

# Flash Report for the First-Half Period Ended June 30, 2004 (on a consolidated basis)

August 18, 2004

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

Code Number: 9543 Prefecture Registered: Shizuoka

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

Representative: Shiro Oishi, President

Inquiries: Koji Iida, Head of Accounting Group

Tel: +81-54-284-7990

Date of meeting of Board of Directors for account settlement for the reporting period: August 18, 2004

U.S. GAAP: not adopted

## 1. Business Results (January 1 to June 30, 2004)

### (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	¥31,682	3.7%	¥6,408	26.8%	¥6,079	30.2%
Previous first half	30,565	4.7	5,053	(10.1)	4,668	(9.0)
Previous term (Jan. 1 to Dec. 31, 2003)	58,625		7,012		6,113	

	Net income (¥ million)		Earnings per share (¥)
First-half period under review	¥3,614	12.6%	¥51.13
Previous first half	3,208	3.1	45.39
Previous term	3,941		54.90

(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: 70,674,185

Previous first half: 70,678,583

Previous term: 70,677,822

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	¥107,530	¥31,287	29.1%	¥442.71
Previous first half	107,885	26,023	24.1	368.19
Previous term	109,746	27,307	24.9	385.50

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

First-half period: 70,672,180

Previous first half: 70,678,260

Previous term: 70,675,570

### (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	¥ 7,646	¥ (5,604)	¥(4,105)	¥3,258
Previous first half	7,728	(6,028)	(1,309)	6,643
Previous term	14,570	(11,642)	(3,860)	5,321

### (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, 2004)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Full term	¥59,900	¥5,470	¥2,760

(Note) Estimated earnings per share for fiscal 2004 (full term): ¥39.05

\*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, 2004	December 31, 2003	Change	June 30, 2003
<b>Assets</b>				
Fixed assets:				
<i>Property, plant and equipment –</i>				
Production facilities	¥ 28,006,383	¥ 29,505,860	¥(1,499,477)	¥ 31,105,249
Distribution facilities	27,831,709	28,570,508	(738,799)	28,887,469
Service and maintenance facilities	4,526,503	4,534,890	(8,386)	4,091,375
Other related business facilities	6,743,531	6,951,766	(208,234)	7,051,411
Construction in progress	15,873,500	13,917,512	1,955,987	12,074,609
Total property, plant and equipment	82,981,628	83,480,538	(498,909)	83,210,115
<i>Intangible assets</i>	1,060,702	989,959	70,742	1,007,357
<i>Investments and other assets –</i>				
Investment securities	8,218,936	7,142,134	1,076,802	5,666,601
Long-term loans	1,138,719	1,175,438	(36,719)	1,182,472
Deferred tax assets	560,776	559,971	805	567,491
Other investments	1,267,133	1,005,817	261,316	329,799
Allowance for doubtful accounts	(351,582)	(312,721)	(38,860)	(26,800)
Total investments and other assets	10,833,984	9,570,639	1,263,344	7,719,564
Total fixed assets	94,876,315	94,041,137	835,177	91,937,036
Current assets:				
Cash and bank deposits	3,351,187	5,421,984	(2,070,796)	6,779,133
Notes and accounts receivable	4,351,401	4,935,357	(583,955)	4,566,333
Inventories	1,755,656	2,431,139	(675,483)	1,186,422
Deferred tax assets	491,979	500,196	(8,217)	470,957
Other current assets	1,753,392	1,458,083	295,308	2,186,377
Allowance for doubtful accounts	(88,959)	(91,129)	2,170	(332,272)
Total current assets	11,614,657	14,655,631	(3,040,974)	14,856,952
Deferred assets:				
Development costs	1,039,117	1,050,168	(11,050)	1,091,985
Total deferred assets	1,039,117	1,050,168	(11,050)	1,091,985
Total assets	¥ 107,530,090	¥ 109,746,937	¥(2,216,847)	¥ 107,885,974

Note: Amounts under one thousand yen are omitted.

	Thousands of yen			
	June 30, 2004	December 31, 2003	Change	June 30, 2003
<b>Liabilities</b>				
Long-term liabilities:				
Long-term debt	¥ 44,528,853	¥ 47,752,446	¥ (3,223,593)	¥ 48,048,795
Deferred tax liabilities	633,977	274,055	359,922	90,245
Accrued severance and retirement benefits	3,353,513	3,454,805	(101,291)	3,018,915
Reserve for directors' retirement benefits	393,034	442,417	(49,383)	412,827
Reserve for repair of gasholders	136,850	122,794	14,056	127,269
Consolidation goodwill	1,531	3,062	(1,531)	4,593
Other long-term liabilities	240,425	34,326	206,098	51,583
Total long-term liabilities	49,288,185	52,083,908	(2,795,722)	51,754,230
Current liabilities:				
Long-term liabilities due within one year	12,141,766	12,514,484	(372,718)	12,722,174
Accounts payable	978,306	2,950,690	(1,972,384)	936,600
Short-term debt	1,940,000	2,015,000	(75,000)	3,849,000
Other accounts payable	3,052,012	4,313,807	(1,261,794)	4,121,811
Income taxes payable	2,474,989	2,176,308	298,681	2,323,379
Allowance for bonuses	448,309	475,315	(27,005)	469,521
Other current liabilities	1,635,666	1,809,501	(173,835)	1,791,335
Total current liabilities	22,671,049	26,255,106	(3,584,056)	26,213,822
Allowances:				
Allowance for natural gas conversion	879,730	914,088	(34,358)	950,069
Total allowances	879,730	914,088	(34,358)	950,069
Total liabilities	72,838,966	79,253,103	(6,414,137)	78,918,122
<b>Minority interest</b>	<b>3,403,493</b>	<b>3,186,686</b>	<b>216,806</b>	<b>2,944,224</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	21,932,280	18,661,939	3,270,341	18,141,170
Unrealized gains on available-for-sale securities	3,169,830	2,458,349	711,481	1,694,540
Treasury stock	(7,309)	(5,970)	(1,339)	(4,911)
Total shareholders' equity	31,287,631	27,307,147	3,980,483	26,023,627
Total liabilities, minority interest and shareholders' equity	¥ 107,530,090	¥ 109,746,937	¥ (2,216,847)	¥ 107,885,974

Note: Amounts under one thousand yen are omitted.

## Consolidated Interim Statements of Income

	Thousands of yen			
	First-half period ended	First-half period ended	Change	Year ended December 31, 2003
	June 30, 2004	June 30, 2003		
Net sales	¥ 31,682,056	¥ 30,565,338	¥ 1,116,717	¥ 58,625,242
Cost of sales	15,342,097	15,156,967	185,130	30,331,159
Gross profit	16,339,958	15,408,371	931,587	28,294,083
Selling, general and administrative expenses	9,931,094	10,354,899	(423,804)	21,281,874
Operating income	6,408,864	5,053,472	1,355,391	7,012,208
Non-operating income:				
Interest income	13,370	12,640	729	24,890
Dividend income	57,313	35,041	22,271	53,885
Amortization of consolidation goodwill	1,531	1,531	—	3,062
Compensation for rerouting of pipelines	45,920	43,745	2,175	57,506
Other non-operating income	109,374	130,305	(20,931)	232,168
Total non-operating income	227,509	223,264	4,245	371,513
Non-operating expenses:				
Interest expenses	548,806	601,661	(52,855)	1,182,621
Other non-operating expenses	8,385	6,164	2,221	88,074
Total non-operating expenses	557,192	607,826	(50,634)	1,270,696
Ordinary income	6,079,181	4,668,909	1,410,271	6,113,025
Extraordinary income:				
Gain on sale of fixed assets	52,136	881,017	(828,880)	878,027
Gain on leveraged lease financing	10,931	7,419	3,512	16,526
Gain on sale of investment securities	—	—	—	231
Reversal of allowance for natural gas conversion	78,863	65,593	13,270	146,079
Reversal of reserve for repair of gasholders	—	—	—	18,533
Total extraordinary income	141,932	954,029	(812,097)	1,059,397
Extraordinary expenses:				
Loss on sale of fixed assets	531	—	531	4,602
Provision for allowance for natural gas conversion	44,505	44,505	—	89,011
Loss on valuation of investment securities	—	35,353	(35,353)	1,734
Total extraordinary expenses	45,037	79,858	(34,821)	95,347
Income before income taxes	6,176,076	5,543,080	632,996	7,077,075
Income taxes – current	2,212,630	2,054,665	157,965	2,867,700
Income taxes – deferred	(20,381)	(72,610)	52,229	(326,183)
Minority interest in net income	369,657	352,441	17,216	594,170
Net income	¥ 3,614,170	¥ 3,208,585	¥ 405,585	¥ 3,941,388

Note: Amounts under one thousand yen are omitted.

## Consolidated Interim Statements of Retained Earnings

	Thousands of yen			
	First-half period ended June 30, 2004	First-half period ended June 30, 2003	Change	Year ended December 31, 2003
<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	¥ 18,661,939	¥ 15,202,247	¥ 3,459,691	¥ 15,202,247
Increase:				
Net income	3,614,170	3,208,585	405,585	3,941,388
Decrease:				
Cash dividends	282,702	212,037	70,664	424,072
Bonuses to directors	61,126	57,625	3,501	57,625
Total	343,828	269,663	74,165	481,697
Balance at end of the term	¥ 21,932,280	¥ 18,141,170	¥ 3,791,110	¥ 18,661,939

Note: Amounts under one thousand yen are omitted.

## Consolidated Interim Statements of Cash Flows

	Thousands of yen			
	First-half period ended	First-half period ended	Change	Year ended
	June 30, 2004	June 30, 2003		December 31, 2003
Cash flows from operating activities:				
Income before income taxes	¥ 6,176,076	¥ 5,543,080	¥ 632,996	¥ 7,077,075
Depreciation	4,449,775	4,680,167	(230,392)	9,500,318
Amortization of long-term prepaid expenses	6,739	9,269	(2,529)	16,937
Amortization of deferred assets	159,581	156,866	2,714	342,180
Loss on disposal of property, plant and equipment	96,858	211,280	(114,421)	329,311
Amortization of consolidation goodwill	(1,531)	(1,531)	—	(3,062)
Loss on valuation of investment securities	—	35,353	(35,353)	1,734
Increase (decrease) in allowance for doubtful accounts	36,689	(10,609)	47,298	34,169
Increase (decrease) in accrued severance and retirement benefits	(101,291)	(71,351)	(29,940)	364,538
Increase (decrease) in reserve for directors' retirement benefits	(49,383)	11,405	(60,788)	40,995
Increase (decrease) in reserve for repair of gasholders	14,056	(41,271)	55,327	(45,746)
Increase (decrease) in allowance for bonuses	(27,005)	10,087	(37,093)	15,881
Increase (decrease) in allowance for natural gas conversion	(34,358)	(21,087)	(13,270)	(57,068)
Interest and dividend income	(70,683)	(47,682)	(23,001)	(78,776)
Interest expenses	548,806	601,661	(52,855)	1,182,621
Loss (gain) on sale of property, plant and equipment	(51,605)	(881,017)	829,412	(873,425)
Loss (gain) on sale of investment securities	—	—	—	(231)
Decrease (increase) in notes and accounts receivable	543,925	(25,507)	569,432	(680,682)
Decrease (increase) in inventories	675,483	439,247	236,236	(805,470)
Increase (decrease) in notes and accounts payable	(2,048,886)	(1,269,861)	(779,024)	789,355
Increase (decrease) in consumption taxes payable	214,450	(131,528)	345,978	(233,765)
Directors' bonuses paid	(64,020)	(61,420)	(2,600)	(61,420)
Other	(410,723)	203,667	(614,390)	840,311
Sub-total	10,062,954	9,339,219	723,735	17,695,783
Interest and dividend received	77,783	42,600	35,182	82,847
Interest expenses paid	(577,602)	(619,653)	42,050	(1,207,289)
Income taxes paid	(1,916,458)	(1,033,484)	(882,974)	(2,000,678)
Net cash provided by (used in) operating activities	7,646,677	7,728,683	(82,005)	14,570,663

	Thousands of yen			
	First-half period ended June 30, 2004	First-half period ended June 30, 2003	Change	Year ended December 31, 2003
Cash flows from investing activities:				
Increase in time deposits	(92,995)	(162,693)	69,698	(285,244)
Withdrawal of time deposits	100,694	179,692	(78,997)	337,247
Payments for purchase of fixed assets	(5,887,251)	(6,080,253)	193,001	(11,249,654)
Proceeds from sale of fixed assets	45,021	1,001,375	(956,354)	1,006,972
Payments for purchase of investment securities	(2,160)	(504,163)	502,003	(843,004)
Proceeds from sale of investment securities	66,710	3,600	63,109	47,558
Provision of loans	(41,700)	(40,400)	(1,300)	(122,000)
Collection of loan repayments	78,419	89,283	(10,864)	177,917
Payments for purchase of deferred assets	(148,530)	(882,736)	734,205	(1,026,233)
Receipt of beneficiaries' portion of installation costs	396,872	367,430	29,442	499,484
Other	(119,182)	315	(119,498)	(185,065)
Net cash provided by (used in) investing activities	(5,604,102)	(6,028,549)	424,446	(11,642,022)
Cash flows from financing activities:				
Increase (decrease) in short-term debt – net	(75,000)	2,485,000	(2,560,000)	651,000
Proceeds from long-term debt	2,700,000	3,030,000	(330,000)	9,334,420
Repayments of long-term debt	(6,296,311)	(6,475,706)	179,395	(13,283,945)
Cash dividends paid	(281,735)	(211,531)	(70,204)	(423,273)
Cash dividends paid for minority shareholders	(151,287)	(137,395)	(13,892)	(137,428)
Other	(1,339)	(275)	(1,063)	(1,333)
Net cash provided by (used in) financing activities	(4,105,673)	(1,309,908)	(2,795,764)	(3,860,560)
Net increase in cash and cash equivalents	(2,063,098)	390,225	(2,453,323)	(931,919)
Cash and cash equivalents at beginning of the term	5,321,290	6,253,209	(931,919)	6,253,209
Cash and cash equivalents at end of the term	¥ 3,258,192	¥ 6,643,434	¥ (3,385,242)	¥ 5,321,290

Note: Amounts under one thousand yen are omitted.