



Flash Report for the Term Ended December 31, 2022 [Japan GAAP] (Consolidated)

February 9, 2023

Company Name: SHIZUOKA GAS CO., LTD. Listing: Tokyo Stock Exchange
 Code Number: 9543 URL: <https://ir.shizuokagas.co.jp/en/>
 Representative: Kishida Hiroyuki, Representative Director and President
 Contact: Taniguchi Katsumi, Accounting and Finance Manager, Management Planning Dept.
 Telephone: +81-54-284-4141
 Date of annual general meeting of shareholders: March 23, 2023
 Date for presentation of the financial statements report: March 24, 2023
 Date of dividend payment: March 24, 2023
 Preparation of supplemental explanatory materials: Yes
 Holding of FY2022 financial briefing session: Yes (for institutional investors)

1. Consolidated Business Results (January 1 to December 31, 2022)

(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	207,325	55.9%	8,629	73.0%	9,491	46.6%	5,975	45.2%
Previous term	132,988	9.6%	4,989	(26.9)%	6,474	(12.4)%	4,115	11.0%

Note: Total comprehensive income (¥ million) Reporting term: 8,115 (28.0%) Previous term: 6,339 (74.3%)

	Profit per share (¥)	Diluted profit per share (¥)	Return on equity (ROE) (%)	Ordinary profit / Total assets (%)	Operating profit / Net sales (%)
Reporting term	80.60	80.48	6.7	6.7	4.2
Previous term	55.55	55.46	4.9	5.3	3.8

Reference: Share of profit of entities accounted for using equity method (¥ million) Reporting term: 660 Previous term: 604

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
Reporting term	159,497	99,608	58.2	1,252.17
Previous term	123,996	92,150	69.6	1,164.72

Reference: Net assets excluding share acquisition rights and non-controlling interests (¥ million)

Reporting term: 92,847 Previous term: 86,308

(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	4,116	(14,074)	23,552	27,264
Previous term	(6,909)	(9,797)	(1,412)	13,548

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 2021	—	9.00	—	9.00	18.00	1,333	32.4	1.6
FY 2022	—	9.50	—	9.50	19.00	1,408	23.5	1.6
FY 2023 (forecast)	—	10.00	—	10.00	20.00	/	16.1	/

3. Consolidated Business Forecast for the Term Ended December 31, 2023

(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	233,820	12.8 %	13,400	55.3 %	14,160	49.2 %	9,220	54.3%	124.34

※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: **Yes**

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: 2,043,820

Previous term: 2,090,713

c) Average number of shares outstanding during the term

Reporting term: 74,137,107

Previous term: 74,087,885

※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.

Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of December 31,2021	As of December 31,2022
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	4,736	6,209
Distribution facilities	33,926	34,425
Service and maintenance facilities	6,000	5,792
Other facilities	7,984	9,789
Construction in progress	2,343	1,928
Total property, plant and equipment	54,992	58,146
Intangible assets	1,266	2,449
Investments and other assets		
Investment securities	10,113	14,333
Long-term loans receivable	4,030	3,323
Deferred tax assets	703	857
Other investments	1,937	2,091
Allowance for doubtful accounts	(71)	(78)
Total investments and other assets	16,713	20,527
Total non-current assets	72,972	81,124
Current assets		
Cash and deposits	13,658	27,649
Notes and accounts receivable - trade	15,013	-
Notes and accounts receivable - trade, and contract assets	-	25,887
Merchandise and finished goods	565	661
Raw materials and supplies	9,193	18,231
Accounts receivable - other	10,478	3,940
Securities	-	132
Other current assets	2,167	1,928
Allowance for doubtful accounts	(53)	(59)
Total current assets	51,024	78,373
Total assets	123,996	159,497

	As of December 31,2021	As of December 31,2022
Liabilities		
Non-current liabilities		
Long-term borrowings	5,124	12,218
Deferred tax liabilities	389	901
Retirement benefit liability	2,739	2,717
Other noncurrent liabilities	98	357
Total non-current liabilities	8,352	16,195
Current liabilities		
Current portion of non-current liabilities	1,500	1,784
Accounts payable - trade	15,189	13,429
Short-term borrowings	-	174
Commercial papers	-	17,999
Accounts payable - other	1,882	3,306
Income taxes payable	1,724	3,554
Provision for bonuses	411	416
Other current liabilities	2,784	3,028
Total current liabilities	23,494	43,693
Total liabilities	31,846	59,888
Net assets		
Shareholders' equity		
Share capital	6,279	6,279
Capital surplus	4,984	5,004
Retained earnings	72,403	77,599
Treasury shares	(1,062)	(1,038)
Total shareholders' equity	82,604	87,844
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,938	4,371
Deferred gains or losses on hedges	320	118
Foreign currency translation adjustment	(59)	81
Remeasurements of defined benefit plans	503	431
Total accumulated other comprehensive income	3,703	5,002
Share acquisition rights	91	85
Non-controlling interests	5,749	6,674
Total net assets	92,150	99,608
Total liabilities and net assets	123,996	159,497

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

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended December 31,2021	For the fiscal year ended December 31,2022
Net sales	132,988	207,325
Cost of sales	100,332	169,654
Gross profit	32,655	37,670
Selling, general and administrative expenses	27,665	29,040
Operating profit	4,989	8,629
Non-operating income		
Interest income	87	84
Dividend income	660	440
Share of profit of entities accounted for using equity method	604	660
Miscellaneous income	305	378
Total non-operating income	1,657	1,564
Non-operating expenses		
Interest expenses	73	90
Foreign exchange losses	83	112
Loss on investments in silent partnerships	-	479
Miscellaneous expenses	16	20
Total non-operating expenses	172	702
Ordinary profit	6,474	9,491
Extraordinary income		
Gain on sale of investment securities	32	-
Total extraordinary income	32	-
Profit before income taxes	6,506	9,491
Income taxes - current	1,513	2,655
Income taxes - deferred	13	14
Total income taxes	1,527	2,669
Profit	4,979	6,821
Profit attributable to non-controlling interests	863	845
Profit attributable to owners of parent	4,115	5,975

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended December 31,2021	For the fiscal year ended December 31,2022
Profit	4,979	6,821
Other comprehensive income		
Valuation difference on available-for-sale securities	605	1,426
Deferred gains or losses on hedges	538	(201)
Foreign currency translation adjustment	7	13
Remeasurements of defined benefit plans, net of tax	169	(72)
Share of other comprehensive income of entities accounted for using equity method	38	126
Total other comprehensive income	1,359	1,293
Comprehensive income	6,339	8,115
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,467	7,275
Comprehensive income attributable to non-controlling interests	871	840

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended December 31, 2021

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,279	4,948	69,583	(1,090)	79,721
Cumulative effects of changes in accounting policies					-
Restated balance	6,279	4,948	69,583	(1,090)	79,721
Changes during period					
Dividends of surplus			(1,296)		(1,296)
Profit attributable to owners of parent			4,115		4,115
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		6		10	16
Change in ownership interest of parent due to transactions with non-controlling interests		13			13
Restricted stock compensation		16		17	34
Net changes in items other than shareholders' equity					
Total changes during period	-	36	2,819	27	2,883
Balance at end of period	6,279	4,984	72,403	(1,062)	82,604

	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 period	2,341	(218)	(104)	333	2,352	108	5,491	87,673
Cumulative effects of changes in accounting policies								-
Restated balance	2,341	(218)	(104)	333	2,352	108	5,491	87,673
Changes during period								
Dividends of surplus								(1,296)
Profit attributable to owners of parent								4,115
Purchase of treasury shares								(0)
Disposal of treasury shares								16
Change in ownership interest of parent due to transactions with non-controlling interests								13
Restricted stock compensation								34
Net changes in items other than shareholders' equity	596	538	45	169	1,351	(16)	258	1,593
Total changes during period	596	538	45	169	1,351	(16)	258	4,476
Balance at end of period	2,938	320	(59)	503	3,703	91	5,749	92,150

For the fiscal year ended December 31,2022

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,279	4,984	72,403	(1,062)	82,604
Cumulative effects of changes in accounting policies			591		591
Restated balance	6,279	4,984	72,995	(1,062)	83,196
Changes during period					
Dividends of surplus			(1,371)		(1,371)
Profit attributable to owners of parent			5,975		5,975
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		2		3	5
Change in ownership interest of parent due to transactions with non-controlling interests		3			3
Restricted stock compensation		14		20	34
Net changes in items other than shareholders' equity					
Total changes during period	-	19	4,604	23	4,648
Balance at end of period	6,279	5,004	77,599	(1,038)	87,844

	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 period	2,938	320	(59)	503	3,703	91	5,749	92,150
Cumulative effects of changes in accounting policies								591
Restated balance	2,938	320	(59)	503	3,703	91	5,749	92,742
Changes during period								
Dividends of surplus								(1,371)
Profit attributable to owners of parent								5,975
Purchase of treasury shares								(0)
Disposal of treasury shares								5
Change in ownership interest of parent due to transactions with non-controlling interests								3
Restricted stock compensation								34
Net changes in items other than shareholders' equity	1,432	(201)	140	(72)	1,299	(5)	924	2,218
Total changes during period	1,432	(201)	140	(72)	1,299	(5)	924	6,866
Balance at end of period	4,371	118	81	431	5,002	85	6,674	99,608

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended December 31,2021	For the fiscal year ended December 31,2022
Cash flows from operating activities		
Profit before income taxes	6,506	9,491
Depreciation	8,462	8,741
Loss on retirement of property, plant and equipment	167	25
Increase (decrease) in allowance for doubtful accounts	25	12
Increase (decrease) in retirement benefit liability	(73)	(120)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(6)	-
Increase (decrease) in provision for bonuses	(11)	2
Interest and dividend income	(747)	(524)
Interest expenses	73	90
Share of loss (profit) of entities accounted for using equity method	(604)	(660)
Loss (gain) on sale of investment securities	(32)	-
Decrease (increase) in trade receivables	(6,517)	-
Decrease (increase) in trade receivables and contract assets	-	(10,645)
Decrease (increase) in inventories	(4,588)	(9,134)
Increase (decrease) in trade payables	5,488	(1,702)
Increase (decrease) in allowance for ship allocation adjustment	(2,900)	-
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(1,828)	425
Loss (gain) on sale of property, plant and equipment	(1)	-
Decrease (increase) in accounts receivable - other	(8,439)	5,688
Other, net	582	2,709
Subtotal	(4,444)	4,399
Interest and dividends received	743	525
Interest paid	(75)	(90)
Income taxes paid	(3,133)	(718)
Net cash provided by (used in) operating activities	(6,909)	4,116
Cash flows from investing activities		
Payments into time deposits	(122)	(130)
Proceeds from withdrawal of time deposits	130	126
Purchase of property, plant and equipment and intangible assets	(9,208)	(12,421)
Proceeds from sale of property, plant and equipment and intangible assets	5	71
Purchase of investment securities	(1,291)	(2,842)
Proceeds from sale of investment securities	111	731
Proceeds from redemption of investment securities	706	675
Loan advances	(284)	(43)
Proceeds from collection of loans receivable	724	738
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(115)
Other, net	(569)	(864)
Net cash provided by (used in) investing activities	(9,797)	(14,074)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	(194)
Net increase (decrease) in commercial papers	-	17,999
Proceeds from long-term borrowings	2,194	8,597
Repayments of long-term borrowings	(1,710)	(1,513)
Dividends paid	(1,296)	(1,371)
Dividends paid to non-controlling interests	(537)	(536)
Proceeds from share issuance to non-controlling shareholders	-	572

(Million yen)

	For the fiscal year ended December 31,2021	For the fiscal year ended December 31,2022
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(62)	(0)
Other, net	0	(0)
Net cash provided by (used in) financing activities	(1,412)	23,552
Effect of exchange rate change on cash and cash equivalents	53	121
Net increase (decrease) in cash and cash equivalents	(18,066)	13,715
Cash and cash equivalents at beginning of period	31,615	13,548
Cash and cash equivalents at end of period	13,548	27,264

(5) Notes regarding Consolidated Financial Statements

Note on Going Concerns' Premise

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition and Other Standards)

The Company has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29, issued on March 31, 2020, hereinafter "Accounting Standard for Revenue Recognition") and other standards since the beginning of the current consolidated fiscal year. The new standard recognizes revenues for goods or services based on the amount estimated to be received in exchange for such goods or services at the point when control of the promised goods or services is transferred to the customer. The main changes caused by adopting the new standard are described below.

Revenues associated with the electricity business and LPG business were previously recognized based on monthly meter readings, but the method of revenue recognition has been changed to recognize the revenue which reflects the estimated usage between the last meter reading day in the account closing month and the closing date. Also, we were previously recognizing revenue for the charges collected from customers under the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities based on the feed-in tariff system for renewable energy. However, we are no longer recognizing the charges as revenue from the beginning of the first quarter of the current fiscal year because it is collected on behalf of a third party.

The Company has applied the Accounting Standard for Revenue Recognition transitionally, in accordance with the proviso in Article 84 of the standard. The cumulative effect of retroactively applying the new accounting policy to before the start of the current consolidated fiscal year has been added to or deducted from the retained earnings at the start of the current consolidated fiscal year. The new accounting policy has been applied from said starting balance. However, the new accounting policy has not been applied retrospectively to the contracts in which almost all of revenues has been recognized before the beginning of current consolidated fiscal year in accordance with the previous treatment by applying the method stipulated in Article 86 of the standard. Furthermore, using the method specified in explanatory note (1) of Article 86 in the standard, retained earnings at the current consolidated fiscal year are adjusted by the cumulative effect of contract terms and conditions effective after applying all contractual changes made before the current consolidated fiscal year.

As a result, retained earnings at the beginning of current consolidated fiscal year increased by ¥591 million, net sales for the current consolidated fiscal year decreased by ¥2,665 million, cost of sales decreased by ¥2,883 million, selling, general and administrative expenses decreased by ¥148 million, operating profit, ordinary profit and profit before income taxes increased by ¥366 million respectively.

As a result of the cumulative impact on net assets at the beginning of the current consolidated fiscal year, the beginning balance of retained earnings in the consolidated statements of changes in net assets increased ¥591 million. This increase has no material impact on the consolidated statements of cash flows.

Due to the adoption of the Accounting Standard for Revenue Recognition and other standards, "Notes and accounts receivable - trade" which were included in "Current assets" in the consolidated balance sheet for the previous fiscal year, have been included in "Notes and accounts receivable - trade, and contract assets" since the current consolidated fiscal year. Also, the line item "Decrease (increase) in trade receivables" stated under "Cash flows from operating activities" in the Consolidated Statement of Cash Flows for the previous consolidated fiscal year has been revised to the inclusive line item "Decrease (increase) in trade receivables and contract assets" from the current consolidated fiscal year.

In accordance with the transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated.

(Application of Accounting Standard for Fair Value Measurement and Other Standards)

The Company has applied the Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan Statement No. 30, issued on July 4, 2019, hereinafter "Fair Value Accounting Standards") and other standards since the beginning of the current consolidated fiscal year. In accordance with the transitional treatment set forth in Article 19 of Fair Value Accounting Standards and Article 44-2 of the

Accounting Standard for Financial Instruments (Accounting Standards Board of Japan Statement No. 10, issued on July 4, 2019), the Fair Value Accounting Standards and others have been adopted prospectively. There is no impact on the consolidated financial statements by adopting the standard.

Additional Information

(Impact of COVID-19 on Accounting Estimates)

While it is difficult to predict when the impact of COVID-19 infections will subside, we made accounting estimates based on the assumption that the impact will continue to a certain degree in the future. We do not expect the impact of COVID-19 infections on the Company's consolidated financial statements to be material.

However, this assumption involves a high degree of uncertainty, and any future changes in circumstances or impact may have an impact on our consolidated financial statements for the next consolidated fiscal year and thereafter.

(Payment related to the LNG procurement contract)

We postponed the delivery of a certain portion of contracted volume to subsequent years based on the LNG procurement contract in response to the dramatic decrease in demand caused by COVID-19. We paid US\$24 million during the previous consolidated fiscal year. This payment does not affect the consolidated financial statements for the current consolidated fiscal year.

This payment may be used to reduce future payments by allocating said payment to the price when taking delivery of the volume in question in subsequent years. However, based on projected demand as of the end of the current consolidated fiscal year and the circumstances surrounding LNG procurement contracts, we have not yet determined the timing of said delivery.

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.

In accordance with the Changes in Accounting Policies stated above, the Accounting Standard for Revenue Recognition has been adopted from the start of the current consolidated fiscal year, and because the accounting method for revenue recognition has been changed, the method used to measure profit or loss in each reportable segment has been similarly changed.

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

Fiscal Year Ended December 31, 2021

(¥ million)

	Reportable segment			Other businesses (Note1)	Total	Adjustment s (Note2)	Amount recorded on consolidated statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Sales to external Customers	102,306	20,762	123,069	9,918	132,988	—	132,988
Inter-segment sales and Transfers	2,179	321	2,500	5,320	7,820	(7,820)	—
Total	104,485	21,083	125,569	15,239	140,808	(7,820)	132,988
Segment income	5,884	896	6,781	1,083	7,865	(2,875)	4,989
Segment Assets	82,816	13,663	96,480	7,011	103,491	20,504	123,996
Others							
Depreciation Expenses	7,418	629	8,048	285	8,333	128	8,462
Investments in entities accounted for using equity method	382	1,541	1,924	—	1,924	—	1,924
Increase in property, plant, equipment, and intangible assets	6,509	1,611	8,121	239	8,360	649	9,010

Notes:

1. The Other businesses category consists of businesses not categorized as individual reportable segments. Other businesses include orders for construction related to the gas business, sales of gas appliances, remodeling, and leasing.

2. The adjusted amount is as follows.

(1) The (¥2,875) million in segment income adjustments includes ¥274 million in eliminations of inter-segment transactions and (¥3,150) 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 ¥20,504 million in segment asset adjustments includes (¥2,588) million in eliminations of inter-segment transactions and ¥23,093 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, 2022

(¥ million)

	Reportable segment			Other businesses (Note1)	Total	Adjustment s (Note2)	Amount recorded on consolidate d statement of income (Note3)
	Gas	LPG and other energy services	Total				
Net sales							
Sales to external customers	169,453	27,058	196,512	10,813	207,325	—	207,325
Inter-segment sales and transfers	3,980	640	4,620	5,086	9,707	(9,707)	—
Total	173,433	27,698	201,132	15,899	217,032	(9,707)	207,325
Segment income	9,055	1,523	10,578	956	11,534	(2,905)	8,629
Segment Assets	94,432	21,302	115,734	9,159	124,894	34,742	159,637
Others							
Depreciation expenses	7,568	761	8,329	284	8,614	126	8,741
Investments in entities accounted for using equity method	1,777	1,048	2,825	—	2,825	—	2,825
Increase in property, plant, equipment, and intangible assets	7,895	4,627	12,523	533	13,057	12	13,069

Notes:

1. The Other businesses category consists of businesses not categorized as individual reportable segments. Other businesses include orders for construction related to the gas business, sales of gas appliances, remodeling, and leasing.

2. The adjusted amount is as follows.

(1) The (¥2,905) million in segment income adjustments includes ¥303 million in eliminations of inter-segment transactions and (¥3,208) 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 ¥34,742 million in segment asset adjustments includes (¥3,768) million in eliminations of inter-segment transactions and ¥38,511 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.