

Flash Report for the Term Ended December 31, 2009

February 9, 2010

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Date of annual general meeting of shareholders: March 25, 2010
 Date for presentation of the financial statements report: March 26, 2010
 Date of dividend payment: March 26, 2010 or after

1. Consolidated Business Results (January 1 to December 31, 2009)

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

(1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
	¥	(%)	¥	(%)	¥	(%)
Reporting term	99,311	(11.7)%	12,160	—%	12,152	—%
Previous term	112,496	21.3	(3,743)	—	(4,227)	—

	Net income (¥ million)		Earnings per share (¥)	Return on equity (ROE) (%)	Ordinary income/ Total assets (%)	Operating income/ Net sales (%)
	¥	(¥)	¥	(%)	(%)	(%)
Reporting term	6,454	—	86.02	15.4%	10.6%	12.2%
Previous term	(3,008)	—	(39.51)	(7.2)	(3.7)	(3.3)

Note: Equity-method investment: not applicable

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting term	114,092	52,206	39.4%	¥590.64
Previous term	114,958	44,698	34.0	513.48

Note: Owners' equity (¥ million)

Reporting term: ¥44,972
 Previous term: ¥39,098

(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	31,371	(15,408)	(11,614)	¥5,046
Previous term	7,302	(13,808)	5,288	698

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 2008	—	¥3.00	—	¥3.00	¥6.00	¥456	—%	1.1%
Fiscal 2009	—	4.00	—	4.00	8.00	609	9.3	1.4
Fiscal 2010 (forecast)	—	4.00	—	4.00	8.00	/	19.3	/

*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, 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	59,880	7.2%	2,540	(83.7)%	2,540	(83.7)%	1,720	(80.2)%	¥22.58
Full term	121,030	21.9	4,880	(59.9)	4,820	(60.3)	3,160	(51.0)	41.50

4. Others

- (1) Major changes in scope of consolidation: None
- (2) Changes in accounting policy
 - a) Changes in accounting standards: Applicable
 - 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:	50,296
Previous term:	48,634

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. For further details, please refer to “Business performance forecasts for the year ending December 31, 2010” on P4.

Business results

Total revenues for fiscal 2009 (ended December 31, 2009) decreased by 11.7% year-on-year to ¥99,311 million, due primarily to a decline in the volume of gas sold as a result of the economic downturn.

On the other hand, the cost of sales posted a substantial decrease due to a decline in raw material prices. Operating income totaled ¥12,160 million, ordinary income was ¥12,152 million, and net income came to ¥6,454 million on a consolidated basis.

Performance by business segment

1. Gas segment

The volume of gas sold in fiscal 2009 fell by 8.9% year-on-year, to 958 million cubic meters. The volume of sales to households declined by 2.6% year-on-year, to 97 million cubic meters on weakening demand for hot water as a result of a mild winter. Sales to commercial users (for commercial, public and medical use) declined by 1.9% year-on-year, to 75 million cubic meters. Although there was a rise in new orders, this was more than offset by a decrease in air conditioning demand resulting from a mild winter and a cool summer. Sales for industrial use dropped by 12.8% year-on-year, to 615 million cubic meters due to the scaling back of operations by large-lot users amid the current economic downturn. Sales to wholesalers rose by 0.2% year-on-year, to 169 million cubic meters, thanks to a rise in demand from their customers.

Consequently, sales revenue declined by 10.6% year-on-year, to ¥82,334 million. In addition to the decrease in the gas sales volume, the unit gas selling price fell in the second six-month period, which caused the decline in sales revenue. Although the gas selling price had risen in comparison to the previous year in the first six-month period in line with the official adjustment system to cover higher raw material prices, the rise was insufficient to offset a decrease in the gas sales.

The cost of sales substantially declined, reflecting lower raw material prices. As a result, operating income amounted to ¥14,826 million.

2. LPG and Other Energy Services segment

Sales revenue for this segment fell by 22.7% year-on-year, to ¥10,345 million, due to a decline in the volume of LPG sold and downward revisions in the unit selling price to reflect lower raw material prices. Meanwhile, operating income rose by 36.9% year-on-year, to ¥877 million, attributable to a large decrease in the cost of sales (resulting from the lower raw material prices), which exceeded the decline in sales revenue.

3. Other Businesses segment

In the other businesses segment, which includes construction of facilities, gas piping installations, and gas appliance sales, sales revenue fell by 6.8% to ¥13,808 million, resulting in an operating loss of ¥141 million. Declines in the sales volume of gas appliances and gas piping installations due to the economic downturn exceeded the rise in sales resulting from aggressive efforts made jointly with our 12 Enarea* sales agents to improve earnings performance within each operating territory.

**Enarea: The customer service area is divided into 12 territories within the gas supply area of Shizuoka Gas. In each territory is an "Enarea" (energy + area) sales agent, which operates a customer service counter.*

Notes:

1. The figures appearing in the "Performance by Business Segment" section include inter-segment transactions.
2. All gas volumes included in this document are calculated as 45 megajoules per 1 cubic meter.
3. The figures provided do not include national consumption tax or local consumption tax.

Consolidated reporting period
FY 2009 (January - December 2009)

	Volume (thousand m ³)	Yr-on-yr. change (%)	Amount (¥ thousand)	Yr-on-yr. change (%)
Gas sales				
Direct sales				
Household	97,198	(2.6)	21,267,947	(0.4)
Industrial	615,881	(12.8)	37,962,936	(19.1)
Commercial	75,802	(1.9)	8,884,914	(1.8)
Wholesale	169,719	0.2	10,441,932	(3.9)
Total	958,601	(8.9)	78,557,731	(10.9)
Total households under contract at term-end			342,341	

Notes:

1. "Total households under contract at term-end" is recorded as the number of meter readings taken at the term-end.
2. "Total households under contract at term-end" does not include the customers of wholesalers.
3. Sales volume is calculated as 45 megajoules per 1 cubic meter, and figures of less than one thousand cubic meters have been rounded.
4. The figures appearing above include inter-segment sales.

In addition to the information appearing above, the Shizuoka Group's gas business segment also undertakes sales of LNG (liquefied natural gas).

Business performance forecasts for the year ending December 31, 2010

Sales revenue is expected to rise by 21.9% year-on-year, to ¥121,030 million. Although the unit selling price of gas is expected to become lower under the official price adjustment system, to reflect a drop in the market price of raw materials, a substantial rise in the gas sales volume is forecast as a result of the commencement of wholesaling activity extending beyond the borders of Shizuoka Prefecture into other prefectures. However, the rise in the cost of sales is expected to exceed the rise in sales revenue due to a large surge in the amount of raw materials used in line with an increase in sales volume, and the recognition of depreciation expenses following the start-up of operation of the third LNG storage tank in January 2010. Consequently, operating income is expected to decline by ¥7,280 million year-on-year, to ¥4,880 million. We project ordinary income of ¥4,820 million, for a decrease of ¥7,332 million, and net income of ¥3,160 million, a decline of ¥3,294 million. We anticipate a ¥5,138 million decrease year-on-year in capital investment, to ¥9,530 million, owing to the completion of our third expansion construction project for the third LNG storage tank at our Sodeshi Terminal.

	FY 2010 forecast (¥ million)	FY 2009 results (¥ million)	Change (¥ million)	Yr.-on-yr. change (%)
Sales	121,030	99,311	21,718	21.9
Operating income	4,880	12,160	(7,280)	(59.9)
Ordinary income	4,820	12,152	(7,332)	(60.3)
Net income	3,160	6,454	(3,294)	(51.0)
Capital investment	9,530	14,668	(5,138)	(35.0)

Assumption: Price of crude oil (Japan CIF): \$80/bbl; Yen rate: ¥95/\$1

Consolidated Balance Sheets

As of December 31	Thousands of yen	
	2008	2009
Assets		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	¥ 16,386,833	¥ 20,420,826
Distribution facilities	37,137,201	35,811,792
Service and maintenance facilities	4,421,271	4,057,335
Other facilities	6,295,185	5,299,437
Construction in progress	15,018,435	14,316,249
Total property, plant and equipment	79,258,927	79,905,642
Intangible assets	3,231,348	1,598,052
Investments and other assets –		
Investment securities	7,832,017	7,658,574
Long-term loans receivable	2,516,100	2,472,634
Deferred tax assets	1,992,517	1,623,698
Other investments and other assets	727,165	839,184
Allowance for doubtful accounts	(323,353)	(297,763)
Total investments and other assets	12,744,448	12,296,327
Total noncurrent assets	95,234,723	93,800,022
Current assets:		
Cash and deposits	725,645	5,075,244
Notes and accounts receivable – trade	9,224,826	6,898,692
Inventories	7,418,486	—
Merchandise and finished goods	—	319,585
Raw materials and supplies	—	4,286,594
Deferred tax assets	1,380,264	1,666,733
Other current assets	939,276	2,098,735
Allowance for doubtful accounts	(58,731)	(53,052)
Total current assets	19,629,768	20,292,533
Deferred assets:		
Development expenses	93,890	—
Total deferred assets	93,890	—
Total assets	¥114,958,382	¥114,092,556

Note: Amounts under one thousand yen are omitted.

As of December 31	Thousands of yen	
	2008	2009
Liabilities		
Noncurrent liabilities:		
Long-term loans payable	¥ 35,492,901	¥ 32,392,204
Deferred tax liabilities	—	33,922
Provision for retirement benefits	3,599,364	3,045,002
Provision for gas holder repairs	209,760	206,090
Negative goodwill	—	960,092
Other noncurrent liabilities	278,943	791,731
Total noncurrent liabilities	39,580,969	37,429,043
Current liabilities:		
Current portion of noncurrent liabilities	7,418,233	6,050,380
Accounts payable – trade	10,421,140	9,715,159
Short-term loans payable	7,795,436	41,900
Accounts payable – other	1,697,757	2,342,798
Income taxes payable	1,157,978	3,656,350
Provision for bonuses	434,956	445,125
Other current liabilities	1,638,432	2,205,304
Total current liabilities	30,563,935	24,457,017
Provisions:		
Provision for conversion of heating value of supplied gas	114,819	—
Total provisions	114,819	—
Total liabilities	70,259,723	61,886,061
Net assets		
Shareholders' equity:		
Capital stock	6,279,147	6,279,147
Capital surplus	4,098,961	4,589,493
Retained earnings	26,166,354	32,100,434
Treasury stock	(25,131)	(25,928)
Total shareholders' equity	36,519,332	42,943,147
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,576,378	2,025,665
Deferred gains or losses on hedges	3,068	4,125
Total valuation and translation adjustments	2,579,447	2,029,791
Minority interests	5,599,878	7,233,556
Total net assets	44,698,658	52,206,494
Total liabilities and net assets	¥114,958,382	¥114,092,556

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Income

Years ended December 31	Thousands of yen	
	2008	2009
Net sales	¥112,496,891	¥99,311,214
Cost of sales	92,282,790	60,139,381
Gross profit	20,214,100	39,171,833
Selling, general and administrative expenses	23,957,411	27,011,290
Operating income (loss)	(3,743,310)	12,160,543
Non-operating income:		
Interest income	66,556	63,693
Dividends income	149,674	140,024
Amortization of negative goodwill	2,735	218,044
Miscellaneous income	234,711	358,257
Total non-operating income	453,678	780,020
Non-operating expenses:		
Interest expenses	816,326	740,144
Miscellaneous expenses	121,602	48,088
Total non-operating expenses	937,929	788,233
Ordinary income (loss)	(4,227,561)	12,152,330
Extraordinary income:		
Gain on sales of noncurrent assets	—	52,771
Reversal of provision for conversion of heating value of supplied gas	66,663	114,819
Gain on sales of investment securities	44	16,974
Gain on leveraged lease financing	44,613	—
Gain on revision of retirement benefit plan	—	18,872
Total extraordinary income	111,321	203,438
Extraordinary loss:		
Loss on sales of noncurrent assets	1,408	—
Impairment loss	129,617	222,690
Loss on valuation of investment securities	22,585	—
Loss on revision of retirement benefit plan	—	261,962
Total extraordinary losses	153,610	484,652
Income (loss) before income taxes and minority interests	(4,269,850)	11,871,117
Income taxes – current	838,340	3,638,600
Income taxes – deferred	(2,274,995)	154,590
Total income taxes	(1,436,654)	3,793,190
Minority interests in income	175,473	1,623,181
Net income (loss)	¥ (3,008,668)	¥ 6,454,744

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Changes in Net Assets

Years ended December 31	Thousands of yen	
	2008	2009
Shareholders' equity		
Capital stock		
Balance at the end of previous period	¥ 6,279,147	¥ 6,279,147
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	¥ 6,279,147	¥ 6,279,147
Capital surplus		
Balance at the end of previous period	¥ 4,098,961	¥ 4,098,961
Changes of items during the period		
Disposal of treasury stock	—	490,532
Total changes of items during the period	—	490,532
Balance at the end of current period	¥ 4,098,961	¥ 4,589,493
Retained earnings		
Balance at the end of previous period	¥29,708,059	¥26,166,354
Changes of items during the period		
Dividends from surplus	(533,035)	(520,665)
Net income (loss)	(3,008,668)	6,454,744
Total changes of items during the period	(3,541,704)	5,934,079
Balance at the end of current period	¥26,166,354	¥32,100,434
Treasury stock		
Balance at the end of previous period	¥ (23,151)	¥ (25,131)
Changes of items during the period		
Purchase of treasury stock	(1,979)	(305,610)
Disposal of treasury stock	—	304,813
Total changes of items during the period	(1,979)	(797)
Balance at the end of current period	¥ (25,131)	¥ (25,928)
Total shareholders' equity		
Balance at the end of previous period	¥40,063,016	¥36,519,332
Changes of items during the period		
Dividends from surplus	(533,035)	(520,665)
Net income (loss)	(3,008,668)	6,454,744
Purchase of treasury stock	(1,979)	(305,610)
Disposal of treasury stock	—	795,345
Total changes of items during the period	(3,543,684)	6,423,814
Balance at the end of current period	¥36,519,332	¥42,943,147

Years ended December 31	Thousands of yen	
	2008	2009
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	¥ 4,374,020	¥ 2,576,378
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,797,642)	(550,713)
Total changes of items during the period	(1,797,642)	(550,713)
Balance at the end of current period	¥ 2,576,378	¥ 2,025,665
Deferred gains or losses on hedges		
Balance at the end of previous period	¥ 222,284	¥ 3,068
Changes of items during the period		
Net changes of items other than shareholders' equity	(219,215)	1,057
Total changes of items during the period	(219,215)	1,057
Balance at the end of current period	¥ 3,068	¥ 4,125
Total valuation and translation adjustments		
Balance at the end of previous period	¥ 4,596,305	¥ 2,579,447
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,016,857)	(549,656)
Total changes of items during the period	(2,016,857)	(549,656)
Balance at the end of current period	¥ 2,579,447	¥ 2,029,791
Minority interests		
Balance at the end of previous period	¥ 5,437,535	¥ 5,599,878
Changes of items during the period		
Net changes of items other than shareholders' equity	162,343	1,633,677
Total changes of items during the period	162,343	1,633,677
Balance at the end of current period	¥ 5,599,878	¥ 7,233,556
Total net assets		
Balance at the end of previous period	¥50,096,857	¥44,698,658
Changes of items during the period		
Dividends from surplus	(533,035)	(520,665)
Net income (loss)	(3,008,668)	6,454,744
Purchase of treasury stock	(1,979)	(305,610)
Disposal of treasury stock	—	795,345
Net changes of items other than shareholders' equity	(1,854,514)	1,084,021
Total changes of items during the period	(5,398,198)	7,507,835
Balance at the end of current period	¥44,698,658	¥52,206,494

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Cash Flows

Years ended December 31	Thousands of yen	
	2008	2009
Net cash provided by (used in) operating activities:		
Income (loss) before income taxes and minority interests	¥ (4,269,850)	¥11,871,117
Depreciation and amortization	11,112,961	14,137,947
Impairment loss	129,617	222,690
Amortization of long-term prepaid expenses	15,136	2,743
Amortization of deferred assets	133,327	93,890
Amortization of negative goodwill	(2,735)	(218,044)
Loss on retirement of property, plant and equipment	140,230	299,880
Loss (gain) on valuation of investment securities	22,585	—
Increase (decrease) in allowance for doubtful accounts	(8,139)	(31,268)
Increase (decrease) in provision for retirement benefits	(4,866)	(574,309)
Increase (decrease) in provision for directors' retirement benefits	(22,487)	—
Increase (decrease) in provision for gas holder repairs	34,234	(3,670)
Increase (decrease) in provision for bonuses	4,065	8,445
Increase (decrease) in provision for conversion of heating value of supplied gas	(66,663)	(114,819)
Interest and dividends income	(216,231)	(203,717)
Interest expenses	816,326	740,144
Loss (gain) on sales of property, plant and equipment	1,408	(52,771)
Loss (gain) on sales of investment securities	(44)	(16,974)
Decrease (increase) in notes and accounts receivable – trade	(1,192,208)	2,356,310
Decrease (increase) in inventories	(2,598,521)	2,819,153
Increase (decrease) in notes and accounts payable – trade	3,278,245	(656,091)
Decrease/increase in consumption taxes receivable/payable	(169,234)	1,056,173
Other, net	1,442,188	1,135,191
Subtotal	8,579,344	32,872,019
Interest and dividends income received	216,304	206,185
Interest expenses paid	(827,712)	(762,378)
Income taxes paid	(665,028)	(944,813)
Net cash provided by (used in) operating activities	7,302,908	31,371,012
Net cash provided by (used in) investing activities:		
Payments into time deposits	(48,273)	(29,737)
Proceeds from withdrawal of time deposits	78,060	147,886
Purchase of property, plant and equipment and intangible assets	(14,517,308)	(14,970,772)
Proceeds from sales of property, plant and equipment and intangible assets	22,307	168,944
Purchase of investment securities	(585,767)	(662,999)
Proceeds from sales of investment securities	8,668	23,295
Payments of loans receivable	—	(240,000)
Collection of loans receivable	489,288	283,466
Proceeds from contribution received for construction	372,261	520,809
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	628,610
Other, net	372,528	(1,277,956)
Net cash provided by (used in) investing activities	(13,808,234)	(15,408,454)

Years ended December 31	Thousands of yen	
	2008	2009
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	5,405,404	(7,753,536)
Proceeds from long-term loans payable	9,760,000	3,000,200
Repayment of long-term loans payable	(9,340,118)	(7,468,750)
Cash dividends paid	(529,071)	(518,419)
Cash dividends paid to minority shareholders	(6,058)	(10,147)
Proceeds from sales of treasury stock	—	1,136,565
Other, net	(1,979)	(723)
Net cash provided by (used in) financing activities	5,288,176	(11,614,810)
Net increase (decrease) in cash and cash equivalents	(1,217,149)	4,347,747
Cash and cash equivalents at beginning of period	1,916,108	698,959
Cash and cash equivalents at end of period	¥ 698,959	¥ 5,046,706

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, 2009

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	81,782,879	10,049,972	7,478,362	99,311,214	—	99,311,214
Inter-segment	552,071	295,566	6,330,104	7,177,742	(7,177,742)	—
Total	82,334,950	10,345,539	13,808,467	106,488,957	(7,177,742)	99,311,214
Costs and expenses	67,508,046	9,468,428	13,950,266	90,926,741	(3,776,069)	87,150,671
Operating income (loss)	14,826,904	877,110	(141,798)	15,562,215	(3,401,672)	12,160,543
Assets, depreciation, impairment loss and capital expenditure:						
Assets	88,566,750	5,372,888	6,213,975	100,153,614	13,938,941	114,092,556
Depreciation	12,703,347	600,056	892,517	14,195,922	(57,974)	14,137,947
Impairment loss	15,636	157,695	43,364	216,696	5,993	222,690
Capital expenditure	13,777,776	400,648	438,784	14,617,209	50,791	14,668,000

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; sale of household equipment; real estate rentals; 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