

Flash Report for the First-Half Period Ended June 30, 2006 (on a consolidated basis)

August 17, 2006

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: August 17, 2006

U.S. GAAP: not adopted

1. Business Results (January 1 to June 30, 2006)

(1) Operating Results

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

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
First-half period under review	¥39,402	12.5%	¥6,711	24.3%	¥6,523	28.9%
Previous first half	35,011	10.5	5,399	(15.7)	5,061	(16.7)
Previous full term (Jan. 1 to Dec. 31, 2005)	67,144		6,622		5,887	

	Net income (¥ million)		Earnings per share (¥)
First-half period under review	¥3,888	34.9%	¥51.06
Previous first half	2,881	(20.3)	40.78
Previous full term	3,189		44.10

(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 period (consolidated)

First-half period: 76,154,133

Previous first half: 70,664,657

Previous full term: 70,942,752

4. 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 (¥)
First-half period under review	¥109,671	¥49,042	40.5%	¥583.16
Previous first half	104,866	33,814	32.2	478.53
Previous full term	111,983	40,344	36.0	528.96

* Amounts shown as shareholders' equity in the previous term are now posted under net assets.

(Note) Number of shares issued and outstanding at end of the period (consolidated)

First-half period: 76,151,341

Previous first half: 70,661,922

Previous full term: 76,156,756

(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)
First-half period under review	¥ 8,934	¥(5,461)	¥(5,970)	¥6,074
Previous first half	10,037	(3,958)	(5,956)	5,653
Previous full 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, 2006)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Full term	¥78,350	¥6,550	¥3,600

(Note) Estimated earnings per share for fiscal 2006 (full term): ¥47.27

*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 Interim Balance Sheets

	Thousands of yen			
	June 30, 2006	December 31, 2005	Change	June 30, 2005
Assets				
Noncurrent assets:				
Property, plant and equipment –				
Production facilities	¥ 21,536,142	¥ 22,884,859	¥ (1,348,716)	¥ 24,197,902
Distribution facilities	40,590,903	41,925,248	(1,334,345)	41,748,752
Service and maintenance facilities	3,688,708	3,744,636	(55,927)	3,830,685
Other related business facilities	6,464,190	6,324,259	139,930	6,662,253
Dormant facilities	—	34,031	(34,031)	38,446
Construction in progress	3,875,684	2,627,885	1,247,799	1,184,827
Total property, plant and equipment	76,155,630	77,540,920	(1,385,290)	77,662,867
Intangible assets	995,602	1,004,691	(9,088)	1,006,448
Investments and other assets –				
Investment securities	12,032,465	11,879,617	152,847	8,340,236
Long-term loans	2,420,979	1,977,236	443,743	1,553,962
Deferred tax assets	660,015	649,644	10,371	607,057
Other investments	1,446,780	1,440,718	6,061	1,435,793
Allowance for doubtful accounts	(384,619)	(405,199)	20,580	(357,579)
Total investments and other assets	16,175,621	15,542,016	633,605	11,579,470
Total noncurrent assets	93,326,854	94,087,628	(760,773)	90,248,786
Current assets:				
Cash and bank deposits	6,129,421	8,636,780	(2,507,358)	5,740,836
Notes and accounts receivable	5,644,810	5,444,104	200,705	4,623,911
Inventories	1,586,180	1,102,412	483,767	1,198,220
Deferred tax assets	488,620	523,331	(34,710)	498,368
Other current assets	1,780,328	1,273,236	507,092	1,436,831
Allowance for doubtful accounts	(53,257)	(55,301)	2,044	(63,216)
Total current assets	15,576,104	16,924,564	(1,348,459)	13,434,951
Deferred assets:				
Development costs	768,578	971,361	(202,782)	1,182,570
Total deferred assets	768,578	971,361	(202,782)	1,182,570
Total assets	¥ 109,671,538	¥ 111,983,554	¥ (2,312,015)	¥ 104,866,309

Note: Amounts under one thousand yen are omitted.

	Thousands of yen			
	June 30, 2006	December 31, 2005	Change	June 30, 2005
Liabilities				
Long-term liabilities:				
Long-term debt	¥ 34,715,986	¥ 39,930,962	¥ (5,214,976)	¥ 41,450,893
Deferred tax liabilities	2,131,208	1,812,491	318,717	523,940
Accrued severance and retirement benefits	3,552,920	3,666,303	(113,383)	3,737,085
Reserve for directors' retirement benefits	324,422	417,276	(92,854)	391,226
Reserve for repair of gasholders	124,172	107,058	17,114	89,938
Other long-term liabilities	7,284	547,923	(540,638)	548,178
Total long-term liabilities	40,855,994	46,482,014	(5,626,020)	46,741,262
Current liabilities:				
Long-term liabilities due within one year	11,514,702	11,994,328	(479,626)	12,270,518
Accounts payable	1,422,425	1,881,834	(459,408)	1,263,982
Short-term debt	410,000	410,000	—	520,000
Other accounts payable	1,357,290	2,576,424	(1,219,134)	1,370,805
Income taxes payable	2,695,438	1,301,795	1,393,642	2,170,379
Allowance for bonuses	443,367	451,586	(8,219)	456,090
Other current liabilities	1,400,289	1,678,327	(278,037)	1,582,027
Total current liabilities	19,243,513	20,294,296	(1,050,782)	19,633,804
Allowances:				
Allowance for natural gas conversion	529,833	631,221	(101,388)	735,198
Total allowances	529,833	631,221	(101,388)	735,198
Total liabilities	60,629,341	67,407,532	(6,778,191)	67,110,265
Minority interest	—	4,231,774	(4,231,774)	3,941,822
Shareholders' equity				
Common stock	—	6,279,147	(6,279,147)	4,183,647
Capital surplus	—	4,098,961	(4,098,961)	2,009,181
Retained earnings	—	24,440,613	(24,440,613)	24,380,758
Unrealized gains on available-for-sale securities	—	5,541,603	(5,541,603)	3,252,723
Treasury stock	—	(16,078)	16,078	(12,088)
Total shareholders' equity	—	40,344,247	(40,344,247)	33,814,221
Total liabilities, minority interest and shareholders' equity	¥ —	¥ 111,983,554	¥ (111,983,554)	¥ 104,866,309

Note: Amounts under one thousand yen are omitted.

	Thousands of yen			
	June 30, 2006	December 31, 2005	Change	June 30, 2005
Net assets				
Shareholders' equity:				
Common stock	6,279,147	—	6,279,147	—
Capital surplus	4,098,961	—	4,098,961	—
Retained earnings	28,002,546	—	28,002,546	—
Treasury stock	(20,769)	—	(20,769)	—
Total shareholders' equity	38,359,885	—	38,359,885	—
Gains and losses on valuation or translation:				
Unrealized gains on available-for-sale securities	5,642,237	—	5,642,237	—
Gains and losses on deferred hedge accounting	406,806	—	406,806	—
Total gains and losses on valuation or translation	6,049,044	—	6,049,044	—
Minority interest	4,633,266	—	4,633,266	—
Total net assets	49,042,196	—	49,042,196	—
Total liabilities and net assets	¥ 109,671,538	¥	— ¥ 109,671,538	¥

Note: Amounts under one thousand yen are omitted.

Consolidated Interim Statements of Income

	Thousands of yen			
	6 months ended June 30, 2006	6 months ended June 30, 2005	Change	Year ended December 31, 2005
Net sales	¥ 39,402,822	¥ 35,011,220	¥ 4,391,601	¥ 67,144,404
Cost of sales	21,882,232	18,548,782	3,333,450	38,158,792
Gross profit	17,520,589	16,462,438	1,058,150	28,985,611
Selling, general and administrative expenses	10,808,776	11,062,444	(253,668)	22,362,823
Operating income	6,711,812	5,399,993	1,311,818	6,622,787
Non-operating income:				
Interest income	27,847	16,849	10,997	38,386
Dividend income	75,994	62,636	13,357	92,782
Amortization of consolidation goodwill	668	7,837	(7,168)	8,919
Compensation for rerouting of pipelines	29,080	—	29,080	—
Other non-operating income	107,494	127,044	(19,549)	215,587
Total non-operating income	241,084	214,367	26,716	355,675
Non-operating expenses:				
Interest expenses	418,703	499,325	(80,621)	968,890
New share issue expenses	—	—	—	23,411
Other non-operating expenses	10,572	53,512	(42,940)	99,129
Total non-operating expenses	429,275	552,838	(123,562)	1,091,431
Ordinary income	6,523,621	5,061,523	1,462,098	5,887,031
Extraordinary income:				
Gain on sale of noncurrent assets	20,967	17,485	3,481	84,382
Gain on leveraged lease financing	14,788	13,806	981	30,888
Reversal of allowance for natural gas conversion	101,388	104,297	(2,909)	208,274
Total extraordinary income	137,144	135,590	1,553	323,545
Extraordinary expenses:				
Loss on sale of noncurrent assets	—	305	(305)	—
Total extraordinary expenses	—	305	(305)	—
Income before income taxes	6,660,765	5,196,808	1,463,957	6,210,577
Income taxes – current	2,293,910	1,915,110	378,800	2,360,020
Income taxes – deferred	67,896	(60,180)	128,077	(85,947)
Minority interest in net income	410,421	459,899	(49,477)	747,353
Net income	¥ 3,888,537	¥ 2,881,980	¥ 1,006,557	¥ 3,189,151

Note: Amounts under one thousand yen are omitted.

Consolidated Interim Statements of Retained Earnings

	Thousands of yen	
	6 months ended	Year ended
	June 30, 2005	December 31, 2005
Capital surplus		
Balance at beginning of the term	¥ 2,009,181	¥ 2,009,181
Increase:		
Issuance of new shares	—	2,089,780
Balance at end of the term	¥ 2,009,181	¥ 4,098,961
Retained earnings		
Balance at beginning of the term	¥ 21,806,817	¥ 21,806,817
Increase:		
Net income	2,881,980	3,189,151
Decrease:		
Cash dividends	247,335	494,651
Bonuses to directors	60,703	60,703
Total	308,039	555,355
Balance at end of the term	¥ 24,380,758	¥ 24,440,613

Note: Amounts under one thousand yen are omitted.

Consolidated Interim Statements of Changes in Shareholders' Equity

6months ended June 30, 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 reporting first-half period:					
Distribution of retained earnings			(266,548)		(266,548)
Payment of bonuses to directors and auditors			(60,055)		(60,055)
Net income for first half			3,888,537		3,888,537
Acquisition of own shares				(4,691)	(4,691)
Changes in items outside the scope of shareholders' equity, net					
Total changes during the reporting first-half	—	—	3,561,933	(4,691)	3,557,242
Balance at June 30, 2006	6,279,147	4,098,961	28,002,546	(20,769)	38,359,885
	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, 2005	5,541,603	—	5,541,603	4,231,774	44,576,021
Changes during reporting first-half period:					
Distribution of retained earnings					(266,548)
Payment of bonuses to directors and auditors					(60,055)
Net income for first half					3,888,537
Acquisition of own shares					(4,691)
Changes in items outside the scope of shareholders' equity, net	100,633	406,806	507,440	401,492	908,933
Total changes during the reporting first-half	100,633	406,806	507,440	401,492	4,466,175
Balance at June 30, 2006	5,642,237	406,806	6,049,044	4,633,266	49,042,196

Note: Amounts under one thousand yen are omitted.

Consolidated Interim Statements of Cash Flows

	Thousands of yen			
	6 months ended June 30, 2006	6 months ended June 30, 2005	Change	Year ended December 31, 2005
Cash flows from operating activities:				
Income before income taxes	¥ 6,660,765	¥ 5,196,808	¥ 1,463,957	¥ 6,210,577
Depreciation	5,153,687	5,408,549	(254,862)	10,990,670
Amortization of long-term prepaid expenses	794	993	(198)	1,944
Amortization of deferred assets	202,782	208,601	(5,819)	416,549
Loss on disposal of property, plant and equipment	68,093	130,428	(62,335)	378,151
Amortization of consolidation goodwill	(668)	(7,837)	7,168	(8,919)
Increase (decrease) in allowance for doubtful accounts	(22,624)	(42,301)	19,677	(2,596)
Increase (decrease) in accrued severance and retirement benefits	(113,383)	204,955	(318,338)	134,172
Increase (decrease) in reserve for directors' retirement benefits	(92,854)	(28,840)	(64,014)	(2,790)
Increase (decrease) in reserve for repair of gasholders	17,114	17,114	—	34,234
Increase (decrease) in allowance for bonuses	(8,219)	2,265	(10,484)	(2,238)
Increase (decrease) in allowance for natural gas conversion	(101,388)	(104,297)	2,909	(208,274)
Interest and dividend income	(103,841)	(79,485)	(24,355)	(131,169)
Interest expenses	418,703	499,325	(80,621)	968,890
Loss (gain) on sale of property, plant and equipment	(7,547)	(17,180)	9,632	(84,382)
Decrease (increase) in notes and accounts receivable	(179,754)	(169,206)	(10,548)	(1,017,566)
Decrease (increase) in inventories	(481,885)	1,667,615	(2,149,501)	1,768,739
Increase (decrease) in notes and accounts payable	(536,957)	(2,177,798)	1,640,840	(1,583,840)
Increase (decrease) in consumption taxes payable	(444,816)	891,338	(1,336,155)	1,083,278
Directors' bonuses paid	(63,140)	(63,390)	250	(63,390)
Other	(158,385)	342,582	(500,968)	778,184
Sub-total	10,206,473	11,880,241	(1,673,767)	19,660,225
Interest and dividend received	102,533	78,758	23,774	131,159
Interest expenses paid	(439,331)	(518,689)	79,358	(999,199)
Income taxes paid	(934,913)	(1,402,488)	467,574	(2,751,491)
Net cash provided by (used in) operating activities	8,934,762	10,037,822	(1,103,060)	16,040,693

	Thousands of yen			
	6 months ended June 30, 2006	6 months ended June 30, 2005	Change	Year ended December 31, 2005
Cash flows from investing activities:				
Increase in time deposits	(46,052)	(86,451)	40,399	(151,553)
Withdrawal of time deposits	56,052	83,051	(26,999)	171,452
Payments for purchase of noncurrent assets	(4,819,225)	(3,337,742)	(1,481,482)	(8,525,365)
Proceeds from sale of noncurrent assets	33,307	51,700	(18,392)	155,752
Payments for purchase of investment securities	(2,407)	(3,376)	968	(7,077)
Proceeds from sale of investment securities	4,450	25,880	(21,430)	36,740
Provision of loans	(3,595,000)	(460,000)	(3,135,000)	(970,000)
Collection of loan repayments	2,626,256	83,717	2,542,538	170,443
Payments for purchase of deferred assets	—	(472,712)	472,712	(469,450)
Receipt of beneficiaries' portion of installation costs	334,740	263,778	70,962	732,723
Other	(53,911)	(105,872)	51,960	(212,714)
Net cash provided by (used in) investing activities	(5,461,789)	(3,958,026)	(1,503,763)	(9,069,048)
Cash flows from financing activities:				
Increase (decrease) in short-term debt – net	—	30,000	(30,000)	(80,000)
Proceeds from long-term debt	350,000	475,000	(125,000)	5,015,000
Repayments of long-term debt	(6,044,602)	(5,998,118)	(46,484)	(12,334,239)
Proceeds from new share issue	—	—	—	4,185,280
Cash dividends paid	(265,793)	(247,310)	(18,482)	(495,059)
Cash dividends paid for minority shareholders	(5,244)	(213,462)	208,218	(213,488)
Other	(4,691)	(2,610)	(2,081)	(6,599)
Net cash provided by (used in) financing activities	(5,970,330)	(5,956,500)	(13,830)	(3,929,106)
Net increase (decrease) in cash and cash equivalents	(2,497,358)	123,295	(2,620,653)	3,042,538
Cash and cash equivalents at beginning of the term	8,572,327	5,529,789	3,042,538	5,529,789
Cash and cash equivalents at end of the term	¥ 6,074,969	¥ 5,653,084	¥ 421,884	¥ 8,572,327

Note: Amounts under one thousand yen are omitted.

Segment Information

(1) Segment information by business category

(Amounts under one thousand yen are omitted.)

6months ended June 30, 2006

Thousands of yen

	Gas	LPG and other forms of energy	Other business	Total	Elimination or corporate	Consolidated
Net sales						
Outside customers	29,942,396	5,540,208	3,920,216	39,402,822	—	39,402,822
Inter-segment	281,441	176,669	3,592,593	4,050,704	(4,050,704)	—
Total	30,223,838	5,716,878	7,512,810	43,453,526	(4,050,704)	39,402,822
Cost and expenses	22,603,895	5,515,426	7,185,839	35,305,162	(2,614,152)	32,691,009
Operating income	7,619,942	201,451	326,970	8,148,364	(1,436,551)	6,711,812

6months ended June 30, 2005

Thousands of yen

	Gas	LPG and other forms of energy	Other business	Total	Elimination or corporate	Consolidated
Net sales						
Outside customers	24,899,138	4,973,766	5,138,315	35,011,220	—	35,011,220
Inter-segment	249,656	135,044	3,153,582	3,538,283	(3,538,283)	—
Total	25,148,794	5,108,811	8,291,897	38,549,503	(3,538,283)	35,011,220
Cost and expenses	19,106,919	4,701,281	8,005,680	31,813,881	(2,202,654)	29,611,226
Operating income	6,041,875	407,529	286,217	6,735,622	(1,335,628)	5,399,993

Year ended December 31, 2005

Thousands of yen

	Gas	LPG and other forms of energy	Other business	Total	Elimination or corporate	Consolidated
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

Notes: Business categories and principal products

Business categories	Principal products
Gas	Natural gas; liquefied natural gas (LNG)
LPG and other forms of energy	LPG; on-site energy services
Other business	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