

# Summary of Business Results for the Year Ended March 31, 2018

## [Japan GAAP] (Consolidated)

May 11, 2018

Company **Miroku Jyoho Service Co., Ltd.**

Listed on the TSE 1<sup>st</sup> Section

Stock Code 9928

URL: <https://www.mjs.co.jp>

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Expected date of annual shareholders' meeting: June 28, 2018

Expected starting date of dividend payment: June 29, 2018

Expected date of filing of annual securities report: June 29, 2018

Preparation of supplementary financial document: Yes

Results briefing: Yes (for analysts)

(Rounded down to million yen)

### 1. Consolidated business results for the year ended March 2018 (April 1, 2017 through March 31, 2018)

(1) Consolidated results of operations

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Mar. 2018	27,582	5.2	4,485	9.3	4,426	10.4	2,877	10.0
Year ended Mar. 2017	26,225	11.0	4,103	35.0	4,010	30.7	2,616	37.3

(Note) Comprehensive income: Year ended March 2018: 2,843 million yen (17.9%)

Year ended March 2017: 2,411 million yen (23.6%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended Mar. 2018	92.05	88.98	18.5	19.0	16.3
Year ended Mar. 2017	83.46	79.82	18.2	19.2	15.6

(Reference) Investment earnings/loss on equity-method: Year ended March 2018: -152 million yen

Year ended March 2017: -138 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 2018	24,840	16,277	65.5	520.87
As of Mar. 2017	21,823	14,864	67.9	474.72

(Reference) Shareholders' equity: As of March 2018: 16,269 million yen

As of March 2017: 14,807 million yen

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Mar. 2018	3,392	-3,255	-83	6,290
Year ended Mar. 2017	3,819	-1,589	-1,418	6,235

### 2. Dividends

	Annual dividend					Total dividend (Total)	Dividend payout ratio (Consolidated)	Rate of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Mar. 2017	-	0.00	-	25.00	25.00	779	30.0	5.4
Year ended Mar. 2018	-	0.00	-	27.00	27.00	843	29.3	5.4
Year ending Mar. 2019 (forecast)	-	0.00	-	30.00	30.00		28.5	

### 3. Forecast of consolidated business results for the year ending March 2019

(April 1, 2018 through March 31, 2019)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the six months ending Sept. 30, 2018	15,350	10.5	2,740	2.0	2,710	2.5	1,780	7.4	56.98
Year ending Mar. 2019	30,600	10.9	5,050	12.6	5,000	13.0	3,290	14.3	105.33

**\* Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None
- (2) Changes in accounting policies, accounting estimates and restatement
- (i) Changes in accounting policies associated with revision of accounting standards: None
- (ii) Changes in accounting policies other than (i): None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None
- (3) Shares outstanding (common stock)
- (i) Number of shares outstanding at the end of period (treasury stock included):
- |                  |                   |                  |                   |
|------------------|-------------------|------------------|-------------------|
| As of March 2018 | 34,806,286 shares | As of March 2017 | 34,806,286 shares |
|------------------|-------------------|------------------|-------------------|
- (ii) Treasury stock at the end of period:
- |                  |                  |                  |                  |
|------------------|------------------|------------------|------------------|
| As of March 2018 | 3,569,966 shares | As of March 2017 | 3,613,741 shares |
|------------------|------------------|------------------|------------------|
- (iii) Average number of stock during period:
- |                       |                   |                       |                   |
|-----------------------|-------------------|-----------------------|-------------------|
| Year ended March 2018 | 31,256,074 shares | Year ended March 2017 | 31,348,608 shares |
|-----------------------|-------------------|-----------------------|-------------------|

**(Reference) Summary of non-consolidated business results**

**1. Non-consolidated business results for the year ended March 2018 (April 1, 2017 through March 31, 2018)**

(1) Non-consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Mar. 2018	25,035	4.8	4,324	13.4	4,504	17.3	2,775	13.7
Year ended Mar. 2017	23,880	7.0	3,812	30.3	3,839	28.0	2,441	28.5

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Mar. 2018	88.80	85.85
Year ended Mar. 2017	77.89	74.49

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 2018	23,567	15,351	65.1	491.46
As of Mar. 2017	20,564	14,010	68.1	448.92

(Reference) Shareholders' equity: As of March 2018: 15,351 million yen  
As of March 2017: 14,003 million yen

**2. Forecast of non-consolidated business results for the year ending March 2019**

**(April 1, 2018 through March 31, 2019)** (% change from the previous corresponding period)

	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
For the six months ending Sept. 30, 2018	13,440	6.3	2,670	1.8	1,790	5.8	57.31
Year ending Mar. 2019	26,510	5.9	4,810	6.8	3,220	16.0	103.09

\* This financial summary is outside the scope of audit procedures by certified public accountants and audit firm.

\* Explanation regarding appropriate use of business forecasts and other special instructions

Forecasts regarding future performance in this material are based on information currently available to the company and certain assumptions that the company deems to be reasonable at the time this report was prepared. The company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors. For assumptions underlying the forecasts and notes to the use of the forecasts, please refer to (ii) Future outlook in (1) Outline of results of operations for the fiscal year under review of 1. Results of operations on page 5.

○ Contents of the attached document

1. Results of operations .....	4
(1) Outline of results of operations for the fiscal year under review .....	4
(2) Outline of financial position for the fiscal year under review .....	6
2. Basic concepts related to selection of accounting standards.....	7
3. Consolidated financial statements .....	8
(1) Consolidated balance sheet.....	8
(2) Consolidated statement of income and statement of comprehensive income.....	10
Consolidated statement of income .....	10
Consolidated statement of comprehensive income .....	11
(3) Consolidated statement of changes in net assets .....	12
(4) Consolidated statement of cash flows .....	14

## 1. Results of operations

### (1) Outline of results of operations for the fiscal year under review

#### (i) Results of operations

During the fiscal year ended March 31, 2018, the Japanese economy continued its gradual recovery trend as capital investment and consumer spending picked up against a backdrop of improvements in corporate earnings and employment and income conditions. Overseas economies remained solid in general, reflecting steady economic recoveries in the United States, Europe and Asia, among other factors, although attention should be paid to the trends of governmental policies and geopolitical risks. The software and service industries will continue to perform solidly because the business environment shows a trend toward improvement, reflecting expectations of an increase in capital investment including IT-related investment on the back of improved corporate earnings.

In this business environment, the Group sought to maintain relationships with existing customers and enhance their satisfaction levels by improving sales capabilities and product/service competitiveness, while at the time working to expand its customer base through the development of new customers, increase relevant service revenues, and further reinforce the earnings foundation.

On the sales front, the Group held fairs and seminars to announce new MJS products in major cities, and promoted its mainstay products and services for numerous customers by exhibiting them at various general events. In addition, it held seminars and training sessions nationwide on matters that customers are highly interested in, such as workstyle reform programs, FinTech, business succession and the amended Act on the Protection of Personal Information, and also sought to maintain relationships with existing customers and cultivate new customers through active sales promotions and advertising activities, such as the continuous implementation of TV commercials and web marketing programs to enhance the awareness of the Company's brand.

On the development side, the Group developed and started to sell Galileopt NX-Plus, a new ERP system for medium-sized enterprises, and MJSLINK NX-Plus, a new ERP system for small and medium-sized companies. It also developed the Edge Tracker, a new cloud service that improves the efficiency of operations such as expenses settlement and attendance management, and worked to strengthen solutions through efforts such as the establishment of real time collaboration with the said ERP systems. In addition, the Group developed Kantan Cloud Kaikei and Kantan Cloud Kyuyo with a view to entering the small-sized company and self-employed business markets, and MJS Okane-no-kanri, a system that automatically collects information on bank accounts and business transactions and visualizes the flow of money.

The Group is now stepping up efforts to develop new services in the FinTech area and strengthen alliances with financial institutions nationwide through a capital tie-up with Shinsei Bank, Limited. Meanwhile, MJS M&A Partners Co., Ltd., a subsidiary of the Company, concluded partner agreements with more than 3,200 accounting firms, while at the same time actively providing support for business succession, a management issue of small and medium-sized companies, by further strengthening alliances with regional financial institutions. bizocean Co., Ltd worked to expand its business domain through efforts such as the development and sale of SPALO, a new service that enables users to prepare business documents easily by utilizing audio AI. The Group as a whole worked to develop new products/services and new businesses, and strengthen alliances.

As outlined above, the Group sought to provide customers with optimum management and information systems and high-quality services, maintain and expand its customer base, and strove to establish a new earnings foundation driven by new business, generating further profits and increasing the corporate value.

By activities like this, net sales in the consolidated fiscal year under review posted a record high, with income levels also posting record highs for the seventh straight term. Consolidated net sales were 27,582 million yen (up 5.2% from one year earlier), operating income was 4,485 million yen (up 9.3% from one year earlier), ordinary income was 4,426 million yen (up 10.4% from one year earlier) and net income attributable to owners of parent was 2,877 million yen (up 10.0% from one year earlier).

Results of operations in product categories were as follows.

(System installation contract sales)

Hardware sales were 3,190 million yen, up 13.0% from one year earlier. Software sales were 10,469 million yen, up 1.8% from one year earlier. Useware sales were 3,260 million yen, up 0.6% from one year earlier.

As a result, total system installation contract sales were 16,921 million yen, up 3.5% from one year earlier.

\* "System installation contract sales" are the total of sales recorded when a system is newly installed. These sales consist of hardware, software and useware (system installation support services, etc.) sales.

(Service revenues)

Sales from the Total Value Service (TVS), which is a comprehensive maintenance service for tax accountant and CPA firms, increased 2.1% from one year earlier to 1,916 million yen. Software utilization revenues increased 8.3% from one year earlier to 1,312 million yen due to growth in utilization revenues for low-priced software used by tax accountant and CPA firms. Corporate software operations support service revenues increased 9.4% from one year earlier to 4,264 million yen because of an increase in the number of companies with the contract for the service as a result of focusing on the cultivation of new customers. Hardware and network maintenance service revenues increased 2.1% from one year earlier to 1,314 million yen and sales from supplies and office products decreased 2.0% from one year earlier to 662 million yen.

As a result, service revenues increased 5.8% from one year earlier to 9,469 million yen.

\* “Service revenues” are consistent revenues received primarily from fees for the continuous provision of services. These revenues consist of software maintenance services, hardware and network maintenance services, software utilization fees, and sales of supplies and office products.

YoY sales

(Million yen, %)

	Previous fiscal year From April 1, 2016 to March 31, 2017		Current fiscal year From April 1, 2017 to March 31, 2018		YoY	
	Sales	Pct.	Sales	Pct.	Change	YoY
Hardware	2,822	10.8	3,190	11.6	367	13.0
Software	10,281	39.2	10,469	38.0	188	1.8
Useware	3,241	12.4	3,260	11.8	19	0.6
System introduction contract sales	16,345	62.3	16,921	61.3	575	3.5
TVS	1,877	7.2	1,916	6.9	38	2.1
Software utilization fees	1,211	4.6	1,312	4.8	100	8.3
Software operational support services	3,898	14.9	4,264	15.5	366	9.4
HW/NW maintenance services	1,287	4.9	1,314	4.8	27	2.1
Supplies and office products	675	2.6	662	2.4	(13)	(2.0)
Service revenues	8,949	34.1	9,469	34.3	520	5.8
Others	929	3.5	1,191	4.3	261	28.1
Total	26,225	100.0	27,582	100.0	1,357	5.2

(ii) Future outlook

Looking ahead, Japan’s economy is expected to remain on a gradual recovery trend overall, with expected improvement in corporate earnings and employment/income conditions partly attributable to economic stimulus measures implemented by the government. In the software and information service industries, there are expectations for steady expansion in IT investment demand in conjunction with corporate earnings improvement.

The Group has established management targets for FY2020 of sales of 50.0 billion yen, ordinary income margin of 30%, and ROE of 30% on a consolidated basis. To aim for rapid business expansion and high profitability with a medium-term viewpoint, the Group will cultivate new customers to further expand the customer base as well as emphasizing and working on the improvement of management efficiency and the strengthening of the management foundation of the entire Group, such as developing creative products using leading-edge technologies, increasing productivity through the optimization of the cost structure, promoting the launch of new businesses, and maximizing group synergy, for the fiscal year ending March 31, 2019.

The forecast for consolidated performance in the fiscal year ending in March 2019 is as follows.

	1 <sup>st</sup> half	Full year
Net sales	15,350 million yen	30,600 million yen
Operating income	2,740 million yen	5,050 million yen
Ordinary income	2,710 million yen	5,000 million yen
Net income attributable to owners of parent	1,780 million yen	3,290 million yen

(2) Outline of financial position for the fiscal year under review

(i) Assets, liabilities and net assets

Assets

Current assets were 11,719 million yen at the end of March 2018, an increase of 196 million yen from one year earlier. The main factors were increases of 54 million yen in cash and deposits and 82 million yen in work in process, and decreases of 20 million yen in merchandise and 31 million yen in prepaid expenses.

Fixed assets were 13,121 million yen at the end of the fiscal year under review, an increase of 2,820 million yen from the end of the previous fiscal year. The main factors were increases of 231 million yen in tangible fixed assets and 2,565 million yen in intangible fixed assets.

As a result, total assets were 24,840 million yen at the end of March 2018, up 3,016 million yen from one year earlier.

Liabilities

Current liabilities were 8,105 million yen at the end of March 2018, up 1,931 million yen from a year earlier. The main factors were increases of 291 million yen in accounts payable-trade, 1,775 million yen in short-term debt and 236 million yen in accrued amounts payable, and a decrease of 180 million yen in accrued income taxes.

Fixed liabilities were 457 million yen at the end of March 2018, down 327 million yen from a year earlier. The main factor was a decrease of 301 million yen in long-term debt.

As a result, total liabilities were 8,563 million yen, up 1,603 million yen from the end of the previous fiscal year.

Net assets

Net assets were 16,277 million yen at the end of March 2018, an increase of 1,412 million yen from a year earlier. The main factors were net income attributable to owners of parent of 2,877 million yen, which was offset by decreases of 779 million yen associated with the payment of dividends and 494 million yen due to an increase in treasury stock.

As a result, the equity ratio was 65.5% (compared with 67.9% a year earlier).

(ii) Cash flows

There was a net increase of 54 million yen in cash and cash equivalents from the end of the previous fiscal year, to 6,290 million yen.

The cash flows in the fiscal year under review and factors relating to each are as follows.

(Operating activities)

Net cash provided by operating activities was 3,392 million yen (compared with 3,819 million yen one year earlier). This was mainly due to net income before income taxes of 4,299 million yen, depreciation and amortization of 542 million yen resulting in cash inflows, and a 145 million yen increase in inventories and income taxes paid of 1,718 million yen resulting in cash outflows.

(Investing activities)

Net cash used in investing activities was 3,255 million yen (compared with 1,589 million yen one year earlier). This was mainly due to payments for acquisition of tangible fixed assets of 379 million yen, payments for acquisition of intangible fixed assets of 2,689 million yen and payments for acquisition of investment securities of 890 million yen resulting in cash outflows.

(Financing activities)

Net cash used in financing activities was 83 million yen (compared with 1,418 million yen one year earlier). This was mainly due to proceeds from short-term debt of 6,000 million yen resulting in cash inflows, and repayment of short-term debt of 4,224 million yen, repayment of long-term debt of 401 million yen, payments for acquisition of treasury stock of 729 million yen, and dividends paid of 779 million yen resulting in cash outflows.

(Reference) Cash flow-related indicators

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Shareholders' equity ratio	63.6%	67.8%	70.2%	67.9%	65.5%
Shareholders' equity ratio on a market value basis	65.7%	113.1%	165.9%	262.8%	399.9%
Years of debt redemption	0.6 years	0.5 years	0.5 years	0.4 years	0.8 years
Instant coverage ratio	76.5	131.2	161.8	371.4	289.2

(Notes) Equity ratio: Equity/Total assets

Equity ratio on a market value basis: Total market capitalization/Total assets

Years of debt redemption: Interest-bearing debt/cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/Interest expenses paid

1. All indicators are calculated using consolidated financial results.
2. Total market capitalization is calculated by multiplying the final share price at the end of the fiscal year by the total number of issued shares at the end of the fiscal year (excluding treasury stock).
3. Cash flows from operating activities refer to net cash provided by (used in) operating activities on the Consolidated Statements of Cash Flows. Interest-bearing debt refers to all liabilities on the Consolidated Balance Sheets for which interest is paid. Interest expenses paid refer to interest expenses paid on the Consolidated Statements of Cash Flows.

## 2. Basic concepts related to selection of accounting standards

To secure inter-company and year-to-year comparability, the Group prepares the Company's consolidated financial statements based on "Regulations related to consolidated financial statement terminology, stock and preparation methods (excluding Chapters 7 and 8" (Finance Ministry Ordinance 28, 1976).

As for application of international accounting standards, the policy is appropriate response taking account of the domestic and overseas situations.

### 3. Consolidated financial statements

#### (1) Consolidated balance sheet

(Thousand yen)

	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	6,465,959	6,520,433
Notes and accounts receivable-trade	3,166,361	3,160,239
Merchandise	619,800	599,116
Work in process	256,824	339,101
Supplies	34,665	34,117
Prepaid expenses	454,775	423,368
Deferred tax assets	343,093	380,652
Others	187,910	269,789
Allowance for doubtful accounts	-6,070	-7,489
Total current assets	11,523,320	11,719,329
Fixed assets		
Tangible fixed assets		
Buildings and structures	2,668,730	2,729,188
Accumulated depreciation	-1,668,087	-1,708,508
Buildings and structures (net amount)	1,000,642	1,020,679
Land	2,728,197	2,857,076
Others	1,129,084	1,267,576
Accumulated depreciation	-865,224	-921,149
Others (net amount)	263,859	346,426
Total tangible fixed assets	3,992,699	4,224,182
Intangible fixed assets		
Goodwill	80,000	-
Software	760,728	1,283,609
Software development in progress	827,908	2,955,952
Others	14,969	9,455
Total intangible fixed assets	1,683,606	4,249,017
Investments and other assets		
Investment securities	3,476,296	3,798,594
Long-term loans receivable from subsidiaries and associates	19,481	-
Long-term prepaid expenses	169,808	53,568
Deferred tax assets	37,475	64,334
Others	929,403	735,073
Allowance for doubtful accounts	-8,143	-3,360
Total investments and other assets	4,624,321	4,648,210
Total fixed assets	10,300,627	13,121,410
Total assets	21,823,947	24,840,740



(Thousand yen)

	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	790,957	1,082,366
Short-term debt	574,500	2,350,000
Current portion of long-term debt	401,200	301,200
Accrued amount payable	564,447	800,815
Accrued expenses	408,888	445,551
Accrued income taxes	1,086,996	906,791
Income in advance	1,005,107	1,000,541
Reserve for bonuses	577,605	708,635
Reserve for returned goods unsold	89,368	69,839
Others	674,980	439,635
Total current liabilities	6,174,050	8,105,376
Fixed liabilities		
Long-term debt	398,200	97,000
Deferred tax liability	287,510	274,066
Liabilities related to retirement benefits	19,183	19,117
Asset retirement obligation	18,967	19,403
Others	61,570	48,329
Total fixed liabilities	785,432	457,917
<b>Total liabilities</b>	<b>6,959,483</b>	<b>8,563,293</b>
<b>Net assets</b>		
Shareholders' equity		
Capital	3,198,380	3,198,380
Capital surplus	3,011,534	3,006,660
Retained earnings	10,148,334	12,096,375
Treasury stock	-2,468,340	-2,962,746
Total shareholders' equity	13,889,909	15,338,670
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	918,331	914,834
Unrealized holding gain (loss) on hedges	-588	-30
Foreign currency translation adjustment	-	16,430
Total accumulated other comprehensive income	917,743	931,235
Stock acquisition rights	7,267	76
Non-controlling interests	49,543	7,463
<b>Total net assets</b>	<b>14,864,464</b>	<b>16,277,446</b>
<b>Total liabilities and net assets</b>	<b>21,823,947</b>	<b>24,840,740</b>

(2) Consolidated statement of income and statement of comprehensive income  
(Consolidated statement of income)

(Thousand yen)

	Previous fiscal year (from April 1, 2016 to March 31, 2017)	Current fiscal year (from April 1, 2017 to March 31, 2018)
Net sales	26,225,671	27,582,939
Cost of sales	8,846,075	9,309,681
Gross profit	17,379,595	18,273,257
Provision of reserve for returned goods unsold	99,216	89,368
Reversal of reserve for returned goods unsold	89,368	69,839
Gross profit-net	17,389,444	18,292,786
Selling, general and administrative expenses		
Sales promotional expenses	1,339,200	1,410,095
Provision of allowance for doubtful accounts	5,430	3,698
Salaries and allowances	4,959,251	5,127,825
Provision of reserve for bonuses for employees	468,121	580,093
Retirement benefit expenses	259,775	274,337
Others	6,254,308	6,410,737
Total selling, general and administrative expenses	13,286,087	13,806,787
Operating income	4,103,356	4,485,999
Non-operating revenues		
Interest income	7,445	8,076
Dividend income	16,593	17,914
Dividend income of insurance	18,366	48,005
Insurance premiums refunded cancellation	–	19,383
Others	23,894	33,627
Total non-operating revenues	66,300	127,007
Non-operating expenses		
Interest expenses	10,217	11,776
Investment loss on equity method	138,665	152,325
Payment commissions	7,668	8,107
Others	2,743	14,562
Total non-operating expenses	159,294	186,772
Ordinary income	4,010,362	4,426,234
Extraordinary profit		
Gain on sale of investment securities	230	379,345
Others	28	3,761
Total extraordinary profit	259	383,107
Extraordinary loss		
Loss on disposal of fixed assets	3,227	5,975
Impairment loss	23,351	65,314
Loss on sales of investment securities	–	3,004
Loss on valuation of investment securities	27,037	435,644
Loss on change in equity	7,323	–
Others	5,061	–
Total extraordinary loss	66,001	509,938
Net income before income taxes	3,944,619	4,299,402
Income taxes-current	1,505,011	1,545,475
Income taxes-deferred	-135,368	-76,393
Total income taxes	1,369,643	1,469,081
Net income	2,574,976	2,830,320
Net income attributable to non-controlling interests	-41,429	-46,954
Net income attributable to owners of parent	2,616,406	2,877,274

(Consolidated statement of comprehensive income)

(Thousand yen)

	Previous fiscal year (from April 1, 2016 to March 31, 2017)	Current fiscal year (from April 1, 2017 to March 31, 2018)
Net income	2,574,976	2,830,320
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	-165,001	-3,496
Unrealized holding gain (loss) on hedges	1,549	558
Share of other comprehensive income of entities accounted for using equity method	–	16,430
Other comprehensive income total	-163,451	13,492
Comprehensive income	2,411,524	2,843,812
(Breakdown)		
Comprehensive income attributable to owners of parent	2,452,954	2,890,767
Comprehensive income attributable to non-controlling interests	-41,429	-46,954

## (3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

(Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current fiscal year	3,198,380	3,013,389	8,155,355	-1,486,315	12,880,809
Changes in current fiscal year					
Dividends from surplus			-535,526		-535,526
Net income attributable to owners of parent			2,616,406		2,616,406
Acquisition of treasury stock				-1,139,218	-1,139,218
Disposition of treasury stock			-87,900	157,193	69,293
Capital increase of consolidated subsidiaries		-1,854			-1,854
Changes in items other than shareholders' equity (net amount)					
Total changes in current fiscal year	-	-1,854	1,992,979	-982,024	1,009,099
Balance at end of current fiscal year	3,198,380	3,011,534	10,148,334	-2,468,340	13,889,909

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Unrealized gain (loss) on available-for-sale securities	Unrealized holding gain (loss) on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current fiscal year	1,083,332	-2,137	-	1,081,195	12,207	84,818	14,059,031
Changes in current fiscal year							
Dividends from surplus							-535,526
Net income attributable to owners of parent							2,616,406
Acquisition of treasury stock							-1,139,218
Disposition of treasury stock							69,293
Capital increase of consolidated subsidiaries							-1,854
Changes in items other than shareholders' equity (net amount)	-165,001	1,549	-	-163,451	-4,940	-35,275	-203,666
Total changes in current fiscal year	-165,001	1,549	-	-163,451	-4,940	-35,275	805,433
Balance at end of current fiscal year	918,331	-588	-	917,743	7,267	49,543	14,864,464

Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)

(Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current fiscal year	3,198,380	3,011,534	10,148,334	-2,468,340	13,889,909
Changes in current fiscal year					
Dividends from surplus			-779,813		-779,813
Net income attributable to owners of parent			2,877,274		2,877,274
Acquisition of treasury stock				-729,877	-729,877
Disposition of treasury stock			-149,420	235,471	86,051
Capital increase of consolidated subsidiaries		-4,874			-4,874
Changes in items other than shareholders' equity (net amount)					
Total changes in current fiscal year	-	-4,874	1,948,040	-494,405	1,448,760
Balance at end of current fiscal year	3,198,380	3,006,660	12,096,375	-2,962,746	15,338,670

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Unrealized gain (loss) on available-for-sale securities	Unrealized holding gain (loss) on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current fiscal year	918,331	-588	-	917,743	7,267	49,543	14,864,464
Changes in current fiscal year							
Dividends from surplus							-779,813
Net income attributable to owners of parent							2,877,274
Acquisition of treasury stock							-729,877
Disposition of treasury stock							86,051
Capital increase of consolidated subsidiaries							-4,874
Changes in items other than shareholders' equity (net amount)	-3,496	558	16,430	13,492	-7,191	-42,080	-35,778
Total changes in current fiscal year	-3,496	558	16,430	13,492	-7,191	-42,080	1,412,981
Balance at end of current fiscal year	914,834	-30	16,430	931,235	76	7,463	16,277,446

## (4) Consolidated statement of cash flow

(Thousand yen)

	Previous fiscal year (from April 1, 2016 to March 31, 2017)	Current fiscal year (from April 1, 2017 to March 31, 2018)
<b>Cash flows from operating activities</b>		
Net income before income taxes	3,944,619	4,299,402
Depreciation and amortization	506,705	542,453
Amortization of goodwill	24,554	20,000
Impairment loss	23,351	65,314
Increase (decrease) in allowance for doubtful accounts	3,982	-3,363
Increase (decrease) in reserve for bonuses for employees	219,449	131,030
Increase (decrease) in reserve for returned goods unsold	-9,848	-19,528
Increase (decrease) in liabilities related to retirement benefits	-321	-66
Interest income and dividend income	-24,039	-25,991
Interest expenses	10,217	11,776
Foreign exchange losses (gains)	-	13,501
Share of (profit) loss of entities accounted for using equity method	138,665	152,325
Loss (gain) on sale of investment securities	-230	-376,341
Loss (gain) on valuation of investment securities	27,037	435,644
Loss (gain) on disposal or sale of fixed assets	3,227	5,975
Loss (gain) on change in equity	7,323	-
Decrease (increase) in accounts receivables	-540,732	11,199
Decrease (increase) in inventories	102,716	-145,626
Increase (decrease) in accounts payable	103,500	291,408
Others	358,221	-298,441
Subtotal	4,898,399	5,110,672
Income taxes paid	-1,078,580	-1,718,076
Cash flows from operating activities	3,819,818	3,392,595
<b>Cash flows from investing activities</b>		
Payments for time deposits	-230,068	-230,070
Proceeds from withdrawal of time deposits	230,064	430,068
Payments for acquisition of tangible fixed assets	-246,118	-379,239
Payments for acquisition of intangible fixed assets	-977,115	-2,689,502
Payments for acquisition of investment securities	-325,251	-890,672
Proceeds from sale of investment securities	230	446,661
Payments for insurance reserve fund	-5,362	-476
Proceeds from maturity of insurance funds	-	177,437
Purchase of long-term prepaid expenses	-13,056	-9,053
Payments of loans receivable	-	-60,000
Collection of loans receivable	-	60,000
Payments of loans receivable from subsidiaries and associates	-70,000	-110,000
Interest and dividends received	24,056	25,988
Others	23,339	-26,259
Cash flows from investing activities	-1,589,282	-3,255,117

(Thousand yen)

	Previous fiscal year (from April 1, 2016 to March 31, 2017)	Current fiscal year (from April 1, 2017 to March 31, 2018)
Cash flows from financing activities		
Proceeds from short-term debt	2,240,000	6,000,000
Repayment of short-term debt	-2,225,000	-4,224,500
Proceeds from long-term debt	600,000	-
Repayment of long-term debt	-398,600	-401,200
Proceeds from exercise of stock option	64,015	79,657
Proceeds from share issuance to non-controlling shareholders	4,300	-
Payments for acquisition of treasury stock	-1,139,218	-729,877
Dividends paid	-534,608	-779,116
Interest paid	-10,285	-11,730
Others	-19,245	-16,239
Cash flows from financing activities	-1,418,641	-83,005
Increase (decrease) in cash and cash equivalents	811,894	54,472
Cash and cash equivalents at beginning of year	5,423,997	6,235,891
Cash and cash equivalents at end of year	6,235,891	6,290,363