



## Flash Report for the Term Ended December 31, 2018 [Japan GAAP] (Consolidated)

February 6, 2019

Company Name: SHIZUOKA GAS CO., LTD. Listing: Tokyo Stock Exchange (1st section)  
 Code Number: 9543 URL: <https://ir.shizuokagas.co.jp/en/>  
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 Date of annual general meeting of shareholders: March 20, 2019  
 Date for presentation of the financial statements report: March 22, 2019  
 Date of dividend payment: March 22, 2019  
 Preparation of supplemental explanatory materials: Yes  
 Holding of FY2018 financial briefing session: Yes (for institutional investors)

### 1. Consolidated Business Results (January 1 to December 31, 2018)

(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	143,199 17.4%	4,869 (36.9)%	5,589 (33.0)%	3,290 (34.0)%
Previous term	122,027 12.4	7,711 (24.6)	8,341 (22.3)	4,985 (25.9)

Note: Total comprehensive income (¥ million) Reporting term: 1,956((70.9)%) Previous term: 6,719((3.8)%)

	Profit per share (¥)	Diluted profit per share (¥)	Return on equity (ROE) (%)	Ordinary profit / Total assets (%)	Operating profit / Net sales (%)
Reporting term	44.58	44.49	4.4	5.0	3.4
Previous term	67.56	67.43	6.8	7.6	6.3

Reference: Share of profit of entities accounted for using equity method (¥ million) Reporting term: 183 Previous term: 144

#### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
Reporting term	113,668	82,356	66.6	1,024.71
Previous term	109,229	82,472	69.1	1,022.66

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

Reporting term: 75,669 Previous term: 75,459

#### (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	11,885	(5,334)	(4,239)	12,338
Previous term	10,746	(6,596)	(5,450)	10,024

### 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 2017	—	7.00	—	7.00	14.00	996	20.7	1.4
FY 2018	—	7.50	—	7.50	15.00	1,070	33.6	1.5
FY 2019(forecast)	—	8.00	—	8.00	16.00	/	20.1	/

### 3. Consolidated Business Forecast for Current Term (January 1 to December 31, 2019)

(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)	Profit per share (¥)
Full term	161,100 12.5%	8,830 81.3%	9,240 65.3%	5,880 78.7%	79.62

#### ※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: 2,349,097

Previous term: 2,406,480

c) Average number of shares outstanding during the term

Reporting term: 73,813,326

Previous term: 73,783,687

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

#### ※Caution Concerning Forward-Looking Statements

Business forecast 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 forecast will be achieved. Actual earnings may differ significantly from business forecast due to various factors. For further details, please refer to " FY2019 Forecast " on page 4.

## 1. Operating Results and Financial Position

### (1) Overview of Operating Results (Operating Results in Fiscal Year 2018)

The Japanese economy experienced moderate growth during the fiscal year. Corporate profits reached record highs, while capital investment rose. At the same time, employment and payrolls improved, driving a continued rebound in personal consumption.

In the energy industry, the April 2016 deregulation of electricity retail sales and the April 2017 deregulation of gas retail sales ushered in an era of major change in the business environment, as energy providers and entities from outside the energy industry began to compete against each other cross-market.

Given these conditions, the Shizuoka Gas Group has engaged in a number of initiatives, aiming to be the leading regional solutions company providing optimal solutions for a wide range of customer needs.

Group net sales for the year amounted to ¥143,199 million, an increase of 17.4% year on year. This result was mainly due to higher gas sales volume, upward revisions in gas unit sales prices necessitated under the gas rate adjustment system, and higher sales of electricity. Profits for the period were impacted negatively by the timing differences between raw materials cost fluctuations and the impact of these fluctuations on gas unit sales prices.

As a result, operating profit fell 36.9% to ¥4,869 million, while ordinary profit fell 33.0% to ¥5,589 million. Profit attributable to owners of parent amounted to ¥3,290 million, a decrease of 34.0%.

The following describes our performance by segment.

#### 1. Gas

As of the period end, the company had 356,969 customers (installed meter basis), an increase of 6,752 customers during the period. This increase was mainly due to the addition of Shimada Gas Co., Ltd. as a consolidated subsidiary in March 2018 and winning new customers in the new construction and existing home markets.

Gas sales volume increased 6.2% year on year to 1,558 million m<sup>3</sup>. Residential-use gas volume fell 1.8% to 92 million m<sup>3</sup>, mainly due to warmer weather and less demand for hot water and heating. Commercial-use gas (offices, retail outlets, public facilities, and medical institutions) volume increased 1.5% year on year to 81 million m<sup>3</sup>, helped by new customer development. Industrial-use gas volume increased 9.5% to 813 million m<sup>3</sup>, driven by steady demand growth among large-volume customers. Wholesale gas volume rose 3.8% to 572 million m<sup>3</sup>.

Gas net sales rose 16.8% year on year to ¥116,902 million, mainly due to higher unit gas prices stemming from the gas rate adjustment system, as well as higher sales volume. Segment income (operating profit) fell 34.1% to ¥6,568 million. This decrease was 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 18.9% year on year to ¥17,938 million, mainly due to an increase in unit gas sales prices for LPG gas and growth in electricity sales. Segment income (operating profit) rose 25.6% to ¥691 million.

#### 3. Other Businesses

Net sales in our Other Businesses segment (facilities construction, gas piping installations, gas appliance sales, etc.) amounted to ¥15,420 million, up 13.8% year on year, mainly due to a rise in facilities construction revenues. Segment income (operating profit) rose 0.3% to ¥649 million.

		FY 2018	FY 2017	Change	Change (%)
Number of Customers		356,969	350,217	6,752	1.9
Gas Sales (million m <sup>3</sup> )	Residential	92	94	(2)	(1.8)
	Commercial	81	80	1	1.5
	Industrial	813	742	71	9.5
	Wholesale	572	551	21	3.8
	Total	1,558	1,467	91	6.2

(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.

### (FY2019 Forecast)

We forecast FY2019 net sales of ¥161,100 million, which represents an increase of 12.5% compared to FY2018. This increase is based on expected increases in gas sales volume and trends toward slightly higher gas unit sales stemming from prices necessitated under the gas rate adjustment system. While we forecast higher overhead expenses for the next period, we project ordinary profit of ¥8,830 million, up 81.3% due mainly to the time lag between raw materials price changes and the reflection of these changes in gas unit sales prices. Our outlook for ordinary profit is ¥9,240 million, up 65.3%, while our forecast for profit attributable to owners of parent is ¥5,880 million, an increase of 78.7% year on year. The Company expects to make capital investments of ¥9,782 million for fiscal 2019 (55.1% increase), mainly due to investments in new businesses and pipe construction.

(¥ million)

	FY 2019 Forecast	FY 2018 Result	Change	Change (%)
Net sales	161,100	143,199	17,900	12.5
Operating profit	8,830	4,869	3,960	81.3
Ordinary profit	9,240	5,589	3,650	65.3
Profit attributable to owners of parent	5,880	3,290	2,589	78.7
Capital investment	9,782	6,306	3,475	55.1

Assumptions: Crude oil price (Japan CIF) \$ 75/bbl, Exchange rate ¥110/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 ¥113,668 million, an increase of ¥4,438 million compared to the end of the prior fiscal year. Although noncurrent assets decreased due to ongoing depreciation and amortization, this overall increase in assets was mainly a result of a rise in raw materials associated with higher LNG inventory volumes.

Liabilities increased ¥4,553 million to ¥31,311 million. This result was mainly due to an increase in accounts payable-trade in connection with the timing of raw materials payment settlements.

Net assets fell ¥115 million compared to the end of the prior year, amounting to ¥82,356 million. This decrease was mainly due decreases in valuation difference on available-for-sale securities, offsetting increased retained earnings resulting from profits generated during the period.

As a result, the Company's shareholders' equity ratio at the end of the period was 66.6%.

### 2. Cash Flows

Cash and cash equivalents ("Cash") amounted to ¥12,338 million as of the end of the period, an increase of ¥2,313 million compared to the end of the prior period.

The following describes the Company's cash flows and major factors in cash flow changes

#### (Cash Flows from Operating Activities)

Cash from operating activities amounted to ¥11,885 million, compared to cash from operating activities of ¥10,746 million in the prior period. Although the Company recorded income of ¥14,609 million before depreciation and amortization, year-end increases inventory balances contributed to the final net result.

#### (Cash Flows from Investing Activities)

Cash used in investing activities amounted to ¥5,334 million compared to cash used in investing activities of ¥6,596 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 ¥4,239 million compared to cash used in financing activities of ¥5,450 million in the prior period. This result was mainly due to repayments of loans and payments of dividends.

## 2. Consolidated Financial Statements and Notes

### (1) Consolidated Balance Sheets

As of December 31	(¥ million)	
	2017	2018
<b>Assets</b>		
Non-current assets		
Property, plant and equipment		
Production facilities	9,628	<b>8,052</b>
Distribution facilities	34,954	<b>34,647</b>
Service and maintenance facilities	5,235	<b>5,042</b>
Other facilities	8,425	<b>8,024</b>
Construction in progress	205	<b>161</b>
Total property, plant and equipment	58,449	<b>55,929</b>
Intangible assets	878	<b>836</b>
Investments and other assets		
Investment securities	12,665	<b>9,810</b>
Long-term loans receivable	6,542	<b>5,886</b>
Deferred tax assets	220	<b>337</b>
Other investments and other assets	1,632	<b>1,705</b>
Allowance for doubtful accounts	(94)	<b>(94)</b>
Total investments and other assets	20,966	<b>17,645</b>
Total non-current assets	80,294	<b>74,412</b>
Current assets		
Cash and deposits	10,048	<b>12,419</b>
Notes and accounts receivable-trade	10,686	<b>13,196</b>
Merchandise and finished goods	332	<b>353</b>
Raw materials and supplies	4,808	<b>9,896</b>
Deferred tax assets	508	<b>545</b>
Other current assets	2,585	<b>2,886</b>
Allowance for doubtful accounts	(33)	<b>(40)</b>
Total current assets	28,935	<b>39,256</b>
Total assets	109,229	<b>113,668</b>

Note: Amounts under one million yen are omitted.

As of December 31	(¥ million)	
	2017	2018
<b>Liabilities</b>		
Non-current liabilities		
Long-term loans payable	9,055	7,370
Deferred tax liabilities	851	415
Net defined benefit liability	3,340	3,362
Other non-current liabilities	214	120
<b>Total non-current liabilities</b>	<b>13,461</b>	<b>11,269</b>
Current liabilities		
Current portion of non-current liabilities	2,646	2,509
Accounts payable-trade	4,025	11,645
Accounts payable-other	1,772	1,585
Income taxes payable	1,570	1,412
Provision for bonuses	531	411
Other current liabilities	2,748	2,478
<b>Total current liabilities</b>	<b>13,295</b>	<b>20,042</b>
<b>Total liabilities</b>	<b>26,757</b>	<b>31,311</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,279	6,279
Capital surplus	4,692	4,712
Retained earnings	60,501	62,722
Treasury shares	(1,222)	(1,193)
<b>Total shareholders' equity</b>	<b>70,250</b>	<b>72,520</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,019	3,132
Deferred gains or losses on hedges	(32)	11
Foreign currency translation adjustment	(147)	(149)
Remeasurements of defined benefit plans	368	153
<b>Total accumulated other comprehensive income</b>	<b>5,208</b>	<b>3,148</b>
Share acquisition rights	104	115
Non-controlling interests	6,908	6,572
<b>Total net assets</b>	<b>82,472</b>	<b>82,356</b>
<b>Total liabilities and net assets</b>	<b>109,229</b>	<b>113,668</b>

Note: Amounts under one million yen are omitted.

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income

Year ended December 31	(¥ million)	
	2017	2018
Net sales	122,027	<b>143,199</b>
Cost of sales	87,778	<b>111,503</b>
Gross profit	34,249	<b>31,696</b>
Selling, general and administrative expenses	26,537	<b>26,827</b>
Operating profit	7,711	<b>4,869</b>
Non-operating income		
Interest income	132	<b>119</b>
Dividend income	206	<b>223</b>
Share of profit of entities accounted for using equity method	144	<b>183</b>
Foreign exchange gains	60	—
Miscellaneous income	312	<b>418</b>
Total non-operating income	855	<b>945</b>
Non-operating expenses		
Interest expenses	183	<b>147</b>
Foreign exchange losses	—	<b>46</b>
Miscellaneous expenses	42	<b>30</b>
Total non-operating expenses	226	<b>224</b>
Ordinary profit	8,341	<b>5,589</b>
Extraordinary income		
Gain on sales of investment securities	—	<b>146</b>
Total extraordinary income	—	<b>146</b>
Extraordinary losses		
Impairment loss	—	<b>77</b>
Loss on valuation of investment securities	150	<b>14</b>
Total extraordinary losses	150	<b>92</b>
Profit before income taxes	8,190	<b>5,644</b>
Income taxes-current	2,157	<b>1,478</b>
Income taxes-deferred	186	<b>131</b>
Total income taxes	2,343	<b>1,609</b>
Profit	5,846	<b>4,035</b>
Profit attributable to non-controlling interests	861	<b>744</b>
Profit attributable to owners of parent	4,985	<b>3,290</b>

Note: Amounts under one million yen are omitted.



## Consolidated Statements of Comprehensive Income

Year ended December 31	(¥ million)	
	2017	2018
Profit	5,846	<b>4,035</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	544	<b>(1,905)</b>
Deferred gains or losses on hedges	(31)	<b>44</b>
Foreign currency translation adjustment	3	<b>(2)</b>
Remeasurements of defined benefit plans, net of tax	253	<b>(215)</b>
Share of other comprehensive income of entities accounted for using equity method	102	<b>0</b>
Total other comprehensive income	872	<b>(2,078)</b>
Comprehensive income	6,719	<b>1,956</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,844	<b>1,230</b>
Comprehensive income attributable to non-controlling interests	874	<b>725</b>

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

### (3) Consolidated Statements of Changes in Net Assets

Fiscal Year Ended December 31, 2017

(¥ million)

	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
Purchase of treasury shares					
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					Share acquisition rights	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
Purchase of treasury shares								
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

## Fiscal Year Ended December 31, 2018

(¥ million)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,279	4,692	60,501	(1,222)	70,250
Changes of items during period					
Dividends of surplus			(1,070)		(1,070)
Profit attributable to owners of parent			3,290		3,290
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		19		29	48
Change in ownership interest of parent due to transactions with non-controlling interests		1			1
Net changes of items other than shareholders' equity					
Total changes of items during period	—	20	2,220	29	2,270
Balance at end of current period	6,279	4,712	62,722	(1,193)	72,520

	Accumulated other comprehensive income					Share acquisition rights	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	5,019	(32)	(147)	368	5,208	104	6,908	82,472
Changes of items during period								
Dividends of surplus								(1,070)
Profit attributable to owners of parent								3,290
Purchase of treasury shares								(0)
Disposal of treasury shares								48
Change in ownership interest of parent due to transactions with non-controlling interests								1
Net changes of items other than shareholders' equity	(1,887)	44	(2)	(215)	(2,060)	10	(336)	(2,386)
Total changes of items during period	(1,887)	44	(2)	(215)	(2,060)	10	(336)	(115)
Balance at end of current period	3,132	11	(149)	153	3,148	115	6,572	82,356

#### (4) Consolidated Statements of Cash Flows

Year ended December 31	(¥ million)	
	2017	2018
Cash flows from operating activities		
Profit before income taxes	8,190	5,644
Depreciation	9,328	8,964
Impairment loss	—	77
Loss on retirement of property, plant and equipment	15	7
Loss (gain) on valuation of investment securities	150	14
Increase (decrease) in allowance for doubtful accounts	8	7
Increase (decrease) in net defined benefit liability	(260)	(279)
Increase (decrease) in provision for bonuses	49	(126)
Interest and dividend income	(338)	(343)
Interest expenses	183	147
Share of loss (profit) of entities accounted for using equity method	(144)	(183)
Loss (gain) on sales of investment securities	—	(146)
Decrease (increase) in notes and accounts receivable-trade	(3,373)	(2,410)
Decrease (increase) in inventories	1,037	(5,087)
Increase (decrease) in notes and accounts payable-trade	(3,354)	7,499
Decrease/increase in consumption taxes receivable/payable	1,019	(295)
Other, net	584	(11)
Subtotal	13,097	13,478
Interest and dividend income received	338	343
Interest expenses paid	(194)	(157)
Income taxes paid	(2,496)	(1,778)
Net cash provided by (used in) operating activities	10,746	11,885
Cash flows from investing activities		
Payments into time deposits	(23)	(57)
Proceeds from withdrawal of time deposits	25	118
Purchase of property, plant and equipment and intangible assets	(6,891)	(6,355)
Proceeds from sales of property, plant and equipment and intangible assets	47	73
Purchase of investment securities	(449)	(123)
Proceeds from sales of investment securities	—	347
Proceeds from redemption of investment securities	—	330
Collection of loans receivable	663	655
Proceeds from contribution received for construction	450	27
Other, net	(418)	(350)
Net cash provided by (used in) investing activities	(6,596)	(5,334)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	(85)
Proceeds from long-term loans payable	325	730
Repayments of long-term loans payable	(3,380)	(2,713)
Cash dividends paid	(997)	(1,067)
Dividends paid to non-controlling interests	(1,104)	(1,085)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(292)	(84)
Other, net	0	65
Net cash provided by (used in) financing activities	(5,450)	(4,239)
Effect of exchange rate change on cash and cash equivalents	(95)	2
Net increase (decrease) in cash and cash equivalents	(1,396)	2,313
Cash and cash equivalents at beginning of period	11,421	10,024
Cash and cash equivalents at end of period	10,024	12,338

Note: Amounts under one million yen are omitted.

## **(5)Notes regarding Consolidated Financial Statements**

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

Not applicable.

## 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" in the latest securities report (submitted March 27, 2018).

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, 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)	—
Total	100,105	15,082	115,187	13,554	128,742	(6,714)	122,027
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	6,070	515	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.

**Fiscal Year Ended December 31, 2018**

(¥ 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	<b>114,938</b>	<b>17,655</b>	<b>132,594</b>	<b>10,605</b>	<b>143,199</b>	—	<b>143,199</b>
Inter-segment sales and transfers	<b>1,964</b>	<b>282</b>	<b>2,246</b>	<b>4,814</b>	<b>7,061</b>	<b>(7,061)</b>	—
<b>Total</b>	<b>116,902</b>	<b>17,938</b>	<b>134,841</b>	<b>15,420</b>	<b>150,261</b>	<b>(7,061)</b>	<b>143,199</b>
Segment income	<b>6,568</b>	<b>691</b>	<b>7,259</b>	<b>649</b>	<b>7,909</b>	<b>(3,040)</b>	<b>4,869</b>
Segment Assets	<b>75,409</b>	<b>10,585</b>	<b>85,994</b>	<b>6,275</b>	<b>92,269</b>	<b>21,398</b>	<b>113,668</b>
Others							
Depreciation expenses	<b>7,937</b>	<b>567</b>	<b>8,505</b>	<b>306</b>	<b>8,811</b>	<b>152</b>	<b>8,964</b>
Investments in entities accounted for using equity method	<b>183</b>	<b>1,586</b>	<b>1,770</b>	—	<b>1,770</b>	—	<b>1,770</b>
Increase in property, plant, equipment, and intangible assets	<b>5,531</b>	<b>399</b>	<b>5,931</b>	<b>296</b>	<b>6,228</b>	<b>78</b>	<b>6,306</b>

## 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 (¥3,040) million in segment income adjustments includes ¥279 million in eliminations of inter-segment transactions and (¥3,320) 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 ¥21,398 million in segment asset adjustments includes (¥2,087) million in eliminations of inter-segment transactions and ¥23,485 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.