



## Flash Report for the Term Ended December 31, 2017 [Japan GAAP] (Consolidated)

February 7, 2018

Company Name: SHIZUOKA GAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)  
 Code Number: 9543 URL: [http://ir.shizuokagas.co.jp/corp\\_en/](http://ir.shizuokagas.co.jp/corp_en/)  
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Date of annual general meeting of shareholders March 23, 2018

Date for presentation of the financial statements report March 26, 2018

Date of dividend payment: March 26, 2018

Preparation of supplemental explanatory materials: Yes

Holding of FY2017 financial briefing session: Yes (for institutional investors)

### 1. Consolidated Business Results (January 1 to December 31, 2017)

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

#### (1) Operating Results

	Net sales (¥ million)	Operating profit (¥ million)	Ordinary profit (¥ million)	Profit attributable to owners of parent (¥ million)
Reporting term	122,027 12.4%	7,711 (24.6)%	8,341 (22.3)%	4,985 (25.9)%
Previous term	108,554 (25.7)	10,228 (11.5)	10,731 (11.0)	6,724 (12.0)

Note: Total comprehensive income (¥ million) Reporting term: 6,719((3.8)%) Previous term: 6,987((20.9)%)

	Profit per share (¥)	Diluted profit per share (¥)	Return on equity (ROE) (%)	Ordinary profit / Total assets (%)	Operating profit / Net sales (%)
Reporting term	67.56	67.43	6.8	7.6	6.3
Previous term	91.16	91.02	9.9	9.5	9.4

Reference: Income or loss on investment accounted for by equity method (¥ million) Reporting term: 144 Previous term: 180

#### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
Reporting term	109,229	82,472	69.1	1,022.66
Previous term	110,938	78,110	63.6	956.52

Reference: Net assets excluding subscription rights to shares and non-controlling interests (¥ million)

Reporting term: 75,459 Previous term: 70,563

#### (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 end of period (¥ million)
Reporting term	10,746	(6,596)	(5,450)	10,024
Previous term	16,697	(8,956)	(6,185)	11,421

### 2. Dividend Payment

	Dividend per share (¥)					Total amount for annual dividend payments (¥ million)	Pay-out ratio (consolidated) (%)	Dividend payments/ Net assets (consolidated) (%)
	End of Q1	End of Q2	End of Q3	End of Q4	Total			
FY 2016	—	6.50	—	6.50	13.00	921	14.3	1.4
FY 2017	—	7.00	—	7.00	14.00	996	20.7	1.4
FY 2018(forecast)	—	7.50	—	7.50	15.00	/	25.3	/

### 3. Consolidated Business Forecast for Current Term (January 1 to December 31, 2018)

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

	Net sales (¥ million)	Operating profit (¥ million)	Ordinary profit (¥ million)	Profit attributable to owners of parent (¥ million)	Earnings per share (¥)
Full term	138,230 13.3%	6,470 (16.1)%	7,030 (15.7)%	4,370 (12.3)%	59.22

#### ※Notes

(1) Major changes in subsidiaries: **No**

Note: Transfer of specified subsidiaries during the reporting period resulting in changes in the scope of consolidation

(2) Changes in accounting policies, estimates, or retrospective restatements

a) Changes in accounting policies due to revisions of accounting standards: **No**

b) Other: **No**

c) Changes in accounting estimates: **No**

d) Retrospective restatements: **No**

(3) Number of issued shares (ordinary shares)

a) Number of issued shares at end of period (including treasury shares)

Reporting term: 76,192,950

Previous term: 76,192,950

b) Number of treasury shares at end of period

Reporting term: 2,406,480

Previous term: 2,422,180

c) Average number of shares outstanding during the term

Reporting term: 73,783,687

Previous term: 73,763,888

※This flash report is exempt from review procedures under the Financial Instruments and Exchange Act.

#### ※Caution Concerning Forward-Looking Statements

Business forecasts and other forward-looking statements contained in this document are assumptions based on information available to the company and judgments deemed rational at the time this document was published.

Forward-looking statements are not a guarantee that forecasts will be achieved. Actual earnings may differ significantly from business forecasts due to various factors. For further details, please refer to " FY2018 Forecast " on page 4.

# 1. Operating Results and Financial Position

## (1) Overview of Operating Results (Operating Results in Fiscal Year 2017)

The Japanese economy experienced moderate growth during the consolidated fiscal year. This growth was a response to improved employment and payrolls, as well as a rebound in personal consumption and capital investment.

The April 2017 deregulation of gas retail sales ushered in an era of serious competition in the gas business and the energy industry as a whole.

Given these conditions, the Shizuoka Gas Group has engaged in a number of initiatives in addition to gas and electricity, proposing solutions to meet a wide diversity of customer needs. The company entered the Indonesian domestic energy market, making serious inroads into overseas business development.

Group net sales for the period amounted to ¥122,027 million, an increase of 12.4% compared to the prior year. This result was mainly due to higher gas sales volume and upward revisions in gas unit sales prices necessitated under the gas rate adjustment system. An increase in electricity sales also contributed to higher overall performance. At the same time, operating profit fell 24.6% to ¥7,711 million, while ordinary profit fell 22.3% to ¥8,341 million. Profit attributable to owners of parent amounted to ¥4,985 million, a decrease of 25.9% compared to the prior fiscal year. This decline in performance was mainly due to the time lag between increases in gas raw materials prices and the time that such increases are reflected in gas sales prices.

The following describes our performance by segment.

### 1. Gas

As of the period end, the company had 350,217 customers (installed meter basis) an increase of 1,161 during the period. Despite increasingly stiff competition with other fuels, we were rewarded in our efforts to grow our customer base in the new housing and existing housing markets.

Gas sales volume increased 1.1% year on year to 1,467 million m<sup>3</sup>. Residential-use gas volume increased 2.6% year on year to 94 million m<sup>3</sup>, mainly due a slightly colder season, as well as increased demand for hot water and heating. Commercial-use gas (offices, retail outlets, public facilities, and medical institutions) volume increased 1.6% to 80 million m<sup>3</sup>. This increase was mainly due to steady growth in demand among existing customers. Industrial-use gas volume increased 13.1% to 742 million m<sup>3</sup>. This increase was mainly due to our efforts to develop more large-volume customers. Wholesale gas volume decreased 11.8%, down to 551 million m<sup>3</sup>, mainly due to lower demand among from wholesale customers.

Gas net sales rose 10.9% year on year to ¥100,105 million, mainly due to higher unit gas sales prices stemming from the gas rate adjustment system, as well as higher sales volume. Segment income (operating profit) fell 21.2% to ¥9,972 million. This decrease was mainly due to the impact of the time lag between raw materials price changes and the reflection of these changes in gas unit sales prices.

### 2. LPG and Other Energy Services

Net sales increased 35.3% year on year to ¥15,082 million, mainly due to an increase in unit gas sales prices for LPG, higher gas sales volume, and growth in electricity sales. Segment income (operating profit) increased 28.3% to ¥550 million.

### 3. Other Businesses

Net sales in our Other Businesses segment (facilities construction, gas piping installations, gas appliance sales, etc.) amounted to ¥13,554 million, representing a 4.5% year-on-year increase. This increase was mainly due to higher facilities construction revenues. Segment income (operating profit) increased 28.8% to ¥647 million.

		FY 2017	FY 2016	Change	Change (%)
Number of Customers		350,217	349,056	1,161	0.3
Gas Sales (million m <sup>3</sup> )	Residential	94	91	2	2.6
	Commercial	80	79	1	1.6
	Industrial	742	656	86	13.1
	Wholesale	551	625	(74)	(11.8)
	Total	1,467	1,451	16	1.1

(Notes)

1. Number of Customers represents the number of meters installed as of the end of the period.
2. Number of Customers does not include the number of end users of wholesale customers.
3. Segment performance includes inter-segment transactions.
4. Sales volume reflects a conversion of 45MJ/m<sup>3</sup>, rounded down to the nearest whole unit.
5. Consumption tax excluded.

### (FY2018 Forecast)

We forecast full-year net sales of ¥138,230 million, an increase of 13.3% compared to fiscal 2017. This forecast is mainly in response to expected higher gas sales volume. At the same time, increases in raw materials prices and other expenses have led us to forecast a 16.1% decrease in operating profit, down to ¥6,470 million. Our outlook for ordinary profit is ¥7,030 million, representing a decrease of 15.7%. We forecast profit attributable to owners of parent at ¥4,370 million, a decrease of 12.3% compared to the prior fiscal year. The Company expects to make capital investments of ¥11,700 million for fiscal 2018 (68.5% increase), mainly due to investments in overseas business development and pipe construction .

(¥ million)

	FY 2018 Forecast	FY 2017 Result	Change	Change (%)
Net sales	138,230	122,027	16,202	13.3
Operating profit	6,470	7,711	(1,241)	(16.1)
Ordinary profit	7,030	8,341	(1,311)	(15.7)
Profit attributable to owners of parent	4,370	4,985	(615)	(12.3)
Capital investment	11,700	6,944	4,755	68.5

Assumptions: Crude oil prices (Japan CIF) \$ 55/bbl, Exchange rate ¥115/USD

## **(2) Overview of Financial Position (Assets, Liabilities, Net Assets, and Cash Flows)**

### 1. Assets, Liabilities, and Net Assets

Total assets as of the end of the period amounted to ¥109,229 million, a decrease of ¥1,708 million compared to the end of the prior fiscal year. This decrease was mainly a result of decreases in noncurrent assets due to ongoing depreciation and amortization, as well as decreases in raw materials levels due to lower LNG inventory.

Liabilities decreased ¥6,070 million to ¥26,757 million. This result was mainly due to a decrease in accounts payable-trade in connection with the timing of raw materials payment settlements and repayments of loans payable.

Net assets increased ¥4,361 million compared to the end of the prior year, rising to ¥82,472 million. This increase was mainly due to higher retained earnings stemming from net income generated during the period.

As a result, the Company's shareholders' equity ratio at the end of the period was 69.1%.

### 2. Cash Flows

Cash and cash equivalents ("Cash") decreased ¥1,396 million in the current period and the balance as of the end of the period was ¥10,024 million.

The following details Company cash flows and factors related to increases or decreases in cash flows.

#### (Cash Flows from Operating Activities)

Cash from operating activities amounted to ¥10,746 million, compared to cash from operating activities of ¥16,697 million in the prior period. While income before depreciation and amortization amounted to ¥17,519 million, increases in unit gas sales prices led to higher balances of notes and accounts receivable-trade, while accounts payable-trade was lower in connection with the timing of raw materials payment settlements.

#### (Cash Flows from Investing Activities)

Cash used in investing activities amounted to ¥6,596 million compared to cash used in investing activities of ¥8,956 million in the prior period. This result was mainly due to expansion and maintenance of gas pipeline networks.

#### (Cash Flows from Financing Activities)

Cash used in financing activities amounted to ¥5,450 million compared to cash used in financing activities of ¥6,185 million in the prior period. This result was mainly due to repayments of loans and payments of dividends.

## Consolidated Balance Sheets

As of December 31	(¥ million)	
	2016	2017
<b>Assets</b>		
Non-current assets		
Property, plant and equipment		
Production facilities	11,473	9,628
Distribution facilities	35,737	34,954
Service and maintenance facilities	5,064	5,235
Other facilities	8,038	8,425
Construction in progress	1,036	205
Total property, plant and equipment	61,350	58,449
Intangible assets	867	878
Investments and other assets		
Investment securities	11,787	12,665
Long-term loans receivable	7,203	6,542
Deferred tax assets	367	220
Other investments and other assets	1,567	1,632
Allowance for doubtful accounts	(92)	(94)
Total investments and other assets	20,833	20,966
Total non-current assets	83,052	80,294
Current assets		
Cash and deposits	11,446	10,048
Notes and accounts receivable-trade	7,313	10,686
Merchandise and finished goods	241	332
Raw materials and supplies	5,936	4,808
Deferred tax assets	568	508
Other current assets	2,405	2,585
Allowance for doubtful accounts	(26)	(33)
Total current assets	27,886	28,935
Total assets	110,938	109,229

Note: Amounts under one million yen are omitted.

As of December 31	(¥ million)	
	2016	2017
<b>Liabilities</b>		
Non-current liabilities		
Long-term loans payable	11,432	9,055
Deferred tax liabilities	559	851
Net defined benefit liability	3,948	3,340
Other non-current liabilities	119	214
<b>Total non-current liabilities</b>	<b>16,060</b>	<b>13,461</b>
Current liabilities		
Current portion of non-current liabilities	3,356	2,646
Accounts payable-trade	7,503	4,025
Accounts payable-other	1,307	1,772
Income taxes payable	1,238	1,570
Provision for bonuses	482	531
Other current liabilities	2,878	2,748
<b>Total current liabilities</b>	<b>16,767</b>	<b>13,295</b>
<b>Total liabilities</b>	<b>32,828</b>	<b>26,757</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,279	6,279
Capital surplus	4,653	4,692
Retained earnings	56,512	60,501
Treasury shares	(1,230)	(1,222)
<b>Total shareholders' equity</b>	<b>66,214</b>	<b>70,250</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,488	5,019
Deferred gains or losses on hedges	(1)	(32)
Foreign currency translation adjustment	(253)	(147)
Remeasurements of defined benefit plans	115	368
<b>Total accumulated other comprehensive income</b>	<b>4,349</b>	<b>5,208</b>
Subscription rights to shares	79	104
Non-controlling interests	7,467	6,908
<b>Total net assets</b>	<b>78,110</b>	<b>82,472</b>
<b>Total liabilities and net assets</b>	<b>110,938</b>	<b>109,229</b>

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Income

Year ended December 31	(¥ million)	
	2016	2017
Net sales	108,554	<b>122,027</b>
Cost of sales	71,804	<b>87,778</b>
Gross profit	36,749	<b>34,249</b>
Selling, general and administrative expenses	26,521	<b>26,537</b>
Operating profit	10,228	<b>7,711</b>
Non-operating income		
Interest income	143	<b>132</b>
Dividend income	191	<b>206</b>
Share of profit of entities accounted for using equity method	180	<b>144</b>
Foreign exchange gains	—	<b>60</b>
Miscellaneous income	313	<b>312</b>
Total non-operating income	828	<b>855</b>
Non-operating expenses		
Interest expenses	238	<b>183</b>
Foreign exchange losses	64	—
Miscellaneous expenses	23	<b>42</b>
Total non-operating expenses	326	<b>226</b>
Ordinary profit	10,731	<b>8,341</b>
Extraordinary losses		
Loss on valuation of investment securities	86	<b>150</b>
Total extraordinary losses	86	<b>150</b>
Profit before income taxes	10,644	<b>8,190</b>
Income taxes-current	2,930	<b>2,157</b>
Income taxes-deferred	226	<b>186</b>
Total income taxes	3,156	<b>2,343</b>
Profit	7,487	<b>5,846</b>
Profit attributable to non-controlling interests	763	<b>861</b>
Profit attributable to owners of parent	6,724	<b>4,985</b>

*Note: Amounts under one million yen are omitted.*



## Consolidated Statement of Comprehensive Income

Year ended December 31	(¥ million)	
	2016	2017
Profit	7,487	<b>5,846</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	(394)	<b>544</b>
Deferred gains or losses on hedges	37	<b>(31)</b>
Foreign currency translation adjustment	—	<b>3</b>
Remeasurements of defined benefit plans, net of tax	(70)	<b>253</b>
Share of other comprehensive income of entities accounted for using equity method	(72)	<b>102</b>
Total other comprehensive income	(500)	<b>872</b>
Comprehensive income	6,987	<b>6,719</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,214	<b>5,844</b>
Comprehensive income attributable to non-controlling interests	773	<b>874</b>

*Note: Amounts under one million yen are omitted.*

## Consolidated Statements of Changes in Net Assets

Fiscal Year Ended December 31, 2016

(¥ million)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,279	4,626	50,709	(1,252)	60,363
Changes of items during period					
Dividends of surplus			(921)		(921)
Profit attributable to owners of parent			6,724		6,724
Disposal of treasury shares		5		21	26
Change in ownership interest of parent due to transactions with non-controlling interests		21			21
Net changes of items other than shareholders' equity					
Total changes of items during period	—	27	5,802	21	5,851
Balance at end of current period	6,279	4,653	56,512	(1,230)	66,214

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	4,893	(39)	(180)	186	4,859	70	7,854	73,148
Changes of items during period								
Dividends of surplus								(921)
Profit attributable to owners of parent								6,724
Disposal of treasury shares								26
Change in ownership interest of parent due to transactions with non-controlling interests								21
Net changes of items other than shareholders' equity	(405)	37	(72)	(70)	(510)	8	(387)	(889)
Total changes of items during period	(405)	37	(72)	(70)	(510)	8	(387)	4,961
Balance at end of current period	4,488	(1)	(253)	115	4,349	79	7,467	78,110

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,279	4,653	56,512	(1,230)	66,214
Changes of items during period					
Dividends of surplus			(996)		(996)
Profit attributable to owners of parent			4,985		4,985
Disposal of treasury shares		2		7	10
Change in ownership interest of parent due to transactions with non-controlling interests		35			35
Net changes of items other than shareholders' equity					
Total changes of items during period	—	38	3,989	7	4,035
Balance at end of current period	6,279	4,692	60,501	(1,222)	70,250

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	4,488	(1)	(253)	115	4,349	79	7,467	78,110
Changes of items during period								
Dividends of surplus								(996)
Profit attributable to owners of parent								4,985
Disposal of treasury shares								10
Change in ownership interest of parent due to transactions with non-controlling interests								35
Net changes of items other than shareholders' equity	531	(31)	105	253	859	25	(558)	326
Total changes of items during period	531	(31)	105	253	859	25	(558)	4,361
Balance at end of current period	5,019	(32)	(147)	368	5,208	104	6,908	82,472

## Consolidated Statements of Cash Flows

Year ended December 31	(¥ million)	
	2016	2017
Cash flows from operating activities		
Profit before income taxes	10,644	<b>8,190</b>
Depreciation	10,143	<b>9,328</b>
Loss on retirement of property, plant and equipment	62	<b>15</b>
Loss (gain) on valuation of investment securities	86	<b>150</b>
Increase (decrease) in allowance for doubtful accounts	(48)	<b>8</b>
Increase (decrease) in net defined benefit liability	(184)	<b>(260)</b>
Increase (decrease) in provision for bonuses	25	<b>49</b>
Interest and dividend income	(334)	<b>(338)</b>
Interest expenses	238	<b>183</b>
Share of (profit) loss of entities accounted for using equity method	(180)	<b>(144)</b>
Decrease (increase) in notes and accounts receivable-trade	3,492	<b>(3,373)</b>
Decrease (increase) in inventories	(950)	<b>1,037</b>
Increase (decrease) in notes and accounts payable-trade	(533)	<b>(3,354)</b>
Decrease/increase in consumption taxes receivable/payable	(3,108)	<b>1,019</b>
Other, net	1,776	<b>584</b>
Subtotal	21,128	<b>13,097</b>
Interest and dividend income received	334	<b>338</b>
Interest expenses paid	(239)	<b>(194)</b>
Income taxes paid	(4,526)	<b>(2,496)</b>
Net cash provided by (used in) operating activities	16,697	<b>10,746</b>
Cash flows from investing activities		
Payments into time deposits	(25)	<b>(23)</b>
Proceeds from withdrawal of time deposits	25	<b>25</b>
Purchase of property, plant and equipment and intangible assets	(9,428)	<b>(6,891)</b>
Proceeds from sales of property, plant and equipment and intangible assets	9	<b>47</b>
Purchase of investment securities	(9)	<b>(449)</b>
Collection of loans receivable	663	<b>663</b>
Proceeds from contribution received for construction	263	<b>450</b>
Other, net	(455)	<b>(418)</b>
Net cash provided by (used in) investing activities	(8,956)	<b>(6,596)</b>
Cash flows from financing activities		
Proceeds from long-term loans payable	1,320	<b>325</b>
Repayments of long-term loans payable	(5,444)	<b>(3,380)</b>
Cash dividends paid	(921)	<b>(997)</b>
Dividends paid to non-controlling interests	(1,093)	<b>(1,104)</b>
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(46)	<b>(292)</b>
Other, net	0	<b>0</b>
Net cash provided by (used in) financing activities	(6,185)	<b>(5,450)</b>
Effect of exchange rate change on cash and cash equivalents	(133)	<b>(95)</b>
Net increase (decrease) in cash and cash equivalents	1,421	<b>(1,396)</b>
Cash and cash equivalents at beginning of period	9,999	<b>11,421</b>
Cash and cash equivalents at end of period	11,421	<b>10,024</b>

Note: Amounts under one million yen are omitted.

## **Notes regarding Consolidated Financial Statements**

### **Note on Going Concerns' Premise**

Not applicable.

### **Additional Information**

Beginning with the first quarter of the consolidated fiscal year, the Company has applied "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued March 28, 2016)

(Segment Information)

1. Overview of reportable segments

Shizuoka Gas Group's reportable segments are those segments capable of providing separate financial information, and which the Board of Directors regularly reviews to determine the allocation of management resources and evaluate performance results.

The basic business of the Shizuoka Gas Group is the development of general energy businesses, mainly in city gas and the LPG adoption. We have identified two reportable segments along product/service lines: (1) Gas and (2) LPG and other energy services.

The following details the principal products and services offered by each reportable segment:

Gas: Natural gas and liquefied natural gas (LNG)

LPG and other energy services: Liquefied petroleum gas (LPG), electric power, and on-site energy services

2. Accounting method of sales, profit or losses, assets and other items by each reportable segment

The accounting procedures of the reported business segments are the same as set forth in "Important items in the basis of presenting consolidated financial statements".

Reportable segment income is based on operating profit.

Inter-segment sales and transfers are transactions between consolidated companies and are based on market prices, etc.

3. Net Sales, Income (Loss), Assets, and Other Material Items by each Reportable Segment

Fiscal Year Ended December 31, 2016

(¥ million)

	Reportable segment			Other businesses (Note1)	Total	Adjustments (Note2)	Amount recorded on consolidated statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Sales to external Customers	89,172	10,948	100,121	8,432	108,554	—	108,554
Inter-segment sales and Transfers	1,124	196	1,320	4,541	5,862	(5,862)	—
Total	90,296	11,145	101,442	12,973	114,416	(5,862)	108,554
Segment income	12,656	428	13,085	502	13,587	(3,359)	10,228
Segment Assets	72,029	9,994	82,023	5,553	87,577	23,360	110,938
Others							
Depreciation Expenses	8,973	493	9,467	426	9,893	249	10,143
Investments in entities accounted for using equity method	376	1,770	2,146	—	2,146	—	2,146
Increase in property, plant, equipment, and intangible assets	6,064	2,909	8,974	241	9,215	18	9,234

Notes:

1. The "Other businesses" classification consists of businesses not defined as reportable segments, and include gas construction of facilities/gas piping installations and gas appliance sales, remodeling and leasing.

2. The adjusted amount is as follows.

(1) The (¥3,359) million in segment income adjustments includes ¥260 million in eliminations of inter-segment transactions and (¥3,620) million of corporate expenses not allocated to the respective reportable segments.

Corporate expenses are general and administrative expenses not allocable to a reportable segment.

(2) The ¥23,360 million in segment asset adjustments includes (¥1,437) million in eliminations of inter-segment transactions and ¥24,798 million of company-wide assets not allocated to the respective reportable segments.

Company-wide assets are surplus funds (cash and deposits), long-term investments (investment securities) and assets related to administrative departments.

3. Segment income is adjusted to reflect operating profit as recorded on the consolidated statements of income.

**Fiscal Year Ended December 31, 2017**

(¥ million)

	Reportable segment			Other businesses (Note1)	Total	Adjustments (Note2)	Amount recorded on consolidated statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Sales to external customers	98,474	14,828	113,302	8,725	122,027	—	122,027
Inter-segment sales and transfers	1,630	254	1,885	4,829	6,714	(6,714)	—
<b>Total</b>	<b>100,105</b>	<b>15,082</b>	<b>115,187</b>	<b>13,554</b>	<b>128,742</b>	<b>(6,714)</b>	<b>122,027</b>
Segment income	9,972	550	10,522	647	11,170	(3,458)	7,711
Segment Assets	70,653	10,153	80,806	6,004	86,811	22,418	109,229
Others							
Depreciation expenses	8,241	566	8,807	360	9,168	160	9,328
Investments in entities accounted for using equity method	261	1,691	1,952	—	1,952	—	1,952
Increase in property, plant, equipment, and intangible assets	5,467	1,117	6,585	324	6,910	34	6,944

## Notes:

1. The "Other businesses" classification consists of businesses not defined as reportable segments, and include gas construction of facilities/gas piping installations and gas appliance sales, remodeling and leasing.

2. The adjusted amount is as follows.

(1) The (¥3,458) million in segment income adjustments includes ¥278 million in eliminations of inter-segment transactions and (¥3,736) million of corporate expenses not allocated to the respective reportable segments.

Corporate expenses are general and administrative expenses not allocable to a reportable segment.

(2) The ¥22,418 million in segment asset adjustments includes (¥1,690) million in eliminations of inter-segment transactions and ¥24,108 million of company-wide assets not allocated to the respective reportable segments.

Company-wide assets are surplus funds (cash and deposits), long-term investments (investment securities) and assets related to administrative departments.

3. Segment income is adjusted to reflect operating profit as recorded on the consolidated statements of income.