

Flash Report for the First Three Quarters of 2007

November 8, 2007

Name: Shizuoka Gas Co., Ltd. Stock Exchange: TSE (1st section)
 Code Number: 9543 URL: <http://www.shizuokagas.co.jp>
 Representative: Seigo Iwasaki, President
 Inquiries: Koji Iida, Accounting Manager, Corporate Service Dept.
 Tel: +81-54-284-7990

1. Business Results for the First Three Quarters (January 1 to September 30, 2007)

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

(1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first three quarters	¥68,018	18.6%	¥5,032	(31.7)%	¥4,745	(32.4)%
Previous first three quarters	57,363	15.3	7,363	29.2	7,022	36.5
Previous full term (Jan. 1 to Dec. 31, 2006)	77,808		7,885		7,432	

	Net income (¥ million)		Earnings per share (¥)
Reporting first three quarters	¥2,854	(34.5)%	¥37.48
Previous first three quarters	4,356	64.0	57.20
Previous full term	4,359		57.25

(Note) Equity-method investment: not applicable

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting first three quarters	¥111,497	¥50,824	40.9%	¥599.09
Previous first three quarters	113,274	48,952	39.2	583.72
Previous full term	114,755	49,104	38.5	580.90

(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 first three quarters	¥5,789	¥(11,240)	¥ (556)	¥2,013
Previous first three quarters	8,583	(9,096)	(3,025)	5,034
Previous full term	15,025	(10,725)	(4,851)	8,021

2. Dividend Payment

	Annual dividend per share (¥)		
	Interim	Term-end	Total
Fiscal 2006	¥3.50	¥4.00	¥7.50
Fiscal 2007	4.00	—	8.00
Fiscal 2007 (forecast)	—	4.00	

3. Business Forecasts for Current Term (January 1 to December 31, 2007)

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

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)		Earnings per share (¥)
Full term	¥93,880	20.7%	¥4,130	(47.6)%	¥3,710	(50.1)%	¥1,940	(55.5)%	¥25.47

4. Others

- (1) Changes in scope of consolidation: None
- (2) Simplified accounting method: Applied
- (3) Changes in accounting methods since the latest consolidated fiscal year: None

Note: For further details, please refer to "4 Other information" on P3.

(For Reference)

1. Non-consolidated Business Performance (January 1 to September 30, 2007)

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

(1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first three quarters	¥56,969	21.5%	¥2,786	(48.0)%	¥2,874	(47.2)%
Previous first three quarters	46,900	21.0	5,358	130.2	5,444	103.9
Previous full term (Jan. 1 to Dec. 31, 2006)	63,813		4,115		4,195	

	Net income (¥ million)		Earnings per share (¥)
Reporting first three quarters	¥1,900	(46.3)%	¥24.95
Previous first three quarters	3,538	104.5	46.46
Previous full term	2,753		36.15

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting first three quarters	¥87,438	¥34,694	39.7%	¥455.61
Previous first three quarters	87,793	35,270	40.2	463.17
Previous full term	88,151	34,264	38.9	449.96

2. Non-consolidated Business Forecast for Current Term (January 1 to December 31, 2007)

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

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)		Earnings per share (¥)
Full term	¥78,520	23.0%	¥930	(77.4)%	¥940	(77.6)%	¥550	(80.0)%	¥7.22

Disclaimer: 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.

Summary of business performance and financial position

1. Report on business performance for the first three quarters of fiscal 2007

Total sales on a consolidated basis reached ¥68,018 million, an increase of 18.6% over the corresponding period of the previous year. Sales of the Gas segment for the reporting three quarters came to ¥54,634 million, up 23.8%. Gas sales volume increased 30.8% year-on-year. Sales to industrial users and wholesalers were favorable as expected, which more than offset a decline in gas sales for household use, owing to comparatively warm weather this year. Sales of LPG and other energy services and Other businesses were also steady.

In line with a rise in the cost of sales due to higher prices for our feedstock, operating expenses increased. As a result, operating income fell 31.7% to ¥5,032 million, ordinary income declined 32.4% to ¥4,745 million, and net income decreased 34.5% to ¥2,854 million.

2. Report on changes in financial position during the first three quarters

Total assets at the end of the reporting period stood at ¥111,497 million, down ¥3,258 million from the end of the previous term. This change is mainly attributable to declines in the unrealized gains on equity holdings and cash and bank deposits, which offset an increase in property, plant and equipment resulting from capital expenditures.

Net assets at the end of the reporting period increased to ¥50,824 million, primarily due to the posting of a net income for the reporting nine-month period, and the equity ratio became 40.9%.

3. Business performance forecasts for the year ending December 31, 2007

The above forecasts remain unchanged from the forecasts for fiscal 2007 business performance issued on August 10 of this year.

4. Other information

- (1) No changes have been made in the scope of consolidation.
- (2) 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.
- (3) The same accounting standards have been applied to the reporting statements as applied to the previous consolidated financial statements.

Consolidated Balance Sheets

	Thousands of yen			
	September 30, 2007	December 31, 2006	Change	September 30, 2006
Assets				
Noncurrent assets:				
Property, plant and equipment	¥ 77,407,470	¥ 76,027,804	¥ 1,379,665	¥ 76,455,294
Intangible assets	1,758,779	1,317,382	441,397	1,087,777
Investments and other assets	14,711,039	15,860,749	(1,149,709)	16,356,812
Total noncurrent assets	93,877,289	93,205,936	671,353	93,899,883
Current assets:				
Cash and bank deposits	2,052,691	8,075,544	(6,022,852)	5,073,589
Notes and accounts receivable	7,306,504	6,830,759	475,744	5,973,303
Inventories	4,910,710	3,852,147	1,058,563	4,646,620
Other current assets	3,038,204	2,225,446	812,758	3,013,522
Total current assets	17,308,111	20,983,897	(3,675,785)	18,707,036
Deferred assets	311,866	565,791	(253,925)	667,186
Total assets	¥ 111,497,267	¥ 114,755,624	¥ (3,258,357)	¥ 113,274,106
Liabilities				
Long-term liabilities:				
Long-term debt	¥ 34,394,658	¥ 36,827,499	¥ (2,432,841)	¥ 38,403,664
Accrued severance and retirement benefits	3,513,229	3,656,183	(142,953)	3,554,254
Other long-term liabilities	1,799,264	2,337,401	(538,136)	2,483,265
Total long-term liabilities	39,707,152	42,821,083	(3,113,931)	44,441,184
Current liabilities:				
Long-term liabilities due within one year	9,809,047	10,910,307	(1,101,260)	11,158,399
Accounts payable	2,835,835	4,687,078	(1,851,243)	2,288,297
Short-term debt	3,883,361	290,000	3,593,361	290,000
Other current liabilities	4,194,410	6,514,141	(2,319,731)	5,664,806
Total current liabilities	20,722,654	22,401,527	(1,678,872)	19,401,502
Allowances:				
Allowance for natural gas conversion	243,226	428,436	(185,210)	479,138
Total allowances	243,226	428,436	(185,210)	479,138
Total liabilities	60,673,033	65,651,047	(4,978,014)	64,321,825
Net assets				
Shareholders' equity:				
Common stock	¥ 6,279,147	¥ 6,279,147	¥ —	¥ 6,279,147
Capital surplus	4,098,961	4,098,961	—	4,098,961
Retained earnings	30,452,941	28,207,335	2,245,606	28,203,870
Treasury stock	(23,105)	(22,344)	(760)	(21,210)
Total shareholders' equity	40,807,945	38,563,099	2,244,846	38,560,769
Gains and losses on valuation or translation:				
Unrealized gains on available-for-sale securities	4,647,333	5,379,189	(731,855)	5,550,737
Gains and losses on deferred hedge accounting	165,057	293,336	(128,279)	339,315
Total gains and losses on valuation or translation	4,812,391	5,672,526	(860,134)	5,890,053
Minority interest	5,203,897	4,868,951	334,945	4,501,457
Total net assets	50,824,234	49,104,577	1,719,657	48,952,280
Total liabilities and net assets	¥ 111,497,267	¥ 114,755,624	¥ (3,258,357)	¥ 113,274,106

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Income

	Thousands of yen			
	Three quarters ended September 30, 2007	Three quarters ended September 30, 2006	Change	Previous year ended December 31, 2006
Net sales	¥ 68,018,428	¥ 57,363,922	¥ 10,654,505	¥ 77,808,266
Cost of sales	46,093,353	33,813,644	12,279,708	48,134,599
Gross profit	21,925,074	23,550,277	(1,625,202)	29,673,666
Selling, general and administrative expenses	16,892,322	16,186,904	705,417	21,788,527
Operating income	5,032,752	7,363,372	(2,330,620)	7,885,139
Non-operating income	392,548	300,560	91,988	418,319
Non-operating expenses	680,275	640,938	39,336	871,139
Ordinary income	4,745,026	7,022,995	(2,277,969)	7,432,319
Extraordinary income	258,566	205,232	53,333	310,886
Income before income taxes	5,003,592	7,228,228	(2,224,635)	7,743,205
Income taxes*	1,810,652	2,593,535	(782,882)	2,738,425
Minority interest in net income	338,140	278,301	59,838	644,924
Net income	¥ 2,854,799	¥ 4,356,390	¥ (1,501,591)	¥ 4,359,855

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		
	Three quarters ended September 30, 2007	Three quarters ended September 30, 2006	Previous year ended December 31, 2006
Cash flows from operating activities:			
Income before income taxes	¥ 5,003,592	¥ 7,228,228	¥ 7,743,205
Depreciation	7,802,425	7,809,110	10,556,241
Amortization of deferred assets	253,925	304,174	405,569
Loss on disposal of property, plant and equipment	147,456	124,121	162,347
Increase (decrease) in accrued severance and retirement benefits	(142,953)	(112,048)	(10,119)
Decrease (increase) in notes and accounts receivable	(461,691)	(485,998)	(1,309,663)
Decrease (increase) in inventories	(1,055,847)	(3,541,389)	(2,745,268)
Increase (decrease) in notes and accounts payable	(1,924,159)	360,901	2,821,111
Increase (decrease) in consumption taxes payable	160,109	(640,268)	(721,857)
Income taxes paid	(3,012,385)	(2,074,220)	(2,069,386)
Other	(980,775)	(388,825)	193,587
Net cash provided by (used in) operating activities	5,789,695	8,583,784	15,025,768
Cash flows from investing activities:			
Payments for purchase of noncurrent assets	(11,041,620)	(7,891,106)	(9,867,880)
Proceeds from sale of noncurrent assets	54,704	36,917	51,120
Decrease (increase) in loans receivable-net	(481,579)	(1,585,311)	(1,355,909)
Other	227,575	343,472	447,374
Net cash provided by (used in) investing activities	(11,240,919)	(9,096,027)	(10,725,295)
Cash flows from financing activities:			
Increase (decrease) in short-term debt – net	3,593,361	(120,000)	(120,000)
Increase (decrease) in long-term debt – net	(3,534,101)	(2,363,227)	(4,187,484)
Cash dividends paid	(615,150)	(537,589)	(537,959)
Other	(760)	(5,131)	(6,266)
Net cash provided by (used in) financing activities	(556,649)	(3,025,948)	(4,851,709)
Net increase (decrease) in cash and cash equivalents	(6,007,874)	(3,538,191)	(551,236)
Cash and cash equivalents at beginning of term	8,021,091	8,572,327	8,572,327
Cash and cash equivalents at end of term	¥ 2,013,217	¥ 5,034,136	¥ 8,021,091

Note: Amounts under one thousand yen are omitted.

Segment Information

(1) Segment information by business category

(Amounts under one thousand yen are omitted.)

First three quarters ended September 30, 2007

Thousands of yen

	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales	54,634,274	8,601,206	12,536,744	75,772,225	(7,753,797)	68,018,428
Costs and expenses	47,875,407	8,378,453	12,443,555	68,697,416	(5,711,741)	62,985,675
Operating income	6,758,866	222,753	93,189	7,074,809	(2,042,056)	5,032,752

First three quarters ended September 30, 2006

Thousands of yen

	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales	44,114,064	8,107,758	11,186,672	63,408,494	(6,044,572)	57,363,922
Costs and expenses	35,270,370	7,935,865	10,736,246	53,942,481	(3,941,931)	50,000,549
Operating income	8,843,694	171,893	450,425	9,466,013	(2,102,640)	7,363,372

Previous year ended December 31, 2006

Thousands of yen

	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales	59,928,944	10,919,025	16,128,745	86,976,714	(9,168,448)	77,808,266
Costs and expenses	49,893,445	10,801,488	15,449,012	76,143,946	(6,220,819)	69,923,127
Operating income	10,035,498	117,536	679,732	10,832,768	(2,947,628)	7,885,139

(2) Segment information by location

Not applicable due to absence of overseas consolidated subsidiaries or branches.

(3) Overseas sales

Not applicable