

Flash Report for the First Half of 2012 [Japan GAAP] (Consolidated)

August 8, 2012

Name: SHIZUOKAGAS CO., LTD. Stock Exchange: TSE (1st section)

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Date for presentation of the quarterly report: August 10, 2012

Date of dividend payment: September 3, 2012

Preparation of supplemental explanatory materials: Yes

Holding of quarterly results briefing session: Yes (for institutional investors)

1. Consolidated Business Results for the First Half (January 1 through June 30, 2012)

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

(1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first half	¥74,298	19.8%	¥5,237	99.3%	¥5,357	94.7%
Previous first half	62,003	4.1	2,627	(32.7)	2,752	(30.6)

Note: Total comprehensive income (¥ million) Reporting first half: ¥3,560 (135.0%) Previous first half: ¥1,515 (-%)

	Net income (¥ million)		Net income per share (¥)
Reporting first half	¥2,888	125.0%	¥39.49
Previous first half	1,284	(41.4)	16.86

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
Reporting first half	¥111,148	¥57,883	45.4%
Previous full term	107,432	55,719	44.4

Note: Owners' equity (¥ million)

Reporting first half: ¥50,471
Previous full term: ¥47,652

2. Dividend Payment

	Annual dividend per share (¥)				
	Q1	Q2	Q3	Term-end	Total
Fiscal 2011	—	¥4.50	—	¥4.50	¥9.00
Fiscal 2012	—	¥4.50	/	/	/
Fiscal 2012 (forecast)	/	/	—	¥4.50	¥9.00

Note: Revision of previously announced dividend forecasts: None

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

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

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)		Net income per share (¥)
Full term	¥144,710	12.9%	¥8,060	115.1%	¥8,240	108.8%	¥4,640	166.1%	¥63.43

Note: Revision of previously announced forecasts: Applicable

※Notes

- (1) Significant changes in subsidiaries (Transfer of specified subsidiaries during the reporting first half resulting in changes in the scope of consolidation): None
- (2) Simplified accounting and special accounting methods for quarterly financial reporting: Applicable
(Please refer to the section “2.Other Information” on P5)
- (3) Changes in accounting policies or estimates and retrospective restatements
- a) Changes in accounting standards: None
 - b) Other changes: None
 - c) Changes in accounting estimates: None
 - d) Retrospective restatements: None
- (4) Number of issued shares (ordinary shares)
- a) Number of shares issued at end of the period (including shares in treasury)

Reporting first half:	76,192,950
Previous full term:	76,192,950
 - b) Number of treasury shares at end of the period

Reporting first half:	3,052,388
Previous full term:	3,051,988
 - c) Average number of shares outstanding during the first half

Reporting first half:	73,140,772
Previous first half:	76,141,963

*Displays of States of Implementation of Quarterly Review Procedures

This quarterly consolidated financial statement is not subject to review during quarterly review procedures pursuant to the Financial Instruments and Exchange Act. Upon disclosure of the quarterly consolidated financial statement, the review procedures of the quarterly financial statements pursuant to the Financial Instruments and Exchange law had been concluded.

*Explanation of Appropriate Use of Business Forecasts and Additional Notices

Statements concerning future matters such as business forecasts included in these materials are based on information presently available to this company and certain assumptions determined to be reasonable; actual results may differ materially due to various factors.

For the assumptions underlying the business forecast and notices concerning the use of said forecast, etc., please see page 4 of “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Qualitative Information Regarding Consolidated Business Forecasts” in the attached materials.

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative Information regarding Consolidated Operating Results

In the first half of the current fiscal year (January through June 2012), gas sales rose 23.1% year-on-year to ¥64,636 million. This is mainly because the rise in raw material costs was passed on to the unit gas prices in this term with the time lag under gas rate adjustment system. Consolidated net sales as a whole including those of LPG/Other Energy Services and Other Business were up by 19.8% year-on-year to ¥74,298 million.

On the other hand, although cost of sales grew due to rising raw material prices, the growth of sales exceeded this impact. As a result, operating income increased by 99.3% year-on-year to ¥5,237 million and ordinary income up by 94.7% to ¥5,357 million. Likewise, net income up by 125.0% to ¥2,888 million.

(2) Qualitative Information regarding Consolidated Financial Position

1) State of assets, liabilities, and net assets

Total assets as of the end of the second quarter of the current fiscal year rose in value to ¥111,148 million, an increase of ¥3,715 million compared to the last day of the fiscal year ended on December 31, 2011 (“prior fiscal year end”). Though the depreciation of existing assets continued, non-current assets increased by ¥331 million compared to the prior fiscal year end to ¥85,636 million due to an increase in the estimated value of investment securities affected by the stock market conditions as well as due to Shizuhama Trunkline-related investment. Current assets grew ¥3,384 million compared to the prior fiscal year end to ¥25,512 million mainly because raw material costs rose owing to increased volume of inventories caused by the timing of the receipt of raw materials and soaring raw material prices.

Although existing long-term loans payable continue to be repaid, liabilities increased ¥1,551 million compared to the prior fiscal year end to ¥53,264 million as a result of procurement of funds for new facilities and operating capital, an increase in income taxes payable and other factors.

Net assets grew ¥2,164 million compared to the prior fiscal year end to ¥57,883 million due to an increase in retained earnings as a result of recoding quarterly net profits. Company equity ratio was 45.4%.

2) Status of cash flows

Cash and cash equivalents (correctively hereinafter called “cash”) at the end of the second quarter fell by ¥14 million compared to the prior fiscal year end to ¥418 million.

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

(Cash Flows from Operating Activities)

While net income before depreciation and amortization was ¥10,792 million, cash from operating activities resulted in ¥6,212 million due to the increased amount of inventories caused by such factors as increased stocks of raw materials and rising raw material prices.

(Cash Flows from Investing Activities)

Cash from investment activities saw expenditure of ¥5,362 million. This was primarily used for the construction of the Shizuhama Trunkline and others.

(Cash Flows from Financing Activities)

Cash from financing activities saw expenditure of ¥865 million. This was primarily due to repayments of existing long-term loans payable and payment of dividends payable while new capital funds and operating capital were procured

(3) **Qualitative Information regarding Consolidated Business Forecasts**

The full year business forecasts have been revised mainly due to the revisions in crude oil prices projections for third quarter and based on the consolidated results of the second quarter. As a result, our forecast calls for net sales, operating income, ordinary income, and net income to amount to total ¥144,710 million, ¥8,060 million, ¥8,240 million, and ¥4,640 million, respectively.

(Reference) Crude Oil Price/Exchange Rate Projections

Crude oil price (Japan CIF)	Previous forecast	\$110/bbl (Q3 through Q4)
	Revised forecast	\$103/bbl (Q3) \$110/bbl (Q4)
Exchange rate	Previous forecast	¥80/USD (Q3 through Q4)
	Revised forecast	¥80/USD (Q3 through Q4)

2. Other Information

(1) Application of special accounting methods in the preparation of the quarterly consolidated statement of income

Tax expenses were calculated by multiplying the estimated effective tax rate by quarterly income before income taxes and minority interest (cumulative period). A rational estimate was made 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 second quarter of the current consolidated fiscal year).

(2) Additional Information

Adoption of accounting standards, etc. in relation to accounting changes and error corrections

For accounting changes and corrections of past errors made at the beginning of the current fiscal year's first quarter onward, the Company has adopted Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24; December 4, 2009) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24; December 4, 2009).

Consolidated Balance Sheets

	Millions of yen	
	December 31, 2011	June 30, 2012
Assets		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	¥ 24,768	¥ 22,808
Distribution facilities	30,363	29,549
Service and maintenance facilities	3,818	3,831
Other facilities	4,451	4,366
Construction in progress	5,869	7,961
Total property, plant and equipment	69,270	68,518
Intangible assets	1,998	1,963
Investments and other assets –		
Investment securities	6,495	6,952
Long-term loans receivable	5,554	6,247
Deferred tax assets	1,199	1,093
Other investments and other assets	1,007	1,087
Allowance for doubtful accounts	(222)	(226)
Total investments and other assets	14,035	15,154
Total noncurrent assets	85,304	85,636
Current assets:		
Cash and deposits	455	440
Notes and accounts receivable – trade	11,192	10,874
Merchandise and finished goods	314	356
Raw materials and supplies	5,908	9,958
Deferred tax assets	1,382	1,380
Other current assets	2,937	2,559
Allowance for doubtful accounts	(63)	(56)
Total current assets	22,127	25,512
Total assets	¥107,432	¥ 111,148

Note: Amounts under one million yen are omitted.

	Millions of yen	
	December 31, 2011	June 30, 2012
Liabilities		
Noncurrent liabilities:		
Long-term loans payable	¥ 26,407	¥ 26,550
Deferred tax liabilities	2	1
Provision for retirement benefits	2,831	2,546
Provision for gas holder repairs	94	94
Negative goodwill	490	373
Other noncurrent liabilities	574	448
Total noncurrent liabilities	30,401	30,016
Current liabilities:		
Current portion of noncurrent liabilities	5,613	4,716
Accounts payable – trade	2,681	3,577
Short-term loans payable	7,532	8,816
Accounts payable – other	1,468	1,359
Income taxes payable	1,508	2,417
Provision for bonuses	434	443
Other current liabilities	2,072	1,917
Total current liabilities	21,311	23,248
Total liabilities	51,713	53,264
Net assets		
Shareholders' equity:		
Capital stock	6,279	6,279
Capital surplus	4,589	4,589
Retained earnings	36,815	39,374
Treasury stock	(1,550)	(1,551)
Total shareholders' equity	46,132	48,692
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,524	1,779
Deferred gains or losses on hedges	(5)	—
Total accumulated other comprehensive income	1,519	1,779
Minority interests	8,067	7,411
Total net assets	55,719	57,883
Total liabilities and net assets	¥107,432	¥111,148

Note: Amounts under one million yen are omitted.

Consolidated Statements of Income

First half ended June 30	Millions of yen	
	2011	2012
Net sales	¥62,003	¥74,298
Cost of sales	47,331	56,976
Gross profit	14,671	17,321
Selling, general and administrative expenses	12,044	12,083
Operating income	2,627	5,237
Non-operating income:		
Interest income	50	73
Dividends income	85	75
Amortization of negative goodwill	117	118
Miscellaneous income	195	147
Total non-operating income	448	414
Non-operating expenses:		
Interest expenses	298	268
Miscellaneous expenses	24	25
Total non-operating expenses	323	294
Ordinary income	2,752	5,357
Extraordinary income:		
Gain on sales of noncurrent assets	77	—
Total extraordinary income	77	—
Extraordinary loss:		
Loss on valuation of investment securities	233	—
Total extraordinary losses	233	—
Income before income taxes and minority interests	2,595	5,357
Income taxes	910	2,057
Income before minority interests	1,685	3,300
Minority interests in income	401	411
Net income	¥ 1,284	¥ 2,888

Note: Amounts under one million yen are omitted.

Consolidated Statements of Comprehensive Income

First half ended June 30	Millions of yen	
	2011	2012
Income before minority interests	¥1,685	¥3,300
Other comprehensive income		
Valuation difference on available-for-sale securities	(179)	254
Deferred gains or losses on hedges	9	5
Total other comprehensive income	(170)	259
Comprehensive income	1,515	3,560
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,113	3,149
Comprehensive income attributable to minority interests	¥ 401	¥ 411

Note: Amounts under one million yen are omitted.

Consolidated Statements of Cash Flows

First half ended June 30	Millions of yen	
	2011	2012
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	¥2,595	¥5,357
Depreciation and amortization	5,874	5,434
Amortization of negative goodwill	(117)	(118)
Loss on retirement of property, plant and equipment	29	33
Loss (gain) on valuation of investment securities	233	—
Increase (decrease) in allowance for doubtful accounts	(3)	(2)
Increase (decrease) in provision for retirement benefits	(191)	(284)
Increase (decrease) in provision for gas holder repairs	7	—
Increase (decrease) in provision for bonuses	(0)	9
Interest and dividends income	(135)	(148)
Interest expenses	298	268
Loss (gain) on sales of property, plant and equipment	(77)	—
Decrease (increase) in notes and accounts receivable – trade	(595)	312
Decrease (increase) in inventories	(616)	(4,087)
Increase (decrease) in notes and accounts payable – trade	(1,244)	857
Decrease/increase in consumption taxes receivable/payable	966	(298)
Other, net	(776)	(41)
Subtotal	6,245	7,292
Interest and dividends income received	135	149
Interest expenses paid	(303)	(270)
Income taxes (paid) refund	70	(959)
Net cash provided by (used in) operating activities	6,149	6,212
Net cash provided by (used in) investing activities:		
Payments into time deposits	(13)	(13)
Proceeds from withdrawal of time deposits	13	13
Purchase of property, plant and equipment and intangible assets	(3,770)	(4,563)
Proceeds from sales of property, plant and equipment and intangible assets	83	11
Purchase of investment securities	(2)	(120)
Payments of loans receivable	(810)	(800)
Collection of loans receivable	106	106
Proceeds from contribution received for construction	23	—
Other, net	758	3
Net cash provided by (used in) investing activities	(3,611)	(5,362)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(561)	1,284
Proceeds from long-term loans payable	2,150	2,550
Repayment of long-term loans payable	(2,299)	(3,304)
Cash dividends paid	(308)	(330)
Cash dividends paid to minority shareholders	(434)	(1,064)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(1,454)	(865)
Net increase (decrease) in cash and cash equivalents	1,082	(14)
Cash and cash equivalents at beginning of period	734	432
Cash and cash equivalents at end of period	¥ 1,816	¥ 418

Note: Amounts under one million yen are omitted.

Segment Information

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

(Amounts under one million yen are omitted.)

First half ended June 30, 2011							Millions of yen
	Reporting segment			Other businesses (Note1)	Total	Adjustments (Note2)	Amount recorded on consolidated statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Outside customers	52,218	5,989	58,207	3,795	62,003	—	62,003
Inter-segment	282	195	478	1,699	2,178	(2,178)	—
Total	52,501	6,185	58,686	5,494	64,181	(2,178)	62,003
Segment income	3,435	640	4,076	18	4,094	(1,466)	2,627

Notes :

1. 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.
2. The ¥ (1,466) million in segment income adjustments includes ¥136 million in eliminations of inter-segment transactions and ¥ (1,603) million of corporate expenses not allocated to the respective reporting segments. Corporate expenses are general and administrative expenses not attributable to reporting segments.
3. The segment income is adjusted to reflect operating income as recorded on our quarterly consolidated statements of income.

First half ended June 30, 2012							Millions of yen
	Reporting segment			Other businesses (Note1)	Total	Adjustments (Note2)	Amount recorded on consolidated statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Outside customers	64,279	6,253	70,533	3,764	74,298	—	74,298
Inter-segment	356	172	528	2,056	2,584	(2,584)	—
Total	64,636	6,426	71,062	5,821	76,883	(2,584)	74,298
Segment income(loss)	6,195	577	6,773	(5)	6,767	(1,529)	5,237

Notes :

1. 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.
2. The ¥ (1,529) million in segment income/loss adjustments includes ¥119 million of eliminations of inter-segment transactions and ¥ (1,649) million of corporate expenses not allocated to the respective reporting segments. Corporate expenses are general and administrative expenses not attributable to reporting segments.
3. The segment income/loss is adjusted to reflect operating income as recorded on our quarterly consolidated statements of income.