

Flash Report for the Term Ended December 31, 2003 (on a consolidated basis)

February 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

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

US GAAP: not adopted

1. Business Results (January 1 to December 31, 2003)

(1) Operating Results

(amounts less than ¥1 million are rounded down to the nearest million; YoY % change)

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting term	¥58,625	5.5%	¥7,012	8.8%	¥6,113	12.0%
Previous term	55,567	1.5	6,444	10.1	5,459	14.0

	Net income (¥ million)		Earnings per share (¥)	Return on equity (ROE) (%)	Ordinary income/ Total assets (%)	Ordinary income/ Sales (%)
Reporting term	¥3,941	39.3%	¥54.90	15.7%	5.7%	10.4%
Previous term	2,828	41.1	40.01	12.8	5.2	9.8

(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 term (consolidated)

Reporting term: 70,677,822

Previous term: 70,686,843

4. Changes in accounting standards: none

(2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Equity ratio (%)	Shareholders' equity per share (¥)
Reporting term	¥109,746	¥27,307	24.9%	¥385.50
Previous term	105,212	22,910	21.8	324.15

(Note) Number of shares issued and outstanding at term end

Reporting term: 70,675,570

Previous term: 70,679,210

(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 term	¥14,570	¥(11,642)	¥(3,860)	¥5,321
Previous term	14,247	(10,447)	(3,091)	6,253

(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)
First half period	¥31,500	¥5,090	¥2,550
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 Balance Sheets

As of December 31	Thousands of yen		
	2003	2002	Change
Assets			
Fixed assets:			
<i>Property, plant and equipment –</i>			
Production facilities	¥ 29,505,860	¥ 32,206,716	¥ (2,700,856)
Distribution facilities	28,570,508	26,544,934	2,025,574
Service and maintenance facilities	4,534,890	4,146,873	388,016
Other related business facilities	6,951,766	7,143,181	(191,414)
Construction in progress	13,917,512	12,066,353	1,851,159
Total property, plant and equipment	83,480,538	82,108,059	1,372,479
<i>Intangible assets</i>	989,959	1,022,567	(32,607)
<i>Investments and other assets –</i>			
Investment securities	7,142,134	5,027,535	2,114,598
Long-term loans	1,175,438	1,231,355	(55,917)
Deferred tax assets	559,971	594,245	(34,274)
Other investments	1,005,817	290,888	714,928
Allowance for doubtful accounts	(312,721)	(6,795)	(305,926)
Total investments and other assets	9,570,639	7,137,230	2,433,408
Total fixed assets	94,041,137	90,267,857	3,773,280
Current assets:			
Cash and bank deposits	5,421,984	6,405,906	(983,922)
Notes and accounts receivable	4,935,357	4,561,191	374,165
Inventories	2,431,139	1,625,669	805,470
Deferred tax assets	500,196	429,805	70,390
Other current assets	1,458,083	1,918,965	(460,881)
Allowance for doubtful accounts	(91,129)	(362,886)	271,756
Total current assets	14,655,631	14,578,651	76,979
Deferred assets:			
Development costs	1,050,168	366,115	684,052
Total deferred assets	1,050,168	366,115	684,052
Total assets	¥109,746,937	¥105,212,624	¥ 4,534,313

Note: Amounts under one thousand yen are omitted.

As of December 31	Thousands of yen		
	2003	2002	Change
Liabilities			
Long-term liabilities:			
Long-term debt	¥ 47,752,446	¥ 51,256,740	¥ (3,504,294)
Deferred tax liabilities	274,055	52,881	221,174
Accrued severance and retirement benefits	3,454,805	3,090,267	364,538
Reserve for directors' retirement benefits	442,417	401,422	40,995
Reserve for repair of gasholders	122,794	168,540	(45,746)
Consolidation goodwill	3,062	6,124	(3,062)
Other long-term liabilities	34,326	23,453	10,873
Total long-term liabilities	52,083,908	54,999,428	(2,915,520)
Current liabilities:			
Long-term liabilities due within one year	12,514,484	12,959,935	(445,451)
Accounts payable	2,950,690	2,091,787	858,902
Short-term debt	2,015,000	1,364,000	651,000
Other accounts payable	4,313,807	3,952,525	361,281
Income taxes payable	2,176,308	1,288,648	887,659
Allowance for bonuses	475,315	459,433	15,881
Other current liabilities	1,809,501	1,482,176	327,325
Total current liabilities	26,255,106	23,598,506	2,656,600
Allowances:			
Allowance for natural gas conversion	914,088	971,156	(57,068)
Total allowances	914,088	971,156	(57,068)
Total liabilities	79,253,103	79,569,092	(315,988)
Minority interest	3,186,686	2,732,570	454,116
Shareholders' equity			
Common stock	—	4,183,647	(4,183,647)
Additional paid-in capital	—	2,009,181	(2,009,181)
Retained earnings	—	15,202,247	(15,202,247)
Unrealized gains on available-for-sale securities	—	1,520,521	(1,520,521)
Total	—	22,915,598	(22,915,598)
Treasury stock	—	(4,636)	4,636
Total shareholders' equity	—	22,910,961	(22,910,961)
Common stock	4,183,647	—	4,183,647
Capital surplus	2,009,181	—	2,009,181
Retained earnings	18,661,939	—	18,661,939
Unrealized gains on available-for-sale securities	2,458,349	—	2,458,349
Treasury stock	(5,970)	—	(5,970)
Total shareholders' equity	27,307,147	—	27,307,147
Total liabilities, minority interest and shareholders' equity	¥109,746,937	¥105,212,624	¥ 4,534,313

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Income

Years ended December 31	Thousands of yen		
	2003	2002	Change
Net sales	¥ 58,625,242	¥ 55,567,908	¥ 3,057,334
Cost of sales	30,331,159	27,567,559	2,763,600
Gross profit	28,294,083	28,000,349	293,733
Selling, general and administrative expenses	21,281,874	21,555,794	(273,920)
Operating income	7,012,208	6,444,554	567,654
Nonoperating income:			
Interest income	24,890	29,762	(4,872)
Dividend income	53,885	68,957	(15,072)
Amortization of consolidation goodwill	3,062	3,062	—
Compensation for rerouting of pipelines	57,506	—	57,506
Other nonoperating income	232,168	254,348	(22,179)
Total nonoperating income	371,513	356,131	15,382
Nonoperating expenses:			
Interest expenses	1,182,621	1,307,368	(124,747)
Other nonoperating expenses	88,074	33,727	54,347
Total nonoperating expenses	1,270,696	1,341,096	(70,400)
Ordinary income	6,113,025	5,459,589	653,436
Extraordinary income:			
Gain on sale of fixed assets	878,027	222,214	655,813
Gain on leveraged lease financing	16,526	9,322	7,203
Gain on sale of investment securities	231	347,692	(347,461)
Reversal of allowance for natural gas conversion	146,079	191,408	(45,329)
Compensation for cancellation of contracts	—	89,824	(89,824)
Reversal of reserve for repair of gasholders	18,533	—	18,533
Total extraordinary income	1,059,397	860,462	198,934
Extraordinary expenses:			
Loss on sale of fixed assets	4,602	—	4,602
Provision for allowance for natural gas conversion	89,011	279,909	(190,897)
Loss on valuation of investment securities	1,734	434,439	(432,705)
Provision for allowance for doubtful accounts	—	6,795	(6,795)
Loss on sale of investment securities	—	234,447	(234,447)
Total extraordinary expenses	95,347	955,591	(860,243)
Income before income taxes	7,077,075	5,364,460	1,712,615
Income taxes – current	2,867,700	2,014,110	853,590
Income taxes – deferred	(326,183)	10,882	(337,066)
Minority interest in net income	594,170	511,016	83,154
Net income	¥ 3,941,388	¥ 2,828,451	¥ 1,112,937

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Retained Earnings

Years ended December 31	Thousands of yen		
	2003	2002	Change
Balance at beginning of year	—	¥ 12,886,757	¥ (12,886,757)
Decrease:			
Cash dividends	—	459,475	(459,475)
Bonuses to directors	—	53,485	(53,485)
<i>of which, bonuses to corporate auditors</i>	—	4,288	(4,288)
Total	—	512,961	(512,961)
Net income	—	2,828,451	(2,828,451)
Balance at end of year	—	¥ 15,202,247	¥ (15,202,247)

Capital surplus

Balance at beginning of year	¥ 2,009,181	—	¥ 2,009,181
Balance at end of year	¥ 2,009,181	—	¥ 2,009,181

Retained earnings

Balance at beginning of year	¥ 15,202,247	—	¥ 15,202,247
Increase:			
Net income	3,941,388	—	3,941,388
Decrease:			
Cash dividends	424,072	—	424,072
Bonuses to directors	57,625	—	57,625
Total	481,697	—	481,697
Balance at end of year	¥ 18,661,939	—	¥ 18,661,939

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Cash Flows

Years ended December 31	Thousands of yen		
	2003	2002	Change
Cash flows from operating activities:			
Income before income taxes	¥ 7,077,075	¥ 5,364,460	¥ 1,712,615
Depreciation	9,500,318	9,300,449	199,869
Amortization of long-term prepaid expenses	16,937	20,140	(3,202)
Amortization of deferred assets	342,180	149,484	192,696
Loss on disposal of property, plant and equipment	329,311	846,454	(517,142)
Amortization of consolidation goodwill	(3,062)	(3,062)	—
Loss on valuation of investment securities	1,734	434,439	(432,705)
Increase (decrease) in allowance for doubtful accounts	34,169	33,621	548
Increase (decrease) in accrued severance and retirement benefits	364,538	43,233	321,304
Increase (decrease) in reserve for directors' retirement benefits	40,995	28,878	12,117
Increase (decrease) in reserve for repair of gasholders	(45,746)	(25,437)	(20,309)
Increase (decrease) in allowance for bonuses	15,881	(17,569)	33,451
Increase (decrease) in allowance for natural gas conversion	(57,068)	88,500	(145,568)
Interest and dividend income	(78,776)	(98,720)	19,944
Interest expenses	1,182,621	1,307,368	(124,747)
Loss (gain) on sale of property, plant and equipment	(873,425)	(222,214)	(651,210)
Loss (gain) on sale of investment securities	(231)	(113,245)	113,013
Decrease (increase) in notes and accounts receivable	(680,682)	(7,398)	(673,284)
Decrease (increase) in inventories	(805,470)	823,157	(1,628,627)
Increase (decrease) in notes and accounts payable	789,355	(227,755)	1,017,110
Increase (decrease) in consumption taxes payable	(233,765)	976,605	(1,210,370)
Directors' bonuses paid	(61,420)	(57,930)	(3,490)
Other	840,311	(890,851)	1,731,162
Sub-total	17,695,783	17,752,610	(56,826)
Interest and dividend received	82,847	101,451	(18,604)
Interest expenses paid	(1,207,289)	(1,332,501)	125,212
Income taxes paid	(2,000,678)	(2,274,153)	273,475
Net cash provided by (used in) operating activities	14,570,663	14,247,406	323,256

Years ended December 31	Thousands of yen		
	2003	2002	Change
Cash flows from investing activities:			
Increase in time deposits	¥ (285,244)	¥ (321,286)	¥ 36,042
Withdrawal of time deposits	337,247	364,210	(26,963)
Payments for purchase of fixed assets	(11,249,654)	(11,934,972)	685,318
Proceeds from sale of fixed assets	1,006,972	263,763	743,208
Payments for purchase of investment securities	(843,004)	(68,542)	(774,461)
Proceeds from sale of investment securities	47,558	877,910	(830,351)
Provision of loans	(122,000)	(94,300)	(27,700)
Collection of loan repayments	177,917	141,094	36,823
Payments for purchase of deferred assets	(1,026,233)	(334,979)	(691,254)
Receipt of beneficiaries' portion of installation costs	499,484	576,617	(77,132)
Other	(185,065)	82,781	(267,847)
Net cash provided by (used in) investing activities	(11,642,022)	(10,447,703)	(1,194,318)
Cash flows from financing activities:			
Increase (decrease) in short-term debt – net	651,000	740,000	(89,000)
Proceeds from long-term debt	9,334,420	10,070,000	(735,580)
Repayments of long-term debt	(13,283,945)	(13,305,500)	21,555
Cash dividends paid	(423,273)	(458,246)	34,973
Cash dividends paid for minority shareholders	(137,428)	(134,291)	(3,137)
Other	(1,333)	(3,622)	2,289
Net cash provided by (used in) financing activities	(3,860,560)	(3,091,660)	(768,899)
Net increase (decrease) in cash and cash equivalents	(931,919)	708,041	(1,639,961)
Cash and cash equivalents at beginning of year	6,253,209	5,545,167	708,041
Cash and cash equivalents at end of year	¥ 5,321,290	¥ 6,253,209	¥ (931,919)

Note: Amounts under one thousand yen are omitted.