



Consolidated Financial Results for the Year ended March 31, 2017 [Japanese GAAP]

May 9, 2017

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 Quarterly financial results briefing: Yes (Institutional Investors only)

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Consolidated Operating Results

(% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	178,631	(1.3)	12,750	54.6	12,775	56.4	7,337	112.1
Year ended March 31, 2016	180,940	(3.5)	8,245	(8.4)	8,150	(4.7)	3,458	(12.1)

(Note) Comprehensive income: 8,683 million yen in the Year ended March 31, 2017 (523.3%)
 1,389 million yen in the Year ended March 31, 2016 (-78.4%)

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Recurring Profit to Total Assets	Operating Profit Margin
	Yen	Yen	%	%	%
Year ended March 31, 2017	64.46	56.31	15.2	7.9	7.1
Year ended March 31, 2016	30.01	26.89	8.3	5.0	4.6

(Reference) Equity in affiliates accounted for under the equity method: 28 million yen for the ended March 31, 2017
 0 million yen for the ended March 31, 2016

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2017	161,112	56,446	34.5	439.04
Year ended March 31, 2016	160,303	41,970	25.6	362.77

(Reference) Equity: 55,654 million yen for the Year ended March 31, 2017
 41,063 million yen for the year ended March 31, 2016

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of the Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2017	26,692	(10,985)	(16,643)	3,111
Year ended March 31, 2016	21,395	(11,015)	(9,150)	4,044

2. Dividends

	Annual Dividend					Total Dividends	Payout Ratio (Consolidated)	Dividend on Equity (Consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
Year ended March 31, 2016	Yen —	Yen 6.00	Yen —	Yen 8.00	Yen 14.00	Millions of yen 1,601	% 46.7	3.8
Year ending March 31, 2017	—	11.00	—	17.00	28.00	3,416	43.4	7.0
Year ending March 31, 2017 (Forecast)	—	14.00	—	14.00	28.00		—	

(Note) The breakdown of the 2017 year-end dividend is ordinary dividend of 11 yen and commemorative dividend of 6 yen.

(Note) Capital surplus is included in dividend resources for the fiscal year ending March 31, 2017. For details, please see "Breakdown of Dividends Paid Out of Capital Surplus" below.

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% 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
Six months ending September 31, 2017	86,000	4.6	2,710	(38.5)	2,650	(40.2)	1,080	(54.7)	8.52
Year ending March 31, 2018	189,400	6.0	11,410	(10.5)	11,360	(11.1)	6,450	(12.1)	50.88

*Notes

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

(2) 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 25 of the attached materials: "5. Consolidated Financial Statements, (5) Notes to the Consolidated Financial Statements, (Changes in Accounting Policies)."

(3) 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
Q3 FY3/2017	12,915,785 shares	FY3/2016	26,488,216 shares
Q3 FY3/2017	113,828,834 shares	Q3 FY3/2016	115,237,936 shares

2) Number of shares of treasury stock at the end of each period:

3) Average number of shares during the period (cumulative):

(Note) Board benefit trust shares(BBT) is included in the number of year-end treasury stock.(420,000 stocks at 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 (210,575 shares for the Year ended March 31, 2017; 120,833 shares for the Year ended March 31, 2016).

(Reference) Overview of Non-Consolidated Operating Performance

Operating Performance for the Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Non-Consolidated Operating Results

(% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	6,606	6.5	1,441	(20.9)	1,383	(22.5)	1,410	2.4
Year ended March 31, 2016	6,204	1.4	8,821	(11.4)	1,785	0.6	1,377	10.1

	Net Income per Share	Net Income per Share (Diluted)
	Yen	Yen
Year ended March 31, 2017	12.39	10.83
Year ended March 31, 2016	11.62	10.44

(2) Non-Consolidated financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2017	92,934	31,988	34.4	252.34
Year ended March 31, 2016	102,334	24,794	24.0	217.21

(Reference) Equity: 31,988 million yen for the Year ended March 31, 2017
24,586 million yen for the year ended March 31, 2016

*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.

Breakdown of Dividends Paid Out of Capital Surplus

The following provides a breakdown of the part of the dividends for the fiscal year ended March 2017 that was paid out of the capital surplus.

(Record date)	Fiscal year-end	Annual
Dividend per share	Yen 0.79	Yen 0.79
Total dividend payments	Millions of yen 100	Millions of yen 100

(Note) Proportional reduction in net assets: 0.3%

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1. Operating Results and Financial Position

(1) Overview of Operating Results

Consolidated operating results for the fiscal year

In the fiscal year ended March 31, 2017, the Japanese economy was on a gradual recovery trend, with an upturn in personal consumption and some improvement in employment conditions, but the general economic outlook remains clouded due to uncertainties in overseas economies, such as the risk of weaker-than-expected performance of emerging economies in Asia led by China, and the policies of the new U.S. administration.

In fiscal 2014, the TOKAI Group launched "Innovation Plan 2016 'Growing,'" a three-year medium-term management plan whose main goal was to strengthen the earnings capability of its businesses. The fiscal year ended March 31, 2017 was the final year of this three-year plan. The Group provides energy, information and communications, and other services to a broad range of customers from individuals to corporations. Competition to attract customers has intensified in all services due to deregulation and new companies moving into the market. In this context, the Group has actively focused on providing services that fulfill customers' needs by promoting and putting into action its TLC (Total Life Concierge) concept, which targets cross-selling and building strong relationships with customers. To this end, in the fiscal year ended March 31, 2017, we added electric power to our established gas, ISP, CATV, and Aqua services, and proactively worked on offering various options such as selling single and packaged services (including discounts and loyalty points for users of more than one service).

During the fiscal year ended March 31, 2017, the Group booked sales of 178,631 million yen (down 1.3% 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 ended March 31, 2017. As a result, the Company recorded operating profit of 12,750 million yen (up 54.6%), recurring profit of 12,775 million yen (up 56.7%) and net income attributable to owners of the parent of 7,337 million yen (up 112.1%), with all profit indicators posting historic highs.

As of March 31, 2017, the number of continuing customers was 2,564 thousand (up six thousand), and members of the TLC Membership Service numbered 586 thousand (up 94 thousand).

Performance by segment was as follows.

(Gas and Petroleum)

In the liquefied petroleum gas (LP gas) business, in the fiscal year ended March 31, 2017, the Group engaged in efforts to attract new customers in Tokyo and 11 prefectures, including starting services in Gifu Prefecture. As a result, the number of customers rose by eight thousand from March 31, 2016, to 588 thousand. 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 73,344 million yen (down 9.2% year on year), but operating profit was 6,942 million yen (down 0.4%), unchanged from the previous fiscal year's level.

(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 19,511 million yen (down 7.0% year on year). Earnings increased for building management support services and in other areas, but operating profit still dropped to 461 million yen (down 31.7%).

(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 9 thousand from March 31, 2016, to 508 thousand, and subscribers to telecommunications services increased by 15 thousand from March 31, 2016, to 225 thousand.

Due to an increase in subscribers, segment sales totaled 25,396 million yen (up 3.2% year on year), and operating profit was 2,331 million yen (up 100.7%).

(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.” As a result, the number of Hikari Collaboration customers increased by 79 thousand from March 31, 2016, to 299 thousand. Amid an increasingly competitive environment due to many new entrants, including major mobile phone carriers, customers for overall FTTH were 720 thousand, and customers for overall broadband, which includes ADSL, fell by 39 thousand from March 31, 2016, to 794 thousand.

Segment sales were 49,508 million yen (up 11.9% year on year), primarily owing to increased customer numbers in Hikari Collaboration, and operating profit surged to 3,065 million yen (up 269.5%).

(Aqua)

In the Aqua business, the Company pushed forward with customer acquisition activities for the “The gift of delicious water: Ulunom” brand, mainly targeting large-scale commercial facilities throughout the country, and succeeded in increasing the number of Aqua customers to 135 thousand, up by 2 thousand from March 31, 2016.

As a result, sales in this segment came to 5,762 million yen (up 5.0% year on year), and by restricting customer acquisition costs and advertising and promotion costs, we succeeded in moving into the black in this segment, with operating profit amounting to 101 million yen (from an operating loss of 1,275 million yen in 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 preceding fiscal year.

As a result, segment sales came to 5,108 million yen (up 4.8% year on year), and the operating profit was 112 million yen (compared with an operating loss of 197 million yen in the preceding fiscal year).

• Future Outlook

Regarding the future outlook, although gradual economic expansion is forecast for Japan, competition for customers is intensifying beyond the boundaries of business sectors and formats as companies from other industries enter the market and operators form alliances amid progress with deregulation.

The TOKAI Group's main business is providing services to retail customers. The Group's goal is to realize the TLC concept as a Total Life Concierge providing a range of daily life-related infrastructure and strengthen and expand the scope of the earnings capability of our businesses.

Under these conditions, the TOKAI Group started its new medium-term management plan “Innovation Plan 2020 ‘JUMP.’” The Group will do its utmost to achieve plan targets.

Consolidated operating result targets for the fiscal year ending March 31, 2018 (the first year of “Innovation Plan 2020 ‘JUMP.’”) are shown below. Targets factor in forward expenses for acquiring customers with the goal of achieving final-year plan targets.

<Consolidated operating results forecast for fiscal year ending March 31, 2018>

Net Sales	189,400 million yen	(6.0% year-on-year increase)
Operating profit	11,410 million yen	(10.5% year-on-year decrease)
Recurring profit	11,360 million yen	(11.1% year-on-year decrease)
Net Income attributable to owners of the parent	6,450 million yen	(12.1% year-on-year decrease)

These earnings forecasts are based on the most accurate information currently available. Actual results may differ from forecasts due to a variety of factors going forward.

(2) Consolidated financial position

Total assets amounted to 161,112 million yen as of March 31, 2017, up 808 million yen from March 31, 2016. This is mainly because fixed assets decreased by 1,417 million yen due to depreciation and other factors, but investment securities increased by 2,196 million yen because of a rise in market prices.

Total liabilities were 104,665 million yen, down 13,666 million yen from March 31, 2016. This is primarily due to a 17,273 million decrease in interest-bearing debt as a result of conversion of convertible bonds with stock acquisition rights and repayment of loans.

As of March 31, 2017, net assets totaled 56,446 million yen, up 14,475 million yen from March 31, 2016. Although the Group paid 2,159 million yen in dividends from surplus, it booked 7,337 million yen in net income attributable to owners of the parent and a 7,200 million yen increase in asset from the conversion of convertible bonds with stock acquisition rights and other factors.

(3) Cash flows

Cash and cash equivalents stood at 3,111 million yen as of March 31, 2017, down 933 million yen from March 31, 2016.

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

(Cash flows from operating activities)

Net cash provided by operating activities was 26,692 million yen (up 5,296 million yen year on year). Funds increased chiefly due to 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 net income before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was 10,985 million yen (up 30 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 16,643 million yen (down 7,492 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, and aggressive efforts to reduce interest-bearing debt.

Below is a summary of major cash flow indicators.

	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017
Equity ratio (%)	18.6	21.6	25.7	25.6	34.5
Equity ratio on a market-value basis (%)	21.0	23.2	36.3	41.4	67.4

Ratio of interest-bearing debt to cash flow	3.6	3.7	2.7	3.3	2.0
Interest coverage ratio	17.4	19.1	28.0	29.3	48.9

(Note)	Equity ratio:	Shareholders' equity/Total assets
	Equity ratio on a market-value basis:	Total value of shares at market price/Total assets
	Ratio of interest-bearing debt to cash flow:	Interest-bearing debt/Cash flow from operating activities
	Interest coverage ratio:	Cash flow from operating activities/Interest payments

*All financial indicators are calculated on a consolidated basis.

*Market capitalization is based on the year-end share price multiplied by the number of shares issued and outstanding at year-end (after deducting treasury stock).

*Operating cash flow is based on cash flows from operating activities in the consolidated statements of cash flows. Interest-bearing debt covers bonds payable and loans payable in the consolidated balance sheets. Interest payments are based on the interest paid amounts shown in the consolidated statements of cash flows.

(4) Basic Profit Distribution Policies and Dividends for the Current and Next Fiscal Years

The Company's basic policy on profit distribution is to maintain stable dividends that reflect consolidated earnings.

For the fiscal year ended March 31, 2017, we plan to award total dividends of 28 yen per share, comprising an interim dividend of 11 yen and a year-end dividend of 17 yen.

For the fiscal year ending March 31, 2018, we plan to award total dividends of 28 yen per share, comprising interim and year-end dividends of 14 yen each.

(5) Business and Other Risks

The Group recognizes the following risks as major factors that could affect its operating performance and financial condition. Accordingly, we are endeavoring to prevent or minimize these risks.

Forward-looking statements below are based on the Group's judgment as of March 31, 2017.

• Impact of Interest Rate Fluctuations

The Group strives to strengthen and enhance its management base in the Gas and Petroleum, Building and Real Estate, CATV, Information and Communications, and Aqua segments. In addition, we are working to lower interest-bearing debt and improve our equity ratio through cash flow management based on our medium-term management plan. However, future interest rate fluctuations could affect the Group's operating performance and financial condition.

• Business Alliances and M&A Activity

The Group has a policy of engaging proactively in business alliances and M&A activity when doing so can be expected to deliver synergies with existing services or when launching new services could lead to future business development. Nevertheless, business partners' operations and acquired businesses may not develop according to plan, and if results fall short of expectations, the Group's operating performance and financial condition could be affected.

• Recoverability of Invested Assets

The Group engages in large-scale capital investment to expand business in its core segments: Gas and Petroleum, CATV, and Information and Communications services. Furthermore, existing investment plans may require change or revision due to the development and launch of new technologies and the resulting provision of new services, as well as to expand operations. The Group takes proper steps to evaluate investment results and review investment plans, but investment performance may fall below initial expectations due to major changes in conditions, such as economic and market fluctuations. In such instances, the recoverability of invested assets may be delayed. Departments in charge of investment project work consistently to stringently manage the recoverability of invested cash, such as assessing the status of each individual investment and revising business plans where necessary. Even so, if it is unable to respond to changes in the operating environment, such as sharp economic fluctuations and sudden drops in demand, the Group may be obliged

to record impairment losses on property, plant and equipment if investment results fall short of expectations. This situation could affect the Group's operating performance and financial condition.

- Credit Management

The Group formulates credit management regulations and other internal rules, and enacts and strives to enhance its systems for managing business partner credit and receivables. Nevertheless, the Group's operating performance and financial condition could be affected if a business partner's management conditions were to worsen, the Group were to experience delays in accounts and loans receivable, or if debts were to become irrecoverable.

- Management of Personal Information

As an entity handling personal information, the Group has formulated a Personal Information Protection Policy, which is disclosed on its website. The Group takes the utmost care to handle customer information in accordance with the Act on the Protection of Personal Information and other legislation, as well as its internal regulations. If a large-scale leak of customer information were to occur despite these efforts, rumors could lead to a loss of social credibility, and the Group could be obliged to pay compensation for damages. Such a situation could affect the Group's operating performance and financial condition.

- Information System Failure

Particularly in the Information and Communications segment, the Group provides services via its own information processing systems, data centers, and communication lines. We work meticulously to prevent system failure, but information systems could fail or malfunction nevertheless as a result of equipment malfunction, human error, large-scale natural disasters, or other factors. Such an accident could render the Group's continued service provision problematic, rumors could lead to a loss of social credibility, and the Group could be obliged to pay compensation for damages. Such a situation could affect the Group's operating performance and financial condition.

- Legal Restrictions

Across its multifaceted businesses, the Group is subject to the Law Concerning the Securing of Safety and the Optimization of Transaction of Liquefied Petroleum Gas, the Gas Business Act, the Building Lots and Buildings Transaction Business Act, the Construction Business Act, the Broadcast Act, the Telecommunications Business Act, and the Act on Establishment of Enhanced Environment for Youth's Safe and Secure Internet Use, as well as related legislation and regulation by competent authorities. The Group's door-to-door sales businesses is subject to the Act on Specified Commercial Transactions, and businesses involving the use of subcontractors are subject to the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors. Also, many of the Group's businesses involve direct interaction with general consumers, and current legislation is trending toward greater levels of consumer protection and heightened administrative guidance in the way legislation is applied. Furthermore, the future enactment of legal restrictions that we cannot currently anticipate and an inability to respond appropriately to such legislation could subject the Group to guidance and censure by the administrative authorities. Rumors could lead to a loss of social credibility, and the Group could be obliged to pay compensation for damages. Such a situation could affect the Group's operating performance and financial condition.

- Lawsuits

Through its business activities, the Group interacts with companies and individuals, and trouble and complaints could lead to lawsuits. To prevent transaction-related trouble, the Group's specialized legal department checks agreements in advance, runs credit checks on the counterparties to agreements, and takes part in other legal activities. A management system is also in place through which the department reports to the Board of Directors and Board of Corporate Auditors as necessary. However, if a lawsuit were to arise nevertheless, rumors could lead to a loss of social credibility, and the Group could be obliged to pay compensation for damages. Such a situation could affect the Group's operating performance and financial condition.

- Large-Scale Disasters

Shizuoka Prefecture and the Kanto region account for a large proportion of the Group's operating area. These regions are potential sites of large-scale earthquakes: Shizuoka Prefecture may be affected by earthquakes in the Tokai region and the Nankai Trough, and the Kanto region may be affected by an earthquake directly below the Tokyo metropolitan area. An earthquake or other large-scale disasters could not only cause major damage to the Group's personnel and facilities, but also render the provision of power, which is essential for business continuation, result in extended communication circuit outages, or cause lengthy disruptions to roadways and other transport infrastructure. These situations could hinder ongoing and sustained business operations, which could affect the Group's operating performance and financial condition.

- Country Risk

The Group's Gas and Petroleum segment, Aqua segment, and system innovation service division are involved in overseas business development and engage in transactions with overseas companies. The Group's business development and transactions could therefore be affected significantly by local business customs or legal and regulatory restrictions, increases in personnel costs, exchange rate fluctuations, and acts of terrorism or other forms of social unrest. As a result, the Group's operating performance and financial condition could be affected.

- Competition with Other Companies

In the Gas and Petroleum segment and the Information and Communications segment, the Group faces numerous competitors equipped with more financial strength and technological and selling capabilities. Furthermore, the number of competitors has grown in recent years, making the competitive landscape increasingly difficult.

In addition, growing competition among LP gas, city gas, electricity, and other forms of energy may result in difficulties in passing on higher LP gas procurement prices to customers through increased selling prices.

In the CATV business, competition is growing more intense in areas outside conventional business spheres, such as the major telecommunication companies' provision of IP broadcasts.

If this sort of competition from entities within or outside the industries in which the Group operates intensify beyond expectations, the Group's operating performance and financial condition could be affected.

- Fluctuations in Gas Procurement Prices and Exchange Rates

The Group depends on imports from the Middle East for the majority of its LP gas, the principal product in the Gas and Petroleum segment, and procurement prices are therefore susceptible to fluctuations in market prices and exchange rates stemming from geopolitical factors and the balance between supply and demand. The Group engages in hedging transactions to lock in prices to some degree, thereby minimizing its exposure to market price and exchange rate volatility. These transactions have the effect of limiting the impact on selling prices of sharp rises in resource costs, but conversely limit the Group's ability to benefit from greater-than-expected declines in commodity prices at the point of purchase. Losses resulting from this fixing of prices could affect the Group's operating performance and financial condition.

- Risk of Worsening Real Estate Market Prices

The Group is involved in the real estate business, so a plunge in real estate market prices could reduce the valuation of real estate held for sale, requiring the recording of impairment losses on real estate holdings and affecting the Group's operating performance and financial condition.

- Effects of Climate Change

The Group's Gas and Petroleum segment and Aqua segment are significantly affected by the weather, particularly by air and water temperatures. Abnormal weather, such as excessively hot summers and bitterly cold winters, could affect the Group's operating performance and financial condition.

- Technological Obsolescence in the CATV segment and Information and Communications Segment

The Group is involved in the CATV segment and Information and Communications segment, where technological innovation occurs at dizzying speeds. If the Group's products or services become obsolete or the Group loses its market due to technological innovation, if the Group becomes unable to respond to technological innovation, or if it is unable to invest sufficient capital to provide new services, it may result in a loss of competitiveness. As a result, the Group's operating performance and financial condition could be affected.

- Relations with Suppliers, Outsourcing Partners, and Subcontractors

The Group procures products for numerous segments, including the Gas and Petroleum, Building and Real Estate, CATV, Information and Communications, and Aqua segments. In addition, we outsource or subcontract certain operations to other companies. If trouble were to arise with these suppliers, outsourcing partners, or subcontractors, the Group's ability to provide customers with a stable supply of products and services could suffer, affecting the Group's operating performance and financial condition.

- Dependence on Specific Entities for Business and Orders

In its software development business, the Group is relatively highly reliant on specific system integrators. We have built robust relationships with entities that have proven able to precisely respond to sophisticated requirements and have cultivated expertise in system configuration and operational knowhow. However, changes in management conditions or business strategies at these system integrators could affect the Group's operating performance and financial condition.

In broadband services, the Group forms alliances with telecommunications carriers, selling services to individuals via consumer electronics retailers under sales agency agreements, and wholesaling through alliances with internet service providers (ISPs). Changes in business strategies on the part of these telecommunications carriers, consumer electronics retailers, and ISPs could affect the Group's operating performance and financial condition.

In the mobile phone business, the Group offers a low-cost SIM service using networks leased from NTT DoCoMo, Inc., and acts as a distributor for SoftBank Corp. Major changes in business strategies, sales agency policies, and wholesale network leasing fees of these telecommunication carriers could affect the Group's operating performance and financial condition.

- Unprofitable Transactions in Contracting Operations

In the Building and Real Estate Segment, the Group accepts orders and subcontracting requests from major manufacturers and general contractors. Profitability could be affected if trouble should arise in these operations, delivery are delayed, or work fails to satisfy conditions of acceptance. As a result, the Group's operating performance and financial condition could be affected.

In the software development business and other businesses, the Group endeavors to manage projects thoroughly at the inquiry, estimate, and acceptance phases with the aim of efficient system configuration and development. Nevertheless, if defects arise post-delivery, customers change their requested development formats, or additional specifications are called for, it would require an increase in work hours and cause profitability to worsen due to unforeseen development-related incidents. Such factors could affect the Group's operating performance and financial condition.

- Sanitation and Quality Management in the Provision of Food Products

In the Aqua business, the Group engages in the production and sale of bottled water for delivery, and as part of the weddings business we provide food and beverages. If any problems were to arise with respect to the quality or hygiene management of such food and beverages, rumors could lead to a loss of social credibility, and the Group could be obliged to pay compensation for damages. As a result, the Group's operating performance and financial condition could be affected.

- Impact of Liberalization

Reforms are being steadily enacted to the electricity and city gas systems under the liberalization of the household electricity retail markets. In the telecommunications sector, the wholesaling of fiber-optic lines by NTT East Japan and NTT West Japan is prompting market entry from businesses other industries, and large-scale players are expected to increase

their service areas. If selling competition and price competition become more severe than the Group expects, its operating performance and financial condition could be affected.

2. Status of the Corporate Group

The TOKAI Group comprises the Company, 22 subsidiaries, and five affiliates. The Group's operations are diverse, spanning energy, housing construction and real estate sales, CATV, information and communications services, Aqua, and bridal events, and comprises six business segments. The principal businesses of each of these segments, as well as their positioning within the departments of the Company and its affiliates, are outlined below.

(1) Gas and Petroleum Segment

One of the Group's core business segments, the Gas and Petroleum segment comprises the following four businesses.

(LP gas and petroleum business)

This business primarily involves the sale of LP gas, liquefied natural gas, petroleum products, and related construction. TOKAI CORPORATION, TOKAI Gas Corporation, and Osuga Gas Service, Ltd. handle sales, and purchasing is conducted mainly by TOKAI CORPORATION.

Tokaizosen-unyu Corporation is involved in overland transportation; TOKAI CORPORATION, TOKAI Home Gas Corporation, and TOKAI Gas Corporation take part in customer management and new customer cultivation; and Energy Line Corporation handles filling and distribution.

TOKAI CORPORATION also handles the retesting and painting of various high-pressure gas containers, and JOYNET Co., Ltd. produces LP gas.

Overseas, TOKAI Myanmar Co., Ltd., located in Yangon, the Republic of the Union of Myanmar, handles equipment construction related to LP gas.

(City gas business)

TOKAI Gas Corporation provides city gas (natural gas) in Shizuoka Prefecture, such as the cities of Yaizu and Fuji.

(High-pressure gas business)

TOKAI CORPORATION sells oxygen, nitrogen, and other high-pressure gases, as well as related equipment. Affiliated company SHIZUOKA OXYGEN CORPORATION produces high-pressure gases.

(Security business)

TOKAI CORPORATION provides automated security services.

(2) Building and Real Estate Segment

TOKAI CORPORATION builds and designs homes and shops, sells related equipment, and develops, buys and sells, leases, and brokers real estate.

TOKAI CORPORATION and TOKAI Gas Corporation perform renovations.

(3) CATV Segment

The CATV business is handled by TOKAI Cable Network Corporation, ICHIHARA COMMUNITY NETWORK TELEVISION CORPORATION, ATSUGI ISEHARA CABLE NETWORK CORPORATION, EAST Communications Co., Ltd., LCV CORPORATION, KURASHIKI CABLE TELEVISION Inc., Toco Channel Shizuoka Corporation, and affiliated company Tokyo Bay Network Co., Ltd.; Net Technology Shizuoka Corporation handles related businesses.

Note: Tokyo Bay Network Co., Ltd. became an equity-method affiliate following the acquisition of shares on March 15, 2017.

(4) Information and Communications Segment

The Information and Communications segment comprises the following four businesses.

(System innovation service business)

TOKAI Communications Corporation develops software, provides information processing services, and sells related equipment.

Affiliated company CloudMaster Co., Ltd., located in Taipei, Taiwan, develops software, provides information processing services, and sells related equipment.

(Corporate telecommunications business)

TOKAI Communications Corporation provides fiber-optic leasing and data transmission services.

(ADSL and FTTH business)

TOKAI Communications Corporation sells TOKAI Network Club (TNC) and Web Shizuoka services within Shizuoka Prefecture, and sells directly under the @TCOM brand nationwide outside Shizuoka Prefecture. The company also wholesales ADSL lines in Shizuoka Prefecture and the Kanto region.

(Mobile phone business)

TOKAI Communications Corporation acts as a distributor for SoftBank Corp., handling shop operations and customer agency services. The Group also markets LIBMO, a low-cost SIM service using networks leased from NTT DoCoMo, Inc.

(5) Aqua Segment

TOKAI CORPORATION uses natural water to produce and sell drinking water, and Tokaizosen-nyu Corporation handles overland transport and home delivery.

TOKAI (Shanghai) Trade & Commerce Co., Ltd., sells drinking water in and around Shanghai, China.

(6) Others Segment

The Others segment is made up of three businesses.

(Weddings and hotel business)

Bouquet Tokai Mishima Corporation operates a comprehensive wedding hall and reception facilities in the city of Mishima, Shizuoka Prefecture. TOKAI City Service Corporation operates Grandair Bouquet Tokai, a wedding hall in Aoi Tower, in the city of Shizuoka.

Affiliated company Waei Co., Ltd. operates a hotel business.

Note: Wedding hall and reception facility Vrai Cloche Bouquet Tokai Mishima run by Bouquet Tokai Mishima Corporation has closed as of March 31, 2017.

(Ship repair business)

Tokaizosen-nyu Corporation handles ship repairs, mainly on deep-sea and coastal fishing vessels.

(Other services)

TOKAI CORPORATION engages in the insurance agency business, and TOKAI Life Plus Corporation handles the nursing care business.

Affiliated company TOKAI Human Resources Evol Corporation is involved in the human resource dispatch business.

3. Group Management Policy

(1) Basic Policy of Corporate Management

In April 2011, the TOKAI Group formulated its Group philosophy, the TOKAI-WAY, comprising four layers—a corporate philosophy, mission, vision, and values—which are shared throughout the Group, leading to a fresh start.

Amid rapid changes in the social environment and customers' needs, we aim to achieve sustainable group-wide growth by operating as a unified group and taking full advantage of the strength of our 2.56-million-strong customer base, comprehensive services, and agility.

1) Corporate Philosophy (Beliefs of the TOKAI Group)

“To improve the lives of our customers, we will continue to grow and develop together with local communities and the earth.”

As a corporation providing comprehensive support for daily life and driven by the capabilities and the potential we have nurtured since our establishment, we will continue to contribute to the happiness of our customers while deepening our links with local communities and the earth.

2) Mission (The mission the TOKAI Group must complete to benefit society, our customers, and our shareholders)

“Transform, challenge, and implement.”

Based on our strong determination to serve our customers, we constantly challenge ourselves to self-transform to succeed in anticipating the needs of daily life, and providing people with security and safety, convenience and comfort, and joyful and meaningful lives.

3) Vision (Long-term business goals the TOKAI Group must aim for)

“Through continued expansion throughout Japan and the world, we will strive to be a TLC (Total Life Concierge) as a one-stop provider of products and services requested by customers.”

Our aim is to strengthen the comprehensive capabilities of the Group in today's globalizing society and bring a succession of diverse services closely linked to daily life and to local communities, and in this way, to become a leading Total Life Concierge representing Japan in the twenty-first century.

4) Values (Common values which must play an important role in guiding the actions of employees of the TOKAI Group)

“Always sharing our joy and excitement with you.”

- Communication that links us all.

As partner constantly by your side, we value communication. Drawing on the strengths of our team, we bring you fresh excitement.

- Giving you security, safety, and fulfillment.

With security and safety being our first priority, we constantly express our grateful spirit by providing you with the finest possible services.

- Always remembering the enthusiasm and pride of professionalism..

To remain the professionals chosen by customers, we will strive to improve every day as we joyfully perform our work, driven by the freedom to create new ideas.

- Growing toward the future together with the communities we serve.

We are helping revitalize communities, creating a natural environment, and local community life, so everyone from children to the elderly can live free from anxiety.

(2) Target Management Indices

“Innovation Plan 2016 ‘Growing,’” our medium-term management plan for the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2017, called for ongoing improvements in our financial position and set major targets for recovering profitability. Operating profit in the fiscal year ended March 31, 2017 was a record 12,750 million yen, mainly due

to a steady rise in the number of Hikari Collaboration customers and the Aqua business turning profitable. We aim to further enhance profitability going forward.

(3) Management Strategies and Items to Address over the Medium to Long Term

The Group transitioned to a holding company structure in April 2011. Since that time, we have prioritized management initiatives to improve our financial position. The fiscal year ended March 31, 2017 was the final year of our “Innovation Plan 2016 ‘Growing’” medium-term business plan. During the plan period, the Group focused on improving earnings capability while continuing with efforts to improve its financial position. As a result, in terms of balance sheet improvement, interest-bearing debt was reduced from 124 billion yen before management integration to 54.1 billion yen, and our equity ratio improved from 7.7% to 34.5% over the same period by accumulating profits and disposal of treasury stock. In terms of earnings, operating profit in the fiscal year ended March 31, 2017 was a record 12,750 million yen, mainly due to a steady rise in the number of Hikari Collaboration customers and the Aqua business turning profitable. However, the number of customers that form the Group's earnings base increased only marginally to 256 million as of March 31, 2017, amid intense competition in all business areas. The Group intends to strengthen its competitiveness further, and maintain and expand its customer base in all retail businesses.

In the energy sector, competition with energy-related companies and other new market players looks set to intensify in the electric power and city gas businesses in the wake of retail liberalization. The Group added electric power to its portfolio of services in an alliance with Tokyo Electric Power Company (now TEPCO Energy Partner, Inc.) in April 2016. The Group plans to differentiate itself from competitors by offering a portfolio of daily life infrastructure-related services from LP gas and city gas to information and communications, CATV, Aqua, and electric power to attract new customers and prevent service cancellation by existing customers.

Based on the Group's TLC (Total Life Concierge) concept, the Group will aim to respond flexibly to changes in the business environment, generate new businesses and services, as well as reinforce points of contact with customers, and provide comprehensive offerings combining a host of lifestyle services.

The environment surrounding the Group's gas business is characterized by a declining population, changing consumer lifestyles, competition between energy providers, and fluctuating crude oil prices. Given these factors, we expect sales and price competition to grow increasingly fierce.

In the LP gas business, recognition of the social importance of LP gas is growing, as consumers see how LP gas supports lifestyles in local communities and serves as a source of energy that can be distributed in times of emergency. The Group will promote better efficiency in its customer operations, such as delivery and meter inspection, aiming to heighten price competitiveness through increased efficiency and cost reductions. At the same time, we will endeavor to maintain and grow our customer base, attracting new customers by expanding our service area and through M&A activity.

In the city gas business, numerous new participants are expected to enter the market in step with the full-scale retail liberalization of city gas came into effect in April 2017. As a city gas provider with close community ties, the Group will respond to this challenge by further augmenting its security systems, providing additional services and products with firmly rooted community and customer ties, thereby establishing our business foundation and achieving sustainable growth.

In the CATV business, market conditions are difficult as major telecommunication companies continue to compete on the broadcasting, communications, and telephone services. We will respond by promoting the acquisition of core broadcasting service customers and offering set products combining communications services. Meanwhile, our independent community channel service broadcasts programs featuring people from the community, allowing us to promote closer local ties and distribute information through live broadcasts of local events and sports tournaments. We will leverage this content in our sales activities. By developing and expanding services with close community ties, we will endeavor to pursue CATV value while maintaining and expanding revenues.

Competition in the information and communications business is intense, as technological innovation proceeds at a rapid pace, while companies are being called on to respond swiftly to customer needs. In the area of information and communication systems, in tandem with progress in cloud computing, we are developing solution services that provide a trinity of offerings: the Group's fiber-optic networks, data centers, and systems development. In this manner, we are striving to grow further by expanding our recurring revenue business model, as well as creating and offering services and solutions

in the fast-growing big data and IoT businesses.

In broadband services, the Group began the Hikari Collaboration service (a one-stop FTTH ISP service using fiber-optic services provided by NTT) in February 2015 amid expectations of slowing growth of FTTH in the domestic broadband market. We have concentrated our efforts on raising ARPU by acquiring new customers and attracting customers switching from other ISPs. As a result, the Group's Hikari Collaboration customers totaled 299,000 in the fiscal year ended March 31, 2017, serving as a major earnings growth driver. However, competition between ISPs has intensified in the Hikari Collaboration business, The Group intends to strengthen its business base by continuing efforts to acquire new customers and attract customers switching from other ISPs.

In the mobile phone business, the Group launched our low-cost SIM service LIBMO in February 2017. To expand earnings, we intend to offer a unique service with competitive pricing in the low-cost SIM service market, which is expected to continue growing. We are also combining it in a package with fixed-line services such as Hikari Collaboration to expand sales of both services and prevent service cancellations.

In the Aqua business, since the Great East Japan Earthquake, consumer demand for delicious water that is safe and secure has grown sharply; taking advantage of this demand as the market matures has been a matter of some urgency. In Shizuoka Prefecture, the Group has developed the "Oishii Mizu no Takuhaibin" ("Tasty Water Delivered to your Door") brand, providing mineral-rich natural water from the base of Mt. Fuji in returnable bottles. Nationwide, we are developing the "Ulunom" brand, using disposable bottles.

Meanwhile, we are enhancing quality by refurbishing production facilities and enhancing management systems at our plants such as the Aqua Fujisan Plant, to continue providing high-quality drinking water that is safe and secure. TOKAI (Shanghai) Trade & Commerce Co., Ltd., is developing a bottled water delivery service in Shanghai, China, under the Fujishigen ("water resource from Fuji") brand. The Group is maximizing the value of the World Heritage Site Mount Fuji brand and combining it with our stylish in-house produced water servers that enhance room interiors and a regular maintenance service to convey the message of water that is safe and secure in marketing face-to-face at department stores as well as via our website and SNS.

In our nursing care business, we commenced facility operations in April 2011. This business has progressed steadily. As Japanese society continues to age, the Group's business development will need to respond to the changing social environment. We intend to continue expanding our operations in fee-based elderly homes with nursing care, centered on day services. By also leveraging the information and communications technologies the Group has cultivated, we will work to develop services that connect nursing care patients with their families, to provide services that consider the convenience for nursing care users.

As a provider of various lifestyle infrastructure services, maintaining ongoing customer transactions and promoting multiple transactions is key to expanding the Group's overall transactions.

In December 2012, we launched the TLC Membership Service, a membership service spanning the Group. Under this system, members can earn proprietary "TLC points" based on the number of times they use our services and the amount spent. Customers who use many of our services, etc., can enjoy greater benefits.

The number of members is growing steadily, and surpassed 586 thousand members as of March 31, 2017. The system is being established to increase the level of return to customers and create customer contact points across the Group. We plan to expand and enhance the reward points menu, offer events and services for members, and promote other benefits to help attract new customers, curtail cancellations, and strengthen our earnings base in each business.

Meanwhile, to make better comprehensive use of the Group's contact points with customers, in addition to initiatives at each of our businesses and services, we are working to strengthen various channels throughout the Group, including face-to-face, call center, and web-based communication. By analyzing the customer information we amass on a daily basis, we will build a system to propose and provide services optimized to customer needs and lifestyles.

Through the above-mentioned initiatives under the holding company structure, we aim to offer our myriad of products and services to the Group's important base of 2.56 million customers, as well as continuing to provide new products and services. In this manner, we strive to realize the TLC (total life concierge) concept.

4. Basic Perspective on Selection of Accounting Standards

As the Group conducts its operations primarily in Japan, with little overseas activity, we intend to comply with Japanese accounting standards for the foreseeable future. However, we will consider the adoption of international accounting standards, taking into account various situations in Japan and overseas.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	4,077	3,239
Notes and accounts receivable–trade	21,305	22,838
Merchandise and finished goods	4,307	3,676
Work in process	610	645
Raw materials and supplies	694	737
Deferred tax assets	886	743
Other	¥3,626	¥3,704
Allowance for doubtful accounts	(391)	(332)
Total current assets	38,117	38,594
Non-current assets		
Property, plant and equipment		
Buildings and structures	104,921	107,539
Accumulated depreciation	(69,743)	(73,821)
Buildings and structures, net	35,178	33,718
Machinery, equipment and vehicles	89,236	91,396
Accumulated depreciation	(67,162)	(69,547)
Buildings and structures, net	¥122,074	¥121,848
Land	21,825	22,634
Leased assets	23,294	23,502
Accumulated depreciation	(12,315)	(12,633)
Leased assets, net	10,979	10,869
Construction in progress	868	189
Other, net	13,540	14,330
Accumulated depreciation	(9,401)	(9,944)
Other, net	4,138	4,386
Total property, plant and equipment	¥95,064	¥93,647
Intangible assets		
Goodwill	6,589	5,861
Leased assets	675	568
Other	3,674	4,559
Total intangible assets	10,940	10,988
Investments and other assets		
Investment securities	¥27,236	¥29,433
Long-term loans receivable	105	87
Deferred tax assets	1,790	1,350
Net defined benefit asset	2,360	2,397
Other	5,255	5,024
Allowance for doubtful accounts	(599)	(432)
Total investments and other assets	16,149	17,860
Total non-current assets	122,153	122,496

Deferred assets	31	21
Total assets	160,303	161,112

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable–trade	13,511	14,779
Short-term loans payable	*5, *7 27,828	*5, *7 22,912
Current portion of bonds	758	578
lease obligations	3,815	3,398
Income taxes payable	1,954	3,484
Provision for bonuses	1,247	1,260
Other accruals	212	434
Other	13,630	14,455
Total current liabilities	62,958	61,304
Non-current liabilities		
Bonds payable	984	406
Convertible bonds with stock acquisition rights	10,000	2,800
Long-term loans payable	*5, *7 31,839	*5, *7 27,440
Lease obligations	8,923	8,950
Other accruals	68	101
Net defined benefit liability	308	364
Other	3,249	3,299
Total non-current liabilities	55,373	43,361
Total liabilities	118,332	104,665
Net assets		
Shareholders' equity		
Capital stock	14,000	14,000
Capital surplus	19,258	24,286
Retained earnings	9,870	15,048
Treasury stock	(6,409)	(3,285)
Total shareholders' equity	36,719	50,048
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,153	2,126
Deferred gains (losses) on hedges	230	720
Foreign currency translation adjustment	1	(9)
Remeasurements of defined benefit plans	2,958	2,768
Total accumulated other comprehensive income	4,343	5,605
Stock acquisition rights	208	—
Non-controlling interests	699	791
Total net assets	41,970	56,446
Total liabilities and net assets	160,303	161,112

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

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2016
Sales	180,940	178,631
Cost of sales	*1 111,127	*1 105,590
Gross profit	69,812	73,040
Selling, general and administrative expenses	*2 61,566	*2 60,290
Operating profit	8,245	12,750
Non-operating profit		
Interest income	14	11
Dividend income	159	176
Commission fee	81	80
Other	516	450
Total non-operating profit	772	719
Non-operating expenses		
Interest expenses	710	531
Other	157	161
Total non-operating expenses	868	693
Recurring profit	8,150	12,775
Extraordinary income		
Gain on sales of non-current assets	*3 7	*3 8
Transmission line facility subsidies	68	63
Subsidy income	138	2
Gain on sales of investment securities	0	0
Gain on reversal of subscription rights to shares	-	98
Total extraordinary income	215	172
Extraordinary losses		
Loss on sales of non-current assets	*4 0	*4 8
Loss on retirement of non-current assets	*5 1,002	*5 831
Impairment loss	*6 693	-
Bad debts expenses	*7 234	-
Total extraordinary losses	1,929	840
Net income before income taxes	6,436	12,108
Income taxes (current)	2,900	4,487
Income taxes (deferred)	23	197
Total income taxes	2,924	4,685
Net income	3,511	7,422
Net income attributable to non-controlling interests	52	85
Net income attributable to owners of the parent	3,458	7,337

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2016
Net income	3,511	7,422
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,227)	973
Deferred gains (losses) on hedges	324	490
Foreign currency translation adjustment	(37)	(12)
Remeasurements of defined benefit plans, net of tax	(1,172)	(189)
Share of other comprehensive income of entities accounted for using the equity method	(5)	(0)
Total other comprehensive income	*1 (2,118)	*1 1,260
Comprehensive income	1,393	8,683
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,343	8,597
Comprehensive income attributable to non-controlling interests	50	86

(3) Statement of Changes in Consolidated Shareholders' Equity
 Year ended March 31, 2016 (April 1, 2015–March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	14,000	22,315	7,803	(8,033)	36,085
Change during the year					
Cash dividends from retained earnings			(1,391)		(1,391)
Net income attributable to owners of the parent			3,458		3,458
Conversion of convertible bonds with stock acquisition rights					–
Acquisition of treasury shares				(1,801)	(1,801)
Disposition of treasury shares		149		211	360
Cancellation of treasury shares		(3,198)		3,198	–
Increase by share exchanges		(7)		15	7
Equity gain from sale of consolidated subsidiary equity					–
Net change in items other than shareholders' equity					
Total change during the year	–	(3,057)	2,066	1,624	634
Balance at end of period	14,000	19,258	9,870	(6,409)	36,719

	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 period	2,378	(94)	44	4,130	6,458	260	662	43,467
Change during the year								
Cash dividends from retained earnings								(1,391)
Net income attributable to owners of the parent								3,458
Conversion of convertible bonds with stock acquisition rights								–
Acquisition of treasury shares								(1,801)
Disposition of treasury shares								360
Cancellation of treasury shares								–
Increase by share exchanges								7

Equity gain from sale of consolidated subsidiary equity									—
Net change in items other than shareholders' equity	(1,224)	324	(42)	(1,172)	(2,115)	(52)	37	(2,131)	
Total change during the year	(1,224)	324	(42)	(1,172)	(2,115)	(52)	37	(1,496)	
Balance at end of period	1,153	230	1	2,958	4,343	208	699	41,970	

Year ended March 31, 2017 (April 1, 2016–March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital stock	Capital stock	Capital stock	Capital stock
Balance at beginning of period	14,000	19,258	9,870	(6,409)	36,719
Change during the year					
Cash dividends from retained earnings			(2,159)		(2,159)
Net income attributable to owners of the parent			7,337		7,337
Conversion of convertible bonds with stock acquisition rights		4,221		2,978	7,200
Acquisition of treasury shares				(262)	(262)
Disposition of treasury shares		806		407	1,213
Cancellation of treasury shares					–
Increase by share exchanges					–
Equity gain from sale of consolidated subsidiary equity		(0)			(0)
Net change in items other than shareholders' equity					
Total change during the year	–	5,027	5,177	3,123	13,328
Balance at end of period	14,000	24,286	15,048	(3,285)	50,048

	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 period	1,153	230	1	2,958	4,343	208	699	41,970
Change during the year								
Cash dividends from retained earnings								(2,159)
Net income attributable to owners of the parent								7,337
Conversion of convertible bonds with stock acquisition rights								7,200
Acquisition of treasury shares								(262)
Disposition of treasury shares								1,213
Cancellation of treasury shares								–
Increase by share exchanges								–
Equity gain from sale of consolidated subsidiary equity								(0)

Net change in items other than shareholders' equity	973	490	(11)	(189)	1,262	(208)	92	1,146
Total change during the year	973	490	(11)	(189)	1,262	(208)	92	14,475
Balance at end of period	2,126	720	(9)	2,768	5,605	—	791	56,446

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Net income before income taxes and minority interests	6,436	12,108
Depreciation	14,701	14,441
Amortization of goodwill	2,033	1,200
Impairment loss	693	—
Increase in net defined benefit asset and liability	63	(251)
Interest and dividend income	(174)	(188)
(Gain) loss on sale of investment securities	(0)	(0)
Interest expenses	710	531
(Gain) loss on sales of non-current assets	(7)	0
Loss on retirement of non-current assets	1,002	831
Increase (decrease) in notes and accounts payable	(1,140)	(1,959)
(Increase) decrease in inventories	1,083	553
Increase (decrease) in notes and accounts payable—trade	351	1,458
Increase (decrease) in accounts payable—other	1,378	29
Increase (decrease) in accrued consumption taxes	(1,170)	(94)
Increase (decrease) in deposits received	(878)	655
Other	(371)	635
Subtotal	24,711	29,952
Income taxes paid	(3,316)	(3,260)
Net cash provided by operating activities	21,395	26,692
Cash flows from investing activities		
Interest and dividend income received	229	245
Payment into time deposits	(33)	(0)
Proceeds from withdrawal of time deposits	40	—
Purchase of securities	(17)	(27)
Proceeds from sales of securities	0	0
Purchase of tangible and intangible assets	(11,435)	(11,331)
Proceeds from sales of tangible and intangible assets	162	202
Proceeds from contribution received for construction	117	138
Collection of loans receivable	170	66
Other	(250)	(279)
Net cash provided by (used in) in investing activities	(11,015)	(10,985)

(Millions of yen)

	Fiscal Year Ended March 31, 2016	Fiscal Year Ended March 31, 2017
Cash flows from financing activities		
Interest expenses paid	(729)	(545)
Net increase (decrease) in short-term loans payable	(3,239)	(4,350)
Repayments of lease obligations	(3,928)	(3,902)
Proceeds from long-term loans payable	9,594	7,850
Repayment of long-term loans payable	(15,553)	(12,815)
Redemption of bonds	(2,458)	(758)
Proceeds from issuance of convertible bonds with stock acquisition rights	9,980	—
Payments for acquisition of treasury stock	(1,801)	(262)
Payments to establish financial trust for acquisition of treasury stock	—	(91)
Proceeds from disposal of treasury stock	429	384
Cash dividends paid	(1,392)	(2,158)
Dividends paid to non-controlling interests	(6)	(5)
Proceeds from sales of investments in subsidiaries not resulting in change in scope of consolidation	—	12
Payments for sale and leaseback transactions	(44)	—
Net cash provided by (used in) financing activities	(9,150)	(16,643)
Effect of exchange rate change on cash and cash equivalents	(5)	3
Net increase (decrease) in cash and cash equivalents	1,223	(933)
Cash and cash equivalents at beginning of period	2,821	4,044
Cash and cash equivalents at end of period	*14,044	*13,111

(5) Notes to the Consolidated Financial Statements

(Notes on Premise of Going Concern)

No items to report

(Significant Matters Forming the Basis of Preparing the Consolidated Financial Statements)

1. Scope of Consolidation

All 22 of the Company's subsidiaries are included in the scope of consolidation.

2. Application of the Equity Method

The equity method is applied to all five of the Company's affiliated companies.

Tokyo Bay Network Co., Ltd. will be included among equity-method affiliates from the fiscal year ended March 31, 2017 after it was acquired on March 15, 2017.

Among the equity-method affiliates, the fiscal year-end of CloudMaster Co., Ltd., is December 31. In preparing the consolidated financial statements for the year under review, the financial statements as of December 31, 2016, were used for the said equity-method affiliate.

3. Fiscal Year-End of Consolidated Subsidiaries

Among the consolidated subsidiaries, the fiscal year-end of TOKAI (Shanghai) Trade & Commerce Co., Ltd., is December 31. In preparing the consolidated financial statements for the year under review, the financial statements as of December 31, 2016, were used for the said consolidated subsidiary.

Any necessary adjustments were made on a consolidated basis to account for significant transactions that occurred between the consolidated subsidiary's fiscal year-end and the consolidated fiscal year-end.

4. Matters Related to Accounting Policy

(1) Valuation Bases and Methods for Significant Assets

1) Securities

Other securities (available-for-sale securities)

Securities with fair market value

Stated at market value based on fair market value etc. as of the consolidated fiscal year-end (Net unrealized holding gains or losses are directly included in a component of shareholders' equity. The cost of securities sold is measured using the moving-average method)

Securities with no market value

Stated at cost using the moving-average method

2) Derivatives

Stated at fair market value

3) Inventories

Mainly stated at cost using the first-in first-out method. However, the individual cost method is used for real estate held for sale and work in process.

Figures on the balance sheet are adjusted by writing down the book value when profitability declines.

(2) Method of Depreciation for Significant Depreciable Assets

1) Property, Plant and Equipment (Excluding Leased Assets)

Depreciated mainly by the straight-line method

Useful lives of major property, plant and equipment are as follows.

Buildings and structures	10–50 years
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Machinery, equipment and vehicles	9–15 years
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2) Intangible Assets (Excluding Leased Assets)

Straight-line method

Software for internal use is amortized over the internally estimated useful life of the software (5 years) using the straight-line method.

3) Leased Assets

Leased assets related to finance lease transactions other than those that transfer ownership

Depreciated to a residual value of zero using the straight-line method, taking the lease period as the service life. Of finance lease transactions other than those that transfer ownership, lease transactions that commenced on or before March 31, 2008, are accounted for as standard lease transactions.

4) Deferred Assets

Straight-line method

Principal depreciation periods are as follows

Bond issuance cost	Redemption period
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(3) Accounting for Significant Reserves

1) Allowance for Doubtful Accounts

To provide reserve for potential losses from bad debts stemming from notes and accounts receivable or loans receivable, the Company recognizes and records allowance for doubtful accounts based on historical uncollectible rate for general accounts receivables, and on an estimate of collectability of specific accounts for which collection appears doubtful.

2) Provision for Bonuses

Provisions for the payment of employee bonuses are recorded at the amount expected to be paid during

the fiscal year under review.

(4) Accounting Treatment Related to Defined Benefit Plans

1) Method of Attributing the Projected Benefits to Periods of Service

In calculation of defined benefit obligations, the method of attributing the projected benefits until the end of the current fiscal year is based on the benefit formula basis.

2) Method of Amortization of Actuarial Gains or Losses and Prior Service Cost

Prior service cost is recognized as expenses by amortizing the amount by the straight-line method over a certain period of time (15–18 years) that is shorter than the employees' average remaining service period at the time of occurrence.

Actuarial gains or losses are amortized as incurred over the periods, which are shorter than the average remaining service years of employees (mainly 12–18 years), by the straight-line method, starting from the following fiscal years.

3) Application of Compendium Method for Small Companies

Certain of the Company's consolidated subsidiaries use the compendium method to calculate defined benefit obligations and defined benefit expenses, stating defined benefit obligations at the necessary payment amounts for voluntary retirement as of the end of the fiscal year.

(5) Basis for Recording Significant Income and Expenses

Basis for recording the amount of completed work and the cost of completed work

Construction for which progress can be measured with certainty as of the fiscal year-end is based on the percentage-of-completion method (cost-to-cost method is used to estimate a progression rate on construction). Other construction is based on the completed contracts method.

(6) Basis for Translating Significant Foreign Currency Assets and Liabilities to Japanese Yen

Monetary assets and liabilities denominated in foreign currencies are translated to Japanese yen at the spot exchange rate on the consolidated closing date, and translation adjustments are recorded as income or losses. Assets and liabilities of overseas subsidiaries are translated to Japanese yen at the spot exchange rate on the consolidated closing date, with profits, losses, and expenses translated at the average rate during the accounting period, and translation adjustments are recorded within foreign currency translation adjustments within net assets.

(7) Important Methods of Hedge Accounting

1) Methods of Hedge Accounting

In principle, deferred hedge accounting is used.

Hedging transactions using interest rate swaps are accounted for using exceptional treatment. Allocation accounting is used for interest rate currency swaps with foreign currency denominated monetary liabilities.

2) Hedging Instruments and Hedged Items

(Hedging instruments)

Interest rate swaps, interest rate currency swaps, forward exchange contracts, currency options, and commodity swaps

(Hedged items)

Interest on loans payable, principal and interest on loans payable denominated in foreign currencies, LP gas procurement prices

3) Hedging Policy

In accordance with resolutions based on the Group's regulations for risk management, the Group primarily uses hedging instruments within a certain scope of risks on hedged items: interest rate fluctuation risk, exchange rate fluctuation risk, and LP gas procurement price fluctuation risk.

4) Methods to Evaluate Hedging Effectiveness

Assessment of effectiveness is conducted by comparing cumulative cash flow fluctuations of the hedged item against the cumulative cash flows of the hedging instrument, and determined based on the amount of fluctuation of the two. The evaluation of hedging effectiveness is omitted in transactions that satisfy the conditions for exceptional treatment or that are recorded using allocation accounting.

(8) Goodwill Amortization Method and Amortization Period

Goodwill is amortized using the straight-line method over a period of five to 20 years, during which investment effect is visible. Lump-sum amortization is applied to items whose monetary amounts are small.

(9) Scope of Cash in the Consolidated Statements of Cash Flow

Cash (cash and cash equivalents) in the consolidated statement of cash flow includes cash on hand, deposits drawable

at any time or readily convertible to cash, and price-change-insensitive short-term investments whose maturity comes due within three months.

(10) Treatment of Consumption Taxes

The tax exclusion method is used for the accounting treatment of consumption taxes and regional consumption taxes. Non-deductible consumption taxes and regional consumption taxes are recognized as expenses in the fiscal year incurred.

(11) Criteria for the Capitalization of Interest Payments on Long-Term, Large-Scale Real Estate Development Work

- 1) Interest payments made during the normal development period on real estate development work having a period of two years or more from the start of development and involving total operational expenses of 3.0 billion yen or more is capitalized.
- 2) Capitalized interest payments total 9 million yen as of March 31, 2016.

(Changes in Accounting Policies)

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, the company has applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) from the fiscal year ended March 31, 2017, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight line method.

The effect of this change on results is insignificant.

(Changes in Presentation Method)

(Consolidated Statements of Income)

The importance of the amount of "Insurance income" listed under "Non-operating income" as an independent line item in the fiscal year ended March 31, 2016 became insignificant. As a result, this item was included in "Other" under within "Non-operating income." The consolidated financial statements for the fiscal year ended March 31, 2016 have been restated to reflect this change in presentation method.

As a result, the 120 million yen listed in "Insurance income" within "Non-operating income" in the consolidated financial statements of the fiscal year ended March 31, 2016 has been added to "Other."

(Additional Information)

(Implementation Guidance on Recoverability of Deferred Tax Assets)

The "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) has been applied from the fiscal year ended March 31, 2017.

(Board Benefit Trust (BBT))

(1) Overview of Transactions

At a Board of Directors Meeting held on May 10th, 2016, the Company approved the introduction of a board benefit trust (BBT) plan as a new stock-based compensation system (hereinafter referred to as "the System") for the Company's Directors, Executive Officers, Administrative Officers, and the Directors and Administrative Officers of some of the Company's subsidiaries (excluding Outside Directors; hereinafter referred to as "Executives"). This Executive compensation was approved at the 5th Annual General Meeting of Shareholders held on June 24, 2016.

The System is a stock-based compensation system in which the Company will acquire the shares of the Company using funds the Company first contributes. The Company's shares and the amount of cash equivalent to the market price of the Company's shares as of the date of the Executive's retirement (hereinafter referred to as the "Company's Shares, etc.") will be provided through the trust to the Executives in accordance with executive stock-based compensation rules stipulated by the Company and subsidiaries of the Company

covered by the System. In principle, Executives shall receive the Company's Shares, etc. upon their retirement.

The Company has applied the gross method for this transaction in accordance to "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015).

(2) Company stock remaining in the trust

The Company is recording Company stock which remains in the trust as treasury stocks under net assets at book value (excluding attached expenses). The book value of such Company stocks was 261 million yen as of March 31, 2017. The number of stock was 420 thousand shares.

(Notes to the Consolidated Balance Sheets)

*1. The following reduction entry amounts were deducted from the acquisition costs of machinery, equipment and vehicles, due to the acceptance of construction contributions, etc.

	As of March 31, 2016	As of March 31, 2017
Reduction entry	33 million	65 million
Cumulative reduction entries	5,998 million	6,037 million

*2. Amounts for affiliated companies were as follows.

	As of March 31, 2016	As of March 31, 2017
Investment securities (shares)	310 million yen	1,085 million yen

*3. Payments pending on the transfer of rights due to the liquidation of receivables (notes and accounts receivable–trade) were as follows.

	As of March 31, 2016	As of March 31, 2017
Payments pending	342 million yen	270 million yen

4. Contingent liabilities

(1) Guarantees

As of March 31, 2016		As of March 31, 2017	
(Debt obligation)		(Debt obligation)	
TOKAI Group Association	446 million yen	TOKAI Group Association	340 million yen

(2) Repurchase obligation due to liquidation of receivables

	As of March 31, 2016	As of March 31, 2017
Repurchase obligation due to liquidation of receivables	902 million yen	1,303 million yen

*5. Pledged assets and secured liabilities

Pledged assets are as follows.

	As of March 31, 2016	As of March 31, 2017
Property, plant and equipment		
Buildings and structures	3,522 million yen (3,414 million yen)	3,143 million yen (3,081 million yen)
Machinery, equipment and vehicles	5,594 million yen (5,593 million yen)	5,626 million yen (5,625 million yen)
Land	596 million yen (596 million yen)	596 million yen (596 million yen)
Other	146 million yen (146 million yen)	135 million yen (135 million yen)
Total	9,860 million yen (9,752 million yen)	9,502 million yen (9,439 million yen)

Figures in parentheses above indicate plant foundation mortgages.

Secured liabilities are as follows.

	As of March 31, 2016	As of March 31, 2017
Long-term loans payable (including current portion)	652 million yen	275 million yen
Total	652 million yen	275 million yen

6. The Group has credit line agreements in place with three banks in order to ensure the stable procurement of funds. These credit lines and loan amounts currently executed as of the end of the fiscal year under review are as follows.

	As of March 31, 2016	As of March 31, 2017
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	As of March 31, 2016	As of March 31, 2017
Credit line	6,000 million yen	6,000 million yen
Loan amount currently executed	—	—
Outstanding unused overdraft amount	6,000 million yen	6,000 million yen

The above-mentioned credit line involves certain financial covenants with all three banks. As of March 31, 2016, the Company was in conflict with none of these covenants.

*7. Syndicated loan agreements

Fiscal year ended March 31, 2017

(1) The Company entered into a syndicated loan agreement for 1,000 million yen (balance of 775 million yen as of March 31, 2016 and 675 million yen as of March 31, 2017) in December 2013, which contains financial covenants. These special contract requirements are as follows.

1) The amount of net assets in the consolidated balance sheets as of the closing date of fiscal years ending in or after March 2014 must be 70% or more of the amount of net assets in the consolidated balance sheets at the end of the preceding fiscal year.

2) A recurring loss may not be posted in recurring profit or loss in the consolidated statements of income for two consecutive fiscal years ending in or after March 2014.

(2) The Company entered into a syndicated loan agreement for 900 million yen (balance of 640 million yen as of March 31, 2016 and 511 million yen as of March 31, 2017) in February 2014, which contains financial covenants. These special contract requirements are as follows.

1) The amount of net assets in the consolidated balance sheets as of the closing date of fiscal years ending in or after March 2014 must be 70% or more of the amount of net assets in the consolidated balance sheets at the end of the preceding fiscal year.

2) A recurring loss may not be posted in recurring profit or loss in the consolidated statements of income for two consecutive fiscal years ending in or after March 2014.

(3) The Company entered into a syndicated loan agreement for 650 million yen (balance of 509 million yen as of March 31, 2016 and 416 million yen as of March 31, 2017) in September 2014, which contains financial covenants. These special contract requirements are as follows

1) The amount of net assets in the consolidated balance sheets as of the closing date of fiscal years ending in or after March 2015 must be 70% or more of the amount of net assets in the consolidated balance sheets at the end of the preceding fiscal year.

2) A recurring loss may not be posted in recurring profit or loss in the consolidated statements of income for two consecutive fiscal years ending in or after March 2015.

(4) The Company entered into a syndicated loan agreement for 700 million yen (balance of 612 million yen as of March 31, 2016 and 542 million yen as of March 31, 2017) in December 2014, which contains financial covenants. These special contract requirements are as follows.

1) The amount of net assets in the consolidated balance sheets as of the closing date of fiscal years ending in or after March 2015 must be 70% or more of the amount of net assets in the consolidated balance sheets at the end of the preceding fiscal year.

2) A recurring loss may not be posted in recurring profit or loss in the consolidated statements of income for two consecutive fiscal years ending in or after March 2015.

(Notes to the Consolidated Statements of Income)

*1. Inventories as of the end of the fiscal year is the amount after writing down the book value in line with the decline in profitability. The following inventory valuation losses are included in cost of sales.

	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)	Year ended March 31, 2017 (April 1, 2016–March 31, 2017)
	27 million yen	129 million yen

*2. Principal expense items contained in selling, general and administrative expenses are as follows.

	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)	Year ended March 31, 2017 (April 1, 2016–March 31, 2017)
Salaries and commissions	16,985 million yen	17,357 million yen
Provision for bonuses	900 million yen	925 million yen
Defined benefit expenses	752 million yen	640 million yen
Fees	17,880 million yen	16,463 million yen
Provision of allowance for doubtful accounts	182 million yen	228 million yen

*3. Details of the gain on sales of non-current assets are as follows.

	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)	Year ended March 31, 2017 (April 1, 2016–March 31, 2017)
Machinery, equipment and vehicles	7 million yen	7 million yen
Buildings and structures	0 million yen	0 million yen
Other	0 million yen	0 million yen
Total	7 million yen	8 million yen

*4. Details of the loss on sales of non-current assets are as follows.

	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)	Year ended March 31, 2017 (April 1, 2016–March 31, 2017)
Buildings and structures	– million yen	8 million yen
Machinery, equipment and vehicles	0 million yen	0 million yen
Total	0 million yen	8 million yen

*5. Details of the loss on retirement of non-current assets are as follows.

	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)	Year ended March 31, 2017 (April 1, 2016–March 31, 2017)
Buildings and structures	610 million yen	536 million yen
Machinery, equipment and vehicles	197 million yen	151 million yen
Goodwill	66 million yen	57 million yen
Other	128 million yen	85 million yen
Total	1,002 million yen	831 million yen

*6. Impairment losses

Fiscal year ended March 31, 2015 (April 1, 2014–March 31, 2015)

The Group recorded impairment losses on the following assets during the fiscal year.

Location	Use	Business segment	Category	Impairment losses (Millions of yen)
Kisarazu, Chiba Prefecture Kimitsu, Chiba Prefecture	Office	Gas and Petroleum	Buildings and structures Machinery, equipment and vehicles Land Property, plant and equipment, "leased assets" Property, plant and equipment, "other" Intangible assets, "other"	340
Mishima, Shizuoka Prefecture	Wedding ceremony facility	Building and Real Estate (Note) Weddings business	Buildings and structures Property, plant and equipment, "other" Intangible assets, "other"	201
Yaizu, Shizuoka Prefecture	Office	Information and Communications	Buildings and structures Property, plant and equipment, "other"	128
Shanghai, China	Business asset	Aqua	Property, plant and equipment, "leased assets" Property, plant and equipment, "other"	14
Izumi-ku, Yokohama Aoi-ku, Shizuoka	Shop	Information and Communications	Buildings and structures Property, plant and equipment, "other"	8
Total				693

(Note) This property is a facility related to Others segment (weddings business), but is recorded as an asset in the Building and Real Estate segment because it is leased internally within the Group.

The Group considers real estate for leasing on a per-property basis. Other assets are grouped by units for which profits and losses can be reasonably managed, and impairment losses are recognized on this basis.

During the year under review, the Group wrote down book values to their recoverable amounts on an office and shop due to decisions to relocate and close, and on a wedding ceremony facility and business asset whose profitability had decreased. These decreases were posted as impairment losses under extraordinary loss.

Breakdown of impairment losses

(Millions of yen)

Use	Buildings and structures	Machinery, equipment and vehicles	Land	Property, plant and equipment, "leased assets"	Property, plant and equipment, "other"	Intangible assets, "other"	Total
Office	21	7	299	2	7	1	340
Wedding ceremony facility	183	—	—	—	14	3	201
Office	114	—	—	—	13	—	128
Business asset	—	—	—	14	0	—	14

Use	Buildings and structures	Machinery, equipment and vehicles	Land	Property, plant and equipment, "leased assets"	Property, plant and equipment, "other"	Intangible assets, "other"	Total
Shop	8	—	—	—	0	—	8
Total	327	7	299	17	35	4	693

The recoverable amount of these assets is measured as their net realizable value. A real estate appraisal was performed to value land, and other assets were valued at 0 yen.

*7. Bad debt expenses

Fiscal year ended March 31, 2016 (April 1, 2015–March 31, 2016)

A bad debt expense of 234 million yen was recorded in extraordinary loss as the Company's burden of cost on a lawsuit for damages related to insufficient earthquake-resistance on condominiums sold by consolidated subsidiary TOKAI CORPORATION.

(Note to the Consolidated Statements of Comprehensive Income)

*1. Reclassification adjustments and tax effects related to other comprehensive income

	(Millions of yen)	
	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)	Year ended March 31, 2017 (April 1, 2016–March 31, 2017)
Valuation difference on available-for-sale securities		
Amount generated during the year	(1,810)	1,407
Reclassification adjustments	—	0
Before adjustment for tax effects	(1,810)	1,407
Tax effects	582	(434)
Valuation difference on available-for-sale securities	(1,227)	973
Deferred gains (losses) on hedges		
Amount generated during the year	(77)	1,603
Adjustment for asset acquisition costs	546	(900)
Before adjustment for tax effects	469	702
Tax effects	(144)	(212)
Deferred gains (losses) on hedges	324	490
Foreign currency translation adjustment		
Amount generated during the year	(37)	(12)
Foreign currency translation adjustment	(37)	(12)
Remeasurements of defined benefit plans		
Amount generated during the year	(1,553)	(52)
Reclassification adjustments	(249)	(217)
Before adjustment for tax effects	(1,802)	(270)
Tax effects	630	80
Remeasurements of defined benefit plans	(1,172)	(189)
Share of other comprehensive income of entities accounted for using the equity method		
Amount generated during the year	(5)	(0)
Total other comprehensive income	(2,118)	1,260

(Notes to the Statement of Changes in Consolidated Shareholders' Equity)

Fiscal year ended March 31, 2016 (April 1, 2015–March 31, 2016)

1. Categories and Number of Issued Shares and Categories and Number of Shares of Treasury Stock

	Beginning of the fiscal year (thousands of shares)	Increase during the fiscal year (thousands of shares)	Decrease during the year (thousands of shares)	End of the fiscal year (thousands of shares)
Issued shares				
Common stock	155,199	—	15,520	139,679
Total	155,199	—	15,520	139,679
Treasury stock				
Common stock	39,637	3,310	16,459	26,488
Total	39,637	3,310	16,459	26,488

(Notes) 1. The 15,520 thousand common share decrease in the total number of issued shares was due to the cancellation of treasury shares.

2. The increase of 3,310 thousand common shares of treasury stock was due to the acquisition of 3,308 thousand shares of treasury stock in accordance with a Board of Directors resolution and the purchase of 2 thousand shares comprising less than one share unit.

3. The decrease of 16,459 common shares of treasury stock included the cancellation of 15,520 thousand treasury shares, the sale of 509 thousand shares to the TOKAI Group Employee Shareholding Association for the employee shareholding association type ESOP, a decrease of 385 thousand shares due to the exercise of stock options, a decrease of 44 thousand shares due to share exchanges, and a decrease of 0 thousand shares for transfers of shares comprising less than one share unit.

2. Subscription Rights to Shares and Treasury Subscription Rights to Shares

Classification	Breakdown of subscription rights to shares	Class of shares subject to subscription rights to shares	Number of shares subject to subscription rights to shares				Balance at end of fiscal year (millions of yen)
			Beginning of fiscal year	Increase during fiscal year	Decrease during fiscal year	End of fiscal year	
Submitting company (Parent company)	Subscription rights to shares as stock options	—	—	—	—	—	208
Total			—	—	—	—	208

3. Dividends

(1) Dividend Payments

(Resolution)	Class of shares	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Resolution at regular general shareholders meeting on June 26, 2015	Common stock	716	6.00	March 31, 2015	June 29, 2015
Board of Directors resolution on October 29, 2015	Common stock	716	6.00	September 30, 2015	November 30, 2015

(Notes) 1. The total common-stock dividend of 716 million yen resolved at the regular general meeting of shareholders on June 26, 2015, includes dividends of 20 million yen related to the Company's shares held by consolidated subsidiaries and dividends of 3 million yen related to the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E).

2. The total common-stock dividend of 716 million yen resolved by the Board of Directors on October 29, 2015, includes dividends of 20 million yen related to the Company's shares held by consolidated subsidiaries.

(2) Dividends with a Record Date during the Current Fiscal Year but an Effective Date in the Following Fiscal Year

(Resolution)	Class of shares	Total dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
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(Resolution)	Class of shares	Total dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Resolution at regular general shareholders meeting on June 24, 2016	Common stock	905	Retained earnings	8.00	March 31, 2016	June 27, 2016

Fiscal year ended March 31, 2017 (April 1, 2016–March 31, 2017)

1. Categories and Number of Issued Shares and Categories and Number of Shares of Treasury Stock

	Beginning of the fiscal year (thousands of shares)	Increase during the fiscal year (thousands of shares)	Decrease during the year (thousands of shares)	End of the fiscal year (thousands of shares)
Issued shares				
Common stock	139,679	—	—	139,679
Total	139,679	—	—	139,679
Treasury stock				
Common stock	26,488	421	13,994	12,915
Total	26,488	421	13,994	12,915

- (Notes)
- The 421 thousand share increase in common shares in treasury stock stemmed from the Company acquiring 420 thousand shares through BBT and one thousand shares in a buyback of fractional shares less than a trading unit.
 - The 13,994 thousand share decrease in common shares in treasury stock stemmed from 12,309 thousand shares being converted from convertible bonds with subscription rights to shares, a decrease of 843 thousand shares through execution of stock options, and a decrease of 840 thousand shares from a third-party allocation of treasury stock.
 - The number of common shares of treasury stock includes 420 thousand of the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as of the end of the fiscal year.

2. Dividends

(1) Dividend Payments

(Resolution)	Class of shares	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Resolution at regular general shareholders meeting on June 24, 2016	Common stock	905	8.00	March 31, 2016	June 27, 2016
Board of Directors resolution on October 31, 2016	Common stock	1,254	11.00	September 30, 2016	November 30, 2016

Notes: The total common-stock dividend of 1,254 million yen resolved at a Board of Directors Meeting held on October 31, 2016, includes dividends of 4 million yen related to the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E).

(2) Dividends with a Record Date during the Current Fiscal Year but an Effective Date in the Following Fiscal Year

(Resolution)	Class of shares	Total dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Resolution at regular general shareholders meeting on June 28, 2017	Common stock	2,062	Retained earnings	16.21	March 31, 2017	June 29, 2017
		100	Capital surplus	0.79		

Notes: 1. The total common-stock dividend of 2,162 million yen includes dividends of 7 million yen related to the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E).
2. The dividend per share includes a commemorative dividend of 6 yen.

(Notes to the Consolidated Statements of Cash Flows)

*1. Relation between the year-end balance of cash and cash equivalents and line item amounts presented in the consolidated balance sheets

	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)	Year ended March 31, 2017 (April 1, 2016–March 31, 2017)
Cash and deposit accounts	4,077million	3,239 million
Time deposits with a deposit period exceeding three months	(33) million	(128) million
Cash and cash equivalents	4,044 million	3,111 million

2. Significant non-cash transactions

Assets and liabilities related to finance lease transactions

	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)	Year ended March 31, 2017 (April 1, 2016–March 31, 2017)
Assets and liabilities related to finance lease transactions	2,865 million	3,513 million

(Segment Information)

a. Segment Information

1. Overview of Reportable Segments

The Group's reportable segments are constituent units of the Group for which discrete financial information can be obtained, and for which the Board of Directors can decide on the allocation of management resources and evaluate operating performance. Consequently, the segments are principal categories that allow for regular consideration.

The Group establishes operational headquarters by product and service. Each operational headquarters drafts comprehensive strategies for the products and services it handles, and conducts business activities accordingly.

Consequently, in principle the product- and service-specific operational headquarters that form this base comprise the Group's five reportable segments: Gas and Petroleum, Building and Real Estate, CATV, Information and Communications, and Aqua.

The Gas and Petroleum segment sells LP gas, liquefied natural gas, other high-pressure gases and petroleum products; supplies city gas; sells related products; performs construction of related facilities and equipment; and operates security and other businesses.

The Building and Real Estate segment constructs residential facilities and other buildings, develops, sells, and leases real estate; performs construction on buildings and ancillary structures and facilities; and operates renovations and other businesses.

The CATV segment operates broadcasting and internet connectivity utilizing CATV networks, and other businesses.

The Information and Communications services segment develops computer software, processes information, provides internet connectivity, sells communications equipment, and performs agent operations, and other businesses.

The Aqua segment produces and sells drinking water, and other businesses.

2. Method of Calculation of Amounts in Sales, Income and Loss, Assets, Liabilities, and Other Items for Each Reportable Segment

The accounting methods used in reportable business segments are the same as applied in "Significant Matters Forming the Basis of Preparing the Consolidated Financial Statements."

Income for reportable segments is based on operating profit, and intersegment sales and transfers are conducted at prevailing market prices.

3. Information Related to Sales, Income and Loss, Assets, Liabilities, and Other Items for Each Reportable Segment

For the fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable segments						Others ¹	Total	Adjustments ²	Amount in consolidated statements of income ³
	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Subtotal				
Sales										
Sales to external customers	80,745	20,975	24,608	44,246	5,487	176,064	4,875	180,940	—	180,940
Intersegment sales and transfer	170	955	820	3,361	133	5,441	185	5,627	(5,627)	—
Subtotal	80,916	21,930	25,429	47,607	5,621	181,506	5,060	186,567	(5,627)	180,940
Segment income (loss)	6,973	676	1,161	829	(1,275)	8,364	(197)	8,167	78	8,245
Segment assets	60,349	24,093	32,776	29,639	4,693	151,552	4,806	156,358	3,944	160,303
Other items										
Depreciation	4,247	591	6,099	2,434	742	14,115	128	14,243	457	14,701
Goodwill amortization	543	—	1,050	438	—	2,032	1	2,033	—	2,033
Increase in property, plant and equipment and intangible assets	4,122	1,389	3,787	4,115	554	13,968	42	14,010	200	14,211

(Note) 1. The "Others" 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 are as follows.

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

(2) Upward adjustments in segment assets; depreciation; property, plant and equipment; and intangible assets are due to increases in companywide assets; depreciation; property, plant and equipment; and intangible assets that are not allocated to individual reportable segments.

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

For the fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segments						Others ¹ Building and Real Estate	Total CATV	Adjustments ² Information and Communi- cations	Amount in consolidated statements of income ³ Aqua
	Gas and Petroleum	Building and Real Estate	CATV	Information and Communi- cations	Aqua	Gas and Petroleum				
Sales										
Sales to external customers	73,344	19,511	25,396	49,508	5,762	173,523	5,108	178,631	—	178,631
Intersegment sales and transfer	178	1,489	787	3,160	145	5,760	209	5,970	(5,970)	—
Subtotal	73,522	21,001	26,184	52,668	5,907	179,284	5,317	184,601	(5,970)	178,631
Segment income (loss)	6,942	461	2,331	3,065	101	12,903	112	13,015	(265)	12,750
Segment assets	61,848	23,945	30,402	31,513	4,651	152,362	4,962	157,324	3,787	161,112
Other items										
Depreciation	4,276	614	5,821	2,478	648	13,839	91	13,930	510	14,441
Goodwill amortization	423	—	714	61	—	1,199	1	1,200	—	1,200
Increase in property, plant and equipment and intangible assets	5,090	1,263	4,321	3,233	524	14,432	48	14,480	667	15,148

(Note) 1. The "Others" 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 are as follows.

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

(2) Upward adjustments in segment assets; depreciation; property, plant and equipment; and intangible assets are due to increases in companywide assets; depreciation; property, plant and equipment; and intangible assets that are not allocated to individual reportable segments.

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

b. Reference Information

For the fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

1. Information by Product/Service

This information is omitted because the same information is written in the Segment Information.

2. Information by Region

(1) Sales

This information is omitted because sales to customers in Japan account for more than 90% of sales in the consolidated statements of income.

(2) Property, Plant and Equipment

This information is omitted because property, plant and equipment in Japan account for more than 90% of property, plant and equipment in the consolidated balance sheets.

3. Information by Major Customer

This information is omitted because no customers account for 10% or more of sales in the consolidated statements of income.

For the fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

1. Information by Product/Service

This information is omitted because the same information is written in the Segment Information.

2. Information by Region

(1) Sales

This information is omitted because sales to customers in Japan account for more than 90% of sales in the consolidated statements of income.

(2) Property, Plant and Equipment

This information is omitted because property, plant and equipment in Japan account for more than 90% of property, plant and equipment in the consolidated balance sheets.

3. Information by Major Customer

This information is omitted because no customers account for 10% or more of sales in the consolidated statements of income.

c. Information related to Impairment Loss of Noncurrent Assets by Reportable Segment

For the fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

								(Millions of yen)
	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Others	Corporate or elimination	Total
Impairment loss	340	149	—	137	14	51	—	693

For the fiscal year ended March 31, 2016 (From April 1, 2016 to March 31, 2017)

None

d. Information related to Amortization of Goodwill and Unamortized Balance by Reportable Segment

For the fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

								(Millions of yen)
	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Others	Corporate or elimination	Total
Amortization for the year ended Mar. 31, 2016	543	—	1,050	438	—	1	—	2,033
Balance on Mar. 31, 2016	1,008	—	5,488	90	—	1	—	6,589

For the fiscal year ended March 31, 2016 (From April 1, 2016 to March 31, 2017)

								(Millions of yen)
	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Others	Corporate or elimination	Total
Amortization for the year ended Mar. 31, 2017	423	—	714	61	—	1	—	1,200
Balance on Mar. 31, 2017	1,057	—	4,774	28	—	0	—	5,861

e. Information on Negative Goodwill Generated for Each Reportable Segment

For the fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

None

For the fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

None

(Per-Share Information)

	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)
Net assets per share (yen)	362.77	439.04
Net income per share (yen)	30.01	64.46
Diluted net income per share (yen)	26.89	56.31

(Note) 1. The standards used to calculate net income per share are as follows.

	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)
Net income per share		
Net income attributable to owners of the parent (millions of yen)	3,458	7,337
Amounts not attributable to ordinary shareholders (millions of yen)	—	—
Net income for common stock attributable to owners of the parent (millions of yen)	3,458	7,337
Average number of shares of common stock outstanding during the period (thousands of shares)	115,237	113,828
Net income per share (diluted)		
Adjusted net income attributable to owners of the parent (millions of yen)	—	—
Increase in common stock (thousands of shares)	13,383	16,477
(from convertible bonds (thousands of shares))	(13,124)	(16,327)
(from subscription rights to shares (thousands of shares))	(259)	(150)
Overview of dilutive shares omitted from the calculation of diluted net income per share as they have no dilutive effect	—	—

2. The number of shares of common stock at the end of the fiscal year used in the calculation of net assets per share excludes the Company's shares held by the Trust & Custody Service Bank Ltd. (Trust Account E) through BBT (0 shares in fiscal year ended March 31, 2016, 420,000 shares in fiscal year ended March 31, 2017). The average number of shares of common stock outstanding during the period used in the calculation of net income per share excludes the Company's shares held by the Trust & Custody Service Bank Ltd. (Trust Account E) through an employee stock ownership association-type ESOP trust (120,833 shares in fiscal year ended March 31, 2016) and through the Board Benefit Trust (BBT) (210,575 shares in fiscal year ended March 31, 2017).

(Important Subsequent Events)

No items to report

6. Non-Consolidated Financial Statements

(1) Balance Sheets

	(Millions of yen)	
	Fiscal Year Ended March 31, 2016	Fiscal Year Ended March 31, 2017
Assets		
Current assets		
Cash and deposits	2,172	1,131
Accounts receivable from subsidiaries and associates—trade	410	361
Supplies	9	17
Prepaid expenses	19	18
Deferred tax assets	65	77
Short-term loans receivable from subsidiaries and associates	25,415	23,840
Other	499	553
Allowance for doubtful accounts	(260)	(945)
Total current assets	28,330	25,056
Non-current assets		
Property, plant and equipment		
Buildings	6	401
Structures	—	29
Vehicles	—	0
Tools, furniture and fixtures	20	59
Land	26	26
Leased assets	61	35
Construction in progress	370	—
Total property, plant and equipment	485	554
Intangible assets		
Software	454	488
Leased assets	596	499
Other	58	1
Total intangible assets	1,109	990
Investments and other assets		
Shares of subsidiaries and associates	34,860	35,587
Investments in capital of subsidiaries and associates	112	112
Long-term loans receivable from subsidiaries and associates	37,213	30,444
Long-term prepaid expenses	0	—
Deferred tax assets	157	114
Other	34	55
Total investments and other assets	72,378	66,313
Total non-current assets	73,974	67,858
Deferred assets		
Bond issuance cost	30	20
Total deferred assets	30	20
Total assets	102,334	92,934

		(Millions of yen)	
		Fiscal Year Ended March 31, 2016	Fiscal Year Ended March 31, 2017
Liabilities			
Current liabilities			
Short-term loans payable	15,350	11,000	
Current portion of long-term loans payable	11,987	11,632	
Current portion of bonds	758	578	
Lease obligations	273	248	
Accounts payable–other	345	360	
Accrued expenses	38	36	
Income taxes payable	5	21	
Accrued consumption taxes	21	0	
Deposits received	212	31	
Deposits received from subsidiaries and associates	5,651	6,101	
Provision for bonuses	28	29	
Provision for directors' bonuses	33	83	
Provision for point card certificates	142	197	
Other	161	108	
Total current liabilities	35,009	30,429	
Non-current liabilities			
Bonds payable	984	406	
Convertible bonds with stock acquisition rights	10,000	2,800	
Long-term loans payable	30,972	26,853	
Lease obligations	393	294	
Provision for retirement benefits	30	20	
Provision for executive stock benefits	—	18	
Other	149	124	
Total non-current liabilities	42,530	30,517	
Total liabilities	77,540	60,946	
Net assets			
Shareholders' equity			
Capital stock	14,000	14,000	
Capital surplus			
Legal capital surplus	3,500	3,500	
Other capital surplus	13,906	17,225	
Total capital surplus	17,406	20,725	
Retained earnings			
Other retained earnings			
Retained earnings brought forward	2,822	2,073	
Total retained earnings	2,822	2,073	
Treasury stock	(9,643)	(4,810)	
Total shareholders' equity	24,586	31,988	
Stock acquisition rights	208	—	
Total net assets	24,794	31,988	
Total liabilities and net assets	102,334	92,934	

(2) Statements of Income

(Millions of yen)

	Fiscal Year Ended March 31, 2016	Fiscal Year Ended March 31, 2017
Operating revenue		
Fiduciary obligation fee	441	448
Management fee income	3,294	3,361
Interest income	631	523
Dividend income	1,823	2,259
Other operating revenue	13	13
Total operating revenue	6,204	6,606
Operating expenses		
Financial expenses	491	348
Selling, general and administrative expenses	3,890	4,816
Total operating expenses	4,382	5,165
Operating profit	1,821	1,441
Non-operating profit		
Other	27	21
Total non-operating profit	27	21
Non-operating expenses		
Interest expenses	50	68
Other	12	10
Total non-operating expenses	63	79
Recurring profit	1,785	1,383
Extraordinary income		
Subsidy income	67	—
Gain on reversal of subscription rights to shares	—	98
Total extraordinary income	67	98
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	495	—
Loss on sales of shares of subsidiaries	—	10
Total extraordinary losses	495	10
Income before income taxes	1,357	1,472
Income taxes (current)	16	30
Income taxes (deferred)	(36)	31
Total income taxes	(20)	61
Net income	1,377	1,410

(3) Statement of Changes in Shareholders' Equity

Year ended March 31, 2016 (April 1, 2015–March 31, 2016)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
					Retained earnings brought forward			
Balance at beginning of period	14,000	3,500	18,512	22,012	2,877	2,877	(11,053)	27,836
Change during the year								
Cash dividends from retained earnings					(1,432)	(1,432)		(1,432)
Net income					1,377	1,377		1,377
Conversion of convertible bonds with stock acquisition rights								—
Acquisition of treasury shares							(3,645)	(3,645)
Disposition of treasury shares			96	96			263	360
Cancellation of treasury shares			(4,740)	(4,740)			4,740	—
Increase by share exchanges			37	37			51	89
Net change in items other than shareholders' equity								
Total change during the year	—	—	(4,605)	(4,605)	(55)	(55)	1,410	(3,250)
Balance at end of period	14,000	3,500	13,906	17,406	2,822	2,822	(9,643)	24,586

	Subscription rights to shares	Total net assets
Balance at beginning of period	260	28,097
Change during the year		
Cash dividends from retained earnings		(1,432)
Net income		1,377
Conversion of convertible bonds with stock acquisition rights		—
Acquisition of treasury stock		(3,645)
Disposition of treasury stock		360
Cancellation of treasury shares		—
Increase by share exchanges		89
Net change in items other than shareholders' equity	(52)	(52)
Total change during the year	(52)	(3,303)
Balance at end of period	208	24,794

Year ended March 31, 2017 (April 1, 2016–March 31, 2017)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Balance at beginning of period	14,000	3,500	13,906	17,406	2,822	2,822	(9,643)	24,586
Change during the year								
Cash dividends from retained earnings					(2,159)	(2,159)		(2,159)
Net income					1,410	1,410		1,410
Conversion of convertible bonds with stock acquisition rights			2,718	2,718			4,481	7,200
Acquisition of treasury shares							(262)	(262)
Disposition of treasury shares			600	600			613	1,213
Cancellation of treasury shares								—
Increase by share exchanges								—
Net change in items other than shareholders' equity								
Total change during the year	—	—	3,318	3,318	(749)	(749)	4,832	7,401
Balance at end of period	14,000	3,500	17,225	20,725	2,073	2,073	(4,810)	31,988

	Subscription rights to shares	Total net assets
Balance at beginning of period	208	24,794
Change during the year		
Cash dividends from retained earnings		(2,159)
Net income		1,410
Conversion of convertible bonds with stock acquisition rights		7,200
Acquisition of treasury stock		(262)
Disposition of treasury stock		1,213
Cancellation of treasury shares		—
Increase by share exchanges		—
Net change in items other than shareholders' equity	(208)	(208)
Total change during the year	(208)	7,193
Balance at end of period	—	31,988

7. Other

(1) Changes in Executive Positions

1) Changes in President & CEO

No items to report

2) Other Changes in Executive Positions (Scheduled for June 24, 2016)

No items to report