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April 25, 2018

SoftBank Technology Corp. Consolidated Financial Report for the Fiscal Year Ended March 31, 2018

[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: Tetsuya Shimizu, Vice President & Senior Director of Corporate Planning

Phone: +81-3-6892-3063

Scheduled date of General Shareholders' Meeting: June 18, 2018

Scheduled date of filing of Securities Report: June 18, 2018

Scheduled date of payment of dividend: June 19, 2018

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, 2018 (April 1, 2017 – March 31, 2018)

(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	%
Fiscal year ended Mar. 31, 2018	49,140	(2.2)	2,176	(2.9)	2,399	4.9	1,556	(2.6)
Fiscal year ended Mar. 31, 2017	50,225	11.2	2,241	(2.9)	2,286	2.5	1,598	13.8

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2018: 1,627 (down 0.2%)

Fiscal year ended Mar. 31, 2017: 1,631 (up 19.7%)

	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, 2018	79.09	76.95	11.8	9.1	4.4
Fiscal year ended Mar. 31, 2017	82.16	79.80	13.5	8.7	4.5

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2018: 239 Fiscal year ended Mar. 31, 2017: 33

Note: The Company conducted the 2-for-1 share split of the Company's common stock on June 1, 2017. Per share data for the March 31, 2017 were calculated supposing the share split as conducted at the beginning of the fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	26,171	14,532	52.4	693.64
As of Mar. 31, 2017	26,807	13,015	46.9	638.79

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 13,723 As of Mar. 31, 2017: 12,566

Note: The Company conducted the 2-for-1 share split of the Company's common stock on June 1, 2017. Per share data for the March 31, 2017 were calculated supposing the share split as conducted at the beginning of the fiscal year.

(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, 2018	3,077	(997)	(548)	7,606
Fiscal year ended Mar. 31, 2017	2,168	(959)	(751)	6,075

2. Dividends

	Dividends per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Mar. 31, 2017	-	0.00	-	30.00	30.00	295	18.3	2.5
Fiscal year ended Mar. 31, 2018	-	0.00	-	15.00	15.00	296	19.0	2.3
Fiscal year ending Mar. 31, 2019 (forecast)	-	0.00	-	15.00	15.00		18.5	

Note: The Company conducted the 2-for-1 share split of the Company's common stock on June 1, 2017. The dividend for the previous fiscal year ending March 31, 2017 is the number before stock split. If not considering the stock split, the dividend for the fiscal year ending March 31, 2018 will be the same ¥30 as of FY2017.

**3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2019
(April 1, 2018 – March 31, 2019)**

(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	5.8	2,500	14.9	2,500	4.2	1,600	2.8	81.29

*** 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: None
- 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, 2018:	22,085,600 shares	As of Mar. 31, 2017:	21,773,800 shares
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- ii. Number of treasury shares at the end of the period

As of Mar. 31, 2018	2,301,242 shares	As of Mar. 31, 2017:	2,101,242 shares
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- iii. Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2018:	19,681,941 shares	Fiscal year ended Mar. 31, 2017:	19,456,016 shares
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Note: The Company conducted the 2-for-1 share split of the Company's common stock on June 1, 2017. Numbers of share data for the March 31, 2017 were calculated supposing the share split as conducted at the beginning of the fiscal year.

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(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, 2018	44,157	(3.0)	1,655	2.0	1,936	19.3	1,580	39.7
Fiscal year ended Mar. 31, 2017	45,507	11.4	1,622	(7.9)	1,623	(7.3)	1,130	(10.8)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2018	80.29	78.11
Fiscal year ended Mar. 31, 2017	58.13	56.46

Note: The Company conducted the 2-for-1 share split of the Company's common stock on June 1, 2017. Numbers of share data for the March 31, 2017 were calculated supposing the share split as conducted at the beginning of the fiscal year.

(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, 2018	23,939	13,103	54.2	656.24
As of Mar. 31, 2017	25,296	11,974	46.9	603.36

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 12,983 As of Mar. 31, 2017: 11,869

Note: The Company conducted the 2-for-1 share split of the Company's common stock on June 1, 2017. Numbers of share data for the March 31, 2017 were calculated supposing the share split as conducted at the beginning of the fiscal year.

* 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 26, 2018, 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	8
3. Consolidated Financial Statements	9
(1) Consolidated Balance Sheet	9
(2) Consolidated Statements of Income and Comprehensive Income	11
(3) Consolidated Statement of Changes in Equity	12
(4) Consolidated Statement of Cash Flows	14
(5) Notes to Consolidated Financial Statements	16
(Going Concern Assumption)	16
(Related with consolidated statement of cash flows)	16
(Segment information)	16
(Per-share information).....	16
(Significant subsequent event)	17

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, 2018	49,140	2,176	2,399	1,556	79.09
Fiscal year ended March 31, 2017	50,225	2,241	2,286	1,598	82.16
Change (Ratio)	(2.2)%	(2.9)%	4.9%	(2.6)%	(3.7)%

In the consolidated fiscal year that ended on March 31, 2018, net sales decreased 2.2% year on year to 49,140 million yen, operating income decreased 2.9% to 2,176 million yen, ordinary income increased 4.9% to 2,399 million yen and profit attributable to owners of parent decreased 2.6% to 1,556 million yen.

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

(a) Net sales

Net sales decreased 1,084 million yen (-2.2%) year on year to 49,140 million yen. The decrease was due to a review of the product lineup for hardware sales in IT infrastructure solutions, although cloud development and operation/maintenance service projects grew steadily.

(b) Marginal profit (see note)

Marginal profit increased 877 million yen (+6.8%) to 13,744 million yen. Also, marginal profit ratio increased and was boosted by a review of the product lineup for hardware sales, as well as the steady growth in cloud development and operation/maintenance service projects.

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 941 million yen (+8.9%) to 11,567 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 64 million yen (-2.9%) to 2,176 million yen.

(e) EBITDA (see note)

EBITDA increased 77 million yen (+2.4%) to 3,309 million yen.

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

(f) Non-operating income and expenses

Net non-operating income was 223 million yen, an increase of 177 million yen (+393.5%). This was mainly thanks to an increase in share of profits of entities accounted for using equity method.

(g) Ordinary income

As a result of items (d) to (f), ordinary income increased 113 million yen (+4.9%) to 2,339 million yen.

(h) Extraordinary income and losses

Extraordinary loss increased 12 million yen (+163.2%) year on year to 20 million yen. This was mainly due to the early cancellation penalty associated from the relocation of the office of a subsidiary.

(i) Profit before income taxes

As a result of items (g) to (h), profit before income taxes increased 100 million yen (+4.4%) to 2,379 million yen.

(j) Total income taxes

Total income taxes increased 126 million yen (+20.6%) to 741 million yen.

(k) Profit attributable to owners of parent

As a result of items (i) to (j), profit attributable to owners of parent decreased 41 million yen (-2.6%) to 1,556 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.
		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.

(*) On October 1, 2017, Cybertrust Japan Co., Ltd., was merged into Miracle Linux Corporation. In addition, Miracle Linux Corporation was renamed as Cybertrust Japan Co., Ltd., on the same day.

a. Digital marketing

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Change (Amount)	Change (Ratio)
Net sales	22,053	21,970	(82)	(0.4)%
Marginal profit	3,220	3,200	(19)	(0.6)%

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 decreased 82 million yen (-0.4%) to 21,970 million yen. This was mainly the result of a decrease in Symantec Store sales.

Marginal profit in this business decreased 19 million yen (-0.6%) to 3,200 million yen. This was mainly due to a decline in profit margins in data analytics where such services as analyses of website access were provided.

b. Platform solutions

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Change (Amount)	Change (Ratio)
Net sales	14,859	11,555	(3,303)	(22.2)%
Marginal profit	4,720	4,805	85	1.8%

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 decreased 3,303 million yen (-22.2%) to 11,555 million yen. This was mainly due to a review of the product lineup for large-size hardware sales in IT infrastructure solutions.

Marginal profit in this business increased 85 million yen (+1.8%) from the previous fiscal year to 4,805 million yen. The increase was boosted by an increase in net sales of Cybertrust Japan Co., Ltd., a subsidiary that provides content and services it develops despite a decline in net sales of the Company on an unconsolidated basis.

c. Cloud systems

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Change (Amount)	Change (Ratio)
Net sales	13,312	15,614	2,301	17.3%
Marginal profit	4,926	5,737	811	16.5%

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 2,301 million yen (+17.3%) to 15,614 million yen. This was mainly due to growth in cloud development and operation/maintenance service projects, as well as an increase in orders for system development projects for SoftBank Group companies.

Marginal profit in this business increased 811 million yen (+16.5%) to 5,737 million yen. The increase was driven by an increase in net sales of cloud development and operation/maintenance service projects, as well as growth in system development projects for SoftBank Group companies.

(2) Overview of financial positions for the current period

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018	Change (Amount)
Total assets	26,807	26,171	(635)
Net assets	13,015	14,532	1,516
Shareholders' equity ratio	46.9%	52.4%	5.5 point
Net assets per share	638.79 yen	693.64 yen	54.85 yen

Assets

Total assets decreased 635 million yen from the end of the previous fiscal year to 26,171 million yen at the end of the current consolidated fiscal year under review.

Current assets decreased 463 million yen from the end of the previous consolidated fiscal year mainly because of a decrease in notes and accounts receivable-trade.

Non-current assets decreased 172 million yen mainly due to decreases in goodwill.

Liabilities

Total liabilities decreased 2,152 million yen from the end of the previous fiscal year to 11,638 million yen at the end of the current consolidated fiscal year under review.

Current liabilities decreased 1,229 million yen mainly thanks to a decrease in accounts payable-trade.

Non-current liabilities decreased 923 million yen mainly thanks to a decrease in lease obligations.

Net assets

Net assets increased 1,516 million yen from the end of the previous fiscal year to 14,532 million yen at the current consolidated fiscal year under review.

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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Changes (Amount)
Cash flows from operating activities	2,168	3,077	908
Cash flows from investing activities	(959)	(997)	(38)
Cash flows from financing activities	(751)	(548)	202
Changes in cash and cash equivalents	459	1,530	1,071
Balance of cash and cash equivalents at end of period	6,075	7,606	1,530

Cash and cash equivalents at the end of the current consolidated fiscal year (hereinafter referred to as “cash”) increased 1,530 million yen from the end of the previous consolidated fiscal year to 7,606 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 3,077 million yen. This was mainly due to the cash provided of 1,962 million yen resulting from decrease in notes and accounts receivable-trade, as well as net income before tax of 2,379 million yen despite cash used of 1,626 million yen arising from decrease in notes and accounts payable-trade.

Compared with the previous consolidated fiscal year, cash used increased 1,469 million yen because of changes in accounts payable while cash collected increased 2,091 million yen because of changes in accounts receivable, consequently cash provided increased 908 million yen.

(Cash flows from investing activities)

Cash used in investing activities amounted to 997 million yen. This was mainly due to cash used for the purchase of intangible assets of 825 million yen.

Compared with the previous consolidated fiscal year, cash used increased 38 million yen with a decrease in proceeds from the sale and redemption of investment securities of 156 million yen and an increase in expenditures for the purchase of intangible assets of 123 million yen.

(Cash flows from financing activities)

Cash used in financing activities amounted to 548 million yen. This was mainly due to the cash used for the purchase of treasury shares of 358 million yen, payment of dividends of 294 million yen, and payment of long-term loans payable of 293 million yen despite the cash provided of 407 million yen arising from proceeds from changes in ownership interests in subsidiaries that did not result in changes in the scope of consolidation.

Compared with the previous consolidated fiscal year, the cash used decreased 202 million yen mainly because proceeds from changes in ownership interests in subsidiaries that did not result in changes in the scope of consolidation increased 407 million yen while payments from changes in ownership interests in subsidiaries that did not result in changes in the scope of consolidation decreased 310 million yen.

(4) Future expectations

In the next fiscal year, which marks the last fiscal year of the second three-year plan that started in the fiscal year ended March 2017, we will continue active investments as a business partner that contributes to core businesses of our customers based on three basic strategies: cloud integration, IoT business development, and build a solid profit structure.

Cloud integration

While the public cloud service market is expected to grow further, the Company receives a lot of inquiries for data utilization in the cloud mainly from enterprise and public office customers. We will increase the added value by integrating three focus businesses—data analytics, security solutions, and cloud solutions—in the cloud, combining our know-how accumulated and knowledge in cutting-edge ICT technologies. By working to increase and enhance our customer base further through these efforts, we will aim to increase profitability.

IoT business development

In IoT society, growth of which is expected to accelerate, we will continue investing for finding and developing cutting-edge technologies for the future and establishing new business models. By working on proof of concept with many customers and partner companies, we will explore technical possibilities and seek to create added value, and thus establish business models early.

Build a solid profit structure

We will actively conduct training for leaning advanced technologies and project management to further contribute to growth of our customers and hire personnel for launching new projects. In addition, we will secure stable development resources and strive to maximize project revenues by strengthening relationships with external partners. Furthermore, we will work to increase profit margins by moving our engineers to upstream processes while cutting operation costs by increasing operational efficiency with use of AI.

As a result, for the consolidated results for the next fiscal year, net sales of 52,000 million yen (+5.8% YoY), operating income of 2,500 million yen (+14.9% YoY), ordinary income of 2,500 million yen (+4.2% YoY), and profit attributable to owners of the parent of 1,600 million yen (+2.8% YoY) are forecasted.

	(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, 2019	52,000	2,500	2,500	1,600	81.29
Actual results for the fiscal year ended March 31, 2018	49,140	2,176	2,399	1,556	79.09
Change (Ratio)	5.8%	14.9%	4.2%	2.8%	2.8%

(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. During the current consolidated fiscal year, for cloud integration and IoT business development, we have strengthened recruitment and relationship with external partners and pushed forward automation of operation and maintenance work. 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 15 yen per share for the current consolidated fiscal year. Since the Company conducted a two-for-one stock split on June 1, 2017, the amount is the same as that at the end of the previous consolidated fiscal year if the stock split is taken into consideration.

For the next period, we plan to pay an ordinary dividend of 15 yen per share, the same amount as for the previous 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 March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	6,190,081	7,606,554
Notes and accounts receivable - trade	11,416,102	9,503,786
Merchandise	57,607	38,019
Work in process	251,738	245,521
Deferred tax assets	383,980	425,868
Other	1,046,406	1,062,356
Allowance for doubtful accounts	Δ2,155	Δ2,145
Total current assets	19,343,761	18,879,959
Non-current assets		
Property, plant and equipment		
Buildings	1,065,618	1,138,681
Accumulated depreciation	Δ581,912	Δ643,663
Buildings, net	483,705	495,018
Tools, furniture and fixtures	2,215,979	2,356,193
Accumulated depreciation	Δ1,472,036	Δ1,662,814
Tools, furniture and fixtures, net	743,942	693,379
Construction in progress	5,770	-
Total property, plant and equipment	1,233,418	1,188,397
Intangible assets		
Goodwill	1,021,599	865,965
Software	1,177,270	1,192,113
Software in progress	165,859	328,771
Customer relationships	526,881	463,017
Other	255,261	228,350
Total intangible assets	3,146,872	3,078,219
Investments and other assets		
Investment securities	894,656	1,091,045
Deferred tax assets	349,554	281,032
Other	1,838,806	1,652,429
Total investments and other assets	3,083,018	3,024,508
Total non-current assets	7,463,309	7,291,124
Total assets	26,807,071	26,171,084

(Thousands of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	7,136,775	5,510,396
Current portion of long-term loans payable	293,700	320,400
Lease obligations	75,294	362,068
Accounts payable - other	829,723	788,572
Income taxes payable	457,669	602,871
Advances received	1,493,516	1,546,919
Provision for bonuses	742,025	797,140
Provision for loss on order received	13,312	24,923
Provision for defect repair	-	7,899
Asset retirement obligations	-	28,968
Other	616,952	439,183
Total current liabilities	11,658,967	10,429,343
Non-current liabilities		
Long-term loans payable	345,100	24,700
Lease obligations	370,744	8,417
Deferred tax liabilities	160,471	141,245
Long-term advances received	906,401	699,588
Net defined benefit liability	53,836	42,609
Asset retirement obligations	275,649	278,835
Other	20,016	13,622
Total non-current liabilities	2,132,220	1,209,018
Total liabilities	13,791,188	11,638,362
Net assets		
Shareholders' equity		
Capital stock	785,238	885,364
Capital surplus	695,566	859,538
Retained earnings	11,938,762	13,200,330
Treasury shares	△872,336	△1,230,979
Total shareholders' equity	12,547,231	13,714,253
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,644	4,865
Foreign currency translation adjustment	3,719	4,161
Total accumulated other comprehensive income	19,363	9,026
Share acquisition rights	108,797	123,149
Non-controlling interests	340,488	686,292
Total net assets	13,015,882	14,532,722
Total liabilities and net assets	26,807,071	26,171,084

(2) Consolidated Statements of Income and Comprehensive Income

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	50,225,467	49,140,709
Cost of sales	42,324,051	41,192,037
Gross profit	7,901,416	7,948,671
Selling, general and administrative expenses	5,660,381	5,772,326
Operating profit	2,241,034	2,176,345
Non-operating income		
Interest income	1,036	605
Dividend income	-	450
Share of profit of entities accounted for using equity method	33,617	239,047
Gain on investments in partnership	11,761	-
Foreign exchange gains	48	-
Dividend income of insurance	3,938	4,847
Subsidy income	-	12,629
Miscellaneous income	14,461	10,453
Total non-operating income	64,863	268,033
Non-operating expenses		
Interest expenses	18,757	13,331
Foreign exchange losses	-	26,042
Miscellaneous loss	917	5,637
Total non-operating expenses	19,675	45,010
Ordinary profit	2,286,223	2,399,367
Extraordinary income		
Gain on sales of investment securities	16,655	20,670
Total extraordinary income	16,655	20,670
Extraordinary losses		
Impairment loss	24,273	27,067
Cancellation penalty	-	13,653
Total extraordinary losses	24,273	40,721
Profit before income taxes	2,278,604	2,379,317
Income taxes - current	670,658	729,874
Income taxes - deferred	△55,592	12,056
Total income taxes	615,066	741,931
Profit	1,663,538	1,637,385
Profit attributable to		
Profit attributable to owners of parent	1,598,581	1,556,656
Profit attributable to non-controlling interests	64,956	80,729
Other comprehensive income		
Valuation difference on available-for-sale securities	△32,134	△10,679
Foreign currency translation adjustment	△268	377
Total other comprehensive income	△32,402	△10,301
Comprehensive income	1,631,135	1,627,084
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,566,178	1,546,319
Comprehensive income attributable to non-controlling interests	64,956	80,764

(3) Consolidated Statement of Changes in Equity

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	Δ872,008	11,136,939
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	120,782	120,782	—	—	241,565
Dividends of surplus	—	—	Δ289,392	—	Δ289,392
Profit attributable to owners of parent	—	—	1,598,581	—	1,598,581
Purchase of treasury shares	—	—	—	Δ327	Δ327
Change in ownership interest of parent due to transactions with non-controlling interests	—	Δ140,134	—	—	Δ140,134
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	120,782	Δ19,352	1,309,189	Δ327	1,410,292
Balance at end of current period	785,238	695,566	11,938,762	Δ872,336	12,547,231

	Accumulated other comprehensive income			Share acquisition rights	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 share acquisition rights	—	—	—	—	—	241,565
Dividends of surplus	—	—	—	—	—	Δ289,392
Profit attributable to owners of parent	—	—	—	—	—	1,598,581
Purchase of treasury shares	—	—	—	—	—	Δ327
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	Δ140,134
Net changes of items other than shareholders' equity	Δ32,134	Δ268	Δ32,402	6,787	Δ95,191	Δ120,807
Total changes of items during period	Δ32,134	Δ268	Δ32,402	6,787	Δ95,191	1,289,485
Balance at end of current period	15,644	3,719	19,363	108,797	340,488	13,015,882

Fiscal year ended March 31, 2018

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	785,238	695,566	11,938,762	Δ872,336	12,547,231
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	100,126	100,126	-	-	200,252
Dividends of surplus	-	-	Δ295,088	-	Δ295,088
Profit attributable to owners of parent	-	-	1,556,656	-	1,556,656
Purchase of treasury shares	-	-	-	Δ358,643	Δ358,643
Change in ownership interest of parent due to transactions with non-controlling interests	-	63,845	-	-	63,845
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during period	100,126	163,971	1,261,567	Δ358,643	1,167,021
Balance at end of current period	885,364	859,538	13,200,330	Δ1,230,979	13,714,253

	Accumulated other comprehensive income			Share acquisition rights	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	15,644	3,719	19,363	108,797	340,488	13,015,882
Changes of items during period						
Issuance of new shares - exercise of share acquisition rights	-	-	-	-	-	200,252
Dividends of surplus	-	-	-	-	-	Δ295,088
Profit attributable to owners of parent	-	-	-	-	-	1,556,656
Purchase of treasury shares	-	-	-	-	-	Δ358,643
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	-	-	-	63,845
Net changes of items other than shareholders' equity	Δ10,779	442	Δ10,336	14,351	345,803	349,818
Total changes of items during period	Δ10,779	442	Δ10,336	14,351	345,803	1,516,840
Balance at end of current period	4,865	4,161	9,026	123,149	686,292	14,532,722

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	2,278,604	2,379,317
Depreciation	825,765	977,379
Impairment loss	24,273	27,067
Amortization of goodwill	165,415	155,633
Share-based compensation expenses	25,520	48,557
Increase (decrease) in allowance for doubtful accounts	△13,315	△50,074
Increase (decrease) in provision for bonuses	133,372	55,115
Increase (decrease) in net defined benefit liability	△20,384	△11,227
Increase (decrease) in provision for loss on order received	10,892	11,611
Increase (decrease) in provision for defect repair	-	7,899
Interest and dividend income	△1,036	△1,055
Interest expenses	18,757	13,331
Share of loss (profit) of entities accounted for using equity method	△33,617	△239,047
Loss (gain) on investments in partnership	△11,761	1,966
Loss (gain) on sales of investment securities	△16,655	△20,670
Decrease (increase) in notes and accounts receivable - trade	△129,014	1,962,370
Decrease (increase) in inventories	174,209	22,733
Decrease (increase) in operating receivables	△240,488	223,920
Increase (decrease) in notes and accounts payable - trade	△156,455	△1,626,378
Increase (decrease) in accrued consumption taxes	△195,490	15,648
Increase (decrease) in operating debt	154,218	△162,874
Other, net	6,681	2,121
Subtotal	2,999,492	3,793,344
Interest and dividend income received	1,077	976
Interest expenses paid	△18,757	△13,005
Income taxes (paid) refund	△812,881	△704,281
Net cash provided by (used in) operating activities	2,168,930	3,077,034
Cash flows from investing activities		
Revenue from withdrawal of periodic deposit	3,150	114,191
Purchase of property, plant and equipment	△173,427	△271,036
Purchase of intangible assets	△702,567	△825,950
Purchase of investment securities	△143,400	-
Proceeds from sales and redemption of investment securities	176,990	20,808
Collection of loans receivable	1,800	1,800
Payments for guarantee deposits	△134,930	△43,408
Proceeds from collection of guarantee deposits	899	11,454
Other, net	11,964	△5,585
Net cash provided by (used in) investing activities	△959,521	△997,727

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Repayments of long-term loans payable	Δ324,650	Δ293,700
Redemption of bonds	—	Δ100,000
Proceeds from issuance of common shares	214,056	166,062
Purchase of treasury shares	Δ327	Δ358,643
Cash dividends paid	Δ288,682	Δ294,834
Proceeds from the shift to leasing of newly acquired facilities	12,301	-
Repayments of lease obligations	Δ71,770	Δ75,290
Proceeds from share issuance to non-controlling shareholders	10,200	-
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	Δ310,483	-
Proceeds from sale of shares of subsidiaries without change in scope of consolidation	-	407,680
Proceeds from issuance of share acquisition rights	8,776	-
Other, net	Δ500	-
Net cash provided by (used in) financing activities	Δ751,079	Δ548,726
Effect of exchange rate change on cash and cash equivalents	1,090	84
Net increase (decrease) in cash and cash equivalents	459,420	1,530,663
Cash and cash equivalents at beginning of period	5,616,470	6,075,890
Cash and cash equivalents at end of period	6,075,890	7,606,554

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(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, 2016 to March 31, 2017)	Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)
Cash and deposits account	6,190,081	7,606,554
Term deposits with an original maturity of more than three months	(114,191)	—
Cash and cash equivalents	6,075,890	7,606,554

(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, 2016 to March 31, 2017)	Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)
Net assets per share	638.79 yen	693.64 yen
Net income per share	82.16 yen	79.09 yen
Diluted net income per share	79.80 yen	76.95 yen

(Note) 1. The Company conducted a two-for-one stock split of its common stock with an effective date of June 1, 2017. Net assets per share, net income per share, and diluted net income per share were calculated assuming that the stock split was conducted at the beginning of the previous consolidated fiscal year.

2. 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, 2016 to March 31, 2017)	Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)
Net income per share		
Profit attributable to owners of the parent (thousands of yen)	1,598,581	1,556,656
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of the parent concerning common shares (thousands of yen)	1,598,581	1,556,656
Average number during the period (share)	19,456,016	19,681,941
Diluted net income per share		
Adjustments on profit attributable to owners of the parent (thousands of yen)	—	—
Increase in common shares (share)	576,654	548,756
(of which, share acquisition rights (share))	(576,654)	(548,756)
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 August 24, 2016 Common shares: 130,040 shares	(Share acquisition rights) Resolution by the Board of Directors on August 24, 2016 Common shares: 251,788 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 25, 2018, 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 for the purpose of enhancing the return to shareholders and increasing capital efficiency.

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: 200,000 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, 2018 to March 31, 2019

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.