

Flash Report for the First Quarter of 2010

May 7, 2010

Name: Shizuoka Gas Co., Ltd. Stock Exchange: TSE (1st section)
 Code Number: 9543 URL: <http://www.shizuokagas.co.jp>
 Representative: Seigo Iwasaki, President
 Inquiries: Masanobu Morita, Accounting Manager, Corporate Service Dept.
 Tel: +81-54-284-7990
 Date for presentation of the quarterly report: May 14, 2010

1. Consolidated Business Results for the First Quarter (January 1 to March 31, 2010)

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

(1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first quarter	¥29,867	(2.9)%	¥2,611	(65.0)%	¥2,588	(64.9)%
Previous first quarter	30,768	—	7,453	—	7,378	—

	Net income (¥ million)		Earnings per share (¥)
Reporting first quarter	¥1,432	(59.8)%	¥18.81
Previous first quarter	3,567	—	47.71

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting first quarter	¥114,627	¥53,746	40.4%	¥608.46
Previous full term	114,092	52,206	39.4	590.64

Note: Owners' equity (¥ million)

Reporting first quarter: ¥46,329

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	—	/	/	/	/
Fiscal 2010 (forecast)	/	4.00	—	4.00	8.00

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

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 (¥)
First-half period	¥ 59,420	6.4%	¥3,150	(79.8)%	¥3,150	(79.8)%	¥2,050	(76.4)%	¥26.92
Full term	121,030	21.9	4,880	(59.9)	4,820	(60.3)	3,160	(51.0)	41.50

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

4. Others

- (1) Major changes in scope of consolidation: None
- (2) Simplified accounting method and special accounting treatments for quarterly financial reporting: Applicable
- (3) Changes in accounting policy
 - a) Changes in accounting standards: Applicable
 - b) Other: None
- (4) Number of issued shares (ordinary shares)
 - a) Number of shares issued at end of the period (including shares in treasury)
 - Reporting first quarter: 76,192,950
 - Previous full term: 76,192,950
 - b) Number of treasury shares at end of the period
 - Reporting first quarter: 50,296
 - Previous full term: 50,296
 - c) Average number of shares outstanding during the first quarter
 - Reporting first quarter: 76,142,654
 - Previous first quarter: 74,764,083

Notes:

1. The sums in the quarterly consolidated financial statements and related statements were previously given in thousands of yen, but this has been changed as of this quarter ended March 31, 2010 to millions of yen. To make comparison easier, the amounts for the previous fiscal year and the first quarter 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 business forecasts for the current term ending December 31, 2010, which were released on February 9, 2010 simultaneously with the account settlement for the previous period ended December 31, 2009. For further details, please refer to “2. Business performance forecasts for the year ending December 31, 2010” on P3.

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 quarter of fiscal 2010

Sales of the Gas segment for the first quarter (January - March) of fiscal 2010 decreased by ¥1,360 million year-on-year to ¥24,855 million, and consolidated sales revenue (including the LPG and other energy services and Other businesses segments) totaled ¥29,867 million, a year-on-year decline of ¥900 million. This was primarily due to a downward trend year-on-year in unit gas sales prices under the official adjustment system, despite a sharp rise in gas sales volumes as a result of the commencement of wholesaling activity extending beyond the borders of Shizuoka Prefecture into other prefectures. At the same time, as a result of the decrease in unit gas prices mentioned above, operating income fell by ¥4,841 million year-on-year to ¥2,611 million, and ordinary income declined by ¥4,790 million to ¥2,588 million. Net income decreased by ¥2,134 million year-on-year to ¥1,432 million.

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

We have revised our initial forecasts for consolidated business performance for the first-half period to reflect changes to first-quarter performance figures, having revised our assumptions regarding crude oil prices and exchange-rate movements for the second quarter onward, in light of current business conditions. We now forecast sales revenue of ¥59,420 million (¥460 million down from the initial forecast), operating income and ordinary income of ¥3,150 million (up ¥610 million), and net income of ¥2,050 million (up ¥330 million).

We have made no changes to our forecasts for 2010 full term.

(Reference)

Forecasts of oil prices and the yen's exchange rate

Oil prices (Japan CIF)	Previous forecast	\$80/bbl (2nd - 4th quarter)
	Current forecast	\$83/bbl (2nd - 4th quarter)
Yen rate	Previous forecast	¥95/\$1 (2nd - 4th quarter)
	Current forecast	¥93/\$1 (2nd - 4th quarter)

Consolidated Balance Sheets

	Millions of yen	
	March 31, 2010	December 31, 2009
Assets		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	¥ 33,202	¥ 20,420
Distribution facilities	34,976	35,811
Service and maintenance facilities	3,997	4,057
Other facilities	5,299	5,299
Construction in progress	2,156	14,316
Total property, plant and equipment	79,631	79,905
Intangible assets	1,628	1,598
Investments and other assets –		
Investment securities	8,011	7,658
Long-term loans receivable	3,318	2,472
Deferred tax assets	1,495	1,623
Other investments and other assets	873	839
Allowance for doubtful accounts	(301)	(297)
Total investments and other assets	13,397	12,296
Total noncurrent assets	94,657	93,800
Current assets:		
Cash and deposits	1,423	5,075
Notes and accounts receivable – trade	9,111	6,898
Merchandise and finished goods	317	319
Raw materials and supplies	5,650	4,286
Deferred tax assets	1,681	1,666
Other current assets	1,843	2,098
Allowance for doubtful accounts	(58)	(53)
Total current assets	19,970	20,292
Total assets	¥114,627	¥114,092

Note: Amounts under one million yen are omitted.

	Millions of yen	
	March 31, 2010	December 31, 2009
Liabilities		
Noncurrent liabilities:		
Long-term loans payable	¥ 33,981	¥ 32,392
Deferred tax liabilities	43	33
Provision for retirement benefits	3,078	3,045
Provision for gas holder repairs	213	206
Negative goodwill	901	960
Other noncurrent liabilities	707	791
Total noncurrent liabilities	38,925	37,429
Current liabilities:		
Current portion of noncurrent liabilities	5,570	6,050
Accounts payable – trade	7,321	9,715
Short-term loans payable	4,646	41
Accounts payable – other	914	2,342
Income taxes payable	1,238	3,656
Provision for bonuses	1,014	445
Other current liabilities	1,250	2,205
Total current liabilities	21,955	24,457
Total liabilities	60,881	61,886
Net assets		
Shareholders' equity:		
Capital stock	6,279	6,279
Capital surplus	4,589	4,589
Retained earnings	33,228	32,100
Treasury stock	(25)	(25)
Total shareholders' equity	44,071	42,943
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,254	2,025
Deferred gains or losses on hedges	3	4
Total valuation and translation adjustments	2,258	2,029
Minority interests	7,416	7,233
Total net assets	53,746	52,206
Total liabilities and net assets	¥114,627	¥114,092

Note: Amounts under one million yen are omitted.

Consolidated Statements of Income

First quarter ended March 31	Millions of yen	
	2009	2010
Net sales	¥30,768	¥29,867
Cost of sales	17,509	21,348
Gross profit	13,258	8,519
Selling, general and administrative expenses	5,804	5,908
Operating income	7,453	2,611
Non-operating income:		
Interest income	15	15
Dividends income	2	1
Amortization of negative goodwill	49	62
Miscellaneous income	68	66
Total non-operating income	136	145
Non-operating expenses:		
Interest expenses	206	165
Miscellaneous expenses	4	3
Total non-operating expenses	210	169
Ordinary income	7,378	2,588
Extraordinary income:		
Reversal of provision for conversion of heating value of supplied gas	28	—
Total extraordinary income	28	—
Extraordinary loss:		
Loss on sales of noncurrent assets	—	2
Total extraordinary losses	—	2
Income before income taxes and minority interests	7,407	2,585
Income taxes	2,639	951
Minority interests in income	1,200	200
Net income	¥ 3,567	¥ 1,432

Note: Amounts under one million yen are omitted.

Consolidated Statements of Cash Flows

First quarter ended March 31	Millions of yen	
	2009	2010
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	¥ 7,407	¥ 2,585
Depreciation and amortization	2,766	3,163
Amortization of long-term prepaid expenses	0	—
Amortization of deferred assets	23	—
Amortization of negative goodwill	(49)	(62)
Loss on retirement of property, plant and equipment	9	12
Increase (decrease) in allowance for doubtful accounts	19	9
Increase (decrease) in provision for retirement benefits	47	33
Increase (decrease) in provision for gas holder repairs	8	7
Increase (decrease) in provision for bonuses	567	569
Increase (decrease) in provision for conversion of heating value of supplied gas	(28)	—
Interest and dividends income	(17)	(16)
Interest expenses	206	165
Loss (gain) on sales of property, plant and equipment	—	2
Decrease (increase) in notes and accounts receivable – trade	151	(2,218)
Decrease (increase) in inventories	5,188	(1,361)
Increase (decrease) in notes and accounts payable – trade	(6,625)	(2,378)
Decrease/increase in consumption taxes receivable/payable	703	(1,330)
Other, net	(3,283)	(1,021)
Subtotal	7,094	(1,839)
Interest and dividends income received	18	16
Interest expenses paid	(260)	(208)
Income taxes paid	(537)	(3,204)
Net cash provided by (used in) operating activities	6,315	(5,236)
Net cash provided by (used in) investing activities:		
Payments into time deposits	(16)	(19)
Proceeds from withdrawal of time deposits	16	22
Purchase of property, plant and equipment and intangible assets	(5,466)	(3,489)
Proceeds from sales of property, plant and equipment and intangible assets	2	2
Purchase of investment securities	(334)	(1)
Payments of loans receivable	—	(900)
Collection of loans receivable	53	54
Proceeds from contribution received for construction	133	79
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	628	—
Other, net	(42)	443
Net cash provided by (used in) investing activities	(5,026)	(3,807)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(501)	4,604
Proceeds from long-term loans payable	2,900	3,150
Repayment of long-term loans payable	(2,594)	(2,041)
Cash dividends paid	(223)	(304)
Cash dividends paid to minority shareholders	(10)	(13)
Other, net	(0)	—
Net cash provided by (used in) financing activities	(429)	5,394
Net increase (decrease) in cash and cash equivalents	859	(3,648)
Cash and cash equivalents at beginning of period	698	5,046
Cash and cash equivalents at end of period	¥ 1,558	¥ 1,398

Note: Amounts under one million yen are omitted.

Segment Information

Segment information by business category

(Amounts under one million yen are omitted.)

First quarter ended March 31, 2009

Millions of yen

	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales						
Outside customers	26,090	2,864	1,813	30,768	—	30,768
Inter-segment	125	80	1,217	1,423	(1,423)	—
Total	26,216	2,944	3,030	32,191	(1,423)	30,768
Operating income (loss)	7,729	497	(62)	8,163	(710)	7,453

First quarter ended March 31, 2010

Millions of yen

	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales						
Outside customers	24,664	3,144	2,058	29,867	—	29,867
Inter-segment	191	96	1,278	1,566	(1,566)	—
Total	24,855	3,241	3,337	31,434	(1,566)	29,867
Operating income	2,891	384	24	3,300	(689)	2,611