



Consolidated Financial Results for the Year ended March 31, 2020 [Japanese GAAP]

May 8, 2020

Company name: TOKAI Holdings Corporation Stock listing: Tokyo Stock Exchange
 Stock code: 3167 URL: <http://tokaiholdings.co.jp>
 Representative: Katsukiho Tokita, President & CEO
 Contact: Junichi Yamada, Managing Executive Officer, General Manager of Administrative Headquarters
 Telephone: +81-54-275-0007
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 Quarterly financial results briefing: Yes (Institutional Investors only)

(Figures are rounded to the nearest million yen)

1. Consolidated financial results for the year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(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, 2020	195,952	2.3	14,224	8.9	14,479	9.2	8,241	6.0
Year ended March 31, 2019	191,600	3.0	13,057	19.0	13,259	18.5	7,772	17.4

(Note) Comprehensive income: 5,834 million yen in the Year ended March 31, 2020 (-4.8%)

6,127 million yen in the Year ended March 31, 2019 (-3.9%)

	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, 2020	62.93	-	13.0	8.6	7.3
Year ended March 31, 2019	59.36	-	12.6	7.9	6.8

(Reference) Equity in affiliates accounted for under the equity method: 85 million yen for the ended March 31, 2020

4 million yen for the ended March 31, 2019

(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, 2020	169,972	65,982	38.0	493.26
Year ended March 31, 2019	167,606	63,894	37.4	478.26

(Reference) Equity: 64,595 million yen for the Year ended March 31, 2020

62,627 million yen for the Year ended March 31, 2019

(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, 2020	22,535	(12,131)	(10,375)	4,046
Year ended March 31, 2019	21,605	(12,443)	(8,147)	4,018

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, 2019	—	14.00	—	14.00	28.00	3,678	47.2	6.0
Year ending March 31, 2020	—	14.00	—	14.00	28.00	3,678	44.5	5.8
Year ending March 31, 2021 (Forecast)	—	14.00	—	14.00	28.00		43.3	

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Net Income Attributable to Owners of the Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2021	205,300	4.8	15,000	5.5	14,870	2.7	8,460	2.7	64.60

(Note) The consolidated business forecast for the fiscal year ending March 2021 is not included the impact of the coronavirus infections on business performance because it is currently difficult to reasonably predict its influence. For details, please refer to “1. Overview of business performance, future outlook”.

*Notes

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

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

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

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

3) Changes in accounting estimates: No

4) Restatements: No

(3) Number of shares issued (common stock)

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

FY2020	139,679,977 shares	FY2019	139,679,977 shares
FY2020	8,722,345 shares	FY2019	8,731,411 shares
FY2020	130,954,838 shares	FY2019	130,947,058 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. (400,700 stocks at FY3/2020, 410,800 stocks at FY3/2019) For treasury shares to be deducted in calculation of the average number of shares during the fiscal year, the Company's shares (404,039 stocks at FY3/2020, 412,722 stocks at FY3/2019) owned by the BBT are included.

(Reference) Overview of Non-Consolidated Operating Performance

Operating Performance for the Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Non-Consolidated Operating Results

(% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2020	9,028	(13.4)	4,106	(22.3)	4,119	(22.2)	4,026	(24.4)
Year ended March 31, 2019	10,420	(21.1)	5,287	(35.9)	5,295	(35.8)	5,325	(33.0)

	Net Income per Share	Net Income per Share (Diluted)
	Yen	Yen
Year ended March 31, 2020	30.75	-
Year ended March 31, 2019	40.67	-

(2) Non-Consolidated financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2020	97,290	40,339	41.5	308.03
Year ended March 31, 2019	97,232	39,985	41.1	305.35

(Reference) Equity: 40.339 million yen for the Year ended March 31, 2020
39,985 million yen for the Year ended March 31, 2019

*Information Regarding Execution of Quarterly Review Procedures

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

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

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

[Attachment]

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1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results

Consolidated operating results for the fiscal year under review

During the fiscal year ended March 31, 2020, the Japanese economy was on a path of gradual recovery with employment and income environments improving until the middle of the year. However, the future path of the economy is currently uncertain due to dropoff in personal consumption following the consumption tax hike in October 2019 and increasingly serious impact from the novel coronavirus pandemic, which extended through the end of the year.

Under these conditions, the TOKAI Group closed the books on the fiscal year ended March 31, 2020, the third year of its four-year medium-term management plan, Innovation Plan 2020 “JUMP”. The Group conducted business by implementing strategies aimed at expanding its earnings base, including new customer acquisition and M&A in existing businesses and participation in new businesses. The Group continued to implement these strategies under two themes; achieving its vision of becoming a Total Life Concierge (TLC)*¹ and ABCIR+S*².

In the fiscal year ended March 31, 2020, with the success of measures to acquire new customers and increase orders, the Group booked sales of 195,952 million yen (+2.3% year on year) and posted significant growth in all profit categories, with operating profit of 14,224 million yen (+8.9% year on year), recurring profit of 14,479 million yen (+9.2% year on year), and net income attributable to owners of the parent of 8,241 million yen (+6.0% year on year). Sales reached a record high for the third consecutive year and all profit lines hit record highs for the second consecutive year.

As of March 31, 2020, the number of continuing customers rose by 101,000 from March 31, 2019, to 3,003,000, and members of the TLC Membership Service increased by 91,000 to 896,000.

During the fiscal year under review, through its Gas and Petroleum business, the Group acquired shares in Isesaki Gas Co., Ltd. (Isesaki, Gunma Prefecture), which operates city gas and LP gas businesses, in April 2019, converting it into an equity-method affiliate and subsequently forming a business alliance in August of the same year. Additionally, the Group established Nikaho Gas Corporation (Nikaho, Akita Prefecture) in August 2019 and began making preparations to take over city gas operations from the city of Nikaho. Furthermore, in October 2019, the Group collaborated with TEPCO Energy Partner, Inc. to establish T&T Energy Co., Ltd., thereby entering the city gas retail business in the Chukyo metropolitan area surrounding Nagoya, Aichi Prefecture.

Through its Building and Real Estate business, the Group converted Nissan Tri Star Construction, Inc. (Gero, Gifu Prefecture) into a consolidated subsidiary in September 2019. Using Nissan Tri Star Construction, which runs a strong community-based general construction business, as a starting point, the Group has begun endeavoring to expand its own general construction business in the Chukyo metropolitan area.

Through its CATV business, the Group expanded its operating area in Shizuoka Prefecture by acquiring Shioya Limited's (Mishima, Shizuoka Prefecture) CATV business, which covers the eastern section of Shizuoka Prefecture, in October 2019. Later, in March 2020, the Group converted Sendai CATV Co., Ltd. (Aoba-ku, Sendai, Miyagi Prefecture), a cable television provider for the cities of Sendai and Natori in Miyagi Prefecture, into a consolidated subsidiary. By complementing the LP gas and internet businesses it previously rolled out in the Tohoku area with its CATV business, the Group will expand its business foundation in the region.

Through its Information and Communications business, the Group converted software development company AM's Brain Inc. (Kita-ku, Okayama, Okayama Prefecture) into a consolidated subsidiary in July 2019, thereby strengthening its developmental framework in western Japan.

*1 Vision of becoming a TLC: The Group seeks to support the comfortable living of its customers in a comprehensive and detail-oriented way and enhance customer satisfaction through its wide range of services.

*2 ABCIR+S: An acronym formed by the first letters of AI, big data, cloud, IoT, robotics, and smartphones. It refers to the Group's strategies targeting technological innovation.

Performance by segment was as follows.

(Gas and Petroleum)

Through its LP gas business, the Group focused on customer acquisition, strengthening acquisition efforts and working to prevent contract cancellations in existing service areas while targeting expansion into new service areas. In the fiscal year ended March 31, 2020, these efforts led to a customer count of 652,000, a substantial year-on-year increase of 23,000. Meanwhile, sales were 65,235 million yen (-0.5% year on year) due to fluctuations in the procurement prices of LP gas for industrial use and wholesale LP gas.

In the city gas business, the number of customers rose by 5,000 from March 31, 2019, to 61,000 due in part to M&A. Despite a drop in the standard selling price due to fuel cost adjustment regulations, sales rose to 12,919 million yen (+4.1% year on year) primarily thanks to higher equipment sales.

As a result, segment sales were 78,154 million yen (+0.2% year on year) and segment operating profit was 4,907 million yen (+10.7% year on year).

(Building and Real Estate)

In the Building and Real Estate business, segment sales were 22,383 million yen (+11.4% year on year) and segment operating profit was 1,379 million yen (+44.5% year on year) thanks to increases in construction and equipment sales and contributions from M&A.

(CATV)

In the CATV business, amid intensifying competition from telecommunications companies, the Group worked to increase competitiveness and boost customer count, and took steps to prevent contract cancellations. We offered discounts for broadcasting and communications bundles and packaged services with smartphones in partnership with major mobile phone carriers. We also stepped up efforts to create community channel programs with a local focus. Additionally, thanks in part to service area expansion caused by M&A, our broadcasting services customer count increased by 73,000 from March 31, 2019, to 862,000 while our communications services customer count rose by 18,000 to 292,000.

Consequently, segment sales amounted to 31,385 million (+2.9% year on year) and segment operating profit was 4,543 million (+2.3% year on year).

(Information and Communications)

In the Information and Communications business for individual consumers, amid intensifying competition from major mobile phone carriers, the Group worked to attract customers by expanding service offerings. In addition to the TOKAI-brand MVNO service LIBMO on its own, it offered Hikari Collaboration bundled with LIBMO. The LIBMO service added 7,000 customers since March 31, 2019 to bring customer count to 48,000, but the number of ISP customers declined by 34,000 to 713,000 (324,000 Hikari Collaboration and 389,000 conventional ISP customers). Consequently, sales came to 28,606 million yen (-7.2% year on year).

In the Information and Communications business for corporate clients, the IT service market was in full swing, and the Group was certified by a global platform provider and steadily increased the size of its corporate client base, primarily in terms of cloud services. These circumstances led to expansion in the Group's recurring revenue businesses. Due in part to a steady climb in the number of contracted system development projects, sales rose to 23,147 million yen (+13.3% year on year).

As a result of these factors, segment sales were 51,753 million yen (+1.0% year on year) and segment operating profit was 2,959 million yen (+14.1% year on year).

(Aqua)

In the Aqua (bottled drinking water delivery) business, the Group actively worked to acquire customers mainly for "The gift of delicious water: Ulunom" brand, mainly targeting large-scale commercial facilities. The number of customers increased by 5,000 from March 31, 2019, to 161,000.

As a result, segment sales were 7,416 million yen (+5.9% year on year) and segment operating profit was 401 million yen (-22.9% year on year).

(Others)

Turning to other businesses, sales in the nursing care business came to 1,243 million yen (+15.6% year on year) as the Group focused on responding to user need and user frequency increased. In the shipbuilding business, sales amounted to 1,480 million yen (-2.6% year on year), reflecting a decrease in work volume for ship repairs. In the bridal events business, sales came to 1,359 million yen (-8.0% year on year), reflecting event and banquet cancellations and wedding ceremony postponements caused by concerns regarding the spread of the novel coronavirus pandemic.

As a result, segment sales were 4,858 million yen (+1.6% year on year) and segment operating profit was 235 million yen (+8.3% year on year).

(2) Overview of Financial Position

As of March 31, 2020, total assets amounted to 169,972 million yen, up 2,366 million yen from March 31, 2019. This mainly reflected increases of 1,060 million yen in notes and accounts receivable—trade due in part to the acquisition of new consolidated subsidiaries; 1,322 million yen in property, plant, and equipment; and 1,700 million in deferred tax assets due in part to wider differences in valuations of derivatives. These increases offset a decrease of 1,647 million yen in investment securities within investments and other assets driven by a decline in the mark-to-market valuation difference for investment securities.

Total liabilities stood at 103,989 million yen, up 278 million yen from March 31, 2019. This primarily reflected an increase of 1,362 million yen in other current liabilities due in part to wider differences in valuations of derivatives and the booking of a 1,161 million yen in provision for loss on litigation. These factors offset a 2,344 million yen decrease in short-term loans payable caused by the use of free cash flow for the repayment of interest-bearing debt.

Net assets came to 65,982 million yen, up 2,088 million yen from March 31, 2019. This mainly reflected the payment of 3,678 million yen in dividends of surplus and a decrease of 1,283 million yen in valuation difference on available-for-sale securities, along with the booking of 8,241 million yen in net income attributable to owners of the parent.

(3) Overview of Cash Flows

As of March 31, 2020, cash and cash equivalents stood at 4,046 million yen, up 27 million yen from March 31, 2019.

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

(Cash flows from operating activities)

Net cash provided by operating activities was 22,535 million yen (up 930 million yen year on year). This increase was attributable to net income before income taxes and the effect of depreciation and amortization expenses (non-cash items).

(Cash flows from investing activities)

Net cash used in investing activities was 12,131 million yen (up 311 million yen year on year), as a result of the purchase of property, plant and equipment and intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 10,375 million yen (down 2,227 million yen year on year). This was due to repayments of borrowings and lease obligations and payments of dividends.

Below is a summary of major cash flow indicators.

	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Equity ratio (%)	25.6	34.5	36.3	37.4	38.0
Equity ratio on a market-value basis (%)	41.4	67.4	85.0	71.8	72.2
Ratio of interest-bearing debt to cash flow (times)	3.3	2.0	2.4	2.3	2.1
Interest coverage ratio (times)	29.3	48.9	46.6	58.2	72.3

(Notes) 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 closing share price multiplied by the number of shares outstanding at year-end (excluding treasury stock).

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

(4) Future Outlook

Moving forward, the Group will continue striving to fulfill its vision of becoming a TLC that is capable of providing a wide range of daily life-related infrastructure, including gas, internet, broadcasting, Aqua, and security services, while aiming to expand its businesses and strengthen their earning capacities.

However, the worldwide spread of the novel coronavirus pandemic has forced the Japanese government to declare a state of emergency and issue requests for temporary business closures as well as warnings urging people to refrain from going outdoors. These factors have had a wide impact that has extended to both economic activity and private civilian life.

Even under these circumstances, the Group is providing essential infrastructure-related services to the general consumer and believes it is unlikely to be impacted by factors such as cooldown in consumer sentiment. However, the Group has also decided that it is currently infeasible to make rational estimations regarding impact stemming from future events. Meanwhile, the Group further decided that it can not currently calculate the scale of future impact on corporate services because it is presently not able to make predictions concerning how it will serve client companies, as it is not capable of rationally projecting how long efforts aimed at preventing the spread of the pandemic will remain in effect at this time.

Due to these factors, the Group has not factored impact from the novel coronavirus pandemic into its consolidated earnings forecast for the fiscal year ending March 31, 2021, which is explained in detail below:

Consolidated earnings forecast for the fiscal year ending March 31, 2021

Sales	205,300 million yen (+4.8% year on year)
Operating profit	15,000 million yen (+5.5% year on year)
Recurring profit	14,870 million yen (+2.7% year on year)
Net income attributable to owners of the parent	8,460 million yen (+2.7% year on year)

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

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

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

For the fiscal year ended March 31, 2020, we have set annual dividends of 28 yen per share, comprising an interim

dividend of 14 yen and a year-end dividend of 14 yen.

Similarly, for the fiscal year ending March 31, 2021, we target annual dividends of 28 yen per share, comprising interim and year-end dividends of 14 yen each.

2. 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 Generally Accepted Accounting Principles (J-GAAP) for the foreseeable future. However, we will consider the adoption of International Financial Reporting Standards (IFRS), taking into account various situations in Japan and overseas.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	4,164	4,629
Notes and accounts receivable—trade	24,798	25,859
Merchandise and finished goods	4,173	3,679
Work in process	660	944
Raw materials and supplies	865	930
Other	8,264	8,623
Allowance for doubtful accounts	(419)	(399)
Total current assets	42,506	44,268
Non-current assets		
Property, plant and equipment		
Buildings and structures	121,393	127,784
Accumulated depreciation	(87,636)	(93,528)
Buildings and structures, net	33,756	34,256
Machinery, equipment and vehicles	96,983	101,487
Accumulated depreciation	(73,391)	(77,714)
Buildings and structures, net	23,592	23,773
Land	22,921	23,068
Leased assets	24,124	24,241
Accumulated depreciation	(11,863)	(11,536)
Leased assets, net	12,260	12,704
Construction in progress	217	357
Other, net	15,027	15,489
Accumulated depreciation	(10,745)	(11,297)
Other, net	4,281	4,192
Total property, plant and equipment	97,030	98,353
Intangible assets		
Goodwill	5,044	5,125
Leased assets	544	671
Other	5,539	5,034
Total intangible assets	11,128	10,831
Investments and other assets		
Investment securities	7,995	6,347
Long-term loans receivable	58	74
Deferred tax assets	2,085	3,786
Net defined benefit asset	2,365	1,601
Other	4,819	5,085
Allowance for doubtful accounts	(386)	(377)
Total investments and other assets	16,937	16,518
Total non-current assets	125,097	125,703
Deferred assets	2	1
Total assets	167,606	169,972

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable–trade	15,021	15,034
Short-term loans payable	22,265	19,921
Current portion of bonds	168	118
lease obligations	3,533	3,792
Income taxes payable	3,491	2,244
Provision for bonuses	1,285	1,358
Provision for loss on litigation	-	1,161
Other accruals	419	424
Other	15,199	16,562
Total current liabilities	61,385	60,617
Non-current liabilities		
Bonds payable	230	112
Long-term loans payable	27,940	28,121
Lease obligations	9,961	10,758
Other accruals	149	238
Net defined benefit liability	719	876
Other	3,325	3,265
Total non-current liabilities	42,325	43,372
Total liabilities	103,711	103,989
Net assets		
Shareholders' equity		
Capital stock	14,000	14,000
Capital surplus	25,527	25,542
Retained earnings	21,863	26,426
Treasury stock	(2,222)	(2,221)
Total shareholders' equity	59,167	63,746
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,573	290
Deferred gains (losses) on hedges	(319)	(883)
Foreign currency translation adjustment	(10)	(7)
Remeasurements of defined benefit plans	2,217	1,449
Total accumulated other comprehensive income	3,460	848
Non-controlling interests	1,267	1,387
Total net assets	63,894	65,982
Total liabilities and net assets	167,606	169,972

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

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Sales	191,600	195,952
Cost of sales	115,441	116,662
Gross profit	76,159	79,289
Selling, general and administrative expenses	63,101	65,065
Operating profit	13,057	14,224
Non-operating profit		
Interest income	9	11
Dividend income	181	194
Commission fee	42	36
Insurance income	33	94
Share of profit of entities accounted for using equity method	4	85
Other	382	229
Total non-operating profit	655	652
Non-operating expenses		
Interest expenses	360	301
Other	92	95
Total non-operating expenses	453	397
Recurring profit	13,259	14,479
Extraordinary income		
Gain on sales of non-current assets	1	16
	-	182
Transmission line facility subsidies	177	162
Subsidy income	5	-
Gain on sales of investment securities	0	315
Total extraordinary income	183	677
Extraordinary losses		
Loss on sales of non-current assets	4	3
Loss on retirement of non-current assets	821	819
Impairment loss	73	118
Loss on sales of investment securities	-	17
Loss on valuation of investment securities	50	39
Gain on step acquisitions	-	1,161
Other	30	65
Total extraordinary losses	1,029	2,225
Net income before income taxes	12,413	12,930
Income taxes (current)	4,287	5,142
Income taxes (deferred)	209	(658)
Total income taxes	4,496	4,484
Net income	7,917	8,445
Net income attributable to non-controlling interests	144	204
Net income attributable to owners of the parent	7,772	8,241

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income	7,917	8,445
Other comprehensive income		
Valuation difference on available-for-sale securities	(974)	(1,283)
Deferred gains (losses) on hedges	(319)	(563)
Foreign currency translation adjustment	3	1
Remeasurements of defined benefit plans, net of tax	(489)	(768)
Share of other comprehensive income of entities accounted for using the equity method	(9)	2
Total other comprehensive income	(1,789)	(2,611)
Comprehensive income	6,127	5,834
(Breakdown)		
Comprehensive income attributable to owners of the parent	5,982	5,629
Comprehensive income attributable to non-controlling interests	145	204

(3) Statement of Changes in Consolidated Shareholders' Equity
Year ended March 31, 2019 (April 1, 2018–March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	14,000	25,525	17,768	△2,223	55,069
Change during the year					
Dividends of surplus			(3,678)		△3,678
Net income attributable to owners of the parent			7,772		7,772
Acquisition of treasury shares				(0)	(0)
Disposition of treasury shares		0		1	3
Purchase of shares of consolidated subsidiaries					-
Net changes of items other than shareholders' equity					
Total change during the year	—	2	4,094	0	4,097
Balance at end of period	14,000	25,527	21,863	(2,222)	59,167

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,548	—	△3	2,706	5,250	1,130	61,450
Change during the year							
Dividends of surplus							(3,678)
Net income attributable to owners of the parent							7,772
Acquisition of treasury shares							(0)
Disposition of treasury shares							3
Purchase of shares of consolidated subsidiaries							-
Net changes of items other than shareholders' equity	(974)	(319)	(6)	(489)	(1,790)	137	(1,652)
Total change during the year	(974)	(319)	(6)	(489)	(1,790)	137	2,444
Balance at end of period	1,573	(319)	(10)	2,217	3,460	1,267	63,894

Year ended March 31, 2020 (April 1, 2019–March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	14,000	25,527	21,863	△2,222	59,167
Change during the year					
Dividends of surplus			(3,678)		(3,678)
Net income attributable to owners of the parent			8,241		8,241
Acquisition of treasury shares				(1)	(1)
Disposition of treasury shares		3		2	6
Purchase of shares of consolidated subsidiaries		11			11
Net changes of items other than shareholders' equity					
Total change during the year	—	15	4,563	1	4,579
Balance at end of period	14,000	25,542	26,426	△2,221	63,746

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,573	(319)	(10)	2,217	3,460	1,267	63,894
Change during the year							
Dividends of surplus							(3,678)
Net income attributable to owners of the parent							8,241
Acquisition of treasury shares							(1)
Disposition of treasury shares							6
Purchase of shares of consolidated subsidiaries							11
Net changes of items other than shareholders' equity	(1,283)	(563)	3	(768)	(2,611)	119	(2,491)
Total change during the year	(1,283)	(563)	3	(768)	(2,611)	119	2,088
Balance at end of period	290	(883)	(7)	1,449	848	1,387	65,982

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Net income before income taxes and minority interests	12,413	12,930
Depreciation	13,960	14,337
Amortization of goodwill	1,130	1,089
Impairment loss	73	118
Increase (decrease) in provision for loss on litigation	-	1,161
Increase in net defined benefit asset and liability	(328)	(255)
Interest and dividend income	(191)	(206)
(Gain) loss on sale of investment securities	(0)	(297)
Interest expenses	360	301
(Gain) loss on sales of non-current assets	3	(12)
Loss (gain) on valuation of investment securities	50	39
Loss on retirement of non-current assets	821	819
Increase (decrease) in notes and accounts payable	(1,269)	(978)
(Increase) decrease in inventories	(306)	650
Decrease (increase) in guarantee deposits	(550)	(1,108)
Increase (decrease) in notes and accounts payable—trade	(673)	(459)
Increase (decrease) in accounts payable—other	(724)	198
Increase (decrease) in accrued consumption taxes	362	438
Other	(283)	(883)
Subtotal	24,847	27,884
Income taxes paid	(3,241)	(5,348)
Net cash provided by operating activities	21,605	22,535
Cash flows from investing activities		
Interest and dividend income received	242	258
		633
Purchase of securities	(313)	(13)
Proceeds from sales of securities	6	652
Purchase of tangible and intangible assets	(12,423)	(11,592)
Proceeds from sales of tangible and intangible assets	214	334
Payments for retirement of non-current assets	(157)	(176)
Proceeds from contribution received for construction	441	333
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(202)	(1,968)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(373)
Payments for transfer of business	—	(189)
Loan advances	(200)	—
Collection of loans receivable	25	64
Other	(234)	(95)
Net cash provided by (used in) in investing activities	(12,443)	(12,131)

	(Millions of yen)	
	Fiscal Year Ended March 31, 2019	Fiscal Year Ended March 31, 2020
Cash flows from financing activities		
Interest expenses paid	(371)	(311)
Net increase (decrease) in short-term loans payable	1,075	(2,788)
Repayments of lease obligations	(3,717)	(3,551)
Proceeds from long-term loans payable	10,500	9,500
Repayment of long-term loans payable	(11,753)	(9,290)
Redemption of bonds	(198)	(168)
Payments for acquisition of treasury stock	(0)	(1)
Proceeds from disposal of treasury shares	0	0
Cash dividends paid	(3,673)	(3,678)
Dividends paid to non-controlling interests	(7)	(8)
Other		(78)
Net cash provided by (used in) financing activities	(8,147)	(10,375)
Effect of exchange rate change on cash and cash equivalents	(0)	(1)
Net increase (decrease) in cash and cash equivalents	1,014	27
Cash and cash equivalents at beginning of period	3,004	4,018
Cash and cash equivalents at end of period	4,018	4,046

(5) Notes to the Consolidated Financial Statements

(Notes on Premise of Going Concern)

There is no relevant information.

(Additional Information)

(Litigation)

On January 16, 2020, the Tokyo High Court delivered an appellate ruling in the damage suit filed by consolidated subsidiary TOKAI Communications Corporation against Hitachi Solutions, Ltd. and the subsequent damage counterclaim filed by the latter against the former. The ruling stipulates that TOKAI Communications Corporation pay 766 million yen in compensation for damages, as well as late payment charges, to Hitachi Solutions, Ltd.

TOKAI Communications Corporation objects to this ruling and filed a petition for acceptance of a final appeal with Japan's Supreme Court on February 3, 2020. However, the Company has recorded 1,161 million yen in provision for loss on litigation as an extraordinary loss in preparation for possibility that the Supreme Court upholds the ruling of the Tokyo High Court.

(Segment Information)

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.

In the Gas and Petroleum segment, the Group sells liquefied petroleum (LP) gas, liquefied natural gas, other high-pressure gases, and petroleum products; supplies city gas; sells relevant products; performs construction of gas- and petroleum-related facilities and equipment; and provides security services.

In the Building and Real Estate segment, the Group constructs residential facilities and other buildings; develops, sells, and leases real estate; sells construction materials and residential equipment; installs pre-furnished equipment and appliances in residential facilities; and operates home renovation business.

In the CATV segment, the Group operates broadcasting and internet connectivity utilizing CATV networks.

In the Information and Communications segment, the Group develops computer software; processes information; provides internet connectivity; sells communications equipment; and performs agent operations.

In the Aqua segment, the Group produces and sells bottled drinking water.

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

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

Profit for reportable segments is based on operating profit, and intra-segment sales and transfers are conducted at prevailing market prices.

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

For the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segments						Others Note 1	Total	Adjustments Note 2	Amount in consolidated statements of income Note 3
	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Total				
Sales										
Sales to external customers	77,977	20,090	30,511	51,234	7,004	186,818	4,781	191,600	—	191,600
Intra-segment sales and transfer	231	1,108	733	3,155	180	5,409	171	5,580	(5,580)	—
Subtotal	78,208	21,199	31,244	54,390	7,185	192,227	4,953	197,180	(5,580)	191,600
Segment profit (loss)	4,434	954	4,442	2,593	520	12,945	217	13,162	(105)	13,057
Segment assets	62,105	24,306	34,953	31,948	4,845	158,159	5,259	163,419	4,187	167,606
Other items										
Depreciation	4,328	681	5,091	2,809	543	13,453	90	13,543	416	13,960
Amortization of goodwill	454	1	661	6	—	1,124	6	1,130	—	1,130
Increase in property, plant and equipment and intangible assets	5,273	170	6,886	2,385	602	15,319	212	15,531	461	15,993

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

2. Adjustments are as follows:

(1) Adjustments to segment profit (loss) are eliminations due to intra-segment 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 profit (loss) is adjusted to match operating profit in the consolidated statements of income.

For the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segments						Others Note 1	Total	Adjustments Note 2	Amount in consolidated statements of income Note 3
	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Total				
Sales										
Sales to external customers	78,154	22,383	31,385	51,753	7,416	191,094	4,858	195,952	—	195,952
Intra-segment sales and transfer	171	1,019	665	3,805	193	5,855	166	6,021	(6,021)	—
Subtotal	78,326	23,403	32,050	55,559	7,609	196,949	5,024	201,973	(6,021)	195,952
Segment profit (loss)	4,907	1,379	4,543	2,959	401	14,191	235	14,426	(201)	14,224
Segment assets	62,286	26,354	37,523	31,329	4,984	162,477	4,832	167,309	2,663	169,972
Other items										
Depreciation	4,420	691	5,091	3,038	610	13,851	100	13,952	384	14,337
Amortization of goodwill	402	24	617	20	—	1,065	24	1,089	—	1,089
Increase in property, plant and equipment and intangible assets	5,219	422	6,759	2,469	513	15,383	215	15,599	224	15,824

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

2. Adjustments are as follows:

(1) Adjustments to segment profit (loss) are eliminations due to intra-segment 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 profit (loss) is adjusted to match operating profit in the consolidated statements of income.

Reference Information

For the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

1. Information by Product and Service

This information is omitted because the same information is disclosed in the Segment Information section.

2. Information by Region

(1) Sales

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

(2) Property, Plant and Equipment

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

3. Information by Major Customer

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

For the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

1. Information by Product and Service

This information is omitted because the same information is disclosed in the Segment Information section.

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.

Information Related to Impairment Losses of Non-current Assets by Reportable Segment

For the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Others	Corporate or elimination	Total
Impairment losses	52	—	—	20	—	—	—	73

For the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Others	Corporate or elimination	Total
Impairment losses	—	—	—	—	—	118	—	118

Information Related to Amortization of Goodwill and Unamortized Balance by Reportable Segment

For the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Others	Corporate or elimination	Total
Amortization for the year ended March 31, 2019	454	1	661	6	—	6	—	1,130
Balance as of March 31, 2019	1,086	86	3,667	128	—	75	—	5,044

For the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Gas and Petroleum	Building and Real Estate	CATV	Information and Communications	Aqua	Others	Corporate or elimination	Total
Amortization for the year ended March 31, 2020	402	24	617	20	—	24	—	1,089
Balance as of March 31, 2020	1,072	148	3,581	204	—	118	—	5,125

Information on Negative Goodwill Generated for Each Reportable Segment

For the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

There is no relevant information.

For the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

This information is omitted due to low material importance.

(Per-Share Information)

	Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Net assets per share (yen)	478.26	493.26
Basic earnings per share (yen)	59.36	62.93

(Notes) 1. No data for diluted earnings per share is provided, since no dilutive shares exist.

2. The standards used to calculate basic earnings per share are as follows.

	Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Net income attributable to owners of the parent (millions of yen)	7,772	8,241
Amounts not attributable to common shareholders (millions of yen)	—	—
Net income attributable to owners of the parent available to common shareholders (millions of yen)	7,772	8,241
Average number of shares outstanding during the period (thousands of shares)	130,947	130,954

3. The number of shares of common stock at the end of the fiscal year used in the calculation of net assets per share excludes the Company's shares held by the Trust & Custody Service Bank Ltd. (Trust Account E) (410,800 shares for the fiscal year ended March 31, 2019; 400,700 shares for the fiscal year ended March 31, 2020). The average number of shares outstanding of common stock during the period used in the calculation of basic earnings per share excludes the Company's shares held by the Trust & Custody Service Bank Ltd. (Trust Account E) (412,722 shares for the fiscal year ended March 31, 2019; 404,039 shares for the fiscal year ended March 31, 2020).

(Important Subsequent Events)

There is no relevant information.

4. Other

(1) Changes in Executive Positions

1) Changes in President & CEO

No items to report

2) Other Changes in Executive Positions (Scheduled for June 26, 2019)

No items to report