



Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2018 [Japanese GAAP]

August 4, 2017

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

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the Three-months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)

(1) Consolidated Operating Results (cumulative)

(% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Quarterly Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three-months Ended June 30, 2017	42,531	2.2	2,152	(25.0)	2,204	(24.0)	1,182	(33.1)
Three-months ended June 30, 2016	41,618	(2.5)	2,870	68.0	2,900	75.9	1,766	147.2

(Note) Comprehensive income: 6,884 million yen in the Three-months Ended June 30, 2017 (526.8%)
 1,098 million yen in the Three-months ended June 30, 2016 (-50.9%)

	Quarterly Net Income per Share	Quarterly Net Income per Share (Diluted)
	Yen	Yen
Three-months Ended June 30, 2017	9.33	8.99
Three-months ended June 30, 2016	15.60	13.51

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Three-months Ended June 30, 2017	157,848	55,511	34.6
Year ended March 31, 2017	161,112	54,446	34.5

(Reference) Equity: 54,678 million yen for the Three-months Ended June 30, 2017
 55,678 million yen for the year ended March 31, 2017

2. Dividends

	Annual Dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	—	11.00	—	17.00	28.00
Year ending March 31, 2018	—				
Year ending March 31, 2018 (Forecast)		14.00	—	14.00	28.00

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

(Note) The breakdown of the year-ended March 31, 2017 dividend were ordinary dividend of 11 yen and commemorative dividend of 6 yen.

Capital surplus is included in dividend resources for fiscal 2016. For details, please refer to "Breakdown of dividends with capital surplus as dividend fund" below.

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)
 (% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Net Income Attributable to Owners of the Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2017	86,000	4.6	2,710	(38.5)	2,650	(40.2)	1,080	(54.7)	8.52
Year ending March 31, 2018	189,400	6.0	11,410	(10.5)	11,360	(11.1)	6,450	(12.1)	50.88

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

*Notes

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

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

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

1) Changes in accounting policies accompanying revisions in accounting standards, etc.: No

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

3) Changes in accounting estimates: No

4) Restatements: No

(4) Number of shares issued (common stock)

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

Q1 FY3/2018	139,679,977 shares	FY3/2017	139,679,977 shares
Q1 FY3/2018	12,912,680 shares	FY3/2017	12,915,785 shares
Q1 FY3/2018	126,765,243 shares	Q1 FY3/2017	113,241,238 shares

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

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

(Note) Board benefit trust shares(BBT) is included in the number of year-end treasury stock.(416,600 stocks at Q1 FY3/2018, 420,000 stocks at FY3/2017) And the company shares held in ESOP trust accounts are included in the treasury stock, which is subtracted from calculations of the average number of shares during the period (418,841 shares for the Three-months Ended June 30, 2017; 0 shares for the Three-months Ended June 30, 2016).

* Quarterly financial results not covered by quarterly review

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

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

Breakdown of dividends with capital surplus as dividend resource

Of the dividends for the fiscal year ending March 31, 2017, the breakdown of dividends for capital surplus as dividend is as follows.

Reference date	Year-Ended	Total
Dividend per share (Yen)	0.79	0.79
Total dividends (Millions of yen)	100	100

(Note) Reduction ratio of net assets 0.003

[Attachment]

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

(1) Explanation of Consolidated Operating Performance

In the three months ended June 30, 2017, the Japanese economy was on a gradual recovery trend, with an upturn in personal consumption and some improvement in employment conditions, but the general economic outlook remains clouded due to uncertainties in overseas economies, such as the U.S. monetary policy and the risk of weaker-than-expected performance of emerging economies in Asia.

In May 2017, the TOKAI Group disclosed Innovation Plan 2020 “JUMP,” its new medium-term management plan whose final year will be fiscal year ending March 31, 2021. It also announced its growth strategies for achieving the targets outlined in the plan. In addition to making progress with existing priorities such as increasing the number of continuing customers and capturing cross-selling opportunities based on the Total Life Concierge (TLC) concept, the Group intends to attain plan targets through initiatives including service area expansions to broaden sales channels, M&A activities targeting companies synergistic with existing businesses, and advancement into new business areas, and the Group has started taking measures to this end.

Under these conditions, in the three months ended June 30, 2017, the Group booked sales of 42,531 million yen (up 2.2% year-on-year) mainly due to an increase in continuing customers. However, a rise in costs to acquire customers and prevent contract cancellations among other factors affected profits, and the Group posted operating profit of 2,152 million yen (down 25.0%), recurring profit of 2,204 million yen (down 24.0%), and quarterly net income attributable to owners of the parent of 1,182 million yen (down 33.1%).

As of June 30, 2017, the number of continuing customers was 2,570 thousand (up six thousand from March 31, 2017), and members of the TLC Membership Service numbered 613 thousand (up 28 thousand).

Performance by segment was as follows.

(Gas and Petroleum)

In the liquefied petroleum gas (LP gas) business, in the three months ended June 30, 2017, the Group engaged in efforts to attract new customers and prevent existing customers from switching suppliers amid intensifying competition. As a result, the number of customers rose by three thousand from March 31, 2017, to 591 thousand and LP gas sales volume was flat year-on-year. Consequently, sales of the LP gas business came to 14,679 million yen (down 0.1% year-on-year).

In the city gas business, the number of customers was 54 thousand, unchanged from the level as of March 31, 2017, but sales fell 2.5% year-on-year to 2,712 million yen due to a decline in industrial use and other factors.

As a result, segment sales came to 17,392 million yen (down 0.5% year-on-year), and operating profit was 722 million yen (down 56.0%).

(Building and Real Estate)

In the Building and Real Estate business, although revenue from housing sales and number of properties managed under building management support services increased, sales of solar power equipment was down year-on-year. As a result, segment sales were 3,617 million yen (up 5.9% year-on-year) and the operating loss was 51 million yen (compared with an operating loss of 45 million yen in the corresponding period of the previous year).

(CATV)

In the CATV business, we worked on measures to increase customer satisfaction such as sales of set discount offerings for broadcasting and communications, in addition to smartphone set discounts through alliances with major mobile phone carriers. These measures helped us acquire new customers and prevent existing customers from switching to competitors. We also stepped up efforts at call centers to prevent contract cancellation.

As a result of these measures, subscribers to the broadcasting service increased by two thousand from March 31, 2017, to 510 thousand and subscribers to telecommunications services increased by three thousand from March 31, 2017, to 229 thousand.

Due to an increase in subscribers, segment sales totaled 6,406 million yen (up 2.6% year-on-year), and operating profit

was 751 million yen (up 22.1%).

(Information and Communications Service)

In the broadband business for individual customers, we worked to acquire new customers and also actively encouraged existing customers to switch to Hikari Collaboration services. As a result, the number of Hikari Collaboration customers increased by 11 thousand from March 31, 2017, to 310 thousand. However, the total number of FTTH customers fell by seven thousand to 713 thousand due to increased competition from major mobile phone carriers. This, combined with contract cancellations by ADSL and other customers, led to a decrease of 10 thousand broadband customers to 784 thousand. The number of customers of our LIBMO MVNO service launched in February 2017 came to eight thousand as of June 30, 2017. As a result, segment sales totaled 7,869 million yen (up 1.7% year-on-year).

For corporate customers, growth of businesses with recurring revenue such as cloud services and an increase in orders for systems development led to a 13.3% year-on-year increase in sales to 4,577 million yen.

Due to these factors, segment sales came to 12,447 million yen (up 5.7% year on year), but operating profit was 457 million yen (down 28.0%) due to an increase in promotional spending on the MVNO business.

(Aqua)

In the Aqua business, the Company pushed forward with customer acquisition activities for the “The gift of delicious water: Ulunom” brand, mainly targeting large-scale commercial facilities at metropolitan areas nationwide, and succeeded in increasing the number of Aqua customers to 138 thousand, up by three thousand from March 31, 2017.

As a result, segment sales came to 1,456 million yen (up 2.2% year-on-year), and operating profit was 0 million yen (compared with an operating loss of 30 million yen in the same period of the preceding fiscal year).

(Others)

In the nursing care business, an increase in the number of users led to sales of 245 million yen (up 16.7% year-on-year). In the ships business, sales were up 6.1% year-on-year to 393 million yen on an increase in the number of ships repaired. In the bridal events business, sales were down 24.8% year-on-year to 380 million yen due to the closure of wedding venue Vrai Cloche Bouquet Tokai Mishima at the end of March 2017.

Due to these factors, segment sales came to 1,211 million yen (down 5.1% year-on-year), but operating profit was 77 million yen (up 208.7%).

(2) Explanation of Consolidated Financial Condition

1) Assets, Liabilities, and Net Assets

Total assets amounted to 157,848 million yen as of June 30, 2017, down by 3,263 million yen from March 31, 2017. This decline was mainly attributable to a 3,870 million yen decrease in notes and accounts receivable–trade stemming from seasonal factors.

Total liabilities were 102,337 million yen, down 2,328 million yen from March 31, 2017. This was primarily due to a decrease of 2,445 million yen in notes and accounts payable–trade stemming from seasonal factors.

As of June 30, 2017, net assets totaled 55,511 million yen, down 934 million yen from March 31, 2017. This was primarily due to the recording of 1,182 million yen in quarterly net income attributable to owners of the parent and a decrease of 2,162 million yen due to distribution of retained earnings.

2) Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) at June 30, 2017 totaled 2,829 million yen, down 281 million yen from March 31, 2017.

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

(Cash flows from operating activities)

Net cash provided by operating activities was 4,851 million yen (down 3,391 million yen year-on-year). Funds increased chiefly due to quarterly net income before income taxes and the effect of depreciation and amortization expenses (non-cash items).

Cash flows from operating activities decreased substantially year on year. This was mainly due to an increase in income tax payments and other factors.

(Cash flows from investing activities)

Net cash used in investing activities was 2,870 million yen (down 415 million yen year-on-year). Cash was used mainly for the acquisition of tangible and intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 2,262 million yen (up 3,954 million yen year-on-year). Cash was mainly used for the payment of dividends.

Additionally, cash flows from financing activities increased substantially year on year. This was mainly due to an increase in short-term borrowings.

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

Earnings results for the three months ended June 30, 2017 were generally in line with forecasts, and the Group maintains its consolidated earnings forecasts for the fiscal year ending March 31, 2018, announced on May 9, 2017.

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

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2017	Three Months Ended June 30, 2017
Assets		
Current assets		
Cash and deposits	3,239	2,963
Notes and accounts receivable—trade	22,838	18,967
Merchandise and finished goods	3,676	3,743
Work in process	645	597
Raw materials and supplies	737	704
Other	7,789	9,206
Allowance for doubtful accounts	(332)	(321)
Total current assets	38,594	35,862
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	33,718	32,980
Machinery, equipment and vehicles, net	21,848	21,520
Land	22,634	22,664
Other, net	15,446	15,738
Total property, plant and equipment	93,647	92,904
Intangible assets		
Goodwill	5,861	5,659
Other	5,127	5,086
Total intangible assets	10,988	10,746
Investments and other assets		
Net defined benefit asset	2,397	2,413
Other	15,895	16,393
Allowance for doubtful accounts	(432)	(490)
Total investments and other assets	17,860	18,316
Total non-current assets	122,496	121,967
Deferred assets	21	18
Total assets	161,112	157,848

(Millions of yen)

	Fiscal Year Ended March 31, 2017	Three Months Ended June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable—trade	14,779	12,334
Short-term loans payable	22,912	25,785
Current portion of bonds	578	578
Income taxes payable	3,484	1,093
Accruals	1,695	220
Other	17,854	20,772
Total current liabilities	61,304	60,783
Non-current liabilities		
Bonds payable	406	406
Convertible bonds with stock acquisition rights	2,800	2,800
Long-term loans payable	27,440	25,397
Accruals	101	100
Net defined benefit liability	364	371
Other	12,249	12,478
Total non-current liabilities	43,361	41,553
Total liabilities	104,665	102,337
Net assets		
Shareholders' equity		
Capital stock	14,000	14,000
Capital surplus	24,286	24,187
Retained earnings	15,048	14,168
Treasury stock	△3,285	△3,285
Total shareholders' equity	50,048	49,071
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,126	2,554
Deferred gains (losses) on hedges	720	339
Foreign currency translation adjustment	△9	△9
Remeasurement of defined benefit plans	2,768	2,721
Total accumulated other comprehensive income	5,605	5,606
Non-controlling interests	791	833
Total net assets	56,446	55,511
Total liabilities and net assets	161,112	157,848

(2) Quarterly Consolidated Statements of Income, Consolidated Statements of Comprehensive Income
 (Quarterly Consolidated Statements of Income)
 (Three Months Ended June 30, 2017)

	(Millions of yen)	
	Three Months Ended June 30, 2016 (April 1, 2016 to June 30, 2016)	Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)
Sales	41,618	42,531
Cost of sales	24,219	24,897
Gross profit	17,398	17,633
Selling, general and administrative expenses	14,528	15,481
Operating profit	2,870	2,152
Non-operating profit		
Interest income	3	2
Dividend income	95	106
Commission fee	21	23
Other	97	66
Total non-operating profit	217	198
Non-operating expenses		
Interest expenses	146	114
Other	41	32
Total non-operating expenses	187	147
Recurring profit	2,900	2,204
Extraordinary income		
Gain on sales of non-current assets	1	0
Transmission line facility subsidies	2	18
Subsidy income	2	-
Total extraordinary income	6	19
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	146	259
Bad debt losses	-	15
Total extraordinary losses	146	274
Quarterly net income before income taxes	2,761	1,948
Income taxes (current)	1,248	958
Income taxes (deferred)	△274	△217
Total income taxes	973	741
Quarterly net income	1,788	1,207
Quarterly net income attributable to non-controlling interests	21	25
Quarterly net income attributable to owners of the parent	1,766	1,182

(Consolidated Statements of Comprehensive Income)

(Three Months Ended June 30, 2017)

(Millions of yen)

	Three Months Ended June 30, 2016 (April 1, 2016 to June 30, 2016)	Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)
Quarterly net income	1,788	1,207
Other comprehensive income		
Valuation difference on available-for-sale securities	(271)	427
Deferred gains (losses) on hedges	(133)	(381)
Foreign currency translation adjustment	(8)	(1)
Remeasurement of defined benefit plans, net of tax	(38)	(46)
Share of other comprehensive income of entities accounted for using the equity method	(6)	2
Total other comprehensive income	(459)	0
Quarterly comprehensive income	1,329	1,207
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	1,307	1,182
Quarterly comprehensive income attributable to non- controlling interests	21	24

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three Months Ended June 30, 2016 (April 1, 2016 to June 30, 2016)	Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)
Cash flows from operating activities		
Quarterly net income before income taxes	2,761	1,948
Depreciation	3,587	3,502
Amortization of goodwill	302	293
Increase (decrease) in provision for bonuses	(1,234)	(1,244)
Increase (decrease) in net defined benefit asset and liability	(57)	(75)
Interest and dividend income	(98)	(108)
Interest expenses	146	114
(Gain) loss on sales of non-current assets	(1)	(0)
Loss on retirement of non-current assets	146	259
(Increase) decrease in notes and accounts payable	3,488	4,207
(Increase) decrease in inventories	(345)	(10)
Increase (decrease) in notes and accounts payable—trade	(1,510)	(2,451)
Increase (decrease) in accrued consumption taxes	(45)	37
Increase (decrease) in deposits received	2,643	2,724
Other	435	(170)
Subtotal	10,216	9,024
Income taxes paid	(1,973)	(4,173)
Net cash provided by (used in) operating activities	8,242	4,851
Cash flows from investing activities		
Interest and dividend income received	112	131
Purchase of securities	(2)	(3)
Purchase of tangible and intangible assets	(2,600)	(3,065)
Proceeds from sales of tangible and intangible assets	37	66
Collection of loans receivable	21	7
Other	(23)	(7)
Net cash provided by (used in) investing activities	(2,454)	(2,870)
Cash flows from financing activities		
Interest expenses paid	(138)	(110)
Net increase (decrease) in short-term loans payable	(1,125)	3,500
Repayments of lease obligations リース債務の返済による支出	(1,006)	(950)
Proceeds from long-term loans payable		
Repayment of long-term loans payable	(3,224)	(2,670)
Proceeds from share issuance to non-controlling shareholders	—	20
Payments for redemption of bonds payable	—	20
Payments for acquisition of treasury stock	(0)	(0)
Proceeds from disposal of treasury shares	131	0
Cash dividends paid	(848)	(2,045)
Other	(5)	(5)
Net cash provided by (used in) financing activities	(6,216)	(2,262)
Effect of exchange rate change on cash and cash equivalents	(1)	(0)

Net increase (decrease) in cash and cash equivalents	(430)	(281)
Cash and cash equivalents at beginning of period	4,044	3,111
Cash and cash equivalents at end of period	3,614	2,829

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Additional Information)

(Board Benefit Trust (BBT))

(1) Overview of Transactions

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

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

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

(2) Company stock remaining in the trust

The Company is recording Company stock which remains in the trust as treasury stocks under net assets at book value (excluding attached expenses). The book value of such Company stocks was 261 million yen as of March 31, 2017, 258 million yen as of June 30 2017. The number of stock was 420 thousand shares as of March 31, 2017, 416 thousand shares as of June 30, 2017.

(Segment Information, etc.)

[Segment Information]

I. Three Months Ended June 30, 2016 (April 1, 2016 to June 30, 2016)

Sales and Income of Losses by Reportable Segment

(Millions of yen)

	Reportable segments						Other ¹	Total	Adjustments ²	Amount in quarterly consolidated statements of Income ³
	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Subtotal				
Sales										
Sales to external customers	17,479	3,414	6,241	11,780	1,424	40,341	1,277	41,618	—	41,618
Intersegment sales and transfers	72	679	198	635	6	1,591	50	1,641	(1,641)	—
Subtotal	17,551	4,094	6,440	12,415	1,431	41,932	1,327	43,260	(1,641)	41,618
Segment income (loss)	1,643	(45)	615	636	(30)	2,819	25	2,844	26	2,870

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

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

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

II. Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)

Sales and Income of Losses by Reportable Segment

(Millions of yen)

	Reportable segments						Other ¹	Total	Adjustments ²	Amount in quarterly consolidated statements of Income ³
	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Subtotal				
Sales										
Sales to external customers	17,392	3,617	6,406	12,447	1,456	41,319	1,211	42,531	—	42,531
Intersegment sales and transfers	35	307	196	708	6	1,253	48	1,302	(1,302)	—
Subtotal	17,427	3,925	6,603	13,155	1,462	42,573	1,260	43,833	(1,302)	42,531
Segment income (loss)	722	(51)	751	457	0	1,880	77	1,957	194	2,152

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

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

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