

# Flash Report for the First Three Quarters of 2010 [Japan GAAP] (Consolidated)

November 8, 2010

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Date for presentation of the quarterly report: November 12, 2010  
 Preparation of supplemental explanatory materials: No  
 Holding of quarterly results briefing session: No

## 1. Consolidated Business Results for the First Three Quarters (January 1 to September 30, 2010)

(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	¥88,528	14.6%	¥ 4,496	(69.3)%	¥ 4,512	(69.1)%
Previous first three quarters	77,218	—	14,650	—	14,601	—

	Net income (¥ million)		Earnings per share (¥)
Reporting first three quarters	¥2,709	(66.8)%	¥ 35.57
Previous first three quarters	8,170	—	109.35

### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting first three quarters	¥111,442	¥54,219	41.7%	¥610.81
Previous full term	114,092	52,206	39.4	590.64

Note: Owners' equity (¥ million)

Reporting first three quarters: ¥46,508

Previous full term: ¥44,972

## 2. Dividend Payment

	Annual dividend per share (¥)				
	Q1	Q2	Q3	Term-end	Total
Fiscal 2009	—	¥4.00	—	¥4.00	¥8.00
Fiscal 2010	—	5.00	—	/	/
Fiscal 2010 (forecast)	/	/	/	4.00	9.00

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

Breakdown of dividend payment for the first half for the current term ending December 31, 2010:

Ordinary dividend: ¥4.00; Commemorative dividend (centennial anniversary): ¥1.00

## 3. Consolidated Business Forecast for Current Term (January 1 to December 31, 2010)

(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	¥118,750 19.6%	¥6,700 (44.9)%	¥6,570 (45.9)%	¥3,990 (38.2)%	¥52.40

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

#### 4. Others

(1) Major changes in scope of consolidation: 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 procedures for quarterly financial reporting: Applicable

Note: Application of simplified accounting and special accounting procedures 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: 50,773

Previous full term: 50,296

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

Reporting first three quarters: 76,142,408

Previous first three quarters: 74,710,319

#### 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.

#### Notes:

1. The sums in the quarterly consolidated financial statements and related statements were previously given in thousands of yen, but this had been changed as of the first quarter ended March 31, 2010 to millions of yen. To make comparison easier, the amounts for the previous fiscal year and the first three quarters of the previous fiscal year are adjusted and given in millions of yen.
2. In consideration of our recent business performance, we have revised our full-year business forecast for the current term ending December 31, 2010 (January 1, 2010 to December 31, 2010), which was released on August 5, 2010. For further details, please refer to page three of the attachment, "Business performance forecasts for the year ending December 31, 2010."

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.

## Summary of business performance (consolidated)

### 1. Report on business performance for the first three quarters of fiscal 2010

Net sales in the gas segment for the first three quarters (January - September) of fiscal 2010 increased ¥11,066 million year on year, to ¥75,490 million, while consolidated net sales (including the LPG and other energy services and Other business segments) climbed ¥11,309 million, to ¥88,528 million. This was largely attributable to a dramatic pick up in total volume of gas sold owing to the commencement of wholesaling activity extending beyond the borders of Shizuoka Prefecture into other prefectures, despite a downward trend year on year in unit gas sales prices under the official adjustment system. Due to the decrease in unit gas prices mentioned above, the increase in raw material costs owing to higher crude oil prices, and other factors, operating income declined ¥10,153 million, to ¥4,496 million, ordinary income dropped ¥10,089 million, to ¥4,512 million, and net income fell ¥5,461 million, to ¥2,709 million.

### 2. Business performance forecasts for the year ending December 31, 2010

Shizuoka Gas has revised its full-year performance forecasts in light of its performance for the first three quarters and after having reconsidered its assumptions regarding crude oil prices and exchange rate movements in the fourth quarter. As a result, we now forecast net sales of ¥118,750 million, operating income of ¥6,700 million, ordinary income of ¥6,570 million and net income of ¥3,990 million.

#### (Reference)

#### Forecasts of oil prices and the yen's exchange rate

Oil prices (Japan CIF)	Previous forecast	\$80/bbl (4th quarter)
	Current forecast	\$80/bbl (4th quarter)
Yen rate	Previous forecast	¥93/\$1 (4th quarter)
	Current forecast	¥85/\$1 (4th quarter)

## Consolidated Balance Sheets

	Millions of yen	
	September 30, 2010	December 31, 2009
<b>Assets</b>		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	¥ 30,662	¥ 20,420
Distribution facilities	33,588	35,811
Service and maintenance facilities	4,070	4,057
Other facilities	5,094	5,299
Construction in progress	3,199	14,316
Total property, plant and equipment	<b>76,616</b>	79,905
Intangible assets	1,607	1,598
Investments and other assets –		
Investment securities	6,988	7,658
Long-term loans receivable	3,869	2,472
Deferred tax assets	1,777	1,623
Other investments and other assets	882	839
Allowance for doubtful accounts	(288)	(297)
Total investments and other assets	<b>13,229</b>	12,296
Total noncurrent assets	<b>91,454</b>	93,800
Current assets:		
Cash and deposits	1,025	5,075
Notes and accounts receivable – trade	8,961	6,898
Merchandise and finished goods	293	319
Raw materials and supplies	3,998	4,286
Deferred tax assets	1,679	1,666
Other current assets	4,094	2,098
Allowance for doubtful accounts	(64)	(53)
Total current assets	<b>19,988</b>	20,292
Total assets	<b>¥111,442</b>	¥114,092

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

Millions of yen

September 30, 2010 December 31, 2009

**Liabilities**

Noncurrent liabilities:

Long-term loans payable	¥ 29,867	¥ 32,392
Deferred tax liabilities	35	33
Provision for retirement benefits	2,829	3,045
Provision for gas holder repairs	228	206
Negative goodwill	784	960
Other noncurrent liabilities	621	791
<b>Total noncurrent liabilities</b>	<b>34,366</b>	<b>37,429</b>

Current liabilities:

Current portion of noncurrent liabilities	7,140	6,050
Accounts payable – trade	5,121	9,715
Short-term loans payable	5,949	41
Accounts payable – other	946	2,342
Income taxes payable	1,069	3,656
Provision for bonuses	1,128	445
Other current liabilities	1,500	2,205
<b>Total current liabilities</b>	<b>22,855</b>	<b>24,457</b>
<b>Total liabilities</b>	<b>57,222</b>	<b>61,886</b>

**Net assets**

Shareholders' equity:

Capital stock	6,279	6,279
Capital surplus	4,589	4,589
Retained earnings	34,124	32,100
Treasury stock	(26)	(25)
<b>Total shareholders' equity</b>	<b>44,966</b>	<b>42,943</b>

Valuation and translation adjustments

Valuation difference on available-for-sale securities	1,558	2,025
Deferred gains or losses on hedges	(16)	4
<b>Total valuation and translation adjustments</b>	<b>1,541</b>	<b>2,029</b>

Minority interests

<b>Total net assets</b>	<b>54,219</b>	<b>52,206</b>
<b>Total liabilities and net assets</b>	<b>¥111,442</b>	<b>¥114,092</b>

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Income

First three quarters ended September 30	Millions of yen	
	2009	2010
Net sales	¥77,218	¥88,528
Cost of sales	42,083	65,674
Gross profit	35,135	22,854
Selling, general and administrative expenses	20,484	18,357
Operating income	14,650	4,496
Non-operating income:		
Interest income	48	53
Dividends income	89	93
Amortization of negative goodwill	159	181
Miscellaneous income	236	214
Total non-operating income	533	542
Non-operating expenses:		
Interest expenses	571	506
Miscellaneous expenses	10	20
Total non-operating expenses	581	526
Ordinary income	14,601	4,512
Extraordinary income:		
Gain on sales of noncurrent assets	4	439
Reversal of provision for conversion of heating value of supplied gas	86	—
Gain on sales of investment securities	—	1
Compensation for transfer	—	73
Total extraordinary income	90	514
Extraordinary loss:		
Loss on sales of noncurrent assets	—	2
Loss on valuation of investment securities	—	10
Loss on revision of retirement benefit plan	261	—
Total extraordinary losses	261	13
Income before income taxes and minority interests	14,430	5,014
Income taxes	4,916	1,807
Minority interests in income	1,343	497
Net income	¥ 8,170	¥ 2,709

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Cash Flows

First three quarters ended September 30	Millions of yen	
	2009	2010
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	¥14,430	¥5,014
Depreciation and amortization	10,994	9,608
Amortization of long-term prepaid expenses	1	—
Amortization of deferred assets	70	—
Amortization of negative goodwill	(159)	(181)
Loss on retirement of property, plant and equipment	219	47
Loss (gain) on valuation of investment securities	—	10
Increase (decrease) in allowance for doubtful accounts	(19)	1
Increase (decrease) in provision for retirement benefits	(638)	(215)
Increase (decrease) in provision for gas holder repairs	25	22
Increase (decrease) in provision for bonuses	810	682
Increase (decrease) in provision for conversion of heating value of supplied gas	(86)	—
Interest and dividends income	(137)	(147)
Interest expenses	571	506
Loss (gain) on sales of property, plant and equipment	(4)	(436)
Loss (gain) on sales of investment securities	—	(1)
Decrease (increase) in notes and accounts receivable – trade	2,602	(2,052)
Decrease (increase) in inventories	3,017	318
Increase (decrease) in notes and accounts payable – trade	(2,700)	(4,646)
Decrease/increase in consumption taxes receivable/payable	1,058	(1,720)
Other, net	(677)	(1,117)
Subtotal	29,379	5,693
Interest and dividends income received	140	147
Interest expenses paid	(635)	(553)
Income taxes paid	(944)	(5,008)
Net cash provided by (used in) operating activities	27,939	279
Net cash provided by (used in) investing activities:		
Payments into time deposits	(23)	(19)
Proceeds from withdrawal of time deposits	141	25
Purchase of property, plant and equipment and intangible assets	(12,884)	(7,005)
Proceeds from sales of property, plant and equipment and intangible assets	120	597
Purchase of investment securities	(661)	(20)
Proceeds from sales of investment securities	—	11
Payments of loans receivable	(240)	(1,560)
Collection of loans receivable	210	162
Proceeds from contribution received for construction	351	339
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	628	—
Other, net	(1,109)	(631)
Net cash provided by (used in) investing activities	(13,466)	(8,100)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(7,702)	5,907
Proceeds from long-term loans payable	2,950	3,750
Repayment of long-term loans payable	(6,442)	(5,184)
Cash dividends paid	(519)	(681)
Cash dividends paid to minority shareholders	(10)	(13)
Proceeds from sales of treasury stock	1,003	—
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(10,721)	3,777
Net increase (decrease) in cash and cash equivalents	3,751	(4,043)
Cash and cash equivalents at beginning of period	698	5,046
Cash and cash equivalents at end of period	¥ 4,450	¥1,002

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, 2009

						Millions of yen
	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales						
Outside customers	64,027	7,533	5,657	77,218	—	77,218
Inter-segment	397	181	4,373	4,952	(4,952)	—
Total	64,424	7,714	10,031	82,171	(4,952)	77,218
Operating income (loss)	16,578	869	(186)	17,261	(2,610)	14,650

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	<b>74,950</b>	<b>8,269</b>	<b>5,308</b>	<b>88,528</b>	—	<b>88,528</b>
Inter-segment	<b>540</b>	<b>227</b>	<b>3,670</b>	<b>4,437</b>	<b>(4,437)</b>	—
Total	<b>75,490</b>	<b>8,496</b>	<b>8,978</b>	<b>92,966</b>	<b>(4,437)</b>	<b>88,528</b>
Operating income (loss)	<b>6,057</b>	<b>671</b>	<b>(73)</b>	<b>6,655</b>	<b>(2,158)</b>	<b>4,496</b>