



Consolidated Financial Results for the Year ended March 31, 2018 [Japanese GAAP]

May 8, 2018

Company name: TOKAI Holdings Corporation Stock listing: Tokyo Stock Exchange
 Stock code: 3167 URL: <http://tokaiholdings.co.jp>
 Representative: Katsukiho Tokita, President & CEO
 Contact: Kuniyoshi Muramatsu, Managing Executive Officer, General Manager of Administrative Headquarters
 Telephone: +81-54-275-0007
 Scheduled date of General shareholders' meeting: June 27, 2018
 Scheduled date to submit Securities Report: June 27, 2018
 Supplementary materials on financial results: Yes
 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, 2018 (April 1, 2017 to March 31, 2018)

(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, 2018	186,069	4.2	10,971	(14.0)	11,191	(12.4)	6,620	(9.8)
Year ended March 31, 2017	178,631	(1.3)	12,750	54.6	12,775	56.7	7,337	112.1

(Note) Comprehensive income: 6,373 million yen in the Year ended March 31, 2018 (-26.6%)
 8,683 million yen in the Year ended March 31, 2017 (523.3%)

	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, 2018	51.19	50.45	11.4	6.8	5.9
Year ended March 31, 2017	64.46	56.31	15.2	7.9	7.1

(Reference) Equity in affiliates accounted for under the equity method: 19 million yen for the ended March 31, 2018
 28 million yen for the ended March 31, 2017

(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, 2018	166,391	61,450	36.3	460.66
Year ended March 31, 2017	161,112	56,446	34.5	439.04

(Reference) Equity: 60,320 million yen for the Year ended March 31, 2018
 55,654 million yen for the year ended March 31, 2017

(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, 2018	20,909	(11,488)	(9,527)	3,004
Year ended March 31, 2017	26,692	(10,985)	(16,643)	3,111

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, 2017	Yen —	Yen 11.00	Yen —	Yen 17.00	Yen 28.00	Millions of yen 6,416	% 43.4	7.0
Year ending March 31, 2018	—	14.00	—	14.00	28.00	3,678	54.7	6.2
Year ending March 31, 2019 (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, 2018 to March 31, 2019)

(% 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, 2018	90,100	6.1	3,700	(18.8)	3,650	(16.1)	1,890	(51.6)	14.43
Year ending March 31, 2019	195,600	5.1	13,960	(27.2)	13,880	(24.0)	7,920	(19.6)	60.48

*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.: No

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):

FY3/2018	139,679,977 shares	FY3/2017	139,679,977 shares
FY3/2018	8,736,412 shares	FY3/2017	12,915,785 shares
FY3/2018	129,348,552 shares	FY3/2017	113,828,834 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. (416,000 stocks at FY3/2018, 420,000 stocks at FY3/2017) For treasury shares to be deducted in calculation of the average number of shares during the fiscal year, the Company's shares (417,158 stocks at FY3/2018, 210,575 stocks at FY3/2017) owned by the BBT are included.

(Reference) Overview of Non-Consolidated Operating Performance

Operating Performance for the Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(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, 2018	13,203	99.9	8,252	472.5	8,248	496.0	7,947	463.4
Year ended March 31, 2017	6,606	6.5	1,441	(20.9)	1,383	(22.5)	1,410	2.4

	Net Income per Share	Net Income per Share (Diluted)
	Yen	Yen
Year ended March 31, 2018	61.45	60.56
Year ended March 31, 2017	12.39	10.83

(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, 2018	95,034	38,335	40.3	292.76
Year ended March 31, 2017	92,934	31,988	34.4	252.34

(Reference) Equity: 38,335 million yen for the Year ended March 31, 2018
31,988 million yen for the year ended March 31, 2017

*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%

[Attachment]

Contents

1. Overview of Operating Results and Financial Position.....	2
(1) Overview of Operating Results	2
(2) Overview of Financial Position	4
(3) Overview of Cash Flows	4
(4) Basic Profit Distribution Policies and Dividends for the Current and Next Fiscal Years	5
(5) Business and Other Risks	5
2. Status of the Corporate Group	10
3. Group Management Policy	13
(1) Basic Policy of Corporate Management	13
(2) Target Management Indices.....	14
(3) Management Strategies and Items to Address over the Medium to Long Term.....	15
4. Basic Perspective on Selection of Accounting Standards.....	16
5. Consolidated Financial Statements	17
(1) Consolidated Balance Sheets.....	17
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	20
(3) Statement of Changes in Consolidated Shareholders' Equity	22
(4) Consolidated Statements of Cash Flows	24
(5) Notes to the Consolidated Financial Statements.....	26
(Notes on Premise of Going Concern)	26
(Significant Matters Forming the Basis of Preparing the Consolidated Financial Statements)	26
(Changes in Presentation Method)	29
(Additional Information)	29
(Notes to the Consolidated Balance Sheets)	30
(Notes to the Consolidated Statements of Income)	32
(Note to the Consolidated Statements of Comprehensive Income).....	34
(Notes to the Statement of Changes in Consolidated Shareholders' Equity)	35
(Notes to the Consolidated Statements of Cash Flows).....	37
(Segment Information).....	38
(Per-Share Information)	41
(Important Subsequent Events)	42
6. Non-Consolidated Financial Statements	43
(1) Balance Sheets	43
(2) Statements of Income	45
(3) Statement of Changes in Shareholders' Equity.....	46
7. Other	48
(1) Changes in Executive Positions.....	48

1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results

Consolidated operating results for the fiscal year

In the fiscal year ended March 31, 2018, the Japanese economy was on a gradual recovery trend, with an upturn in personal consumption and improvement in employment conditions, but the general economic outlook remains clouded by uncertainties in overseas economies such as policy trends in Europe and the U.S.

In May 2017, the TOKAI Group unveiled "Innovation Plan 2020 'JUMP'," a medium-term management plan ending in the fiscal year ending March 31, 2021, alongside growth strategies to attain plan targets. The plan aims to further propel the Group by promoting growth strategies such as increasing the number of continuing customers, securing multiple contracts based on the "Total Life Concierge" (TLC) concept, increasing sales channels through expansion of service areas, and pursuing M&A and new businesses. On the M&A front, the Group converted Tokyo Bay Network Co., Ltd. (operator of CATV services in two Tokyo wards) and TV Tsuyama Inc. into new consolidated subsidiaries in July 2017 and February 2018, respectively.

Owing to such initiatives, the number of continuing customers as of March 31, 2018 was 2.876 million (up 312 thousand year on year), and members of the TLC Membership Service totaled 699 thousand (up 113 thousand).

Against this backdrop, sales for the Group reached 186,069 million yen (up 4.2% year on year) in the fiscal year ended March 31, 2018. However, due to factors such as increases in costs accompanying customer acquisition and prevention of service cancellations, operating profit came to 10,971 million yen (down 14.0% year on year), recurring profit to 11,191 million yen (down 12.4%), and net income attributable to owners of the parent to 6,620 million yen (down 9.8%).

Performance by segment was as follows.

(Gas and Petroleum)

In the liquefied petroleum gas (LP gas) business, amid intensifying competition from rival operators, the Group focused on customer growth through measures such as strengthening acquisition in existing service areas, preventing service cancellations, and expanding into new areas. As a result, the number of customers rose by 19 thousand from March 31, 2017, to 606 thousand. Sales came to 64,512 million yen (up 3.3% year on year) thanks to an increase in sales volume driven by customer growth and to an increase in selling prices to match higher procurement costs.

In the city gas business, the number of customers was 55 thousand, on par with the level as of March 31, 2017, and sales totaled 11,561 million yen (up 6.1% year on year) due to factors such as an increase in selling prices from the raw material price adjustment system.

Due to these factors, segment sales came to 76,073 million yen (up 3.7% year on year), but operating profit was 4,967 million yen (down 28.5%), reflecting an increase in costs accompanying customer acquisition and prevention of service cancellations.

(Building and Real Estate)

In the Building and Real Estate business, segment sales came to 19,807 million yen (up 1.5% year on year) and operating profit to 655 million yen (up 42.0%), reflecting declines in renovation business, housing sales, and other areas, alongside increases in equipment sales, equipment installation, building management support, and other services.

(CATV)

In the CATV business, the Group aimed to increase customers through enhanced price competitiveness in the form of discounts offered to customers signing up for broadcasting and communications packaged services, and discounts for smartphone-related packaged services through alliances with major mobile phone carriers, and also worked to prevent service cancellations. In addition, we aimed to improve customer satisfaction in the following areas. In broadcasting services, we broadcasted programs with extensive regional information, and promoted a switch to fiber-optic services that

support 4K broadcasting. In telecommunications services, we expanded our services through initiatives such as the launch of an ultra-high-speed fiber-optic network service with a maximum speed of 10Gbps.

Owing to such initiatives, and thanks to a 273 thousand increase in customers from M&A (broadcasting 254 thousand, telecommunications 18 thousand), subscribers to the broadcasting service increased substantially by 267 thousand from March 31, 2017, to 775 thousand, and subscribers to telecommunications services increased by 32 thousand from March 31, 2017, to 257 thousand.

Due to these factors, segment sales came to 28,386 million yen (up 11.8% year on year) and operating profit to 3,035 million yen (up 30.2%).

(Information and Communications Service)

In consumer-oriented services, the Group acquired new customers for its Hikari Collaboration services in the broadband business, and actively encouraged existing customers to switch to Hikari Collaboration services. As a result, the number of Hikari Collaboration customers increased by 24 thousand from March 31, 2017, to 323 thousand. However, the number of customers for overall FTTH declined 29 thousand to 691 thousand due to increasingly fierce competition from major mobile phone carriers. In addition, the number of customers for overall broadband fell by 39 thousand to 755 thousand as a result of service cancellations by ADSL and other customers. Meanwhile, in the MVNO business, which the Group entered in earnest from February 2017, the number of customers in the TOKAI-brand MVNO service LIBMO reached 29 thousand as of March 31, 2018, contributing to sales of 31,703 million yen (down 0.7% year on year).

In corporate services, sales came to 19,191 million yen (up 9.2% year on year), reflecting factors such as an increase in recurring-revenue operations and an increase in contracted system development projects.

Due to these factors, segment sales were 50,894 million yen (up 2.8% year on year), but operating profit came to 1,866 million yen (down 39.1%) owing to an increase in sales promotion costs for MVNO and other services.

(Aqua)

In the Aqua business, the Group actively worked to acquire customers mainly for "The gift of delicious water: Ulunom" brand, targeting large-scale commercial and other facilities, and the number of customers accordingly increased by 11 thousand from March 31, 2017, to 146 thousand.

As a result, segment sales were 6,200 million yen (up 7.6% year on year), but operating profit came to 26 million yen (down 74.4%) due to an increase in customer acquisition costs.

(Others)

Turning to other businesses, sales in the nursing care business came to 1,036 million yen (up 18.0% year on year), supported by an increase in the number of users. In the shipbuilding business, sales came to 1,437 million yen (down 5.9% year on year), reflecting a decline in work volume for ship repairs. In the bridal events business, sales came to 1,534 million yen (down 23.2% year on year) due to the closure of wedding hall and reception facility Vrai Cloche Bouquet Tokai Mishima as of March 31, 2017.

As a result, segment sales were 4,706 million yen (down 7.9% year on year), but operating profit came to 301 million yen (up 167.4%), supported by improved earnings.

• 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. Our goal is to realize the TLC concept as a Total Life Concierge providing a range of daily life-related infrastructure, while aiming to strengthen and expand the earnings capability of our businesses, and working to achieve the targets in our medium-term management plan "Innovation Plan 2020 'JUMP'."

<Consolidated operating results forecast for fiscal year ending March 31, 2019>

Sales	195,600 million yen	(5.1% year-on-year increase)
Operating profit	13,960 million yen	(27.2% year-on-year increase)
Recurring profit	13,880 million yen	(24.0% year-on-year increase)
Net Income attributable to owners of the parent	7,920 million yen	(19.6% year-on-year increase)

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) Overview of Financial Position

As of March 31, 2018, total assets amounted to 166,391 million yen, up 5,279 million yen from March 31, 2017. This was mainly attributable to an increase of 3,162 million yen in property, plant and equipment due to factors such as the conversion of Tokyo Bay Network Co., Ltd. into a consolidated subsidiary, an increase of 967 million yen in notes and accounts receivable–trade driven by growth in large orders, and an increase of 945 million yen in “Other” current assets due to factors such as a higher withholding tax refund amount.

Total liabilities amounted to 104,940 million yen, up 274 million yen from March 31, 2017. This mainly reflected a decrease of 3,157 million yen in interest-bearing debt due to factors such as the conversion of convertible bonds with stock acquisition rights and loan repayments, alongside an increase of 1,596 million yen in “Other” under “Current liabilities” driven by factors such as higher equipment-related spending, an increase of 891 million yen in notes and accounts payable–trade due to factors such as a higher number of large orders, and an increase of 823 million yen in lease obligations driven by factors such as growth in the number of lease agreements.

Net assets amounted to 61,450 million yen, up 5,004 million yen from March 31, 2017. This mainly reflected the payment of 4,001 million yen in dividends from surplus, alongside the booking of 6,620 million yen in net income attributable to owners of the parent, and a 2,400 million yen increase in assets from the conversion of convertible bonds with stock acquisition rights.

(3) Overview of Cash Flows

Cash and cash equivalents stood at 3,004 million yen as of March 31, 2018, down 106 million yen from March 31, 2017.

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 20,909 million yen (down 5,782 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).

(Cash flows from investing activities)

Net cash used in investing activities was 11,488 million yen (down 502 million yen year on year). Cash was used mainly for the acquisition of tangible and intangible assets, and the acquisition of shares of subsidiaries resulting in a change in the scope of consolidation.

(Cash flows from financing activities)

Net cash used in financing activities was 9,527 million yen (up 7,115 million yen year on year). This was mainly due to payments of dividend and repayments of lease obligations.

Below is a summary of major cash flow indicators.

	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018
Equity ratio (%)	21.6	25.7	25.6	34.5	36.3
Equity ratio on a market-value basis (%)	23.2	36.3	41.4	67.4	84.8
Ratio of interest-bearing debt to cash flow	3.7	2.7	3.3	2.0	2.4
Interest coverage ratio	19.1	28.0	29.3	48.9	46.6

(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, 2018, we plan to award total dividends of 28 yen per share, comprising an interim dividend of 14 yen and a year-end dividend of 14 yen.

Similarly, for the fiscal year ending March 31, 2019, 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, 2018.

• Impact of Capital Procurement Structure and 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 have worked to lower interest-bearing debt and improve our equity ratio through cash flow management in accordance with our medium-term management plan. However, interest-bearing debt may rise as we continue to expand M&A and other investments going forward, and the Group's operating performance and financial condition may also be affected by future interest rate fluctuations.

• Business Alliances and M&A Activity

The Group has a policy of proactively exploring business alliances and M&A opportunities 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 the Act Against Unjustifiable Premiums and Misleading Representations, 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.

- Trouble, complaints, and lawsuits

Through its business activities, the Group interacts with companies and individuals, and may therefore experience trouble or receive complaints. To prevent such occurrences, the Group thoroughly educates its employees, and strives to respond adequately to its customers (including potential customers) and provide accurate explanations. In addition, if deemed necessary, the Group's Legal Affairs Office, Compliance Risk and Management Office, or other specialized departments conduct legal and credit-related examinations such as checking agreements in advance, and running credit checks on counterparties to agreements. In addition, when trouble or complaints occur, the Group strives to achieve an early resolution, determines the causes of the occurrence, and works to prevent recurrence of similar trouble or complaints. Depending on the severity of the trouble or complaints from a management perspective, progress with remedial activities is reported to the Board of Directors and the Board of Corporate Auditors. However, if trouble, complaints, or other problems drag on, become social problems, or lead to lawsuits, rumors could lead to a loss of social credibility, and the Group could incur costs while working toward a resolution, such as paying 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 Information and Communications segment, and other divisions 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 cold summers and warm 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 leases networks from telecommunications carriers, sells services to individuals through direct sales or via consumer electronics retailers, and wholesales through alliances with internet service providers (ISPs). However, 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 is 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 in other industries, and large-scale players are expected to further increase their service areas and offerings. 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, 23 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, and Chiba Sogo Gas Center K.K. refills and sells high-pressure gases.

Note: Chiba Sogo Gas Center K.K. was established on December 18, 2017.

(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, Tokyo Bay Network Co., Ltd., and TV Tsuyama Inc.; Net Technology Shizuoka Corporation handles related businesses.

Note: Tokyo Bay Network Co., Ltd. was converted into a consolidated subsidiary on July 20, 2017.

TV Tsuyama Inc. was converted into a consolidated subsidiary on February 9, 2018.

(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-unyu 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)

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: The liquidation of Bouquet Tokai Mishima Corporation was completed on March 8, 2018.

(Ship repair business)

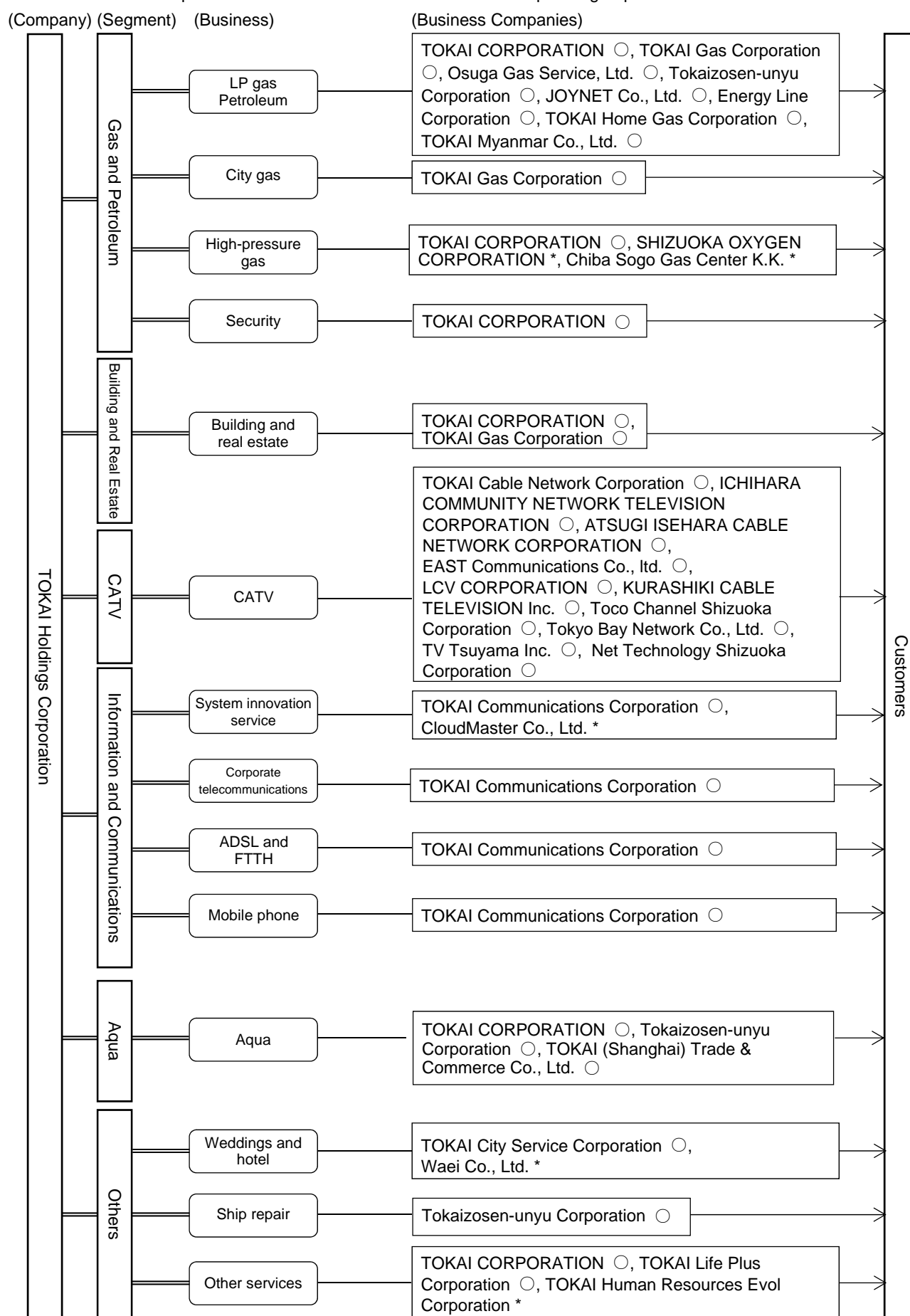
Tokaizosen-unyu Corporation handles ship repairs, mainly on deep-sea and coastal fishing vessels.

(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.

The illustration below provides an overview of the structure of the corporate group.



(Note) 1. ○ indicates consolidated subsidiaries (23), * indicates equity-method affiliates (5).

2. Arrows show the flow of products and services.

3. In addition to the above, TOKAI Management Service Corporation (consolidated subsidiary) undertakes contracted administrative work for Group companies such as HR, accounting, and general affairs.

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 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 Total Life Concierge (TLC) 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

Our medium-term management plan “Innovation Plan 2020 ‘Jump’” is founded on four key themes: (1) “Switch from defensive to proactive management,” (2) “Progress with M&A,” (3) “Prioritize profit growth and ROE,” and (4) “Shareholders are always a priority.” The plan calls for achievement of sales of 339.3 billion yen, operating profit of 22.5 billion yen, and ROE

of 13% in the fiscal year ending March 31, 2021.

(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, 2018 was the first year of our medium-term management plan “Innovation Plan 2020 ‘JUMP’.” We positioned the year as a period of expansion in our customer base with an eye toward further earnings growth, and we worked to acquire customers and move forward with M&A. As a result of a focus on customer acquisition in the core LP gas segment, the Aqua segment, and the LIBMO low-cost mobile phone service, operating profit during the fiscal year ended March 31, 2018 declined to 10,971 million yen, but the number of customers reached 2.88 million as of March 31, 2018, representing a sharp increase of 310 thousand from March 31, 2017. While customer acquisition activities contributed a net increase of 39 thousand customers in existing segments, the Group managed to add a new customer base of 270 thousand customers through M&A activity in the CATV segment.

The Group strives to further maintain and expand its customer base going forward, and works to expand earnings by creating new businesses and services and providing integrated services based on its TLC (Total Life Concierge) concept, which provides a one-stop, one-contract model to support customers' lifestyles.

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 continue.

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, the full-scale retail liberalization of the market from April 2017 is expected to lead to substantial changes in the business environment. As a city gas provider with close community ties, the Group will respond to this challenge by further augmenting its security systems, working to provide additional services and products with firmly rooted community and customer ties, aiming to expand new businesses, and working to strengthen its customer base through the establishment of business foundation, M&A, and other initiatives.

In the CATV business, market conditions are difficult as major telecommunications companies continue to compete in broadcasting, communications, and telephone services. Against this backdrop, we achieved sustained growth by strengthening our customer base through the addition of 270 thousand customers via M&A in the fiscal year ended March 31, 2017, moving forward with customer acquisition for broadcast services (our core operations), and continuing to provide broadcast service and product packages. Going forward, we expect demand for 4K and 8K broadcasting services to increase. To capitalize on this trend, the Group in July 2017 launched the “Hikari de TV” service, using its fiber-optic network to support 4K and 8K broadcasts, and thus started preparations for the second 4K test broadcasts.

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 expanding earnings by strengthening customer acquisition.

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 developing services and solutions in the fast-growing AI, IoT, and big data fields.

In broadband services, growth of FTTH is expected to slow in the domestic broadband market. The Group worked to raise ARPU by acquiring new customers for the Hikari Collaboration services “@T COM Hikari” and “TNC Hikari,” and by attracting customers switching from other ISPs. As a result, Hikari Collaboration customers came to 323 thousand as of

March 31, 2018, and the Group thus continued to establish its earnings base.

In addition, the Group worked to expand sales of its low-cost SIM service LIBMO, and the number of LIBMO customers totaled 29 thousand as of March 31, 2018. Going forward, we will continue to expand earnings through increased sales of Hikari Collaboration and LIBMO, and aim to differentiate ourselves from competitors and prevent service cancellations by offering packages that combines both services.

In the Aqua business, since the Great East Japan Earthquake, consumer demand for delicious water that is safe and secure has grown sharply. On the other hand, competition among bottled water delivery operators is heating up. 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.

In our nursing care business, we commenced facility operations in April 2011. This business has been steadily expanding. As Japanese society continues to age going forward, the Group will continue to steadily operate various facilities such as fee-based elderly homes with nursing care, centered on day services.

In recent years, worker shortages in this business field have become a serious problem. In response, the Group will work to hire and develop human resources by leveraging its comprehensive capabilities. By deploying technology developed in the Information and Communications Service segment to pursue technological advancement, work-saving solutions, and efficiency, we will further establish the business and move forward with the development of nursing care services that also take into account user convenience.

As a provider of various lifestyle infrastructure services, we believe maintaining ongoing customer transactions, promoting multiple transactions, and expanding the Group's overall transactions is key to the Group's growth. 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 can enjoy greater benefits.

The number of members is growing steadily, and stood at 699 thousand as of March 31, 2018. 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 2.88 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, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	3,239	3,143
Notes and accounts receivable—trade	22,838	*8 23,806
Merchandise and finished goods	3,676	3,723
Work in process	645	849
Raw materials and supplies	737	817
Deferred tax assets	743	980
Other	*3 7,045	*3 7,990
Allowance for doubtful accounts	(332)	(379)
Total current assets	38,594	40,931
Non-current assets		
Property, plant and equipment		
Buildings and structures	107,539	118,294
Accumulated depreciation	(73,821)	(84,014)
Buildings and structures, net	*1 33,718	*1 34,280
Machinery, equipment and vehicles	91,396	93,933
Accumulated depreciation	(69,547)	(70,836)
Buildings and structures, net	*1 21,848	*1 23,096
Land	22,634	22,842
Leased assets	23,502	23,675
Accumulated depreciation	(12,633)	(11,948)
Leased assets, net	10,869	11,727
Construction in progress	189	315
Other, net	14,330	14,713
Accumulated depreciation	(9,944)	(10,165)
Other, net	4,386	4,548
Total property, plant and equipment	*5 93,647	*5 96,810
Intangible assets		
Goodwill	5,861	5,430
Leased assets	568	585
Other	4,559	5,182
Total intangible assets	10,988	11,198
Investments and other assets		
Investment securities	*2 9,433	*2 9,096
Long-term loans receivable	87	83
Deferred tax assets	1,350	1,122
Net defined benefit asset	2,397	2,650
Other	5,024	5,013
Allowance for doubtful accounts	(432)	(518)
Total investments and other assets	17,860	17,447
Total non-current assets	122,496	125,455

Deferred assets	21	3
Total assets	161,112	166,391

	(Millions of yen)	
	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable–trade	14,779	*8 15,670
Short-term loans payable	*5, *7 22,912	*5, *7 23,672
Current portion of bonds	578	198
lease obligations	3,398	3,488
Income taxes payable	3,484	2,966
Provision for bonuses	1,260	1,329
Other accruals	434	328
Other	14,455	16,051
Total current liabilities	61,304	63,705
Non-current liabilities		
Bonds payable	406	398
Convertible bonds with stock acquisition rights	2,800	-
Long-term loans payable	*5, *7 27,440	*5, *7 26,711
Lease obligations	8,950	9,684
Other accruals	101	132
Net defined benefit liability	364	575
Other	3,299	3,733
Total non-current liabilities	43,361	41,235
Total liabilities	104,665	104,940
Net assets		
Shareholders' equity		
Capital stock	14,000	14,000
Capital surplus	24,286	25,525
Retained earnings	15,048	17,768
Treasury stock	(3,285)	(2,223)
Total shareholders' equity	50,048	55,069
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,126	2,548
Deferred gains (losses) on hedges	720	-
Foreign currency translation adjustment	(9)	(3)
Remeasurements of defined benefit plans	2,768	2,706
Total accumulated other comprehensive income	5,605	5,250
Non-controlling interests	791	1,130
Total net assets	56,446	61,450
Total liabilities and net assets	161,112	166,391

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

	(Millions of yen)	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Sales	178,631	186,069
Cost of sales	+1 105,590	+1 110,733
Gross profit	73,040	75,336
Selling, general and administrative expenses	+2 60,290	+2 64,365
Operating profit	12,750	10,971
Non-operating profit		
Interest income	11	10
Dividend income	176	192
Commission fee	80	91
Other	450	480
Total non-operating profit	719	774
Non-operating expenses		
Interest expenses	531	436
Other	161	118
Total non-operating expenses	693	555
Recurring profit	12,775	11,191
Extraordinary income		
Gain on sales of non-current assets	+3 8	+3 2
Transmission line facility subsidies	63	161
Subsidy income	2	1
Gain on sales of investment securities	0	528
Gain on reversal of subscription rights to shares	98	-
Gain on bargain purchase	-	135
Total extraordinary income	172	829
Extraordinary losses		
Loss on sales of non-current assets	+4 8	+4 0
Loss on retirement of non-current assets	+5 831	+5 925
Impairment loss	-	+6 66
Loss on sales of investment securities	-	0
Loss on valuation of investment securities	-	15
Gain on step acquisitions	-	105
Total extraordinary losses	840	1,113
Net income before income taxes	12,108	10,907
Income taxes (current)	4,487	3,662
Income taxes (deferred)	197	514
Total income taxes	4,685	4,176
Net income	7,422	6,730
Net income attributable to non-controlling interests	85	109
Net income attributable to owners of the parent	7,337	6,620

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net income	7,422	6,730
Other comprehensive income		
Valuation difference on available-for-sale securities	973	421
Deferred gains (losses) on hedges	490	(720)
Foreign currency translation adjustment	(12)	(3)
Remeasurements of defined benefit plans, net of tax	(189)	(61)
Share of other comprehensive income of entities accounted for using the equity method	(0)	8
Total other comprehensive income	*1 1,260	*1 (356)
Comprehensive income	8,683	6,373
(Breakdown)		
Comprehensive income attributable to owners of the parent	8,597	6,265
Comprehensive income attributable to non-controlling interests	86	108

(3) Statement of Changes in Consolidated Shareholders' Equity
 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
Balance at beginning of period	14,000	19,258	9,870	(6,409)	36,719
Change during the year					
Dividends of surplus - other capital surplus					
Dividends of surplus			(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
Purchase of shares of consolidated subsidiaries					-
Sales of shares of consolidated subsidiaries		(0)			(0)
Net changes of 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								
Dividends of surplus - other capital surplus								-
Dividends of surplus								(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
Purchase of shares of consolidated subsidiaries								-
Sales of shares of consolidated subsidiaries								(0)
Net changes of 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

Year ended March 31, 2018 (April 1, 2017–March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	14,000	24,286	15,048	(3,285)	50,048
Change during the year					
Dividends of surplus - other capital surplus		(100)			(100)
Dividends of surplus			(3,900)		(3,900)
Net income attributable to owners of the parent			6,620		6,620
Conversion of convertible bonds with stock acquisition rights		1,338		1,061	2,400
Acquisition of treasury shares				(1)	(1)
Disposition of treasury shares		0		1	2
Purchase of shares of consolidated subsidiaries		0			0
Sales of shares of consolidated subsidiaries		(0)			-
Net changes of items other than shareholders' equity					
Total change during the year	—	1,238	2,720	1,062	5,021
Balance at end of period	14,000	25,525	17,768	(2,233)	55,069

	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	2,126	720	(9)	2,768	5,605	-	791	56,446
Change during the year								
Dividends of surplus - other capital surplus								(100)
Dividends of surplus								(3,900)
Net income attributable to owners of the parent								6,620
Conversion of convertible bonds with stock acquisition rights								2,400
Acquisition of treasury shares								(1)
Disposition of treasury shares								2
Purchase of shares of consolidated subsidiaries								-0
Sales of shares of consolidated subsidiaries								-
Net changes of items other than shareholders' equity	421	(720)	5	(61)	(355)	-	338	(16)
Total change during the year	421	(720)	5	(61)	(355)	-	338	5,004
Balance at end of period	2,548	-	(3)	2,706	5,250	-	1,130	61,450

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Net income before income taxes and minority interests	12,108	10,907
Depreciation	14,441	14,173
Amortization of goodwill	1,200	1,173
Gain on bargain purchase	—	(135)
Impairment loss	—	66
Increase in net defined benefit asset and liability	(251)	(283)
Interest and dividend income	(188)	(202)
(Gain) loss on sale of investment securities	(0)	(528)
Interest expenses	531	436
(Gain) loss on sales of non-current assets	0	(2)
Loss on retirement of non-current assets	831	925
Loss (gain) on step acquisitions	—	105
Increase (decrease) in notes and accounts payable	(1,959)	(306)
(Increase) decrease in inventories	553	(333)
Increase (decrease) in notes and accounts payable—trade	1,458	757
Increase (decrease) in accounts payable—other	29	530
Increase (decrease) in accrued consumption taxes	(94)	(173)
Increase (decrease) in deposits received	655	76
Other	635	(941)
Subtotal	29,952	26,260
Income taxes paid	(3,260)	(5,351)
Net cash provided by operating activities	26,692	20,909
Cash flows from investing activities		
Interest and dividend income received	245	265
Purchase of securities	(27)	(134)
Proceeds from sales of securities	0	884
Purchase of tangible and intangible assets	(11,331)	(11,665)
Proceeds from sales of tangible and intangible assets	202	197
Proceeds from contribution received for construction	138	138
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*2 1,175
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*2 56
Collection of loans receivable	66	54
Other	(279)	(159)
Net cash provided by (used in) in investing activities	(10,985)	(11,488)

(Millions of yen)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
Cash flows from financing activities		
Interest expenses paid	(545)	(448)
Net increase (decrease) in short-term loans payable	(4,350)	(1,313)
Repayments of lease obligations	(3,902)	(3,560)
Proceeds from long-term loans payable	7,850	10,701
Repayment of long-term loans payable	(12,815)	(12,483)
Redemption of bonds	(758)	(668)
Redemption of convertible bond-type bonds with share acquisition rights	—	(400)
Proceeds from share issuance to non-controlling shareholders	—	20
Payments for acquisition of treasury stock	(262)	(1)
Payments to establish financial trust for acquisition of treasury stock	(91)	—
Proceeds from disposal of treasury stock	384	0
Cash dividends paid	(2,158)	(3,994)
Dividends paid to non-controlling interests	(5)	(5)
Proceeds from sales of investments in subsidiaries not resulting in change in scope of consolidation	12	—
Net cash provided by (used in) financing activities	(16,643)	(9,527)
Effect of exchange rate change on cash and cash equivalents	3	(0)
Net increase (decrease) in cash and cash equivalents	(933)	(106)
Cash and cash equivalents at beginning of period	4,044	3,111
Cash and cash equivalents at end of period	¥3,111	¥3,004

(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 23 of the Company's subsidiaries are included in the scope of consolidation.

Due to the acquisition of additional shares in Tokyo Bay Network Co., Ltd. on July 20, 2017, the company was included in the scope of consolidation from the fiscal year ended March 31, 2018. Furthermore, due to the acquisition of additional shares in TV Tsuyama Inc. on February 9, 2018, the company was included in the scope of consolidation from the fiscal year ended March 31, 2018.

In addition, the liquidation of Bouquet Tokai Mishima Corporation was completed on March 8, 2018, and its statement of income until the liquidation has been included in the consolidated financial statements.

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. was included in the scope of consolidation, and therefore excluded from equity-method affiliates from the fiscal year ended March 31, 2018.

In addition, following the establishment of Chiba Sogo Center K.K. as a new joint venture on December 18, 2017, the company was included among equity-method affiliates from the fiscal year ended March 31, 2018.

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, 2017, 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, 2017, 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
Machinery, equipment and vehicles	9–15 years

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, but the contracts for such transactions expired during the fiscal year ended March 31, 2018.

4) Deferred Assets

Straight-line method

Principal depreciation periods are as follows.

Bond issuance cost	Redemption period
--------------------	-------------------

(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 totaled 5 million yen as of March 31, 2018.

(Changes in Presentation Method)

(Consolidated Statements of Cash Flows)

The amount of "Payment into time deposits" listed as an independent item under "Cash flows from investing activities" in the fiscal year ended March 31, 2017, was insignificant, and this item has therefore been included in "other" under "cash flows from investing activities" from the fiscal year ended March 31, 2018. The consolidated financial statements for the fiscal year ended March 31, 2017 have been restated to reflect this change in presentation method.

As a result, the "(0) million yen" listed for "Payment into time deposits" under "Cash flows from investing activities" in the consolidated statements of cash flows in the fiscal year ended March 31, 2017 has been added to "Other."

(Additional Information)

(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, and 259 million yen as of March 31, 2018. The number of shares was 420,000 as of March 31, 2017 and 416,600 as of as of March 31, 2018.

(Notes to the Consolidated Balance Sheets)

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

	As of March 31, 2017	As of March 31, 2018
Buildings and structures	— million yen (2 million yen)	220 million yen (222 million yen)
Machinery, equipment and vehicles	65 million yen (6,037 million yen)	33 million yen (5,897 million yen)
Total	65 million yen (6,040 million yen)	253 million yen (6,120 million yen)

Figures in parentheses above indicate accumulated reduction entry amounts.

Reduction entry amounts and accumulated reduction entry amounts were insignificant in the fiscal year ended March 31, 2017, and therefore not listed. However, as the respective amounts have increased in importance in the fiscal year ended March 31, 2018, the amounts for the fiscal year ended March 31, 2017 are now presented for comparison.

*2. Amounts for affiliated companies were as follows.

	As of March 31, 2017	As of March 31, 2018
Investment securities (shares)	1,085 million yen	375 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, 2017	As of March 31, 2018
Payments pending	270 million yen	317 million yen

4. Contingent liabilities

(1) Guarantees

	As of March 31, 2017	As of March 31, 2018
(Debt obligation)	(Debt obligation)	
TOKAI Group Association	340 million yen	TOKAI Group Association 226 million yen

(2) Repurchase obligation due to liquidation of receivables

	As of March 31, 2017	As of March 31, 2018
Repurchase obligation due to liquidation of receivables	1,303 million yen	1,319 million yen

*5. Pledged assets and secured liabilities

Pledged assets are as follows.

	As of March 31, 2017	As of March 31, 2018
Property, plant and equipment		
Buildings and structures	3,143 million yen (3,081 million yen)	445 million yen (445 million yen)
Machinery, equipment and vehicles	5,626 million yen (5,625 million yen)	4,842 million yen (4,842 million yen)
Land	596 million yen (596 million yen)	363 million yen (363 million yen)
Other	135 million yen (135 million yen)	3 million yen (3 million yen)
Total	9,502 million yen (9,439 million yen)	5,655 million yen (5,655 million yen)

Figures in parentheses above indicate plant foundation mortgages.

Secured liabilities are as follows.

	As of March 31, 2017	As of March 31, 2018
Long-term loans payable (including current portion)	275 million yen	94 million yen
Total	275 million yen	94 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, 2017	As of March 31, 2018
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, 2018, the Company was in conflict with none of these covenants.

*7. Syndicated loan agreements

Fiscal year ended March 31, 2018

(1) The Company entered into a syndicated loan agreement for 1,000 million yen (balance of 675 million yen as of March 31, 2017, and 575 million yen as of March 31, 2018) 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 511 million yen as of March 31, 2017, and 381 million yen as of March 31, 2018) 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 416 million yen as of March 31, 2017, and 322 million yen as of March 31, 2018) 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 542 million yen as of March 31, 2017, and 472 million yen as of March 31, 2018) 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.

*8. Notes maturing on the last day of the consolidated fiscal year

Notes maturing on the last day of the consolidated fiscal year are settled on their clearing days. Furthermore, since the last day of the consolidated fiscal year ending March 31, 2018 was a bank holiday, the following notes maturing on the last day of the consolidated fiscal year have been included in the balance at the end of the consolidated fiscal year.

	As of March 31, 2017	As of March 31, 2018
Notes receivable–trade	–million yen	42 million yen
Notes payable–trade	–million yen	102 million yen

(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, 2017 (April 1, 2016–March 31, 2017)	Year ended March 31, 2018 (April 1, 2017–March 31, 2018)
	129 million yen	6 million yen

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

	Year ended March 31, 2017 (April 1, 2016–March 31, 2017)	Year ended March 31, 2018 (April 1, 2017–March 31, 2018)
Salaries and commissions	17,357 million yen	17,746 million yen
Provision for bonuses	925 million yen	943 million yen
Defined benefit expenses	640 million yen	666 million yen
Fees	16,463 million yen	18,514 million yen
Provision of allowance for doubtful accounts	228 million yen	305 million yen

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

	Year ended March 31, 2017 (April 1, 2016–March 31, 2017)	Year ended March 31, 2018 (April 1, 2017–March 31, 2018)
Machinery, equipment and vehicles	7 million yen	2 million yen
Buildings and structures	0 million yen	0 million yen
Other	0 million yen	0 million yen
Total	8 million yen	2 million yen

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

	Year ended March 31, 2017 (April 1, 2016–March 31, 2017)	Year ended March 31, 2018 (April 1, 2017–March 31, 2018)
Land	–million yen	0 million yen
Machinery, equipment and vehicles	0 million yen	0 million yen
Buildings and structures	8 million yen	–million yen
Total	8 million yen	0 million yen

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

	Year ended March 31, 2017 (April 1, 2016–March 31, 2017)	Year ended March 31, 2018 (April 1, 2017–March 31, 2018)
Buildings and structures	536 million yen	495 million yen
Machinery, equipment and vehicles	151 million yen	284 million yen
Goodwill	57 million yen	64 million yen
Other	85 million yen	80 million yen
Total	831 million yen	925 million yen

*6. Impairment losses

Fiscal year ended March 31, 2018 (April 1, 2017–March 31, 2018)

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

Location	Use	Business segment	Category	Impairment losses (Millions of yen)
Ashikaga City, Tochigi Prefecture	Business asset	Information and Communications	Buildings and structures Property, plant and equipment ("other")	15
Aoba-ku, Sendai City	Business asset	Information and Communications	Buildings and structures	15
Yaizu City, Shizuoka Prefecture	Business asset	Information and Communications	Intangible assets ("other")	1
Shimizu-ku, Shizuoka City	Shop	Information and Communications	Buildings and structures	11
Tachikawa City, Tokyo	Office	Information and Communications	Buildings and structures Property, plant and equipment ("other")	1
Suruga-ku, Shimizu-ku, Shizuoka City	Nursing care facility	Nursing care	Buildings and structures Property, plant and equipment ("leased assets") Intangible assets ("leased assets")	21
Total				66

(Note) During the year under review, the Group wrote down book values to their recoverable amounts on business assets and nursing care facilities whose profitability had decreased, and on an office and shop due to decisions to relocate and close. These decreases were posted as impairment losses under extraordinary losses.

Breakdown of impairment losses

(Millions of yen)

Use	Buildings and structures	Property, plant and equipment ("leased assets")	Property, plant and equipment ("other")	Intangible assets ("leased assets")	Intangible assets ("other")	Total
Business asset	15	—	0	—	—	15
Business asset	15	—	—	—	—	15
Business asset	—	—	—	—	1	1
Shop	11	—	0	—	—	11
Office	1	—	0	—	—	1
Nursing care facility	11	9	—	0	—	21
Total	54	9	0	0	1	66

The recoverable amount of these assets is measured as their net realizable value, and was valued at 0 yen for all assets.

(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, 2017 (April 1, 2016–March 31, 2017)	Year ended March 31, 2018 (April 1, 2017–March 31, 2018)
Valuation difference on available-for-sale securities		
Amount generated during the year	1,407	1,147
Reclassification adjustments	0	(528)
Before adjustment for tax effects	1,407	619
Tax effects	(434)	(197)
Valuation difference on available-for-sale securities	973	421
Deferred gains (losses) on hedges		
Amount generated during the year	1,603	786
Adjustment for asset acquisition costs	(900)	(1,818)
Before adjustment for tax effects	702	(1,032)
Tax effects	(212)	311
Deferred gains (losses) on hedges	490	(720)
Foreign currency translation adjustment		
Amount generated during the year	(12)	(3)
Foreign currency translation adjustment	(12)	(3)
Remeasurements of defined benefit plans		
Amount generated during the year	(52)	177
Reclassification adjustments	(217)	(265)
Before adjustment for tax effects	(270)	(88)
Tax effects	80	26
Remeasurements of defined benefit plans	(189)	(61)
Share of other comprehensive income of entities accounted for using the equity method		
Amount generated during the year	(0)	8
Total other comprehensive income	1,260	(356)

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

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)
1. 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.
 2. The 13,994 thousand share decrease in common shares in treasury stock stemmed from a decrease of 12,309 thousand shares being converted from convertible bonds with stock acquisition rights, 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.
 3. 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

(Note) Total common-stock dividends of 1,254 million yen resolved at the Board of Directors Meeting held on October 31, 2016, include 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	2,061	Retained earnings	16.21	March 31, 2017	June 29, 2017
		100	Capital surplus	0.79		

- (Notes)
1. Total common-stock dividends of 2,162 million yen include 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.

Fiscal year ended March 31, 2018 (April 1, 2017–March 31, 2018)

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	12,915	1	4,181	8,736
Total	12,915	1	4,181	8,736

- (Notes)
1. The one thousand share increase in common shares in treasury stock stemmed from the buyback of fractional shares less than a trading unit.
 2. The 4,181 thousand share decrease in common shares in treasury stock stemmed from a decrease of 4,117 thousand shares being converted from convertible bonds with stock acquisition rights, a decrease of three thousand shares stemming from stock benefits for executives in accordance with the Regulations Pertaining to Stock Benefits for Executives, and a decrease of less than one thousand shares from the sale of fractional shares less than a trading unit.
 3. The number of common shares of treasury stock includes 416 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 28, 2017	Common stock	2,061	16.21	March 31, 2017	June 29, 2017
		100	0.79		
Board of Directors resolution on October 31, 2017	Common stock	1,839	14.00	September 30, 2017	November 30, 2017

- (Notes)
1. Total common-stock dividends of 2,162 million yen resolved at the regular general shareholders meeting held on June 28, 2017, include 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 resolved at the regular general shareholders meeting held on June 28, 2017, includes a commemorative dividend of 6 yen.
 3. Total common-stock dividends of 1,839 million yen resolved at the Board of Directors Meeting held on October 31, 2017, include dividends of 5 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 27, 2018	Common stock	1,839	Retained earnings	14.00	March 31, 2018	June 28, 2018

- (Note) Total common-stock dividends of 1,839 million yen include dividends of 5 million yen related to the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E).

(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, 2017 (April 1, 2016–March 31, 2017)	Year ended March 31, 2018 (April 1, 2017–March 31, 2018)
Cash and deposit accounts	3,239 million yen	3,143 million yen
Time deposits with a deposit period exceeding three months	(128) million yen	(138) million yen
Cash and cash equivalents	3,111 million yen	3,004 million yen

*2. Major breakdown of assets and liabilities of new subsidiary resulting from acquisition of shares

Major breakdown of assets and liabilities of new subsidiary resulting from acquisition of shares in the fiscal year ended March 31, 2018

(1) A breakdown of assets and liabilities at the start of consolidation of Tokyo Bay Network Co., Ltd., a new consolidated subsidiary resulting from the acquisition of shares, along with details regarding the share acquisition price and related expenditures (net) are presented below.

Current assets	920 million yen
Non-current assets	3,099 million yen
Goodwill	285 million yen
Current liabilities	(884) million yen
Non-current liabilities	(1,003) million yen
Non-controlling interests	(209) million yen
Share acquisition cost	2,208 million yen
Acquisition cost until control was acquired	(736) million yen
Gain on step acquisitions	105 million yen
Cash and cash equivalents of the company	(401) million yen
Net: Purchase of shares of subsidiaries resulting in change of scope of consolidation	(1,175) million yen

(2) A breakdown of assets and liabilities at the start of consolidation of TV Tsuyama Inc., a new consolidated subsidiary resulting from the acquisition of shares, along with details regarding the share acquisition price and related expenditures (net) are presented below.

Current assets	151 million yen
Non-current assets	135 million yen
Current liabilities	(75) million yen
Non-current liabilities	(45) million yen
Negative goodwill gains	(135) million yen
Non-controlling interests	(6) million yen
Share acquisition cost	24 million yen
Cash and cash equivalents of the company	(80) million yen
Net: Purchase of shares of subsidiaries resulting in change of scope of consolidation	56 million yen

3. Significant non-cash transactions

(1) Assets and liabilities related to finance lease transactions

	Year ended March 31, 2017 (April 1, 2016– March 31, 2017)	Year ended March 31, 2018 (April 1, 2017– March 31, 20178)
Amount of assets and liabilities for finance lease transactions	3,513 million yen	4,093 million yen

(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, 2017 (From April 1, 2016 to March 31, 2017)

(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	Total				
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

(Notes) 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, 2018 (From April 1, 2017 to March 31, 2018)

(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	Total				
Sales										
Sales to external customers	76,073	19,807	28,386	50,894	6,200	181,363	4,706	186,069	—	186,069
Intersegment sales and transfer	217	1,204	777	3,295	163	5,658	190	5,848	(5,848)	—
Subtotal	76,291	21,011	29,163	54,190	6,363	187,021	4,896	191,918	(5,848)	186,069
Segment income (loss)	4,967	655	3,035	1,866	26	10,550	301	10,852	118	10,971
Segment assets	60,921	24,884	34,547	32,380	4,853	157,586	4,941	162,528	3,862	166,391
Other items										
Depreciation	4,287	692	5,513	2,553	546	13,594	83	13,677	495	14,173
Goodwill amortization	413	—	730	28	—	1,173	0	1,173	—	1,173
Increase in property, plant and equipment and intangible assets	5,382	714	6,309	3,177	615	16,198	110	16,309	352	16,661

(Notes) 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, 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.

For the fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

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, 2017 (From April 1, 2016 to March 31, 2017)

No items to report

For the fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Others	Corporate or elimination	Total
Impairment loss	—	—	—	45	—	21	—	66

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

For the fiscal year ended March 31, 2017 (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

For the fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(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, 2018	413	—	730	28	—	0	—	1,173
Balance on Mar. 31, 2018	1,100	—	4,329	—	—	0	—	5,430

e. Information on Negative Goodwill Generated for Each Reportable Segment

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

No items to report

For the fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

The CATV segment booked 135 million yen in negative goodwill gains, reflecting the net assets acquired and liabilities assumed with the consolidation of TV Tsuyama Inc. exceeding the acquisition cost for the acquired company.

(Per-Share Information)

	Year ended March 31, 2017 (April 1, 2016–March 31, 2017)	Year ended March 31, 2018 (April 1, 2017–March 31, 2018)
Net assets per share (yen)	439.04	460.66
Net income per share (yen)	64.46	51.19
Diluted net income per share (yen)	56.31	50.45

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

	Year ended March 31, 2017 (April 1, 2016– March 31, 2017)	Year ended March 31, 2018 (April 1, 2017– March 31, 2018)
Net income per share		
Net income attributable to owners of the parent (millions of yen)	7,337	6,620
Amounts not attributable to ordinary shareholders (millions of yen)	—	—
Net income for common stock attributable to owners of the parent (millions of yen)	7,337	6,620
Average number of shares of common stock outstanding during the period (thousands of shares)	113,828	129,348
Net income per share (diluted)		
Adjusted net income attributable to owners of the parent (millions of yen)	—	—
Increase in common stock (thousands of shares)	16,477	1,889
(from convertible bonds (thousands of shares))	(16,327)	(1,889)
(from subscription rights to shares (thousands of shares))	(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) (420,000 shares in the fiscal year ended March 31, 2017, 416,600 shares in the fiscal year ended March 31, 2018). 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) (210,575 shares in the fiscal year ended March 31, 2017, 417,158 shares in the fiscal year ended March 31, 2018).

(Important Subsequent Events)

No items to report

6. Non-Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
Assets		
Current assets		
Cash and deposits	1,131	693
Accounts receivable from subsidiaries and associates—trade	361	419
Supplies	17	11
Prepaid expenses	18	19
Deferred tax assets	77	50
Short-term loans receivable from subsidiaries and associates	23,840	43,895
Other	553	1,808
Allowance for doubtful accounts	(945)	(802)
Total current assets	25,056	46,096
Non-current assets		
Property, plant and equipment		
Buildings	401	495
Structures	29	36
Vehicles	0	—
Tools, furniture and fixtures	59	81
Land	26	26
Leased assets	35	48
Total property, plant and equipment	554	688
Intangible assets		
Software	488	309
Leased assets	499	521
Other	1	3
Total intangible assets	990	834
Investments and other assets		
Shares of subsidiaries and associates	35,587	37,154
Investments in capital of subsidiaries and associates	112	0
Long-term loans receivable from subsidiaries and associates	30,444	10,306
Deferred tax assets	114	21
Other	55	28
Allowance for doubtful accounts	—	(100)
Total investments and other assets	66,313	47,411
Total non-current assets	67,858	48,934
Deferred assets		
Bond issuance cost	20	3
Total deferred assets	20	3
Total assets	92,934	95,034

(Millions of yen)

	Fiscal Year Ended March 31, 2016	Fiscal Year Ended March 31, 2018
Liabilities		
Current liabilities		
Short-term loans payable	11,000	12,300
Current portion of long-term loans payable	11,632	11,123
Current portion of bonds	578	98
Lease obligations	248	189
Accounts payable—other	360	379
Accrued expenses	36	29
Income taxes payable	21	17
Accrued consumption taxes	0	63
Deposits received	31	54
Deposits received from subsidiaries and associates	6,101	5,310
Provision for bonuses	29	31
Provision for directors' bonuses	83	49
Provision for point card certificates	197	215
Other	108	49
Total current liabilities	30,429	29,910
Non-current liabilities		
Bonds payable	406	308
Convertible bonds with stock acquisition rights	2,800	—
Long-term loans payable	26,853	25,999
Lease obligations	294	382
Provision for retirement benefits	20	7
Provision for executive stock benefits	18	18
Other	124	71
Total non-current liabilities	30,517	26,787
Total liabilities	60,946	56,698
Net assets		
Shareholders' equity		
Capital stock	14,000	14,000
Capital surplus		
Legal capital surplus	3,500	3,500
Other capital surplus	17,225	18,004
Total capital surplus	20,725	21,504
Retained earnings		
Other retained earnings		
Retained earnings brought forward	2,073	6,120
Total retained earnings	2,073	6,120
Treasury stock	(4,810)	(3,289)
Total shareholders' equity	31,988	38,335
Total net assets	31,988	38,335
Total liabilities and net assets	92,934	95,034

(2) Statements of Income

(Millions of yen)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
Operating revenue		
Fiduciary obligation fee	448	503
Management fee income	3,361	3,850
Interest income	523	473
Dividend income	2,259	8,354
Other operating revenue	13	21
Total operating revenue	6,606	13,203
Operating expenses		
Financial expenses	348	324
Selling, general and administrative expenses	4,816	4,625
Total operating expenses	5,165	4,950
Operating profit	1,441	8,252
Non-operating profit		
Other	21	17
Total non-operating profit	21	17
Non-operating expenses		
Interest expenses	68	13
Other	10	8
Total non-operating expenses	79	21
Recurring profit	1,383	8,248
Extraordinary income		
Gain on reversal of subscription rights to shares	98	—
Total extraordinary income	98	—
Extraordinary losses		
Loss on sales of non-current assets	—	0
Loss on valuation of shares of subsidiaries and associates	—	152
Loss on sales of shares of subsidiaries	10	—
Total extraordinary losses	10	153
Income before income taxes	1,472	8,095
Income taxes (current)	30	28
Income taxes (deferred)	31	119
Total income taxes	61	147
Net income	1,410	7,947

(3) Statement of Changes in Shareholders' Equity

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 brought forward	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								
Dividends of surplus - other capital surplus								—
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
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		
Dividends of surplus - other capital surplus		—
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
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

Year ended March 31, 2018 (April 1, 2017–March 31, 2018)

(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 brought forward	Total retained earnings		
Balance at beginning of period	14,000	3,500	17,225	20,725	2,073	2,073	(4,810)	31,988
Change during the year								
Dividends of surplus - other capital surplus			(100)	(100)				(100)
Cash dividends from retained earnings					(3,900)	(3,900)		(3,900)
Net income					7,947	7,947		7,947
Conversion of convertible bonds with stock acquisition rights			878	878			1,521	2,400
Acquisition of treasury shares							(1)	(1)
Disposition of treasury shares			0	0			2	2
Net change in items other than shareholders' equity								
Total change during the year	—	—	778	778	4,047	4,047	1,521	6,347
Balance at end of period	14,000	3,500	18,004	21,504	6,120	6,120	(3,289)	38,335

	Subscription rights to shares	Total net assets
Balance at beginning of period	—	31,988
Change during the year		
Dividends of surplus - other capital surplus		(100)
Cash dividends from retained earnings		(3,900)
Net income		7,947
Conversion of convertible bonds with stock acquisition rights		2,400
Acquisition of treasury stock		(1)
Disposition of treasury stock		2
Net change in items other than shareholders' equity	—	—
Total change during the year	—	6,347
Balance at end of period	—	38,335

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 27, 2018)

1. New director candidates

Director Masahiro Goto

* Mr. Masahiro Goto is a candidate for outside director.

2. Scheduled retirement director

Director Kenichi Kobayashi

* Mr. Kenichi Kobayashi is an outside director.