

Financial Statements

Year ended March 31, 2018

SMS CO., LTD.

Sumitomo Fudosan Shibakoen Tower,
2-11-1, Shibakoen, Minato-ku,
Tokyo, 105-0011, Japan

Consolidated Balance Sheets

SMS CO., LTD. and Its Consolidated Subsidiaries

As of March 31, 2017 and 2018

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	7,829	9,515
Accounts receivable - trade	3,932	4,308
Merchandise and finished goods	81	50
Work in process	18	29
Supplies	36	20
Accounts receivable - other	2,491	3,474
Prepaid expenses	722	571
Deferred tax assets	239	353
Other	11	12
Allowance for doubtful accounts	(128)	(224)
Total current assets	15,235	18,113
Non-current assets		
Property, plant and equipment		
Buildings	375	413
Accumulated depreciation	(185)	(252)
Buildings, net	189	160
Tools, furniture and fixtures	573	687
Accumulated depreciation	(418)	(454)
Tools, furniture and fixtures, net	154	233
Machinery, equipment and vehicles	43	39
Accumulated depreciation	(19)	(27)
Machinery, equipment and vehicles, net	23	11
Total property, plant and equipment	368	405
Intangible assets		
Goodwill	11,166	11,539
Software	1,544	1,382
Trademark rights	9,703	9,412
Customer-related assets	2,692	2,368
Other	0	0
Total intangible assets	25,107	24,703
Investments and other assets		
Investment securities	* 1,665	* 1,721
Deferred tax assets	209	377
Lease and guarantee deposits	612	746
Other	33	20
Total investments and other assets	2,521	2,865
Total non-current assets	27,996	27,974
Total assets	43,231	46,087

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	311	292
Short-term loans payable	–	8
Current portion of long-term loans payable	1,201	1,395
Accounts payable - other	4,236	5,061
Accrued expenses	182	289
Income taxes payable	1,139	1,068
Accrued consumption taxes	242	406
Advances received	1,077	1,183
Deposits received	52	70
Provision for bonuses	315	445
Provision for refund	143	153
Other	8	22
Total current liabilities	8,910	10,400
Non-current liabilities		
Long-term loans payable	10,210	9,690
Net defined benefit liability	135	160
Deferred tax liabilities	2,374	2,175
Other	17	19
Total non-current liabilities	12,737	12,046
Total liabilities	21,648	22,446
Net assets		
Shareholders' equity		
Capital stock	2,153	2,167
Capital surplus	4,148	3,965
Retained earnings	11,662	14,545
Treasury shares	(0)	(0)
Total shareholders' equity	17,963	20,677
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustments	(838)	(1,423)
Total accumulated other comprehensive income	(838)	(1,423)
Subscription rights to shares	110	135
Non-controlling interests	4,347	4,252
Total net assets	21,583	23,641
Total liabilities and net assets	43,231	46,087

See the accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

SMS CO., LTD. and Its Consolidated Subsidiaries

Fiscal year ended March 31, 2017 and 2018

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	23,054	26,611
Cost of sales	3,727	4,338
Gross profit	19,327	22,273
Selling, general and administrative expenses	*1 15,681	*1 18,251
Operating income	3,646	4,021
Non-operating income		
Foreign exchange gains	–	29
Interest income	9	8
Share of profit of entities accounted for using equity method	863	950
Other	31	58
Total non-operating income	904	1,047
Non-operating expenses		
Foreign exchange losses	11	–
Interest expenses	47	48
Share issuance cost	29	–
Other	31	13
Total non-operating expenses	120	61
Ordinary income	4,430	5,007
Extraordinary income		
Gain on sales of non-current assets	–	5
Gain on sales of shares of subsidiaries and associates	55	–
Total extraordinary income	55	5
Extraordinary losses		
Impairment loss	20	3
Loss on sales and retirement of non-current assets	–	31
Loss on sales of shares of subsidiaries and associates	*2 151	*2 28
Loss on valuation of investment securities	–	19
Loss on sales of investment securities	20	–
Loss on business withdrawal	–	14
Total extraordinary losses	192	98
Profit before income taxes	4,294	4,914
Income taxes – current	1,384	1,707
Income taxes – deferred	(93)	(299)
Total income taxes	1,290	1,408
Profit	3,004	3,506
Profit attributable to non-controlling interests	203	145
Profit attributable to owners of parent	2,801	3,361

See the accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

SMS CO., LTD. and Its Consolidated Subsidiaries

Fiscal year ended March 31, 2017 and 2018

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	3,004	3,506
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	(0)
Foreign currency translation adjustments	(1,263)	(800)
Share of other comprehensive income of entities accounted for using equity method	(5)	(25)
Total other comprehensive income	* (1,278)	* (825)
Comprehensive income	1,725	2,680
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,816	2,776
Comprehensive income attributable to non-controlling interests	(91)	(95)

See the accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

SMS CO., LTD. and Its Consolidated Subsidiaries

Fiscal year ended March 31, 2017 and 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2016	304	—	9,145	(1,036)	8,413
Changes of items during period					
Issuance of new shares	1,848	1,848	—	—	3,697
Dividends of surplus	—	—	(283)	—	(283)
Profit attributable to owners of parent	—	—	2,801	—	2,801
Net increase (decrease) due to change in scope of consolidation	—	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	(3)	—	—	(3)
Purchase of treasury shares	—	—	—	(0)	(0)
Disposal of treasury shares	—	2,302	—	1,036	3,339
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	1,848	4,148	2,517	1,036	9,550
Balance at March 31, 2017	2,153	4,148	11,662	(0)	17,963

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at April 1, 2016	9	135	145	80	4,518	13,157
Changes of items during period						
Issuance of new shares	—	—	—	—	—	3,697
Dividends of surplus	—	—	—	—	—	(283)
Profit attributable to owners of parent	—	—	—	—	—	2,801
Net increase (decrease) due to change in scope of consolidation	—	—	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	(3)
Purchase of treasury shares	—	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	—	—	3,339
Net changes of items other than shareholders' equity	(9)	(974)	(983)	30	(171)	(1,124)
Total changes of items during the year	(9)	(974)	(983)	30	(171)	8,425
Balance at March 31, 2017	0	(838)	(838)	110	4,347	21,583

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2017	2,153	4,148	11,662	(0)	17,963
Changes of items during period					
Issuance of new shares	14	14	—	—	29
Dividends of surplus	—	—	(478)	—	(478)
Profit attributable to owners of parent	—	—	3,361	—	3,361
Net increase (decrease) due to change in scope of consolidation	—	(197)	—	—	(197)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—
Purchase of treasury shares	—	—	—	(0)	(0)
Disposal of treasury shares	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	14	(183)	2,882	(0)	2,713
Balance at March 31, 2018	2,167	3,965	14,545	(0)	20,677

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at April 1, 2017	0	(838)	(838)	110	4,347	21,583
Changes of items during period						
Issuance of new shares	—	—	—	—	—	29
Dividends of surplus	—	—	—	—	—	(478)
Profit attributable to owners of parent	—	—	—	—	—	3,361
Net increase (decrease) due to change in scope of consolidation	—	—	—	—	—	(197)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	—	—	—
Net changes of items other than shareholders' equity	(0)	(584)	(584)	25	(95)	(655)
Total changes of items during the year	(0)	(584)	(584)	25	(95)	2,058
Balance at March 31, 2018	0	(1,423)	(1,423)	135	4,252	23,641

See the accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
SMS CO., LTD. and Its Consolidated Subsidiaries
Fiscal year ended March 31, 2017 and 2018

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	4,294	4,914
Depreciation	876	965
Amortization of goodwill	640	741
Loss (gain) on sales and retirement of non-current assets	–	26
Impairment loss	20	3
Loss (gain) on sales of investment securities	20	–
Loss (gain) on valuation of investment securities	–	19
Loss (gain) on sales of shares of subsidiaries and associates	95	28
Share of (profit) loss of entities accounted for using equity method	(681)	(106)
Increase (decrease) in allowance for doubtful accounts	(37)	95
Increase (decrease) in provision for bonuses	(46)	126
Increase (decrease) in provision for refund	13	10
Increase (decrease) in net defined benefit liability	23	24
Foreign exchange losses (gains)	11	(29)
Decrease (increase) in notes and accounts receivable - trade	(10)	(279)
Increase (decrease) in accrued consumption taxes	141	159
Decrease (increase) in accounts receivable - other	(599)	(956)
Decrease (increase) in prepaid expenses	(20)	182
Increase (decrease) in advances received	13	60
Increase (decrease) in accounts payable - other	821	806
Other, net	(407)	(63)
Subtotal	<u>5,169</u>	<u>6,731</u>
Interest and dividend income received	10	11
Interest expenses paid	(48)	(48)
Income taxes paid	(1,211)	(1,883)
Net cash provided by (used in) operating activities	<u>3,919</u>	<u>4,811</u>
Cash flows from investing activities		
Payments into time deposits	(1,199)	(998)
Proceeds from withdrawal of time deposits	655	1,024
Purchase of property, plant and equipment	(67)	(214)
Purchase of intangible assets	(815)	(707)
Purchase of investment securities	(40)	–
Proceeds from sales of investment securities	13	–
Payments of loans receivable	(38)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,197)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	(11)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	381	–
Other, net	76	9
Net cash provided by (used in) investing activities	<u>(1,033)</u>	<u>(2,095)</u>

(Continued)

	(Millions of yen)	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Decrease in short-term loans payable	(19,000)	(32)
Proceeds from long-term loans payable	12,012	973
Repayments of long-term loans payable	(600)	(1,359)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	–	17
Proceeds from issuance of common shares	3,679	–
Proceeds from sales of treasury shares	3,324	–
Cash dividends paid	(289)	(478)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(3)	(230)
Other, net	1	2
Net cash provided by (used in) financing activities	(875)	(1,107)
Effect of exchange rate change on cash and cash equivalents	(17)	19
Net increase (decrease) in cash and cash equivalents	1,993	1,627
Cash and cash equivalents at beginning of year	5,147	7,140
Cash and cash equivalents at end of year	* 7,140	* 8,768

See the accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(Significant matters that serve as the basis for the preparation of consolidated financial statements)

1. Matters related to the scope of consolidation

Number of consolidated subsidiaries: 40

Names of major consolidated subsidiaries

SMS Career CO., LTD.

SENIOR MARKETING SYSTEM ASIA PTE. LTD.

MIMS Pte. Ltd.

MIMS (Shanghai) Ltd.

MIMS (NZ) Limited

KIMS Limited

SENIOR MARKETING SYSTEM SDN. BHD. and others

For the fiscal year ended March 31, 2018, WILLONE Co., Ltd. and eight other subsidiaries were included in the scope of consolidation due to acquisition of shares or establishment of new companies.

For the fiscal year ended March 31, 2018, SMS Medicare Service CO., LTD. and another subsidiary were excluded from the scope of consolidation due to sale of shares.

2. Application of equity method

(1) Number of affiliates accounted for using equity method: 3

Name of major affiliate

M3 Career, Inc.

(2) Number of affiliates not accounted for using equity method: 1

Name of affiliate not accounted for using equity method

HelpingDoc Private Limited

(Reason for exclusion from application of equity method)

The affiliates not accounted for using equity method do not have a material impact in aggregate, and the company's profit (amount corresponding to equity holdings) and retained earnings (amount corresponding to equity holdings) do not have a material effect on the consolidated financial statements. Therefore, they are not accounted for using equity method.

3. Fiscal year of consolidated subsidiaries

The fiscal year-end of SMS Career CO., LTD., SMS Support Service CO., LTD., SMS Financial Service CO., LTD., Zweig Co., Ltd., WorkAmbitious Co., Ltd., and WILLONE Co., Ltd. is March 31, which is the same as the Company's fiscal year-end.

The fiscal year-end of consolidated subsidiaries other than those above is December 31. Since the difference in fiscal year-ends is not more than three months, financial statements as of December 31 are used in preparing the consolidated financial statements. For significant transactions that occurred in the period from their fiscal year-end to the Company's fiscal year-end, necessary adjustments have been made upon consolidation.

4. Matters related to the accounting policies

(1) Basis and method of valuation of significant assets

a. Securities

Available-for-sale securities

Available-for-sale securities without a determinable market value are stated at cost determined by the moving-average method.

b. Inventories

Merchandise and finished goods, work in process and supplies

Inventories are mainly measured at cost determined by the weighted-average method. (The amounts on the consolidated balance sheets are calculated using a method of writing down the book value due to decreased profitability.)

(2) Depreciation and amortization method of significant depreciable assets

a. Property, plant and equipment

Property, plant and equipment is depreciated using the declining-balance method. Buildings and accompanying fixtures and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

Major useful lives are as follows:

Buildings	6 to 15 years
Tools, furniture and fixtures	3 to 9 years
Machinery, equipment and vehicles	2 to 5 years

b. Intangible assets

Intangible assets are amortized using the straight-line method.

Major useful lives are as follows:

Software	Estimated period of internal use (within 5 years)
Trademark rights	Not amortized
Customer-related assets	12 years

(3) Basis of significant allowances and provisions

a. Allowance for doubtful accounts

For normal trade receivables, allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt. For certain receivables such as doubtful receivables, uncollectible amounts are individually estimated.

b. Provision for bonuses

Provision for bonuses is provided for the payment of employees' bonuses based on the estimate of future payments attributed to the fiscal year.

c. Provision for refund

In order to meet refund payments due to applicants' resignation based on the refund clause stipulated in job placement contracts between the Company and clients, provision for refund is provided at an amount estimated based on historical experience.

(4) Methods for significant hedge accounting

a. Hedge accounting method

Deferral hedge accounting is applied. For interest rate swaps, special accounting treatment is applied if the criteria for special accounting treatment are met. For currency swaps, the allocation method is applied if the criteria for the allocation method are met.

b. Hedging instruments and hedged items

Hedging instruments: Interest rate swaps and currency swaps

Hedged items: Long-term loans payable and associated interest denominated in foreign currencies

c. Hedge policy

As a policy, the Company uses interest rate swaps and currency swaps in order to mitigate and avoid interest rate fluctuation risk and foreign exchange fluctuation risk.

d. Method of evaluating hedge effectiveness

Hedge effectiveness is evaluated by comparing the total changes in values of hedging instruments and hedged items for the periods from the commencement of hedge contracts to the evaluation dates. For interest rate swaps which meet the criteria for special accounting treatment, the evaluation of hedge effectiveness is omitted.

(5) Accounting treatments for retirement benefit

a. The method of attributing expected benefit to periods

The straight-line method is used as the method of attributing expected benefit to periods through the fiscal year-end in calculating the projected benefit obligations.

b. The method of recognizing actuarial gain or loss

Actuarial gain or loss is charged to income in the fiscal year when such gain or loss is incurred.

(6) Basis of translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing as of the fiscal year-end, and resulting gains and losses are included in income.

Assets and liabilities of overseas consolidated subsidiaries are translated into yen at the year-end exchange rates, and income and expenses are translated into yen at average exchange rates during the year. Differences arising from the translations are included in “Foreign currency translation adjustments” and “Non-controlling interests” under net assets.

(7) Amortization of goodwill – method and period of amortization

Goodwill is amortized over its effective period, not exceeding 20 years, on a straight-line basis.

(8) Cash and cash equivalents in consolidated statements of cash flows

The Company considers cash on hand, readily available deposits, and all easily convertible short-term instruments with a maturity of three months or less when purchased that are exposed to insignificant risk of changes in value to be cash and cash equivalents.

(9) Other significant matters for preparation of consolidated financial statements

a. Accounting treatment of consumption taxes

Consumption taxes are accounted for by the tax-excluded method.

b. Consolidated taxation system

The Company and certain consolidated subsidiaries have applied the consolidated taxation system, with the Company being a parent company under the system.

(Consolidated balance sheets)

* Investment in non-consolidated subsidiaries and affiliates included in investment securities is as follows:

	(Millions of yen)	
	As of March 31, 2017	As of March 31, 2018
Investment securities (shares)	1,635	1,707

(Consolidated statements of income)

*1 Major items and amounts included in selling, general and administrative expenses are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Salaries and allowance	5,072	5,867
Advertising expenses	2,787	3,413
Amortization of goodwill	640	741
Depreciation	876	965
Business consignment expenses	2,261	2,502
Legal welfare expenses	727	904
Rents	891	1,122
Provision for bonuses	334	266
Retirement benefit expenses	37	41
Provision of allowance for doubtful accounts	32	146

*2 Loss on sales of shares of subsidiaries and associates is as follows:

Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Losses mainly on sale of shares of eChannelling PLC	Losses mainly on sale of shares of SMS Medicare Service CO., LTD

(Consolidated statements of comprehensive income)

* Reclassification adjustments and tax effects in connection with other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Valuation difference on available-for-sale securities:		
Amount arising during the year	(0)	(0)
Reclassification adjustments	(9)	-
Amount before tax effects	(9)	(0)
Tax effects	0	0
Valuation difference on available-for-sale securities	(9)	(0)
Foreign currency translation adjustments:		
Amount arising during the year	(1,212)	(800)
Reclassification adjustments	(51)	-
Foreign currency translation adjustments	(1,263)	(800)
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the year	(5)	(25)
Reclassification adjustments	-	-
Share of other comprehensive income of entities accounted for using equity method	(5)	(25)
Total other comprehensive income	(1,278)	(825)

(Consolidated statements of changes in net assets)

Fiscal year ended March 31, 2017

1. Matters regarding class and number of issued shares and class and number of treasury shares

(Shares)

	Number of shares at beginning of year	Increase	Decrease	Number of shares at end of year
Issued shares:				
Common stock (Note 1)	41,887,200	1,495,400	-	43,382,600
Total	41,887,200	1,495,400	-	43,382,600
Treasury shares:				
Common stock (Note 2)	1,330,272	41	1,330,200	113
Total	1,330,272	41	1,330,200	113

(Notes) 1. Increase in issued shares (1,495,400 shares) is due to the issuance of new shares (1,469,800 shares) in overseas markets and the exercise of subscription rights to shares (25,600 shares).

2. Decrease in treasury shares is due to the disposal of treasury shares (1,330,200 shares) in overseas markets.

2. Matters regarding subscription rights to shares

Classification	Description of subscription rights to shares	Class of shares subject to subscription rights to shares	Number of shares subject to subscription rights to shares (shares)				Balance at end of year (Millions of yen)
			Beginning of year	Increase	Decrease	End of year	
The Company (Parent company)	August 2011 No.7 Stock Option	Common stock	38,400	—	32,000	6,400	0
	July 2012 No.8 Stock Option	Common stock	72,000	—	14,400	57,600	16
	July 2013 No.9 Stock Option	Common stock	72,000	—	9,600	62,400	21
	July 2014 No.10 Stock Option	Common stock	200,000	—	—	200,000	66
	July 2016 No.11 Stock Option	Common stock	—	18,000	—	18,000	4
	July 2016 No.12 Stock Option	Common stock	—	206,000	—	206,000	1
Total		—	382,400	224,000	56,000	550,400	110

(Notes) 1. The stock options above will be exercisable in the following schedule: No. 7 Stock Option on August 19, 2016; No.8 Stock Option on July 20, 2017; No.9 Stock Option on July 18, 2018; No.10 Stock Option on July 17, 2021; No.11 Stock Option on July 20, 2019; and No.12 Stock Option on July 1, 2019.

2. Decreases are due to the exercise and the expiration of subscription rights to shares.

3. Matters regarding dividend

(1) Dividend payment

Resolution	Class	Dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 24, 2016	Common stock	283	7	March 31, 2016	June 27, 2016

(2) Of the dividends whose record date belongs to the fiscal year ended March 31, 2017, the dividend whose effective date falls in the fiscal year ending March 31, 2018

Resolution	Class	Resource	Dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 22, 2017	Common stock	Retained earnings	477	11	March 31, 2017	June 23, 2017

Fiscal year ended March 31, 2018

1. Matters regarding class and number of issued shares and class and number of treasury shares

(Shares)

	Number of shares at beginning of year	Increase	Decrease	Number of shares at end of year
Issued shares:				
Common stock (Note 1)	43,382,600	38,400	—	43,421,000
Total	43,382,600	38,400	—	43,421,000
Treasury shares:				
Common stock (Note 2)	113	42	—	155
Total	113	42	—	155

(Notes) 1. Increase in issued shares (38,400 shares) is due to the exercise of subscription rights to shares.

2. Increase in treasury shares (42 shares) is due to the acquisition of treasury shares.

2. Matters regarding subscription rights to shares

Classification	Description of subscription rights to shares	Class of shares subject to subscription rights to shares	Number of shares subject to subscription rights to shares (shares)				Balance at end of year (Millions of yen)
			Beginning of year	Increase	Decrease	End of year	
The Company (Parent company)	August 2011 No.7 Stock Option	Common stock	6,400	—	—	6,400	0
	July 2012 No.8 Stock Option	Common stock	57,600	—	43,200	14,400	4
	July 2013 No.9 Stock Option	Common stock	62,400	—	4,800	57,600	24
	July 2014 No.10 Stock Option	Common stock	200,000	—	—	200,000	90
	July 2016 No.11 Stock Option	Common stock	18,000	—	—	18,000	11
	July 2016 No.12 Stock Option	Common stock	206,000	—	2,000	204,000	1
	May 2017 No.13 Stock Option	Common stock	—	159,000	1,000	158,000	2
Total	—	—	550,400	159,000	51,000	658,400	135

(Notes) 1. The stock options above will be exercisable in the following schedule: No. 7 Stock Option on August 19, 2016; No.8 Stock Option on July 20, 2017; No.9 Stock Option on July 18, 2018; No.10 Stock Option on July 17, 2021; No.11 Stock Option on July 20, 2019; No.12 Stock Option on July 1, 2019; and No.13 Stock Option on July 1, 2020.

2. The breakdown of decreases is as follows:

	Subscription rights to shares (shares)	
	Exercise	Expiration
No.8 Stock Option	38,400	4,800
No.9 Stock Option	—	4,800
No.12 Stock Option	—	2,000
No.13 Stock Option	—	1,000

3. Matters regarding dividend

(1) Dividend payment

Resolution	Class	Dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 22, 2017	Common stock	477	11	March 31, 2017	June 23, 2017

(2) Of the dividends whose record date belongs to the fiscal year ended March 31, 2018, the dividend whose effective date falls in the fiscal year ending March 31, 2019.

Resolution	Class	Resource	Dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 21, 2018	Common stock	Retained earnings	564	13	March 31, 2018	June 22, 2018

(Consolidated statements of cash flows)

* Reconciliation of cash and cash equivalents in the consolidated statements of cash flows to accounts and amounts in the accompanying consolidated balance sheets

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash and deposits	7,829	9,515
Time deposits with maturity in excess of three months	(688)	(747)
Cash and cash equivalents	7,140	8,768

(Leases)

Disclosure is omitted due to immateriality.

(Financial instruments)

1. Status of financial instruments

(1) Policy on financial instruments

As a policy, the Company generally operates its business using funds provided by operating activities, and invests temporary surplus funds in very safe financial instruments. The Company does not enter into financial transactions for trading or speculative purposes.

(2) Types of financial instruments, related risk and risk management

Accounts receivable - trade and accounts receivable - other are exposed to the credit risk of customers; however, the risk is limited because most of these receivables are due within two months. In accordance with the Company's credit management policy, the Company manages such risk by monitoring due dates and outstanding balances by customer and evaluating their credit status.

Accounts payable - other and income taxes payable have payment due dates within one year, in general. Current liabilities including these payables are exposed to liquidity risk at time of settlement. However, the Company avoids such risk by reviewing the cash management plan on a monthly basis.

Long-term loans payable are primarily for share acquisitions related to M&A transactions. The Company manages interest rate fluctuation risk and the foreign exchange fluctuation risk of each contract by using derivative transactions such as interest rate swaps and currency swaps as hedging instruments.

(3) Supplemental information regarding fair value of financial instruments

The fair value of financial instruments is based on their market prices, if available. Where there is no market price available,

fair value is reasonably estimated. Because estimations of fair value incorporate variable factors, the fair value may vary when different assumptions are applied.

2. Matters regarding fair value of financial instruments

The carrying amount, fair value and the difference between them are as follows. Financial instruments for which fair value is extremely difficult to estimate are excluded from the following table (See Note 2 below).

As of March 31, 2017

(Millions of yen)			
	Carrying amount	Fair value	Difference
(1) Cash and deposits	7,829	7,829	—
(2) Accounts receivable - trade	3,932	3,932	—
Allowance for doubtful accounts (*1)	(128)	(128)	—
	3,804	3,804	—
(3) Accounts receivable - other	2,491	2,491	—
Total assets	14,125	14,125	—
(4) Long-term loans payable (*2)	11,411	11,280	(130)
(5) Accounts payable - other	4,236	4,236	—
(6) Income taxes payable	1,139	1,139	—
Total liabilities	16,787	16,657	(130)
Derivative transactions	—	—	—

(*1) The amount is presented as allowance for doubtful accounts receivable - trade.

(*2) The amount includes current portion of long-term loans payable.

As of March 31, 2018

(Millions of yen)			
	Carrying amount	Fair value	Difference
(1) Cash and deposits	9,515	9,515	—
(2) Accounts receivable - trade	4,308	4,308	—
Allowance for doubtful accounts (*1)	(224)	(224)	—
	4,084	4,084	—
(3) Accounts receivable - other	3,474	3,474	—
Total assets	17,074	17,074	—
(4) Long-term loans payable (*2)	11,086	11,046	(39)
(5) Accounts payable - other	5,061	5,061	—
(6) Income taxes payable	1,068	1,068	—
Total liabilities	17,216	17,176	(39)
Derivative transactions	—	—	—

(*1) The amount is presented as allowance for doubtful accounts receivable - trade.

(*2) The amount includes current portion of long-term loans payable.

(Notes) 1. Measurement method of fair value of financial instruments and information on securities

Assets

- (1) Cash and deposits, (2) Accounts receivable - trade, (3) Accounts receivable - other

Since these items are settled in a short period of time, their carrying amount approximates fair value. Since it is extremely difficult to estimate credit risk of each receivable, the Company estimates the fair value of accounts receivable - trade by deducting allowance for doubtful receivables from the carrying amount, considering that allowance for doubtful accounts approximates the amount of credit risk.

Liabilities

- (4) Long-term loans payable (including current portion)

Since the interest on these loans payable is fixed rate or fixed using interest rate swaps, the fair value is calculated by discounting the total of principal and interest classified by the remaining period to the maturity using an assumed interest rate applicable to a similar type of new borrowings.

- (5) Accounts payable - other, (6) Income taxes payable

Since these items are settled in a short period of time, their carrying amount approximates fair value.

Derivative transactions

Interest rate swaps under the special accounting treatment and currency swaps under the allocation method are accounted for as an integral component of long-term loans payable designated as hedged items. Thus, their fair value is included in those of the loans payable.

2. Financial instruments whose fair value is extremely difficult to determine

(Millions of yen)

Classification	As of March 31, 2017	As of March 31, 2018
Investment securities		
Unlisted shares	1,665	1,721

These securities are not included in the table above, as there were no market prices available and it is extremely difficult to determine the fair value.

3. Maturity analysis for financial assets and securities with contractual maturities

As of March 31, 2017

(Millions of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	7,792	—	—	—
Accounts receivable -trade	3,932	—	—	—
Accounts receivable -other	2,491	—	—	—
Total	14,215	—	—	—

As of March 31, 2018

(Millions of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	9,447	—	—	—
Accounts receivable -trade	4,308	—	—	—
Accounts receivable -other	3,474	—	—	—
Total	17,230	—	—	—

4. Maturity analysis for bonds, long-term loans payable, leases payable and other interest-bearing debts and other interest-bearing debts

As of March 31, 2017

(Millions of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	—	—	—	—	—	—
Long-term loans payable	1,201	1,201	1,201	1,201	1,201	5,405
Total	1,201	1,201	1,201	1,201	1,201	5,405

As of March 31, 2018

(Millions of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	8	—	—	—	—	—
Long-term loans payable	1,395	1,395	1,395	1,395	1,298	4,204
Total	1,404	1,395	1,395	1,395	1,298	4,204

(Securities)

1. Impairment of securities

Fiscal year ended March 31, 2017

None to report.

Fiscal year ended March 31, 2018

The disclosure is omitted due to immateriality.

2. Available-for-sale securities sold during the fiscal year

Fiscal year ended March 31, 2017

The disclosure is omitted due to immateriality.

Fiscal year ended March 31, 2018

None to report.

(Derivative transactions)

1. Derivatives transactions for which hedge accounting has not been applied

None to report.

2. Derivatives transactions for which hedge accounting has been applied

(1) Currency-related

As of March 31, 2017

(Millions of yen)

Hedge accounting method	Transaction	Main hedged item	Contract amount	Contract amount over one year	Fair value
Allocation method	Currency swaps Receive: U.S. dollar / Pay: Yen	Long-term loans payable	12,012	10,210	(Note)

(Note) Currency swaps under the allocation method are accounted for as an integral component of long-term loans payable designated as hedged items. Thus, their fair value is included in those of the loans payable.

As of March 31, 2018

(Millions of yen)

Hedge accounting method	Transaction	Main hedged item	Contract amount	Contract amount over one year	Fair value
Allocation method	Currency swaps Receive: U.S. dollar/ Pay: Yen	Long-term loans payable	12,012	9,009	(Note)

(Note) Currency swaps under the allocation method are accounted for as an integral component of long-term loans payable designated as hedged items. Thus, their fair value is included in those of the loans payable.

(2) Interest rate-related

As of March 31, 2017

(Millions of yen)

Hedge accounting method	Transaction	Main hedged item	Contract amount	Contract amount over one year	Fair value
Special accounting treatment	Interest rate swaps Receive: Floating / Pay: Fix	Long-term loans payable	12,012	10,210	(Note)

(Note) Interest rate swaps under special accounting treatment are accounted for as an integral component of long-term loans payable designated as hedged items. Thus, their fair value is included in those of the loans payable.

As of March 31, 2018

(Millions of yen)

Hedge accounting method	Transaction	Main hedged item	Contract amount	Contract amount over one year	Fair value
Special accounting treatment	Interest rate swaps Receive: Floating / Pay: Fix	Long-term loans payable	12,012	9,009	(Note)

(Note) Interest rate swaps under special accounting treatment are accounted for as an integral component of long-term loans payable designated as hedged items. Thus, their fair value is included in those of the loans payable.

(Retirement benefit)

1. Summary of retirement benefit plans

The Group has only a lump-sum payment plan.

2. Defined benefit plan

(1) Reconciliation between beginning balance and ending balance of projected benefit obligations

	(Millions of yen)	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Balance at beginning of year	111	135
Service cost	31	38
Interest cost	(0)	0
Actuarial gain or loss	5	2
Retirement benefits paid	(9)	(16)
Decrease due to change in scope of consolidation	(3)	—
Balance at end of year	135	160

(2) Reconciliation between the ending balance of projected benefit obligations and net defined benefit liability recorded on the consolidated balance sheets

	(Millions of yen)	
	As of March 31, 2017	As of March 31, 2018
Unfunded retirement benefit obligations	135	160
Net defined benefit liability	135	160

(3) The components of retirement benefit expenses and their amounts

	(Millions of yen)	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Service cost	31	38
Interest cost	(0)	0
Amortization of actuarial gain or loss	5	2
Total retirement benefit expenses	37	41

(4) The major assumptions used for the actuarial calculation (weighted average)

	As of March 31, 2017	As of March 31, 2018
Discount rate	0.1%	0.1%

(Stock options)

1. The amount of costs incurred for the stock option plans and the account recorded are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Share-based compensation expenses included in general and administrative expenses	31	33

2. Outline, number and status of changes in number of stock options

(1) Outline of stock options

	No.7 Stock Option	No.8 Stock Option	No.9 Stock Option
Position and number of grantees	4 directors, 9 employees	5 directors, 9 employees	4 directors, 13 employees
Number of options granted (Notes 1 and 2)	54,400 shares	91,200 shares	100,800 shares
Date of grant	August 18, 2011	July 19, 2012	July 18, 2013
Vesting condition	The grantee shall be in the position of director or employee of the Company or its associates. This shall not apply in cases where the grantee resigned the position due to expiration of the term of office, retired due to the age of retirement or other legitimate reasons. Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.	The grantee shall be in the position of director or employee of the Company or its associates. This shall not apply in cases where the grantee resigned the position due to expiration of the term of office, retired due to the age of retirement or other legitimate reasons. Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.	The grantee shall be in the position of director or employee of the Company or its associates. This shall not apply in cases where the grantee resigned the position due to expiration of the term of office, retired due to the age of retirement or other legitimate reasons. Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.
Service period	August 18, 2011 – August 18, 2016	July 19, 2012 – July 19, 2017	July 18, 2013 – July 17, 2018
Exercise period	August 19, 2016 – August 18, 2021	July 20, 2017 – July 19, 2022	July 18, 2018 – July 17, 2023

	No.10 Stock Option	No.11 Stock Option	No.12 Stock Option
Position and number of grantees	1 director	3 directors	3 directors, 40 employees
Number of options granted (Notes 1 and 2)	200,000 shares	18,000 shares	206,000 shares
Date of grant	July 17, 2014	August 9, 2016	August 9, 2016
Vesting condition	<p>The grantee shall be in the position of director of the Company. This shall not apply in cases where the grantee resigned the position due to expiration of the term of office or other legitimate reasons.</p> <p>Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.</p>	<p>The grantee shall be in the position of director of the Company. This shall not apply in cases where the grantee resigned the position due to expiration of the term of office or other legitimate reasons.</p> <p>Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.</p>	<p>Only when EBITDA for the fiscal year ending March 31, 2019 exceeds (a), (b), or (c) stated below, subscription rights to shares shall become exercisable. Of the subscription rights allotted to each grantee, the number of rights which become exercisable (“exercisable ratio”) shall be determined as follows:</p> <p>(a) EBITDA exceeds ¥4,977 million: exercisable ratio is 10%</p> <p>(b) EBITDA exceeds ¥6,462 million: exercisable ratio is 50%</p> <p>(c) EBITDA exceeds ¥8,216 million: exercisable ratio is 100%</p> <p>Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.</p>
Service period	July 17, 2014 – July 16, 2021	August 9, 2016 – July 19, 2019	—
Exercise period	July 17, 2021 – July 16, 2024	July 20, 2019 – July 19, 2026	July 1, 2019 – June 30, 2024

	No.13 Stock Option
Position and number of grantees	2 directors, 44 employees
Number of options granted (Notes 1 and 2)	159,000 shares
Date of grant	June 19, 2017
Vesting condition	<p>Only when operating income for the fiscal year ending March 31, 2020 exceeds (a), (b), or (c) stated below, subscription rights to shares shall become exercisable. Of the subscription rights allotted to each grantee, the number of rights which become exercisable (“exercisable ratio”) shall be determined as follows:</p> <p>(a) Operating income exceeds ¥4,853 million: exercisable ratio is 10%</p> <p>(b) Operating income exceeds ¥6,301 million: exercisable ratio is 50%</p> <p>(c) Operating income exceeds ¥8,011 million: exercisable ratio is 100%</p> <p>Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.</p>
Service period	—
Exercise period	July 1, 2020 – June 30, 2025

(Notes) 1. It is converted and stated as number of shares.

2. Based on the resolution of the Board of Directors’ meeting held on November 19, 2014, the Company implemented a 2-for-1 stock split effective January 1, 2015. The number of shares above represents those after the stock split.

(2) Number and status of changes in number of stock options

The following tables are based on the stock options that existed for the fiscal year ended March 31, 2018. The number of stock options is converted and stated as the number of shares.

a. Number of stock options

(Shares)

	No.7 Stock Option	No.8 Stock Option	No.9 Stock Option
Non-vested:			
Outstanding at March 31, 2017	—	57,600	62,400
Granted	—	—	—
Increase due to stock split	—	—	—
Forfeited	—	4,800	4,800
Vested	—	52,800	—
Outstanding at March 31, 2018	—	—	57,600
Vested:			
Outstanding at March 31, 2017	6,400	—	—
Vested	—	52,800	—
Increase due to stock split	—	—	—
Exercised	—	38,400	—
Forfeited	—	—	—
Outstanding at March 31, 2018	6,400	14,400	—

	No.10 Stock Option	No.11 Stock Option	No.12 Stock Option
Non-vested:			
Outstanding at March 31, 2017	200,000	18,000	206,000
Granted	—	—	—
Increase due to stock split	—	—	—
Forfeited	—	—	2,000
Vested	—	—	—
Outstanding at March 31, 2018	200,000	18,000	204,000
Vested:			
Outstanding at March 31, 2017	—	—	—
Vested	—	—	—
Increase due to stock split	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Outstanding at March 31, 2018	—	—	—

	No.13 Stock Option
Non-vested:	
Outstanding at March 31, 2017	—
Granted	159,000
Increase due to stock split	—
Forfeited	1,000
Vested	—
Outstanding at March 31, 2018	158,000
Vested:	
Outstanding at March 31, 2017	—
Vested	—
Increase due to stock split	—
Exercised	—
Forfeited	—
Outstanding at March 31, 2018	—

(Note) Based on the resolution of the Board of Directors' meeting held on November 19, 2014, the Company implemented a 2-for-1 stock split effective January 1, 2015. The number of shares above represents those after the stock split.

b. Price information of stock options (Yen)

	No.7 Stock Option	No.8 Stock Option	No.9 Stock Option
Exercise price	213	468	743
Average market price of the stock at the time of exercise	—	3,610	—
Fair unit value (date of grant)	112	293	457

	No.10 Stock Option	No.11 Stock Option	No.12 Stock Option
Exercise price	1,471	2,409	2,380
Average market price of the stock at the time of exercise	—	—	—
Fair unit value (date of grant)	844	1,137	6

	No.13 Stock Option
Exercise price	3,055
Average market price of the stock at the time of exercise	—
Fair unit value (date of grant)	15

(Note) Based on the resolution of the Board of Directors' meeting held on November 19, 2014, the Company implemented a 2-for-1 stock split effective January 1, 2015. The number of shares above represents those after the stock split.

3. Methods to estimate fair values of stock options

The methods to estimate fair values of No. 13 stock option granted for the fiscal year ended March 31, 2018 are as follows:

No.13 Stock Option

a. Valuation technique Monte Carlo simulation

b. Major assumptions and estimation method

	No.13 Stock Option
Volatility of stock price (Note 1)	52.45%
Remaining period to maturity	8 years
Estimated dividend (Note 2)	¥11 per share
Risk-free interest rate (Note 3)	(0.01)%

(Note) 1. Volatility of stock price is estimated based on the actual stock prices from May 1, 2009 to May 12, 2017.

2. Actual dividend for the fiscal year ended March 31, 2017.

3. Yield of Japanese government bonds corresponding to the estimated remaining period.

4. Method of estimating number of stock options vested

Since it is difficult to reasonably estimate the number of stock options that will expire in the future, only the number of options that has been forfeited is reflected.

(Tax-effect accounting)

1. Major components of deferred tax assets and deferred tax liabilities

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Deferred tax assets:		
Enterprise tax payable	50	82
Provision for bonuses	67	101
Provision for refund	49	53
Legal welfare expenses payable	22	14
Allowance for doubtful accounts	31	34
Amortization of software	125	191
Provision for retirement benefits	45	53
Incidental costs of share acquisition	88	93
Loss carryforward	579	406
Other	65	21
Subtotal	1,125	1,054
Valuation allowance	(579)	(323)
Total deferred tax assets	545	730
Offset by deferred tax liabilities	(96)	—
Deferred tax assets, net	449	730
Deferred tax liabilities:		
Customer-related assets	2,458	2,175
Valuation difference on available-for-sale securities	0	0
Other	12	—
Total deferred tax liabilities	2,470	2,175
Offset by deferred tax assets	(96)	—
Deferred tax liabilities, net	2,374	2,175

2. Reconciliation between the statutory tax rate and the effective tax rate reflected in the consolidated statements of income

The disclosure is omitted because the difference between the statutory tax rate and the effective tax rate reflected in the consolidated statements of income is 5% or less of the statutory tax rate.

(Asset retirement obligations)

The Group has obligations to restore assets to their original state on leaving the properties based on real estate lease contracts for office spaces, which are asset retirement obligations.

Based on the lease contracts, the Group has paid deposits, which normally cover significant portion of restoration costs, and recorded the amounts as lease and guarantee deposits. Instead of recording liabilities for asset retirement obligations, the Group reasonably estimates the amounts which would not be recoverable at the end of the lease periods and recognizes expenses for the year by amortizing the amounts of deposits over the expected periods of use.

For the estimate, the Group assumes the expected periods of use to be a lease period from the commencement of real estate lease contracts to the end of the lease term.

The total amount assumed to be non-recoverable as of March 31, 2018 is ¥128 million, of which the amount recognized as expenses for the fiscal year ended March 31, 2018 is ¥38 million.

(Segment information and other)

【Segment information】

Overview of reportable segments

The Company and its consolidated subsidiaries consist of a single business, which aims to build information infrastructure suitable for the aging society, and operations incidental thereto.

Accordingly, there is no segment information to be disclosed and as such the disclosure is omitted.

【Related information】

Fiscal year ended March 31, 2017

1. Information by products and services

The Company and its consolidated subsidiaries consist of a single business, which aims to build information infrastructure suitable for the aging society, and operations incidental thereto. Accordingly, there is no segment information to be disclosed and as such the disclosure is omitted.

2. Information by geographical areas

(1) Net sales

(Millions of yen)

Japan	Other	Total
18,268	4,786	23,054

(Note) The amount of net sales is classified by country and region based on customers' location.

(2) Property, plant and equipment

(Millions of yen)

Japan	Other	Total
216	151	368

3. Information on major customers

Information on major customers is omitted since there is no single customer with 10% or more of the amount of net sales presented in the consolidated statements of income.

Fiscal year ended March 31, 2018

1. Information by products and services

The Company and its consolidated subsidiaries consist of a single business, which aims to build information infrastructure suitable for the aging society, and operations incidental thereto. Accordingly, there is no segment information to be disclosed and as such the disclosure is omitted.

2. Information by geographical areas

(1) Net sales

(Millions of yen)		
Japan	Other	Total
21,502	5,109	26,611

(Note) The amount of net sales is classified by country and region based on customers' location.

(2) Property, plant and equipment

(Millions of yen)		
Japan	Other	Total
228	176	405

3. Information on major customers

Information on major customers is omitted since there is no single customer with 10% or more of the amount of net sales presented in the consolidated statements of income.

【Information on impairment loss of non-current assets by reportable segment】

The disclosure is omitted since there is only one segment in the Group.

【Information on amortization of goodwill and balance of unamortized goodwill by reportable segment】

The disclosure is omitted since there is only one segment in the Group.

【Information on negative goodwill incurred by reportable segment】

None to report.

【Related party transactions】

1. Related party transactions

Transactions between the Company and related parties

Fiscal year ended March 31, 2017

None to report.

Fiscal year ended March 31, 2018

None to report.

2. Notes on parent company or major affiliates

Summary of financial information of major affiliates

As of and for the fiscal year ended March 31, 2018, M3 Career, Inc. was a major affiliate of the Company and its condensed financial information is as follows:

	(Millions of yen)	
	M3 Career, Inc.	
	2017	2018
Total current assets	3,315	4,140
Total non-current assets	1,263	1,197
Total current liabilities	1,378	1,848
Total non-current liabilities	—	95
Total net assets	3,199	3,393
Net sales	8,495	10,879
Profit before income taxes	2,556	2,843
Profit	1,723	2,010

(Amounts per share)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net assets per share (Yen)	394.76	443.44
Profit per share (Yen)	67.49	77.43
Diluted profit per share (Yen)	67.28	77.14

(Note) The basis for calculating profit per share and diluted profit per share is as follows:

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit per share:		
Profit attributable to owners of parent (Millions of yen)	2,801	3,361
Amount not attributable to common stock shareholders (Millions of yen)	—	—
Profit attributable to common stock owners of parent (Millions of yen)	2,801	3,361
Weighted average number of shares (Shares)	41,504,114	43,407,666
Diluted profit per share:		
Adjustment to profit attributable to owners of parent (Millions of yen)	—	—
Increase in number of common stock (Shares)	131,866	167,568
(Of which, exercise of subscription rights to shares [Shares])	(131,866)	(167,568)
Details of potential shares excluded from calculation of diluted profit per share due to no dilutive effect	No.11 Subscription rights to shares based on the resolution of the Board of Directors' meeting held on July 20, 2016: Common stock 18,000 shares No.12 Subscription rights to shares based on the resolution of the Board of Directors' meeting held on July 20, 2016: Common stock 205,298 shares	No.12 Subscription rights to shares based on the resolution of the Board of Directors' meeting held on July 20, 2016: Common stock 183,600 shares No.13 Subscription rights to shares based on the resolution of the Board of Directors' meeting held on May 29, 2017: Common stock 158,000 shares

(Significant subsequent events)

At the Board of Directors' meeting held on May 23, 2018, the Company resolved to implement a stock split and make a partial amendment to the Articles of Incorporation associated with the stock split.

1. Purpose

The purpose of the stock split is to expand the Company's shareholder base by lowering the monetary amount of its share trading unit.

2. Outline

(1) Method of the stock split

The Company will implement a 2-for-1 stock split based on the number of holding shares of shareholders stated or recorded on the shareholders register as of June 30, 2018 (Saturday) (effectively, June 29, 2018 (Friday), since June 30 is a holiday for the Company's administrator of shareholders register).

(2) Number of shares to be increased by the stock split

Number of shares issued and outstanding before the stock split	43,421,000 shares
Number of shares to be increased by the stock split	43,421,000 shares
Number of shares issued and outstanding after the stock split	86,842,000 shares
Number of authorized shares after the stock split	288,000,000 shares

(Note) "Number of shares issued and outstanding" and "Number of shares to be increased" above are based on number of shares issued and outstanding as of May 23, 2018, and are subject to change due to the exercise of subscription rights to shares.

(3) Schedule of the stock split

Date of public notice	June 13, 2018 (Wednesday)
Base date	June 30, 2018 (Saturday) (effectively, June 29, 2018 (Friday))
Effective date	July 1, 2018 (Sunday)

(4) Adjustments for exercise price of subscription rights to shares

As a result of the stock split, the exercise price per share subject to subscription rights to shares is also adjusted on and after July 1, 2018 (Sunday), as follows:

	(Yen)	
Subscription rights to shares	Exercise price before the stock split	Exercise price after the stock split
No.7 Stock Option	213	107
No.8 Stock Option	468	234
No.9 Stock Option	743	372
No.10 Stock Option	1,471	736
No.11 Stock Option	2,409	1,205
No.12 Stock Option	2,380	1,190
No.13 Stock Option	3,055	1,528

(5) Effect on amounts per share

Amounts per share for the fiscal years ended March 31, 2017 and 2018 based on the assumption that the stock split was executed on April 1, 2016 are as follows:

	(Yen)	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit per share	33.74	38.72
Diluted profit per share	33.64	38.57

3. Partial Amendment to Articles of Incorporation

(1) Reason for amendment

In order to increase the number of authorized shares after the stock split, the Company resolved at the Board of Directors' meeting to amend Article 5 of the Articles of Incorporation effective July 1, 2018 (Sunday), in accordance with the stipulation

in Article 184, paragraph 2 of the Companies Act.

(2) Details of amendment

The amendment is as follows (The amendment is underlined):

Current Articles of Incorporation	Proposed Amendment
(Total number of authorized shares) Article 5 The total number of authorized shares to be issued by the Company shall be <u>144,000,000</u> .	(Total number of authorized shares) Article 5 The total number of authorized shares to be issued by the Company shall be <u>288,000,000</u> .

(3) Schedule of amendment

Effective date July 1, 2018 (Sunday)

4. Other information

There is no increase in capital as a result of the stock split.

【Consolidated statements schedules】

【Details of bonds】

None to report.

【Details of loans payable】

Classification	Balance at beginning of year (Millions of yen)	Balance at end of year (Millions of yen)	Average interest rate (%)	Repayment date
Short-term loans payable	—	8	0.00	—
Current portion of long-term loans payable	1,201	1,395	0.55	—
Long-term loans payable (excluding current portion)	10,210	9,690	0.41	From 2019 to 2026
Total	11,411	11,094	—	—

(Notes) 1. The average interest rate represents the weighted-average rate applicable to the balance at end of year.

2. The five-year repayment schedule of long-term loans payable (excluding current portion) subsequent to the fiscal year end is as follows:

	(Millions of yen)			
	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	1,395	1,395	1,395	1,298

【Details of asset retirement obligations】

For asset retirement obligations, instead of recording liabilities for asset retirement obligations, the Group reasonably estimates the amounts which would not be recoverable at the end of the lease periods and recognizes expenses for the year by amortizing the amounts of deposits over the expected periods of use.

Thus, there is nothing to report.

【Other】

Quarterly information for the fiscal year ended March 31, 2018

Year-to-date data	First quarter	Second quarter	Third quarter	Fiscal year ended March 31, 2018
Net sales (Millions of yen)	7,073	13,162	19,228	26,611
Profit before income taxes (Millions of yen)	1,987	2,662	2,976	4,914
Profit attributable to owners of parent (Millions of yen)	1,444	1,859	2,040	3,361
Profit per share (Yen)	33.30	42.85	47.02	77.43

Quarterly data	First quarter	Second quarter	Third quarter	Fourth quarter
Profit per share (Yen)	33.30	9.54	4.17	30.41