

Flash Report for the First Three Quarters of 2004 (on a consolidated basis)

November 9, 2004

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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, 2004)

No year-on-year comparison has been made, as prior to this year, We have never disclosed business results on a quarterly basis.

(1) Operating results

(Amounts under one million yen are omitted)

	Net sales (¥ million)	Operating income (¥ million)	Ordinary income (¥ million)
Reporting first three quarters	45,025	6,795	6,216
Ref: Previous full term	58,625	7,012	6,113

	Net income (¥ million)	Earnings per share (¥)	Diluted earnings per share (¥)
Reporting first three quarters	3,451	48.84	—
Ref: Previous full term	3,941	54.90	—

Report on business performance for the first three quarters of fiscal 2004 (consolidated)

Total sales for the first three quarters on a consolidated basis came to ¥45,025 million. In line with an increase in gas sales volume, gas sales for the 9-month period amounted to ¥32,681 million, revenue from the sale of equipment and installation work came to ¥4,053 million, while sales in the “others” category came to ¥8,289 million. (All figures exclude inter-segment transactions.)

Operating income amounted to ¥6,795 million for the three quarters combined, thanks to our continuous cost-cutting program. Ordinary income came to ¥6,216 million and net income to ¥3,451 million.

As the gas supply business, which is heavily affected by seasonal fluctuations, accounts for a large proportion of our total operations, a large proportion of total annual sales is concentrated in winter. This is the main reason why the earnings figures for the reporting three-quarter period (Jan.-Sept. 2004) amount to more than three quarters of our forecast figures for the whole year.

(2) Financial position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Equity ratio (%)	Shareholders' equity per share (¥)
Reporting first three quarters	106,542	30,445	28.6	430.81
Ref: Previous full term	109,746	27,307	24.9	385.50

Report on changes in financial position during the first three quarters

Total assets as of the end of the third quarter stood at ¥106,542 million, a decrease of ¥3,204 million compared with the end of the previous term. This is mainly attributable to a decrease in “cash and bank deposits” in the amount of ¥2,388 million, and a decrease in “property, plant and equipment” in the amount of ¥2,041 million.

Shareholders' equity as of the end of the quarter came to ¥30,445 million, while the equity ratio stood at 28.6%.

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at term end
Reporting first three quarters	10,181	(6,862)	(5,696)	2,944
Ref: Previous full term	14,570	(11,642)	(3,860)	5,321

For Reference: Amounts on non-consolidated basis

	Net Sales (¥ million)	Operating income (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Reporting first three quarters	36,051	3,317	3,542	2,308

	Total assets (¥ million)	Shareholders' equity (¥ million)
Reporting first three quarters	72,514	23,611

3. Business Forecasts for Current Term (January 1 to December 31, 2004)

	Net sales	Ordinary income	Net income
Full term	60,400	6,200	3,300

Notes:

1. Estimated earnings per share for fiscal 2004 (full term): ¥46.69
2. Compared with the initial forecasts for fiscal 2004 issued on February 18, 2004, all figures have been revised upward in light of the recent business performance. Revised forecasts are ¥60,400 million (up ¥500 million) for net sales, ¥6,200 million (up ¥730 million) for ordinary income and ¥3,300 million (up ¥540 million) for net income.

Net sales will be roughly the same amount as the initial forecast. Cost of sales will rise due to a surge in material costs for gas production during the second half of the term. Thanks to our cost-cutting program, however, both ordinary income and net income will increase compared with the initial forecasts.

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

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Full term	48,300	3,000	2,000

Note: Estimated earnings per share for fiscal 2004 (full term): ¥28.30

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 Sheet

	Thousands of yen		
	As of September 30, 2004	As of December 31, 2003	Change
Assets			
Noncurrent assets:			
Property, plant and equipment	¥ 81,438,768	¥ 83,480,538	¥ (2,041,769)
Intangible assets	1,030,422	989,959	40,463
Investments and other assets	10,012,835	9,570,639	442,195
Total noncurrent assets	92,482,026	94,041,137	(1,559,111)
Current assets:			
Cash and bank deposits	3,033,139	5,421,984	(2,388,845)
Notes and accounts receivable	4,465,017	4,935,357	(470,339)
Inventories	2,479,478	2,431,139	48,338
Other current assets	3,107,238	1,867,150	1,240,087
Total current assets	13,084,873	14,655,631	(1,570,758)
Deferred assets	975,934	1,050,168	(74,233)
Total assets	¥ 106,542,834	¥ 109,746,937	¥ (3,204,103)
Liabilities			
Long-term liabilities:			
Long-term debt	¥ 43,572,099	¥ 47,752,446	¥ (4,180,347)
Accrued severance and retirement benefits	3,409,750	3,454,805	(45,055)
Other long-term liabilities	988,132	876,656	111,475
Total long-term liabilities	47,969,981	52,083,908	(4,113,926)
Current liabilities:			
Long-term liabilities due within one year	11,791,323	12,514,484	(723,161)
Accounts payable	2,837,716	2,950,690	(112,973)
Short-term debt	1,905,000	2,015,000	(110,000)
Other current liabilities	7,165,191	8,774,932	(1,609,740)
Total current liabilities	23,699,231	26,255,106	(2,555,874)
Allowances:			
Allowance for natural gas conversion	861,782	914,088	(52,306)
Total allowances	861,782	914,088	(52,306)
Total liabilities	72,530,995	79,253,103	(6,722,107)
Minority interest	3,566,455	3,186,686	379,769
Shareholders' equity			
Common stock	4,183,647	4,183,647	—
Capital surplus	2,009,181	2,009,181	—
Retained earnings	21,522,481	18,661,939	2,860,542
Unrealized gains on available-for-sale securities	2,738,367	2,458,349	280,018
Treasury stock	(8,295)	(5,970)	(2,325)
Total shareholders' equity	30,445,382	27,307,147	3,138,235
Total liabilities, minority interest and shareholders' equity	¥ 106,542,834	¥ 109,746,937	¥ (3,204,103)

Note: Amounts under one thousand yen are omitted.

Consolidated Statement of Income

	Thousands of yen	
	Three quarters ended September 30, 2004	Previous year ended December 31, 2003
Net sales	¥ 45,025,351	¥ 58,625,242
Cost of sales	22,458,291	30,331,159
Gross profit	22,567,059	28,294,083
Selling, general and administrative expenses	15,771,659	21,281,874
Operating income	6,795,399	7,012,208
Non-operating income	271,248	371,513
Non-operating expenses	850,631	1,270,696
Ordinary income	6,216,016	6,113,025
Extraordinary income	253,644	1,059,397
Extraordinary expenses	67,504	95,347
Income before income taxes	6,402,156	7,077,075
Income taxes	2,417,821	2,541,516
Minority interest in net income	532,610	594,170
Net income	¥ 3,451,724	¥ 3,941,388

Note: Amounts under one thousand yen are omitted.

Consolidated Statement of Cash Flows

	Thousands of yen	
	Three quarters ended September 30, 2004	Previous year ended December 31, 2003
Cash flows from operating activities:		
Income before income taxes	¥ 6,402,156	¥ 7,077,075
Depreciation	7,352,793	9,500,318
Amortization of deferred assets	239,932	342,180
Loss on disposal of property, plant and equipment	421,047	329,311
Increase (decrease) in accrued severance and retirement benefits	(45,055)	364,538
Decrease (increase) in notes and accounts receivable	432,642	(680,682)
Decrease (increase) in inventories	(48,338)	(805,470)
Increase (decrease) in notes and accounts payable	70,281	789,355
Income taxes paid	(3,306,363)	(2,000,678)
Other	(1,337,334)	(345,285)
Net cash provided by (used in) operating activities	10,181,760	14,570,663
Cash flows from investing activities:		
Payments for purchase of noncurrent assets	(7,197,468)	(11,249,654)
Proceeds from sale of noncurrent assets	174,628	1,006,972
Payments for purchase of investment securities	(9,298)	(843,004)
Payments for purchase of deferred assets	(165,698)	(1,026,233)
Other	335,181	469,898
Net cash provided by (used in) investing activities	(6,862,656)	(11,642,022)
Cash flows from financing activities:		
Increase (decrease) in short-term debt – net	(110,000)	651,000
Increase (decrease) in long-term debt – net	(4,903,508)	(3,949,525)
Cash dividends paid	(680,368)	(560,701)
Other	(2,325)	(1,333)
Net cash provided by (used in) financing activities	(5,696,201)	(3,860,560)
Net increase (decrease) in cash and cash equivalents	(2,377,096)	(931,919)
Cash and cash equivalents at beginning of the term	5,321,290	6,253,209
Cash and cash equivalents at end of the period	¥ 2,944,193	¥ 5,321,290

Note: Amounts under one thousand yen are omitted.