

# Flash Report for the First Three Quarters of 2009

November 5, 2009

Name: Shizuoka Gas Co., Ltd. Stock Exchange: TSE (1st section)  
 Code Number: 9543 URL: http://www.shizuokagas.co.jp  
 Representative: Seigo Iwasaki, President  
 Inquiries: Koji Iida, Accounting Manager, Corporate Service Dept.  
 Tel: +81-54-284-7990  
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## 1. Consolidated Business Results for the First Three Quarters (January 1 to September 30, 2009)

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

### (1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
	Amount	% change	Amount	% change	Amount	% change
Reporting first three quarters	¥77,218	—%	¥14,650	—%	¥14,061	—%
Previous first three quarters	82,975	22.0	(931)	—	(1,269)	—

  

	Net income (¥ million)		Earnings per share (¥)	
	Amount	% change	Amount	% change
Reporting first three quarters	¥ 8,170	—%	¥109.35	
Previous first three quarters	(1,008)	—	(13.23)	

### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting first three quarters	¥115,506	¥53,703	40.5%	¥615.88
Previous full term	114,958	44,698	34.0	513.48

Note: Owners' equity (¥ million)

Reporting first three quarters: ¥46,736

Previous full term: ¥39,098

## 2. Dividend Payment

	Annual dividend per share (¥)				
	Q1	Q2	Q3	Term-end	Total
Fiscal 2008	—	¥3.00	—	¥3.00	¥6.00
Fiscal 2009	—	4.00	—	/	/
Fiscal 2009 (forecast)	/	/	/	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, 2009)

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

	Net sales (¥ million)	YoY % change	Operating income (¥ million)	YoY % change	Ordinary income (¥ million)	YoY % change	Net income (¥ million)	YoY % change	Earnings per share (¥)
Full term	¥99,000	(12.0)%	¥11,370	—%	¥11,300	—%	¥5,880	—%	¥78.39

Note: Revisions made during the reporting quarter to full-term 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: Applicable
- (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:	308,025
Previous full term:	48,634
  - c) Average number of shares outstanding during the first three quarters

Reporting first three quarters:	74,710,319
Previous first three quarters:	76,147,675

As of the current fiscal year, we are adopting “Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standards No.12) and “Guides for Adopting the Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standards Adoption Guide No.14). The quarterly consolidated financial statements have been prepared in accordance with the “Rules for Preparation of Quarterly Financial Statements.” Owing to changes in accounting standards, precise year-on-year comparisons can not be made. Accordingly, we omitted year-on-year comparisons for the first three quarters of the current period.

In consideration of our recent business performance, we have revised our business forecasts for the current term ending December 31, 2009, which were released on August 6, 2009 simultaneously with the account settlement for the first-half period. For further details, please refer to the “Revised Forecasts of Business Performance for Fiscal 2009” issued on November 5 and “2. Business performance forecasts for the year ending December 31, 2009” 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 three quarters of fiscal 2009**

Despite the upward trend in tariffs under the official price adjustment system during the first-half period, total revenues from gas sales for the first nine months (January-September) of fiscal 2009 decreased primarily due to a decline in demand from the industrial sector, reflecting the impact of the economic downturn. Accordingly, total sales fell by ¥5,756 million year-on-year to ¥77,218 million, partially due to a decline in sales of LPG.

Cost of sales posted a decrease due to the smaller volume of raw materials used and a decline in raw material market prices. As a result, operating income amounted to ¥14,650 million, compared with a loss of ¥931 million in the corresponding period of the previous year, ordinary income totaled ¥14,601 million, compared with a loss of ¥1,269 million, and net income came to ¥8,170 million, compared with a loss of ¥1,008 million.

Note: Precise year-on-year comparisons cannot be made, owing to changes in accounting standards. Figures are included solely for the reader's convenience.

### **2. Business performance forecasts for the year ending December 31, 2009**

The volume of gas sold in fiscal 2009 is expected to fall short of the level for the previous year in spite of a recovery trend in demand mainly from large-lot customers. The tariff is also expected to become lower under the official price adjustment system. Sales revenue is therefore estimated at ¥99,000 million on a full-term basis, for a year-on-year decline of 12.0%. The cost of sales is expected to post a year-on-year decrease as a result of a decline in gas sales on a volume basis and lower raw materials prices.

Accordingly, we project operating income of ¥11,370 million, ordinary income of ¥11,300 million, and net income of ¥5,880 million for the full-term period.

## Consolidated Balance Sheets

	Thousands of yen	
	September 30, 2009	December 31, 2008
<b>Assets</b>		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	¥ 21,972,655	¥ 16,386,833
Distribution facilities	35,116,585	37,137,201
Service and maintenance facilities	4,093,214	4,421,271
Other facilities	5,618,407	6,295,185
Construction in progress	13,951,329	15,018,435
Total property, plant and equipment	80,752,193	79,258,927
Intangible assets	1,744,462	3,231,348
Investments and other assets –		
Investment securities	8,024,636	7,832,017
Long-term loans receivable	2,546,044	2,516,100
Deferred tax assets	2,135,951	1,992,517
Other investments and other assets	829,447	727,165
Allowance for doubtful accounts	(305,507)	(323,353)
Total investments and other assets	13,230,572	12,744,448
Total noncurrent assets	95,727,228	95,234,723
Current assets:		
Cash and deposits	4,478,681	725,645
Notes and accounts receivable – trade	6,644,170	9,224,826
Merchandise and finished goods	243,154	282,836
Raw materials and supplies	4,163,705	7,135,649
Deferred tax assets	1,531,310	1,380,264
Other current assets	2,752,429	939,276
Allowance for doubtful accounts	(57,158)	(58,731)
Total current assets	19,756,292	19,629,768
Deferred assets:		
Development expenses	23,472	93,890
Total deferred assets	23,472	93,890
Total assets	¥115,506,993	¥114,958,382

Note: Amounts under one thousand yen are omitted.

	Thousands of yen	
	September 30, 2009	December 31, 2008
<b>Liabilities</b>		
Noncurrent liabilities:		
Long-term loans payable	¥ 33,225,266	¥ 35,492,901
Deferred tax liabilities	28,542	—
Provision for retirement benefits	2,980,588	3,599,364
Provision for gas holder repairs	235,435	209,760
Negative goodwill	1,018,765	—
Other noncurrent liabilities	784,804	278,943
<b>Total noncurrent liabilities</b>	<b>38,273,402</b>	<b>39,580,969</b>
Current liabilities:		
Current portion of noncurrent liabilities	6,193,462	7,418,233
Accounts payable – trade	7,654,109	10,421,140
Short-term loans payable	93,250	7,795,436
Accounts payable – other	1,879,947	1,697,757
Income taxes payable	5,129,631	1,157,978
Provision for bonuses	1,246,937	434,956
Other current liabilities	1,303,879	1,638,432
<b>Total current liabilities</b>	<b>23,501,218</b>	<b>30,563,935</b>
Provisions:		
Provision for conversion of heating value of supplied gas	28,704	114,819
<b>Total provisions</b>	<b>28,704</b>	<b>114,819</b>
<b>Total liabilities</b>	<b>61,803,325</b>	<b>70,259,723</b>
<b>Net assets</b>		
Shareholders' equity:		
Capital stock	6,279,147	6,279,147
Capital surplus	4,520,855	4,098,961
Retained earnings	33,815,493	26,166,354
Treasury stock	(71,364)	(25,131)
<b>Total shareholders' equity</b>	<b>44,544,132</b>	<b>36,519,332</b>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,191,974	2,576,378
Deferred gains or losses on hedges	—	3,068
<b>Total valuation and translation adjustments</b>	<b>2,191,974</b>	<b>2,579,447</b>
<b>Minority interests</b>	<b>6,967,561</b>	<b>5,599,878</b>
<b>Total net assets</b>	<b>53,703,668</b>	<b>44,698,658</b>
<b>Total liabilities and net assets</b>	<b>¥115,506,993</b>	<b>¥114,958,382</b>

Note: Amounts under one thousand yen are omitted.

## Consolidated Statement of Income

	Thousands of yen
	Three quarters ended September 30, 2009
Net sales	¥77,218,668
Cost of sales	42,083,505
Gross profit	35,135,163
Selling, general and administrative expenses	20,484,476
Operating income	14,650,686
Non-operating income:	
Interest income	48,009
Dividends income	89,861
Amortization of negative goodwill	159,021
Miscellaneous income	236,226
Total non-operating income	533,118
Non-operating expenses:	
Interest expenses	571,010
Miscellaneous expenses	10,878
Total non-operating expenses	581,889
Ordinary income	14,601,916
Extraordinary income:	
Gain on sales of noncurrent assets	4,403
Reversal of provision for conversion of heating value of supplied gas	86,114
Total extraordinary income	90,518
Extraordinary loss:	
Loss on revision of retirement benefit plan	261,962
Total extraordinary losses	261,962
Income before income taxes and minority interests	14,430,472
Income taxes	4,916,714
Minority interests in income	1,343,606
Net income	¥ 8,170,151

Note: Amounts under one thousand yen are omitted.

## Consolidated Statement of Cash Flows

	Thousands of yen
	Three quarters ended September 30, 2009
Net cash provided by (used in) operating activities:	
Income before income taxes and minority interests	¥ 14,430,472
Depreciation and amortization	10,994,268
Amortization of long-term prepaid expenses	1,983
Amortization of deferred assets	70,417
Amortization of negative goodwill	(159,021)
Loss on retirement of property, plant and equipment	219,694
Increase (decrease) in allowance for doubtful accounts	(19,418)
Increase (decrease) in provision for retirement benefits	(638,723)
Increase (decrease) in provision for gas holder repairs	25,675
Increase (decrease) in provision for bonuses	810,257
Increase (decrease) in provision for conversion of heating value of supplied gas	(86,114)
Interest and dividends income	(137,870)
Interest expenses	571,010
Loss (gain) on sales of property, plant and equipment	(4,403)
Decrease (increase) in notes and accounts receivable – trade	2,602,582
Decrease (increase) in inventories	3,017,673
Increase (decrease) in notes and accounts payable – trade	(2,700,385)
Increase (decrease) in accrued consumption taxes	1,058,415
Other, net	(677,099)
Subtotal	29,379,414
Interest and dividends income received	140,008
Interest expenses paid	(635,504)
Income taxes paid	(944,901)
Net cash provided by (used in) operating activities	27,939,016
Net cash provided by (used in) investment activities:	
Payments into time deposits	(23,337)
Proceeds from withdrawal of time deposits	141,486
Purchase of property, plant and equipment and intangible assets	(12,884,555)
Proceeds from sales of property, plant and equipment and intangible assets	120,207
Purchase of investment securities	(661,710)
Payments of loans receivable	(240,000)
Collection of loans receivable	210,056
Proceeds from contribution received for construction	351,994
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	628,610
Other, net	(1,109,530)
Net cash provided by (used in) investment activities	(13,466,779)
Net cash provided by (used in) financing activities:	
Net increase (decrease) in short-term loans payable	(7,702,186)
Proceeds from long-term loans payable	2,950,200
Repayment of long-term loans payable	(6,442,606)
Cash dividends paid	(519,125)
Cash dividends paid to minority shareholders	(10,146)
Proceeds from sales of treasury stock	1,003,500
Other, net	(688)
Net cash provided by (used in) financing activities	(10,721,052)
Net increase (decrease) in cash and cash equivalents	3,751,185
Cash and cash equivalents at beginning of period	698,959
Cash and cash equivalents at end of period	¥ 4,450,144

Note: Amounts under one thousand yen are omitted.

## Segment Information

### (1) Segment information by business category

First three quarters ended September 30, 2009

Thousands of yen

	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales						
Outside customers	64,027,356	7,533,339	5,657,972	77,218,668	—	77,218,668
Inter-segment	397,464	181,295	4,373,599	4,952,359	(4,952,359)	—
Total	64,424,821	7,714,634	10,031,572	82,171,028	(4,952,359)	77,218,668
Operating income (loss)	16,578,419	869,383	(186,540)	17,261,261	(2,610,575)	14,650,686

Note: Amounts under one thousand yen are omitted.

### (2) Segment information by location

Not applicable due to absence of overseas consolidated subsidiaries or branches

### (3) Overseas sales

Not applicable

## Others

During the reporting nine-month period, we charged expenses of ¥2,083,602 thousand to income for the development of the customer information and billing system (a component of the software for in-house use).



**(Reference)**  
**Consolidated financial statements of previous year**

**(1) Consolidated Statement of Income**

	Thousands of yen
	Three quarters ended September 30, 2008
Net sales	¥82,975,227
Cost of sales	66,158,788
Gross profit	16,816,439
Selling, general and administrative expenses	17,747,563
Operating loss	931,124
Non-operating income	313,759
Non-operating expenses	652,574
Ordinary loss	1,269,940
Extraordinary income	94,657
Extraordinary expenses	1,408
Loss before income taxes	1,176,690
Income taxes*	(340,280)
Minority interest in net income	171,645
Net loss	¥ 1,008,055

*Notes:*

- 1. Amounts under one thousand yen are omitted.*
- 2. \*Income taxes include adjustment for difference of tax allocation between financial accounting and tax accounting.*

## (2) Consolidated Statement of Cash Flows

	Thousands of yen
	Three quarters ended September 30, 2008
Cash flows from operating activities:	
Loss before income taxes	¥ 1,176,690
Depreciation	8,118,515
Amortization of deferred assets	99,995
Loss on disposal of property, plant and equipment	55,521
Increase (decrease) in accrued severance and retirement benefits	(98,434)
Decrease (increase) in notes and accounts receivable	(1,101,338)
Decrease (increase) in inventories	1,316,617
Increase (decrease) in notes and accounts payable	(2,834,907)
Increase (decrease) in consumption taxes payable	78,929
Income taxes paid	(671,213)
Other	431,090
Net cash provided by (used in) operating activities	4,218,084
Cash flows from investing activities:	
Payments for purchase of noncurrent assets	(12,395,073)
Proceeds from sale of noncurrent assets	19,003
Decrease (increase) in loans receivable – net	915,075
Other	(202,934)
Net cash provided by (used in) investing activities	(11,663,929)
Cash flows from financing activities:	
Increase (decrease) in short-term debt – net	8,497,401
Increase (decrease) in long-term debt – net	(1,412,430)
Cash dividends paid	(536,406)
Other	(909)
Net cash provided by (used in) financing activities	6,547,655
Net increase (decrease) in cash and cash equivalents	(898,189)
Cash and cash equivalents at beginning of term	1,916,108
Cash and cash equivalents at end of term	¥ 1,017,918

Note: Amounts under one thousand yen are omitted.

### (3) Segment Information

Segment information by business category

First three quarters ended September 30, 2008

	Thousands of yen					
	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales	67,543,067	10,213,834	10,593,542	88,350,444	(5,375,217)	82,975,227
Costs and expenses	66,623,573	9,745,070	10,819,774	87,188,418	(3,282,066)	83,906,352
Operating income (loss)	919,494	468,764	(226,232)	1,162,026	(2,093,150)	(931,124)

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

Segment information by location

Not applicable due to absence of overseas consolidated subsidiaries or branches

Overseas sales

Not applicable