

Flash Report for the Term Ended December 31, 2006 (on a consolidated basis)

February 14, 2007

Name: Shizuoka Gas Co., Ltd. Stock Exchange: TSE (1st section)
 Code Number: 9543 Prefecture Registered: Shizuoka
 URL: <http://www.shizuokagas.co.jp>
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Date of meeting of Board of Directors for account settlement for the reporting period: February 14, 2007

U.S. GAAP: not adopted

1. Business Results (January 1 to December 31, 2006)

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

(1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting term	¥77,808	15.9%	¥7,885	19.1%	¥7,432	26.2%
Previous term	67,144	11.9	6,622	(13.4)	5,887	(14.9)

	Net income (¥ million)		Earnings per share (¥)	Return on equity (ROE) (%)	Ordinary income/ Total assets (%)	Ordinary income/ Net sales (%)
Reporting term	¥4,359	36.7%	¥57.25	10.3%	6.6%	9.6%
Previous term	3,189	(14.6)	44.10	8.9	5.3	8.8

- (Notes)
- The Company has issued no warrants that have potential dilution effects.
 - Equity-method investment: not applicable
 - Average number of shares for the period (consolidated)

Reporting term:	76,152,420
Previous term:	70,942,752
 - Changes in accounting standards:
 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.

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
Reporting term	¥114,755	¥49,104	38.5%	¥580.90
Previous term	111,983	40,344 ^{*1}	36.0	528.96 ^{*2}

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

Reporting term: 76,149,581

Previous term: 76,156,756

^{*1} Shareholders' equity

^{*2} Shareholders' equity per share

(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	¥15,025	¥(10,725)	¥(4,851)	8,021
Previous term	16,040	(9,069)	(3,929)	8,572

(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, 2007)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
First half period	¥47,390	¥4,730	¥2,650
Full term	94,270	6,220	3,340

(Note) Estimated earnings per share for fiscal 2007(full term): ¥43.86

*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		
	2006	2005	Change
Assets			
Noncurrent assets:			
Property, plant and equipment –			
Production facilities	¥ 20,347,570	¥ 22,884,859	¥ (2,537,289)
Distribution facilities	39,448,278	41,925,248	(2,476,970)
Service and maintenance facilities	3,704,277	3,744,636	(40,358)
Other related business facilities	6,542,371	6,324,259	218,112
Dormant facilities	—	34,031	(34,031)
Construction in progress	5,985,306	2,627,885	3,357,421
Total property, plant and equipment	76,027,804	77,540,920	(1,513,116)
Intangible assets	1,317,382	1,004,691	312,690
Investments and other assets –			
Investment securities	11,615,666	11,879,617	(263,950)
Long-term loans	2,843,145	1,977,236	865,909
Deferred tax assets	677,821	649,644	28,177
Other investments	1,053,152	1,440,718	(387,566)
Allowance for doubtful accounts	(329,036)	(405,199)	76,163
Total investments and other assets	15,860,749	15,542,016	318,733
Total noncurrent assets	93,205,936	94,087,628	(881,692)
Current assets:			
Cash and bank deposits	8,075,544	8,636,780	(561,235)
Notes and accounts receivable	6,830,759	5,444,104	1,386,654
Inventories	3,852,147	1,102,412	2,749,734
Deferred tax assets	480,731	523,331	(42,600)
Other current assets	1,816,829	1,273,236	543,592
Allowance for doubtful accounts	(72,114)	(55,301)	(16,813)
Total current assets	20,983,897	16,924,564	4,059,333
Deferred assets:			
Development costs	565,791	971,361	(405,569)
Total deferred assets	565,791	971,361	(405,569)
Total assets	¥ 114,755,624	¥ 111,983,554	¥ 2,772,070

Note: Amounts under one thousand yen are omitted.

As of December 31	Thousands of yen		
	2006	2005	Change
Liabilities			
Long-term liabilities:			
Long-term debt	¥ 36,827,499	¥ 39,930,962	¥ (3,103,463)
Deferred tax liabilities	1,837,038	1,812,491	24,546
Accrued severance and retirement benefits	3,656,183	3,666,303	(10,119)
Reserve for directors' retirement benefits	349,750	417,276	(67,526)
Reserve for repair of gasholders	141,292	107,058	34,234
Other long-term liabilities	9,320	547,923	(538,603)
Total long-term liabilities	42,821,083	46,482,014	(3,660,930)
Current liabilities:			
Long-term liabilities due within one year	10,910,307	11,994,328	(1,084,021)
Accounts payable	4,687,078	1,881,834	2,805,244
Short-term debt	290,000	410,000	(120,000)
Other accounts payable	2,115,945	2,576,424	(460,478)
Income taxes payable	2,136,188	1,301,795	834,392
Allowance for bonuses	442,077	451,586	(9,508)
Other current liabilities	1,819,929	1,678,327	141,602
Total current liabilities	22,401,527	20,294,296	2,107,230
Allowances:			
Allowance for natural gas conversion	428,436	631,221	(202,784)
Total allowances	428,436	631,221	(202,784)
Total liabilities	65,651,047	67,407,532	(1,756,484)
Minority interest	—	4,231,774	—
Shareholders' equity			
Common stock	—	6,279,147	—
Capital surplus	—	4,098,961	—
Retained earnings	—	24,440,613	—
Unrealized gains on available-for-sale securities	—	5,541,603	—
Treasury stock	—	(16,078)	—
Total shareholders' equity	—	40,344,247	—
Total liabilities, minority interest and shareholders' equity	¥ —	¥ 111,983,554	¥ —

Note: Amounts under one thousand yen are omitted.

As of December 31	Thousands of yen		
	2006	2005	Change
Net assets			
Shareholders' equity:			
Common stock	¥ 6,279,147	¥ —	¥ —
Capital surplus	4,098,961	—	—
Retained earnings	28,207,335	—	—
Treasury stock	(22,344)	—	—
Total shareholders' equity	38,563,099	—	—
Gains and losses on valuation or translation:			
Unrealized gains on available-for-sale securities	5,379,189	—	—
Gains and losses on deferred hedge accounting	293,336	—	—
Total gains and losses on valuation or translation	5,672,526	—	—
Minority interest	4,868,951	—	—
Total net assets	49,104,577	—	—
Total liabilities and net assets	¥114,755,624	¥ —	¥ —

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Income

Years ended December 31	Thousands of yen		
	2006	2005	Change
Net sales	¥ 77,808,266	¥ 67,144,404	¥ 10,663,862
Cost of sales	48,134,599	38,158,792	9,975,806
Gross profit	29,673,666	28,985,611	688,055
Selling, general and administrative expenses	21,788,527	22,362,823	(574,295)
Operating income	7,885,139	6,622,787	1,262,351
Non-operating income:			
Interest income	61,596	38,386	23,209
Dividend income	115,252	92,782	22,469
Amortization of consolidation goodwill	1,068	8,919	(7,850)
Other non-operating income	240,401	215,587	24,814
Total non-operating income	418,319	355,675	62,643
Non-operating expenses:			
Interest expenses	838,544	968,890	(130,346)
New share issue expenses	—	23,411	(23,411)
Other non-operating expenses	32,594	99,129	(66,534)
Total non-operating expenses	871,139	1,091,431	(220,292)
Ordinary income	7,432,319	5,887,031	1,545,287
Extraordinary income:			
Gain on sale of noncurrent assets	20,967	84,382	(63,415)
Reversal of allowance for natural gas conversion	202,784	208,274	(5,489)
Gain on leveraged lease financing	87,134	30,888	56,245
Total extraordinary income	310,886	323,545	(12,659)
Income before income taxes	7,743,205	6,210,577	1,532,628
Income taxes – current	2,770,926	2,360,020	410,906
Income taxes – deferred	(32,500)	(85,947)	53,446
Minority interest in net income	644,924	747,353	(102,428)
Net income	¥ 4,359,855	¥ 3,189,151	¥ 1,170,703

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Retained Earnings

Years ended December 31	<u>Thousands of yen</u>
	2005
Capital surplus	
Balance at beginning of the term	¥ 2,009,181
Increase:	
Issuance of new shares	2,089,780
Balance at end of the term	<u>¥ 4,098,961</u>
Retained earnings	
Balance at beginning of the term	¥ 21,806,817
Increase:	
Net income	3,189,151
Decrease:	
Cash dividends	494,651
Bonuses to directors	60,703
Total	<u>555,355</u>
Balance at end of the term	<u>¥ 24,440,613</u>

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Changes in Shareholders' Equity

Year ended December 31, 2006

Thousands of yen

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earning	Treasury stock	
Balance at Dec. 31, 2005	6,279,147	4,098,961	24,440,613	(16,078)	34,802,643
Changes during the reporting term:					
Distribution of retained earnings			(533,078)		(533,078)
Payment of bonuses to directors and auditors			(60,055)		(60,055)
Net income			4,359,855		4,359,855
Acquisition of own shares				(6,266)	(6,266)
Changes in items outside the scope of shareholders' equity, net					
Total changes during the reporting term	—	—	3,766,722	(6,266)	3,760,455
Balance at Dec. 31, 2006	6,279,147	4,098,961	28,207,335	(22,344)	38,563,099
	Gains and losses on valuation or translation				
	Unrealized gains on available-for-sale securities	Gains and losses on deferred hedge accounting	Total gains and losses on valuation or translation	Minority interest	Total net assets
Balance at Dec. 31, 2005	5,541,603	—	5,541,603	4,231,774	44,576,021
Changes during the reporting term:					
Distribution of retained earnings					(533,078)
Payment of bonuses to directors and auditors					(60,055)
Net income					4,359,855
Acquisition of own shares					(6,266)
Changes in items outside the scope of shareholders' equity, net	(162,414)	293,336	130,922	637,177	768,100
Total changes during the reporting term	(162,414)	293,336	130,922	637,177	4,528,555
Balance at Dec. 31, 2006	5,379,189	293,336	5,672,526	4,868,951	49,104,577

Note: Amounts under one thousand yen are omitted.

Consolidated Statements of Cash Flows

Years ended December 31	Thousands of yen		
	2006	2005	Change
Cash flows from operating activities:			
Income before income taxes	¥ 7,743,205	¥ 6,210,577	¥ 1,532,628
Depreciation	10,556,241	10,990,670	(434,429)
Amortization of long-term prepaid expenses	2,703	1,944	759
Amortization of deferred assets	405,569	416,549	(10,979)
Loss on disposal of property, plant and equipment	162,347	378,151	(215,804)
Amortization of consolidation goodwill	(1,068)	(8,919)	7,850
Increase (decrease) in allowance for doubtful accounts	(59,349)	(2,596)	(56,753)
Increase (decrease) in accrued severance and retirement benefits	(10,119)	134,172	(144,292)
Increase (decrease) in reserve for directors' retirement benefits	(67,526)	(2,790)	(64,736)
Increase (decrease) in reserve for repair of gasholders	34,234	34,234	—
Increase (decrease) in allowance for bonuses	(9,508)	(2,238)	(7,270)
Increase (decrease) in allowance for natural gas conversion	(202,784)	(208,274)	5,489
Interest and dividend income	(176,849)	(131,169)	(45,679)
Interest expenses	838,544	968,890	(130,346)
Loss (gain) on sale of property, plant and equipment	(7,547)	(84,382)	76,834
Decrease (increase) in notes and accounts receivable	(1,309,663)	(1,017,566)	(292,096)
Decrease (increase) in inventories	(2,745,268)	1,768,739	(4,514,007)
Increase (decrease) in notes and accounts payable	2,821,111	(1,583,840)	4,404,952
Increase (decrease) in consumption taxes payable	(721,857)	1,083,278	(1,805,135)
Directors' bonuses paid	(63,140)	(63,390)	250
Other	594,888	778,184	(183,295)
Sub-total	17,784,162	19,660,225	(1,876,062)
Interest and dividend received	176,833	131,159	45,673
Interest expenses paid	(865,841)	(999,199)	133,357
Income taxes paid	(2,069,386)	(2,751,491)	682,105
Net cash provided by (used in) operating activities	15,025,768	16,040,693	(1,014,925)

Years ended December 31	Thousands of yen		
	2006	2005	Change
Cash flows from investing activities:			
Increase in time deposits	¥ (94,005)	¥ (151,553)	¥ 57,548
Withdrawal of time deposits	104,004	171,452	(67,448)
Payments for purchase of noncurrent assets	(9,867,880)	(8,525,365)	(1,342,514)
Proceeds from sale of noncurrent assets	51,120	155,752	(104,632)
Payments for purchase of investment securities	(5,316)	(7,077)	1,760
Proceeds from sale of investment securities	10,079	36,740	(26,660)
Provision of loans	(1,070,000)	(970,000)	(100,000)
Collection of loan repayments	204,090	170,443	33,647
Payments for purchase of deferred assets	—	(469,450)	469,450
Receipt of beneficiaries' portion of installation costs	465,254	732,723	(267,468)
Other	(522,642)	(212,714)	(309,928)
Net cash provided by (used in) investing activities	(10,725,295)	(9,069,048)	(1,656,246)
Cash flows from financing activities:			
Increase (decrease) in short-term debt – net	(120,000)	(80,000)	(40,000)
Proceeds from long-term debt	7,810,000	5,015,000	2,795,000
Repayments of long-term debt	(11,997,484)	(12,334,239)	336,755
Proceeds from new share issue	—	4,185,280	(4,185,280)
Cash dividends paid	(532,686)	(495,059)	(37,626)
Cash dividends paid for minority shareholders	(5,272)	(213,488)	208,215
Other	(6,266)	(6,599)	333
Net cash provided by (used in) financing activities	(4,851,709)	(3,929,106)	(922,602)
Net increase (decrease) in cash and cash equivalents	(551,236)	3,042,538	(3,593,774)
Cash and cash equivalents at beginning of the term	8,572,327	5,529,789	3,042,538
Cash and cash equivalents at end of the term	¥ 8,021,091	¥ 8,572,327	¥ (551,236)

Note: Amounts under one thousand yen are omitted.

Segment Information

(1) Segment information by business category

(Amounts under one thousand yen are omitted.)

Year ended December 31, 2006

	Thousands of yen					
	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Sales and operating income and loss:						
Net sales						
Outside customers	59,288,770	10,586,315	7,933,180	77,808,266	—	77,808,266
Inter-segment	640,173	332,709	8,195,565	9,168,448	(9,168,448)	—
Total	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
Assets, depreciation and capital expenditure:						
Assets	82,995,638	6,789,983	7,732,079	97,517,701	17,237,923	114,755,624
Depreciation	9,397,794	544,433	673,898	10,616,126	(59,885)	10,556,241
Capital expenditure	8,317,511	641,585	871,367	9,830,465	156,330	9,986,796

Year ended December 31, 2005

	Thousands of yen					
	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Sales and operating income and loss:						
Net sales						
Outside customers	47,844,757	9,471,273	9,828,373	67,144,404	—	67,144,404
Inter-segment	502,661	272,890	7,893,991	8,669,544	(8,669,544)	—
Total	48,347,419	9,744,163	17,722,364	75,813,948	(8,669,544)	67,144,404
Cost and expenses	39,816,950	9,441,755	17,152,056	66,410,762	(5,889,146)	60,521,616
Operating income	8,530,469	302,408	570,308	9,403,185	(2,780,398)	6,622,787
Assets, depreciation and capital expenditure:						
Assets	81,601,235	6,542,056	7,300,239	95,443,531	16,540,022	111,983,554
Depreciation	9,787,947	518,765	716,757	11,023,470	(32,799)	10,990,670
Capital expenditure	7,566,652	1,132,139	607,758	9,306,550	(201,678)	9,104,871

Note: Business categories and principal products

Business categories	Principal products
Gas	Natural gas; liquefied natural gas (LNG)
LPG and other energy services	LPG; on-site energy services
Other businesses	Gas-equipment and piping installation; sale of gas equipment; real estate rentals; sale of household equipment; leasing of office equipment

(2) Segment information by location

Not applicable due to absence of overseas consolidated subsidiaries or branches

(3) Overseas Sales

Not applicable