



Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2017 [Japanese GAAP]

January 31, 2016

Company name: TOKAI Holdings Corporation Stock listing: Tokyo Stock Exchange
 Stock code: 3167 URL: <http://tokaiholdings.co.jp>
 Representative: Katsukiho Tokita, President & CEO
 Contact: Hiroyuki Ozawa, Managing Executive Officer, General Manager of Administrative Headquarters
 Telephone: +81-54-275-0007

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 Supplementary materials on quarterly financial results: Yes
 Quarterly financial results briefing: No

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the Nine-months Ended December 31, 2016 (April 1, 2016 to December 31, 2016)

(1) Consolidated Operating Results (cumulative)

(% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Quarterly Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine-months ended December 31, 2016	127,432	(2.1)	8,193	104.5	8,246	110.3	4,850	247.6
Nine-months ended December 31, 2015	130,103	(4.3)	4,006	(17.7)	3,921	(13.2)	1,395	(23.3)

(Note) Comprehensive income: 6,884 million yen in the Nine-months ended December 31, 2016 (526.8%)
 1,098 million yen in the Nine-months ended December 31, 2015 (-50.9%)

	Quarterly Net Income per Share	Quarterly Net Income per Share (Diluted)
	Yen	Yen
Nine-months ended December 31, 2016	42.71	37.06
Nine-months ended December 31, 2015	12.05	10.91

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Nine-months ended December 31, 2016	157,735	46,728	29.1	404.54
Year ended March 31, 2016	160,303	41,970	25.6	362.77

(Reference) Equity: 45,961 million yen for the Nine-months ended December 31, 2016
 41,063 million yen for the year ended March 31, 2016

2. Dividends

	Annual Dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	—	6.00	—	8.00	14.00
Year ending March 31, 2017	—	11.00	—	—	—
Year ending March 31, 2017 (Forecast)	—	—	—	17.00	28.00

(Note) Revisions to most recently announced dividend forecasts: No

(Note) The breakdown of the year-end dividend(forcast) are ordinary dividend of 11 yen and commemorative dividend of 6 yen.

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)
 (% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Net Income Attributable to Owners of the Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2017	179,700	(0.7)	12,750	54.7	12,360	51.6	6,500	88.0	57.23

(Note) Revisions to most recently announced earnings forecasts: No

*Notes

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries affecting the scope of consolidation): No

(2) Application of special accounting procedures in the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, estimates, and restatements

1) Changes in accounting policies accompanying revisions in accounting standards, etc.: Yes

2) Changes in accounting policies other than 1): No

3) Changes in accounting estimates: No

4) Restatements: No

(Note) For details, please see page 5 of the attached materials: "2. Summary Information (Notes): (3) Changes in Accounting Policies, Estimates, and Restatements."

(4) Number of shares issued (common stock)

1) Shares issued at the end of each period (including treasury stock):

Q3 FY3/2017	139,679,977 shares	FY3/2016	139,679,977 shares
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2) Number of shares of treasury stock at the end of each period:

Q3 FY3/2017	26,065,711 shares	FY3/2016	26,488,216 shares
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3) Average number of shares during the period (cumulative):

Q3 FY3/2017	113,569,221 shares	Q3 FY3/2016	115,825,434 shares
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(Note) Board benefit trust shares(BBT) is included in the number of year-end treasury stock.(420,000 stocks at Q3 FY3/2017) And the company shares held in ESOP trust accounts are included in the treasury stock, which is subtracted from calculations of the average number of shares during the period (142,036 shares for the Nine-months ended December 31, 2016; 160,818 shares for the Nine-months ended December 31, 2015).

*Information Regarding Execution of Quarterly Review Procedures

This quarterly financial statement is not subject to the quarterly review procedures pursuant to the Financial Instruments and Exchange Act, and the review procedures of quarterly financial statements pursuant to the Financial Instruments and Exchange Act have not been completed as of the release of this document.

* Explanation regarding the Appropriate Uses of Earnings Forecasts and Other Notes

All earnings forecasts provided within this document are based on the most accurate information available at the time of the release of this document. Actual results may differ from forecasts due to various factors going forward.

[Attachment]

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1. Qualitative Information on Financial Results for the Period Under Review

(1) Explanation of Consolidated Operating Performance

During the first nine months of the fiscal year ending March 31, 2017, the Japanese economy was in a modest recovery phase. However, the economic outlook remained uncertain, due to volatility risk stemming from international circumstances, including concerns about economic deceleration in China and emerging markets and rapid yen depreciation and rising stock prices following the US presidential election.

The Group's medium-term management plan, "Innovation Plan 2016 'Growing,'" is positioned as a period to realize "strengthened business profitability," and the fiscal year ending March 31, 2017, is the final year of the plan. The Group has adopted TLC (Total Life Concierge) as its vision, themed on increasing transaction channels and creating strong customer relationships. Taking this approach, in April 2016 the Company added electricity services to its existing lineup of household services, including gas, ISP, CATV, and Aqua. Along with our efforts to attract customers, we focused on acquiring customers through sales of set offerings of household services (set discounts and the granting of points depending on the number of contracts).

During the nine months ended December 31, 2016, the Group booked sales of 127,432 million yen (down 2.1% year on year), affected by such factors as a decrease in gas selling prices. However, we made steady progress on improving earnings in the Hikari Collaboration and Aqua businesses—area of focus for the fiscal year ending March 31, 2017. As a result, the Company recorded operating profit of 8,193 million yen (up 104.5%), recurring profit of 8,246 million yen (up 110.3%) and quarterly net income attributable to owners of the parent of 4,850 million yen (up 247.6%).

The number of continuing customers was 2,551 thousand, slightly down from March 31, 2016. Members of the TLC Membership Service numbered 560 thousand as of December 31, 2016.

Performance by segment was as follows.

(Gas and Petroleum)

In the liquefied petroleum gas (LP gas) business, the number of customers rose by one thousand from March 31, 2016, to 582 thousand, and sales volume of LP gas was flat year on year. Sales were down year on year as selling prices were lowered during the previous fiscal year to reflect a drop in procurement prices.

In the city gas business, the number of customers was 54 thousand, unchanged from the level as of March 31, 2016, but sales fell year on year due to a decline in selling prices stemming from the raw material price adjustment system.

Due to these factors, segment sales came to 51,291 million yen (down 12.1% year on year), but operating profit was 3,937 million yen (up 5.2%), reflecting a decrease in prices of raw materials for gas.

(Building and Real Estate)

In the Building and Real Estate business, housing sales and orders in the renovation business and other areas declined, leading to segment sales of 12,926 million yen (down 6.2% year on year). However, earnings increased for building management support services and in other areas, prompting operating profit of 171 million yen (up 46.4%).

(CATV)

In the CATV business, we worked to acquire new customers through sales of set discount offerings for broadcasting and communications, in addition to smartphone set discounts through alliances with major mobile phone carriers.

In addition, owing to efforts to improve customer satisfaction such as delivery of regional information via community channels and reinforcing customer support to prevent cancellations, subscribers to the broadcasting service increased by 7 thousand from March 31, 2016, to 506 thousand, and subscribers to telecommunications services increased by 12 thousand from March 31, 2016, to 222 thousand.

Due to an increase in subscribers, segment sales totaled 18,901 million yen (up 3.0% year on year), and combined with cost reductions, operating profit was 1,811 million yen (up 115.1%).

(Information and Communications Service)

In the broadband business, while acquiring new customers, we actively marketed to encourage existing customers to switch to Hikari Collaboration services “@TCOM Hikari” and “TNC Hikari,” so the number of Hikari Collaboration customers increased by 69 thousand from March 31, 2016, to 288 thousand. Amid an increasingly competitive environment due to many new entrants, including major mobile phone carriers, customers for overall FTTH were 732 thousand, and customers for overall broadband, which includes ADSL, fell by 25 thousand from March 31, 2016, to 808 thousand.

Segment sales were 36,212 million yen (up 13.2% year on year), primarily owing to increased customer numbers in Hikari Collaboration, and operating profit surged to 2,147 million yen (up 449.0%).

(Aqua)

In the Aqua business, the Company moved forward with sales activities for the “The gift of delicious water: Ulunom” brand, mainly targeting large-scale commercial facilities, and succeeded in increasing the number of customers to 135 thousand, up by 2 thousand from March 31, 2016. In line with this increase, the number of units sold also rose year on year.

As a result, sales in this segment came to 4,391 million yen (up 6.3% year on year), and by restricting customer acquisition costs and advertising and promotion costs, we succeeded in moving into the black in this segment on an operating basis, with operating profit amounting to 145 million yen (from an operating loss of 1,054 million yen in the same period of the preceding fiscal year).

(Others)

In the nursing care business, an increase in the number of users led to higher sales year on year.

In the ships business, sales were up, as the number of ships repaired increased.

In the bridal events business, the number of couples holding ceremonies and use for special events were flat year on year, and sales were correspondingly flat compared with the same period of the preceding fiscal year.

As a result, segment sales came to 3,708 million yen (up 5.7% year on year), and the operating profit was 13 million yen (compared with an operating loss of 255 million yen in the same period of the preceding fiscal year).

(2) Explanation of Consolidated Financial Condition

1) Assets, Liabilities, and Net Assets

Total assets amounted to 157,735 million yen on December 31, 2016, down 2,567 million yen from March 31, 2016. This decline was mainly attributable to a 2,946 million yen decrease in property, plant and equipment stemming from depreciation.

Total liabilities were 111,007 million yen, down by 7,324 million yen from March 31, 2016. This was primarily due to a reduction of 5,732 million yen in interest-bearing debt resulting from repayments of borrowings.

As of December 31, 2016, net assets totaled 46,728 million yen, up by 4,757 million yen from March 31, 2016. This increase was principally due to the recording of 4,850 million yen in quarterly net income attributable to owners of the parent and an increase of 1,131 million yen in valuation difference on available-for-sale securities and 996 million yen in deferred gains (losses) on hedges, despite a decrease of 2,159 million yen due to the payment of dividends from surplus.

2) Cash Flows

Cash and cash equivalents stood at 2,935 million yen as of December 31, 2016, down 1,108 million yen from March 31, 2016.

Cash flows from each activity during the nine months under review and the factors behind them are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 17,082 million yen (up 8,576 million yen year on year). Funds increased chiefly due to quarterly net income before income taxes and the effect of depreciation and amortization expenses (non-cash items).

Although net cash provided by operating activities was up significantly year on year, the rise was due mainly to an increase in quarterly net income before income taxes, as well as to a partial revision of the securitization of receivables in the corresponding period of the preceding fiscal year.

(Cash flows from investing activities)

Net cash used in investing activities was 6,929 million yen (up 1,820 million yen year on year). Cash was used mainly for the acquisition of tangible and intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 11,261 million yen (down 11,214 million yen year on year). This was mainly due to efforts to reduce interest-bearing debt.

Additionally, cash flows from financing activities decreased significantly year on year, but this was primarily due to the absence of proceeds from issuance of convertible bonds with stock acquisition rights, present in the same period of the preceding year, and aggressive efforts to reduce interest-bearing debt.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

The Company maintains its consolidated earnings forecasts for the fiscal year ending March 31, 2017, as announced on October 31, 2016.

Forecasts are judgments based on currently available information. Actual performance may differ from forecasts due to a variety of factors going forward.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries During the Period Under Review

Not applicable.

(2) Application of Special Accounting Procedures in the Preparation of Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies, Estimates, and Restatements

(Changes in Accounting Policies)

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

In line with revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practical Issues Task Force No. 32, June 17, 2016) from the three months ended June 30, 2016, and the depreciation method for facilities attached to buildings and structures acquired from April 1, 2016, onward has been changed from the declining balance method to the straight-line method.

The effect of this change on profit and loss is immaterial.

(4) Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan Implementation Guidance No. 26, March 28, 2016) from the three months ended June 30, 2016.

(Board Benefit Trust (BBT))

1) Overview of the Transaction

At a Board of Directors meeting on May 10, 2016, the Company resolved to implement a new stock-based compensation system, a Board Benefit Trust, or BBT (“the System” below) with regard to the compensation of the Company’s directors, executive officers, administrative officers, and the directors and administrative officers of some of the Company’s subsidiaries (excluding outside directors; “Executives” below). The System was resolved as compensation for Executives at the 5th Ordinary General Meeting of Shareholders on June 24, 2016.

The System is a stock-based compensation system whereby the Company contributes an appropriate amount of money to a trust and the trust uses this money as funds to acquire shares of the Company. Shares of the Company or cash equivalent to the market value of shares of the Company as of the date of Executives’ retirement are paid to Executives in accordance with executive stock-based compensation rules stipulated by the Company and Company subsidiaries covered by the System. In principle, Executives shall receive payment of shares of the Company or equivalent cash when they retire.

In accordance with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF No. 30, March 26, 2015), the gross price method is employed for this transaction.

2) Shares in the Company Remaining in the Trust

The number of shares in the Company remaining in the Trust shall be recorded as treasury stock within net assets at the carrying amount of the trust (excluding the amount of ancillary expenses). As of December 31, 2016, the carrying amount of this treasury stock was 261 million

yen, and the number of shares was 420,000.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	Fiscal Year Ended March 31, 2016	Nine Months Ended December 31, 2016
Assets		
Current assets		
Cash and deposits	4,077	3,065
Notes and accounts receivable—trade	21,305	20,380
Merchandise and finished goods	4,307	4,217
Work in process	610	1,134
Raw materials and supplies	694	729
Other	7,512	8,176
Allowance for doubtful accounts	(391)	(429)
Total current assets	38,117	37,273
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	35,178	33,531
Machinery, equipment and vehicles, net	22,074	21,369
Land	21,825	21,826
Other, net	15,986	15,389
Total property, plant and equipment	95,064	92,118
Intangible assets		
Goodwill	6,589	6,126
Other	4,350	4,823
Total intangible assets	10,940	10,950
Investments and other assets		
Net defined benefit asset	2,360	2,426
Other	14,387	15,644
Allowance for doubtful accounts	(599)	(701)
Total investments and other assets	16,149	17,369
Total non-current assets	122,153	120,438
Deferred assets	31	23
Total assets	160,303	157,735

	(Millions of yen)	
	Fiscal Year Ended March 31, 2016	Nine Months Ended December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable–trade	13,511	13,192
Short-term loans payable	27,828	26,694
Current portion of bonds	758	758
Income taxes payable	1,954	1,262
Accruals	1,459	195
Other	17,446	18,199
Total current liabilities	62,958	60,301
Non-current liabilities		
Bonds payable	984	605
Convertible bonds with stock acquisition rights	10,000	10,000
Long-term loans payable	31,839	27,621
Accruals	68	27
Net defined benefit liability	308	348
Other	12,172	12,103
Total non-current liabilities	55,373	50,706
Total liabilities	118,332	111,007
Net assets		
Shareholders' equity		
Capital stock	14,000	14,000
Capital surplus	19,258	19,548
Retained earnings	9,870	12,560
Treasury stock	(6,409)	(6,467)
Total shareholders' equity	36,719	39,642
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,153	2,284
Deferred gains (losses) on hedges	230	1,226
Foreign currency translation adjustment	1	(34)
Remeasurement of defined benefit plans	2,958	2,843
Total accumulated other comprehensive income	4,343	6,319
Stock acquisition rights	208	–
Non-controlling interests	699	766
Total net assets	41,970	46,728
Total liabilities and net assets	160,303	157,735

(2) Quarterly Consolidated Statements of Income, Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Nine Months Ended December 31, 2016)

	(Millions of yen)	
	Nine Months Ended December 31, 2015 (April 1, 2015 to December 31, 2015)	Nine Months Ended December 31, 2016 (April 1, 2016 to December 31, 2016)
Sales	130,103	127,432
Cost of sales	80,047	75,055
Gross profit	50,056	52,377
Selling, general and administrative expenses	46,049	44,183
Operating profit	4,006	8,193
Non-operating profit		
Interest income	10	8
Dividend income	157	174
Commission fee	61	62
Other	370	314
Total non-operating profit	600	560
Non-operating expenses		
Interest expenses	552	412
Other	133	95
Total non-operating expenses	685	507
Recurring profit	3,921	8,246
Extraordinary income		
Gain on sales of non-current assets	6	5
Transmission line facility subsidies	60	18
Subsidy income	70	2
Gain on sales of investment securities	—	0
Gain on reversal of stock acquisition rights	—	98
Total extraordinary income	137	125
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	769	502
Bad debt losses	234	—
Total extraordinary losses	1,003	502
Quarterly net income before income taxes	3,055	7,869
Income taxes (current)	955	2,346
Income taxes (deferred)	664	612
Total income taxes	1,619	2,959
Quarterly net income	1,436	4,910
Quarterly net income attributable to non-controlling interests	40	59
Quarterly net income attributable to owners of the parent	1,395	4,850

(Consolidated Statements of Comprehensive Income)
(Nine Months Ended December 31, 2016)

	(Millions of yen)	
	Nine Months Ended December 31, 2015 (April 1, 2015 to December 31, 2015)	Nine Months Ended December 31, 2016 (April 1, 2016 to December 31, 2016)
Quarterly net income	1,436	4,910
Other comprehensive income		
Valuation difference on available-for-sale securities	(129)	1,131
Deferred gains (losses) on hedges	(40)	996
Foreign currency translation adjustment	(33)	(20)
Remeasurement of defined benefit plans, net of tax	(128)	(114)
Share of other comprehensive income of entities accounted for using the equity method	(6)	(18)
Total other comprehensive income	(337)	1,974
Quarterly comprehensive income	1,098	6,884
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	1,057	6,823
Quarterly comprehensive income attributable to non- controlling interests	40	60

(3) Quarterly Consolidated Statements of Cash Flows

	(Millions of yen)	
	Nine Months Ended December 31, 2015 (April 1, 2015 to December 31, 2015)	Nine Months Ended December 31, 2016 (April 1, 2016 to December 31, 2016)
Cash flows from operating activities		
Quarterly net income before income taxes	3,055	7,869
Depreciation	11,008	10,825
Amortization of goodwill	1,549	904
Increase (decrease) in provision for bonuses	(1,248)	(1,233)
Increase (decrease) in net defined benefit asset and liability	43	(189)
Interest and dividend income	(168)	(183)
Interest expenses	552	412
(Gain) loss on sales of non-current assets	(6)	(5)
Loss on retirement of non-current assets	769	502
(Increase) decrease in notes and accounts payable	45	739
(Increase) decrease in inventories	(771)	(469)
Increase (decrease) in notes and accounts payable—trade	(410)	(391)
Increase (decrease) in accrued consumption taxes	(1,540)	(156)
Increase (decrease) in deposits received	(1,063)	865
Other	(184)	794
Subtotal	11,631	20,282
Income taxes paid	(3,125)	(3,200)
Net cash provided by (used in) operating activities	8,505	17,082
Cash flows from investing activities		
Interest and dividend income received	210	228
Purchase of securities	(11)	(11)
Purchase of tangible and intangible assets	(9,126)	(7,259)
Proceeds from sales of tangible and intangible assets	124	150
Collection of loans receivable	144	47
Other	(90)	(84)
Net cash provided by (used in) investing activities	(8,750)	(6,929)
Cash flows from financing activities		
Interest expenses paid	(550)	(412)
Net increase (decrease) in short-term loans payable	4,568	(650)
Repayments of lease obligations	(2,988)	(3,008)
Proceeds from long-term loans payable	5,394	4,950
Repayment of long-term loans payable	(11,863)	(9,653)
Payments for redemption of bonds payable	(1,629)	(379)
Proceeds from issuance of convertible bonds with stock acquisition rights	9,980	-
Payments for acquisition of treasury stock	(1,059)	(262)
Payments made to trust account for purchase of treasury stock	(743)	(91)
Proceeds from disposal of treasury stock	283	384
Cash dividends paid	(1,389)	(2,146)
Other	(50)	7
Net cash provided by (used in) financing activities	(47)	(11,261)
Effect of exchange rate change on cash and cash equivalents	3	0
Net increase (decrease) in cash and cash equivalents	(288)	(1,108)
Cash and cash equivalents at beginning of period	2,821	4,044
Cash and cash equivalents at end of period	2,533	2,935

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

[Segment Information]

I. Nine Months Ended December 31, 2015 (April 1, 2015 to December 31, 2015)

Sales and Income of Losses by Reportable Segment

(Millions of yen)

	Reportable segments						Other ¹	Total	Adjustments ²	Amount in quarterly consolidated statements of Income ³
	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Subtotal				
Sales										
Sales to external customers	58,348	13,783	18,345	31,988	4,130	126,596	3,507	130,103	-	130,103
Intersegment sales and transfers	123	721	617	2,302	64	3,829	140	3,970	(3,970)	-
Subtotal	58,471	14,505	18,963	34,290	4,194	130,426	3,648	134,074	(3,970)	130,103
Segment income (loss)	3,742	117	842	391	(1,054)	4,038	(255)	3,783	223	4,006

(Notes) 1. The "Other" category is a business segment not included in the reportable segments.

This category includes businesses such as weddings, ship repair, insurance, and nursing care.

2. Adjustments to segment income (loss) are mainly eliminations due to intersegment transactions.

3. Segment income (loss) is adjusted to match operating profit in the quarterly consolidated statements of income.

II. Nine Months Ended December 31, 2016 (April 1, 2016 to December 31, 2016)

Sales and Income of Losses by Reportable Segment

(Millions of yen)

	Reportable segments						Other ¹	Total	Adjustments ²	Amount in quarterly consolidated statements of Income ³
	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Subtotal				
Sales										
Sales to external customers	51,291	12,926	18,901	36,212	4,391	123,723	3,708	127,432	—	127,432
Intersegment sales and transfers	129	1,243	591	2,285	79	4,329	140	4,469	(4,469)	—
Subtotal	51,421	14,169	19,492	38,498	4,471	128,053	3,849	131,902	(4,469)	127,432
Segment income (loss)	3,937	171	1,811	2,147	145	8,213	13	8,226	(33)	8,193

(Notes) 1. The "Other" category is a business segment not included in the reportable segments.

This category includes businesses such as weddings, ship repair, insurance, and nursing care.

2. Adjustments to segment income (loss) are mainly eliminations due to intersegment transactions.

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