Consolidated Statement of Income

(¥Billion)

	2010	2011	2012	2013
Total sales	118.3	123.0	130.5	138.8
Cost of sales	85.8	92.1	96.4	102.2
Gross profit	32.4	30.9	34.0	36.5
Sales and administration expenses	25.2	25.6	25.8	27.4
Manpower	10.0	10.1	10.0	10.0
Other expenses	8.0	8.6	8.9	9.4
Depreciation	7.1	6.9	6.8	7.9
Operating income	7.1	5.2	8.2	9.1
Ordinary income	7.2	5.3	8.3	9.3
Net income	4.3	2.8	4.5	5.0

Exchange rate (Yen/US$)	88.1	85.0	85.0	85.0
Crude oil prices (JCC US$/bbl)	79.2	85.0	85.0	85.0

Consolidated Statements of Cash Flows

(¥Billion)

	2010	2011	2012	2013
Operating cash flow	6.6	15.4	16.7	15.4
Investing cash flow	△9.5	△9.3	△11.4	△8.5
Financing cash flow	△1.4	△6.1	△5.3	△6.9
Net increase in cash and cash equivalents	△4.3	△0.0	+0.0	+0.0
Cash and cash equivalents at end of period	0.7	1.0	1.0	1.0

Free cash flow	△2.8	6.0	5.3	6.9

Interest-bearing debts	37.7	33.6	29.9	24.7

Capital Expenditure

(¥Billion)

	2010	2011	2012	2013
Capital expenditure	8.4	8.1	9.6	7.9
“Shizuhama” Trunkline	2.2	2.3	2.2	0.9

Depreciation	12.8	12.1	10.9	11.5