

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

August 5, 2010

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Date for presentation of the quarterly report: August 13, 2010  
 Date of dividend payment: September 1, 2010  
 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 to June 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 half	¥59,565	6.7%	¥ 3,902	(75.0)%	¥ 3,966	(74.5)%
Previous first half	55,845	—	15,611	—	15,558	—

  

	Net income (¥ million)		Earnings per share (¥)	
Reporting first half	¥2,190	(74.8)%	¥ 28.76	
Previous first half	8,697	—	116.46	

### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting first half	¥113,300	¥54,252	41.2%	¥612.77
Previous full term	114,092	52,206	39.4	590.64

Note: Owners' equity (¥ million)

Reporting first half:	¥46,657
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: 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

Shizuoka Gas has announced the revision of the dividend forecast, which was released on May 7, 2010. Please refer to the "Notification of payment of FY2010 interim dividend (and centennial anniversary commemorative dividend)" released on August 5, 2010 for details concerning the revision of said dividend forecast.

## 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	¥120,170	21.0%	¥6,130	(49.6)%	¥6,140	(49.5)%	¥3,810	(41.0)%	¥50.03

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 half 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 half: 76,192,950

Previous full term: 76,192,950

b) Number of treasury shares at end of the period

Reporting first half: 50,761

Previous full term: 50,296

c) Average number of shares outstanding during the first half

Reporting first half: 76,142,522

Previous first half: 74,672,609

#### 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 half 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 May 7, 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 half of fiscal 2010

Net sales in the gas segment for the first half (January - June) of fiscal 2010 increased ¥3,251 million year on year, to ¥50,438 million, while consolidated net sales (including the LPG and other energy services and Other business segments) climbed ¥3,719 million, to ¥59,565 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 ¥11,709 million, to ¥3,902 million, ordinary income dropped ¥11,592 million, to ¥3,966 million, and net income fell ¥6,506 million, to ¥2,190 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 first half performance and after having reconsidered its assumptions regarding crude oil prices, exchange rate movements and other measures from the third quarter onward. As a result, we now forecast net sales of ¥120,170 million, operating income of ¥6,130 million, ordinary income of ¥6,140 million and net income of ¥3,810 million.

#### (Reference)

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

Oil prices (Japan CIF)	Previous forecast	\$83/bbl (3rd - 4th quarter)
	Current forecast	\$78/bbl (3rd quarter) \$80/bbl (4th quarter)
Yen rate	Previous forecast	¥93/\$1 (3rd - 4th quarter)
	Current forecast	¥90/\$1 (3rd quarter) ¥93/\$1 (4th quarter)

# Consolidated Balance Sheets

	Millions of yen	
	June 30, 2010	December 31, 2009
<b>Assets</b>		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	¥ 31,934	¥ 20,420
Distribution facilities	34,257	35,811
Service and maintenance facilities	3,951	4,057
Other facilities	5,163	5,299
Construction in progress	2,257	14,316
Total property, plant and equipment	77,564	79,905
Intangible assets	1,599	1,598
Investments and other assets –		
Investment securities	7,372	7,658
Long-term loans receivable	3,258	2,472
Deferred tax assets	1,670	1,623
Other investments and other assets	880	839
Allowance for doubtful accounts	(293)	(297)
Total investments and other assets	12,888	12,296
Total noncurrent assets	92,053	93,800
Current assets:		
Cash and deposits	764	5,075
Notes and accounts receivable – trade	9,442	6,898
Merchandise and finished goods	345	319
Raw materials and supplies	7,122	4,286
Deferred tax assets	1,672	1,666
Other current assets	1,957	2,098
Allowance for doubtful accounts	(58)	(53)
Total current assets	21,247	20,292
Total assets	¥113,300	¥114,092
<b>Liabilities</b>		
Noncurrent liabilities:		
Long-term loans payable	¥ 33,234	¥ 32,392
Deferred tax liabilities	26	33
Provision for retirement benefits	2,845	3,045
Provision for gas holder repairs	221	206
Negative goodwill	842	960
Other noncurrent liabilities	619	791
Total noncurrent liabilities	37,790	37,429
Current liabilities:		
Current portion of noncurrent liabilities	5,311	6,050
Accounts payable – trade	5,138	9,715
Short-term loans payable	5,872	41
Accounts payable – other	889	2,342
Income taxes payable	2,040	3,656
Provision for bonuses	450	445
Other current liabilities	1,555	2,205
Total current liabilities	21,257	24,457
Total liabilities	59,048	61,886
<b>Net assets</b>		
Shareholders' equity:		
Capital stock	6,279	6,279
Capital surplus	4,589	4,589
Retained earnings	33,986	32,100
Treasury stock	(26)	(25)
Total shareholders' equity	44,828	42,943
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,829	2,025
Deferred gains or losses on hedges	—	4
Total valuation and translation adjustments	1,829	2,029
Minority interests	7,594	7,233
Total net assets	54,252	52,206
Total liabilities and net assets	¥113,300	¥114,092

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Income

First half ended June 30	Millions of yen	
	2009	2010
Net sales	¥55,845	¥59,565
Cost of sales	28,047	43,614
Gross profit	27,797	15,950
Selling, general and administrative expenses	12,186	12,048
Operating income	15,611	3,902
Non-operating income:		
Interest income	32	34
Dividends income	88	92
Amortization of negative goodwill	100	122
Miscellaneous income	127	164
Total non-operating income	348	413
Non-operating expenses:		
Interest expenses	392	335
Miscellaneous expenses	9	13
Total non-operating expenses	401	349
Ordinary income	15,558	3,966
Extraordinary income:		
Reversal of provision for conversion of heating value of supplied gas	57	—
Gain on sales of investment securities	—	1
Compensation for transfer	—	73
Total extraordinary income	57	75
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	15,354	4,028
Income taxes	5,268	1,457
Minority interests in income	1,389	380
Net income	¥ 8,697	¥ 2,190

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Cash Flows

First half ended June 30	Millions of yen	
	2009	2010
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	¥15,354	¥4,028
Depreciation and amortization	5,750	6,347
Amortization of long-term prepaid expenses	1	—
Amortization of deferred assets	46	—
Amortization of negative goodwill	(100)	(122)
Loss on retirement of property, plant and equipment	202	33
Loss (gain) on valuation of investment securities	—	10
Increase (decrease) in allowance for doubtful accounts	(10)	0
Increase (decrease) in provision for retirement benefits	(632)	(199)
Increase (decrease) in provision for gas holder repairs	17	15
Increase (decrease) in provision for bonuses	8	5
Increase (decrease) in provision for conversion of heating value of supplied gas	(57)	—
Interest and dividends income	(120)	(126)
Interest expenses	392	335
Loss (gain) on sales of property, plant and equipment	—	2
Loss (gain) on sales of investment securities	—	(1)
Decrease (increase) in notes and accounts receivable – trade	1,727	(2,540)
Decrease (increase) in inventories	4,811	(2,859)
Increase (decrease) in notes and accounts payable – trade	(7,346)	(4,634)
Decrease/increase in consumption taxes receivable/payable	968	(1,739)
Other, net	321	(724)
Subtotal	21,332	(2,169)
Interest and dividends income received	121	127
Interest expenses paid	(401)	(341)
Income taxes paid	(512)	(3,212)
Net cash provided by (used in) operating activities	20,540	(5,595)
Net cash provided by (used in) investing activities:		
Payments into time deposits	(17)	(19)
Proceeds from withdrawal of time deposits	136	22
Purchase of property, plant and equipment and intangible assets	(7,480)	(4,681)
Proceeds from sales of property, plant and equipment and intangible assets	5	5
Purchase of investment securities	(335)	(19)
Proceeds from sales of investment securities	—	11
Payments of loans receivable	—	(900)
Collection of loans receivable	136	114
Proceeds from contribution received for construction	206	272
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	628	—
Other, net	(1,875)	865
Net cash provided by (used in) investing activities	(8,594)	(4,327)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(7,680)	5,830
Proceeds from long-term loans payable	2,900	3,150
Repayment of long-term loans payable	(3,966)	(3,046)
Cash dividends paid	(221)	(304)
Cash dividends paid to minority shareholders	(10)	(13)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(8,978)	5,615
Net increase (decrease) in cash and cash equivalents	2,966	(4,308)
Cash and cash equivalents at beginning of period	698	5,046
Cash and cash equivalents at end of period	¥ 3,665	¥ 738

Note: Amounts under one million yen are omitted.

## Segment Information

### Segment information by business category

(Amounts under one million yen are omitted.)

First half ended June 30, 2009						Millions of yen
	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales						
Outside customers	46,916	5,328	3,600	55,845	—	55,845
Inter-segment	270	128	2,859	3,258	(3,258)	—
Total	47,187	5,456	6,459	59,103	(3,258)	55,845
Operating income (loss)	16,801	774	(107)	17,469	(1,857)	15,611

First half ended June 30, 2010						Millions of yen
	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales						
Outside customers	<b>50,064</b>	<b>5,931</b>	<b>3,569</b>	<b>59,565</b>	—	<b>59,565</b>
Inter-segment	<b>374</b>	<b>167</b>	<b>2,639</b>	<b>3,181</b>	<b>(3,181)</b>	—
Total	<b>50,438</b>	<b>6,098</b>	<b>6,208</b>	<b>62,746</b>	<b>(3,181)</b>	<b>59,565</b>
Operating income (loss)	<b>4,717</b>	<b>632</b>	<b>(18)</b>	<b>5,331</b>	<b>(1,429)</b>	<b>3,902</b>