

Flash Report for the First Quarter of 2007 (on a consolidated basis)

May 9, 2007

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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) Please note that the new Corporation Law went into effect in May of 2006. Under this law, changes have been made to the methods of presentation in the financial statements, including the balance sheet and income statement.
- 3) No changes have been made in the scope of consolidation and application of equity-method accounting.

2. Business Results for the First Quarter (January 1 to March 31, 2007)

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

(1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting 1st quarter	¥23,784	15.1%	¥2,681	(28.7)%	¥2,535	(29.5)%
Previous 1st quarter	20,656	6.8	3,758	9.0	3,595	10.9
Previous full term (Jan. 1 to Dec. 31, 2006)	77,808		7,885		7,432	

	Net income (¥ million)		Earnings per share (¥)	Diluted earnings per share (¥)
Reporting 1st quarter	¥1,697	(19.3)%	¥22.29	—
Previous 1st quarter	2,104	17.8	27.63	—
Previous full term	4,359		57.25	—

Report of business performance for the first quarter of fiscal 2007

Total sales for the quarter, on a consolidated basis, rose 15.1% year-on-year to ¥23,784 million. As a result of an increase in gas sales volume, sales of Gas for the quarter amounted to ¥19,079 million, sales of LPG (liquefied petroleum gas) and other energy services came to ¥3,090 million, while revenue from Other businesses came to ¥4,383 million (all figures include inter-segment transactions).

Turning to expenses, the cost of sales increased due to a rise in the cost of raw materials accompanying the surge in prices, and as well as a decrease of return from the natural gas joint converting team. Consequently, operating income decreased 28.7% to ¥2,681 million, ordinary income fell 29.5% to ¥2,535 million, and net income fell 19.3% to ¥1,697 million.

As the gas supply business, which is heavily impacted by seasonal fluctuations, accounts for a large proportion of our group's total operations, sales in winter are disproportionately high compared with annual total sales.

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
Reporting 1st quarter	¥113,582	¥50,457	40.2%	¥599.28
Previous 1st quarter	111,092	42,463 ^{*1}	38.2	557.60 ^{*2}
Previous full term	114,755	49,104	38.5	580.90

*1 Shareholders' equity

*2 Shareholders' equity per share

Report of changes in financial position during the first quarter

Total assets amounted to ¥113,582 million at the end of the first quarter, down ¥1,172 million from the end of the previous term. This decline is mainly attributable to a ¥1,185 million decrease in inventories of LNG (liquefied natural gas), and a decline of ¥2,694 million in cash and bank deposits as a result of payment for purchasing LNG, which was more than offset by a ¥1,058 million increase in property, plant and equipment.

Net assets amounted to ¥50,457 million, with an equity ratio (the ratio of owners' equity to total assets) of 40.2%.

(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	¥ 2,174	¥ (5,967)	¥ 1,113	¥5,341
Previous 1st quarter	3,363	(4,175)	(2,632)	5,127
Previous full term	15,025	(10,725)	(4,851)	8,021

For Reference: Amounts on a non-consolidated basis

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)	
Reporting 1st quarter	¥19,912	18.8%	¥2,522	4.2%	¥2,576	4.0%	¥1,691	5.4%
Previous 1st quarter	16,766	15.0	2,421	21.2	2,477	2.7	1,605	2.7
Previous full term	63,813		4,115		4,195		2,753	

	Total assets (¥ million)	Net Assets (¥ million)
Reporting 1st quarter	¥90,164	¥35,656
Previous 1st quarter	83,432	33,595
Previous full term	88,151	34,264

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

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
First-half period	¥46,190	¥4,360	¥2,470
Full term	93,190	4,740	2,530

Notes:

1. Estimated earnings per share for fiscal 2007 (full term): ¥33.22
2. As shown above, the Company has revised the forecasts of business performance for fiscal 2007 (from January 1 to December 31, 2007) which we announced on February 14, 2007, together with our account settlement for fiscal 2006. For further details, please refer to the Revised Forecasts of Business Performance for Fiscal 2007, issued on May 9.

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

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
First-half period	¥38,520	¥2,500	¥1,550
Full term	78,110	1,440	860

Note: Estimated earnings per share for fiscal 2007 (full term): ¥11.29

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			
	March 31, 2007	December 31, 2006	Change	March 31, 2006
Assets				
Noncurrent assets:				
Property, plant and equipment	¥ 77,085,956	¥ 76,027,804	¥ 1,058,151	¥ 77,081,138
Intangible assets	1,502,143	1,317,382	184,761	986,637
Investments and other assets	16,137,029	15,860,749	276,279	16,546,190
Total noncurrent assets	94,725,129	93,205,936	1,519,193	94,613,966
Current assets:				
Cash and bank deposits	5,381,232	8,075,544	(2,694,311)	5,176,972
Notes and accounts receivable	7,382,116	6,830,759	551,357	6,047,006
Inventories	2,666,525	3,852,147	(1,185,621)	2,213,198
Other current assets	2,946,845	2,225,446	721,399	2,171,357
Total current assets	18,376,721	20,983,897	(2,607,176)	15,608,534
Deferred assets	481,148	565,791	(84,643)	869,969
Total assets	¥ 113,582,999	¥ 114,755,624	¥ (1,172,625)	¥ 111,092,470
Liabilities				
Long-term liabilities:				
Long-term debt	¥ 38,694,809	¥ 36,827,499	¥ 1,867,310	¥ 36,277,553
Accrued severance and retirement benefits	3,744,612	3,656,183	88,428	3,702,252
Other long-term liabilities	2,266,271	2,337,401	(71,130)	2,977,662
Total long-term liabilities	44,705,692	42,821,083	1,884,608	42,957,468
Current liabilities:				
Long-term liabilities due within one year	10,541,733	10,910,307	(368,574)	11,709,126
Accounts payable	2,440,804	4,687,078	(2,246,274)	2,073,226
Short-term debt	215,000	290,000	(75,000)	1,990,000
Other current liabilities	4,855,275	6,514,141	(1,658,866)	4,867,944
Total current liabilities	18,052,813	22,401,527	(4,348,714)	20,640,297
Allowances:				
Allowance for natural gas conversion	366,702	428,436	(61,734)	580,527
Total allowances	366,702	428,436	(61,734)	580,527
Total liabilities	63,125,207	65,651,047	(2,525,840)	64,178,292
Minority interest	—	—	—	4,450,656
Shareholders' equity				
Common stock	—	—	—	6,279,147
Capital surplus	—	—	—	4,098,961
Retained earnings	—	—	—	26,218,677
Unrealized gains on available-for-sale securities	—	—	—	5,885,145
Treasury stock	—	—	—	(18,410)
Total shareholders' equity	—	—	—	42,463,521
Total liabilities, minority interest and shareholders' equity	¥ —	¥ —	¥ —	¥ 111,092,470

Note: Amounts under one thousand yen are omitted.

	Thousands of yen			
	March 31, 2007	December 31, 2006	Change	March 31, 2006
Net assets				
Shareholders' equity:				
Common stock	¥ 6,279,147	¥ 6,279,147	¥ —	¥ —
Capital surplus	4,098,961	4,098,961	—	—
Retained earnings	29,600,411	28,207,335	1,393,076	—
Treasury stock	(22,574)	(22,344)	(229)	—
Total shareholders' equity	39,955,945	38,563,099	1,392,846	—
Gains and losses on valuation or translation:				
Unrealized gains on available-for-sale securities	5,421,729	5,379,189	42,539	—
Gains and losses on deferred hedge accounting	257,308	293,336	(36,028)	—
Total gains and losses on valuation or translation	5,679,037	5,672,526	6,511	—
Minority interest	4,822,807	4,868,951	(46,143)	—
Total net assets	50,457,791	49,104,577	1,353,214	—
Total liabilities and net assets	¥ 113,582,999	¥ 114,755,624	¥ (1,172,625)	¥ —

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Income

	Thousands of yen			
	1st quarter ended March 31, 2007	1st quarter ended March 31, 2006	Change	Previous year ended December 31, 2006
Net sales	¥ 23,784,314	¥ 20,656,897	¥ 3,127,417	¥ 77,808,266
Cost of sales	15,426,898	11,503,840	3,923,058	48,134,599
Gross profit	8,357,416	9,153,057	(795,641)	29,673,666
Selling, general and administrative expenses	5,676,086	5,394,824	281,262	21,788,527
Operating income	2,681,329	3,758,233	(1,076,903)	7,885,139
Non-operating income	76,545	58,127	18,417	418,319
Non-operating expenses	222,401	220,873	1,527	871,139
Ordinary income	2,535,473	3,595,487	(1,060,014)	7,432,319
Extraordinary income	101,601	67,876	33,724	310,886
Income before income taxes	2,637,074	3,663,364	(1,026,289)	7,743,205
Income taxes*	980,241	1,331,873	(351,631)	2,738,425
Minority interest in net income	(40,841)	226,822	(267,663)	644,924
Net income	¥ 1,697,674	¥ 2,104,668	¥ (406,993)	¥ 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 Changes in Shareholders' Equity

First quarter ended March 31, 2007

Thousands of yen

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earning	Treasury stock	
Balance at Dec. 31, 2006	6,279,147	4,098,961	28,207,335	(22,344)	38,563,099
Changes during the reporting term:					
Distribution of retained earnings			(304,598)		(304,598)
Net income			1,697,674		1,697,674
Acquisition of own shares				(229)	(229)
Changes in items outside the scope of shareholders' equity, net					
Total changes during the reporting term	—	—	1,393,076	(229)	1,392,846
Balance at Mar. 31, 2007	6,279,147	4,098,961	29,600,411	(22,574)	39,955,945

	Gains and losses on valuation or translation			Minority interest	Total net assets
	Unrealized gains on available-for-sale securities	Gains and losses on deferred hedge accounting	Total gains and losses on valuation or translation		
Balance at Dec. 31, 2006	5,379,189	293,336	5,672,526	4,868,951	49,104,577
Changes during the reporting term:					
Distribution of retained earnings					(304,598)
Net income					1,697,674
Acquisition of own shares					(229)
Changes in items outside the scope of shareholders' equity, net	42,539	(36,028)	6,511	(46,143)	(39,632)
Total changes during the reporting term	42,539	(36,028)	6,511	(46,143)	1,353,214
Balance at Mar. 31, 2007	5,421,729	257,308	5,679,037	4,822,807	50,457,791

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Cash Flows

	Thousands of yen		
	1st quarter ended March 31, 2007	1st quarter ended March 31, 2006	Previous year ended December 31, 2006
Cash flows from operating activities:			
Income before income taxes	¥ 2,637,074	¥ 3,663,364	¥ 7,743,205
Depreciation	2,549,746	2,534,157	10,556,241
Amortization of deferred assets	84,643	101,391	405,569
Loss on disposal of property, plant and equipment	71,489	22,266	162,347
Increase (decrease) in accrued severance and retirement benefits	88,428	35,949	(10,119)
Decrease (increase) in notes and accounts receivable	(553,229)	(611,886)	(1,309,663)
Decrease (increase) in inventories	1,186,140	(1,110,501)	(2,745,268)
Increase (decrease) in notes and accounts payable	(2,262,805)	204,292	2,821,111
Increase (decrease) in consumption taxes payable	274,626	(431,945)	(721,857)
Income taxes paid	(1,642,229)	(919,558)	(2,069,386)
Other	(259,550)	(124,355)	193,587
Net cash provided by (used in) operating activities	2,174,334	3,363,173	15,025,768
Cash flows from investing activities:			
Payments for purchase of noncurrent assets	(4,937,351)	(3,179,655)	(9,867,880)
Proceeds from sale of noncurrent assets	19,090	4,824	51,120
Decrease (Increase) in short-term loan – net	(1,148,580)	(1,148,169)	(1,355,909)
Other	99,595	147,793	447,374
Net cash provided by (used in) investing activities	(5,967,246)	(4,175,207)	(10,725,295)
Cash flows from financing activities:			
Increase (decrease) in short-term debt – net	(75,000)	1,580,000	(120,000)
Increase (decrease) in long-term debt – net	1,498,736	(3,938,611)	(4,187,484)
Cash dividends paid	(309,914)	(271,831)	(537,959)
Other	(229)	(2,331)	(6,266)
Net cash provided by (used in) financing activities	1,113,592	(2,632,774)	(4,851,709)
Net increase (decrease) in cash and cash equivalents	(2,679,320)	(3,444,808)	(551,236)
Cash and cash equivalents at beginning of the term	8,021,091	8,572,327	8,572,327
Cash and cash equivalents at end of the term	¥ 5,341,771	¥ 5,127,519	¥ 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 quarter ended March 31, 2007						Thousands of yen
	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales	19,079,101	3,090,781	4,383,555	26,553,437	(2,769,123)	23,784,314
Cost and Expenses	15,939,640	2,952,999	4,315,520	23,208,160	(2,105,174)	21,102,985
Operating income	3,139,460	137,781	68,035	3,345,277	(663,948)	2,681,329

First quarter ended March 31, 2006						Thousands of yen
	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales	15,791,158	3,056,427	3,695,767	22,543,353	(1,886,456)	20,656,897
Cost and Expenses	11,662,955	2,938,078	3,483,100	18,084,134	(1,185,469)	16,898,664
Operating income	4,128,203	118,349	212,666	4,459,219	(700,986)	3,758,233

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
Cost 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