

# Flash Report for the First Quarter of 2005 (on a consolidated basis)

May 11, 2005

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## 1. Matters concerning preparation of financial statements

- 1) 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 quarter (January 1 to March 31, 2005)

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

### (1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting 1st quarter	¥19,336	11.0%	¥3,448	(16.1)%	¥3,243	(16.9)%
Previous 1st quarter	17,422	—	4,108	—	3,903	—
Ref: Previous full term	60,018		7,651		6,919	

	Net income (¥ million)		Earnings per share (¥)	Diluted earnings per share (¥)
Reporting 1st quarter	¥1,786	(19.8)%	¥25.27	—
Previous 1st quarter	2,227	—	31.52	—
Ref: Previous full term	3,736		52.00	—

### Explanation of business performance for the first quarter of fiscal 2005

Total sales for the quarter, on a consolidated basis, rose 11.0% year-on-year to ¥19,336 million, principally due to an increase in gas sales volume.

Operating income, ordinary income, and net income for the quarter all declined on a year-on-year comparison, to ¥3,448 million, ¥3,243 million, and ¥1,786 million respectively. This was the result of an increase in expenses, including higher prices of our natural gas supplies due to the rise in crude oil prices, as well as the impact of depreciation costs relating to the high-pressure gas pipeline acquired in July 2004.

As the gas supply business, which is heavily impacted by seasonal fluctuations, accounts for a large proportion of the our group's total operations, a large proportion of total annual sales is concentrated in winter. This is the main reason why the business performance figures for the reporting first quarter (Jan.-March 2005) amount to more than one-quarter of our forecast figures for the whole year.

### (2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Equity ratio (%)	Shareholders' equity per share (¥)
Reporting 1st quarter	¥107,629	¥32,972	30.6%	¥466.60
Previous 1st quarter	110,902	29,824	26.9	422.00
Ref: Previous full term	109,777	31,287	28.5	441.87

### Explanation of changes in financial position during the first quarter

Total assets as of the end of the quarter stood at ¥107,629 million, a decrease of ¥2,147 million compared with the previous full term. This is mainly attributable to depreciation of property, plant and equipment, and a decrease in cash and deposits due to repayment of borrowings.

Shareholders' equity as of the end of the quarter rose to ¥32,972 million due to the pasting of increased retained earnings, while the equity ratio stood at 30.6%.

#### (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 1st quarter	¥ 5,570	¥ (2,520)	¥(3,673)	¥4,905
Previous 1st quarter	4,323	(2,177)	(850)	6,616
Ref: Previous full term	14,169	(10,729)	(3,231)	5,529

#### For Reference: Amounts on a non-consolidated basis

	Net sales (¥ million)	Operating income (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Reporting 1st quarter	¥14,577 4.8%	¥1,998 (26.6)%	¥2,412 (20.1)%	¥1,563 (20.8)%
Previous 1st quarter	13,912 —	2,721 —	3,017 —	1,973 —
Ref: Previous full term	47,902	3,275	3,472	2,322

	Total assets (¥ million)	Shareholders' equity (¥ million)
Reporting 1st quarter	¥75,887	¥25,661
Previous 1st quarter	72,997	23,876
Ref: 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)
First-half period	¥35,440	¥4,090	¥2,240
Full term	67,350	5,570	2,890

#### Notes:

1. Estimated earnings per share for fiscal 2005 (full term): ¥40.89
2. The above forecasts remain unchanged from the initial forecasts for fiscal 2005 business performance (on both a consolidated and non-consolidated basis) issued on February 15 of this year.

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

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
First-half period	¥27,470	¥2,370	¥1,600
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			
	As of March 31, 2005	As of December 31, 2004	Change	As of March 31, 2004
<b>Assets</b>				
Noncurrent assets:				
Property, plant and equipment	¥ 79,202,958	¥ 80,579,813	¥ (1,376,854)	¥ 83,734,647
Intangible assets	1,022,037	1,052,595	(30,557)	1,084,658
Investments and other assets	11,806,266	11,106,385	699,881	10,541,969
Total noncurrent assets	92,031,262	92,738,793	(707,531)	95,361,275
Current assets:				
Cash and bank deposits	4,991,126	5,614,141	(623,014)	6,706,774
Notes and accounts receivable	5,233,661	4,419,887	813,774	5,020,716
Inventories	2,727,874	2,863,262	(135,388)	1,027,754
Other current assets	1,542,299	3,222,990	(1,680,690)	1,761,259
Total current assets	14,494,961	16,120,281	(1,625,319)	14,516,505
Deferred assets	1,103,496	918,460	185,036	1,024,722
Total assets	¥ 107,629,720	¥ 109,777,535	¥ (2,147,814)	¥ 110,902,503
<b>Liabilities</b>				
Long-term liabilities:				
Long-term debt	¥ 43,432,226	¥ 46,987,907	¥ (3,555,681)	¥ 46,554,017
Accrued severance and retirement benefits	3,619,079	3,532,130	86,949	3,495,810
Other long-term liabilities	1,523,375	1,440,754	82,621	1,139,346
Total long-term liabilities	48,574,681	51,960,791	(3,386,109)	51,189,173
Current liabilities:				
Long-term liabilities due within one year	12,270,853	12,256,622	14,231	12,417,239
Accounts payable	3,327,160	3,163,895	163,264	1,257,320
Short-term debt	820,000	490,000	330,000	2,895,000
Other current liabilities	5,147,540	6,073,184	(925,644)	9,183,034
Total current liabilities	21,565,553	21,983,702	(418,148)	25,752,593
Allowances:				
Allowance for natural gas conversion	784,037	839,496	(55,458)	896,188
Total allowances	784,037	839,496	(55,458)	896,188
Total liabilities	70,924,272	74,783,990	(3,859,717)	77,837,955
Minority interest	3,732,935	3,706,428	26,506	3,239,779
<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	23,284,836	21,806,817	1,478,019	20,546,003
Unrealized gains on available-for-sale securities	3,505,371	3,296,949	208,421	3,092,322
Treasury stock	(10,523)	(9,478)	(1,044)	(6,385)
Total shareholders' equity	32,972,512	31,287,116	1,685,396	29,824,769
Total liabilities, minority interest and shareholders' equity	¥ 107,629,720	¥ 109,777,535	¥ (2,147,814)	¥ 110,902,503

Note: Amounts under one thousand yen are omitted.

## Consolidated Statements of Income

	Thousands of yen			
	1st quarter ended March 31, 2005	1st quarter ended March 31, 2004	Change	Previous year ended December 31, 2004
Net sales	¥ 19,336,019	¥ 17,422,940	¥ 1,913,079	¥ 60,018,805
Cost of sales	10,342,528	8,355,468	1,987,060	30,843,143
Gross profit	8,993,491	9,067,472	(73,980)	29,175,662
Selling, general and administrative expenses	5,544,698	4,958,552	586,146	21,523,944
Operating income	3,448,792	4,108,919	(660,126)	7,651,717
Non-operating income	66,741	75,220	(8,479)	385,428
Non-operating expenses	272,239	281,043	(8,803)	1,117,892
Ordinary income	3,243,294	3,903,097	(659,803)	6,919,253
Extraordinary income	72,515	58,312	14,203	329,566
Extraordinary expenses	—	22,299	(22,299)	211,860
Income before income taxes	3,315,809	3,939,110	(623,300)	7,036,959
Income taxes*	1,282,992	1,505,214	(222,222)	2,627,718
Minority interest in net income	246,759	206,002	40,756	673,181
Net income	¥ 1,786,058	¥ 2,227,892	¥ (441,834)	¥ 3,736,059

*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		
	1st quarter ended March 31, 2005	1st quarter ended March 31, 2004	Previous year ended December 31, 2004
Cash flows from operating activities:			
Income before income taxes	¥ 3,315,809	¥ 3,939,110	¥ 7,036,959
Depreciation	2,689,862	2,209,623	10,272,363
Amortization of deferred assets	110,920	80,344	328,893
Loss on disposal of property, plant and equipment	30,884	56,266	418,329
Increase (decrease) in accrued severance and retirement benefits	86,949	41,004	77,324
Decrease (increase) in notes and accounts receivable	(810,747)	(123,679)	414,920
Decrease (increase) in inventories	137,029	1,403,384	(343,135)
Increase (decrease) in notes and accounts payable	66,930	(1,586,304)	340,078
Income taxes paid	(1,410,744)	(1,919,376)	(3,336,801)
Other	1,353,249	223,036	(1,038,966)
Net cash provided by (used in) operating activities	5,570,144	4,323,411	14,169,965
Cash flows from investing activities:			
Payments for purchase of noncurrent assets	(1,926,255)	(2,228,878)	(11,319,942)
Proceeds from sale of noncurrent assets	39,625	23,911	239,937
Payments for purchase of investment securities	(1,081)	(1,080)	(10,879)
Payments for purchase of deferred assets	(295,956)	(54,899)	(197,185)
Other	(337,235)	83,293	558,098
Net cash provided by (used in) investing activities	(2,520,903)	(2,177,653)	(10,729,972)
Cash flows from financing activities:			
Increase (decrease) in short-term debt – net	330,000	880,000	(1,525,000)
Increase (decrease) in long-term debt – net	(3,541,450)	(1,295,674)	(1,022,401)
Cash dividends paid	(460,810)	(434,029)	(680,584)
Other	(1,044)	(415)	(3,508)
Net cash provided by (used in) financing activities	(3,673,305)	(850,119)	(3,231,494)
Net increase (decrease) in cash and cash equivalents	(624,065)	1,295,638	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	¥ 4,905,724	¥ 6,616,929	¥ 5,529,789

Note: Amounts under one thousand yen are omitted.