

# Flash Report for the First Quarter of 2006 (on a consolidated basis)

May 10, 2006

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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) No changes have been made in accounting standards.
- 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, 2006)

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

### (1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting 1st quarter	¥20,656	6.8%	¥3,758	9.0%	¥3,595	10.9%
Previous 1st quarter	19,336	11.0	3,448	(16.1)	3,243	(16.9)
Previous full term (Jan. 1 to Dec. 31, 2005)	67,144		6,622		5,887	

	Net income (¥ million)		Earnings per share (¥)	Diluted earnings per share (¥)
Reporting 1st quarter	¥2,104	17.8%	¥27.63	—
Previous 1st quarter	1,786	(19.8)	25.27	—
Previous full term	3,189		44.10	—

### Report of business performance for the first quarter of fiscal 2006

Total sales for the quarter, on a consolidated basis, rose 6.8% year-on-year to ¥20,656 million. In line with an increase in gas sales volume, gas sales for the quarter amounted to ¥15,791 million, revenue from the sale of LPG and other forms of energy came to ¥3,056 million, while sales of other businesses came to ¥3,695 million. (All figures include inter-segment transactions.)

Turning to expenses, the cost of sales increased because of higher prices of our feedstock. Consequently, gross profit rose 1.8% year-on-year to ¥9,153 million. Operation income came to ¥3,758 million, ordinary income to ¥3,595 million, and net income to ¥2,104 million.

As the gas supply business, which is heavily impacted by seasonal fluctuations, accounts for a large proportion of our group's total operations, total annual sales are proportionately concentrated in the winter. This is the main reason why the business performance figures for the reporting first quarter (Jan.-March 2006) amount to more than one-quarter of our forecast figures for the whole year.

### (2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Equity ratio (%)	Shareholders' equity per share (¥)
Reporting 1st quarter	¥111,092	¥42,463	38.2%	¥557.60
Previous 1st quarter	107,629	32,972	30.6	466.60
Previous full term	111,983	40,344	36.0	528.96

### Report of changes in financial position during the first quarter

Total assets as of the end of the quarter stood at ¥111,092 million, a decrease of ¥891 million compared with the end of the previous term. This is mainly attributable to decreases in “cash and bank deposits” in the amount of ¥3,459 million, and in “property, plant and equipment” in the amount of ¥459 million.

Shareholders' equity as of the end of the quarter stood at ¥42,463 million, while the equity ratio was 38.2%.

#### (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	¥ 3,363	¥ (4,175)	¥(2,632)	¥5,127
Previous 1st quarter	5,570	(2,520)	(3,673)	4,905
Previous full term	16,040	(9,069)	(3,929)	8,572

#### For Reference: Amounts on a non-consolidated basis

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)	
Reporting 1st quarter	¥16,766	15.0%	¥2,421	21.2%	¥2,477	2.7%	¥1,605	2.7%
Previous 1st quarter	14,577	4.8	1,998	(26.6)	2,412	(20.1)	1,563	(20.8)
Previous full term	52,253		2,394		2,676		1,901	

	Total assets (¥ million)	Shareholders' equity (¥ million)
Reporting 1st quarter	¥83,432	¥33,595
Previous 1st quarter	75,887	25,661
Previous full term	81,460	31,952

### 3. Business Forecasts for Current Term (January 1 to December 31, 2006)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
First-half period	¥37,930	¥5,920	¥3,460
Full term	73,380	7,520	4,210

#### Notes:

1. Estimated earnings per share for fiscal 2006 (full term): ¥55.28
2. The above forecasts remain unchanged from the initial forecasts for fiscal 2006 business performance (on both a consolidated and non-consolidated basis) issued on February 14 of this year.

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

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
First-half period	¥30,960	¥3,870	¥2,510
Full term	60,290	3,890	2,500

Note: Estimated earnings per share for fiscal 2006 (full term): ¥32.82

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			
	As of March 31, 2006	As of December 31, 2005	Change	As of March 31, 2005
<b>Assets</b>				
Noncurrent assets:				
Property, plant and equipment	¥ 77,081,138	¥ 77,540,920	¥ (459,782)	¥ 79,202,958
Intangible assets	986,637	1,004,691	(18,053)	1,022,037
Investments and other assets	16,546,190	15,542,016	1,004,173	11,806,266
Total noncurrent assets	94,613,966	94,087,628	526,337	92,031,262
Current assets:				
Cash and bank deposits	5,176,972	8,636,780	(3,459,808)	4,991,126
Notes and accounts receivable	6,047,006	5,444,104	602,901	5,233,661
Inventories	2,213,198	1,102,412	1,110,786	2,727,874
Other current assets	2,171,357	1,741,266	430,090	1,542,299
Total current assets	15,608,534	16,924,564	(1,316,029)	14,494,961
Deferred assets	869,969	971,361	(101,391)	1,103,496
Total assets	¥ 111,092,470	¥ 111,983,554	¥ (891,083)	¥ 107,629,720
<b>Liabilities</b>				
Long-term liabilities:				
Long-term debt	¥ 36,277,553	¥ 39,930,962	¥ (3,653,409)	¥ 43,432,226
Accrued severance and retirement benefits	3,702,252	3,666,303	35,949	3,619,079
Other long-term liabilities	2,977,662	2,884,749	92,913	1,523,375
Total long-term liabilities	42,957,468	46,482,014	(3,524,546)	48,574,681
Current liabilities:				
Long-term liabilities due within one year	11,709,126	11,994,328	(285,202)	12,270,853
Accounts payable	2,073,226	1,881,834	191,392	3,327,160
Short-term debt	1,990,000	410,000	1,580,000	820,000
Other current liabilities	4,867,944	6,008,134	(1,140,189)	5,147,540
Total current liabilities	20,640,297	20,294,296	346,000	21,565,553
Allowances:				
Allowance for natural gas conversion	580,527	631,221	(50,694)	784,037
Total allowances	580,527	631,221	(50,694)	784,037
Total liabilities	64,178,292	67,407,532	(3,229,240)	70,924,272
Minority interest	4,450,656	4,231,774	218,882	3,732,935
<b>Shareholders' equity</b>				
Common stock	6,279,147	6,279,147	—	4,183,647
Capital surplus	4,098,961	4,098,961	—	2,009,181
Retained earnings	26,218,677	24,440,613	1,778,064	23,284,836
Unrealized gains on available-for-sale securities	5,885,145	5,541,603	343,541	3,505,371
Treasury stock	(18,410)	(16,078)	(2,331)	(10,523)
Total shareholders' equity	42,463,521	40,344,247	2,119,274	32,972,512
Total liabilities, minority interest and shareholders' equity	¥ 111,092,470	¥ 111,983,554	¥ (891,083)	¥ 107,629,720

Note: Amounts under one thousand yen are omitted.

## Consolidated Statements of Income

	Thousands of yen			
	1st quarter ended March 31, 2006	1st quarter ended March 31, 2005	Change	Previous year ended December 31, 2005
Net sales	¥ 20,656,897	¥ 19,336,019	¥ 1,320,877	¥ 67,144,404
Cost of sales	11,503,840	10,342,528	1,161,311	38,158,792
Gross profit	9,153,057	8,993,491	159,566	28,985,611
Selling, general and administrative expenses	5,394,824	5,544,698	(149,874)	22,362,823
Operating income	3,758,233	3,448,792	309,440	6,622,787
Non-operating income	58,127	66,741	(8,613)	355,675
Non-operating expenses	220,873	272,239	(51,365)	1,091,431
Ordinary income	3,595,487	3,243,294	(352,193)	5,887,031
Extraordinary income	67,876	72,515	(4,638)	323,545
Income before income taxes	3,663,364	3,315,809	347,554	6,210,577
Income taxes*	1,331,873	1,282,992	48,881	2,274,072
Minority interest in net income	226,822	246,759	(19,936)	747,353
Net income	¥ 2,104,668	¥ 1,786,058	¥ 318,610	¥ 3,189,151

*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		
	1st quarter ended March 31, 2006	1st quarter ended March 31, 2005	Previous year ended December 31, 2005
Cash flows from operating activities:			
Income before income taxes	¥ 3,663,364	¥ 3,315,809	¥ 6,210,577
Depreciation	2,534,157	2,689,862	10,990,670
Amortization of deferred assets	101,391	110,920	416,549
Loss on disposal of property, plant and equipment	22,266	30,884	378,151
Increase (decrease) in accrued severance and retirement benefits	35,949	86,949	134,172
Decrease (increase) in notes and accounts receivable	(611,886)	(810,747)	(1,017,566)
Decrease (increase) in inventories	(1,110,501)	137,029	1,768,739
Increase (decrease) in notes and accounts payable	204,292	66,930	(1,583,840)
Increase (decrease) in consumption taxes payable	(431,945)	684,377	1,083,278
Income taxes paid	(919,558)	(1,410,744)	(2,751,491)
Other	(124,355)	668,871	411,453
Net cash provided by (used in) operating activities	<b>3,363,173</b>	5,570,144	16,040,693
Cash flows from investing activities:			
Payments for purchase of noncurrent assets	(3,179,655)	(1,926,255)	(8,525,365)
Proceeds from sale of noncurrent assets	4,824	39,625	155,752
Payments for purchase of deferred assets		(295,956)	(469,450)
Other	(1,000,375)	(338,316)	(229,985)
Net cash provided by (used in) investing activities	<b>(4,175,207)</b>	(2,520,903)	(9,069,048)
Cash flows from financing activities:			
Increase (decrease) in short-term debt – net	1,580,000	330,000	(80,000)
Increase (decrease) in long-term debt – net	(3,938,611)	(3,541,450)	(7,319,239)
Proceeds from new share issue			4,185,280
Cash dividends paid	(271,831)	(460,810)	(708,547)
Other	(2,331)	(1,044)	(6,599)
Net cash provided by (used in) financing activities	<b>(2,632,774)</b>	(3,673,305)	(3,929,106)
Net increase (decrease) in cash and cash equivalents	<b>(3,444,808)</b>	(624,065)	3,042,538
Cash and cash equivalents at beginning of the term	<b>8,572,327</b>	5,529,789	5,529,789
Cash and cash equivalents at end of the period	<b>¥ 5,127,519</b>	¥ 4,905,724	¥ 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.)

#### 1st quarter ended March 31, 2006

Thousands of yen

	Gas	LPG and other forms of energy	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

Note: Segment information for the 1st quarter ended March 31, 2005 is not available.

#### Previous year ended December 31, 2005

Thousands of yen

	Gas	LPG and other forms of energy	Other businesses	Total	Elimination or corporate	Consolidated
Net sales	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

### (2) Segment information by location

Not applicable due to absence of overseas consolidated subsidiaries or branches

### (3) Overseas sales

Not applicable