

# Flash Report for the Term Ended December 31, 2008

February 10, 2009

Name: Shizuoka Gas Co., Ltd. Stock Exchange: TSE (1st section)  
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Date of annual general meeting of shareholders: March 26, 2009  
 Date for presentation of the financial statements report: March 27, 2009  
 Date of dividend payment: March 27, 2009 or after

## 1. Consolidated Business Results (January 1 to December 31, 2008)

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

### (1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
	Report	%	Report	%	Report	%
Reporting term	¥112,496	21.3%	¥(3,743)	—%	¥(4,227)	—%
Previous term	92,708	19.1	4,467	(43.3)	4,128	(44.5)

  

	Net income (¥ million)		Earnings per share (¥)	Return on equity (ROE) (%)	Ordinary income/ Total assets (%)	Operating income/ Net sales (%)
	Report	%	Report	%	Report	%
Reporting term	¥(3,008)	—%	¥(39.51)	(7.2)%	(3.7)%	(3.3)%
Previous term	2,109	(51.6)	27.70	4.7	3.6	4.8

Note: Equity-method investment: not applicable

### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting term	¥114,958	¥44,698	34.0%	¥513.48
Previous term	112,324	50,096	39.8	586.47

Note: Owners' equity (¥ million)

Reporting term: ¥39,098  
 Previous term: ¥44,659

### (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	¥ 7,302	¥(13,808)	¥ 5,288	¥ 698
Previous term	11,680	(14,023)	(3,762)	1,916

## 2. Dividend Payment

	Annual dividend per share (¥)					Total amount for annual dividend payments (¥ million)	Pay-out ratio* (%)	Dividend payments/ Net assets* (%)
	Q1	Q2	Q3	Term-end	Total			
Fiscal 2007	—	¥4.00	—	¥4.00	¥8.00	¥609	28.9%	1.4%
Fiscal 2008	—	3.00	—	3.00	6.00	456	—	1.1
Fiscal 2009 (forecast)	—	4.00	—	4.00	8.00	—	13.1	—

\*For the calculation of ratios, net income and net assets on a consolidated basis are employed.

## 3. Consolidated Business Forecast for Current Term (January 1 to December 31, 2009)

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

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)		Earnings per share (¥)
	Report	%	Report	%	Report	%	Report	%	Report
First-half period	¥ —	—%	¥ —	—%	¥ —	—%	¥ —	—%	¥ —
Full term	100,900	(10.3)	9,880	—	9,400	—	4,650	—	61.06

Note: As crude oil prices and industrial gas consumption are fluctuating in a wide range, we are unable to make realistic forecasts of business performance for the first-half period of fiscal 2009.

#### 4. Others

- (1) Changes in scope of consolidation: None  
(2) Changes in accounting policy  
a) Changes in accounting standards: None  
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: 48,634  
Previous term: 44,424

#### (For Reference)

##### 1. Non-consolidated Business Performance (January 1 to December 31, 2008)

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

###### (1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting term	¥96,695	23.7%	¥(5,952)	—%	¥(6,001)	—%
Previous term	78,186	22.5	842	(79.5)	965	(77.0)

	Net income (¥ million)		Earnings per share (¥)	
Reporting term	¥(3,931)	—%	¥(51.62)	
Previous term	547	(80.1)	7.19	

###### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting term	¥94,275	¥26,668	28.3%	¥350.23
Previous term	87,373	33,142	37.9	435.23

Note: Owners' equity (¥ million)

Reporting term:	¥26,668
Previous term:	¥33,142

##### 2. Non-consolidated Business Forecast for Current Term (January 1 to December 31, 2009)

(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	¥	— —%	¥	— —%	¥	— —%	¥	— —%	¥ —
Full term	86,120	(10.9)	3,090	—	2,960	—	1,880	—	24.68

Note: As crude oil prices and industrial gas consumption are fluctuating in a wide range, we are unable to make realistic forecasts of business performance for the first-half period of fiscal 2009.

Disclaimer: These forecasts are based on information currently available to the management. Accordingly, actual financial results may substantially differ from these forecasts owing to a number of uncertain factors.

## Consolidated Balance Sheets

As of December 31	Thousands of yen		
	2008	2007	Change
<b>Assets</b>			
Noncurrent assets:			
Property, plant and equipment –			
Production facilities	¥ 16,386,833	¥ 18,908,283	¥(2,521,450)
Distribution facilities	37,137,201	39,264,238	(2,127,037)
Service and maintenance facilities	4,421,271	4,652,078	(230,807)
Other related business facilities	6,295,185	6,728,339	(433,153)
Construction in progress	15,018,435	8,038,168	6,980,266
Total property, plant and equipment	79,258,927	77,591,109	1,667,817
Intangible assets	3,231,348	2,052,549	1,178,798
Investments and other assets –			
Investment securities	7,832,017	10,056,719	(2,224,702)
Long-term loans	2,516,100	3,005,389	(489,288)
Deferred tax assets	1,992,517	669,185	1,323,332
Other investments	727,165	749,456	(22,290)
Allowance for doubtful accounts	(323,353)	(308,442)	(14,911)
Total investments and other assets	12,744,448	14,172,307	(1,427,859)
Total noncurrent assets	95,234,723	93,815,967	1,418,756
Current assets:			
Cash and bank deposits	725,645	1,972,582	(1,246,936)
Notes and accounts receivable	9,224,826	8,025,979	1,198,847
Inventories	7,418,486	4,816,891	2,601,594
Deferred tax assets	1,380,264	594,006	786,257
Other current assets	939,276	2,953,181	(2,013,904)
Allowance for doubtful accounts	(58,731)	(81,781)	23,050
Total current assets	19,629,768	18,280,860	1,348,908
Deferred assets:			
Development costs	93,890	227,217	(133,327)
Total deferred assets	93,890	227,217	(133,327)
Total assets	¥114,958,382	¥112,324,045	¥ 2,634,337

Note: Amounts under one thousand yen are omitted.

As of December 31	Thousands of yen		
	2008	2007	Change
<b>Liabilities</b>			
Long-term liabilities:			
Long-term debt	¥ 35,492,901	¥ 33,202,677	¥ 2,290,224
Deferred tax liabilities	—	1,263,519	(1,263,519)
Accrued severance and retirement benefits	3,599,364	3,604,231	(4,866)
Reserve for repairs of gasholders	209,760	175,526	34,234
Other long-term liabilities	278,943	278,811	132
Total long-term liabilities	39,580,969	38,524,765	1,056,204
Current liabilities:			
Long-term liabilities due within one year	7,418,233	9,288,575	(1,870,342)
Accounts payable	10,421,140	7,018,122	3,403,017
Short-term debt	7,795,436	2,390,032	5,405,404
Other accounts payable	1,697,757	1,764,942	(67,185)
Income taxes payable	1,157,978	1,065,219	92,759
Allowance for bonuses	434,956	430,890	4,065
Other current liabilities	1,638,432	1,563,156	75,276
Total current liabilities	30,563,935	23,520,938	7,042,996
Allowances:			
Allowance for natural gas conversion	114,819	181,482	(66,663)
Total allowances	114,819	181,482	(66,663)
Total liabilities	70,259,723	62,227,187	8,032,536
<b>Net assets</b>			
Shareholders' equity:			
Common stock	6,279,147	6,279,147	—
Capital surplus	4,098,961	4,098,961	—
Retained earnings	26,166,354	29,708,059	(3,541,704)
Treasury stock	(25,131)	(23,151)	(1,979)
Total shareholders' equity	36,519,332	40,063,016	(3,543,684)
Gains and losses on valuation or translation:			
Unrealized gains on available-for-sale securities	2,576,378	4,374,020	(1,797,642)
Gains and losses on deferred hedge accounting	3,068	222,284	(219,215)
Total gains and losses on valuation or translation	2,579,447	4,596,305	(2,016,857)
Minority interest	5,599,878	5,437,535	162,343
Total net assets	44,698,658	50,096,857	(5,398,198)
Total liabilities and net assets	¥114,958,382	¥112,324,045	¥ 2,634,337

Note: Amounts under one thousand yen are omitted.

## Consolidated Statements of Income

Years ended December 31	Thousands of yen		
	2008	2007	Change
Net sales	<b>¥112,496,891</b>	¥92,708,043	¥19,788,848
Cost of sales	<b>92,282,790</b>	65,129,781	27,153,008
Gross profit	<b>20,214,100</b>	27,578,261	(7,364,160)
Selling, general and administrative expenses	<b>23,957,411</b>	23,110,965	846,446
Operating income (loss)	<b>(3,743,310)</b>	4,467,296	(8,210,606)
Non-operating income:			
Interest income	<b>66,556</b>	79,219	(12,663)
Dividend income	<b>149,674</b>	141,753	7,921
Amortization of consolidation goodwill	<b>2,735</b>	2,358	377
Revenue from other companies for natural gas conversion	—	59,573	(59,573)
Other non-operating income	<b>234,711</b>	260,602	(25,891)
Total non-operating income	<b>453,678</b>	543,507	(89,828)
Non-operating expenses:			
Interest expenses	<b>816,326</b>	825,447	(9,121)
Other non-operating expenses	<b>121,602</b>	57,182	64,420
Total non-operating expenses	<b>937,929</b>	882,630	55,299
Ordinary income (loss)	<b>(4,227,561)</b>	4,128,173	(8,355,734)
Extraordinary income:			
Gain on sale of noncurrent assets	—	34,057	(34,057)
Reversal of allowance for natural gas conversion	<b>66,663</b>	246,953	(180,289)
Gain on sale of investment securities	<b>44</b>	25,685	(25,641)
Gain on leveraged lease financing	<b>44,613</b>	14,006	30,607
Total extraordinary income	<b>111,321</b>	320,703	(209,382)
Extraordinary expenses:			
Loss on sale of noncurrent assets	<b>1,408</b>	—	1,408
Impairment loss	<b>129,617</b>	101,038	28,579
Loss on valuation of investment securities	<b>22,585</b>	42,936	(20,351)
Total extraordinary expenses	<b>153,610</b>	143,974	9,636
Income (loss) before income taxes	<b>(4,269,850)</b>	4,304,902	(8,574,753)
Income taxes – current	<b>838,340</b>	1,698,615	(860,274)
Income taxes – deferred	<b>(2,274,995)</b>	(88,334)	(2,186,660)
Minority interest in net income	<b>175,473</b>	584,704	(409,231)
Net income (loss)	<b>¥ (3,008,668)</b>	¥ 2,109,917	¥ (5,118,585)

Note: Amounts under one thousand yen are omitted.

## Consolidated Statements of Changes in Shareholders' Equity

Year ended December 31, 2008

Thousands of yen

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at Dec. 31, 2007	¥6,279,147	¥4,098,961	¥29,708,059	¥(23,151)	¥40,063,016
Changes during the reporting term:					
Distribution of retained earnings			(533,035)		(533,035)
Net loss			(3,008,668)		(3,008,668)
Acquisition of own shares				(1,979)	(1,979)
Changes in items outside the scope of shareholders' equity, net					
Total changes during the reporting term	—	—	(3,541,704)	(1,979)	(3,543,684)
Balance at Dec. 31, 2008	¥6,279,147	¥4,098,961	¥26,166,354	¥(25,131)	¥36,519,332

	Gains and losses on valuation or translation			Minority interest	Total net assets
	Unrealized gains on available-for-sale securities	Gains and losses on deferred hedge accounting	Total gains and losses on valuation or translation		
Balance at Dec. 31, 2007	¥ 4,374,020	¥ 222,284	¥ 4,596,305	¥5,437,535	¥50,096,857
Changes during the reporting term:					
Distribution of retained earnings					(533,035)
Net loss					(3,008,668)
Acquisition of own shares					(1,979)
Changes in items outside the scope of shareholders' equity, net	(1,797,642)	(219,215)	(2,016,857)	162,343	(1,854,514)
Total changes during the reporting term	(1,797,642)	(219,215)	(2,016,857)	162,343	(5,398,198)
Balance at Dec. 31, 2008	¥ 2,576,378	¥ 3,068	¥ 2,579,447	¥5,599,878	¥44,698,658

Note: Amounts under one thousand yen are omitted.

## Year ended December 31, 2007

Thousands of yen

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at Dec. 31, 2006	¥6,279,147	¥4,098,961	¥28,207,335	¥(22,344)	¥38,563,099
Changes during the reporting term:					
Distribution of retained earnings			(609,193)		(609,193)
Net income			2,109,917		2,109,917
Acquisition of own shares				(806)	(806)
Changes in items outside the scope of shareholders' equity, net					
Total changes during the reporting term	—	—	1,500,723	(806)	1,499,917
Balance at Dec. 31, 2007	¥6,279,147	¥4,098,961	¥29,708,059	¥(23,151)	¥40,063,016

	Gains and losses on valuation or translation			Minority interest	Total net assets
	Unrealized gains on available-for-sale securities	Gains and losses on deferred hedge accounting	Total gains and losses on valuation or translation		
Balance at Dec. 31, 2006	¥ 5,379,189	¥293,336	¥ 5,672,526	¥4,868,951	¥49,104,577
Changes during the reporting term:					
Distribution of retained earnings					(609,193)
Net income					2,109,917
Acquisition of own shares					(806)
Changes in items outside the scope of shareholders' equity, net	(1,005,168)	(71,052)	(1,076,221)	568,584	(507,637)
Total changes during the reporting term	(1,005,168)	(71,052)	(1,076,221)	568,584	992,280
Balance at Dec. 31, 2007	¥ 4,374,020	¥222,284	¥ 4,596,305	¥5,437,535	¥50,096,857

Note: Amounts under one thousand yen are omitted.

## Consolidated Statements of Cash Flows

Years ended December 31	Thousands of yen		
	2008	2007	Change
Cash flows from operating activities:			
Income (loss) before income taxes	¥ (4,269,850)	¥ 4,304,902	¥(8,574,753)
Depreciation	11,112,961	10,680,473	432,488
Impairment loss	129,617	101,038	28,579
Amortization of long-term prepaid expenses	15,136	14,996	140
Amortization of deferred assets	133,327	338,573	(205,246)
Loss on disposal of property, plant and equipment	140,230	244,225	(103,994)
Amortization of consolidation goodwill	(2,735)	(2,358)	(377)
Loss on valuation of investment securities	22,585	42,936	(20,351)
Increase (decrease) in allowance for doubtful accounts	(8,139)	(10,927)	2,788
Increase (decrease) in accrued severance and retirement benefits	(4,866)	(51,952)	47,085
Increase (decrease) in reserve for directors' retirement benefits	(22,487)	(271,386)	248,899
Increase (decrease) in reserve for repairs of gasholders	34,234	34,234	—
Increase (decrease) in allowance for bonuses	4,065	(11,186)	15,252
Increase (decrease) in allowance for natural gas conversion	(66,663)	(246,953)	180,289
Interest and dividend income	(216,231)	(220,973)	4,741
Interest expenses	816,326	825,447	(9,121)
Loss (gain) on sale of property, plant and equipment	1,408	(34,057)	35,465
Loss (gain) on sale of investment securities	(44)	(25,685)	25,641
Decrease (increase) in notes and accounts receivable	(1,192,208)	(1,173,553)	(18,654)
Decrease (increase) in inventories	(2,598,521)	(960,973)	(1,637,547)
Increase (decrease) in notes and accounts payable	3,278,245	2,317,144	961,100
Increase (decrease) in consumption taxes payable	(169,234)	63,152	(232,386)
Other	1,442,188	(622,375)	2,064,564
Sub-total	8,579,344	15,334,740	(6,755,395)
Interest and dividend received	216,304	221,120	(4,815)
Interest expenses paid	(827,712)	(851,475)	23,762
Income taxes paid	(665,028)	(3,023,719)	2,358,691
Net cash provided by (used in) operating activities	7,302,908	11,680,665	(4,377,757)



Years ended December 31	Thousands of yen		
	2008	2007	Change
<b>Cash flows from investing activities:</b>			
Increase in time deposits	<b>(48,273)</b>	(96,035)	47,761
Withdrawal of time deposits	<b>78,060</b>	94,014	(15,953)
Payments for purchase of noncurrent assets	<b>(14,517,308)</b>	(14,094,624)	(422,684)
Proceeds from sale of noncurrent assets	<b>22,307</b>	56,934	(34,627)
Payments for purchase of investment securities	<b>(585,767)</b>	(53,719)	(532,047)
Proceeds from sale of investment securities	<b>8,668</b>	47,952	(39,284)
Provision of loans	—	(300,000)	300,000
Collection of loan repayments	<b>489,288</b>	137,756	351,532
Receipt of beneficiaries' portion of installation costs	<b>372,261</b>	375,543	(3,282)
Other	<b>372,528</b>	(191,068)	563,597
Net cash provided by (used in) investing activities	<b>(13,808,234)</b>	(14,023,247)	215,012
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term debt – net	<b>5,405,404</b>	2,100,032	3,305,372
Proceeds from long-term debt	<b>9,760,000</b>	5,765,000	3,995,000
Repayments of long-term debt	<b>(9,340,118)</b>	(11,011,554)	1,671,436
Cash dividends paid	<b>(529,071)</b>	(609,839)	80,768
Cash dividends paid for minority shareholders	<b>(6,058)</b>	(5,233)	(825)
Other	<b>(1,979)</b>	(806)	(1,172)
Net cash provided by (used in) financing activities	<b>5,288,176</b>	(3,762,401)	9,050,578
Net increase (decrease) in cash and cash equivalents	<b>(1,217,149)</b>	(6,104,983)	4,887,833
Cash and cash equivalents at beginning of the term	<b>1,916,108</b>	8,021,091	(6,104,983)
Cash and cash equivalents at end of the term	<b>¥ 698,959</b>	¥ 1,916,108	¥(1,217,149)

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

## Segment Information

### (1) Segment information by business category

(Amounts under one thousand yen are omitted.)

Year ended December 31, 2008

Thousands 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	91,634,785	12,867,410	7,994,694	112,496,891	—	112,496,891
Inter-segment	474,055	516,118	6,821,239	7,811,412	(7,811,412)	—
Total	92,108,841	13,383,528	14,815,934	120,308,304	(7,811,412)	112,496,891
Costs and expenses	93,426,752	12,742,829	15,095,184	121,264,766	(5,024,564)	116,240,202
Operating income (loss)	(1,317,911)	640,699	(279,250)	(956,462)	(2,786,848)	(3,743,310)
Assets, depreciation, impairment loss and capital expenditure:						
Assets	91,997,387	5,950,816	6,372,625	104,320,828	10,637,554	114,958,382
Depreciation	9,577,013	619,517	957,664	11,154,195	(41,233)	11,112,961
Impairment loss	—	129,617	—	129,617	—	129,617
Capital expenditure	12,562,405	542,883	1,552,962	14,658,252	(45,887)	14,612,365

Year ended December 31, 2007

Thousands 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	73,737,001	11,114,904	7,856,136	92,708,043	—	92,708,043
Inter-segment	757,895	496,224	9,453,720	10,707,839	(10,707,839)	—
Total	74,494,897	11,611,128	17,309,856	103,415,883	(10,707,839)	92,708,043
Costs and expenses	67,681,563	11,435,653	17,121,497	96,238,715	(7,997,967)	88,240,747
Operating income	6,813,333	175,474	188,359	7,177,168	(2,709,872)	4,467,296
Assets, depreciation, Impairment loss and capital expenditure:						
Assets	87,382,024	7,055,698	7,037,690	101,475,413	10,848,631	112,324,045
Depreciation	9,490,665	568,984	700,603	10,760,253	(79,779)	10,680,473
Impairment loss	79,909	16,012	5,116	101,038	—	101,038
Capital expenditure	12,156,828	611,057	1,126,615	13,894,502	(176,870)	13,717,631

Note: Business categories and principal products

Business categories	Principal products
Gas	Natural gas; liquefied natural gas (LNG)
LPG and other energy services	LPG; on-site energy services
Other businesses	Gas-equipment and piping installation; sale of gas equipment; real estate rentals; sale of household equipment; leasing of office equipment

### (2) Segment information by location

Not applicable due to absence of overseas consolidated subsidiaries or branches

### (3) Overseas Sales

Not applicable

## Non-Consolidated Balance Sheets

As of December 31	Thousands of yen		
	2008	2007	Change
<b>Assets</b>			
Noncurrent assets:			
Property, plant and equipment –			
Production facilities	¥ 1,275,507	¥ 1,398,735	¥ (123,228)
Distribution facilities	35,950,324	38,118,704	(2,168,380)
Service and maintenance facilities	3,949,515	4,177,455	(227,940)
Other related business facilities	859,579	1,121,490	(261,910)
Construction in progress	10,786,703	6,795,617	3,991,086
Total property, plant and equipment	52,821,631	51,612,004	1,209,626
Intangible assets –			
Leaseholds	505,886	494,411	11,475
Software	1,026,121	—	1,026,121
Software in progress	1,370,582	—	1,370,582
Other intangible assets	18,605	1,209,883	(1,191,278)
Total intangible assets	2,921,195	1,704,295	1,216,900
Investments and other assets –			
Investment securities	7,256,759	9,630,523	(2,373,764)
Investments in affiliates	3,583,440	3,416,230	167,210
Long-term loans within company	476,100	585,389	(109,288)
Long-term loans to affiliates	3,916,200	4,235,200	(319,000)
Investments in partnerships	15,235	15,986	(750)
Long-term prepaid expenses	14,353	25,043	(10,689)
Deferred tax assets	1,332,794	—	1,332,794
Other investments	183,351	168,303	15,047
Allowance for doubtful accounts	(38,599)	(19,381)	(19,217)
Total investments and other assets	16,739,636	18,057,294	(1,317,657)
Total noncurrent assets	72,482,463	71,373,594	1,108,869
Current assets:			
Cash and bank deposits	158,419	210,222	(51,802)
Notes receivable	32,017	27,203	4,814
Accounts receivable	6,921,862	5,726,854	1,195,008
Accounts receivable – affiliates	108,914	83,901	25,013
Other accounts receivable	391,340	1,075,673	(684,332)
Marketable securities	—	1,200	(1,200)
Finished products	61,689	54,467	7,221
Raw materials	37,489	33,675	3,813
Supplies	128,770	82,284	46,485
Prepaid expenses	81,470	85,307	(3,837)
Other accounts receivable – affiliates	488,916	422,596	66,320
Short-term loans to affiliates	239,859	537,000	(297,140)
Deferred tax assets	1,016,044	322,304	693,739
Other accounts receivable – other related businesses	11,446,354	6,228,688	5,217,666
Current assets – other related businesses	648,711	747,153	(98,442)
Other current assets	71,149	418,843	(347,693)
Allowance for doubtful accounts	(39,490)	(57,340)	17,850
Total current assets	21,793,520	16,000,036	5,793,484
Total assets	¥94,275,984	¥87,373,630	¥ 6,902,353

Note: Amounts under one thousand yen are omitted.

As of December 31	Thousands of yen		
	2008	2007	Change
<b>Liabilities</b>			
Long-term liabilities:			
Long-term debt	¥30,987,809	¥26,584,621	¥ 4,403,188
Deferred tax liabilities	—	1,263,519	(1,263,519)
Accrued severance and retirement benefits	3,200,086	3,227,716	(27,630)
Reserve for repairs of gasholders	209,760	175,526	34,234
Other long-term liabilities	192,700	189,150	3,550
Total long-term liabilities	34,590,355	31,440,533	3,149,821
Current liabilities:			
Long-term liabilities due within one year	4,496,812	5,660,518	(1,163,706)
Accounts payable	2,881,684	1,428,855	1,452,828
Short-term debt	6,363,636	2,134,032	4,229,604
Other accounts payable	558,972	630,690	(71,717)
Accrued expenses	883,563	873,726	9,837
Income taxes payable	104,390	148,053	(43,663)
Advances received	86,160	52,732	33,427
Deposits received	116,689	84,494	32,195
Accounts payable – affiliates	6,163,262	4,359,892	1,803,370
Short-term debt – affiliates	2,961,500	1,640,000	1,321,500
Other accounts payable – affiliates	1,116,884	1,243,369	(126,484)
Allowance for bonuses	278,200	276,200	2,000
Other accounts payable – other related businesses	6,446,713	3,643,468	2,803,244
Current liabilities – other related businesses	558,327	611,643	(53,316)
Other current liabilities	302	2,856	(2,554)
Total current liabilities	33,017,100	22,790,534	10,226,566
Total liabilities	67,607,455	54,231,067	13,376,387
<b>Net assets</b>			
Shareholders' equity:			
Common stock	6,279,147	6,279,147	—
Capital surplus			
Appropriation for legal reserve	4,098,961	4,098,961	—
Retained earnings –			
Appropriation for legal reserve	801,709	801,709	—
Other retained earnings			
Reserve for reduction in costs of specified assets	220,420	220,420	—
General reserve	16,288,700	16,288,700	—
Retained earnings brought forward	(3,572,132)	892,113	(4,464,245)
Total retained earnings	13,738,697	18,202,943	(4,464,245)
Treasury stock	(25,131)	(23,151)	(1,979)
Total shareholders' equity	24,091,675	28,557,901	(4,466,225)
Gains and losses on valuation or translation:			
Unrealized gains on available-for-sale securities	2,573,784	4,362,378	(1,788,593)
Gains and losses on deferred hedge accounting	3,068	222,284	(219,215)
Total gains and losses on valuation or translation	2,576,853	4,584,662	(2,007,808)
Total net assets	26,668,529	33,142,563	(6,474,034)
Total liabilities and net assets	¥94,275,984	¥87,373,630	¥ 6,902,353

Note: Amounts under one thousand yen are omitted.

## Non-Consolidated Statements of Income

Years ended December 31	Thousands of yen		
	2008	2007	Change
Product sales:			
Revenue from gas operations	¥85,891,571	¥69,661,403	¥16,230,168
Cost of sales:			
Initial inventories	54,467	43,945	10,521
Cost of gas production	13,237,161	11,160,722	2,076,438
Purchase amount (gas)	60,291,405	40,391,113	19,900,292
In-house consumption	518,298	467,577	50,721
Inventories at term-end	61,689	54,467	7,221
Total cost of sales	73,003,046	51,073,737	21,929,309
Gross profit	12,888,525	18,587,666	(5,699,140)
Selling expenses	14,531,420	14,340,742	190,678
General and administrative expenses	3,245,886	3,105,011	140,874
Business profit (loss)	(4,888,782)	1,141,912	(6,030,694)
Miscellaneous revenue:			
Revenue from installation work	1,083,205	1,241,918	(158,712)
Revenue from equipment sales	3,143,330	2,745,992	397,337
Other	3,936	1,906	2,029
Total miscellaneous revenue	4,230,472	3,989,817	240,654
Miscellaneous expenses:			
Expenses for installation work	1,042,712	1,204,360	(161,648)
Expenditure for equipment sales	3,920,353	3,273,470	646,882
Total miscellaneous expenses	4,963,065	4,477,831	485,233
Revenue from other related businesses	6,573,423	4,535,563	2,037,859
Expenses for other related businesses	6,904,165	4,346,559	2,557,606
Operating income (loss)	(5,952,117)	842,902	(6,795,019)
Non-operating income:			
Interest income	89,922	97,201	(7,278)
Interest income on securities	4	26	(21)
Dividend income	148,344	140,573	7,770
Dividend income from affiliates	118,299	108,810	9,488
Rent income	141,436	136,051	5,385
Other	135,736	222,343	(86,607)
Total non-operating income (loss)	633,743	705,007	(71,263)
Non-operating expenses:			
Interest expenses	636,165	575,338	60,827
Other	46,689	7,428	39,260
Total non-operating expenses	682,854	582,766	100,087
Ordinary income (loss)	(6,001,227)	965,142	(6,966,370)

Years ended December 31	Thousands of yen		
	2008	2007	Change
Extraordinary income:			
Gain on sale of noncurrent assets	—	34,057	(34,057)
Gain on sale of investment securities	<b>9,104</b>	25,685	(16,581)
Total extraordinary income	<b>9,104</b>	59,743	(50,639)
Extraordinary expenses:			
Loss on sale of noncurrent assets	<b>1,855</b>	—	1,855
Impairment loss	<b>114,059</b>	79,909	34,150
Loss on valuation of investment securities	<b>22,563</b>	36,548	(13,984)
Total extraordinary expenses	<b>138,478</b>	116,457	22,020
Income (loss) before income taxes	<b>(6,130,602)</b>	908,428	(7,039,031)
Income taxes – current	—	452,000	(452,000)
Income taxes – deferred	<b>(2,199,392)</b>	(91,283)	(2,108,109)
Net income (loss)	<b>¥ (3,931,210)</b>	¥ 547,711	¥ (4,478,921)

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

# Non-Consolidated Statements of Changes in Shareholders' Equity

Year ended December 31, 2008

Thousands of yen

	Shareholders' equity								Treasury stock	Total shareholders' equity
	Common stock	Capital surplus		Retained earnings				Total retained earnings		
		Appropriation for legal reserve	Appropriation for legal reserve	Other retained earnings						
				Reserve for reduction in cost of specified assets	General reserve	Retained earnings brought forward				
Balance at Dec. 31, 2007	¥6,279,147	¥4,098,961	¥801,709	¥220,420	¥16,288,700	¥ 892,113	¥18,202,943	¥(23,151)	¥28,557,901	
Changes during the reporting term:										
Distribution of retained earnings						(533,035)	(533,035)		(533,035)	
Net loss						(3,931,210)	(3,931,210)		(3,931,210)	
Acquisition of own shares								(1,979)	(1,979)	
Changes in items outside the scope of shareholders' equity, net										
Total changes during the reporting term	—	—	—	—	—	(4,464,245)	(4,464,245)	(1,979)	(4,466,225)	
Balance at Dec. 31, 2008	¥6,279,147	¥4,098,961	¥801,709	¥220,420	¥16,288,700	¥(3,572,132)	¥13,738,697	¥(25,131)	¥24,091,675	

	Gains and losses on valuation or translation			Total net assets
	Unrealized gains on available-for-sale securities	Gains and losses on deferred hedge accounting	Total gains and losses on valuation or translation	
Balance at Dec. 31, 2007	¥ 4,362,378	¥ 222,284	¥ 4,584,662	¥33,142,563
Changes during the reporting term:				
Distribution of retained earnings				(533,035)
Net loss				(3,931,210)
Acquisition of own shares				(1,979)
Changes in items outside the scope of shareholders' equity, net	(1,788,593)	(219,215)	(2,007,808)	(2,007,808)
Total changes during the reporting term	(1,788,593)	(219,215)	(2,007,808)	(6,474,034)
Balance at Dec. 31, 2008	¥ 2,573,784	¥ 3,068	¥ 2,576,853	¥26,668,529

Note: Amounts under one thousand yen are omitted.

Year ended December 31, 2007

Thousands of yen

	Shareholders' equity								Total shareholders' equity
	Common stock	Capital surplus		Retained earnings			Total retained earnings	Treasury stock	
		Appropriation for legal reserve	Appropriation for legal reserve	Other retained earnings					
				Reserve for reduction in cost of specified assets	General reserve	Retained earnings brought forward			
Balance at Dec. 31, 2006	¥6,279,147	¥4,098,961	¥801,709	¥220,420	¥14,138,700	¥ 3,103,595	¥18,264,425	¥(22,344)	¥28,620,189
Changes during the reporting term:									
Distribution of retained earnings						(609,193)	(609,193)		(609,193)
Provisions to general reserve					2,150,000	(2,150,000)	—		—
Net income						547,711	547,711		547,711
Acquisition of own shares							—	(806)	(806)
Changes in items outside the scope of shareholders' equity, net									
Total changes during the reporting term	—	—	—	—	2,150,000	(2,211,481)	(61,481)	(806)	(62,288)
Balance at Dec. 31, 2007	¥6,279,147	¥4,098,961	¥801,709	¥220,420	¥16,288,700	¥ 892,113	¥18,202,943	¥(23,151)	¥28,557,901

	Gains and losses on valuation or translation			
	Unrealized gains on available-for-sale securities	Gains and losses on deferred hedge accounting	Total gains and losses on valuation or translation	Total net assets
Balance at Dec. 31, 2006	¥5,353,832	¥290,477	¥ 5,644,309	¥34,264,499
Changes during the reporting term:				
Distribution of retained earnings				(609,193)
Provisions to general reserve				—
Net income				547,711
Acquisition of own shares				(806)
Changes in items outside the scope of shareholders' equity, net	(991,454)	(68,192)	(1,059,647)	(1,059,647)
Total changes during the reporting term	(991,454)	(68,192)	(1,059,647)	(1,121,936)
Balance at Dec. 31, 2007	¥4,362,378	¥222,284	¥ 4,584,662	¥33,142,563

Note: Amounts under one thousand yen are omitted.