

Flash Report for the First Half of 2009

August 6, 2009

Name: Shizuoka Gas Co., Ltd. Stock Exchange: TSE (1st section)

Code Number: 9543 URL: <http://www.shizuokagas.co.jp>

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Date for presentation of the quarterly report: August 14, 2009

Scheduled Date of Dividend Payment: September 1, 2009

1. Consolidated Business Results for the First Half (January 1 to June 30, 2009)

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

(1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first half	¥ 55,845	—%	¥15,611	—%	¥15,558	—%
Previous first half	56,089	22.1	1,009	(78.5)	822	(81.9)

	Net income (¥ million)		Earnings per share (¥)
Reporting first half	¥8,697	—%	¥116.46
Previous first half	451	(82.5)	5.93

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting first half	¥115,295	¥54,084	40.8%	¥632.55
Previous full term	114,958	44,698	34.0	513.48

Note: Owners' equity (¥ million)

Reporting first half: ¥47,083

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)	Operating income (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Earnings per share (¥)
Full term	¥99,900 (11.2)%	¥12,890 —%	¥12,630 —%	¥6,680 —%	¥89.60

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 half:	76,192,950
Previous full term:	76,192,950
 - b) Number of treasury shares at end of the period

Reporting first half:	1,759,452
Previous full term:	48,634
 - c) Average number of shares outstanding during the first half

Reporting first half:	74,672,609
Previous first half:	76,148,011

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, the Company including consolidated subsidiaries omitted year-on year comparisons for the first half 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 February 10, 2009 simultaneously with the account settlement for the previous period ended December 31, 2008. For further details, please refer to the “Revised Forecasts of Business Performance for Fiscal 2009” issued on August 6 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 and financial position (consolidated)

1. Report on business performance for the first half of fiscal 2009

Total volume of gas sold for the first half (January–June) of the fiscal 2009 was decreased by decreased demand from the industrial sector reflecting the economic downturn. On the other hand, the gas sales increased on account of higher tariff (under the official price adjustment system) which has offset rises in raw material costs of the previous term. However, total sales decreased by ¥243 million year-on-year to ¥55,845 million as a result of decreased sales of LPG etc.

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 rose by ¥14,602 million year-on-year, to ¥15,611 million, ordinary income rose ¥14,736 million to ¥15,558 million, and net income increased by ¥8,245 million to ¥8,697 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 during the second half of the fiscal year 2009 is expected to decrease reflecting the continuing economic recession, and the tariff is also expected to become lower on account of the official price adjustment system. Sales revenue is therefore estimated at ¥99,900 million, for a year-on-year decrease of 11.2%. The cost of sales is expected to post a year-on-year decline as a result of the smaller volume of raw materials used and a decline in raw material market prices.

Accordingly, we project operating income at ¥12,890 million, ordinary income at ¥12,630 million, and net income at ¥6,680 million.

Consolidated Balance Sheets

	Thousands of yen	
	June 30, 2009	December 31, 2008
Assets		
Noncurrent assets:		
Property, plant and equipment –		
Production facilities	¥ 22,980,709	¥ 16,386,833
Distribution facilities	36,009,158	37,137,201
Service and maintenance facilities	4,157,999	4,421,271
Other facilities	5,639,531	6,295,185
Construction in progress	11,031,360	15,018,435
Total property, plant and equipment	79,818,759	79,258,927
Intangible assets	4,017,005	3,231,348
Investments and other assets –		
Investment securities	7,993,698	7,832,017
Long-term loans receivable	2,379,455	2,516,100
Deferred tax assets	2,038,117	1,992,517
Other investments and other assets	810,328	727,165
Allowance for doubtful accounts	(313,665)	(323,353)
Total investments and other assets	12,907,934	12,744,448
Total noncurrent assets	96,743,699	95,234,723
Current assets:		
Cash and deposits	3,093,834	725,645
Notes and accounts receivable – trade	7,510,887	9,224,826
Merchandise and finished goods	214,046	282,836
Raw materials and supplies	2,397,517	7,135,649
Deferred tax assets	1,483,830	1,380,264
Other current assets	3,862,183	939,276
Allowance for doubtful accounts	(57,463)	(58,731)
Total current assets	18,504,836	19,629,768
Deferred assets:		
Development expenses	46,945	93,890
Total deferred assets	46,945	93,890
Total assets	¥115,295,481	¥114,958,382

Note: Amounts under one thousand yen are omitted.

	Thousands of yen	
	June 30, 2009	December 31, 2008
Liabilities		
Noncurrent liabilities:		
Long-term loans payable	¥ 35,352,620	¥ 35,492,901
Deferred tax liabilities	17,269	—
Provision for retirement benefits	2,987,026	3,599,364
Provision for gas holder repairs	226,874	209,760
Negative goodwill	1,058,842	—
Other noncurrent liabilities	783,743	278,943
Total noncurrent liabilities	40,426,375	39,580,969
Current liabilities:		
Current portion of noncurrent liabilities	6,492,319	7,418,233
Accounts payable – trade	3,116,280	10,421,140
Short-term loans payable	114,600	7,795,436
Accounts payable – other	2,947,291	1,697,757
Income taxes payable	5,882,045	1,157,978
Provision for bonuses	445,054	434,956
Other current liabilities	1,729,193	1,638,432
Total current liabilities	20,726,784	30,563,935
Provisions:		
Provision for conversion of heating value of supplied gas	57,409	114,819
Total provisions	57,409	114,819
Total liabilities	61,210,570	70,259,723
Net assets		
Shareholders' equity:		
Capital stock	6,279,147	6,279,147
Capital surplus	4,098,961	4,098,961
Retained earnings	34,640,223	26,166,354
Treasury stock	(327,026)	(25,131)
Total shareholders' equity	44,691,305	36,519,332
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,391,896	2,576,378
Deferred gains or losses on hedges	—	3,068
Total valuation and translation adjustments	2,391,896	2,579,447
Minority interests	7,001,709	5,599,878
Total net assets	54,084,911	44,698,658
Total liabilities and net assets	¥115,295,481	¥114,958,382

Note: Amounts under one thousand yen are omitted.

Consolidated Statement of Income

	Thousands of yen
	First half ended June 30, 2009
Net sales	¥55,845,474
Cost of sales	28,047,537
Gross profit	27,797,936
Selling, general and administrative expenses	12,186,366
Operating income	15,611,569
Non-operating income:	
Interest income	32,372
Dividends income	88,370
Amortization of negative goodwill	100,283
Miscellaneous income	127,428
Total non-operating income	348,455
Non-operating expenses:	
Interest expenses	392,036
Miscellaneous expenses	9,300
Total non-operating expenses	401,337
Ordinary income	15,558,688
Extraordinary income:	
Reversal of provision for conversion of heating value of supplied gas	57,409
Total extraordinary income	57,409
Extraordinary loss:	
Loss on revision of retirement benefit plan	261,962
Total extraordinary losses	261,962
Income before income taxes and minority interests	15,354,135
Income taxes	5,268,021
Minority interests in income	1,389,102
Net income	¥ 8,697,011

Note: Amounts under one thousand yen are omitted.

Consolidated Statement of Cash Flows

Thousands of yen

First half ended
June 30, 2009

Net cash provided by (used in) operating activities:	
Income before income taxes and minority interests	¥15,354,135
Depreciation and amortization	5,750,189
Amortization of long-term prepaid expenses	1,310
Amortization of deferred assets	46,945
Amortization of negative goodwill	(100,283)
Loss on retirement of property, plant and equipment	202,217
Increase (decrease) in allowance for doubtful accounts	(10,955)
Increase (decrease) in provision for retirement benefits	(632,285)
Increase (decrease) in provision for gas holder repairs	17,114
Increase (decrease) in provision for bonuses	8,374
Increase (decrease) in allowance for natural gas conversion	(57,409)
Interest and dividends income	(120,743)
Interest expenses	392,036
Decrease (increase) in notes and accounts receivable – trade	1,727,506
Decrease (increase) in inventories	4,811,306
Increase (decrease) in notes and accounts payable – trade	(7,346,347)
Increase (decrease) in accrued consumption taxes	968,553
Other, net	321,315
Subtotal	21,332,980
Interest and dividends income received	121,905
Interest expenses paid	(401,734)
Income taxes paid	(512,540)
Net cash provided by (used in) operating activities	20,540,611
Net cash provided by (used in) investment activities:	
Payments into time deposits	(17,337)
Proceeds from withdrawal of time deposits	136,086
Purchase of property, plant and equipment and intangible assets	(7,480,510)
Proceeds from sales of property, plant and equipment and intangible assets	5,646
Purchase of investment securities	(335,696)
Collection of loans receivable	136,645
Proceeds from contribution received for construction	206,852
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	628,610
Other, net	(1,875,192)
Net cash provided by (used in) investment activities	(8,594,895)
Net cash provided by (used in) financing activities:	
Net increase (decrease) in short-term loans payable	(7,680,836)
Proceeds from long-term loans payable	2,900,000
Repayment of long-term loans payable	(3,966,195)
Cash dividends paid	(221,479)
Cash dividends paid to minority shareholders	(10,145)
Other, net	(122)
Net cash provided by (used in) financing activities	(8,978,778)
Net increase (decrease) in cash and cash equivalents	2,966,937
Cash and cash equivalents at beginning of period	698,959
Cash and cash equivalents at end of period	¥ 3,665,896

Note: Amounts under one thousand yen are omitted.

Segment Information

(1) Segment information by business category

First half ended June 30, 2009

Thousands of yen

	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales						
Outside customers	46,916,724	5,328,174	3,600,575	55,845,474	—	55,845,474
Inter-segment	270,291	128,735	2,859,111	3,258,138	(3,258,138)	—
Total	47,187,016	5,456,909	6,459,686	59,103,613	(3,258,138)	55,845,474
Operating income (loss)	16,801,635	774,885	(107,044)	17,469,476	(1,857,906)	15,611,569

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

(Reference)
Consolidated financial statements of previous year

(1) Consolidated Statements of Income

	Thousands of yen
	First half ended June 30, 2008
Net sales	¥56,089,402
Cost of sales	43,220,487
Gross profit	12,868,914
Selling, general and administrative expenses	11,859,710
Operating income	1,009,204
Non-operating income:	
Interest income	35,786
Dividend income	93,594
Amortization of consolidation goodwill	1,951
Other non-operating income	129,340
Total non-operating income	260,672
Non-operating expenses:	
Interest expenses	399,032
Other non-operating expenses	48,567
Total non-operating expenses	447,599
Ordinary income	822,278
Extraordinary income:	
Reversal of allowance for natural gas conversion	33,331
Gain on sale of investment securities	44
Gain on leveraged lease financing	44,613
Total extraordinary income	77,989
Extraordinary expenses:	
Loss on sale of noncurrent assets	1,408
Total extraordinary expenses	1,408
Income before income taxes	898,860
Income taxes – current	470,031
Income taxes – deferred	(144,805)
Minority interest in net income	121,995
Net income	¥ 451,639

Note: Amounts under one thousand yen are omitted.

(2) Consolidated Statements of Cash Flows

	Thousands of yen
	First half ended June 30, 2008
Cash flows from operating activities:	
Income before income taxes	¥ 898,860
Depreciation	5,350,211
Amortization of long-term prepaid expenses	7,662
Amortization of deferred assets	66,663
Loss on disposal of property, plant and equipment	46,608
Amortization of consolidation goodwill	(1,951)
Increase (decrease) in allowance for doubtful accounts	31,477
Increase (decrease) in accrued severance and retirement benefits	(147,737)
Increase (decrease) in reserve for directors' retirement benefits	(25,199)
Increase (decrease) in reserve for repairs of gasholders	17,114
Increase (decrease) in allowance for bonuses	9,764
Increase (decrease) in allowance for natural gas conversion	(33,331)
Interest and dividend income	(129,380)
Interest expenses	399,032
Loss (gain) on sale of property, plant and equipment	1,408
Loss (gain) on sale of investment securities	(44)
Decrease (increase) in notes and accounts receivable	(502,732)
Decrease (increase) in inventories	(851,207)
Increase (decrease) in notes and accounts payable	788,352
Increase (decrease) in consumption taxes payable	16,859
Other	135,691
Sub-total	6,078,120
Interest and dividend received	129,472
Interest expenses paid	(403,552)
Income taxes paid	(317,846)
Net cash provided by (used in) operating activities	5,486,193

	Thousands of yen
	First half ended June 30, 2008
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Cash flows from investing activities:	
Increase in time deposits	(36,673)
Withdrawal of time deposits	56,660
Payments for purchase of noncurrent assets	(6,943,700)
Proceeds from sale of noncurrent assets	16,863
Payments for purchase of investment securities	(171,880)
Proceeds from sale of investment securities	7,800
Collection of loan repayments	348,515
Receipt of beneficiaries' portion of installation costs	288,875
Other	427,348
Net cash provided by (used in) investing activities	(6,006,191)
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Cash flows from financing activities:	
Increase (decrease) in short-term debt – net	(150,385)
Proceeds from long-term debt	5,910,000
Repayments of long-term debt	(4,884,798)
Cash dividends paid	(301,912)
Cash dividends paid for minority shareholders	(6,053)
Other	(714)
Net cash provided by (used in) financing activities	566,135
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Net increase (decrease) in cash and cash equivalents	46,138
Cash and cash equivalents at beginning of the term	1,916,108
Cash and cash equivalents at end of the term	¥1,962,246
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Note: Amounts under one thousand yen are omitted.

(3) Segment Information

Segment information by business category

First half ended June 30, 2008						Thousands of yen
	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales						
Outside customers	45,202,020	6,862,139	4,025,242	56,089,402	—	56,089,402
Inter-segment	218,267	271,273	3,196,151	3,685,692	(3,685,692)	—
Total	45,420,288	7,133,412	7,221,393	59,775,095	(3,685,692)	56,089,402
Cost and expenses	43,253,239	6,705,832	7,371,203	57,330,275	(2,250,078)	55,080,197
Operating income (loss)	2,167,048	427,580	(149,809)	2,444,819	(1,435,614)	1,009,204

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