

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

May 12, 2004

Name: Shizuoka Gas Co., Ltd. Stock Exchange: TSE (1st section)
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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. First Quarter Business Results (January 1 to March 31, 2004)

No year-on-year comparison has been made, as we have never previously disclosed our 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 1st quarter | 17,422 | 4,108 | 3,903 |
| Ref: Previous full term | 58,625 | 7,012 | 6,113 |

| | Net income (¥ million) | Earnings per share (¥) | Diluted earnings per share (¥) |
|-------------------------|---------------------------|---------------------------|-----------------------------------|
| Reporting 1st quarter | 2,227 | 31.52 | — |
| Ref: Previous full term | 3,941 | 54.90 | — |

Supplementary report on business performance for the first quarter of fiscal 2004 (consolidated)

Total sales for the quarter on a consolidated basis came to ¥17,422 million. Gas sales for the quarter amounted to ¥12,406 million, revenue from the sale of equipment and installation work came to ¥1,758 million, while sales in the “others” category came to ¥3,257 million. (All figures exclude inter-segment transactions.)

Operating income amounted to ¥4,108 million for the quarter thanks to our continuous cost-cutting program. Ordinary income came to ¥3,903 million and net income came to ¥2,227 million.

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 2004) 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 | 110,902 | 29,824 | 26.9 | 422.00 |
| Ref: Previous full term | 109,746 | 27,307 | 24.9 | 385.50 |

Supplementary report on changes in financial position during first quarter

Total assets as of the end of the quarter stood at ¥110,902 million, an increase of ¥1,155 million compared with the previous full term. This is mainly attributable to an increase in “investments and other assets” by ¥971 million, and an increase in “property, plant and equipment” in the amount of ¥254 million.

Shareholders' equity as of the end of the quarter came to ¥29,824 million, while the equity ratio stood at 26.9%.

(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 | 4,323 | (2,177) | (850) | 6,616 |
| Ref: Previous full term | 14,570 | (11,642) | (3,860) | 5,321 |

For Reference: Amounts on a non-consolidated basis

| | Net sales (¥ million) | Operating income (¥ million) | Ordinary income (¥ million) | Net income (¥ million) |
|-----------------------|--------------------------|---------------------------------|--------------------------------|---------------------------|
| Reporting 1st quarter | 13,912 | 2,721 | 3,017 | 1,973 |

| | Total assets (¥ million) | Shareholders' equity (¥ million) |
|-----------------------|-----------------------------|-------------------------------------|
| Reporting 1st quarter | 72,997 | 23,876 |

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

| | Net sales (¥ million) | Ordinary income (¥ million) | Net income (¥ million) |
|-------------------|--------------------------|--------------------------------|---------------------------|
| First-half period | 31,500 | 5,090 | 2,550 |
| Full term | 59,900 | 5,470 | 2,760 |

Notes:

1. Estimated earnings per share for fiscal 2004 (full term): ¥39.05
2. The above forecasts remain unchanged from the initial forecasts for fiscal 2004 business performance (on both a consolidated and non-consolidated basis) issued on February 18 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 | 25,300 | 3,460 | 1,810 |
| Full term | 48,240 | 2,420 | 1,650 |

Note: Estimated earnings per share for fiscal 2004 (full term): ¥23.38

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, 2004 | As of December 31, 2003 | Change |
| Assets | | | |
| Fixed assets: | | | |
| Property, plant and equipment | ¥ 83,734,647 | ¥ 83,480,538 | ¥ 254,109 |
| Intangible assets | 1,084,658 | 989,959 | 94,699 |
| Investments and other assets | 10,541,969 | 9,570,639 | 971,330 |
| Total fixed assets | 95,361,275 | 94,041,137 | 1,320,138 |
| Current assets: | | | |
| Cash and bank deposits | 6,706,774 | 5,421,984 | 1,284,790 |
| Notes and accounts receivable | 5,020,716 | 4,935,357 | 85,359 |
| Inventories | 1,027,754 | 2,431,139 | (1,403,384) |
| Other current assets | 1,761,259 | 1,867,150 | (105,891) |
| Total current assets | 14,516,505 | 14,655,631 | (139,126) |
| Deferred assets | 1,024,722 | 1,050,168 | (25,445) |
| Total assets | ¥ 110,902,503 | ¥ 109,746,937 | ¥ 1,155,566 |
| Liabilities | | | |
| Long-term liabilities: | | | |
| Long-term debt | ¥ 46,554,017 | ¥ 47,752,446 | ¥ (1,198,429) |
| Accrued severance and retirement benefits | 3,495,810 | 3,454,805 | 41,004 |
| Other long-term liabilities | 1,139,346 | 876,656 | 262,689 |
| Total long-term liabilities | 51,189,173 | 52,083,908 | (894,734) |
| Current liabilities: | | | |
| Long-term liabilities due within one year | 12,417,239 | 12,514,484 | (97,245) |
| Accounts payable | 1,257,320 | 2,950,690 | (1,693,370) |
| Short-term debt | 2,895,000 | 2,015,000 | 880,000 |
| Other current liabilities | 9,183,034 | 8,774,932 | 408,102 |
| Total current liabilities | 25,752,593 | 26,255,106 | (502,512) |
| Allowances: | | | |
| Allowance for natural gas conversion | 896,188 | 914,088 | (17,900) |
| Total allowances | 896,188 | 914,088 | (17,900) |
| Total liabilities | 77,837,955 | 79,253,103 | (1,415,148) |
| Minority interest | 3,239,779 | 3,186,686 | 53,092 |
| Shareholders' equity | | | |
| Common stock | 4,183,647 | 4,183,647 | — |
| Capital surplus | 2,009,181 | 2,009,181 | — |
| Retained earnings | 20,546,003 | 18,661,939 | 1,884,064 |
| Unrealized gains on available-for-sale securities | 3,092,322 | 2,458,349 | 633,973 |
| Treasury stock | (6,385) | (5,970) | (415) |
| Total shareholders' equity | 29,824,769 | 27,307,147 | 2,517,621 |
| Total liabilities, minority interest and shareholders' equity | ¥ 110,902,503 | ¥ 109,746,937 | ¥ 1,155,566 |

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Income

| | Thousands of yen | |
|--|-------------------------------------|--|
| | 1st quarter ended March 31, 2004 | Previous year ended December 31, 2003 |
| Net sales | ¥ 17,422,940 | ¥ 58,625,242 |
| Cost of sales | 8,355,468 | 30,331,159 |
| Gross profit | 9,067,472 | 28,294,083 |
| Selling, general and administrative expenses | 4,958,552 | 21,281,874 |
| Operating income | 4,108,919 | 7,012,208 |
| Non-operating income | 75,220 | 371,513 |
| Non-operating expenses | 281,043 | 1,270,696 |
| Ordinary income | 3,903,097 | 6,113,025 |
| Extraordinary income | 58,312 | 1,059,397 |
| Extraordinary expenses | 22,299 | 95,347 |
| Income before income taxes | 3,939,110 | 7,077,075 |
| Income taxes | 1,505,214 | 2,541,516 |
| Minority interest in net income | 206,002 | 594,170 |
| Net income | ¥ 2,227,892 | ¥ 3,941,388 |

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Cash Flows

| | Thousands of yen | |
|---|-------------------------------------|--|
| | 1st quarter ended March 31, 2004 | Previous year ended December 31, 2003 |
| Cash flows from operating activities: | | |
| Income before income taxes | ¥ 3,939,110 | ¥ 7,077,075 |
| Depreciation | 2,209,623 | 9,500,318 |
| Amortization of deferred assets | 80,344 | 342,180 |
| Loss on disposal of property, plant and equipment | 56,266 | 329,311 |
| Increase (decrease) in accrued severance and retirement benefits | 41,004 | 364,538 |
| Decrease (increase) in notes and accounts receivable | (123,679) | (680,682) |
| Decrease (increase) in inventories | 1,403,384 | (805,470) |
| Increase (decrease) in notes and accounts payable | (1,586,304) | 789,355 |
| Income taxes paid | (1,919,376) | (2,000,678) |
| Other | 223,036 | (345,285) |
| Net cash provided by (used in) operating activities | 4,323,411 | 14,570,663 |
| Cash flows from investing activities: | | |
| Payments for purchase of fixed assets | (2,228,878) | (11,249,654) |
| Proceeds from sale of fixed assets | 23,911 | 1,006,972 |
| Payments for purchase of investment securities | (1,080) | (843,004) |
| Payments for purchase of deferred assets | (54,899) | (1,026,233) |
| Other | 83,293 | 469,898 |
| Net cash provided by (used in) investing activities | (2,177,653) | (11,642,022) |
| Cash flows from financing activities: | | |
| Increase (decrease) in short-term debt – net | 880,000 | 651,000 |
| Increase (decrease) in long-term debt – net | (1,295,674) | (3,949,525) |
| Cash dividends paid | (434,029) | (560,701) |
| Other | (415) | (1,333) |
| Net cash provided by (used in) financing activities | (850,119) | (3,860,560) |
| Net increase (decrease) in cash and cash equivalents | 1,295,638 | (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 term | ¥ 6,616,929 | ¥ 5,321,290 |

Note: Amounts under one thousand yen are omitted.