

Flash Report for the First Three Quarters of 2005 (on a consolidated basis)

November 9, 2005

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1. Matters Concerning Preparation of Financial Statements

1) Simplified accounting method:

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.

2) No changes have been made in accounting standards.

3) No changes have been made in the scope of consolidation and application of equity-method accounting.

2. Business Results for the First Three Quarters (January 1 to September 30, 2005)

(1) Operating results

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

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first three quarters	¥49,773	10.5%	¥5,700	(16.1)%	¥5,146	(17.2)%
Previous first three quarters	45,025	—	6,795	—	6,216	—
Previous full term (Jan. 1 to Dec. 31, 2004)	60,018		7,651		6,919	

	Net income (¥ million)		Earnings per share (¥)	Diluted earnings per share (¥)
Reporting first three quarters	¥2,655	(23.1)%	¥37.58	¥—
Previous first three quarters	3,451	—	48.84	—
Previous full term	3,736		52.00	—

Report on business performance for the first three quarters of fiscal 2005

Total sales for the first three quarters, on a consolidated basis, rose 10.5% year-on-year to ¥49,773 million. In line with an increase in gas sales volume, gas sales for the 9-month period amounted to ¥35,469 million, revenue from the sale of LPG and other forms of energy came to ¥7,049 million, while sales in the “others” category came to ¥7,254 million. (All figures exclude inter-segment transactions.)

Turning to expenses, the cost of sales increased because of the higher prices of our feedstock, which are linked to the price of crude oil. Consequently, gross profit declined 1.0% year-on-year to ¥22,330 million. Additionally, the Company bore depreciation costs in the amount of approximately ¥1,100 million, stemming from the construction of a new major gas pipeline completed in July 2004, which further depressed our profits. As a result, operating income came to ¥5,700 million, ordinary income to ¥5,146 million, and net income to ¥2,655 million.

(2) Financial position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Equity ratio (%)	Shareholders' equity per share (¥)
Reporting first three quarters	¥106,756	¥34,808	32.6%	¥492.61
Previous first three quarters	106,542	30,445	28.6	430.81
Previous full term	109,777	31,287	28.5	441.87

Report on changes in financial position during the first three quarters

Total assets as of the end of the third quarter of fiscal 2005 (September 30) stood at ¥106,756 million, a decrease of ¥3,021 million compared with the end of the previous term. This is mainly attributable to decreases in “cash and bank deposits” in the amount of ¥1,710 million, and in “property, plant and equipment” in the amount of ¥2,481 million.

Shareholders' equity as of the end of the third quarter stood at ¥34,808 million, while the equity ratio was 32.6%.

(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	¥11,524	¥ (7,316)	¥(5,913)	¥3,823
Previous first three quarters	10,181	(6,862)	(5,696)	2,944
Previous full term	14,169	(10,729)	(3,231)	5,529

For Reference: Amounts on non-consolidated basis

	Net Sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)	
Reporting first three quarters	¥38,761	7.5%	¥2,327	(29.8)%	¥2,670	(24.6)%	¥1,730	(25.0)%
Previous first three quarters	36,051	—	3,317	—	3,542	—	2,308	—
Previous full term	47,902		3,275		3,472		2,322	

	Total assets (¥ million)	Shareholders' equity (¥ million)
Reporting first three quarters	¥76,196	¥26,787
Previous first three quarters	72,514	23,611
Previous full term	75,999	24,182

3. Business Forecasts for Current Term (January 1 to December 31, 2005)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Full term	¥67,350	¥5,570	¥2,890

Note: Estimated earnings per share for fiscal 2005 (full term): ¥40.90

Report on business forecasts for current term

In consideration of the Company's recent business performance, we have decided not to implement any revision, at this point in time, to the initial forecasts of business performance for fiscal 2005, issued on February 15, 2005 simultaneously with the announcement of the business results for fiscal 2004, on either a consolidated or non-consolidated basis.

Net sales are likely to be roughly in line with the initial forecast, as the revenue from gas operations is as expected. Regarding earnings, both ordinary income and net income are expected to be approximately as forecast. Although personnel and miscellaneous expenses have fallen below the initial forecast, these savings are expected to be offset by a rise in cost of sales due to an upward trend in LNG prices, which are effectively pegged to higher-than-expected oil prices.

For reference: Business forecasts for current term on a non-consolidated basis

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Full term	¥53,180	¥2,210	¥1,490

Note: Estimated earnings per share for fiscal 2005 (full term): ¥21.08

Disclaimer: The above 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.

Consolidated Balance Sheets

	Thousands of yen			
	September 30, 2005	December 31, 2004	Change	September 30, 2004
Assets				
Noncurrent assets:				
Property, plant and equipment	¥ 78,097,882	¥ 80,579,813	¥(2,481,930)	¥ 81,438,768
Intangible assets	1,007,829	1,052,595	(44,765)	1,030,422
Investments and other assets	14,310,588	11,106,385	3,204,203	10,012,835
Total noncurrent assets	93,416,300	92,738,793	677,506	92,482,026
Current assets:				
Cash and bank deposits	3,903,145	5,614,141	(1,710,995)	3,033,139
Notes and accounts receivable	4,838,105	4,419,887	418,218	4,465,017
Inventories	1,445,417	2,863,262	(1,417,844)	2,479,478
Other current assets	2,082,853	3,222,990	(1,140,137)	3,107,238
Total current assets	12,269,522	16,120,281	(3,850,758)	13,084,873
Deferred assets	1,070,307	918,460	151,847	975,934
Total assets	¥106,756,130	¥109,777,535	¥(3,021,404)	¥106,542,834
Liabilities				
Long-term liabilities:				
Long-term debt	¥ 41,413,589	¥ 46,987,907	¥(5,574,318)	¥ 43,572,099
Accrued severance and retirement benefits	3,521,414	3,532,130	(10,716)	3,409,750
Other long-term liabilities	2,472,777	1,440,754	1,032,023	988,132
Total long-term liabilities	47,407,780	51,960,791	(4,553,011)	47,969,981
Current liabilities:				
Long-term liabilities due within one year	12,104,220	12,256,622	(152,402)	11,791,323
Accounts payable	1,519,295	3,163,895	(1,644,600)	2,837,716
Short-term debt	1,015,000	490,000	525,000	1,905,000
Other current liabilities	5,151,059	6,073,184	(922,125)	7,165,191
Total current liabilities	19,789,574	21,983,702	(2,194,127)	23,699,231
Allowances:				
Allowance for natural gas conversion	681,395	839,496	(158,100)	861,782
Total allowances	681,395	839,496	(158,100)	861,782
Total liabilities	67,878,750	74,783,990	(6,905,239)	72,530,995
Minority interest	4,069,172	3,706,428	362,743	3,566,455
Shareholders' equity				
Common stock	4,183,647	4,183,647	—	4,183,647
Capital surplus	2,009,181	2,009,181	—	2,009,181
Retained earnings	23,907,247	21,806,817	2,100,430	21,522,481
Unrealized gains on available-for-sale securities	4,721,394	3,296,949	1,424,444	2,738,367
Treasury stock	(13,262)	(9,478)	(3,784)	(8,295)
Total shareholders' equity	34,808,207	31,287,116	3,521,091	30,445,382
Total liabilities, minority interest and shareholders' equity	¥106,756,130	¥109,777,535	¥(3,021,404)	¥106,542,834

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Income

	Thousands of yen			
	Three quarters ended September 30, 2005	Three quarters ended September 30, 2004	Change	Previous year ended December 31, 2004
Net sales	¥ 49,773,324	¥ 45,025,351	¥ 4,747,973	¥ 60,018,805
Cost of sales	27,442,543	22,458,291	4,984,251	30,843,143
Gross profit	22,330,780	22,567,059	(236,278)	29,175,662
Selling, general and administrative expenses	16,630,732	15,771,659	859,072	21,523,944
Operating income	5,700,048	6,795,399	(1,095,350)	7,651,717
Non-operating income	267,894	271,248	(3,353)	385,428
Non-operating expenses	821,354	850,631	(29,276)	1,117,892
Ordinary income	5,146,588	6,216,016	(1,069,427)	6,919,253
Extraordinary income	235,651	253,644	(17,993)	329,566
Extraordinary expenses	305	67,504	(67,199)	211,860
Income before income taxes	5,381,934	6,402,156	(1,020,221)	7,036,959
Income taxes	2,140,169	2,417,821	(277,652)	2,627,718
Minority interest in net income	585,979	532,610	53,369	673,181
Net income	¥ 2,655,786	¥ 3,451,724	¥ (795,937)	¥ 3,736,059

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Cash Flows

	Thousands of yen		
	Three quarters ended September 30, 2005	Three quarters ended September 30, 2004	Previous year ended December 31, 2004
Cash flows from operating activities:			
Income before income taxes	¥ 5,381,934	¥ 6,402,156	¥ 7,036,959
Depreciation	8,173,438	7,352,793	10,272,363
Amortization of deferred assets	316,207	239,932	328,893
Loss on disposal of property, plant and equipment	320,103	421,047	418,329
Increase (decrease) in accrued severance and retirement benefits	(10,716)	(45,055)	77,324
Decrease (increase) in notes and accounts receivable	(387,443)	432,642	414,920
Decrease (increase) in inventories	1,422,170	(48,338)	(343,135)
Increase (decrease) in notes and accounts payable	(1,869,828)	70,281	340,078
Income taxes paid	(2,753,499)	(3,306,363)	(3,336,801)
Other	931,984	(1,337,334)	(1,038,966)
Net cash provided by (used in) operating activities	11,524,351	10,181,760	14,169,965
Cash flows from investing activities:			
Payments for purchase of noncurrent assets	(6,329,138)	(7,197,468)	(11,319,942)
Proceeds from sale of noncurrent assets	80,064	174,628	239,937
Payments for purchase of deferred assets	(468,054)	(165,698)	(197,185)
Other	(599,785)	325,882	547,218
Net cash provided by (used in) investing activities	(7,316,913)	(6,862,656)	(10,729,972)
Cash flows from financing activities:			
Increase (decrease) in short-term debt – net	525,000	(110,000)	(1,525,000)
Increase (decrease) in long-term debt – net	(5,726,720)	(4,903,508)	(1,022,401)
Cash dividends paid	(708,080)	(680,368)	(680,584)
Other	(3,784)	(2,325)	(3,508)
Net cash provided by (used in) financing activities	(5,913,584)	(5,696,201)	(3,231,494)
Net increase (decrease) in cash and cash equivalents	(1,706,146)	(2,377,096)	208,499
Cash and cash equivalents at beginning of the term	5,529,789	5,321,290	5,321,290
Cash and cash equivalents at end of the period	¥ 3,823,643	¥ 2,944,193	¥ 5,529,789

Note: Amounts under one thousand yen are omitted.