

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

[Japanese GAAP]

Company name:	Japan System Techniques Co., Ltd.	Listing:	Tokyo Stock Exchange, First Section
Stock code:	4323	URL:	http://www.jast.jp
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Scheduled date of Annual General Meeting of Shareholders:	June 26, 2018		
Scheduled date of payment of dividend:	June 11, 2018		
Scheduled date of filing of Annual Security Report:	June 27, 2018		
Preparation of supplementary materials for financial results:	Yes		
Holding of financial results meeting:	Yes (for analysts)		

Note: The original disclosure in Japanese was released on May 11, 2018 at 18:50 (GMT +9).

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2018	15,630	9.9	741	29.9	785	25.8	579	41.0
Fiscal year ended Mar. 31, 2017	14,223	20.3	571	42.2	623	41.4	410	40.7

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2018: 637 (up 48.2 %)

Fiscal year ended Mar. 31, 2017: 430 (up 124.1 %)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2018	110.36	-	9.7	7.0	4.7
Fiscal year ended Mar. 31, 2017	78.26	-	7.4	6.5	4.0

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	12,308	6,246	50.4	1,181.54
As of Mar. 31, 2017	10,281	5,741	55.4	1,084.74

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 6,200 As of Mar. 31, 2017: 5,692

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2018	642	147	38	2,785
Fiscal year ended Mar. 31, 2017	132	494	(122)	1,951

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Mar. 31, 2017	Yen -	Yen 0.00	Yen -	Yen 25.00	Yen 25.00	Million yen 131	% 31.9	% 2.4
Fiscal year ended Mar. 31, 2018	Yen -	Yen 0.00	Yen -	Yen 28.00	Yen 28.00	Million yen 146	% 25.4	% 2.5
Fiscal year ending Mar. 31, 2019 (forecasts)	Yen -	Yen 0.00	Yen -	Yen 28.00	Yen 28.00		% 25.1	

Note: Breakdown of the year-end dividend for the fiscal year ended March 31, 2018:

Ordinary dividend: 25.00 yen; Commemorative dividend: 3.00 yen

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	15,765	0.9	865	16.7	875	11.4	585	1.0	111.47

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

Please refer to “Notes to Consolidated Financial Statements” for further information.

(3) Number of outstanding shares (common shares)

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

As of Mar. 31, 2018: 5,612,230 shares As of Mar. 31, 2017: 5,612,230 shares

2) Number of treasury shares at the end of the period

As of Mar. 31, 2018: 364,210 shares As of Mar. 31, 2017: 364,210 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2018: 5,248,020 shares Fiscal year ended Mar. 31, 2017: 5,248,020 shares

Reference: Summary of Non-consolidated Financial Results

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

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2018	12,709	5.2	653	22.3	698	22.4	495	28.7
Fiscal year ended Mar. 31, 2017	12,085	18.9	534	28.9	570	30.3	385	33.3

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2018	94.46	-
Fiscal year ended Mar. 31, 2017	73.39	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	10,131	6,344	62.6	1,208.95
As of Mar. 31, 2017	9,515	5,939	62.4	1,131.79

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 6,344 As of Mar. 31, 2017: 5,939

Note 1: The current financial report is not subject to audit by certified public accountants or auditing firms.

Note 2: Cautionary statement with respect to forward-looking statements

Forecasts of future performance in these materials are based on assumption judged to be valid and information available to the Company's management at the time the materials were prepared, but are not promises by the Company regarding future performance. Actual results may differ materially from the forecasts. Please refer to “1. Overview of Results of Operations, (4) Outlook” on page 3 for forecast assumptions and notes of caution for usage.

Contents of Attachments

1. Overview of Results of Operations	2
(1) Results of Operations	2
(2) Financial Position	2
(3) Cash Flows	3
(4) Outlook	3
2. Basic Approach to the Selection of Accounting Standards	4
3. Consolidated Financial Statements and Notes	5
(1) Consolidated Balance Sheet	5
(2) Consolidated Statements of Income and Comprehensive Income	7
Consolidated Statement of Income	7
Consolidated Statement of Comprehensive Income	8
(3) Consolidated Statement of Changes in Equity	9
(4) Consolidated Statement of Cash Flows	11
(5) Notes to Consolidated Financial Statements	12
Going Concern Assumption	12
Reclassifications	12
Segment and Other Information	12
Per-share Information	14
Subsequent Events	14

1. Overview of Results of Operations

(1) Results of Operations

In the fiscal year ended on March 31, 2018, the Japanese economy continued to recover at a moderate pace despite the continuation of geopolitical risk in eastern Asia. The recovery was supported by improvements in corporate profits, the number of jobs and personal income due to the benefits of economic initiatives by the Japanese government.

In the IT industry in Japan, according to the latest statistics in the “Survey of Selected Service Industries” by the Ministry of Economy, Trade and Industry (the final February figures), net sales continued to climb, rising 2.5% year on year in Fiscal 2017 (compared with 1.3% annual growth in Fiscal 2016). Despite the higher sales, the outlook for the IT industry is uncertain because there were some months in fiscal 2017 when sales were lower than one year earlier.

Consolidated sales and earnings of the Japan System Techniques Group (Japan System Techniques Co., Ltd. and its consolidated subsidiaries, hereafter “the Group”) in the current fiscal year increased as follows: net sales of 15,630 million yen (up 9.9% year on year), operating income of 741 million yen (up 29.9% year on year), ordinary income of 785 million yen (up 25.8% year on year), and profit attributable to owners of parent of 579 million yen (up 41.0% year on year). Results by segment were as follows.

In the software business (individualized contracted software development), sales for the manufacturing industry and the telecommunications industry increased while there was a decrease in sales for the service/retail industry, finance/insurance/brokerage industry and public sector. Net sales in this business totaled 10,584 million yen (up 5.2% year on year) and operating income was 448 million yen (up 13.8% year on year).

In the package business (sale and related services of operational reform packages for schools), there was an increase in sales of highly profitable items including, implementation support and program products (PP) sales and maintenance to universities, while IT equipment sales and end user computing (EUC: individualized contracted development of related systems) sales declined. Net sales in this business totaled 2,254 million yen (down 0.9% year on year) and operating income was 254 million yen (up 16.4% year on year).

In the system sales business (IT equipment sales and IT/telecom infrastructure construction), sales in the universities and public sectors increased. Net sales in this business totaled 1,816 million yen (up 62.7% year on year), and operating income was 46 million yen (up 601.0% year on year).

Lastly, in the medical big data business (inspection, analysis and related services of medical information), newly introduced cloud services for health insurance claims at local governments performed well. Net sales in this business totaled 974 million yen (up 25.9% year on year), and operating loss totaled 12 million yen (vs. operating loss of 45 million yen in the previous fiscal year).

(2) Financial Position

The balance of current assets at the end of the current fiscal year was 9,743 million yen, up 25.7% over the end of the previous fiscal year. This was mainly due to increases in cash and deposits, notes and accounts receivable-trade from higher sales at the end of fiscal year and purchased products at the end of fiscal year. The balance of non-current assets was 2,565 million yen at the end of the current fiscal year, up 1.4% over the end of the previous fiscal year.

The balance of current liabilities at the end of the current fiscal year was 4,564 million yen, up 48.3% over the end of the previous fiscal year. This was mainly due to increases in notes and accounts payable-trade, advances received and short-term loans payable. The balance of non-current liabilities was 1,498 million yen at the end of the current fiscal year, up 2.5% over the end of the previous fiscal year.

The balance of total net assets was 6,246 million yen at the end of the current fiscal year, up 8.8% over the end of the previous fiscal year. This was mainly due to increases in retained earnings and valuation difference on available-for-sale securities.

(3) Cash Flows

Cash and cash equivalents increased 833 million yen from 1,951 million yen at the beginning of the current fiscal year to 2,785 million yen at the end of the current fiscal year.

Cash flows by category were as follows.

Cash flows provided by operating activities totaled 642 million yen, compared with 132 million yen provided in the previous fiscal year. This difference was mainly due to increases in inventories and proceeds from collection of notes and accounts payable-trade and notes and accounts receivable-trade.

Cash flows provided by investing activities totaled 147 million yen, compared with 494 million yen provided in the previous fiscal year. This difference was mainly due to a decrease in proceeds from withdrawal of time deposits.

Cash flows used in financing activities totaled 38 million yen, compared with 122 million yen used in the previous fiscal year. This difference was mainly due to an increase in short-term loans payable.

Reference: Cash flow indicators

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Equity ratio (%)	56.6	61.4	59.8	55.4	50.4
Equity ratio based on market value (%)	39.0	50.0	38.6	50.0	56.4
Interest-bearing debt to cash flow ratio (years)	0.0	-	-	0.5	0.4
Interest coverage ratio (times)	228.6	-	-	78.0	431.8

Notes: 1. The above figures are calculated as follows.

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

* Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding at the end of the period, excluding treasury shares.

* Interest-bearing debt is calculated using total loans-payable on the consolidated balance sheet.

* Interest payments use the amount of interest expenses paid stated on the consolidated statement of cash flows.

2. There are no average debt repayment period and interest coverage ratio figures for FY3/15 and FY3/16 because the Company had negative operating cash flows.

(4) Outlook

In the current uncertain global economy, and particularly in the IT industry where the environment is extremely volatile, Japan System Techniques Co., Ltd. (JAST) understands that it will be difficult to achieve growth if it remains overly dependent on contract development, the IT industry's mainstay source of earnings to date.

Based on this understanding, the Group has formulated the "JAST Vision 2020" to define basic medium- to long-term management policies with targets for fiscal 2020. This vision sets forth the type of organization we want to become, including goals for the corporate image, brand image, business fields, the size of our operations and other items. Group companies will be using many actions in order to accomplish the goals of this vision.

As part of these actions, the Group has selected "Focus on challenges and speed to accomplish JAST Vision 2020" as the slogan for the fiscal year ending March 31, 2019. We will be making changes and enacting reforms even faster during the fiscal year concerning development operations, sales techniques, internal administrative procedures and all other aspects of our operations. We are determined to achieve the goals of every department and person in our Group. As a result, we aim to expand scale of projects and enhance profitability and productivity in the contracted development business, as well as to achieve sustained growth by further expanding JAST-driven business centering on proprietary brand products. In addition, we will use R&D activities making extensive use of advanced technologies to create products that can be successors to our current products. Other goals in order to achieve sustained growth are reinforcing our overseas sales strategy for our own brand and increasing the use of alliances and M&A.

Based on this outlook, we expect increases in sales and profits in the fiscal year ending March 31, 2019. We forecast net sales of 15,765 million yen (up 0.9% year on year), operating income of 865 million yen (up 16.7% year on year), ordinary income of 875 million yen (up 11.4% year on year), and profit attributable to owners of parent of 585 million yen (up 1.0% year on year).

2. Basic Approach to the Selection of Accounting Standards

The Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/17	FY3/18
	(As of Mar. 31, 2017)	(As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	2,365,633	2,994,700
Notes and accounts receivable-trade	4,374,348	4,991,576
Merchandise and finished goods	86,509	576,412
Work in process	505,244	711,654
Raw materials and supplies	3,317	2,272
Deferred tax assets	270,257	302,145
Other	149,426	201,206
Allowance for doubtful accounts	(3,858)	(36,900)
Total current assets	7,750,879	9,743,067
Non-current assets		
Property, plant and equipment		
Buildings and structures	669,615	657,805
Accumulated depreciation	(347,533)	(375,281)
Buildings and structures, net	322,081	282,523
Land	142,361	142,361
Other	375,955	381,968
Accumulated depreciation	(241,349)	(283,798)
Other, net	134,606	98,170
Total property, plant and equipment	599,049	523,055
Intangible assets		
Goodwill	40,491	29,434
Software	109,996	86,997
Other	7,626	7,626
Total intangible assets	158,114	124,058
Investments and other assets		
Investment securities	625,020	705,240
Net defined benefit asset	479,037	535,482
Deferred tax assets	76,560	87,207
Guarantee deposits	376,763	390,110
Other	260,605	245,123
Allowance for doubtful accounts	(44,649)	(44,609)
Total investments and other assets	1,773,336	1,918,553
Total non-current assets	2,530,500	2,565,667
Total assets	10,281,379	12,308,734

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,122,286	2,040,633
Short-term loans payable	26,678	218,592
Current portion of long-term loans payable	8,400	8,400
Income taxes payable	281,537	271,702
Provision for bonuses	615,341	638,152
Provision for directors' bonuses	29,174	29,087
Provision for loss on construction contracts	1,561	-
Advances received	394,181	652,455
Other	599,140	705,120
Total current liabilities	3,078,301	4,564,144
Non-current liabilities		
Long-term loans payable	28,000	20,300
Provision for directors' retirement benefits	413,048	426,250
Net defined benefit liability	870,683	920,209
Other	150,188	131,268
Total non-current liabilities	1,461,920	1,498,027
Total liabilities	4,540,222	6,062,172
Net assets		
Shareholders' equity		
Capital stock	1,076,669	1,076,669
Capital surplus	994,621	994,621
Retained earnings	3,740,158	4,188,119
Treasury shares	(266,539)	(266,539)
Total shareholders' equity	5,544,909	5,992,871
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	85,686	126,589
Foreign currency translation adjustment	(13,063)	(10,428)
Remeasurements of defined benefit plans	75,227	91,694
Total accumulated other comprehensive income	147,850	207,856
Non-controlling interests	48,396	45,835
Total net assets	5,741,157	6,246,562
Total liabilities and net assets	10,281,379	12,308,734

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

	(Thousands of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Net sales	14,223,330	15,630,284
Cost of sales	11,287,537	12,284,883
Gross profit	2,935,792	3,345,400
Selling, general and administrative expenses	2,364,749	2,603,877
Operating income	571,043	741,522
Non-operating income		
Interest income	6,140	5,578
Dividend income	5,942	6,108
Rent income	13,844	13,099
Compensation income	15,107	-
Commission fee	1,718	1,652
Insurance premiums refunded cancellation	-	5,226
Foreign exchange gains	-	1,986
Subsidy income	16,815	17,802
Other	10,622	4,924
Total non-operating income	70,191	56,379
Non-operating expenses		
Interest expenses	1,583	1,469
Foreign exchange losses	2,176	-
Rent expenses	11,824	8,012
Other	1,698	3,216
Total non-operating expenses	17,282	12,698
Ordinary income	623,952	785,203
Extraordinary losses		
Impairment loss	-	6,688
Total extraordinary losses	-	6,688
Profit before income taxes	623,952	778,515
Income taxes-current	291,138	271,766
Income taxes-deferred	(78,280)	(67,885)
Total income taxes	212,858	203,880
Profit	411,094	574,634
Profit (loss) attributable to non-controlling interests	376	(4,527)
Profit attributable to owners of parent	410,717	579,161

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Profit	411,094	574,634
Other comprehensive income		
Valuation difference on available-for-sale securities	34,719	40,903
Foreign currency translation adjustment	(493)	5,365
Remeasurements of defined benefit plans, net of tax	(15,172)	16,466
Total other comprehensive income	19,053	62,736
Comprehensive income	430,147	637,370
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	431,554	639,167
Comprehensive income attributable to non-controlling interests	(1,406)	(1,796)

(3) Consolidated Statement of Changes in Equity

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,076,669	998,790	3,460,641	(266,539)	5,269,562
Changes of items during period					
Dividends of surplus			(131,200)		(131,200)
Profit attributable to owners of parent			410,717		410,717
Change in ownership interest of parent due to transactions with non-controlling interests		(4,169)			(4,169)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(4,169)	279,516	-	275,347
Balance at end of current period	1,076,669	994,621	3,740,158	(266,539)	5,544,909

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	50,966	(14,352)	90,400	127,013	51,875	5,448,452
Changes of items during period						
Dividends of surplus						(131,200)
Profit attributable to owners of parent						410,717
Change in ownership interest of parent due to transactions with non-controlling interests						(4,169)
Net changes of items other than shareholders' equity	34,719	1,289	(15,172)	20,837	(3,478)	17,358
Total changes of items during period	34,719	1,289	(15,172)	20,837	(3,478)	292,705
Balance at end of current period	85,686	(13,063)	75,227	147,850	48,396	5,741,157

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,076,669	994,621	3,740,158	(266,539)	5,544,909
Changes of items during period					
Dividends of surplus			(131,200)		(131,200)
Profit attributable to owners of parent			579,161		579,161
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	447,961	-	447,961
Balance at end of current period	1,076,669	994,621	4,188,119	(266,539)	5,992,871

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	85,686	(13,063)	75,227	147,850	48,396	5,741,157
Changes of items during period						
Dividends of surplus						(131,200)
Profit attributable to owners of parent						579,161
Change in ownership interest of parent due to transactions with non-controlling interests						
Net changes of items other than shareholders' equity	40,903	2,635	16,466	60,005	(2,561)	57,444
Total changes of items during period	40,903	2,635	16,466	60,005	(2,561)	505,405
Balance at end of current period	126,589	10,428	91,694	207,856	45,835	6,246,562

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	623,952	778,515
Depreciation	87,631	103,097
Amortization of software	38,257	42,778
Impairment loss	-	6,688
Amortization of goodwill	14,793	11,057
Increase (decrease) in provision for bonuses	191,434	22,701
Decrease (increase) in net defined benefit asset	(31,610)	(56,445)
Increase (decrease) in net defined benefit liability	70,122	48,704
Interest and dividend income	(12,082)	(11,687)
Compensation income	(15,107)	-
Interest expenses	1,583	1,469
Decrease (increase) in notes and accounts receivable-trade	(901,382)	(583,009)
Increase (decrease) in advances received	152,612	239,066
Decrease (increase) in inventories	(185,304)	(695,079)
Increase (decrease) in notes and accounts payable-trade	186,408	918,322
Other, net	28,962	76,469
Subtotal	250,270	902,649
Interest and dividend income received	13,564	12,811
Interest expenses paid	(1,700)	(1,488)
Income taxes paid	(144,722)	(271,013)
Proceeds from compensation	15,107	-
Net cash provided by (used in) operating activities	132,520	642,959
Cash flows from investing activities		
Decrease (increase) in time deposits	672,825	208,092
Purchase of property, plant and equipment	(137,295)	(21,566)
Purchase of software	(12,860)	(27,205)
Proceeds from sales of real estate for rent	-	10,385
Purchase of investment securities	(1,971)	(32,167)
Proceeds from cancellation of insurance funds	-	12,275
Proceeds from sales of investment securities	-	9,260
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(26,827)	-
Payments for guarantee deposits	(651)	(24,663)
Proceeds from collection of guarantee deposits	-	13,814
Other, net	799	(805)
Net cash provided by (used in) investing activities	494,018	147,418
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	26,678	190,736
Repayments of lease obligations	(11,151)	(12,232)
Proceeds from long-term loans payable	42,000	-
Repayments of long-term loans payable	(48,035)	(7,700)
Cash dividends paid	(131,200)	(131,200)
Dividends paid to non-controlling interests	(1,164)	(764)
Net cash provided by (used in) financing activities	(122,873)	38,838
Effect of exchange rate change on cash and cash equivalents	298	4,518
Net increase (decrease) in cash and cash equivalents	503,965	833,735
Cash and cash equivalents at beginning of period	1,447,493	1,951,458
Cash and cash equivalents at end of period	1,951,458	2,785,193

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Reclassifications

Consolidated Balance Sheet

“Advances received,” included in “Other” under current liabilities in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year since it has increased materiality in the context of financial statements. The prior-period consolidated financial statements are restated to conform to the current-period presentation.

“Other” under current liabilities (993,321 thousand yen) shown in the prior-period consolidated statement of income is reclassified and divided into “Advances received” (394,181 thousand yen) and “Other” (599,140 thousand yen).

Segment and Other Information

Segment information

1. Overview of reportable segment

Segments used for financial reporting are the Company and subsidiaries' constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group has four reportable business segments: software business, package business, system sales business and medical big data business each of which conducts its business in line with the comprehensive strategy it has devised for products and services in both domestic and overseas markets.

The software business handles the contracted software development. The package business is engaged in development, sale, and provision of related services of operational reform packages for schools. The system sales business conducts IT equipment sales, IT/telecom infrastructure construction. The medical big data business provides a full line of services including automated inspection services for health insurance claims, data analysis and notification of the cost of medical care.

2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting method used for reportable business segments is generally the same as the methods listed in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements.”

Profits for reportable business segments are operating income figures.

Inter-segment sales and transfers are based on market prices.

3. Information related to net sales, profit or loss, assets, liabilities, and other items for each reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Software business	Package business	System sales business	Medical big data business	Total	Adjustment (Note 1) (Note 2)	Amounts shown on consolidated financial statements (Note 3)
Net sales							
1. External sales	10,058,212	2,274,452	1,116,485	774,179	14,223,330	-	14,223,330
2. Inter-segment sales and transfers	88,843	-	128,039	-	216,883	(216,883)	-
Total	10,147,056	2,274,452	1,244,525	774,179	14,440,213	(216,883)	14,223,330
Segment profit (loss)	394,092	218,939	6,578	(45,567)	574,042	(2,998)	571,043
Segment assets	5,629,282	1,450,745	1,123,729	422,747	8,626,504	1,654,875	10,281,379
Other items							
Depreciation	81,769	21,425	4,481	15,317	122,994	-	122,994
Increase in property, plant and equipment and intangible assets	85,884	41,415	1,746	12,914	141,960	18,960	160,921

- Notes: 1. Segment profit (loss) in the above adjustment represents eliminations for inter-segment transactions.
 2. Segment assets in the above adjustment consist mainly of corporate assets that cannot be attributed to any of the reportable segments.
 3. Segment profit (loss) is adjusted with operating income shown on the consolidated statement of income.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Software business	Package business	System sales business	Medical big data business	Total	Adjustment (Note 1) (Note 2)	Amounts shown on consolidated financial statements (Note 3)
Net sales							
1. External sales	10,584,499	2,254,674	1,816,591	974,518	15,630,284	-	15,630,284
2. Inter-segment sales and transfers	64,152	7,691	24,220	-	96,064	(96,064)	-
Total	10,648,651	2,262,365	1,840,812	974,518	15,726,348	(96,064)	15,630,284
Segment profit (loss)	448,413	254,779	46,115	(12,506)	736,802	4,720	741,522
Segment assets	5,872,256	1,656,469	2,451,669	545,412	10,525,807	1,782,927	12,308,734
Other items							
Depreciation	95,912	25,153	3,189	18,838	143,093	-	143,093
Increase in property, plant and equipment and intangible assets	30,434	6,837	1,808	7,764	46,845	14,159	61,004

- Notes: 1. Segment profit (loss) in the above adjustment represents eliminations for inter-segment transactions.
 2. Segment assets in the above adjustment consist mainly of corporate assets that cannot be attributed to any of the reportable segments.
 3. Segment profit (loss) is adjusted with operating income shown on the consolidated statement of income.

Related information

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

Geographical information concerning sales to external customers in Japan is not presented since sales to external customers exceeded 90% of net sales shown on the consolidated statement of income.

(2) Property, plant and equipment

Geographical information concerning property, plant and equipment is not presented since property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

Company name	Net sales	Business segment
NTT COMWARE CORPORATION	1,468,452 thousand yen	Software business

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

Company name	Net sales	Business segment
NTT COMWARE CORPORATION	1,369,670 thousand yen	Software business

Information related to impairment loss of non-current assets for each reportable segment

Not applicable.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Software business	Package business	System sales business	Medical big data business	Elimination or corporate	Total
Amortization for the period	14,793	-	-	-	-	14,793
Balance at the end of period	40,491	-	-	-	-	40,491

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Software business	Package business	System sales business	Medical big data business	Elimination or corporate	Total
Amortization for the period	11,057	-	-	-	-	11,057
Balance at the end of period	29,434	-	-	-	-	29,434

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per-share Information

(Yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net assets per share	1,084.74	1,181.54
Net income per share	78.26	110.36

Notes: 1. Diluted net income per share is not presented since the Company has no outstanding dilutive securities.

2. The basis of calculation is as follows.

(Thousands of yen)

	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Net assets per share		
Total net assets on balance sheet	5,741,157	6,246,562
Deduction on total net assets	48,396	45,835
[Non-controlling interests]	[48,396]	[45,835]
Net assets applicable to common shares	5,692,760	6,200,727
Number of common shares used in calculation of net assets per share	5,248,020 shares	5,248,020 shares

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net income per share		
Profit attributable to owners of parent	410,717	579,161
Amount not available to common shareholders	-	-
Profit attributable to owners of parent applicable to common shares	410,717	579,161
Average number of shares outstanding during period	5,248,020 shares	5,248,020 shares

Subsequent Events

Not applicable.

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