

Disclaimer:

This financial report is solely a translation of the "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.

October 27, 2016

**SoftBank Technology Corp.**  
**Consolidated Financial Report for the Second Quarter of Fiscal Year Ending March 31, 2017**  
**(Six Months Ended September 30, 2016)**

[Japanese GAAP]

**Company name: SoftBank Technology Corp.** (Tokyo Stock Exchange/Code No. 4726)

(URL <http://www.softbanktech.co.jp/>)

Representative: Shinichi Ata, President & CEO

Contact: Takaaki Nagata, Member of the Board & CFO, General Manager Finance & Administration

Phone: +81-3-6892-3063

Scheduled date of filing of Quarterly Report: November 11, 2016

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Six Months Ended September 30, 2016**

(April 1, 2016 – September 30, 2016)

(1) Consolidated Results of Operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2016	22,863	16.4	684	5.2	689	6.7	410	19.0
Six months ended Sep. 30, 2015	19,640	(0.2)	650	13.5	645	19.3	345	4.5

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2016: 410 (up 53.7%)  
Six months ended Sep. 30, 2015: 266 (down 29.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2016	42.47	41.60
Six months ended Sep. 30, 2015	35.59	35.27

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2016	23,562	11,627	47.6	1,154.65
As of Mar. 31, 2016	25,974	11,726	43.1	1,159.88

Reference: Shareholders' equity (million yen) As of Sep. 30, 2016: 11,213 As of Mar. 31, 2016: 11,188

**2. Dividends**

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2016	-	0.00	-	30.00	30.00
Fiscal year ending Mar. 31, 2017	-	0.00			
Fiscal year ending Mar. 31, 2017 (forecast)			-	30.00	30.00

Note: Revisions to the most recently announced dividend forecast: None

**3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2017**

(April 1, 2016 – March 31, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	47,000	4.1	2,400	4.0	2,300	3.1	1,500	6.7	155.02

Note: Revisions to the most recently announced consolidated forecast: None

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Application of special accounting for presenting quarterly consolidated financial statements: None

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

i. Changes in accounting policies due to revisions in accounting standards, others: Yes

ii. Changes in accounting policies other than i. above: None

iii. Changes in accounting estimates: None

iv. Restatements: None

Note: Please refer to “2. Matters Related to Summary Information (Notes), (1) Changes in Accounting Policies and Accounting Estimates, and Restatements” on page 7 of the attachments for further information.

(4) Number of outstanding shares (Common stock)

i. Number of shares outstanding at the end of the period (including treasury shares)

As of Sep. 30, 2016:	10,762,400 shares	As of Mar. 31, 2016:	10,696,900 shares
----------------------	-------------------	----------------------	-------------------

ii. Number of treasury shares at the end of the period

As of Sep. 30, 2016:	1,050,571 shares	As of Mar. 31, 2016:	1,050,490 shares
----------------------	------------------	----------------------	------------------

iii. Average number of shares outstanding during the period

Six months ended Sep. 30, 2016:	9,676,153 shares	Six months ended Sep. 30, 2015:	9,704,979 shares
---------------------------------	------------------	---------------------------------	------------------

\* Information regarding the implementation of quarterly review procedures

The current quarterly summary report is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of this disclosure, the review procedures for the quarterly consolidated financial statements to be filed have not been completed.

\* Explanation for appropriate use of operating forecasts, and other special items

Cautionary statement with respect to forward-looking statements

Forecasts regarding future performance in this report are based on assumptions considered appropriate and other reasonable information available to the Company at the time this report was created. This report is not promises by the Company regarding future performance. The actual performance may differ significantly from these forecasts for a variety of reasons.

How to view supplementary materials for quarterly financial results

Supplementary materials for the quarterly financial results will be disclosed on Friday, October 28, 2016, using the Timely Disclosure network (TDnet), and will be available on the Company’s website (<http://www.softbanktech.co.jp/corp/ir/>).

Contents of Attachments

1. Overview of Results of Operations and Financial Position	2
(1) Overview of Results of Operations	2
(2) Overview of Financial Position	5
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	6
2. Matters Related to Summary Information (Notes)	7
(1) Changes in Accounting Policies and Accounting Estimates, and Restatements	7
3. Quarterly Consolidated Financial Statements	8
(1) Quarterly Consolidated Balance Sheet	8
(2) Quarterly Consolidated Statements of Income and Comprehensive Income (For the Six-month Period)	10
(3) Quarterly Consolidated Statement of Cash Flows	11
(4) Notes to Consolidated Financial Statements	13
Going Concern Assumption	13
Significant Changes in Shareholders' Equity	13

## 1. Overview of Results of Operations and Financial Position

### (1) Overview of Results of Operations

	(Millions of yen)				(Yen)
	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Six months ended September 30, 2016	22,863	684	689	410	42.47
Six months ended September 30, 2015	19,640	650	645	345	35.59
Change (Ratio)	16.4%	5.2%	6.7%	19.0%	19.3%
(Reference) Fiscal year ended March 31, 2016	45,163	2,308	2,230	1,405	144.74

In the first half of the fiscal year ending March 31, 2017, net sales increased 16.4% year on year to 22,863 million yen, operating income increased 5.2% to 684 million yen, ordinary income increased 6.7% to 689 million yen and profit attributable to owners of parent increased 19.0% to 410 million yen.

The main factors affecting earnings for the current period were as follows:

#### (a) Net sales

Net sales increased 3,222 million yen (+16.4%) year on year to 22,863 million yen. This increase was mainly thanks to a steady progress of large cloud-related development projects for the public sector, an increase in sales from system development, operation and maintenance services for the SoftBank Group companies, higher orders for hardware sales in the platform solutions business, and a growth in Symantec Store sales.

#### (b) Marginal profit (see note)

Marginal profit increased 338 million yen (+6.2%) to 5,783 million yen. The marginal profit ratio decreased despite the growth in sales due to an increase in hardware sales in the platform solutions business and higher sales from system development, operation and maintenance services for the SoftBank Group companies.

Note: Marginal profit = Net sales – Subtracting variable costs (cost of merchandise, outsourcing expenses, distribution expenses and other items that increase and decrease with sales).

#### (c) Fixed costs

Fixed costs increased 305 million yen (+6.4%) to 5,099 million yen. This increase was mainly due to an increase in personnel expenses caused by strengthening of recruiting activities.

#### (d) Operating income

As a result of the above items, operating income increased 33 million yen (+5.2%) to 684 million yen.

#### (e) EBITDA (see note)

EBITDA increased 17 million yen (+1.6%) to 1,146 million yen.

Note: EBITDA= Operating income/loss + Depreciation + Amortization of goodwill

#### (f) Non-operating income and expenses

Net non-operating income was 4 million yen, an increase of 9 million yen from a 4 million yen loss one year earlier. This was mainly thanks to an increase in share of profit of entities accounted for using equity method.

#### (g) Ordinary income

As a result of items (d) to (f), ordinary income increased 43 million yen (+6.7%) to 689 million yen.

(h) Extraordinary income and losses

Net extraordinary income decreased 13 million yen from a 13 million yen income one year earlier. As a result, there was no extraordinary income or loss in the first half of the current fiscal year.

(i) Profit before income taxes

As a result of items (g) to (h), profit before income taxes increased 29 million yen (+4.5%) to 689 million yen.

(j) Total income taxes

Total income taxes decreased 31 million yen (-11.4%) to 245 million yen.

(k) Profit attributable to owners of parent

As a result of items (i) to (j), profit attributable to owners of parent increased 65 million yen (+19.0%) to 410 million yen.

The Company has only a single business segment, which is the ICT services business. The following table shows the earnings from the primary components of this business segment. Note that some service categories have changed their names in the first quarter.

Revisions have been made to the categorization of some services. As a result, the revised methods have been used to calculate net sales and marginal profit for each service category in the previous fiscal year.

Segment		Service category	Main services	Core companies
Reportable segment	ICT Services	Digital marketing	<ul style="list-style-type: none"> <li>Operation of e-commerce sites of the clients, development and sales of font sets, and provision of web font services</li> <li>Construction of websites and provision of website access log analysis tools, data analyses and consulting services</li> </ul>	<ul style="list-style-type: none"> <li>SoftBank Technology Corp.</li> <li>Fontworks Inc.</li> <li>Kan Corporation</li> </ul>
		Platform solutions	<ul style="list-style-type: none"> <li>Construction of IT platforms and provision of operation and maintenance services and Linux solutions</li> <li>Provision of vulnerability diagnosis tests, protection services against advanced persistent threat, authentication and encryption services using e-certification</li> </ul>	<ul style="list-style-type: none"> <li>SoftBank Technology Corp.</li> <li>Cybertrust Japan Co., Ltd.</li> <li>Miracle Linux Corporation</li> </ul>
		Cloud systems	<ul style="list-style-type: none"> <li>Development of IT systems, provision of operation and maintenance services, and development of applications for tablets, smartphones and robots</li> <li>Support for moving IT infrastructure to the cloud and provision of an original cloud service with outstanding compatibility</li> </ul>	<ul style="list-style-type: none"> <li>SoftBank Technology Corp.</li> <li>M-SOLUTIONS, Inc.</li> <li>ASORA Tech Corp.</li> <li>REDEN Corp.</li> </ul>

**a. Digital marketing**

(Millions of yen)

	Six-month Period Ended September 30, 2015	Six-month Period Ended September 30, 2016	Change (Amount)	Change (Ratio)
Net sales	10,457	10,829	372	3.6%
Marginal profit	1,675	1,566	(109)	(6.5)%

Major services in the digital marketing business

• E-commerce services

Operation of Symantec Stores, development and sale of font sets, and the provision of web fonts and web font platform services

• Data analytics

Construction of website content management systems and the provision of access log analysis, BI tools for collecting, processing and analyzing data, and associated consulting services. Also providing services for analysis of internal logs and for measurement of advertising effectiveness, and other services

Results of operations of the digital marketing business

Net sales in the digital marketing business increased 372 million yen (+3.6%) to 10,829 million yen. This was mainly the result of the growth in Symantec Store sales.

Marginal profit in this business decreased 109 million yen (-6.5%) to 1,566 million yen. Although there was an increase in the Symantec Store sales, marginal profit decreased due to a decrease in sales from construction of website content management systems and access log analysis tool services. Another reason was lower sales at subsidiary Fontworks Inc., which had a large project order in the first quarter of the previous fiscal year.

**b. Platform solutions**

(Millions of yen)

	Six-month Period Ended September 30, 2015	Six-month Period Ended September 30, 2016	Change (Amount)	Change (Ratio)
Net sales	5,332	6,652	1,319	24.8%
Marginal profit	1,928	2,214	286	14.9%

Major services in the platform solutions business

• IT infrastructure solutions

Sales of servers and network equipment, construction of IT infrastructure, and provision of operation and maintenance services, Linux OS and digital signage systems, integrated monitoring tools, and support services

• Security solutions

Provision of security system monitoring services, protection against advanced persistent threat, diagnostic services, comprehensive solutions which combine security products, encryption and authentication services using e-certification, and other services

Results of operations of the platform solutions business

Net sales in the platform solutions business increased 1,319 million yen (+24.8%) to 6,652 million yen. The main reason was higher orders for large hardware sales in IT infrastructure solutions and an increase in sales of FireEye and other security services mainly from operation and maintenance services.

Marginal profit in this business increased 286 million yen (+14.9%) to 2,214 million yen. This increase was caused by the growth in IT infrastructure solutions and security services sales. In addition, subsidiaries Cybertrust Japan Co., Ltd. and Miracle Linux Corporation, both of which provide original contents and services, also contributed to an increase in marginal profit.

### c. Cloud systems

(Millions of yen)				
	Six-month Period Ended September 30, 2015	Six-month Period Ended September 30, 2016	Change (Amount)	Change (Ratio)
Net sales	3,850	5,381	1,530	39.7%
Marginal profit	1,840	2,002	161	8.8%

Major services in the cloud systems business

- System integration

Development of IT systems and the provision of associated operation and maintenance services. Also the development and sales of applications for smartphones, tablets and robots and of development support tools

- Cloud solutions

Provision of support for moving clients' communication systems to the cloud and subsequent system operation and monitoring services, original services for achieving both user convenience and corporate security

Results of operations of the cloud systems business

Net sales in the cloud systems business increased 1,530 million yen (+39.7%) to 5,381 million yen. This increase was mainly thanks to a steady progress of large cloud-related development projects mainly for the public sector and an increase in sales from system development, operation and maintenance services for companies in the SoftBank Group.

Marginal profit in this business increased 161 million yen (+8.8%) to 2,002 million yen. This was mainly thanks to the increase in cloud solutions sales.

## (2) Overview of Financial Position

### i. Assets, Liabilities, and Net Assets

(Millions of yen)				
	As of March 31, 2016	As of September 30, 2016	(Reference) As of September 30, 2015	
Total assets	25,974	23,562	21,219	
Net assets	11,726	11,627	10,846	
Shareholders' equity ratio	43.1%	47.6%	48.3%	

#### Assets

Total assets decreased 2,411 million yen from the end of the previous fiscal year to 23,562 million yen at the end of the second quarter of the current fiscal year.

Current assets decreased 2,436 million yen mainly due to a decrease in notes and accounts receivable-trade.

Non-current assets increased 24 million yen mainly due to an increase in software in progress.

#### Liabilities

Total liabilities decreased 2,312 million yen from the end of the previous fiscal year to 11,935 million yen at the end of the second quarter of the current fiscal year.

Current liabilities decreased 2,134 million yen mainly due to a decrease in accounts payable-trade.

Non-current liabilities decreased 178 million yen mainly due to a decrease in long-term loans payable.

#### Net assets

Net assets decreased 99 million yen from the end of the previous fiscal year to 11,627 million yen at the end of the second quarter of the current fiscal year. This was mainly due to a decrease in capital surplus caused by the change in equity attributable to owners of parent arising from transactions with non-controlling shareholders.

## ii. Cash Flows

(Millions of yen)

	Six-month Period Ended September 30, 2015	Six-month Period Ended September 30, 2016	(Reference) Fiscal year ended March 31, 2016
Cash flows from operating activities	936	1,786	1,425
Cash flows from investing activities	(319)	(496)	(361)
Cash flows from financing activities	(705)	(713)	(1,128)
Net increase (decrease) in cash and cash equivalents	(91)	573	(82)
Cash and cash equivalents at end of period	5,607	6,189	5,616

Cash and cash equivalents at the end of the first half of the current fiscal year increased 573 million yen over the end of the previous fiscal year to 6,189 million yen.

The details of cash flows from each activity and the major components of changes are as follows.

### Cash flows from operating activities

Net cash provided by operating activities totaled 1,786 million yen. Major sources of cash include profit before income taxes of 689 million yen, depreciation of 380 million yen, and a decrease in notes and accounts receivable-trade of 3,275 million yen. Meanwhile, major uses of cash include a decrease in notes and accounts payable-trade of 1,606 million yen and income taxes paid of 539 million yen.

There was an 850 million yen increase in net cash provided by operating activities from the previous fiscal year. This was mainly due to a 2,434 million yen increase in cash provided by decrease (increase) in notes and accounts receivable-trade, while there was a 1,329 million yen increase in cash outflow from increase (decrease) in notes and accounts payable-trade.

### Cash flows from investing activities

Net cash used in investing activities totaled 496 million yen. Major uses of cash include the purchase of property, plant and equipment of 82 million yen and the purchase of intangible assets of 370 million yen.

There was a 177 million yen increase in net cash used in investing activities from the previous fiscal year. Purchase of intangible assets increased 157 million yen, and there was a payment of 40 million yen for the purchase of investment securities.

### Cash flows from financing activities

Net cash used in financing activities totaled 713 million yen. Major uses of cash include payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation of 310 million yen and cash dividends paid of 288 million yen.

There was a 7 million yen increase in net cash used in financing activities from the previous fiscal year. There were increases of 94 million yen in cash dividends paid and 52 million yen in payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation.

## (3) Explanation of Consolidated Forecast and Other Forward-looking Statements

Forecasts are based on information currently available to the Company. Actual performance may differ from these forecasts for a number of reasons.

The Company maintains its consolidated forecasts for the fiscal year ending March 31, 2017 that was announced on April 26, 2016.



## **2. Matters Related to Summary Information (Notes)**

### **(1) Changes in Accounting Policies and Accounting Estimates, and Restatements**

#### Changes in Accounting Policies

##### Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revised Corporation Tax Law, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current fiscal year, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on the results of operations in the first half of the current fiscal year is insignificant.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2016	As of September 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	5,721,789	6,298,011
Notes and accounts receivable-trade	11,279,578	8,003,766
Merchandise	221,142	80,302
Work in process	260,724	449,498
Deferred tax assets	377,998	358,119
Other	976,404	1,208,591
Allowance for doubtful accounts	(8,206)	(5,016)
Total current assets	18,829,431	16,393,273
Non-current assets		
Property, plant and equipment		
Buildings, net	515,562	488,950
Tools, furniture and fixtures, net	776,185	736,451
Construction in progress	9,684	13,148
Total property, plant and equipment	1,301,431	1,238,549
Intangible assets		
Goodwill	1,201,211	1,118,503
Software	965,181	942,773
Software in progress	89,180	292,712
Customer relationships	590,745	558,813
Other	281,943	267,873
Total intangible assets	3,128,262	3,180,676
Investments and other assets		
Investment securities	912,669	883,528
Deferred tax assets	243,755	258,775
Other	1,616,230	1,665,030
Allowance for doubtful accounts	(57,587)	(57,639)
Total investments and other assets	2,715,067	2,749,695
Total non-current assets	7,144,761	7,168,922
<b>Total assets</b>	<b>25,974,192</b>	<b>23,562,195</b>

(Thousands of yen)

	As of March 31, 2016	As of September 30, 2016
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	7,293,231	5,686,542
Current portion of long-term loans payable	324,650	295,850
Lease obligations	71,413	72,155
Accounts payable-other	701,044	598,614
Income taxes payable	590,404	223,082
Advances received	1,356,680	1,456,204
Provision for bonuses	608,652	689,352
Provision for directors' bonuses	-	34,050
Provision for loss on order received	2,420	13,370
Provision for defect repair	-	7,346
Other	810,105	548,014
<b>Total current liabilities</b>	<b>11,758,602</b>	<b>9,624,585</b>
<b>Non-current liabilities</b>		
Bonds payable	100,000	-
Long-term loans payable	638,800	505,300
Lease obligations	434,093	397,829
Deferred tax liabilities	118,567	162,156
Long-term advances received	670,407	882,078
Net defined benefit liability	74,220	81,098
Asset retirement obligations	257,714	261,990
Other	195,388	20,016
<b>Total non-current liabilities</b>	<b>2,489,192</b>	<b>2,310,470</b>
<b>Total liabilities</b>	<b>14,247,795</b>	<b>11,935,055</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	664,456	702,946
Capital surplus	714,919	613,274
Retained earnings	10,629,573	10,751,095
Treasury shares	(872,008)	(872,151)
<b>Total shareholders' equity</b>	<b>11,136,939</b>	<b>11,195,164</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	47,778	16,154
Foreign currency translation adjustment	3,987	2,443
<b>Total accumulated other comprehensive income</b>	<b>51,766</b>	<b>18,598</b>
Subscription rights to shares	102,010	105,388
Non-controlling interests	435,680	307,988
<b>Total net assets</b>	<b>11,726,397</b>	<b>11,627,139</b>
<b>Total liabilities and net assets</b>	<b>25,974,192</b>	<b>23,562,195</b>

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

**(For the Six-month Period)**

(Thousands of yen)

	Six-month Period Ended September 30, 2015	Six-month Period Ended September 30, 2016
Net sales	19,640,632	22,863,234
Cost of sales	16,490,392	19,425,407
Gross profit	3,150,240	3,437,826
Selling, general and administrative expenses	2,499,933	2,753,658
Operating income	650,306	684,168
Non-operating income		
Interest income	205	596
Share of profit of entities accounted for using equity method	281	11,805
Foreign exchange gains	2,960	6
Miscellaneous income	6,647	3,227
Total non-operating income	10,095	15,636
Non-operating expenses		
Interest expenses	12,974	10,028
Loss on investments in partnership	779	-
Miscellaneous loss	801	761
Total non-operating expenses	14,555	10,789
Ordinary income	645,846	689,016
Extraordinary income		
Gain on sales of investment securities	11,500	-
Gain on revision of retirement benefit plan	4,029	-
Total extraordinary income	15,529	-
Extraordinary losses		
Impairment loss	1,930	-
Total extraordinary losses	1,930	-
Profit before income taxes	659,445	689,016
Income taxes-current	257,553	183,844
Income taxes-deferred	19,594	61,801
Total income taxes	277,147	245,645
Profit	382,297	443,370
Profit attributable to:		
Owners of parent	345,390	410,914
Non-controlling interests	36,906	32,456
Other comprehensive income		
Valuation difference on available-for-sale securities	(116,680)	(31,623)
Foreign currency translation adjustment	(1,034)	(1,544)
Share of other comprehensive income of entities accounted for using equity method	2,312	-
Total other comprehensive income	(115,403)	(33,168)
Comprehensive income	266,894	410,202
Comprehensive income attributable to:		
Owners of parent	230,345	377,746
Non-controlling interests	36,549	32,456

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	Six-month Period Ended September 30, 2015	Six-month Period Ended September 30, 2016
<b>Cash flows from operating activities</b>		
Profit before income taxes	659,445	689,016
Depreciation	396,009	380,083
Impairment loss	1,930	-
Amortization of goodwill	82,707	82,707
Share-based compensation expenses	14,206	6,956
Increase (decrease) in allowance for doubtful accounts	(2,551)	(3,138)
Increase (decrease) in provision for bonuses	(42,845)	80,700
Increase (decrease) in provision for directors' bonuses	28,560	34,050
Increase (decrease) in net defined benefit liability	(36,545)	6,878
Increase (decrease) in provision for loss on order received	(8,574)	10,950
Increase (decrease) in provision for defect repair	2,297	7,346
Interest and dividend income	(205)	(596)
Interest expenses	12,974	10,028
Share of (profit) loss of entities accounted for using equity method	(281)	(11,805)
Loss (gain) on investments in partnership	779	(336)
Loss (gain) on sales of investment securities	(11,500)	-
Decrease (increase) in notes and accounts receivable-trade	841,008	3,275,811
Decrease (increase) in inventories	(135,192)	(47,208)
Decrease (increase) in operating receivables	(178,454)	(268,483)
Increase (decrease) in notes and accounts payable-trade	(277,238)	(1,606,688)
Increase (decrease) in accrued consumption taxes	47,119	(317,138)
Increase (decrease) in operating debt	(2,334)	2,779
Other, net	3,118	3,165
<b>Subtotal</b>	<b>1,394,434</b>	<b>2,335,079</b>
Interest and dividend income received	205	638
Interest expenses paid	(12,974)	(9,945)
Income taxes paid	(445,245)	(539,191)
<b>Net cash provided by (used in) operating activities</b>	<b>936,419</b>	<b>1,786,580</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(151,911)	(82,926)
Purchase of intangible assets	(212,536)	(370,172)
Purchase of investment securities	-	(40,000)
Proceeds from sales of investment securities	32,000	35,964
Collection of loans receivable	900	900
Payments for guarantee deposits	(20)	(38,339)
Proceeds from collection of guarantee deposits	31,862	222
Payments for asset retirement obligations	(10,330)	-
Other, net	(9,267)	(2,420)
<b>Net cash provided by (used in) investing activities</b>	<b>(319,302)</b>	<b>(496,772)</b>

(Thousands of yen)

	Six-month Period Ended September 30, 2015	Six-month Period Ended September 30, 2016
<b>Cash flows from financing activities</b>		
Repayments of long-term loans payable	(162,300)	(162,300)
Redemption of bonds	(100,000)	-
Proceeds from issuance of common shares	13,977	68,023
Purchase of treasury shares	-	(142)
Cash dividends paid	(193,679)	(288,399)
Repayments of lease obligations	(35,066)	(35,522)
Proceeds from share issuance to non-controlling shareholders	29,400	10,200
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(257,817)	(310,483)
Proceeds from issuance of subscription rights to shares	-	5,440
Net cash provided by (used in) financing activities	(705,484)	(713,185)
Effect of exchange rate change on cash and cash equivalents	(3,029)	(3,250)
Net increase (decrease) in cash and cash equivalents	(91,397)	573,371
Cash and cash equivalents at beginning of period	5,698,478	5,616,470
Cash and cash equivalents at end of period	5,607,081	6,189,841

**(4) Notes to Consolidated Financial Statements**

**Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

*Disclaimer:*

*This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*