

# Flash Report for the First-Half Period Ended June 30, 2005 (on a consolidated basis)

August 18, 2005

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

Code Number: 9543 Prefecture Registered: Shizuoka

URL: <http://www.shizuokagas.co.jp>

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Date of meeting of Board of Directors for account settlement for the reporting period: August 18, 2005

U.S. GAAP: not adopted

## 1. Business Results (January 1 to June 30, 2005)

### (1) Operating Results

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

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
First-half period under review	¥35,011	10.5%	¥5,399	(15.7)%	¥5,061	(16.7)%
Previous first half	31,682	3.7	6,408	26.8	6,079	30.2
Previous full term (Jan. 1 to Dec. 31, 2004)	60,018		7,651		6,919	

	Net income (¥ million)		Earnings per share (¥)
First-half period under review	¥2,881	(20.3)%	¥40.78
Previous first half	3,614	12.6	51.13
Previous full term	3,736		52.00

(Notes) 1. The Company has issued no warrants that have potential dilution effects.

2. Equity-method investment: not applicable

3. Average number of shares for the period (consolidated)

First-half period: 70,664,657

Previous first half: 70,674,185

Previous full term: 70,671,927

4. Changes in accounting standards: none

### (2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Equity ratio (%)	Shareholders' equity per share (¥)
First-half period under review	¥104,866	¥33,814	32.2%	¥478.53
Previous first half	107,530	31,287	29.1	442.71
Previous full term	109,777	31,287	28.5	441.87

(Note) Number of shares issued and outstanding at the end of period (consolidated)

First-half period: 70,661,922

Previous first half: 70,672,180

Previous full term: 70,667,202

### (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)
First-half period under review	¥10,037	¥ (3,958)	¥(5,956)	¥5,653
Previous first half	7,646	(5,604)	(4,105)	3,258
Previous full term	14,169	(10,729)	(3,231)	5,529

### (4) Scope of Consolidation and Equity-Method Accounting

Number of consolidated subsidiaries: 13

Equity-method accounting: not applied

### (5) Changes in Scope of Consolidation and Application of Equity-Method Accounting

Nothing to report

## 2. Business Forecast 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): ¥40.89

\*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.

## Consolidated Interim Balance Sheets

	Thousands of yen			
	June 30, 2005	December 31, 2004	Change	June 30, 2004
<b>Assets</b>				
Noncurrent assets:				
Property, plant and equipment –				
Production facilities	¥ 24,197,902	¥ 24,750,155	¥ (552,253)	¥ 28,006,383
Distribution facilities	41,748,752	43,772,403	(2,023,651)	27,831,709
Service and maintenance facilities	3,830,685	4,447,799	(617,113)	4,526,503
Other related business facilities	6,662,253	6,577,433	84,820	6,743,531
Dormant facilities	38,446	42,861	(4,414)	—
Construction in progress	1,184,827	989,160	195,666	15,873,500
Total property, plant and equipment	77,662,867	80,579,813	(2,916,946)	82,981,628
Intangible assets	1,006,448	1,052,595	(46,146)	1,060,702
Investments and other assets –				
Investment securities	8,340,236	8,406,413	(66,176)	8,218,936
Long-term loans	1,553,962	1,177,680	376,282	1,138,719
Deferred tax assets	607,057	623,907	(16,850)	560,776
Other investments	1,435,793	1,312,234	123,559	1,267,133
Allowance for doubtful accounts	(357,579)	(413,850)	56,271	(351,582)
Total investments and other assets	11,579,470	11,106,385	473,085	10,833,984
Total noncurrent assets	90,248,786	92,738,793	(2,490,007)	94,876,315
Current assets:				
Cash and bank deposits	5,740,836	5,614,141	126,695	3,351,187
Notes and accounts receivable	4,623,911	4,419,887	204,024	4,351,401
Inventories	1,198,220	2,863,262	(1,665,041)	1,755,656
Deferred tax assets	498,368	523,343	(24,975)	491,979
Other current assets	1,436,831	2,748,893	(1,312,062)	1,753,392
Allowance for doubtful accounts	(63,216)	(49,246)	(13,969)	(88,959)
Total current assets	13,434,951	16,120,281	(2,685,329)	11,614,657
Deferred assets:				
Development costs	1,182,570	918,460	264,110	1,039,117
Total deferred assets	1,182,570	918,460	264,110	1,039,117
Total assets	¥ 104,866,309	¥ 109,777,535	¥ (4,911,226)	¥ 107,530,090

Note: Amounts under one thousand yen are omitted.

	Thousands of yen			
	June 30, 2005	December 31, 2004	Change	June 30, 2004
<b>Liabilities</b>				
Long-term liabilities:				
Long-term debt	¥ 41,450,893	¥ 46,987,907	¥ (5,537,014)	¥ 44,528,853
Deferred tax liabilities	523,940	648,605	(124,665)	633,977
Accrued severance and retirement benefits	3,737,085	3,532,130	204,955	3,353,513
Reserve for directors' retirement benefits	391,226	420,066	(28,840)	393,034
Reserve for repair of gasholders	89,938	72,824	17,114	136,850
Consolidation goodwill	—	—	—	1,531
Other long-term liabilities	548,178	299,257	248,920	240,425
<b>Total long-term liabilities</b>	<b>46,741,262</b>	<b>51,960,791</b>	<b>(5,219,529)</b>	<b>49,288,185</b>
Current liabilities:				
Long-term liabilities due within one year	12,270,518	12,256,622	13,896	12,141,766
Accounts payable	1,263,982	3,163,895	(1,899,912)	978,306
Short-term debt	520,000	490,000	30,000	1,940,000
Other accounts payable	1,370,805	1,739,213	(368,408)	3,052,012
Income taxes payable	2,170,379	1,637,796	532,583	2,474,989
Allowance for bonuses	456,090	453,825	2,265	448,309
Other current liabilities	1,582,027	2,242,349	(660,321)	1,635,666
<b>Total current liabilities</b>	<b>19,633,804</b>	<b>21,983,702</b>	<b>(2,349,898)</b>	<b>22,671,049</b>
Allowances:				
Allowance for natural gas conversion	735,198	839,496	(104,297)	879,730
<b>Total allowances</b>	<b>735,198</b>	<b>839,496</b>	<b>(104,297)</b>	<b>879,730</b>
<b>Total liabilities</b>	<b>67,110,265</b>	<b>74,783,990</b>	<b>(7,673,724)</b>	<b>72,838,966</b>
<b>Minority interest</b>	<b>3,941,822</b>	<b>3,706,428</b>	<b>235,393</b>	<b>3,403,493</b>
<b>Shareholders' equity</b>				
Common stock	4,183,647	4,183,647	—	4,183,647
Capital surplus	2,009,181	2,009,181	—	2,009,181
Retained earnings	24,380,758	21,806,817	2,573,940	21,932,280
Unrealized gains on available-for-sale securities	3,252,723	3,296,949	(44,225)	3,169,830
Treasury stock	(12,088)	(9,478)	(2,610)	(7,309)
<b>Total shareholders' equity</b>	<b>33,814,221</b>	<b>31,287,116</b>	<b>2,527,105</b>	<b>31,287,631</b>
<b>Total liabilities, minority interest and shareholders' equity</b>	<b>¥ 104,866,309</b>	<b>¥ 109,777,535</b>	<b>¥ (4,911,226)</b>	<b>¥ 107,530,090</b>

Note: Amounts under one thousand yen are omitted.

## Consolidated Interim Statements of Income

	Thousands of yen			
	6 months ended June 30, 2005	6 months ended June 30, 2004	Change	Year ended December 31, 2004
Net sales	¥ 35,011,220	¥ 31,682,056	¥ 3,329,164	¥ 60,018,805
Cost of sales	18,548,782	15,342,097	3,206,684	30,843,143
Gross profit	16,462,438	16,339,958	122,479	29,175,662
Selling, general and administrative expenses	11,062,444	9,931,094	1,131,350	21,523,944
Operating income	5,399,993	6,408,864	(1,008,870)	7,651,717
Non-operating income:				
Interest income	16,849	13,370	3,479	27,931
Dividend income	62,636	57,313	5,322	78,759
Amortization of consolidation goodwill	7,837	1,531	6,306	3,237
Compensation for rerouting of pipelines	—	45,920	(45,920)	47,534
Other non-operating income	127,044	109,374	17,669	227,964
Total non-operating income	214,367	227,509	(13,142)	385,428
Non-operating expenses:				
Interest expenses	499,325	548,806	(49,480)	1,075,898
Other non-operating expenses	53,512	8,385	45,126	41,994
Total non-operating expenses	552,838	557,192	(4,353)	1,117,892
Ordinary income	5,061,523	6,079,181	(1,017,658)	6,919,253
Extraordinary income:				
Gain on sale of noncurrent assets	17,485	52,136	(34,651)	142,739
Gain on leveraged lease financing	13,806	10,931	2,875	23,222
Reversal of allowance for natural gas conversion	104,297	78,863	25,434	163,603
Total extraordinary income	135,590	141,932	(6,341)	329,566
Extraordinary expenses:				
Loss on sale of noncurrent assets	305	531	(226)	744
Provision for allowance for natural gas conversion	—	44,505	(44,505)	89,011
Loss on valuation of investment securities	—	—	—	4,278
Impairment loss	—	—	—	117,826
Total extraordinary expenses	305	45,037	(44,732)	211,860
Income before income taxes	5,196,808	6,176,076	(979,267)	7,036,959
Income taxes – current	1,915,110	2,212,630	(297,520)	2,796,158
Income taxes – deferred	(60,180)	(20,381)	(39,798)	(168,439)
Minority interest in net income	459,899	369,657	90,241	673,181
Net income	¥ 2,881,980	¥ 3,614,170	¥ (732,190)	¥ 3,736,059

Note: Amounts under one thousand yen are omitted.

## Consolidated Interim Statements of Retained Earnings

	Thousands of yen			
	6 months ended June 30, 2005	6 months ended June 30, 2004	Change	Year ended December 31, 2004
<b>Capital surplus</b>				
Balance at beginning of the term	¥ 2,009,181	¥ 2,009,181	¥ —	¥ 2,009,181
Balance at end of the term	¥ 2,009,181	¥ 2,009,181	¥ —	¥ 2,009,181
<b>Retained earnings</b>				
Balance at beginning of the term	¥ 21,806,817	¥ 18,661,939	¥ 3,144,878	¥ 18,661,939
Increase:				
Net income	2,881,980	3,614,170	(732,190)	3,736,059
Decrease:				
Cash dividends	247,335	282,702	(35,367)	530,054
Bonuses to directors	60,703	61,126	(422)	61,126
Total	308,039	343,828	(35,789)	591,181
Balance at end of the term	¥ 24,380,758	¥ 21,932,280	¥ 2,448,477	¥ 21,806,817

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

## Consolidated Interim Statements of Cash Flows

	Thousands of yen			
	6 months ended June 30, 2005	6 months ended June 30, 2004	Change	Year ended December 31, 2004
Cash flows from operating activities:				
Income before income taxes	¥ 5,196,808	¥ 6,176,076	¥ (979,267)	¥ 7,036,959
Depreciation	5,408,549	4,449,775	958,774	10,272,363
Impairment loss	—	—	—	117,826
Amortization of long-term prepaid expenses	993	6,739	(5,746)	10,656
Amortization of deferred assets	208,601	159,581	49,020	328,893
Loss on disposal of property, plant and equipment	130,428	96,858	33,569	418,329
Amortization of consolidation goodwill	(7,837)	(1,531)	(6,306)	(3,237)
Loss on valuation of investment securities	—	—	—	4,278
Increase (decrease) in allowance for doubtful accounts	(42,301)	36,689	(78,991)	59,245
Increase (decrease) in accrued severance and retirement benefits	204,955	(101,291)	306,247	77,324
Increase (decrease) in reserve for directors' retirement benefits	(28,840)	(49,383)	20,543	(22,351)
Increase (decrease) in reserve for repair of gasholders	17,114	14,056	3,058	(49,970)
Increase (decrease) in allowance for bonuses	2,265	(27,005)	29,271	(21,489)
Increase (decrease) in allowance for natural gas conversion	(104,297)	(34,358)	(69,939)	(74,592)
Interest and dividend income	(79,485)	(70,683)	(8,802)	(106,691)
Interest expenses	499,325	548,806	(49,480)	1,075,898
Loss (gain) on sale of property, plant and equipment	(17,180)	(51,605)	34,424	(141,995)
Decrease (increase) in notes and accounts receivable	(169,206)	543,925	(713,132)	414,920
Decrease (increase) in inventories	1,667,615	675,483	992,132	(343,135)
Increase (decrease) in notes and accounts payable	(2,177,798)	(2,048,886)	(128,912)	340,078
Increase (decrease) in consumption taxes payable	891,338	214,450	676,888	(628,469)
Directors' bonuses paid	(63,390)	(64,020)	630	(64,020)
Other	342,582	(410,723)	753,306	(204,426)
Sub-total	11,880,241	10,062,954	1,817,286	18,496,396
Interest and dividend received	78,758	77,783	975	106,672
Interest expenses paid	(518,689)	(577,602)	58,912	(1,096,301)
Income taxes paid	(1,402,488)	(1,916,458)	513,969	(3,336,801)
Net cash provided by (used in) operating activities	10,037,822	7,646,677	2,391,144	14,169,965

	Thousands of yen			
	6 months ended June 30, 2005	6 months ended June 30, 2004	Change	Year ended December 31, 2004
Cash flows from investing activities:				
Increase in time deposits	<b>(86,451)</b>	(92,995)	6,543	(171,546)
Withdrawal of time deposits	<b>83,051</b>	100,694	(17,642)	187,889
Payments for purchase of noncurrent assets	<b>(3,337,742)</b>	(5,887,251)	2,549,509	(11,319,942)
Proceeds from sale of noncurrent assets	<b>51,700</b>	45,021	6,678	239,937
Payments for purchase of investment securities	<b>(3,376)</b>	(2,160)	(1,215)	(10,879)
Proceeds from sale of investment securities	<b>25,880</b>	66,710	(40,830)	143,320
Provision of loans	<b>(460,000)</b>	(41,700)	(418,300)	(147,752)
Collection of loan repayments	<b>83,717</b>	78,419	5,298	145,510
Payments for purchase of deferred assets	<b>(472,712)</b>	(148,530)	(324,181)	(197,185)
Receipt of beneficiaries' portion of installation costs	<b>263,778</b>	396,872	(133,094)	614,503
Other	<b>(105,872)</b>	(119,182)	13,310	(213,826)
Net cash provided by (used in) investing activities	<b>(3,958,026)</b>	(5,604,102)	1,646,076	(10,729,972)
Cash flows from financing activities:				
Increase (decrease) in short-term debt – net	<b>30,000</b>	(75,000)	105,000	(1,525,000)
Proceeds from long-term debt	<b>475,000</b>	2,700,000	(2,225,000)	11,570,000
Repayments of long-term debt	<b>(5,998,118)</b>	(6,296,311)	298,193	(12,592,401)
Cash dividends paid	<b>(247,310)</b>	(281,735)	34,424	(529,285)
Cash dividends paid for minority shareholders	<b>(213,462)</b>	(151,287)	(62,174)	(151,298)
Other	<b>(2,610)</b>	(1,339)	(1,270)	(3,508)
Net cash provided by (used in) financing activities	<b>(5,956,500)</b>	(4,105,673)	(1,850,827)	(3,231,494)
Net increase in cash and cash equivalents	<b>123,295</b>	(2,063,098)	2,186,393	208,499
Cash and cash equivalents at beginning of the term	<b>5,529,789</b>	5,321,290	208,499	5,321,290
Cash and cash equivalents at end of the term	<b>¥ 5,653,084</b>	¥ 3,258,192	¥ 2,394,892	¥ 5,529,789

Note: Amounts under one thousand yen are omitted.