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April 26, 2017

SoftBank Technology Corp. Consolidated Financial Report for the Fiscal Year Ended March 31, 2017

[Japanese GAAP]

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

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

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Scheduled date of General Shareholders' Meeting: June 19, 2017

Scheduled date of filing of Securities Report: June 19, 2017

Scheduled date of payment of dividend: June 20, 2017

Preparation of supplementary materials for financial results: Yes

Holding of 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 Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Consolidated Results of Operations (Percentages shown for sales and incomes 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	%
Fiscal year ended Mar. 31, 2017	50,225	11.2	2,241	(2.9)	2,286	2.5	1,598	13.8
Fiscal year ended Mar. 31, 2016	45,163	13.4	2,308	65.0	2,230	58.9	1,405	59.1

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2017: 1,631 (up 19.7%)

Fiscal year ended Mar. 31, 2016: 1,362 (up 40.5%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2017	164.33	159.60	13.5	8.7	4.5
Fiscal year ended Mar. 31, 2016	144.74	143.47	13.1	9.3	5.1

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2017: 33 Fiscal year ended Mar. 31, 2016: (72)

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	26,807	13,015	46.9	1,277.58
As of Mar. 31, 2016	25,974	11,726	43.1	1,159.88

Reference: Shareholders' equity (million yen) As of Mar. 31, 2017: 12,566 As of Mar. 31, 2016: 11,188

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2017	2,168	(959)	(751)	6,075
Fiscal year ended Mar. 31, 2016	1,425	(361)	(1,128)	5,616

2. Dividends

	Dividends per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2016	-	0.00	-	30.00	30.00	289	20.7	2.7
Fiscal year ended Mar. 31, 2017	-	0.00	-	30.00	30.00	295	18.3	2.5
Fiscal year ending Mar. 31, 2018 (forecast)	-	0.00	-	15.00	15.00		18.2	

Note: The Company resolved that the stock will be split 2 for 1 with an effective date of June 1, 2017. The indicated per-share dividend forecast for the fiscal year ending March 31, 2018 reflects this stock split. If it is not adjusted to reflect the split, it will be equivalent to 30.00 yen which is the same as the fiscal year ending March 31, 2017.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2018

(April 1, 2017 – March 31, 2018) (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	52,000	3.5	2,500	11.6	2,500	9.4	1,600	0.1	82.24

Note: Only full-year consolidated forecast for the fiscal year ending March 31, 2018 is disclosed because it is currently difficult to

calculate rational operating forecast for the first half of the fiscal year. In the indicated consolidated forecasts for the year ending March 31, 2018, net income per share take the 1:2 stock split into account.

*** Notes**

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

(2) 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

(3) Number of outstanding shares (common stock)

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

As of Mar. 31, 2017:	10,886,900 shares	As of Mar. 31, 2016:	10,696,900 shares
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- ii. Number of treasury shares at the end of the period

As of Mar. 31, 2017:	1,050,621 shares	As of Mar. 31, 2016:	1,050,490 shares
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- iii. Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2017:	9,728,008 shares	Fiscal year ended Mar. 31, 2016:	9,708,179 shares
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Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Non-consolidated Results of Operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2017	45,507	11.4	1,622	(7.9)	1,623	(7.3)	1,130	(10.8)
Fiscal year ended Mar. 31, 2016	40,833	13.1	1,762	68.0	1,751	68.0	1,267	71.1

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2017	116.26	112.91
Fiscal year ended Mar. 31, 2016	130.54	129.39

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	25,296	11,974	46.9	1,206.71
As of Mar. 31, 2016	24,480	10,920	44.2	1,121.48

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2017: 11,869

As of Mar. 31, 2016: 10,818

*** Indication of audit procedure implementation status**

This summary report is not subject to the audit procedures based on the Financial Instruments and Exchange Act. At the time of this disclosure, the audit procedures for the consolidated financial statements 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 information at the financial results meeting

The Company plans to hold a financial results meeting for institutional investors and analysts on Thursday, April 27, 2017. Supplementary materials for financial results will be disclosed, using the Timely Disclosure network (TDnet), and will be available on the Company's website (<http://www.softbanktech.co.jp/corp/ir/>).

○Appendix
Table of Contents

1. Overview of Business Results	2
(1) Overview of business results for the current period	2
(2) Overview of financial positions for the current period	5
(3) Overview of cash flows for the current fiscal year	6
(4) Future expectations	7
(5) Basic policy on profit distribution and dividends for the current and next periods	7
2. Basic views on selection of accounting standards	7
3. Consolidated Financial Statements	8
(1) Consolidated Balance Sheet	8
(2) Consolidated Statements of Income and Comprehensive Income	10
(3) Consolidated Statement of Changes in Equity	11
(4) Consolidated Statement of Cash Flows	13
(5) Notes to Consolidated Financial Statements	15
(Going Concern Assumption)	15
(Change in accounting policy)	15
(Related with consolidated statement of cash flows)	15
(Segment information)	15
(Per-share information).....	16
(Significant subsequent event)	16

1. Overview of Business Results

(1) Overview of business results for the current period

		(Millions of yen)			(Yen)
	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Fiscal year ended March 31, 2017	50,225	2,241	2,286	1,598	164.33
Fiscal year ended March 31, 2016	45,163	2,308	2,230	1,405	144.74
Change (Ratio)	11.2%	(2.9)%	2.5%	13.8%	13.5%

In the consolidated fiscal year that ended on March 31, 2017, net sales increased 11.2% year on year to 50,225 million yen, operating income decreased 2.9% to 2,241 million yen, ordinary income increased 2.5% to 2,286 million yen and profit attributable to owners of parent increased 13.8% to 1,598 million yen.

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

(a) Net sales

Net sales increased 5,062 million yen (+11.2%) year on year to 50,225 million yen. On a non-consolidated basis, the sales increase was mainly thanks to increased orders for system development for SoftBank Group companies and large-size hardware sales, increased sales from construction of local government security systems, and strong growth in Symantec Store sales.

(b) Marginal profit (see note)

Marginal profit increased 927 million yen (+7.8%) to 12,867 million yen, while marginal profit ratio decreased. This was mainly due to an increase in subcontractor costs associated with system development for the SoftBank Group companies, and an increase in hardware sales in the platform solutions business.

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

(c) Fixed costs

Fixed costs increased 995 million yen (+10.3%) to 10,626 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 decreased 67 million yen (-2.9%) to 2,241 million yen.

(e) EBITDA (see note)

EBITDA decreased 53 million yen (-1.6%) to 3,232 million yen.

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

(f) Non-operating income and expenses

Net non-operating income was 45 million yen, an increase of 123 million yen from a 78 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 56 million yen (+2.5%) to 2,286 million yen.

(h) Extraordinary income and losses

Net extraordinary loss amounted to 7 million yen, down 132 million yen from the previous fiscal year (gain of 124 million yen for the previous fiscal year). This was mainly due to a decline in the gain on sales of investment securities.

(i) Profit before income taxes

As a result of items (g) to (h), profit before income taxes decreased 76 million yen (-3.2%) to 2,278 million yen.

(j) Total income taxes

Total income taxes decreased 260 million yen (-29.7%) to 615 million yen.

(k) Profit attributable to owners of parent

As a result of items (i) to (j), profit attributable to owners of parent increased 193 million yen (+13.8%) to 1,598 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 were made to the categorization of some services. As a result, the revised methods were 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">– Operation of e-commerce sites of the clients, development and sales of font sets, and provision of web font services– Construction of websites and provision of website access log analysis tools, data analyses and consulting services	<ul style="list-style-type: none">– SoftBank Technology Corp.– Fontworks Inc.– Kan Corporation
		Platform solutions	<ul style="list-style-type: none">– Construction of IT platforms and provision of operation and maintenance services and Linux solutions– Provision of vulnerability diagnosis tests, protection services against advanced persistent threat, authentication and encryption services using e-certification	<ul style="list-style-type: none">– SoftBank Technology Corp.– Cybertrust Japan Co., Ltd.– Miracle Linux Corporation
		Cloud systems	<ul style="list-style-type: none">– Development of IT systems, provision of operation and maintenance services, and development of applications for tablets, smartphones and robots– Support for moving IT infrastructure to the cloud and provision of original cloud services with outstanding compatibility	<ul style="list-style-type: none">– SoftBank Technology Corp.– M-SOLUTIONS, Inc.– ASORA Tech Corp.– REDEN Corp.

a. Digital marketing

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Change (Amount)	Change (Ratio)
Net sales	21,456	22,053	597	2.8%
Marginal profit	3,355	3,220	(135)	(4.0)%

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 597 million yen (+2.8%) to 22,053 million yen. This was mainly the result of an increase in Symantec Store sales.

Marginal profit in this business decreased 135 million yen (-4.0%) to 3,220 million yen. Although there was growth in Symantec Store sales, marginal profit decreased because of a decrease in sales from website access log analysis tool services and the BI tool for data accumulation/processing/analysis.

b. Platform solutions

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Change (Amount)	Change (Ratio)
Net sales	12,976	14,859	1,882	14.5%
Marginal profit	4,179	4,720	540	12.9%

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 1,882 million yen (+14.5%) to 14,859 million yen. The main reasons include construction projects for municipal security systems and the growth in sales of large-size hardware for the IT infrastructure solution.

Marginal profit in this business increased 540 million yen (+12.9%) from the previous fiscal year to 4,720 million yen. This increase was caused by the growth in sales of construction projects for municipal security systems. In addition, the sales increase by the subsidiaries Cybertrust Japan Co., Ltd., and Miracle Linux Corporation, both of which provide original content and services, also contributed to an increase in marginal profit.

c. Cloud systems

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Change (Amount)	Change (Ratio)
Net sales	10,730	13,312	2,582	24.1%
Marginal profit	4,403	4,926	522	11.9%

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 2,582 million yen (+24.1%) to 13,312 million yen. This increase was mainly thanks to an increase in orders for system development projects for SoftBank Group companies and an increase in sales from cloud operation and maintenance projects for the public sector.

Marginal profit in this business increased 522 million yen (+11.9%) to 4,926 million yen. The marginal profit increase was thanks to the growth in sales from system development projects for SoftBank Group companies and cloud operation and maintenance projects for the public sector.

(2) Overview of financial positions for the current period

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017	Change (Amount)
Total assets	25,974	26,807	832
Net assets	11,726	13,015	1,289
Shareholders' equity ratio	43.1%	46.9%	3.8 point
Net assets per share	1,159.88 yen	1,277.58 yen	117.70 yen

Assets

Total assets increased 832 million yen from the end of the previous fiscal year to 26,807 million yen at the end of the current consolidated fiscal year.

Current assets increased 514 million yen from the end of the previous consolidated fiscal year mainly because of an increase in cash and deposits.

Non-current assets increased 318 million yen mainly due to increases in software.

Liabilities

Total liabilities decreased 456 million yen from the end of the previous fiscal year to 13,791 million yen at the end of the current consolidated fiscal year.

Current liabilities decreased 99 million yen mainly thanks to a decrease in accounts payable-trade.

Non-current liabilities decreased 356 million yen mainly thanks to a decrease in long-term loans payable.

Net assets

Net assets increased 1,289 million yen from the end of the previous fiscal year to 13,015 million yen at the current consolidated fiscal year

(3) Overview of cash flows for the current fiscal year

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Changes (Amount)
Cash flows from operating activities	1,425	2,168	743
Cash flows from investing activities	(361)	(959)	(598)
Cash flows from financing activities	(1,128)	(751)	377
Changes in cash and cash equivalents	(82)	459	541
Balance of cash and cash equivalents at end of period	5,616	6,075	459

Cash and cash equivalents at the end of the current consolidated fiscal year (hereinafter referred to as “cash”) increased 459 million yen from the end of the previous consolidated fiscal year to 6,075 million yen. The status of individual cash flows and factors in the current consolidated fiscal year are as follows:

(Cash flows from operating activities)

Cash provided by operating activities amounted to 2,168 million yen. This was mainly thanks to net income before taxes of 2,278 million yen and depreciation of 825 million yen despite cash used of 812 million yen arising from payment of income taxes. Compared with the previous consolidated fiscal year, cash used increased 2,825 million yen because of changes in accounts payable while cash collected increased 4,208 million yen because of changes in accounts receivable, consequently cash provided increased 743 million yen.

(Cash flows from investing activities)

Cash used in investing activities amounted to 959 million yen. This was mainly due to cash used for the purchase of intangible fixed assets of 702 million yen. Compared with the previous consolidated fiscal year, cash used increased 598 million yen with an increase in expenditures for the purchase of intangible fixed assets of 270 million yen and a decrease in proceeds from the sale and redemption of investment securities of 143 million yen.

(Cash flows from financing activities)

Cash used in financing activities amounted to 751 million yen. This was mainly due to cash used for the payment of long-term loans payable, purchase of shares in subsidiaries not resulting in changes in the scope of consolidation, and payment of dividends of 324 million yen, 310 million yen, and 288 million yen, respectively. Compared with the previous consolidated fiscal year, cash used decreased 377 million yen mainly because of an increase in the proceeds from the issuance of shares of 183 million yen and a decrease in expenditures for the purchase of treasury shares of 124 million yen.

(4) Future expectations

(Millions of yen)

(Yen)

	Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Forecasts for the fiscal year ending March 31, 2018	52,000	2,500	2,500	1,600	82.24
Actual results for the fiscal year ended March 31, 2017	50,225	2,241	2,286	1,598	164.33
Change (Ratio)	3.5%	11.6%	9.4%	0.1%	—

For the consolidated business results for the next period, the Company expects sales of 52,000 million yen (+3.5% YoY), operating income of 2,500 million yen (+11.6% YoY), ordinary income of 2,500 million yen (+9.4% YoY), and profit attributable to owners of the parent of 1,600 million yen (+0.1% YoY).

As in the current period, we will provide system development, operation, and maintenance services for the SoftBank Group and stably operate the Symantec Store business, as well as offer comprehensive services ranging from the development of cloud systems to operation and maintenance services for customers, enterprises, and the public sector, in particular, to achieve growth in the stock business. In addition, we will offer high-value-added cloud services mainly in the focused businesses and strengthen the relationship with outside partners to ensure stable resources and increase the margin for projects.

For the next period, the plan is to launch new businesses, including IoT, and make investment in strengthening the development of human resources with the aim of an increase in technical strength, but the control of the sales of machineries with low profitability and fixed cost and the strengthening of the project management system will increase sales and profits. The Company will make the share split at the ratio of two shares for one common share on the effective date of June 1, 2017. Net income per share for the next period is an estimate reflecting the share split.

(5) Basic policy on profit distribution and dividends for the current and next periods

The Company strengthens the business structure and strives for sustainable increases in enterprise value, considering the interests of shareholders and of significant management policies. For the current consolidated fiscal year, we actively made investments mainly in the recruitment and development of human resources to establish a base for new businesses, including the IoT business. For and after the next period, we will examine continuing investments in businesses for increasing enterprise value.

As a measure to return profits to shareholders, in our policy, we distribute the fruits through the payment of dividends. The dividends are paid stably and continuously, given consolidated business results, investment plan, and cash on hand for the fiscal years. According to this policy, we will pay a year-end dividend of 30 yen per share for the current consolidated fiscal year, the same amount as for the previous consolidated fiscal year.

For the next period, we plan to pay an ordinary dividend of 15 yen per share. This is an estimate reflecting the share split scheduled to be conducted on June 1, 2017. Without reflection of the share split, the estimated annual dividend would be 30 yen, the same amount as the year-end dividend for the current consolidated fiscal year.

2. Basic views on selection of accounting standards

Our group intends to prepare consolidated financial statements in accordance with Japanese accounting standards at the time, taking account of comparability of consolidated financial statements between periods and between companies. International Financial Reporting Standards (IFRS) are appropriately applied, taking account of domestic and overseas conditions.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of Mar. 31, 2016	As of Mar. 31, 2017
Assets		
Current assets		
Cash and deposits	5,721,789	6,190,081
Notes and accounts receivable - trade	11,279,578	11,416,102
Merchandise	221,142	57,607
Work in process	260,724	251,738
Deferred tax assets	377,998	383,980
Other	976,404	1,046,406
Allowance for doubtful accounts	(8,206)	(2,155)
Total current assets	18,829,431	19,343,761
Non-current assets		
Property, plant and equipment		
Buildings	1,020,160	1,065,618
Accumulated depreciation	(504,598)	(581,912)
Buildings, net	515,562	483,705
Tools, furniture and fixtures	2,263,638	2,215,979
Accumulated depreciation	(1,487,452)	(1,472,036)
Tools, furniture and fixtures, net	776,185	743,942
Construction in progress	9,684	5,770
Total property, plant and equipment	1,301,431	1,233,418
Intangible assets		
Goodwill	1,201,211	1,021,599
Software	965,181	1,177,270
Software in progress	89,180	165,859
Customer relationships	590,745	526,881
Other	281,943	255,261
Total intangible assets	3,128,262	3,146,872
Investments and other assets		
Investment securities	912,669	894,656
Deferred tax assets	243,755	349,554
Other	1,616,230	1,888,930
Allowance for doubtful accounts	(57,587)	(50,123)
Total investments and other assets	2,715,067	3,083,018
Total non-current assets	7,144,761	7,463,309
Total assets	25,974,192	26,807,071

	(Thousands of yen)	
	As of Mar. 31, 2016	As of Mar. 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	7,293,231	7,136,775
Current portion of long-term loans payable	324,650	293,700
Lease obligations	71,413	75,294
Accounts payable - other	701,044	829,723
Income taxes payable	590,404	457,669
Advances received	1,356,680	1,493,516
Provision for bonuses	608,652	742,025
Provision for loss on order received	2,420	13,312
Other	810,105	616,952
Total current liabilities	11,758,602	11,658,967
Non-current liabilities		
Bonds payable	100,000	—
Long-term loans payable	638,800	345,100
Lease obligations	434,093	370,744
Deferred tax liabilities	118,567	160,471
Long-term advances received	670,407	906,401
Net defined benefit liability	74,220	53,836
Asset retirement obligations	257,714	275,649
Other	195,388	20,016
Total non-current liabilities	2,489,192	2,132,220
Total liabilities	14,247,795	13,791,188
Net assets		
Shareholders' equity		
Capital stock	664,456	785,238
Capital surplus	714,919	695,566
Retained earnings	10,629,573	11,938,762
Treasury shares	(872,008)	(872,336)
Total shareholders' equity	11,136,939	12,547,231
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,778	15,644
Foreign currency translation adjustment	3,987	3,719
Total accumulated other comprehensive income	51,766	19,363
Subscription rights to shares	102,010	108,797
Non-controlling interests	435,680	340,488
Total net assets	11,726,397	13,015,882
Total liabilities and net assets	25,974,192	26,807,071

(2) Consolidated Statements of Income and Comprehensive Income

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	45,163,237	50,225,467
Cost of sales	37,757,141	42,324,051
Gross profit	7,406,096	7,901,416
Selling, general and administrative expenses	5,097,885	5,660,381
Operating income	2,308,210	2,241,034
Non-operating income		
Interest income	511	1,036
Share of profit of entities accounted for using equity method	—	33,617
Gain on investments in partnership	—	11,761
Foreign exchange gains	6,853	48
Dividend income of insurance	8,928	3,938
Miscellaneous income	10,349	14,461
Total non-operating income	26,643	64,863
Non-operating expenses		
Interest expenses	24,627	18,757
Share of loss of entities accounted for using equity method	72,823	—
Loss on investments in partnership	4,066	—
Miscellaneous loss	3,174	917
Total non-operating expenses	104,691	19,675
Ordinary income	2,230,163	2,286,223
Extraordinary income		
Gain on sales of investment securities	224,632	16,655
Gain on revision of retirement benefit plan	4,029	—
Other	2,543	—
Total extraordinary income	231,204	16,655
Extraordinary losses		
Impairment loss	101,539	24,273
Loss on sales of investment securities	4,703	—
Other	278	—
Total extraordinary losses	106,521	24,273
Profit before income taxes	2,354,846	2,278,604
Income taxes-current	817,211	670,658
Income taxes-deferred	58,016	(55,592)
Total income taxes	875,227	615,066
Profit	1,479,619	1,663,538
Profit attributable to:		
Owners of parent	1,405,191	1,598,581
Non-controlling interests	74,428	64,956
Other comprehensive income		
Valuation difference on available-for-sale securities	(115,409)	(32,134)
Foreign currency translation adjustment	(2,013)	(268)
Share of other comprehensive income of entities accounted for using equity method	54	—
Total other comprehensive income	(117,368)	(32,402)
Comprehensive income	1,362,250	1,631,135
Comprehensive income attributable to:		
Owners of the parent	1,287,287	1,566,178
Non-controlling interests	74,963	64,956

(3) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2016

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	645,033	722,682	9,418,346	(747,634)	10,038,426
Changes of items during period					
Issuance of new shares-exercise of subscription rights to shares	19,423	19,423	—	—	38,846
Dividends of surplus	—	—	(193,964)	—	(193,964)
Profit attributable to owners of parent	—	—	1,405,191	—	1,405,191
Purchase of treasury shares	—	—	—	(124,374)	(124,374)
Change in ownership interest of parent due to transactions with non-controlling interests	—	(27,186)	—	—	(27,186)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	19,423	(7,763)	1,211,226	(124,374)	1,098,512
Balance at end of current period	664,456	714,919	10,629,573	(872,008)	11,136,939

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	164,346	5,323	169,670	86,341	679,777	10,974,215
Changes of items during period						
Issuance of new shares-exercise of subscription rights to shares	—	—	—	—	—	38,846
Dividends of surplus	—	—	—	—	—	(193,964)
Profit attributable to owners of parent	—	—	—	—	—	1,405,191
Purchase of treasury shares	—	—	—	—	—	(124,374)
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	(27,186)
Net changes of items other than shareholders' equity	(116,567)	(1,336)	(117,903)	15,669	(244,096)	(346,330)
Total changes of items during period	(116,567)	(1,336)	(117,903)	15,669	(244,096)	752,182
Balance at end of current period	47,778	3,987	51,766	102,010	435,680	11,726,397

Fiscal year ended March 31, 2017

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	664,456	714,919	10,629,573	(872,008)	11,136,939
Changes of items during period					
Issuance of new shares-exercise of subscription rights to shares	120,782	120,782	—	—	241,565
Dividends of surplus	—	—	(289,392)	—	(289,392)
Profit attributable to owners of parent	—	—	1,598,581	—	1,598,581
Purchase of treasury shares	—	—	—	(327)	(327)
Change in ownership interest of parent due to transactions with non-controlling interests	—	(140,134)	—	—	(140,134)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	120,782	(19,352)	1,309,189	(327)	1,410,292
Balance at end of current period	785,238	695,566	11,938,762	(872,336)	12,547,231

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	47,778	3,987	51,766	102,010	435,680	11,726,397
Changes of items during period						
Issuance of new shares-exercise of subscription rights to shares	—	—	—	—	—	241,565
Dividends of surplus	—	—	—	—	—	(289,392)
Profit attributable to owners of parent	—	—	—	—	—	1,598,581
Purchase of treasury shares	—	—	—	—	—	(327)
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	(140,134)
Net changes of items other than shareholders' equity	(32,134)	(268)	(32,402)	6,787	(95,191)	(120,807)
Total changes of items during period	(32,134)	(268)	(32,402)	6,787	(95,191)	1,289,485
Balance at end of current period	15,644	3,719	19,363	108,797	340,488	13,015,882

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	2,354,846	2,278,604
Depreciation	812,235	825,765
Impairment loss	101,539	24,273
Amortization of goodwill	165,415	165,415
Share-based compensation expenses	26,775	25,520
Increase (decrease) in allowance for doubtful accounts	(3,957)	(13,315)
Increase (decrease) in provision for bonuses	59,229	133,372
Increase (decrease) in net defined benefit liability	(31,126)	(20,384)
Increase (decrease) in provision for loss on order received	(6,154)	10,892
Interest and dividend income	(511)	(1,036)
Interest expenses	24,627	18,757
Share of (profit) loss of entities accounted for using equity method	72,823	(33,617)
Loss (gain) on investments in partnership	4,066	(11,761)
Loss (gain) on sales of investment securities	(219,928)	(16,655)
Decrease (increase) in notes and accounts receivable - trade	(4,337,341)	(129,014)
Decrease (increase) in inventories	(134,260)	174,209
Decrease (increase) in operating receivables	(173,794)	(240,488)
Increase (decrease) in notes and accounts payable-trade	2,668,747	(156,455)
Increase (decrease) in accrued consumption taxes	316,741	(195,490)
Increase (decrease) in operating debt	455,114	154,218
Other, net	16,382	6,681
Subtotal	2,171,469	2,999,492
Interest and dividend income received	470	1,077
Interest expenses paid	(24,627)	(18,757)
Income taxes (paid) refund	(721,749)	(812,881)
Net cash provided by (used in) operating activities	1,425,563	2,168,930
Cash flows from investing activities		
Purchase of property, plant and equipment	(179,425)	(173,427)
Purchase of intangible assets	(432,218)	(702,567)
Purchase of investment securities	(77,500)	(143,400)
Proceeds from sales and redemption of investment securities	320,693	176,990
Collection of loans receivable	1,800	1,800
Payments for guarantee deposits	(970)	(134,930)
Proceeds from collection of guarantee deposits	31,990	899
Payments for asset retirement obligations	(10,330)	—
Other, net	(15,168)	15,114
Net cash provided by (used in) investing activities	(361,130)	(959,521)

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from financing activities		
Repayments of long-term loans payable	(324,600)	(324,650)
Redemption of bonds	(100,000)	—
Proceeds from issuance of common shares	30,617	214,056
Purchase of treasury shares	(124,374)	(327)
Cash dividends paid	(193,921)	(288,682)
Proceeds from the shift to leasing of newly acquired facilities	—	12,301
Repayments of lease obligations	(70,226)	(71,770)
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	(375,099)	(310,483)
Proceeds from issuance of subscription rights to shares	—	8,776
Other, net	—	(500)
Net cash provided by (used in) financing activities	(1,128,204)	(751,079)
Effect of exchange rate change on cash and cash equivalents	(18,237)	1,090
Net increase (decrease) in cash and cash equivalents	(82,008)	459,420
Cash and cash equivalents at beginning of period	5,698,478	5,616,470
Cash and cash equivalents at end of period	5,616,470	6,075,890

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Change in accounting policy)

(Application of practical solution on change in the depreciation method due to tax reform FY 2016)

In accordance with the amendment to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform FY 2016” (ASBJ Practical Issues Task Force No. 32, June 17, 2016) in the first quarter of the current consolidated fiscal year to change 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. This has an immaterial effect on profit or loss for the current consolidated fiscal year.

(Related with consolidated statement of cash flows)

The relationship between the balance of cash and cash equivalents at the end of the period and the amount of the account stated in the consolidated balance sheet

	(Thousands of yen)	
	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (from April 1, 2016 to March 31, 2017)
Cash and deposits account	5,721,789	6,190,081
Term deposits with an original maturity of more than three months	(105,319)	(114,191)
Cash and cash equivalents	5,616,470	6,075,890

(Segment information)

We have omitted the statement of segment information because the ICT service business is the only business segment of our group.

(Per-share information)

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (from April 1, 2016 to March 31, 2017)
Net assets per share	1,159.88 yen	1,277.58 yen
Net income per share	144.74 yen	164.33 yen
Diluted net income per share	143.47 yen	159.60 yen

(Note) The following shows the basis for the calculation of net income per share and diluted net income per share.

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (from April 1, 2016 to March 31, 2017)
Net income per share		
Profit attributable to owners of the parent (thousands of yen)	1,405,191	1,598,581
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of the parent concerning common shares (thousands of yen)	1,405,191	1,598,581
Average number of common shares during the period (share)	9,708,179	9,728,008
Diluted net income per share		
Adjustments on profit attributable to owners of the parent (thousands of yen)	—	—
Increase in common shares (share)	86,196	288,327
(of which, share acquisition rights (share))	(86,196)	(288,327)
Summary of dilutive shares not included in calculating diluted net income per share due to no dilutive effect	(Share acquisition rights) Resolution by the Board of Directors on May 20, 2013 Common shares: 508,600 shares Resolution by the Board of Directors on November 27, 2013 Common shares: 146,000 shares	(Share acquisition rights) Resolution by the Board of Directors on August 24, 2016 Common shares: 65,020 shares

(Significant subsequent event)

(Acquisition of treasury shares)

The Company adopted the resolution concerning matters on the acquisition of treasury shares at the Board of Directors' meeting held on April 26, 2017, according to the provisions of Article 156 of the Companies Act, which is applied by replacing the term and phrase pursuant to Article 165, paragraph 3, of the same act.

1. Reason for acquiring treasury shares

The acquisition of treasury shares is to seek an increase in return to shareholders and capital efficiency by executing a flexible capital policy according to changes in the business environment.

2. Details of the matters on the acquisition

(1) Type of shares to be acquired: Common shares of the Company

(2) Total number of shares to be acquired: 100,000 shares (upper limit)

(Percentage to total number of shares issued (excluding treasury shares): 1.0%)

(3) Total acquisition cost of shares: 400 million yen (upper limit)

(4) Acquisition period: From May 1, 2017 to March 31, 2018

As described in the notification of share split and partial amendment to the Articles of Incorporation arising from the share split published on April 26, 2017, the Company will carry out the share split on the effective date of June 1, 2017. The total number of shares to be acquired is 200,000 shares (upper limit) on a post-share split basis, a figure calculated by multiplying 100,000 shares by 2.

(Share split and partial amendment to the articles of incorporation arising from the share split)

The Company has adopted the resolution approving the share split and partial amendment to the Articles of Incorporation arising from the share split at the Board of Shareholders' meeting held on April 26, 2017.

1. Share split

(1) Purpose of share split

The share split is designed to seek to an increase in the liquidity of shares and further broaden the investor base by reducing the amount per unit of investment through the share split.

(2) Summary of share split

(i) Method for share split

The share split will be carried out at a ratio of two shares for one common share held by shareholders listed or recorded on the latest shareholders registry as of May 31, 2017, with the record date being set for May 31, 2017.

(ii) Increase in the number of shares resulting from the split

Total number of shares issued of the Company before the share split: 10,886,900 shares

Increase in the number of shares resulting from the share split: 10,886,900 shares

Total number of shares issued of the Company after the share split: 21,773,800 shares

Total number of shares issuable of the Company after the share split: 85,121,600 shares

(Note) The above-mentioned total number of shares issued and increase in the number of shares are based on the total number of shares issued as of April 26, 2017. They may increase because of the exercise of share acquisition rights from the day of the resolution by the Board of Directors to the record date of the share split.

(3) Schedule of share split

Publication date of record date: May 16, 2017 (Tuesday)

Record date: May 31, 2017 (Wednesday)

Effective date: June 1, 2017 (Thursday)

(4) Other

The share split will result in no change in capital.

(5) Adjustment in strike price of share acquisition rights

As a result of the share split, strike prices of share acquisition rights to be exercised on or after June 1, 2017, will be adjusted as follows:

Name	Unadjusted strike price	Adjusted strike price
June 20, 2012 share acquisition rights	832 yen	416 yen
FY 2013 1st series of share acquisition rights	1,333 yen	667 yen
FY 2013 2nd series of share acquisition rights	1,693 yen	847 yen
FY 2016 1st series of share acquisition rights	2,080 yen	1,040 yen
FY 2016 2nd series of share acquisition rights	2,090 yen	1,045 yen

2. Partial amendment to the articles of incorporation

(1) Reason for amendment to the articles of incorporation

The amendment is to change total number of shares issuable, which is provided in Article 6 of the Articles of Incorporation of the Company, effective on June 1, 2017, according to the provision of Article 184, paragraph 2, of the Companies Act as a result of the share split.

(2) Details of the amendment to the articles of incorporation (An underlined portion indicates a changed portion)

Current articles of incorporation	Amended articles of incorporation
(Total number of shares issuable) Article 6: Total number of shares issuable of the Company shall be <u>42,560,800</u> shares.	(Total number of shares issuable) Article 6: Total number of shares issuable of the Company shall be <u>85,121,600</u> shares.

(3) Schedule of the amendment to articles of incorporation

Date of resolution concerning the amendment to the articles of incorporation by Board of Directors: April 26, 2017

Effective date of the amendment to the articles of incorporation: June 1, 2017