Consolidated Financial Results for the Year ended March 31, 2016 [Japanese GAAP]

May 10, 2016

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

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Scheduled date of dividend payment: June 27, 2016
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Supplementary materials on financial results: Yes
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, 2016 (April 1, 2015–March 31, 2016)

(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, 2016	180,940	(3.5)	8,245	(8.4)	8,150	(4.7)	3,458	(12.1)
Year ended March 31, 2015	187,511	(0.8)	9,003	21.8	8,549	21.9	3,934	51.4

(Note) Comprehensive income: 1,393 million yen in the year ended March 31, 2016 (down 78.4%)
6,435 million yen in the year ended March 31, 2015 (up 130.0%)

	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, 2016	30.01	26.89	8.3	5.0	4.6
Year ended March 31, 2015	34.16	34.12	9.9	5.0	4.8

(Reference) Equity in affiliates accounted for under the equity method: 0 million yen for the year ended March 31, 2016
minus 6 million yen for the year ended March 31, 2015

(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, 2016	160,303	41,970	25.6	362.77
Year ended March 31, 2015	165,702	43,467	25.7	368.15

(Reference) Equity: 41,063 million yen for the year ended March 31, 2016
42,544 million yen for the year ended March 31, 2015

(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, 2016	21,395	(11,015)	(9,150)	4,044
Year ended March 31, 2015	27,265	(8,851)	(18,764)	2,821

(Reference) Equity: 41,063 million yen for the year ended March 31, 2016
42,544 million yen for the year ended March 31, 2015

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			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2015	—	6.00	—	6.00	12.00	1,390	35.1	3.5
Year ended March 31, 2016	—	6.00	—	8.00	14.00	1,601	46.7	3.8
Year ending March 31, 2017 (Forecast)	—	11.00	—	11.00	22.00		40.0	

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2017 (April 1, 2016–March 31, 2017)

(% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Net Income Attributable to Owners of the Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2016	85,300	0.6	3,380	82.1	3,270	83.8	1,120	304.0	9.89
Year ending March 31, 2017	187,100	3.4	12,560	52.3	11,830	45.1	6,240	80.4	55.13

Notes

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

Newly consolidated (company name): — Eliminated (company name): —

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

1) Changes in accounting policies accompanying revisions in accounting standards, etc.: Yes
2) Changes in accounting policies other than 1): No
3) Changes in accounting estimates: No
4) Restatements: No

(Note) For details, please see page 25 of the attached materials: “5. Consolidated Financial Statements, (5) Notes to the Consolidated Financial Statements, (Changes in Accounting Policies).”

(3) Number of shares issued (common stock)

1) Shares issued at end of year (including treasury stock):	FY3/2016	139,679,977 shares	FY3/2015	155,199,977 shares
2) Number of shares of treasury stock at end of year:	FY3/2016	26,488,216 shares	FY3/2015	39,637,942 shares
3) Average number of shares during the period:	FY3/2016	115,825,434 shares	FY3/2015	115,061,833 shares

(Note)The number of shares of treasury stock at the end of the year includes shares of the Company held in trust accounts for the employee stock ownership plan (ESOP) (0 shares as of March 31, 2016; 509,800 shares as of March 31, 2015). Furthermore, the average number of shares of treasury stock held in ESOP trust accounts during the year (120,833 shares for the year ended March 31, 2016; 682,470 shares for the year ended March 31, 2015) are included in the treasury stock, which is subtracted from calculations of the average number of shares during the period.

(Reference) Overview of Non-Consolidated Operating Performance

Operating Performance for the Year Ended March 31, 2016 (April 1, 2015–March 31, 2016)

(1) Non-Consolidated Operating Performance (% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2016	6,204	1.4	1,821	(11.4)	1,785	0.6	1,377	10.1
Year ended March 31, 2015	6,116	(2.7)	2,057	7.9	1,774	(3.7)	1,250	(20.5)

	Net Income per Share	Net Income per Share (Diluted)
	Yen	Yen
Year ended March 31, 2016	11.62	10.44
Year ended March 31, 2015	10.56	10.55

(2) Non-Consolidated Financial Condition

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2016	102,334	24,794	24.0	217.21
Year ended March 31, 2015	100,062	28,097	27.8	234.21

(Reference) Equity: 24,586 million yen for the year ended March 31, 2016
27,836 million yen for the year ended March 31, 2015

*Information Regarding Execution of Audit Procedures

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

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

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

[Attachment]

Contents

1. Analysis of Operating Performance and Financial Condition

(1) Analysis of Operating Performance

During the year ended March 31, 2016, the Japanese economy was in a moderate recovery phase, buoyed by the government's economic measures and additional monetary policies by the Bank of Japan. Nevertheless, the economic outlook remained opaque, due to such factors as a slowdown in China and other emerging markets, falling oil prices and rapid yen appreciation from the beginning of 2016.

Under such conditions, in the year ended March 31, 2016, the Group conducted its business operations in line with the three basic policies of its medium-term management plan, "Innovation Plan 2016 'Growing'": 1) continue to increase sales by winning new customers and improve profitability, 2) continue to improve the Group's financial profile and increase management stability, and 3) provide continuous and stable returns to shareholders.

By conducting its sales activities in line with these basic policies, the Group increased its number of continuing customers by 20 thousand from March 31, 2015, to 2,558 thousand. Members of the TLC Membership Service—aimed at enhancing customer interactions and offering benefits to members—rose by 96 thousand from March 31, 2015, to 491 thousand members.

During this year, we worked diligently to respond to changes in the operating environment in two main ways.

First, in the communications sector we began offering "Hikari Collaboration" services that combine our services with fiber optic services offered by NTT East Japan and NTT West Japan. These services offer the Group an opportunity to regenerate growth in the broadband business, boosting market share by encouraging existing customer transfers and winning new customers.

Our second response involves initiatives in the energy sector in line with the full-fledged liberalization of electric power retail sales from April 2016. With businesses from various industries entering this market, we partnered with Tokyo Electric Power Company, Inc. ("TEPCO") and began selling high-voltage power to corporate customers in October 2015. In January 2016, we began accepting subscriptions for set service plans for households that combine TEPCO's low-voltage power with the Group's LP gas, internet, and CATV services.

Meanwhile, we worked to enhance and improve our financial profile. In overseas markets, chiefly the Swiss Confederation, we issued 10.0 billion yen in non-interest-bearing convertible bonds with stock acquisition rights that can boost equity if the bonds are converted to shares. In this manner, we worked to lower fundraising costs and diversify our sources of funding.

In addition to these initiatives, during the year ended March 31, 2016, gas selling prices fell in line with procurement prices. As a result, the Group booked sales of 180,940 million yen (down 3.5% year-on-year). Due to higher upfront costs to win customers and promote customer transfers to Hikari Collaboration, operating profit was 8,245 million yen (down 8.4%), recurring profit was 8,150 million yen (down 4.7%), and net income attributable to owners of the parent was 3,458 million yen (down 12.1%).

Performance by segment was as follows.

(Gas and Petroleum)

In the LP gas business, we expanded operations into Iwaki and Sennan area and Aichi Prefecture, and continued measures to prevent service cancellations were successful. As a result, the number of customers increased by 8 thousand from March 31, 2015, to 580 thousand. Sales volume of LP gas was flat year-on-year, but sales were down as selling prices were lowered to reflect a drop in procurement prices.

In the city gas business, the number of customers was 54 thousand, largely unchanged from the level as of March 31, 2015, but sales fell year-on-year due to a decline in selling prices stemming from the raw material price adjustment system.

Due to these factors, segment sales came to 80,745 million yen (down 13.2% year-on-year), but operating profit was 6,973 million yen (up 25.7%), reflecting lower costs as LP gas procurement prices fell, as well as successful efforts to increase operating efficiency.

(Building and Real Estate)

In the Building and Real Estate segment, sales were up year-on-year in areas such as housing sales, new construction of retail stores, and building management support services.

Accordingly, segment sales increased to 20,975 million yen (up 4.8% year-on-year). Bolstered by higher sales, operating profit was 676 million yen (up 36.4% year-on-year).

(CATV)

In the CATV segment, we worked proactively to sell set services combining broadcasting and communications services. In addition to offering set discounts for broadcasting and communications, we worked to attract new customers by offering smartphone set discounts through alliances with multiple mobile phone carriers. We created community channels to deliver high-quality regional information, and reinforced our customer center in an effort to prevent cancellations. These initiatives led to a year-on-year increase of 6 thousand customers in the broadcasting service to 499 thousand as of March 31, 2016. In addition, subscribers to communications services increased by 14 thousand to 211 thousand (156 thousand CATV-FTTH customers and 54 thousand CATV internet subscribers).

Owing to these efforts, segment sales totaled 24,608 million yen (up 1.0% year-on-year), and operating profit was 1,161 million yen (up 34.6%).

(Information and Communications Service)

In the broadband business, we actively marketed to encourage existing customers to switch to “@TCOM Hikari” and “TNC Hikari,” services that use Hikari Collaboration. Some 160 thousand customers have switched to these services (conversion rate of 27.8%). Although many new entrants—including major mobile phone carriers—are beginning the Hikari Collaboration model, creating an increasingly competitive environment, our proactive efforts to attract new customers led to an increase by 4 thousand FTTH customers from March 31, 2015, to 748 thousand customers.

Still, the number of ADSL customers was down by 17 thousand from March 31, 2015, and as a result the overall number of broadband customers decreased by 13 thousand from March 31, 2015, to 833 thousand customers.

Consequently, segment sales were 44,246 million yen (up 10.3% year-on-year), but operating profit was 829 million yen (down 76.2%) due to higher upfront costs to win Hikari Collaboration customers and promote service conversions.

(Aqua)

In the Aqua business, the Company was working proactively to expand its customer reach across Japan through sales activities targeting mainly large-scale commercial facilities in the Shizuoka and Kanto regions, as well as in the Kansai, Hokuriku, and Tohoku regions. By adopting the character of “Doraemon” as a mascot and promoting the brand message “The gift of delicious water: Ulunom,” the Company succeeded in increasing the number of customers to 133 thousand, up by 3 thousand from March 31, 2015.

Sales in this segment came to 5,487 million yen (up 10.7% year-on-year). We succeeded in reducing the operating loss to 1,275 million yen (from an operating loss of 1,448 million yen in the preceding fiscal year), putting the segment on the path to profitability.

(Others)

In the nursing care business, sales increased due to the larger number of users thanks to efforts to operate facilities where residents feel comfortable and safe.

In the ships business, although the number of ships repaired was down year-on-year, per-ship repair prices rose, leading to higher sales.

In the bridal events business, sales were down in line with the closing of Creation M Bouquet Tokai Gotemba at the end of March 2015.

As a result, segment sales came to 4,875 million yen (down 2.2% year-on-year), and the operating loss was 197 million yen (compared with an operating loss of 386 million yen in the preceding fiscal year).

・Outlook for the Year Ending March 31, 2017

In the year ending March 31, 2017, we anticipate firm economic recovery. At the same time, we expect competition for customers to increase as liberalization prompts companies from other industries and sectors to enter our market through alliances and other methods.

In the Group’s mainstay business of providing services to retail customers, we will act as a Total Life Concierge (TLC) providing a variety of lifestyle infrastructure services. We will work to reinforce and increase operating profitability by proactively promoting cross-selling measures that newly include electricity.

As a result of these initiatives, in the year ending March 31, 2017, we anticipate sales for the Group of 187,100 million yen (up 3.4% year-on-year). We expect robust performance in the LP gas and CATV businesses, recovered profitability in the broadband business thanks to the addition of Hikari Collaboration customers, and a move into the black in the Aqua business. Spurred by these improvements, we look forward to record-level profits in all categories: operating profit of 12,560 million yen (up 52.3%), recurring profit of 11,830 million yen (up 45.1%), and net income attributable to owners of the parent of 6,240 million yen (up 80.4%).

By segment, we forecast sales of 75,900 million yen (down 6.0% year-on-year) in the Gas and Petroleum segment, 22,500 million yen (up 7.3%) in the Building and Real Estate segment, 25,400 million yen (up 3.2%) in the CATV segment, 51,800 million yen (up 17.1%) in the Information and Communications segment, 5,800 million yen (up 5.7%) in the Aqua segment, and 5,700 million yen (up 16.9%) in the Others segment.

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) Analysis of Financial Position

1) Assets, Liabilities, and Net Assets

Total assets amounted to 160,303 million yen as of March 31, 2016, down 5,399 million yen from March 31, 2015. This decline was mainly attributable to a 3,871 million yen decrease in property, plant and equipment stemming from depreciation, and decreases of 1,828 million yen in net defined benefit assets and 1,799 million yen in investment securities.

Total liabilities were 118,332 million yen, down 3,902 million yen from March 31, 2015. The issuance of 10,000 million yen in convertible bonds with stock acquisition rights pushed liabilities up, but total liabilities declined due to decreases of 1,063 million yen in lease obligations (including those due within one year), and 11,703 million yen in loans and other factors

As of March 31, 2016, net assets totaled 41,970 million yen, down 1,496 million yen from March 31, 2015. Despite recording net income attributable to owners of the parent of 3,458 million yen, this decrease was principally due to the acquisition of treasury stock, which reduced net assets by 1,801 million yen. Other reductions included 1,391 million yen due to the payment of dividends from surplus, 1,224 million yen in valuation difference on available-for-sale securities, and 1,172 million yen in remeasurement of defined benefit plans.

Due to the cancellation of treasury shares, capital surplus and treasury stock each fell by 3,198 million yen, although total net assets were unaffected.

2) Cash Flows

Cash and cash equivalents stood at 4,044 million yen as of March 31, 2016, up 1,223 million yen from March 31, 2015.

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

(Cash flows from operating activities)

Net cash provided by operating activities was 21,395 million yen (down 5,870 million yen year-on-year). Funds increased due to net income before adjustments for income taxes and depreciation and amortization (non-cash items).

The reason for the major year-on-year decrease in cash flow from operating activities includes a rise in notes and accounts payable as existing information and communications service customers switched to the Hikari Collaboration service, as well as an increase in the amount of consumption tax paid.

(Cash flows from investing activities)

Net cash used in investing activities was 11,015 million yen (down 2,164 million yen year-on-year). Cash was used mainly for the acquisition of tangible and intangible assets.

(Cash flows from financing activities)

Financing activities used net cash of 9,150 million yen (up 9,613 million yen year-on-year). Sources of cash included the issuance of convertible bonds with stock acquisition rights, while cash was used mainly to repay borrowings, lease obligations, and the acquisition of treasury stock.

Below is a summary of major cash flow indicators.

	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Equity ratio (%)	14.3	18.6	21.6	25.7	25.6
Equity ratio on a market-value basis (%)	21.6	21.0	23.2	36.3	41.4
Ratio of interest-bearing debt to cash flow	3.6	3.6	3.7	2.7	3.3
Interest coverage ratio	15.8	17.4	19.1	28.0	29.3

(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.

(3) 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 year ended March 31, 2016, we plan to award total dividends of 14 yen per share, comprising an interim dividend of 6 yen and a year-end dividend of 8 yen.

For the year ending March 31, 2017, we plan to award total dividends of 22 per share comprising interim and year-end dividends of 11 each.

(4) 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, 2016.

・Impact of Interest Rate Fluctuations

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

・Business Alliances and M&A Activity

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

・Recoverability of Invested Assets

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

・Credit Management

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

・Management of Personal Information

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

・Information System Failure

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

・Legal Restrictions

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

・Lawsuits

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

・Large-Scale Disasters

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

・Country Risk

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

・Competition with Other Companies

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

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

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

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

・Fluctuations in Gas Procurement Prices and Exchange Rates

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

・Risk of Worsening Real Estate Market Prices

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

・Effects of Climate Change

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

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

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

・Relations with Suppliers, Outsourcing Partners, and Subcontractors

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

・Dependence on Specific Entities for Business and Orders

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

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

The Group engages in the mobile business as an agent for SoftBank Corp. Significant changes in that company's business strategies or agency policies 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 other industries, and large-scale players are expected to increase their service areas. If selling competition and price competition become more severe than the Group expects, its operating performance and financial condition could be affected.

2. Status of the Corporate Group

The TOKAI Group comprises the Company, 22 subsidiaries, and four 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 construction related to LP gas.

TOKAI HOME GAS CORPORATION was established on April 1, 2015.

(City gas business)

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

(High-pressure gas business)

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

(Security business)

TOKAI CORPORATION provides automated security services.

(2) Building and Real Estate Segment

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

TOKAI CORPORATION and TOKAI GAS CORPORATION perform renovations.

(3) CATV Segment

The CATV business is handled by TOKAI Cable Network Corporation, ICHIHARA COMMUNITY NETWORK TELEVISION CORPORATION, ATSUGI ISEHARA CABLE NETWORK CORPORATION, EAST COMMUNICATIONS COMPANY LIMITED, LCV CORPORATION, KURASHIKI CABLE TELEVISION Inc., and Toco Channel Shizuoka Corporation; Net Technology Shizuoka Corporation handles related businesses.

(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.

(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)

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

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

(Note) Bouquet Tokai Gotemba Corporation was liquidated on March 10, 2016.

(Ship repair business)

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

(Other services)

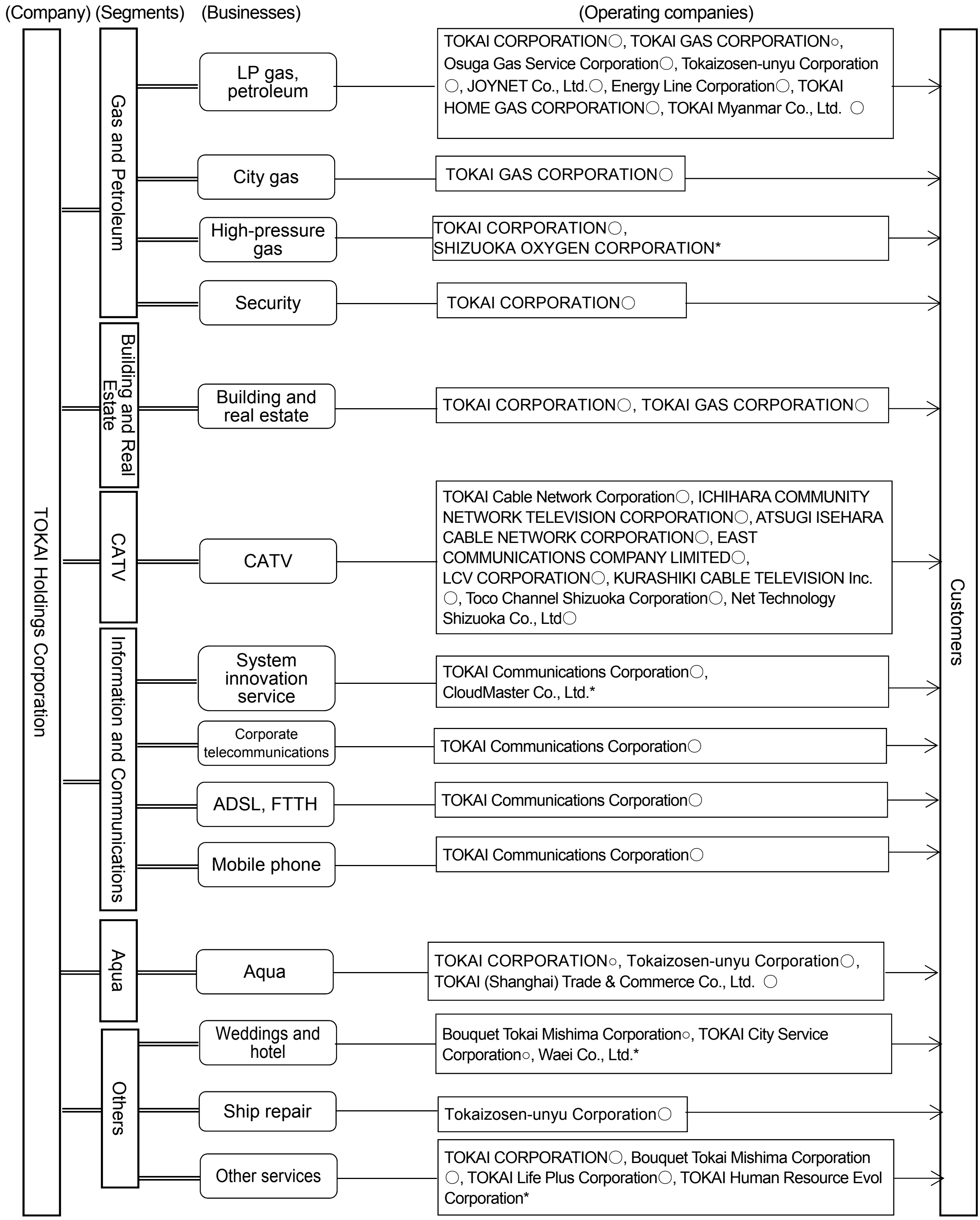
TOKAI CORPORATION engages in the insurance agency business, and TOKAI Life Plus Corporation handles the nursing care business.

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

(Note) Bouquet Tokai Mishima Corporation discontinued its travel agency business on September 30, 2015.

(As of March 31, 2016)

The status of the corporate group is as follows.



(Notes) 1. ○ Consolidated subsidiaries (22 companies), *Affiliates accounted for under the equity method (four companies)

2. Arrows indicate the flow of products and services.

3. In addition to the above, TOKAI Management Service Corporation (consolidated subsidiary) undertakes human resource, accounting, general administration, and other back-office activities for Group companies.

3. Group Management Policy

(1) Basic Policy of Corporate Management

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

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

1) Corporate Philosophy (Beliefs of the TOKAI Group)

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

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

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

"Transform, challenge, and implement."

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

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

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

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

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

"Always sharing our joy and excitement with you."

・Communication that links us all.

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

・Giving you security, safety, and fulfillment.

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

・Always remembering the enthusiasm and pride of professionalism.

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

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

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

(2) Target Management Indices

"Innovation Plan 2016 'Growing,'" our medium-term management plan for the year ended March 31, 2015 to the year ending March 31, 2017, calls for ongoing improvements in our financial position and sets major targets for recovering profitability. Due to our concentration of expenses to attract customers under the Hikari Collaboration model, profits declined in the information and communications business, but profits rose in the gas and other businesses, leading to operating profit of 8.2 billion yen in the year ended March 31, 2016. Consequently, we were able to minimize the drop in profits while building up a strong earnings base under the Hikari Collaboration model. We aim to further enhance profitability going forward.

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

The Group transitioned to a holding company structure in April 2011. Since that time, we have prioritized management initiatives to improve our financial position. These efforts have delivered some success. Prior to management integration, interest-bearing debt stood at 124.0 billion yen; we have reduced this to 71.4 billion yen. Also, by accumulating profits and disposing of treasury stock, we have improved our equity ratio from 7.7% before the integration to 25.6%. Because of concentrating expenses on attracting customers under the Hikari Collaboration model, profits in the information and communications business declined, but thanks to increased profits from the gas and other businesses, we generated operating profit of 8.2 billion yen in the year ended March 31, 2016. Consequently, we were able to minimize the drop in profits while building up a strong earnings base under Hikari Collaboration. Going forward, we aim to further strengthen Group profitability, reinforce competitiveness in our retail businesses, and maintain and expand our customer base.

In the energy sector, to take advantage of the electricity and city gas system reforms in October 2015 the Group signed a business partnership agreement with Tokyo Electric Power Company, Inc. Under this agreement, in January 2016 we began accepting household subscriptions for set service plans that combine electric power services with the Group's service offerings. Following the full liberalization of the electricity retail market in April 2016, we have begun providing set service offerings combining LP and city gas or the Group's other lifestyle services—information and communications, CATV, and Aqua—with electric power services. By providing comprehensive offerings, we intend to differentiate ourselves from competitors, prevent cancellations from existing customers, and work proactively to attract new customers.

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

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

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

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

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

Competition in the information and communications business is intense, as technological innovation proceeds at a rapid pace, while companies are being called on to respond swiftly to customer needs. In the area of information and communication systems, in tandem with progress in cloud computing, we are developing solution services that provide a trinity of offerings: the Group's fiber-optic networks, data centers, and systems development. In this manner, we are striving to grow further by expanding our recurring revenue business model. In the area of broadband and mobile communications, the Japanese broadband market is projected to see a leveling off in FTTH growth. Against this backdrop, we have begun the one-stop provision of Hikari Collaboration services based on NTT's provision of wholesale fiber-optic connections. During the year under review, we concentrated on encouraging existing ISP customers to switch (transfer) to Hikari Collaboration services in an effort to boost average revenue per customer (ARPU) through one-stop provision. Consequently, our number of Hikari Collaboration customers exceeded 200 thousand in February 2016. Going forward, we will work to further strengthen our business foundation by actively promoting new customer acquisitions and service transfers.

In the Aqua business, since the Great East Japan Earthquake, consumer demand for delicious water that is safe and secure has grown sharply; taking advantage of this demand as the market matures has been a matter of some urgency. In Shizuoka Prefecture, the Group has developed the "Oishii Mizu no Takuhaibin" ("Tasty Water Delivered to your Door") brand, providing mineral-rich natural water from the base of Mt. Fuji in returnable bottles. Nationwide, we are developing the "Ulunom" brand, using disposable bottles. We are boosting awareness and working to attract customers by adopting the "Doraemon" character as a brand mascot, which has wide-ranging appeal. Meanwhile, we are enhancing quality by refurbishing production facilities and enhancing management systems at our plants such as the Aqua Fujisan Plant, to continue providing high-quality drinking water that is safe and secure. TOKAI (Shanghai) Trade & Commerce Co., Ltd. is developing a bottled water delivery service in Shanghai, China, under the Fujishigen brand. By leveraging the brand strength of Mt. Fuji, which has been registered as a World Heritage site, and aesthetically pleasing water servers newly developed in-house combined with periodic maintenance services, we are promoting safety and security, targeting wealthy customers.

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

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

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

The number of members is growing steadily, and surpassed 490 thousand members as of March 31, 2016. The system is being established to increase the level of return to customers and create customer contact points across the Group. We plan to expand and enhance the reward points menu, offer events and services for members, and promote other benefits to help attract new customers, curtail cancellations, and strengthen our earnings base in each business.

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

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

4. Basic Perspective on Selection of Accounting Standards

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

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	2,861	4,077
Notes and accounts receivable–trade	20,085	21,305
Merchandise and finished goods	5,367	4,307
Work in process	583	610
Raw materials and supplies	745	694
Deferred tax assets	1,052	886
Other	*3 5,590	*3 6,626
Allowance for doubtful accounts	(326)	(391)
Total current assets	35,959	38,117
Non-current assets		
Property, plant and equipment		
Buildings and structures	103,850	104,921
Accumulated depreciation	(65,436)	(69,743)
Buildings and structures, net	38,413	35,178
Machinery, equipment and vehicles	85,994	89,236
Accumulated depreciation	(64,310)	(67,162)
Buildings and structures, net	*1, *4 21,684	*1 22,074
Land	22,006	21,825
Leased assets	22,890	23,294
Accumulated depreciation	(11,070)	(12,315)
Leased assets, net	11,820	10,979
Construction in progress	1,019	868
Other, net	12,925	13,540
Accumulated depreciation	(8,934)	(9,401)
Other, net	*4 3,990	4,138
Total property, plant and equipment	*6 98,935	*6 95,064
Intangible assets		
Goodwill	8,270	6,589
Leased assets	801	675
Other	*4 2,152	3,674
Total intangible assets	11,224	10,940
Investments and other assets		
Investment securities	*2 9,035	*2 7,236
Long-term loans receivable	147	105
Deferred tax assets	1,043	1,790
Net defined benefit asset	4,188	2,360
Other	6,013	5,255
Allowance for doubtful accounts	(890)	(599)
Total investments and other assets	19,539	16,149
Total non-current assets	129,699	122,153
Deferred assets	43	31
Total assets	165,702	160,303

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable–trade	13,035	13,511
Short-term loans payable	*6, *8 33,821	*6, *8 27,828
Current portion of bonds	2,458	758
lease obligations	3,884	3,815
Income taxes payable	2,089	1,954
Provision for bonuses	1,261	1,247
Other accruals	178	212
Other	*4 14,432	13,630
Total current liabilities	71,160	62,958
Non-current liabilities		
Bonds payable	1,742	984
Convertible bonds with stock acquisition rights	—	10,000
Long-term loans payable	*6, *8 35,048	*6, *8 31,839
Lease obligations	9,917	8,923
Other accruals	209	68
Net defined benefit liability	271	308
Other	3,885	3,249
Total non-current liabilities	51,074	55,373
Total liabilities	122,234	118,332
Net assets		
Shareholders' equity		
Capital stock	14,000	14,000
Capital surplus	22,315	19,258
Retained earnings	7,803	9,870
Treasury stock	(8,033)	(6,409)
Total shareholders' equity	36,085	36,719
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,378	1,153
Deferred gains (losses) on hedges	(94)	230
Foreign currency translation adjustment	44	1
Remeasurement of defined benefit plans	4,130	2,958
Total accumulated other comprehensive income	6,458	4,343
Stock acquisition rights	260	208
Non-controlling interests	662	699
Total net assets	43,467	41,970
Total liabilities and net assets	165,702	160,303

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

(Consolidated Statements of Income)

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Sales	187,511	180,940
Cost of sales	*1 118,579	*1 111,127
Gross profit	68,932	69,812
Selling, general and administrative expenses	*2 59,928	*2 61,566
Operating profit	9,003	8,245
Non-operating profit		
Interest income	20	14
Dividend income	151	159
Commission fee	105	81
Insurance income	62	120
Other	406	395
Total non-operating profit	747	772
Non-operating expenses		
Interest expenses	958	710
Other	242	157
Total non-operating expenses	1,201	868
Recurring profit	8,549	8,150
Extraordinary income		
Gain on sales of non-current assets	*3 8	*3 7
Transmission line facility subsidies	58	68
Subsidy income	104	138
Gain on sales of investment securities	31	0
Total extraordinary income	203	215
Extraordinary losses		
Loss on sales of non-current assets	*4 0	*4 0
Loss on retirement of non-current assets	*5 929	*5 1,002
Impairment loss	*6 280	*6 693
Bad debts expenses	—	*7 234
Total extraordinary losses	1,210	1,929
Net income before income taxes	7,541	6,436
Income taxes (current)	3,671	2,900
Income taxes (deferred)	(97)	23
Total income taxes	3,573	2,924
Net income	3,968	3,511
Net income attributable to non-controlling interests	33	52
Net income attributable to owners of the parent	3,934	3,458

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Net income	3,968	3,511
Other comprehensive income		
Valuation difference on available-for-sale securities	1,227	(1,227)
Deferred gains (losses) on hedges	(98)	324
Foreign currency translation adjustment	(6)	(37)
Remeasurement of defined benefit plans	1,332	(1,172)
Share of other comprehensive income of entities accounted for using the equity method	11	(5)
Total other comprehensive income	*1 2,467	*1 (2,118)
Comprehensive income	6,435	1,393
(Breakdown)		
Comprehensive income attributable to owners of the parent	6,400	1,343
Comprehensive income attributable to non-controlling interests	35	50

(3) Statement of Changes in Consolidated Shareholders' Equity

Year ended March 31, 2015 (April 1, 2014–March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	14,000	22,183	5,436	(8,191)	33,428
Cumulative impact of changes in accounting policies			(179)		(179)
Balance at beginning of period, reflecting changes in accounting policies	14,000	22,183	5,257	(8,191)	33,249
Change during the year					
Cash dividends from retained earnings			(1,388)		(1,388)
Net income attributable to owners of the parent			3,934		3,934
Acquisition of treasury shares				(1)	(1)
Disposition of treasury shares		131		159	291
Cancellation of treasury shares					—
Increase by share exchanges					—
Net change in items other than shareholders' equity					
Total change during the year		131	2,546	158	2,836
Balance at end of period	14,000	22,315	7,803	(8,033)	36,085

	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	Remeasure-ments of defined benefit plans	Total accumulated other compre-hensive income			
Balance at beginning of period	1,151	4	39	2,797	3,992	318	588	38,329
Cumulative impact of changes in accounting policies								(179)
Balance at beginning of period, reflecting changes in accounting policies	1,151	4	39	2,797	3,992	318	588	38,149
Change during the year								
Cash dividends from retained earnings								(1,388)
Net income attributable to owners of the parent								3,934
Acquisition of treasury shares								(1)
Disposition of treasury shares								291
Cancellation of treasury shares								—
Increase by share exchanges								—
Net change in items other than shareholders' equity	1,226	(98)	5	1,332	2,466	(57)	73	2,481
Total change during the year	1,226	(98)	5	1,332	2,466	(57)	73	5,318
Balance at end of period	2,378	(94)	44	4,130	6,458	260	662	43,467

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

(Millions of yen)

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

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total Accumulated other compre-hensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of period	2,378	(94)	44	4,130	6,458	260	662	43,467
Cumulative impact of changes in accounting policies								—
Balance at beginning of period, reflecting changes in accounting policies	2,378	(94)	44	4,130	6,458	260	662	43,467
Change during the year								
Cash dividends from retained earnings								(1,391)
Net income attributable to owners of the parent								3,458
Acquisition of treasury shares								(1,801)
Disposition of treasury shares								360
Cancellation of treasury shares								—
Increase by share exchanges								7
Net change in items other than shareholders' equity	(1,224)	324	(42)	(1,172)	(2,115)	(52)	37	(2,131)
Total change during the year	(1,224)	324	(42)	(1,172)	(2,115)	(52)	37	(1,496)
Balance at end of period	1,153	230	1	2,958	4,343	208	699	41,970

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Cash flows from operating activities		
Net income before income taxes and minority interests	7,541	6,436
Depreciation	14,860	14,701
Amortization of goodwill	2,369	2,033
Impairment loss	280	693
Increase in net defined benefit asset and liability	128	63
Interest and dividend income	(172)	(174)
(Gain) loss on sale of investment securities	(31)	(0)
Interest expenses	958	710
(Gain) loss on sales of non-current assets	(7)	(7)
Loss on retirement of non-current assets	929	1,002
Increase (decrease) in notes and accounts payable	1,988	(1,140)
(Increase) decrease in inventories	1,483	1,083
Increase (decrease) in notes and accounts payable–trade	(445)	351
Increase (decrease) in accounts payable–other	112	1,378
Increase (decrease) in accrued consumption taxes	1,582	(1,170)
Increase (decrease) in deposits received	(112)	(878)
Other	(506)	(371)
Subtotal	30,960	24,711
Income taxes paid	(3,694)	(3,316)
Net cash provided by operating activities	27,265	21,395
Cash flows from investing activities		
Interest and dividend income received	232	229
Payment into time deposits	(8)	(33)
Proceeds from withdrawal of time deposits	—	40
Purchase of securities	(14)	(17)
Proceeds from sales of securities	64	0
Purchase of tangible and intangible assets	(9,712)	(11,435)
Proceeds from sales of tangible and intangible assets	218	162
Proceeds from contribution received for construction	94	117
Payment of loans receivable	(0)	—
Collection of loans receivable	417	170
Other	(143)	(250)
Net cash provided by (used in) in investing activities	(8,851)	(11,015)

(Millions of yen)

	Year Ended March 31, 2015	Year Ended March 31, 2016
Cash flows from financing activities		
Interest expenses paid	(973)	(729)
Net increase (decrease) in short-term loans payable	915	(3,239)
Repayments of lease obligations	(3,948)	(3,928)
Proceeds from long-term loans payable	13,714	9,594
Repayment of long-term loans payable	(23,966)	(15,553)
Proceeds from issuance of bonds	694	—
Redemption of bonds	(3,660)	(2,458)
Proceeds from issuance of convertible bonds with stock acquisition rights	—	9,980
Payments for acquisition of treasury stock	(1)	(1,801)
Proceeds from disposal of treasury stock	317	429
Cash dividends paid	(1,389)	(1,392)
Dividends paid to non-controlling interests	(7)	(6)
Payments for sale and leaseback transactions	(458)	(44)
Net cash provided by (used in) financing activities	(18,764)	(9,150)
Effect of exchange rate change on cash and cash equivalents	20	(5)
Net increase (decrease) in cash and cash equivalents	(329)	1,223
Cash and cash equivalents at beginning of period	3,150	2,821
Cash and cash equivalents at end of period	*1 2,821	*1 4,044

(5) Notes to the Consolidated Financial Statements

(Notes on Premise of Going Concern)

No items to report

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

1. Scope of Consolidation

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

As TOKAI HOME GAS CORPORATION was newly established on April 1, 2015, this company was included in the scope of consolidation. Liquidation proceedings on Bouquet Tokai Gotemba Corporation were completed on March 10, 2016; the company is included on the statement of income up to liquidation.

2. Application of the Equity Method

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

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, 2015, 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, 2015, 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. Accounting Policies

(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.

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 Retirement Benefit Plans

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

In calculation of retirement benefit obligations, the method of attributing the projected retirement 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 retirement 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, and commodity swaps

(Hedged items)

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

3) Hedging Policy

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

4) Methods to Evaluate Hedging Effectiveness

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

(8) Goodwill Amortization Method and Amortization Period

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

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

Cash (cash and cash equivalents) in the consolidated statement of cash flow includes cash on hand, deposits drawable at any time or readily convertible to cash, and price-change-insensitive short-term investments whose maturity comes due within three months.

(10) Treatment of Consumption Taxes

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

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

1) Interest payments made during the normal development period on real estate development work having a period of two years or more from the start of development and involving total operational expenses of 3.0 billion yen or more is capitalized.

2) Capitalized interest payments total 10 million yen as of March 31, 2016.

(Changes in Accounting Policies)

(Application of Accounting Standard for Business Combinations)

The Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), and other standards from the year ended March 31, 2016. As a result, the accounting method has been changed to record the difference caused by changes in equity in subsidiaries the Company continues to control as capital surplus, and to record acquisition-related costs for the fiscal year in which the costs were incurred. Furthermore, for business combinations carried out on or after the beginning of the fiscal year, the accounting method was changed to reflect the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment in the consolidated financial statements of the year in which the business combination occurs. In addition, the Company has changed its presentation of net income and related items, and renamed “minority interests” as “non-controlling interests.” The consolidated financial statements for the year ended March 31, 2015 have been reclassified to reflect this change.

Application of the Accounting Standard for Business Combinations and other standards is in accordance with the transitional measures provided for in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures. The Company will continue to apply the standards from the beginning of the fiscal year.

As a result, the capital surplus decreased by 65 million yen as of March 31, 2016. The impact on operating profit, recurring profit, and net income before income taxes for the year under review was slight.

In the consolidated statements of cash flows for the fiscal year under review, cash flows for the purchase or sale of shares of subsidiaries without changing the scope of consolidation are listed under “cash flows from financing activities.”

The impact on per-share information for the fiscal year under review is slight.

(Changes in Presentation Method)

(Consolidated Statements of Income)

As the amount of “insurance income” included within “other” under “non-operating profit” in the year ended March 31, 2015 exceeded 1/10 of non-operating profit, it was stated as an independent line item for the year ended March 31, 2016. The consolidated financial statements for the year ended March 31, 2015, have been restated to reflect this change in presentation method.

As a result, in the consolidated statements of income for the year ended March 31, 2015, the amount of 469 million yen presented in “other” under “non-operating profit” was restated as “insurance income” of 62 million yen and “other” of 406 million yen.

(Consolidated Statements of Cash Flows)

Due to an increase in the monetary significance of “increase (decrease) in accounts payable–other” and “increase (decrease) in deposits received,” which were included in “other” within “cash flows from operating activities” in the year ended March 31, 2015, these have been stated as independent line items for the year ended March 31, 2016. The consolidated financial statements for the year ended March 31, 2015, have been restated to reflect this change in presentation method.

As a result, in the consolidated statements of cash flows for the year ended March 31, 2015, the amount of minus 506 million yen presented in “other” under “cash flows from operating activities” was restated as “increase (decrease) in accounts payable–other” of 112 million yen, “increase (decrease) in deposits received” of minus 112 million yen, and “other” of minus 506 million yen.

(Additional Information)

(Employee Shareholding Association Type Employee Stock Ownership Plan “ESOP”)

(1) Overview of Transactions

The Group, at a Board of Directors meeting of the Company held on November 29, 2012, resolved to introduce an employee shareholding association type ESOP as an employee benefit and to augment the Company’s corporate value by enhancing employee awareness of the stock price and motivation to work. The ESOP involved providing to the employee shareholding association shares in the Company on a regular basis and distributing to employees the income gained on the management of trust property. This ESOP trust was concluded on July 31, 2015.

Under this plan, for a period of approximately three years from December 2012, the Company’s shares expected to be acquired by the TOKAI Group Employee Shareholding Association (hereinafter, the “the Association”) were acquired in advance by Trust & Custody Services Bank, Ltd. (trust account E) (hereinafter, “Trust Account E”), with the shares in the Company being sold when acquired by the Association.

(2) Accounting Treatment

Accounting treatment is to continue under the methods employed to date.

This accounting treatment considers the Company and Trust Account E to be the same. Accordingly, the Company’s shares and other assets, liabilities, income, and expenses held by Trust Account E are included in the consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, statement of changes in consolidated shareholders’ equity, and consolidated statements of cash flows.

(3) Matters Related to the Company’s Shares Held by Trust Account E

As shares in the Company held by Trust Account E are stated by Trust Account E at book value (excluding ancillary costs), they are presented as treasury stock under net assets. The book value of this treasury stock was 132 million yen as of March 31, 2015, and 0 yen as of March 31, 2016.

This treasury stock numbered 509,800 shares as of March 31, 2015, and 0 shares as of March 31, 2016. The average number of shares during the year ended March 31, 2015, was 682,470 shares, and 120,833 shares during the year ended March 31, 2016. As these shares are included in treasury stock they are excluded from calculations of per-share information.

This treasury stock was all sold during the year ended March 31, 2016.

(Insufficient earthquake-resistance in condominiums sold by a consolidated subsidiary (TOKAI CORPORATION))

It came to light that condominiums sold by TOKAI CORPORATION in the city of Shizuoka in 2003 fell below the earthquake-resistance standard established by the Building Standards Act in April 21, 2007. Thereafter, TOKAI CORPORATION purchased all of these condominiums and demolished them.

TOKAI CORPORATION judged that responsibility for the insufficient earthquake-resistance of these condominiums lies with Sumitomo Mitsui Construction Co., Ltd. (construction), the city of Shizuoka (building certification), Sun Architects & Engineers, Inc. (architectural design), and that company's architects, Akira Tsukioka Structural Research Laboratory Y.K. (structural calculation) and that company's architects. Accordingly, on December 25, 2007, TOKAI CORPORATION filed a lawsuit for damages in the Shizuoka District Court, naming these counterparties. In addition, TOKAI CORPORATION filed a lawsuit for insurance claims to establish the right of pledge to Akira Tsukioka Structural Research Laboratory Y.K.'s insurance claim to Tokio Marine & Nichido Fire Insurance Co., Ltd.

A ruling by the Shizuoka District Court on December 7, 2012, ordered Akira Tsukioka Structural Research Laboratory Y.K. and architects belonging to that company and architects belonging to Sun Architects & Engineers, Inc. to pay to TOKAI CORPORATION a collective 959 million yen and delayed damages, and ordered the city of Shizuoka and Akira Tsukioka Structural Research Laboratory Y.K. and others to pay a collective 671 million yen and delayed damages. However, TOKAI CORPORATION's case against Sumitomo Mitsui Construction Co., Ltd. and Tokio Marine & Nichido Fire Insurance Co., Ltd. was rejected. (Sumitomo Mitsui Construction Co., Ltd., and Akira Tsukioka Structural Research Laboratory Y.K. and others are confirmed.)

TOKAI CORPORATION appealed against this initial decision, as did the city of Shizuoka, Sun Architects & Engineers, Inc. and architects belonging to that company. The cases went before the Tokyo High Court on May 15, 2014. The court reduced the compensation for damages by the city of Shizuoka to 88 million yen and reduced associated delayed damages, and eliminated responsibility for compensation for one of the architects belonging to Sun Architects & Engineers, Inc. In addition, TOKAI CORPORATION's suit against Tokio Marine & Nichido Fire Insurance Co., Ltd. was rejected.

Regarding this appeal decision, on May 27, 2014, TOKAI CORPORATION submitted a final appeal and petition for acceptance of final appeal to the high court. On October 27, 2015, however, the high court rejected the final appeal and ruled non-acceptance on the petition for final appeal, thereby confirming the appeal decision.

Taking into consideration the possibility that some of the related parties would be unable to bear these losses, until the year ended March 31, 2015, TOKAI CORPORATION had recorded its potential losses at 419 million yen. Based on the current high court decision, TOKAI CORPORATION newly recorded 234 million yen in bad debts expenses under extraordinary losses for the year ended March 31, 2016.

(Notes to the Consolidated Balance Sheets)

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

	As of March 31, 2015	As of March 31, 2016
Reduction entry	46 million yen	33 million yen
Cumulative reduction entries	6,014 million yen	5,998 million yen

*2. Amounts for affiliated companies were as follows.

	As of March 31, 2015	As of March 31, 2016
Investment securities (shares)	316 million yen	310 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, 2015	As of March 31, 2016
Payments pending	433 million yen	342 million yen

*4. Rights held by the seller on assets in sale and leaseback transactions were as follows.

		As of March 31, 2015	As of March 31, 2016
Breakdown of book value	Machinery, equipment and vehicles	146 million yen	— million yen
	Property, plant and equipment, “other”	3 million yen	—million yen
	Intangible assets, “other”	1 million yen	—million yen
Corresponding liabilities	Current liabilities, “other”	44 million yen	—million yen

*5. Contingent liabilities

(1) Guarantees

As of March 31, 2015		As of March 31, 2016	
(Debt obligation)		(Debt obligation)	
TOKAI Group Association	489 million yen	TOKAI Group Association	446 million yen

(2) Repurchase obligation due to liquidation of receivables

	As of March 31, 2015	As of March 31, 2016
Repurchase obligation due to liquidation of receivables	1,195 million yen	902 million yen

*6. Pledged assets and secured liabilities

Pledged assets are as follows.

	As of March 31, 2015		As of March 31, 2016	
Property, plant and equipment	11,785 million yen	(11,621 million yen)	9,860 million yen	(9,752 million yen)
Buildings and structures	4,650 million yen	(4,487 million yen)	3,522 million yen	(3,414 million yen)
Machinery, equipment and vehicles	5,871 million yen	(5,870 million yen)	5,594 million yen	(5,593 million yen)
Land	1,098 million yen	(1,098 million yen)	596 million yen	(596 million yen)
Other	164 million yen	(164 million yen)	146 million yen	(146 million yen)
Total	11,785 million yen	(11,621 million yen)	9,860 million yen	(9,752 million yen)

Figures in parentheses above indicate plant foundation mortgages.

Secured liabilities are as follows.

	As of March 31, 2015	As of March 31, 2016
Long-term loans payable (including current portion)	1,638 million yen	652 million yen
Total	1,638 million yen	652 million yen

*7. 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, 2015	As of March 31, 2016
Credit line	6,000 million yen	6,000 million yen
Loan amount currently executed	—	—
Outstanding unused overdraft amount	6,000 million yen	6,000 million yen

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

*8. Syndicated loan agreements

Year ended March 31, 2015

(1) The Company entered into a syndicated loan agreement for 1,000 million yen (balance of 875 million yen as of March 31, 2015) 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 770 million yen as of March 31, 2015) 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 603 million yen as of March 31, 2015) 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 682 million yen as of March 31, 2015) 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.

Year ended March 31, 2016

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

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

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

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

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

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

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

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

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

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

follows.

1) The amount of net assets in the consolidated balance sheets as of the closing date of fiscal years ending in or after March 2015 must be 70% or more of the amount of net assets in the consolidated balance sheets at the end of the preceding fiscal year.
2) A recurring loss may not be posted in recurring profit or loss in the consolidated statements of income for two consecutive fiscal years ending in or after March 2015.

(Notes to the Consolidated Statements of Income)

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

Year ended March 31, 2015 (April 1, 2014–March 31, 2015)	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)
39 million yen	27 million yen

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

	Year ended March 31, 2015 (April 1, 2014–March 31, 2015)	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)
Salaries and commissions	17,308 million yen	16,985 million yen
Provision for bonuses	950 million yen	900 million yen
Retirement benefit expenses	753 million yen	752 million yen
Fees	15,502 million yen	17,880 million yen
Provision of allowance for doubtful accounts	87 million yen	182 million yen

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

	Year ended March 31, 2015 (April 1, 2014–March 31, 2015)	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)
Machinery, equipment and vehicles	3 million yen	7 million yen
Buildings and structures	0 million yen	0 million yen
Land	4 million yen	— million yen
Other	0 million yen	0 million yen
Total	8 million yen	7 million yen

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

	Year ended March 31, 2015 (April 1, 2014–March 31, 2015)	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)
Machinery, equipment and vehicles	0 million yen	0 million yen
Buildings and structures	0 million yen	— million yen
Other	0 million yen	— million yen
Total	0 million yen	0 million yen

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

	Year ended March 31, 2015 (April 1, 2014–March 31, 2015)	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)
Buildings and structures	502 million yen	611 million yen
Machinery, equipment and vehicles	202 million yen	197 million yen
Goodwill	115 million yen	66 million yen
Other	109 million yen	128 million yen
Total	929 million yen	1,002 million yen

*6. Impairment losses

Year ended March 31, 2015 (April 1, 2014–March 31, 2015)

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

Location	Use	Business segment	Category
Mishima, Shizuoka Prefecture	Wedding ceremony facility	Building and Real Estate (Note)	Buildings and structures, land
Numazu, Shizuoka Prefecture	Equipment related to customer management system	CATV	Property, plant and equipment, “other” Intangible assets, “other”

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

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

During the year under review, the Group wrote down book values to their recoverable amounts on a wedding ceremony facility whose market value had decreased and on equipment related to a customer management system that was no longer in use. These decreases were posted as impairment losses under extraordinary loss.

Breakdown of impairment losses (Millions of yen)

Use	Buildings and structures	Land	Property, plant and equipment, “other”	Intangible assets, “other”	Total
Wedding ceremony facility	198	21	—	—	219
Equipment related to customer management system	—	—	4	56	61
Total	198	21	4	56	280

The recoverable amount of these assets is measured as their net realizable value. A real estate appraisal was performed to value the weddings ceremony facility, and equipment related to the customer management system was valued at 0 yen.

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

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

Location	Use	Reportable segment	Category
Kisarazu, Chiba Prefecture Kimitsu, Chiba Prefecture	Office	Gas and Petroleum	Buildings and structures Machinery, equipment and vehicles Land Property, plant and equipment, “leased assets” Property, plant and equipment, “other” Intangible assets, “other”
Mishima, Shizuoka Prefecture	Weddings ceremony facility	Building and Real Estate (Note) Weddings business	Buildings and structures Property, plant and equipment, “other” Intangible assets, “other”
Yaizu, Shizuoka Prefecture	Office	Information and Communications services	Buildings and structures Property, plant and equipment, “other”
Shanghai, China	Business asset	Aqua	Property, plant and equipment, “leased assets” Property, plant and equipment, “other”
Izumi-ku, Yokohama Aoi-ku, Shizuoka	Shop	Information and Communications services	Buildings and structures Property, plant and equipment, “other”

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

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

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

Breakdown of impairment losses (Millions of yen)

Use	Buildings and structures	Machinery, equipment and vehicles	Land	Property, plant and equipment, “leased assets”	Property, plant and equipment, “other”	Intangible assets, “other”	Total
Office	21	7	299	2	7	1	340
Wedding ceremony facility	183	—	—	—	14	3	201
Office	114	—	—	—	13	—	128
Business asset	—	—	—	14	0	—	14
Shop	8	—	—	—	0	—	8
Total	327	7	299	17	35	4	693

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

*7. Bad debt expenses

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

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

For details, please refer to the section under “Additional information” entitled “Insufficient earthquake-resistance in condominiums sold by a consolidated subsidiary (TOKAI CORPORATION).”

(Note to the Consolidated Statements of Comprehensive Income)

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

(Millions of yen)

	Year ended March 31, 2015 (April 1, 2014–March 31, 2015)	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)
Valuation difference on available-for-sale securities		
Amount generated during the year	1,733	(1,810)
Reclassification adjustments	(21)	—
Before adjustment for tax effects	1,711	(1,810)
Tax effects	(484)	582
Valuation difference on available-for-sale securities	1,227	(1,227)
Deferred gains (losses) on hedges		
Amount generated during the year	(1,230)	(77)
Adjustment for asset acquisition costs	1,084	546
Before adjustment for tax effects	(145)	469
Tax effects	47	(144)
Deferred gains (losses) on hedges	(98)	324
Foreign currency translation adjustment		
Amount generated during the year	(6)	(37)
Foreign currency translation adjustment	(6)	(37)
Remeasurements of defined benefit plans		
Amount generated during the year	1,867	(1,553)
Reclassification adjustments	(125)	(249)
Before adjustment for tax effects	1,741	(1,802)
Tax effects	(408)	630
Remeasurements of defined benefit plans	1,332	(1,172)
Share of other comprehensive income of entities accounted for using the equity method		
Amount generated during the year	11	(5)
Total other comprehensive income	2,467	(2,118)

(Notes to the Statement of Changes in Consolidated Shareholders' Equity)
Year ended March 31, 2015 (April 1, 2014–March 31, 2015)

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

	Beginning of the fiscal year (thousands of shares)	Increase during the fiscal year (thousands of shares)	Decrease during the year (thousands of shares)	End of the fiscal year (thousands of shares)
Issued shares				
Common stock	155,199	—	—	155,199
Total	155,199	—	—	155,199
Treasury stock				
Common stock	40,321	2	686	39,637
Total	40,321	2	686	39,637

(Notes) 1. The increase of 2 thousand common shares of treasury stock was the purchase of shares comprising less than one share unit.

2. The decrease of 686 thousand common shares of treasury stock included a decrease of 347 thousand shares due to the exercise of stock options, the sale of 339 thousand shares to the TOKAI Group Employee Shareholding Association for the employee shareholding association type ESOP, and a decrease of 0 thousand shares for transfers of shares comprising less than one share unit.

3. The number of common shares of treasury stock includes 509 thousand of the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as of the end of the fiscal year under review.

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

Classification	Breakdown of subscription rights to shares	Class of shares subject to subscription rights to shares	Number of shares subject to subscription rights				Balance at end of fiscal year (millions of yen)
			Beginning of fiscal year	Increase during fiscal year	Decrease during fiscal year	End of fiscal year	
Submitting company (Parent company)	Subscription rights to shares as stock options	—	—	—	—	—	260
Total		—	—	—	—	—	260

3. Dividends

(1) Dividend Payments

(Resolution)	Class of shares	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Resolution at regular general shareholders meeting on June 27, 2014	Common stock	714	6.0	March 31, 2014	June 30, 2014
Board of Directors resolution on October 30, 2014	Common stock	714	6.0	September 30, 2014	November 28, 2014

(Notes) 1. The total common-stock dividend of 714 million yen resolved at the regular general meeting of shareholders on June 27, 2014, includes dividends of 20 million yen related to the Company's shares held by consolidated subsidiaries and dividends of 5 million yen related to the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E).

2. The total common-stock dividend of 714 million yen resolved by the Board of Directors on September 30, 2014, includes dividends of 20 million yen related to the Company's shares held by consolidated subsidiaries and 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 26, 2015	Common stock	716		6.0	March 31, 2015	June 29, 2015

(Note) The total common-stock dividend of 716 million yen includes dividends of 20 million yen related to the Company's shares held by consolidated subsidiaries and dividends of 3 million yen related to the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E).

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

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

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

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

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

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

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

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

3. Dividends

(1) Dividend Payments

(Resolution)	Class of shares	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Resolution at regular general shareholders meeting on June 26, 2015	Common stock	716	6.0	March 31, 2015	June 29, 2015
Board of Directors resolution on October 29, 2015	Common stock	716	6.0	September 30, 2015	November 30, 2015

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

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

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

(Resolution)	Class of shares	Total dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Resolution at regular general shareholders meeting on June 24, 2016	Common stock	905	Retained earnings	8.0	March 31, 2016	June 27, 2016

(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, 2015 (April 1, 2014–March 31, 2015)	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)
Cash and deposit accounts	2,861 million yen	4,077 million yen
Time deposits with a deposit period exceeding three months	(40) million yen	(33) million yen
Cash and cash equivalents	2,821 million yen	4,044 million yen

2. Significant non-cash transactions

Assets and liabilities related to finance lease transactions

	Year ended March 31, 2015 (April 1, 2014–March 31, 2015)	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)
Assets and liabilities related to finance lease transactions	3,017 million yen	2,865 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 among 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 among other businesses.

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

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

The Aqua segment produces and sells drinking water, among 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 those 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 year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reportable segments						Others[1]	Total	Adjust-ments[2]	Amount in consoli-dated statements of income[3]
	Gas and Petroleum	Building and Real Estate	CATV	Information and Communi-cations	Aqua	Subtotal				
Sales										
Sales to external customers	93,067	20,019	24,359	40,118	4,959	182,523	4,987	187,511	—	187,511
Intersegment sales and transfers	168	1,915	865	3,317	102	6,369	204	6,573	(6,573)	—
Total	93,236	21,935	25,224	43,435	5,062	188,893	5,191	194,084	(6,573)	187,511
Segment income (loss)	5,549	495	862	3,486	(1,448)	8,946	(386)	8,560	443	9,003
Segment assets	66,797	23,215	36,348	27,463	4,850	158,676	4,855	163,531	2,170	165,702
Other items										
Depreciation	4,239	510	6,310	2,411	772	14,244	206	14,450	409	14,860
Goodwill amortization	816	—	1,092	459	—	2,368	0	2,369	—	2,369
Increase in property, plant and equipment and intangible assets	3,998	1,352	3,322	2,789	697	12,159	268	12,427	163	12,590

(Note) 1. The “Others” category is a business segment not included in the reportable segments. This category includes businesses such as weddings, ship repair, insurance, and nursing care.

2. Adjustments are as follows.

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

(2) Upward adjustments in segment assets; depreciation; property, plant and equipment; and intangible assets are due to increases in company-wide 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 year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of yen)

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

(Note) 1. The “Others” category is a business segment not included in the reportable segments. This category includes businesses such as weddings, ship repair, insurance and nursing care.
2. Adjustments are as follows.
(1) Adjustments to segment income (loss) are eliminations due to intersegment transactions.
(2) Upward adjustments in segment assets; depreciation; property, plant and equipment; and intangible assets are due to increases in companywide assets; depreciation; property, plant and equipment; and intangible assets that are not allocated to individual reportable segments.
3. Segment income (loss) is adjusted to match operating profit in the consolidated statements of income.

b. Reference Information

For the year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

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

1. Information by Product/Service

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

2. Information by Region

(1) Sales

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

(2) Property, Plant and Equipment

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

3. Information by Major Customer

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

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

For the year ended March 31, 2015 (From April 1, 2014 to March 31, 2015) (Millions of yen)

	Gas and Petroleum	Building and Real Estate	CATV	Information and Communi-cations	Aqua	Others	Corporate or elimination	Total
Impairment loss	—	219	61	—	—	—	—	280

For the year ended March 31, 2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)

	Gas and Petroleum	Building and Real Estate	CATV	Information and Communi-cations	Aqua	Others	Corporate or elimination	Total
Impairment loss	340	149	—	137	14	51	—	693

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

For the year ended March 31, 2015 (From April 1, 2014 to March 31, 2015) (Millions of yen)

	Gas and Petroleum	Building and Real Estate	CATV	Information and Communi-cations	Aqua	Others	Corporate or elimination	Total
Amortization for the year ended Mar. 31, 2015	816	—	1,092	459	—	0	—	2,369
Balance on Mar. 31, 2015	1,202	—	6,539	528	—	0	—	8,270

For the year ended March 31, 2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)

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

e. Information on Negative Goodwill Generated for Each Reportable Segment

For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

None

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

None

(Omissions from Disclosure)

Notes concerning lease transactions, related party information, tax-effect accounting, financial products, available-for-sale securities, derivative transactions, defined benefits, stock options, corporate combinations, asset retirement obligations, and lease real estate are omitted from disclosure, as the Company does not consider their disclosure to be of major importance to this presentation of financial results.

(Per-Share Information)

	Year ended March 31, 2015 (April 1, 2014–March 31, 2015)	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)
Net assets per share (yen)	368.15	362.77
Net income per share (yen)	34.16	30.01
Diluted net income per share (yen)	34.12	26.89

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

	Year ended March 31, 2015 (April 1, 2014–March 31, 2015)	Year ended March 31, 2016 (April 1, 2015–March 31, 2016)
Net income per share		
Net income attributable to owners of the parent (millions of yen)	3,934	3,458
Amounts not attributable to ordinary shareholders (millions of yen)	—	—
Net income for common stock attributable to owners of the parent (millions of yen)	3,934	3,458
Average number of shares of common stock outstanding during the period (thousands of shares)	115,163	115,237
Net income per share (diluted)		
Adjusted net income attributable to owners of the parent (millions of yen)	—	—
Increase in common stock (thousands of shares)	142	13,383
Overview of dilutive shares omitted from the calculation of diluted net income per share as they have no dilutive effect	No. 5 subscription rights to shares and No. 6 subscription rights to shares	—

2. The number of shares of common stock at fiscal year-end used in the calculation of net assets per share excludes the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) (509,800 shares as of March 31, 2015, 0 shares as of March 31, 2016). Also, the average number of shares of common stock used in the calculation of net income per share excludes the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) (682,470 shares for the year ended March 31, 2015, 120,833 shares for the year ended March 31, 2016).

(Important Subsequent Events)

No items to report

6. Non-Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen)

	Year Ended March 31, 2015	Year Ended March 31, 2016
Assets		
Current assets		
Cash and deposits	245	2,172
Accounts receivable from subsidiaries and associates–trade	395	410
Supplies	58	9
Prepaid expenses	24	19
Deferred tax assets	138	65
Short-term loans receivable from subsidiaries and associates	23,718	25,415
Other	318	499
Allowance for doubtful accounts	(550)	(260)
Total current assets	24,349	
Non-current assets		
Property, plant and equipment		
Buildings	6	6
Tools, furniture and fixtures	17	20
Land	—	26
Leased assets	83	61
Construction in progress	—	370
Total property, plant and equipment	107	485
Intangible assets		
Software	606	454
Leased assets	690	596
Other	2	58
Total intangible assets	1,299	1,109
Investments and other assets		
Shares of subsidiaries and associates	35,219	34,860
Investments in capital of subsidiaries and associates	0	112
Long-term loans receivable from subsidiaries and associates	38,985	37,213
Long-term prepaid expenses	0	0
Deferred tax assets	47	157
Other	33	34
Total investments and other assets	74,285	72,378
Total non-current assets	75,693	73,974
Deferred assets		
Bond issuance cost	19	30
Total deferred assets	19	30
Total assets	100,062	102,334

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Liabilities		
Current liabilities		
Short-term loans payable	18,350	15,350
Current portion of long-term loans payable	12,033	11,987
Current portion of bonds	758	758
Lease obligations	267	273
Accounts payable–other	345	345
Accrued expenses	40	38
Income taxes payable	77	5
Accrued consumption taxes	78	21
Deposits received	157	212
Deposits received from subsidiaries and associates	2,949	5,651
Provision for bonuses	25	28
Provision for directors' bonuses	29	33
Provision for loss on guarantees	242	—
Provision for point card certificates	111	142
Other	202	161
Total current liabilities	35,668	35,009
Non-current liabilities		
Bonds payable	1,742	984
Convertible bonds with stock acquisition rights	—	10,000
Long-term loans payable	33,690	30,972
Lease obligations	518	393
Provision for retirement benefits	34	30
Other	311	149
Total non-current liabilities	36,296	42,530
Total liabilities	71,964	77,540
Net assets		
Shareholders' equity		
Capital stock	14,000	14,000
Capital surplus		
Legal capital surplus	3,500	3,500
Other capital surplus	18,512	13,906
Total capital surplus	22,012	17,406
Retained earnings		
Other retained earnings		
Retained earnings brought forward	2,877	2,822
Total retained earnings	2,877	2,822
Treasury stock	(11,053)	(9,643)
Total shareholders' equity	27,836	24,586
Stock acquisition rights	260	208
Total net assets	28,097	24,794
Total liabilities and net assets	100,062	102,334

(2) Statements of Income

(Millions of yen)

	Year Ended March 31, 2015	Year Ended March 31, 2016
Operating revenue		
Fiduciary obligation fee	521	441
Management fee income	3,253	3,294
Interest income	631	631
Dividend income	1,695	1,823
Other operating revenue	13	13
Total operating revenue	6,116	6,204
Operating expenses		
Financial expenses	530	491
Selling, general and administrative expenses	3,528	3,890
Total operating expenses	4,058	4,382
Operating profit	2,057	1,821
Non-operating profit		
Other	32	27
Total non-operating profit	32	27
Non-operating expenses		
Interest expenses	63	50
Reversal of provision for loss on guarantees	242	—
Other	9	12
Total non-operating expenses	315	63
Recurring profit	1,774	1,785
Extraordinary income		
Gain on sales of non-current assets	0	—
Subsidy income	92	67
Total extraordinary income	92	67
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	474	495
Total extraordinary losses	474	495
Income before income taxes	1,392	1,357
Income taxes (current)	248	16
Income taxes (deferred)	(106)	(36)
Total income taxes	141	(20)
Net income	1,250	1,377

(3) Statement of Changes in Shareholders' Equity

Year ended March 31, 2015 (April 1, 2014–March 31, 2015)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings	Treasury stock	Total share-holders' equity
Balance at beginning of period	14,000	3,500	18,415	21,915	3,064	3,064	(11,246)	27,732
Cumulative impact of changes in accounting policies					(7)	(7)		(7)
Balance at beginning of period, reflecting changes in accounting policies	14,000	3,500	18,415	21,915	3,056	3,056	(11,246)	27,725
Change during the year								
Cash dividends from retained earnings					(1,429)	(1,429)		(1,429)
Net income					1,250	1,250		1,250
Acquisition of treasury shares							(1)	(1)
Disposition of treasury shares			97	97			193	291
Cancellation of treasury shares								—
Increase by share exchanges								—
Net change in items other than shareholders' equity								
Total change during the year	—	—	97	97	(178)	(178)	192	111
Balance at end of period	14,000	3,500	18,512	22,012	2,877	2,877	(11,053)	27,836

	Subscription rights to shares	Total net assets
Balance at beginning of period	318	28,051
Cumulative impact of changes in accounting policies		(7)
Balance at beginning of period, reflecting changes in accounting policies	318	28,043
Change during the year		
Cash dividends from retained earnings		(1,429)
Net income		1,250
Acquisition of treasury shares		(1)
Disposition of treasury shares		291
cancellation of treasury shares		—
Increase by share exchanges		—
Net change in items other than shareholders' equity	(57)	(57)
Total change during the year	(57)	54
Balance at end of period	260	28,097

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

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	14,000	3,500	18,512	22,012	2,877	2,877	(11,053)	27,836
Cumulative impact of changes in accounting policies								—
Balance at beginning of period, reflecting changes in accounting policies	14,000	3,500	18,512	22,012	2,877	2,877	(11,053)	27,836
Change during the year								
Cash dividends from retained earnings					(1,432)	(1,432)		(1,432)
Net income					1,377	1,377		1,377
Acquisition of treasury shares							(3,645)	(3,645)
Disposition of treasury shares			96	96			263	360
Cancellation of treasury shares			(4,740)	(4,740)			4,740	—
Increase by share exchanges			37	37			51	89
Net change in items other than shareholders' equity								
Total change during the year	—	—	(4,605)	(4,605)	(55)	(55)	1,410	(3,250)
Balance at end of period	14,000	3,500	13,936	17,406	2,822	2,822	(9,643)	24,586

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

7. Other

(1) Changes in Executive Positions

1) Changes in President & CEO
No items to report

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

1. Candidate for new director appointment
Kazuhiro Maruyama, Director (Managing Executive Officer)

2. Director scheduled to step down
Masahiko Takada, Director