

Flash Report for the First-Half Period Ended June 30, 2006 (on a non-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>

Representative: Seigo Iwasaki, President

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Date of meeting of Board of Directors for account settlement for the reporting period: August 17, 2006

Date of dividend payment: September 5, 2006 or after

Unit share system for trading purposes: adopted (1 trading unit: 1,000 shares)

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	¥32,018	18.0%	¥4,321	60.9%	¥4,452	44.3%
Previous first half	27,124	7.0	2,685	(30.9)	3,086	(26.5)
Previous full term (Jan. 1 to Dec. 31, 2005)	52,253		2,394		2,676	

	Net income (¥ million)		Earnings per share (¥)
First-half period under review	¥2,926	35.0%	¥38.42
Previous first half	2,167	(24.0)	30.66
Previous full term	1,901		26.26

(Notes) 1. Average number of shares for the period

First-half period: 76,154,133

Previous first half: 70,664,657

Previous full term: 70,942,752

2. 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	¥81,166	¥35,083	43.2%	¥460.70
Previous first half	73,312	26,011	35.5	368.10
Previous full term	81,460	31,952	39.2	419.06

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

(Notes) 1. Number of shares issued and outstanding at end of the period

First-half period: 76,151,341

Previous first half: 70,661,922

Previous full term: 76,156,756

2. Number of treasury shares at end of the period

First-half period: 41,609

Previous first half: 31,028

Previous full term: 36,194

2. Business Forecast for Current Term (January 1 to December 31, 2006)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Full term	¥64,060	¥2,850	¥1,940

(Note) Estimated earnings per share for fiscal 2006 (full term): ¥25.47

3. Dividend Payment

Dividends by cash	dividend per share (¥)		
	Interim	Term-end	Total
Fiscal 2005	¥3.50	¥3.50	¥7.00
Fiscal 2006	3.50	—	7.00
Fiscal 2006 (Forecast)	—	3.50	7.00

*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.

Non-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	¥ 291,863	¥ 321,908	¥ (30,044)	¥ 324,343
Distribution facilities	39,761,413	41,123,160	(1,361,747)	40,800,652
Service and maintenance facilities	3,232,769	3,302,674	(69,904)	3,387,023
Other related business facilities	1,041,666	1,091,529	(49,862)	1,162,095
Dormant facilities	—	34,031	(34,031)	38,446
Construction in progress	3,651,781	2,550,728	1,101,053	1,100,775
Total property, plant and equipment	47,979,494	48,424,032	(444,537)	46,813,337
Intangible assets –				
Leaseholds	494,411	494,411	—	494,411
Other intangible assets	276,836	269,818	7,017	289,946
Total intangible assets	771,247	764,229	7,017	784,357
Investments and other assets –				
Investment securities	11,571,466	11,412,227	159,238	7,907,683
Investments in affiliates	3,415,266	3,415,024	242	3,414,712
Long-term loans within company	820,979	927,236	(106,256)	1,013,962
Long-term loans to affiliates	3,165,400	2,765,700	399,700	1,920,000
Investments in partnerships	16,898	18,168	(1,269)	18,183
Long-term prepaid expenses	6,013	3,801	2,211	3,949
Other investments	790,691	691,641	99,050	696,792
Allowance for doubtful accounts	(19,902)	(15,678)	(4,224)	(18,094)
Total investments and other assets	19,766,813	19,218,121	548,692	14,957,189
Total noncurrent assets	68,517,555	68,406,383	111,172	62,554,884
Current assets:				
Cash and bank deposits	3,826,699	4,678,072	(851,373)	2,818,545
Notes receivable	51,598	109,351	(57,753)	85,529
Accounts receivable	3,809,997	3,444,367	365,630	2,922,411
Accounts receivable – affiliates	63,305	48,072	15,233	41,044
Other accounts receivable	91,742	118,209	(26,467)	99,271
Marketable securities	7,720	8,310	(590)	15,310
Finished products	42,637	40,307	2,329	47,881
Raw materials	5,534	5,731	(196)	4,159
Supplies	62,785	74,261	(11,475)	93,865
Prepaid expenses	226,024	94,812	131,211	219,557
Other accounts receivable – affiliates	575,287	675,266	(99,978)	784,368
Short-term loans to affiliates	634,000	284,000	350,000	756,000
Deferred tax assets	279,434	308,271	(28,836)	303,235
Other accounts receivable – other related business	2,333,150	2,526,426	(193,276)	2,043,103
Current assets – other related business	356,654	354,159	2,494	220,684
Other current assets	319,330	316,222	3,108	328,390
Allowance for doubtful accounts	(36,830)	(31,400)	(5,430)	(25,950)
Total current assets	12,649,072	13,054,443	(405,370)	10,757,409
Total assets	¥ 81,166,628	¥ 81,460,826	¥ (294,198)	¥ 73,312,294

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	¥ 23,632,603	¥ 27,158,997	¥ (3,526,394)	¥ 27,013,921
Deferred tax liabilities	2,131,208	1,810,275	320,932	523,940
Accrued severance and retirement benefits	3,187,725	3,311,579	(123,853)	3,394,711
Reserve for directors' retirement benefits	246,550	343,900	(97,350)	323,700
Reserve for repair of gasholders	124,172	107,058	17,114	89,938
Other long-term liabilities	—	540,638	(540,638)	542,843
Total long-term liabilities	29,322,259	33,272,448	(3,950,189)	31,889,054
Current liabilities:				
Long-term liabilities due within one year	7,395,318	7,607,328	(212,010)	7,456,283
Accounts payable	21,660	34,268	(12,608)	45,811
Other accounts payable	430,747	812,108	(381,361)	529,904
Accrued expenses	652,644	924,977	(272,332)	698,233
Income taxes payable	1,624,299	294,287	1,330,011	1,049,564
Advances received	53,874	64,860	(10,986)	102,925
Deposits received	164,988	136,157	28,831	153,666
Accounts payable – affiliates	2,637,039	2,787,988	(150,948)	2,136,702
Short-term debt – affiliates	1,705,000	610,000	1,095,000	1,590,000
Other accounts payable – affiliates	1,181,664	1,928,947	(747,283)	785,819
Allowance for bonuses	283,200	288,000	(4,800)	291,900
Other accounts payable – other related business	367,290	535,242	(167,951)	435,964
Current liabilities – other related business	243,406	209,793	33,613	133,523
Other current liabilities	—	1,555	(1,555)	1,649
Total current liabilities	16,761,132	16,235,515	525,617	15,411,948
Total liabilities	46,083,392	49,507,964	(3,424,571)	47,301,003
Shareholders' equity				
Common stock	—	6,279,147	(6,279,147)	4,183,647
Capital surplus –				
Appropriation for legal reserve	—	4,098,961	(4,098,961)	2,009,181
Retained earnings –				
Appropriation for legal reserve	—	801,709	(801,709)	801,709
Reserve for reduction in costs of specified assets	—	211,257	(211,257)	211,257
General reserve	—	12,838,700	(12,838,700)	12,838,700
Unappropriated retained earnings	—	2,230,685	(2,230,685)	2,743,850
Total retained earnings	—	16,082,352	(16,082,352)	16,595,517
Unrealized gains on available-for-sale securities	—	5,508,479	(5,508,479)	3,235,034
Treasury stock	—	(16,078)	16,078	(12,088)
Total shareholders' equity	—	31,952,862	(31,952,862)	26,011,291
Total liabilities and shareholders' equity	¥ —	¥ 81,460,826	¥ (81,460,826)	¥ 73,312,294

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				
Appropriation for legal reserve	4,098,961	—	4,098,961	—
Retained earnings –				
Appropriation for legal reserve	801,709	—	801,709	—
Other retained earnings				
Reserve for reduction in costs of specified assets	220,420	—	220,420	—
General reserve	14,138,700	—	14,138,700	—
Retained earnings brought forward	3,543,525	—	3,543,525	—
Total retained earnings	18,704,355	—	18,704,355	—
Treasury stock	(20,769)	—	(20,769)	—
Total shareholders' equity	29,061,694	—	29,061,694	—
Gains and losses on valuation or translation:				
Unrealized gains on available-for-sale securities	5,614,734	—	5,614,734	—
Gains and losses on deferred hedge accounting	406,806	—	406,806	—
Total gains and losses on valuation or translation	6,021,541	—	6,021,541	—
Total net assets	35,083,235	—	35,083,235	—
Total liabilities and net assets	¥ 81,166,628	¥ —	¥ 81,166,628	¥ —

Note: Amounts under one thousand yen are omitted.

Non-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
Product sales:				
Revenue from gas operations	¥ 28,269,523	¥ 23,565,233	¥ 4,704,289	¥ 45,425,855
Cost of sales:				
Initial inventories	40,307	38,377	1,929	38,377
Cost of gas production	276,143	220,655	55,488	444,532
Purchase amount (gas)	15,536,641	12,091,763	3,444,877	25,237,883
In-house consumption	164,854	138,257	26,596	285,668
Inventories at term-end	42,637	47,881	(5,244)	40,307
Total cost of sales	15,645,601	12,164,658	3,480,943	25,394,818
Gross profit	12,623,922	11,400,575	1,223,346	20,031,037
Selling expenses	6,782,295	7,280,169	(497,873)	14,606,151
General and administrative expenses	1,694,498	1,648,115	46,383	3,312,131
Business profit	4,147,128	2,472,291	1,674,836	2,112,754
Miscellaneous revenue:				
Revenue from installation work	601,517	609,588	(8,070)	1,213,381
Revenue from equipment sales	1,452,325	1,430,403	21,921	2,894,844
Other	1,139	13,302	(12,162)	14,299
Total miscellaneous revenue	2,054,982	2,053,294	1,688	4,122,525
Miscellaneous expenses:				
Expenses for installation work	607,899	602,778	5,120	1,208,492
Expenditure for equipment sales	1,407,241	1,324,382	82,858	2,734,651
Total miscellaneous expenses	2,015,140	1,927,161	87,979	3,943,143
Revenue from other related business	1,694,325	1,505,883	188,442	2,705,088
Expenses for other related business	1,559,539	1,418,951	140,588	2,602,347
Operating income	4,321,755	2,685,356	1,636,399	2,394,877
Non-operating income:				
Interest income	35,955	24,213	11,742	53,297
Interest income on securities	26	168	(142)	232
Dividend income	75,219	61,855	13,364	91,444
Dividend income from affiliates	100,803	480,886	(380,082)	480,886
Rent income	73,528	72,191	1,336	146,600
Other	92,419	86,690	5,729	137,165
Total non-operating income	377,953	726,005	(348,052)	909,627
Non-operating expenses:				
Interest expenses	242,646	275,367	(32,721)	540,370
New share issue expenses	—	—	—	23,411
Loss on valuation of supplies	—	35,936	(35,936)	—
Other	4,785	13,625	(8,840)	64,471
Total non-operating expenses	247,431	324,929	(77,497)	628,253
Ordinary income	4,452,277	3,086,433	1,365,844	2,676,251

	Thousands of yen			
	6 months ended June 30, 2006	6 months ended June 30, 2005	Change	Year ended December 31, 2005
Extraordinary income:				
Gain on sale of noncurrent assets	15,344	—	15,344	17,675
Total extraordinary income	15,344	—	15,344	17,675
Income before income taxes	4,467,622	3,086,433	1,381,189	2,693,926
Income taxes – current	1,470,000	990,000	480,000	817,000
Income taxes – deferred	71,069	(70,797)	141,867	(24,455)
Net income	2,926,552	2,167,230	759,321	1,901,382
Unappropriated retained earnings brought forward	—	576,619	(576,619)	576,619
Interim dividend	—	—	—	247,316
Unappropriated retained earnings	¥ —	¥ 2,743,850	¥ (2,743,850)	¥ 2,230,685

Note: Amounts under one thousand yen are omitted.

Non-Consolidated Interim Statements of Changes in Shareholders' Equity

6months ended June 30, 2006

Thousands of yen

	Shareholders' equity								Treasury stock	Total shareholders' equity
	Common stock	Capital surplus		Retained earning				Total retained earnings		
		Appropriation for legal reserve	Appropriation for legal reserve	Other retained earnings						
				Reserve for reduction in cost of specified assets	General reserve	Retained earnings brought forward				
Balance at Dec. 31, 2005	6,279,147	4,098,961	801,709	211,257	12,838,700	2,230,685	16,082,352	(16,078)	26,444,382	
Changes during reporting first-half period:										
Distribution of retained earnings						(266,548)	(266,548)		(266,548)	
Payment of bonuses to directors and auditors						(38,000)	(38,000)		(38,000)	
Provisions to reserve for reduction in cost of specified assets				9,163		(9,163)	—		—	
Provisions to general reserve					1,300,000	(1,300,000)	—		—	
Net income for first half						2,926,552	2,926,552		2,926,552	
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	—	—	—	9,163	1,300,000	1,312,840	2,622,003	(4,691)	2,617,312	
Balance at June 30, 2006	6,279,147	4,098,961	801,709	220,420	14,138,700	3,543,525	18,704,355	(20,769)	29,061,694	

	Gains and losses on valuation or translation				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	5,508,479	—	5,508,479		31,952,862
Changes during reporting first-half period:					
Distribution of retained earnings					(266,548)
Payment of bonuses to directors and auditors					(38,000)
Provisions to reserve for reduction in cost of specified assets					—
Provisions to general reserve					—
Net income for first half					2,926,552
Acquisition of own shares					(4,691)
Changes in items outside the scope of shareholders' equity, net	106,254	406,806	513,061		513,061
Total changes during the reporting first-half	106,254	406,806	513,061		3,130,373
Balance at June 30, 2006	5,614,734	406,806	6,021,541		35,083,235

Note: Amounts under one thousand yen are omitted.