

# Flash Report for the First Three Quarters of 2008

November 6, 2008

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## 1. Consolidated Business Results for the First Three Quarters (January 1 to September 30, 2008)

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

### (1) Operating Results

	Net sales (¥ million)		Operating income (loss) (¥ million)		Ordinary income (loss) (¥ million)	
Reporting first three quarters	¥82,975	22.0%	¥ (931)	—%	¥(1,269)	—%
Previous first three quarters	68,018	18.6	5,032	(31.7)	4,745	(32.4)
Previous full term (Jan. 1 to Dec. 31, 2007)	92,708		4,467		4,128	

	Net income (loss) (¥ million)		Earnings (loss) per share (¥)	
Reporting first three quarters	¥(1,008)	—%	¥(13.23)	
Previous first three quarters	2,854	(34.5)	37.48	
Previous full term	2,109		27.70	

### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting first three quarters	¥112,465	¥47,541	37.3%	¥550.81
Previous first three quarters	111,497	50,824	40.9	599.09
Previous full term	112,324	50,096	39.8	586.47

### (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 first three quarters	¥ 4,218	¥(11,663)	¥6,547	¥1,017
Previous first three quarters	5,789	(11,240)	(556)	2,013
Previous full term	11,680	(14,023)	(3,762)	1,916

## 2. Consolidated Business Forecasts for Current Term (January 1 to December 31, 2008)

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

	Net sales (¥ million)		Operating income (loss) (¥ million)		Ordinary income (loss) (¥ million)		Net income (loss) (¥ million)		Earnings (Loss) per share (¥)	
Full term	¥113,440	22.4%	¥(4,860)	—%	¥(5,330)	—%	¥(3,550)	—%	¥(46.62)	

## 3. Others

(1) Changes in scope of consolidation: None

(2) Simplified accounting method: Applied

(3) Changes in accounting methods since the latest consolidated fiscal year: None

Note: For further details, please refer to "4. Other information" on P3.

**(For Reference)**

**1. Non-consolidated Business Performance** (January 1 to September 30, 2008)

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

(1) Operating Results

	Net sales (¥ million)		Operating income (loss) (¥ million)		Ordinary income (loss) (¥ million)	
Reporting first three quarters	¥71,341	25.2%	¥(2,734)	—%	¥(2,730)	—%
Previous first three quarters	56,969	21.5	2,786	(48.0)	2,874	(47.2)
Previous full term (Jan. 1 to Dec. 31, 2007)	78,186		842		965	

	Net income (loss) (¥ million)		Earnings (loss) per share (¥)	
Reporting first three quarters	¥(1,758)	—%	¥(23.08)	
Previous first three quarters	1,900	(46.3)	24.95	
Previous full term	547		7.19	

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting first three quarters	¥87,895	¥29,681	33.8%	¥389.79
Previous first three quarters	87,438	34,694	39.7	455.61
Previous full term	87,373	33,142	37.9	435.23

**2. Non-consolidated Business Forecast for Current Term** (January 1 to December 31, 2008)

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

	Net sales (¥ million)		Operating income (loss) (¥ million)		Ordinary income (loss) (¥ million)		Net income (loss) (¥ million)		Earnings (Loss) per share (¥)
Full term	¥97,440	24.6%	¥(6,550)	—%	¥(6,550)	—%	¥(4,240)	—%	¥(55.68)

Note: In consideration of our recent business performance, we have revised our business forecasts for the current term ending December 31, 2008, which were released on August 7, 2008 simultaneously with the account settlement for the first-half period. For further details, please refer to “3. Business performance forecasts for the year ending December 31, 2008” 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 three quarters of fiscal 2008

Total gas sales volume for the first three quarters of the 2008 business term rose by 10.3% year-on-year. The volume of gas sales to households was roughly the same as for the corresponding period of the previous year, but sales for industrial use increased thanks to the full contribution of large-lot contracts concluded during the previous year. At the same time, we raised our unit gas sales price in accordance with the current system for offsetting rises in raw material costs, and as a result, Sales of the Gas segment increased by 23.6% over the corresponding period of the previous year, to ¥67,543 million. Sales of Other businesses posted a year-on-year decline owing to the non-repetition of the major equipment installation project completed in the corresponding period of the previous term. In spite of this, sales of LPG and other energy services registered solid growth.

As a result of the foregoing, total sales on a consolidated basis came to ¥82,975 million for a year-on-year increase of 22.0%.

For the nine-month period, we recorded operating loss of ¥931 million, ordinary loss of ¥1,269 million, and net loss of ¥1,008 million. This is mainly attributable to a 51.2% rise in cost of sales in the Gas segment over the same period last year, due to a rapid and substantial increase in raw material prices and the usual time lag for the increase in selling prices under the raw material cost adjustment system.

### 2. Report on changes in financial position during the first three quarters

Total assets as of the end of the first three quarters stood at ¥112,465 million, essentially unchanged from the end of the previous term ended December 2007. The composition of the assets, however, underwent certain changes, with a decline in unrealized gains on equity holdings owing to the across-the-board decline in stock prices and a decline in the value of inventory assets on the one hand, and on the other hand an increase in property, plant and equipment (as a result of increased capital expenditures) and an increase in accounts receivable accompanying higher sales.

Net assets as of the end of the first three quarters decreased to ¥47,541 million. This is attributable to a decrease in retained earnings due to the posting of net loss for the nine-month reporting period, as well as a decline in gains on valuation or translation as a result of sluggish stock markets. Equity ratio consequently declined to 37.3%.

### 3. Business performance forecasts for the year ending December 31, 2008

The forecasts for fiscal 2008 business performance issued on August 7 of this year, simultaneously with the announcement of the first-half results, were based on certain assumptions with respect to crude oil prices and the yen-dollar exchange rate. These assumptions have been revised as follows to reflect recent changes in economic conditions.

Oil prices (Japan CIF): Oct. \$100/bbl, Nov.-Dec. \$80/bbl (previous forecast was \$120/bbl for Oct.-Dec.)  
Yen rate: Oct. ¥103/\$1, Nov.-Dec. ¥100/\$1 (previous forecast was ¥105/\$1 for Oct.-Dec.)

The decline in the crude oil price will have virtually no effect on performance for the current term, but the appreciation of the yen is forecast to cause a shrinkage compared with the previous forecast in the loss figures in the amount of ¥680 million for operating loss, ¥760 million for ordinary loss, and ¥470 million for net loss.

### 4. Other information

- (1) No changes have been made in the scope of consolidation.
- (2) A simplified accounting method based on the statutory tax rate is used for recognition of income taxes.  
Other simplified methods are applied to immaterial items.
- (3) The same accounting standards have been applied to the reporting statements as applied to the previous consolidated financial statements.

## Consolidated Balance Sheets

	Thousands of yen			
	September 30, 2008	December 31, 2007	Change	September 30, 2007
<b>Assets</b>				
Noncurrent assets:				
Property, plant and equipment	¥ 79,920,768	¥ 77,591,109	¥2,329,658	¥ 77,407,470
Intangible assets	2,981,330	2,052,549	928,781	1,758,779
Investments and other assets	12,691,164	14,172,307	(1,481,143)	14,711,039
Total noncurrent assets	95,593,262	93,815,967	1,777,295	93,877,289
Current assets:				
Cash and bank deposits	1,044,005	1,972,582	(928,577)	2,052,691
Notes and accounts receivable	9,127,129	8,025,979	1,101,150	7,306,504
Inventories	3,502,351	4,816,891	(1,314,540)	4,910,710
Other current assets	3,071,205	3,465,406	(394,200)	3,038,204
Total current assets	16,744,691	18,280,860	(1,536,168)	17,308,111
Deferred assets	127,222	227,217	(99,995)	311,866
Total assets	¥112,465,176	¥112,324,045	¥ 141,131	¥111,497,267
<b>Liabilities</b>				
Long-term liabilities:				
Long-term debt	¥ 33,333,214	¥ 33,202,677	¥ 130,537	¥ 34,394,658
Accrued severance and retirement benefits	3,505,796	3,604,231	(98,434)	3,513,229
Other long-term liabilities	1,219,083	1,717,857	(498,774)	1,799,264
Total long-term liabilities	38,058,093	38,524,765	(466,671)	39,707,152
Current liabilities:				
Long-term liabilities due within one year	7,745,608	9,288,575	(1,542,967)	9,809,047
Accounts payable	4,324,670	7,018,122	(2,693,452)	2,835,835
Short-term debt	10,887,433	2,390,032	8,497,401	3,883,361
Other current liabilities	3,776,238	4,824,208	(1,047,970)	4,194,410
Total current liabilities	26,733,949	23,520,938	3,213,010	20,722,654
Allowances:				
Allowance for natural gas conversion	131,483	181,482	(49,999)	243,226
Total allowances	131,483	181,482	(49,999)	243,226
Total liabilities	64,923,527	62,227,187	2,696,339	60,673,033
<b>Net assets</b>				
Shareholders' equity:				
Common stock	6,279,147	6,279,147	—	6,279,147
Capital surplus	4,098,961	4,098,961	—	4,098,961
Retained earnings	28,166,967	29,708,059	(1,541,091)	30,452,941
Treasury stock	(24,060)	(23,151)	(909)	(23,105)
Total shareholders' equity	38,521,015	40,063,016	(1,542,000)	40,807,945
Gains and losses on valuation or translation:				
Unrealized gains on available-for-sale securities	3,409,041	4,374,020	(964,979)	4,647,333
Gains and losses on deferred hedge accounting	13,111	222,284	(209,172)	165,057
Total gains and losses on valuation or translation	3,422,153	4,596,305	(1,174,151)	4,812,391
Minority interest	5,598,480	5,437,535	160,944	5,203,897
Total net assets	47,541,649	50,096,857	(2,555,208)	50,824,234
Total liabilities and net assets	¥112,465,176	¥112,324,045	¥ 141,131	¥111,497,267

Note: Amounts under one thousand yen are omitted.

## Consolidated Statements of Income

	Thousands of yen			
	Three quarters ended September 30, 2008	Three quarters ended September 30, 2007	Change	Previous year ended December 31, 2007
Net sales	<b>¥82,975,227</b>	¥68,018,428	¥14,956,799	¥92,708,043
Cost of sales	<b>66,158,788</b>	46,093,353	20,065,435	65,129,781
Gross profit	<b>16,816,439</b>	21,925,074	(5,108,635)	27,578,261
Selling, general and administrative expenses	<b>17,747,563</b>	16,892,322	855,241	23,110,965
Operating income (loss)	<b>(931,124)</b>	5,032,752	(5,963,876)	4,467,296
Non-operating income	<b>313,759</b>	392,548	(78,789)	543,507
Non-operating expenses	<b>652,574</b>	680,275	(27,700)	882,630
Ordinary income (loss)	<b>(1,269,940)</b>	4,745,026	(6,014,966)	4,128,173
Extraordinary income	<b>94,657</b>	258,566	(163,909)	320,703
Extraordinary expenses	<b>1,408</b>	—	1,408	143,974
Income (loss) before income taxes	<b>(1,176,690)</b>	5,003,592	(6,180,283)	4,304,902
Income taxes*	<b>(340,280)</b>	1,810,652	(2,150,933)	1,610,280
Minority interest in net income	<b>171,645</b>	338,140	(166,494)	584,704
Net income (loss)	<b>¥(1,008,055)</b>	¥ 2,854,799	¥(3,862,855)	¥ 2,109,917

*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.

## Consolidated Statements of Cash Flows

	Thousands of yen		
	Three quarters ended September 30, 2008	Three quarters ended September 30, 2007	Previous year ended December 31, 2007
Cash flows from operating activities:			
Income before income taxes	¥(1,176,690)	¥5,003,592	¥4,304,902
Depreciation	8,118,515	7,802,425	10,680,473
Amortization of deferred assets	99,995	253,925	338,573
Loss on disposal of property, plant and equipment	55,521	147,456	244,225
Increase (decrease) in accrued severance and retirement benefits	(98,434)	(142,953)	(51,952)
Decrease (increase) in notes and accounts receivable	(1,101,338)	(461,691)	(1,173,553)
Decrease (increase) in inventories	1,316,617	(1,055,847)	(960,973)
Increase (decrease) in notes and accounts payable	(2,834,907)	(1,924,159)	2,317,144
Increase (decrease) in consumption taxes payable	78,929	160,109	63,152
Income taxes paid	(671,213)	(3,012,385)	(3,023,719)
Other	431,090	(980,775)	(1,057,607)
Net cash provided by (used in) operating activities	4,218,084	5,789,695	11,680,665
Cash flows from investing activities:			
Payments for purchase of noncurrent assets	(12,395,073)	(11,041,620)	(14,094,624)
Proceeds from sale of noncurrent assets	19,003	54,704	56,934
Decrease (increase) in loans receivable – net	915,075	(481,579)	(162,243)
Other	(202,934)	227,575	176,686
Net cash provided by (used in) investing activities	(11,663,929)	(11,240,919)	(14,023,247)
Cash flows from financing activities:			
Increase (decrease) in short-term debt – net	8,497,401	3,593,361	2,100,032
Increase (decrease) in long-term debt – net	(1,412,430)	(3,534,101)	(5,246,554)
Cash dividends paid	(536,406)	(615,150)	(615,073)
Other	(909)	(760)	(806)
Net cash provided by (used in) financing activities	6,547,655	(556,649)	(3,762,401)
Net increase (decrease) in cash and cash equivalents	(898,189)	(6,007,874)	(6,104,983)
Cash and cash equivalents at beginning of term	1,916,108	8,021,091	8,021,091
Cash and cash equivalents at end of term	¥ 1,017,918	¥2,013,217	¥1,916,108

Note: Amounts under one thousand yen are omitted.

## Segment Information

### (1) Segment information by business category

(Amounts under one thousand yen are omitted.)

#### 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)

#### First three quarters ended September 30, 2007

						Thousands of yen
	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales	54,634,274	8,601,206	12,536,744	75,772,225	(7,753,797)	68,018,428
Costs and expenses	47,875,407	8,378,453	12,443,555	68,697,416	(5,711,741)	62,985,675
Operating income	6,758,866	222,753	93,189	7,074,809	(2,042,056)	5,032,752

#### Previous year ended December 31, 2007

						Thousands of yen
	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales	74,494,897	11,611,128	17,309,856	103,415,883	(10,707,839)	92,708,043
Costs and expenses	67,681,563	11,435,653	17,121,497	96,238,715	(7,997,967)	88,240,747
Operating income	6,813,333	175,474	188,359	7,177,168	(2,709,872)	4,467,296

### (2) Segment information by location

Not applicable due to absence of overseas consolidated subsidiaries or branches

### (3) Overseas sales

Not applicable