

# Consolidated Financial Statements for the Fiscal Year Ended March 31, 2017 [J-GAAP]

April 28, 2017

## NIPPON KANZAI Co., Ltd.

Listed exchanges: Tokyo Stock Exchange, First Section  
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 Date of annual general meeting of shareholders: June 16, 2017  
 Filing date of annual report: June 16, 2017  
 Date to start dividends distribution: June 19, 2017  
 Supplementary materials for results: Yes  
 Results briefing meeting held: Yes (for investors and analysts)

\*Amounts below one million yen have been rounded down.

## 1. Consolidated results for the fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

### (1) Consolidated business results

(Percentage figures indicate the rate of change from the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2017	92,490	2.7	5,522	5.7	5,963	2.7
Fiscal year ended March 31, 2016	90,078	3.1	5,227	(3.6)	5,806	(3.8)

(Note) Comprehensive income: Fiscal year ended March 31, 2017: ¥4,034 million [21.3%]  
 Fiscal year ended March 31, 2016: ¥3,327 million [-42.5%]

	Profit Attributable to Owners of Parent		Profit per Share	Diluted Profit per Share
	Millions of yen	%	Yen	Yen
Fiscal year ended March 31, 2017	4,227	6.8	123.51	—
Fiscal year ended March 31, 2016	3,958	1.7	116.11	—

	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	%	%	%
Fiscal year ended March 31, 2017	10.9	9.9	6.0
Fiscal year ended March 31, 2016	10.9	10.1	5.8

(Reference) Share of profit of entities accounted for using equity method:  
 Fiscal year ended March 31, 2017: ¥325 million  
 Fiscal year ended March 31, 2016: ¥503 million

(Note) NIPPON KANZAI (hereinafter “the Company”) conducted a 2-for-1 stock split which became effective as of October 1, 2015. The figures for profit per share have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	62,279	41,464	64.4	1,166.11
As of March 31, 2016	58,521	38,699	63.9	1,094.66

(Reference) Equity: As of March 31, 2017: ¥40,095 million  
 As of March 31, 2016: ¥37,381 million

(Note) The Company conducted a 2-for-1 stock split which became effective as of October 1, 2015. The figures for net assets per share have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

### (3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2017	4,856	(1,239)	(2,173)	21,188
Fiscal year ended March 31, 2016	3,579	1,751	(1,766)	19,801

## 2. Dividends

	Annual dividends					Total Dividends Paid (full year)	Dividend Payout Ratio (consolidated)	Dividends to Net Assets (consolidated)
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2016	—	12.50	—	22.00	34.50	1,186	29.7	3.3
Fiscal year ended March 31, 2017	—	19.00	—	21.00	40.00	1,375	32.4	3.5
Fiscal year ending March 31, 2018 (forecast)	—	21.00	—	21.00	42.00		33.6	

(Note) The Company conducted a 2-for-1 stock split which became effective as of October 1, 2015. The figure for interim dividends for the fiscal year ended March 31, 2016 has been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year. (The actual amount of interim dividends for the fiscal year ended March 31, 2016 was 25 yen.)

## 3. Consolidated business forecasts for the fiscal year ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(Percentage figures for the full year indicate the rate of change from the previous fiscal year.

Percentage figures for the first six months indicate the rate of change from the same period of the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	46,000	4.8	2,700	2.4	3,000	9.4	2,000	0.1	58.17
Full year	96,300	4.1	5,800	5.0	6,400	7.3	4,300	1.7	125.06

### \* Notes

(1) Changes of significant subsidiaries during the period (changes in specific subsidiaries associated with changes in scope of consolidation): None

(2) Changes in accounting policies, accounting estimates and restatement of revisions

- |   |      |
|---|------|
| 1) Changes in accounting policies due to revisions of accounting standards, etc.: | Yes  |
| 2) Changes in accounting policies other than 1) above:                            | None |
| 3) Changes in accounting estimates:   | None |
| 4) Restatement of revisions:  | None |

(3) Number of shares issued and outstanding (common stock)

- Number of shares issued and outstanding (including treasury stock)
- Number of treasury stock
- Average number of shares issued and outstanding

1)	As of March 31, 2017	41,180,306 shares	As of March 31, 2016	41,180,306 shares
2)	As of March 31, 2017	6,796,030 shares	As of March 31, 2016	7,030,880 shares
3)	Fiscal year ended March 31, 2017	34,227,438 shares	Fiscal year ended March 31, 2016	34,091,478 shares

The Company conducted a 2-for-1 stock split which became effective as of October 1, 2015. The figures above have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

**(Reference) Summary of non-consolidated financial results****1. Non-consolidated results for the fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)****(1) Non-consolidated business results**

(Percentage figures indicate the rate of change from the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2017	59,735	7.0	3,138	15.3	4,350	0.2
Fiscal year ended March 31, 2016	55,832	6.8	2,721	10.3	4,340	17.7

	Profit		Profit per Share	Diluted Profit per Share
	Millions of yen	%	Yen	Yen
Fiscal year ended March 31, 2017	3,587	2.2	104.81	—
Fiscal year ended March 31, 2016	3,508	31.7	102.92	—

(Note) The Company conducted a 2-for-1 stock split which became effective as of October 1, 2015. The figures for profit per share have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

**(2) Non-consolidated financial position**

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	42,629	27,458	64.4	798.56
As of March 31, 2016	40,550	25,138	62.0	736.13

(Reference) Equity: As of March 31, 2017: ¥27,458 million  
As of March 31, 2016: ¥25,138 million

(Note) The Company conducted a 2-for-1 stock split which became effective as of October 1, 2015. The figures for net assets per share have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

**2. Non-consolidated business forecasts for the fiscal year ending March 31, 2018 (April 1, 2017 to March 31, 2018)**

(Percentage figures for the full year indicate the rate of change from the previous fiscal year.)

Percentage figures for the first six months indicate the rate of change from the same period of the previous fiscal year.)

	Net Sales		Ordinary Income		Profit		Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	28,240	0.1	2,260	0.6	1,760	(16.0)	51.19
Full year	59,000	(1.2)	4,190	(3.7)	3,190	(11.1)	92.77

\* **This financial report is not audited.**

**\* Explanation regarding the appropriate use of business forecasts and other notes**

- The business forecasts reported herein were prepared based on information the Company had in its possession as of the time this report was prepared and on certain assumptions judged to be reasonable. Actual results may differ significantly from forecasts due to various factors. Please refer to the disclaimers, provided under "1. Overview of business results, etc.; (1) Overview of business results for the period" on page 2 of the Attached Document of this financial report, regarding assumptions upon which forecasts are based and the use of forecasts.
- The Company plans to hold a presentation on its financial results for analysts and institutional investors on Tuesday, May 23, 2017. Presentation materials will be posted on its website after the presentation.

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## 1. Overview of business results, etc.

### (1) Overview of business results for the period

#### 1) Business results for the fiscal year ended March 31, 2017

During the current fiscal year (fiscal year ended March 31, 2017), the Japanese economy showed a moderate improvement trend in corporate earnings and the employment situation, supported by the government's economic policies and the Bank of Japan's monetary policies. However, the outlook still remains uncertain, with such factors as rapid progress in the yen's depreciation and stock price fluctuations following the UK's decision to leave the EU (Brexit) and the U.S. president change.

In the real estate service industry, signs of improvement are seen in the office and commercial buildings vacancy rates in central Tokyo and core regional cities, and it was confirmed that rents in some areas have turned upward. In addition, the Company's target market indicates future expansion as there has been an increasing number of reconstruction projects of multi-purpose buildings in central Tokyo and other areas.

In such a business environment, the NIPPON KANZAI Group (hereinafter "the Group") has been awarded with new management contracts by focusing on management with high added value that can clearly differentiate us from competitors. As to existing management contracts, although strong management cost-consciousness brought by the global financial crisis still remains among clients, the Group has increased efforts on improving management quality and expansion of the scope of management by offering better management services with evolved and improved contents to clients from the viewpoint of maintaining and enhancing safety, security and asset value.

The Group has also been making efforts in proactive business development in related areas such as private finance initiatives (PFI), energy-saving and environmental businesses while working to further strengthen and improve our main business of building management.

Consolidated net sales for the current fiscal year increased by 2.7% year on year to 92,490 million yen because, in addition to existing management contracts remaining at a high level, we also steadily won construction-related orders.

As to earnings, although it was affected by the sluggish growth in contract unit prices and the increase in administrative costs due to strengthening organizational structure, etc., a review of procurement unit prices and efforts for thorough working time management were made, resulted in operating income increasing by 5.7% year on year to 5,522 million yen, ordinary income increasing by 2.7% year on year to 5,963 million yen and profit attributable to owners of parent increasing by 6.8% year on year to 4,227 million yen for results of year-on-year increases in each.

#### 2) Business by segment

The following are the results by segment.

Segment income (loss) has been adjusted to operating income described in consolidated statements of income.

##### (Building Management and Operation Business)

In our core Building Management and Operation Business, which focuses on building management and security services, although the circumstances were difficult in winning new contracts, construction-related orders increased. As a result, net sales for the segment for the current fiscal year increased by 2.8% year on year to 81,005 million yen.

Although earnings were affected by sluggish growth in contract unit prices, efforts for thorough cost management resulted in segment income increasing by 5.3% year on year to 8,512 million yen.

##### (Environmental Facility Management Business)

In Environmental Facility Management Business, which mainly comprises the management of water treatment, sewage disposal and other public facilities related to the overall living environment, we managed to secure an order for large construction work in addition to steadily winning waste incineration facility and other new management contracts. As a result, net sales for the segment for the current fiscal year increased by 1.7% year on year to 9,176 million yen. We consider the market has the potential to grow because the private sector's knowhow can be useful for local governments, the main customers for this segment, in meeting their tight budgets.

Although cost reduction efforts were made, focusing on re-examining procurement costs and realigning personnel assignments, the effect of contract renewals at lower prices and the increased costs from strengthening of the administrative system resulted in segment income decreasing by 0.9% year on year to 1,062 million yen.

##### (Real Estate Fund Management Business)

In Real Estate Fund Management Business, which mainly comprises asset management business (i.e. arrangement and asset management of real estate funds) and handling investments in a silent partnership, although the asset management income was stable, income from the disposition of for-sale real estate decreased year on year. As a result, net sales for the segment for the current fiscal year decreased by 3.8% year on year to 577 million yen.

On the other hand, efforts in expense reductions and improvements on operational efficiency resulted in segment income increasing by 24.7% year on year to 174 million yen.

##### (Other Businesses)

In Other Businesses, which consist mainly of event planning & management, printing and design, impacts from various events being downsized and clients' cost reductions resulted in net sales for the segment for the current fiscal year increasing by 3.0% year on year to 1,731 million yen and segment income increasing by 92.1% year on year to 201 million yen.

**(2) Overview of financial position for the period**

Total assets at the end of the current fiscal year increased by 3,757 million yen, or 6.4%, from the previous fiscal year-end to 62,279 million yen.

Current assets increased by 803 million yen, or 2.3%, from the previous fiscal year-end to 35,858 million yen. Non-current assets increased by 2,954 million yen, or 12.6%, from the previous fiscal year-end to 26,421 million yen.

The main factors for these increases were increase in cash and deposits (increased by 1,086 million yen year on year) due to smooth collection of accounts receivable, and increase in lease and guarantee deposits (increased by 1,327 million yen year on year) due to master lease agreements.

Total liabilities at the end of the current fiscal year increased by 993 million yen, or 5.0%, from the previous fiscal year-end to 20,815 million yen. This was due to increase in guarantee deposited (increased by 1,338 million yen year on year) due to master lease agreements as mentioned above, and decrease in long-term loans payable (decreased by 575 million yen year on year) due to loan repayments.

Total net assets at the end of the current fiscal year increased by 2,764 million yen, or 7.1%, from the previous fiscal year-end to 41,464 million yen.

The main factor for the increase includes recording of profit attributable to owners of parent.

As a result, the equity ratio at the end of the current fiscal year increased by 0.5 percentage points from the previous fiscal year-end's 63.9% to 64.4%.

The Group's financial policy is to secure the liquidity necessary for management and to maintain a sound balance sheet.

**(3) Overview of cash flows for the period**

Cash and cash equivalents (hereinafter "cash") at the end of the current fiscal year increased by 1,386 million yen, or 7.0%, from the previous fiscal year-end to 21,188 million yen.

The status and main factors of cash flows for the current fiscal year were as follows:

**(Cash flows from operating activities)**

Net cash provided by operating activities for the current fiscal year was 4,856 million yen, up 1,276 million yen year on year.

This was mainly due to the smaller amount recorded as "Decrease in accrued consumption taxes", up 890 million yen year on year.

**(Cash flows from investing activities)**

Net cash used in investing activities for the current fiscal year was 1,239 million yen, a larger outflow by 2,990 million yen year on year.

This was mainly due to decrease in proceeds from sales of property, plant and equipment and intangible assets, down 1,272 million yen year on year, and increase in purchase of investment securities, up 998 million yen year on year.

**(Cash flows from financing activities)**

Net cash used in financing activities for the current fiscal year was 2,173 million yen, a larger outflow by 406 million yen year on year.

This was mainly due to increase in cash dividends paid, a larger outflow by 484 million yen year on year.

**(4) Future outlook**

With regards to the outlook for the next fiscal year, although the business performance of some companies is on an upward trend, the entire economic picture is yet to unfold and uncertainty is expected to linger for the time being.

In the real estate service industry, although there have been improvements in office rent and vacancy rates, the market environment continues to be in severe conditions as clients remain highly conscious of management cost reduction as well as intense competition with other companies.

In such an environment, the Group will continue proactive marketing, mainly by presenting project proposals in such areas as designated administrator for public facilities and PFI projects. At the same time, the Group will proactively cultivate the energy-saving-related business, parking management and operation, event planning and management and other areas. In addition, the Group will apply the expertise accumulated in a local subsidiary in Australia (PICA) to develop new markets and enhance our services.

Furthermore, the Group will make efforts to improve profitability by enhancing quality control based on ISO standards to provide even better service and raise customer satisfaction level, by expanding business areas and by further cost control.

The business forecasts for the next fiscal year (April 1, 2017 to March 31, 2018) are as follows: consolidated net sales increasing by 4.1% year on year to 96,300 million yen; consolidated operating income increasing by 5.0% year on year to 5,800 million yen; consolidated ordinary income increasing by 7.3% year on year to 6,400 million yen; and profit attributable to owners of parent increasing by 1.7% year on year to 4,300 million yen.

**2. Basic policy regarding selection of accounting standard**

The Group has a policy to prepare financial statements based on the Japanese GAAP, considering the comparability of consolidated financial statements over time and between Japanese companies.

As for the application of the International Financial Reporting Standards, the Group has a policy to apply it accordingly, considering the situation in Japan and overseas in the future.

**3. Consolidated financial statements and key notes****(1) Consolidated balance sheets**

(Thousands of yen)

	Fiscal year ended March 31, 2016 (As of March 31, 2016)	Fiscal year ended March 31, 2017 (As of March 31, 2017)
<b>ASSETS</b>		
Current assets		
Cash and deposits	20,496,255	21,583,169
Notes and accounts receivable—trade	11,636,381	11,721,211
Investments in silent partnership for business purposes	286,013	405,483
Supplies	91,245	114,599
Real estate for sale	554,937	541,840
Income taxes receivable	149,053	53,251
Deferred tax assets	434,951	404,773
Other	1,419,357	1,045,499
Allowance for doubtful accounts	(13,141)	(11,281)
Total current assets	35,055,051	35,858,544
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,436,841	6,481,061
Accumulated depreciation	(2,921,387)	(3,139,659)
Buildings and structures, net	2,515,454	3,341,402
Machinery, equipment and vehicles	169,705	168,452
Accumulated depreciation	(99,649)	(113,487)
Machinery, equipment and vehicles, net	70,056	54,965
Tools, furniture and fixtures	1,134,144	1,225,113
Accumulated depreciation	(722,414)	(768,410)
Tools, furniture and fixtures, net	411,730	456,703
Land	1,051,127	1,083,183
Leased assets	1,443,476	1,123,528
Accumulated depreciation	(1,118,890)	(850,298)
Leased assets, net	324,586	273,230
Construction in progress	22,050	1,800
Total property, plant and equipment	4,395,003	5,211,283
Intangible assets		
Telephone subscription right	45,250	46,451
Software	412,584	394,582
Goodwill	2,079,826	2,111,188
Leased assets	17,840	14,645
Software in progress	-	27,050
Total intangible assets	2,555,500	2,593,916
Investments and other assets		
Investment securities	13,209,379	13,614,313
Long-term loans receivable	445,316	490,357
Long-term prepaid expenses	20,677	21,282
Lease and guarantee deposits	1,452,224	2,779,660
Membership	392,962	395,833
Net defined benefit asset	471,311	672,803
Deferred tax assets	167,773	278,624
Other	446,260	442,197
Allowance for doubtful accounts	(89,646)	(79,057)
Total investments and other assets	16,516,256	18,616,012
Total non-current assets	23,466,759	26,421,211
<b>TOTAL ASSETS</b>	<b>58,521,810</b>	<b>62,279,755</b>

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

	(Thousands of yen)	
	Fiscal year ended March 31, 2016 (As of March 31, 2016)	Fiscal year ended March 31, 2017 (As of March 31, 2017)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable—trade	7,026,968	7,200,747
Current portion of long-term loans payable	742,870	575,000
Current portion of long-term non-recourse loans payable	10,000	10,000
Lease obligations	141,458	116,615
Accrued expenses	2,603,741	2,309,369
Income taxes payable	1,047,592	1,134,781
Accrued consumption taxes	654,189	659,155
Deposits received	284,988	290,747
Advances received	219,517	299,151
Provision for bonuses	666,834	647,954
Provision for directors' bonuses	1,623	1,068
Other	136,158	403,475
<b>Total current liabilities</b>	<b>13,535,938</b>	<b>13,648,062</b>
Non-current liabilities		
Long-term loans payable	2,925,000	2,350,000
Long-term non-recourse loans payable	375,000	365,000
Lease obligations	212,477	179,840
Deferred tax liabilities	956,757	1,072,268
Net defined benefit liability	316,739	526,753
Long-term guarantee deposited	351,134	1,690,000
Asset retirement obligations	260,792	259,604
Liabilities from application of equity method	11,289	7,875
Other	876,747	715,816
<b>Total non-current liabilities</b>	<b>6,285,935</b>	<b>7,167,156</b>
<b>TOTAL LIABILITIES</b>	<b>19,821,873</b>	<b>20,815,218</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	3,000,000	3,000,000
Capital surplus	617,972	618,090
Retained earnings	36,763,118	39,564,783
Treasury shares	(5,169,531)	(4,961,570)
<b>Total shareholders' equity</b>	<b>35,211,559</b>	<b>38,221,303</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,878,496	2,834,553
Foreign currency translation adjustment	(546,962)	(729,421)
Remeasurements of defined benefit plans	(161,138)	(230,617)
<b>Total accumulated other comprehensive income</b>	<b>2,170,396</b>	<b>1,874,515</b>
Non-controlling interests	1,317,982	1,368,719
<b>TOTAL NET ASSETS</b>	<b>38,699,937</b>	<b>41,464,537</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>58,521,810</b>	<b>62,279,755</b>

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

**(2) Consolidated statements of income and consolidated statements of comprehensive income****Consolidated statements of income**

(Thousands of yen)

	Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Net sales	90,078,623	92,490,999
Cost of sales	72,240,352	74,021,685
Gross profit	17,838,271	18,469,314
Selling, general and administrative expenses		
Selling expenses	209,233	249,679
Personnel expenses	7,289,684	7,501,248
Provision for bonuses	323,504	321,166
Provision for directors' bonuses	2,773	1,718
Provision for directors' retirement benefits	6,413	-
Retirement benefit expenses	143,469	262,293
Transportation and communication expenses	995,621	964,255
Supplies expenses	422,916	401,456
Rent expenses	894,369	932,342
Insurance expenses	356,198	444,655
Depreciation	377,604	392,506
Taxes and dues	102,872	88,602
Enterprise tax	147,833	253,491
Provision of allowance for doubtful accounts	1,279	(1,917)
Amortization of goodwill	123,463	131,612
Other	1,213,565	1,003,214
Total selling, general and administrative expenses	12,610,796	12,946,320
Operating income	5,227,475	5,522,994
Non-operating income		
Interest and dividend income	180,730	160,178
Rent income	36,642	45,609
Share of profit of entities accounted for using equity method	503,123	325,400
Dividend income of insurance	34,838	31,091
Other	71,023	105,299
Total non-operating income	826,356	667,577
Non-operating expenses		
Interest expenses	45,015	31,765
Loss on sales of investment securities	3,015	97
Rent expenses	45,125	44,010
Loss on sales and retirement of non-current assets	24,178	8,131
Foreign exchange losses	79,784	86,586
Other	49,884	56,485
Total non-operating expenses	247,001	227,074
Ordinary income	5,806,830	5,963,497

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(Thousands of yen)

	Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
<b>Extraordinary income</b>		
Gain on sales of non-current assets	157,431	-
Gain on sales of investment securities	327,519	516,181
Gain on sales of shares of subsidiaries	27,845	-
Insurance income	420,431	-
Total extraordinary income	933,226	516,181
<b>Extraordinary losses</b>		
Loss on valuation of investment securities	50,000	-
Loss on valuation of shares of subsidiaries	26,604	98,522
Loss on valuation of membership	-	920
Accident restoration related expenses	639,530	-
Total extraordinary losses	716,134	99,442
Profit before income taxes	6,023,922	6,380,236
Income taxes—current	1,951,194	1,966,690
Income taxes—deferred	9,357	69,272
Total income taxes	1,960,551	2,035,962
Profit	4,063,371	4,344,274
Profit attributable to non-controlling interests	105,156	116,882
Profit attributable to owners of parent	3,958,215	4,227,392

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

**Consolidated statements of comprehensive income**

(Thousands of yen)

	Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Profit	4,063,371	4,344,274
Other comprehensive income		
Valuation difference on available-for-sale securities	158,989	(41,540)
Foreign currency translation adjustment	-	(3,470)
Remeasurements of defined benefit plans, net of tax	(343,118)	(69,527)
Share of other comprehensive income of entities accounted for using equity method	(551,697)	(194,935)
Total other comprehensive income	(735,826)	(309,472)
Comprehensive income	3,327,545	4,034,802
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,227,214	3,915,565
Comprehensive income attributable to non-controlling interests	100,331	119,237

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

**(3) Consolidated statements of changes in equity**

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,000,000	617,972	33,716,122	(5,270,659)	32,063,435
Changes of items during period					
Dividends of surplus [year-end]			(481,403)		(481,403)
Dividends of surplus [interim]			(429,816)		(429,816)
Profit attributable to owners of parent			3,958,215		3,958,215
Purchase of treasury shares				(1,671)	(1,671)
Disposal of treasury shares				102,799	102,799
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	3,046,996	101,128	3,148,124
Balance at end of current period	3,000,000	617,972	36,763,118	(5,169,531)	35,211,559

	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	2,719,708	4,735	176,955	2,901,398	1,297,350	36,262,183
Changes of items during period						
Dividends of surplus [year-end]						(481,403)
Dividends of surplus [interim]						(429,816)
Profit attributable to owners of parent						3,958,215
Purchase of treasury shares						(1,671)
Disposal of treasury shares						102,799
Net changes of items other than shareholders' equity	158,788	(551,697)	(338,093)	(731,002)	20,632	(710,370)
Total changes of items during period	158,788	(551,697)	(338,093)	(731,002)	20,632	2,437,754
Balance at end of current period	2,878,496	(546,962)	(161,138)	2,170,396	1,317,982	38,699,937

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,000,000	617,972	36,763,118	(5,169,531)	35,211,559
Changes of items during period					
Dividends of surplus [year-end]			(756,469)		(756,469)
Dividends of surplus [interim]			(653,313)		(653,313)
Profit attributable to owners of parent			4,227,392		4,227,392
Purchase of treasury shares				(1,365)	(1,365)
Disposal of treasury shares		118		209,326	209,444
Change of scope of consolidation			(15,945)		(15,945)
Foreign currency translation adjustment from change of scope of consolidation					
Net changes of items other than shareholders' equity					
Total changes of items during period	—	118	2,801,665	207,961	3,009,744
Balance at end of current period	3,000,000	618,090	39,564,783	(4,961,570)	38,221,303

	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	2,878,496	(546,962)	(161,138)	2,170,396	1,317,982	38,699,937
Changes of items during period						
Dividends of surplus [year-end]						(756,469)
Dividends of surplus [interim]						(653,313)
Profit attributable to owners of parent						4,227,392
Purchase of treasury shares						(1,365)
Disposal of treasury shares						209,444
Change of scope of consolidation						(15,945)
Foreign currency translation adjustment from change of scope of consolidation		15,945		15,945		15,945
Net changes of items other than shareholders' equity	(43,943)	(198,404)	(69,479)	(311,826)	50,737	(261,089)
Total changes of items during period	(43,943)	(182,459)	(69,479)	(295,881)	50,737	2,764,600
Balance at end of current period	2,834,553	(729,421)	(230,617)	1,874,515	1,368,719	41,464,537

**(4) Consolidated statements of cash flows**

	(Thousands of yen)	
	Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
<b>Cash flows from operating activities</b>		
Profit before income taxes	6,023,922	6,380,236
Depreciation	594,558	606,818
Amortization of goodwill	123,463	131,612
Increase (decrease) in provision for bonuses	(6,929)	(27,044)
Increase (decrease) in provision for directors' bonuses	(4,424)	(555)
Increase (decrease) in net defined benefit (asset) liability	(380,576)	(118,848)
Increase (decrease) in provision for directors' retirement benefits	(562,223)	-
Increase (decrease) in allowance for doubtful accounts	(90,272)	(12,449)
Share of (profit) loss of entities accounted for using equity method	(503,123)	(325,400)
Interest and dividend income	(180,730)	(160,178)
Interest expenses	45,015	31,765
Foreign exchange losses (gains)	95,521	89,782
Loss (gain) on sales and retirement of non-current assets	(133,869)	7,559
Loss (gain) on sales of short-term and long-term investment securities	(324,503)	(516,084)
Loss (gain) on sales of shares of subsidiaries	(27,845)	-
Loss (gain) on valuation of investment securities	50,000	-
Loss on valuation of shares of subsidiaries	26,604	98,522
Insurance income	(420,431)	-
Accident restoration related expenses	639,530	-
Decrease (increase) in notes and accounts receivable – trade	(232,023)	(73,869)
Decrease (increase) in investments in silent partnership for business purposes	(1,313)	28,815
Decrease (increase) in inventories	(5,658)	(10,229)
Decrease (increase) in other assets	(7,239)	13,745
Increase (decrease) in notes and accounts payable – trade	1,203,510	174,985
Increase (decrease) in accrued consumption taxes	(943,998)	(53,959)
Increase (decrease) in other liabilities	305,621	55,944
Loss on valuation of membership	-	920
Other, net	148,805	(40,598)
Subtotal	5,431,393	6,281,490
Interest and dividend income received	181,329	321,937
Interest expenses paid	(45,015)	(31,765)
Proceeds from insurance income	19,986	400,446
Accident restoration related expenses paid	(312,632)	(326,899)
Income taxes paid	(1,695,168)	(1,788,407)
Net cash provided by (used in) operating activities	3,579,893	4,856,802

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(Thousands of yen)

	Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Cash flows from investing activities		
Payments into time deposits	(395,000)	(395,000)
Proceeds from withdrawal of time deposits	395,000	695,000
Proceeds from sales of securities	10,000	-
Purchase of property, plant and equipment and intangible assets	(643,567)	(1,296,130)
Proceeds from sales of property, plant and equipment and intangible assets	1,276,572	4,062
Purchase of investment securities	(273,583)	(1,271,647)
Proceeds from sales of investment securities	1,178,612	1,176,343
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(110,548)
Payments of loans receivable	(29,239)	(122,531)
Collection of loans receivable	89,676	30,503
Decrease (increase) in lease and guarantee deposits of leasehold estate	(12,405)	(1,323,796)
Increase (decrease) in guarantee deposits received	10,259	1,338,866
Other, net	144,882	35,139
Net cash provided by (used in) investing activities	1,751,207	(1,239,739)
Cash flows from financing activities		
Increase in short-term loans payable	621,690	900,000
Decrease in short-term loans payable	(550,000)	(900,000)
Repayments of long-term loans payable	(741,000)	(742,870)
Repayments of long-term non-recourse loans payable	(10,000)	(10,000)
Repayments of lease obligations	(197,005)	(164,099)
Proceeds from disposal of treasury shares	102,799	209,444
Purchase of treasury shares	(1,671)	(1,365)
Cash dividends paid	(911,339)	(1,395,798)
Dividends paid to non-controlling interests	(79,700)	(68,500)
Net cash provided by (used in) financing activities	(1,766,226)	(2,173,188)
Effect of exchange rate change on cash and cash equivalents	(95,521)	(93,234)
Net increase (decrease) in cash and cash equivalents	3,469,353	1,350,641
Cash and cash equivalents at beginning of period	16,331,902	19,801,255
Increase in cash and cash equivalents from newly consolidated subsidiary	-	36,273
Cash and cash equivalents at end of period	19,801,255	21,188,169

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

**(5) Notes to consolidated financial statements**

**(Notes on the going concern assumption)**

Not applicable.

**(Changes in accounting policies)**

***Application of “Practical solution on a change in depreciation method due to tax reform 2016”***

In line with amendment of the Corporation Tax Act, “Practical solution on a change in depreciation method due to tax reform 2016” (Practical Issues Task Force (PITF) No. 32, June 17, 2016) was applied in the fiscal year ended March 31, 2017. Accordingly, the depreciation method was changed from declining-balance method to straight-line method for structures and facilities attached to buildings acquired on or after April 1, 2016.

The impact of this change on operating income, ordinary income and profit before income taxes for the fiscal year ended March 31, 2017 is negligible.

**(Additional information)**

***Application of “Implementation Guidance on Recoverability of Deferred Tax Assets”***

Effective from the fiscal year ended March 31, 2017, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016).

**(Segment information, etc.)****[Segment information]**

## 1. Overview of reportable segments

The Company's reportable segments are organizational units for which separate financial information can be gathered. These reportable segments are subject to the Board of Directors' periodical review to make decisions of business resource allocation and to evaluate performance.

We have created four reportable segments – Building Management and Operation Business, Environmental Facility Management Business, Real Estate Fund Management Business, and Other Businesses – based on the characteristics and similarities of the services provided by the Group companies.

Building Management and Operation Business includes building management and security services. Environmental Facility Management Business mainly comprises the management of public facilities associated with the overall living environment. Real Estate Fund Management Business mainly comprises composition and asset management of real estate funds and investments in silent partnership. Other Businesses include mainly event planning and management, printing, and design.

## 2. Calculation methods of net sales, income or losses, assets, liabilities and other items for each reportable segment

The accounting methods used for reportable segments are basically the same as those used for consolidated financial statements.

As noted under changes in accounting policies, the depreciation method has been changed from declining-balance method to straight-line method for structures and facilities attached to buildings acquired on or after April 1, 2016 in line with amendment of the Corporation Tax Act. Thus the Company has also made the same changes to the depreciation method for business segments.

The impact of this change on each segment income for the fiscal year ended March 31, 2017 is negligible.

## 3. Information on net sales, income or losses, assets, liabilities and other items for each reportable segment

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Reportable segment					Adjustments (Note)	Amount recorded on consolidated financial statements
	Building Management and Operation Business	Environmental Facility Management Business	Real Estate Fund Management Business	Other Businesses	Total		
Net sales							
Net sales to external customers	78,772,450	9,025,114	599,907	1,681,152	90,078,623	—	90,078,623
Inter-segment net sales and transfer	—	—	—	—	—	—	—
Total	78,772,450	9,025,114	599,907	1,681,152	90,078,623	—	90,078,623
Segment income	8,085,921	1,072,983	139,638	104,648	9,403,190	(4,175,715)	5,227,475
Segment assets	33,303,364	2,875,095	1,519,268	905,653	38,603,380	19,918,430	58,521,810
Other items							
Depreciation	298,859	17,309	15,751	8,116	340,035	273,932	613,967
Investments in entities accounted for using equity method	5,464,696	49,194	200,080	—	5,713,970	—	5,713,970
Increase in property, plant and equipment and intangible assets	307,790	3,678	3,729	3,978	319,175	602,416	921,591

(Notes) 1. Adjustments are as follows:

(1) Adjustments of -4,175,715 thousand yen for segment income are unallocated general administrative expenses.

(2) Adjustments of 19,918,430 thousand yen for segment assets are corporate assets that are not allocated to any of the reportable segments. They are mainly cash, time deposits, investment securities and the assets of the administration departments of the Company.

(3) Adjustments of 602,416 thousand yen for increase in property, plant and equipment and intangible assets are due to installation of a new accounting system, etc.

2. Segment income has been adjusted to operating income described in consolidated statements of income.

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Reportable segment					Adjustments (Note)	Amount recorded on consolidated financial statements
	Building Management and Operation Business	Environmental Facility Management Business	Real Estate Fund Management Business	Other Businesses	Total		
Net sales							
Net sales to external customers	81,005,919	9,176,234	577,176	1,731,670	92,490,999	—	92,490,999
Inter-segment net sales and transfer	—	—	—	—	—	—	—
Total	81,005,919	9,176,234	577,176	1,731,670	92,490,999	—	92,490,999
Segment income	8,512,960	1,062,799	174,096	201,031	9,950,886	(4,427,892)	5,522,994
Segment assets	35,640,523	2,919,973	1,469,425	951,151	40,981,072	21,298,683	62,279,755
Other items							
Depreciation	266,177	17,185	15,377	6,667	305,406	302,483	607,889
Investments in entities accounted for using equity method	5,893,783	52,609	348,028	—	6,294,420	—	6,294,420
Increase in property, plant and equipment and intangible assets	1,298,635	14,689	200	2,614	1,316,138	123,152	1,439,290

(Notes) 1. Adjustments are as follows:

- (1) Adjustments of -4,427,892 thousand yen for segment income are unallocated general administrative expenses.
- (2) Adjustments of 21,298,683 thousand yen for segment assets are corporate assets that are not allocated to any of the reportable segments. They are mainly cash, time deposits, investment securities and the assets of the administration departments of the Company.
- (3) Adjustments of 123,152 thousand yen for increase in property, plant and equipment and intangible assets are due to system repair, etc.

2. Segment income has been adjusted to operating income described in consolidated statements of income.

**[Related information]**

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

## 1. Information related to product and service

Please refer to "Segment information."

## 2. Information related to geographic region

## (1) Net sales

Not applicable because there are no net sales to external customers outside of Japan.

## (2) Property, plant and equipment

Not applicable because there is no property, plant and equipment outside of Japan.

## 3. Information related to major customer

There is nothing to report because there is no external customer accounting for 10% or more of net sales reported in the consolidated statements of income.

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

## 1. Information related to product and service

Please refer to "Segment information."

## 2. Information related to geographic region

## (1) Net sales

Not applicable because there are no net sales to external customers outside of Japan.

## (2) Property, plant and equipment

Not applicable because there is no property, plant and equipment outside of Japan.

## 3. Information related to major customer

There is nothing to report because there is no external customer accounting for 10% or more of net sales reported in the consolidated statements of income.

**[Information on impairment loss on non-current assets by reportable segment]**

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

Not applicable.

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

Not applicable.

**[Information on amortization of goodwill and unamortized balance of goodwill by reportable segment]**

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Reportable segment					Elimination or Corporate	Total
	Building Management and Operation Business	Environmental Facility Management Business	Real Estate Fund Management Business	Other Businesses	Subtotal		
Amortization for the current period	119,304	—	4,159	—	123,463	—	123,463
Unamortized balance at the end of current year	2,057,988	—	21,838	—	2,079,826	—	2,079,826

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Reportable segment					Elimination or Corporate	Total
	Building Management and Operation Business	Environmental Facility Management Business	Real Estate Fund Management Business	Other Businesses	Subtotal		
Amortization for the current period	127,452	—	4,160	—	131,612	—	131,612
Unamortized balance at the end of current year	2,093,510	—	17,678	—	2,111,188	—	2,111,188

**[Information on gain on bargain purchase by reportable segment]**

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

Not applicable.

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

Not applicable.

**(Per share information)**

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)		Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	
Net assets per share	1,094.66 yen	Net assets per share	1,166.11 yen
Profit per share	116.11 yen	Profit per share	123.51 yen
No diluted profit per share is presented for the fiscal year, because there are no potentially dilutive securities.		No diluted profit per share is presented for the fiscal year, because there are no potentially dilutive securities.	

Note: Basis of calculations

## 1. Net assets per share

Item	Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Total net assets, as stated on the consolidated balance sheets (thousands of yen)	38,699,937	41,464,537
Net assets associated with common stock (thousands of yen)	37,381,955	40,095,818
Major components of the difference (thousands of yen):		
Non-controlling interests	1,317,982	1,368,719
Number of shares of common stock issued and outstanding (shares)	41,180,306	41,180,306
Number of shares of common stock as treasury stock (shares)	7,030,880	6,796,030
Number of shares of common stock used in the calculation of net assets per share (shares)	34,149,426	34,384,276

## 2. Profit per share

Item	Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Profit attributable to owners of parent (thousands of yen)	3,958,215	4,227,392
Amount not attributable to owners of common stock (thousands of yen)	—	—
Profit attributable to owners of parent associated with common stock (thousands of yen)	3,958,215	4,227,392
Average number of shares of common stock during period (shares)	34,091,478	34,227,438

3. The Company's shares in the employees' ESOP trust accounts were recorded as treasury stock under shareholders' equity. In calculation of the average number of shares during the period for determining profit per share and in calculation of the total number of shares issued and outstanding at the end of the period for determining net assets per share, they were counted as treasury stock, an item to be excluded.

In calculating profit per share, the average number of shares of the excluded treasury stock during the period was 293,939 shares for the fiscal year ended March 31, 2016 and 157,415 shares for the fiscal year ended March 31, 2017. In calculating net assets per share, the number of shares of the excluded treasury stock at the end of the period was 235,500 shares for the fiscal year ended March 31, 2016.

The Company's shares held by the above mentioned trust were all sold in the fiscal year ended March 31, 2017.

4. The Company conducted a 2-for-1 stock split on October 1, 2015. The figures for net assets per share and profit per share have been calculated assuming that the stock split had occurred at the beginning of the prior fiscal year.

**(Significant subsequent events)**

Not applicable.

**4. Non-consolidated financial statements and key notes****(1) Non-consolidated balance sheets**

(Thousands of yen)

	Fiscal year ended March 31, 2016 (As of March 31, 2016)	Fiscal year ended March 31, 2017 (As of March 31, 2017)
<b>ASSETS</b>		
Current assets		
Cash and deposits	8,202,578	9,361,055
Notes receivable—trade	49,313	88,143
Accounts receivable—trade	8,187,475	8,149,221
Supplies	23,335	31,177
Prepaid expenses	383,705	272,891
Accounts receivable—other	8,784	6,637
Short-term loans receivable	1,073,420	1,014,972
Advances paid	148,055	332,151
Deferred tax assets	158,436	162,329
Other	79,022	16,144
Allowance for doubtful accounts	(3,160)	(2,440)
Total current assets	18,310,967	19,432,285
Non-current assets		
Property, plant and equipment		
Buildings	4,799,510	4,832,382
Accumulated depreciation	(2,578,400)	(2,726,434)
Buildings, net	2,221,110	2,105,948
Structures	123,120	166,432
Accumulated depreciation	(55,080)	(64,060)
Structures, net	68,040	102,372
Machinery and equipment	6,130	6,130
Accumulated depreciation	(6,129)	(6,129)
Machinery and equipment, net	0	0
Vehicles	60,244	60,244
Accumulated depreciation	(35,286)	(44,106)
Vehicles, net	24,957	16,138
Tools, furniture and fixtures	763,459	774,730
Accumulated depreciation	(453,534)	(488,704)
Tools, furniture and fixtures, net	309,925	286,025
Land	988,496	988,496
Leased assets	593,473	657,294
Accumulated depreciation	(469,839)	(528,834)
Leased assets, net	123,633	128,459
Construction in progress	22,050	-
Total property, plant and equipment	3,758,213	3,627,440
Intangible assets		
Telephone subscription right	15,576	15,570
Software	335,369	297,385
Leased assets	15,803	13,288
Total intangible assets	366,750	326,244

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

	(Thousands of yen)	
	Fiscal year ended March 31, 2016 (As of March 31, 2016)	Fiscal year ended March 31, 2017 (As of March 31, 2017)
<b>Investments and other assets</b>		
Investment securities	6,887,507	7,266,717
Shares of subsidiaries and associates	8,911,308	9,509,722
Long-term loans receivable	32,719	30,368
Long-term loans receivable from subsidiaries and associates	420,515	393,902
Long-term prepaid expenses	86	826
Prepaid pension cost	381,582	552,127
Lease and guarantee deposits	849,412	864,595
Membership	350,460	350,460
Insurance funds	14,400	-
Claims provable in bankruptcy, claims provable in rehabilitation and other	25,354	22,247
Buildings for rent	107,470	107,470
Accumulated depreciation	(39,416)	(41,460)
Buildings for rent, net	68,054	66,010
Land for rent	53,739	53,739
Long-term time deposits	100,000	100,000
Other	76,797	87,261
Allowance for doubtful accounts	(57,754)	(54,648)
<b>Total investments and other assets</b>	<b>18,114,183</b>	<b>19,243,331</b>
<b>Total non-current assets</b>	<b>22,239,147</b>	<b>23,197,016</b>
<b>TOTAL ASSETS</b>	<b>40,550,115</b>	<b>42,629,301</b>

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

	(Thousands of yen)	
	Fiscal year ended March 31, 2016 (As of March 31, 2016)	Fiscal year ended March 31, 2017 (As of March 31, 2017)
<b>LIABILITIES</b>		
Current liabilities		
Notes payable—trade	26,134	19,402
Accounts payable—trade	5,477,820	5,638,541
Current portion of long-term loans payable	742,870	575,000
Lease obligations	61,191	48,922
Accounts payable—other	380,418	380,439
Income taxes payable	522,090	644,929
Accrued consumption taxes	345,264	441,143
Accrued salaries	520,176	543,738
Accrued social insurance	197,809	216,299
Deposits received	127,323	133,811
Deposits received from subsidiaries and associates	1,400,000	1,300,000
Advances received	125,303	97,494
Provision for bonuses	279,227	292,998
Other	90,302	384,338
<b>Total current liabilities</b>	<b>10,295,931</b>	<b>10,717,061</b>
Non-current liabilities		
Long-term loans payable	2,925,000	2,350,000
Lease obligations	80,911	95,198
Deferred tax liabilities	809,075	845,667
Long-term guarantee deposited	313,470	335,106
Asset retirement obligations	123,052	122,095
Other	864,343	706,141
<b>Total non-current liabilities</b>	<b>5,115,853</b>	<b>4,454,208</b>
<b>TOTAL LIABILITIES</b>	<b>15,411,784</b>	<b>15,171,270</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	3,000,000	3,000,000
Capital surplus		
Legal capital surplus	498,800	498,800
Other capital surplus	119,172	119,290
<b>Total capital surpluses</b>	<b>617,972</b>	<b>618,090</b>
Retained earnings		
Legal retained earnings	251,200	251,200
Other retained earnings		
General reserve	12,310,000	12,310,000
Retained earnings brought forward	11,301,242	13,478,985
<b>Total retained earnings</b>	<b>23,862,442</b>	<b>26,040,185</b>
Treasury shares	(5,169,531)	(4,961,569)
<b>Total shareholders' equity</b>	<b>22,310,883</b>	<b>24,696,706</b>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,827,447	2,761,325
<b>Total valuation and translation adjustments</b>	<b>2,827,447</b>	<b>2,761,325</b>
<b>TOTAL NET ASSETS</b>	<b>25,138,330</b>	<b>27,458,031</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>40,550,115</b>	<b>42,629,301</b>

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

**(2) Non-consolidated statements of income**

(Thousands of yen)

	Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
<b>Net sales</b>		
Service revenue	55,457,709	59,323,821
Net sales of goods	374,328	411,268
Total net sales	55,832,038	59,735,089
<b>Cost of sales</b>		
Cost of service sales	45,958,140	48,964,534
Cost of goods sold	292,874	321,487
Total cost of sales	46,251,014	49,286,021
<b>Gross profit</b>	9,581,023	10,449,067
<b>Selling, general and administrative expenses</b>		
Promotion expenses	13,344	10,826
Advertising expenses	253,653	254,714
Directors' compensations	371,907	420,376
Salaries and allowances	2,397,719	2,674,208
Bonuses	353,636	366,259
Provision for bonuses	135,242	137,735
Directors' retirement benefits	460	-
Provision for directors' retirement benefits	5,120	-
Retirement benefit expenses	19,181	30,471
Legal welfare expenses	462,158	506,746
Welfare expenses	28,134	26,008
Training expenses	15,778	16,164
Offering expenses	23,947	20,963
Conference expenses	4,387	4,099
Entertainment expenses	133,812	160,897
Traveling and transportation expenses	326,732	314,077
Vehicle expenses	89,291	85,350
Communication expenses	95,911	102,539
Utilities expenses	44,917	44,757
Supplies expenses	24,862	22,670
Stationery expenses	224,453	232,352
Taxes and dues	61,366	60,074
Enterprise tax	116,972	201,613
Depreciation	292,942	312,081
Repair expenses	6,750	1,921
Insurance expenses	298,437	385,994
Rent expenses	462,077	483,094
Book expenses	7,873	7,785
Membership expenses	16,883	16,688
Commission fee	300,380	278,286
Contribution	15,906	9,500
Provision of allowance for doubtful accounts	3,798	(842)
Miscellaneous expenses	251,146	122,989
Total selling, general and administrative expenses	6,859,188	7,310,409
<b>Operating income</b>	2,721,835	3,138,658

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(Thousands of yen)

	Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
<b>Non-operating income</b>		
Interest income	44,108	33,663
Dividend income	1,645,438	1,215,824
Rent income	36,642	45,609
Dividend income of insurance	25,446	22,900
Consulting fee income	36,000	36,000
Miscellaneous income	24,664	36,092
Total non-operating income	1,812,300	1,390,090
<b>Non-operating expenses</b>		
Interest expenses	45,657	35,991
Loss on sales of investment securities	3,015	96
Rent expenses	45,125	44,009
Loss on sales and retirement of non-current assets	949	542
Foreign exchange losses	79,784	86,586
Miscellaneous loss	19,267	11,490
Total non-operating expenses	193,799	178,717
<b>Ordinary income</b>	4,340,336	4,350,030
<b>Extraordinary income</b>		
Gain on sales of investment securities	327,518	516,180
Total extraordinary income	327,518	516,180
<b>Extraordinary losses</b>		
Loss on valuation of investment securities	49,999	-
Loss on valuation of shares of subsidiaries	26,603	132,056
Total extraordinary losses	76,603	132,056
<b>Profit before income taxes</b>	4,591,250	4,734,155
Income taxes—current	1,087,477	1,110,278
Income taxes—deferred	(4,976)	36,352
Total income taxes	1,082,500	1,146,630
<b>Profit</b>	3,508,750	3,587,525

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

**(3) Non-consolidated statements of changes in equity**

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of current period	3,000,000	498,800	119,172	617,972	251,200	12,310,000	8,709,745	21,270,945
Changes of items during period								
Dividends of surplus [year-end]							(481,402)	(481,402)
Dividends of surplus [interim]							(429,816)	(429,816)
Profit							3,508,750	3,508,750
Decrease by corporate division							(6,034)	(6,034)
Purchase of treasury shares								
Disposal of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	—	—	—	—	2,591,496	2,591,496
Balance at end of current period	3,000,000	498,800	119,172	617,972	251,200	12,310,000	11,301,242	23,862,442

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(5,270,659)	19,618,258	2,670,182	2,670,182	22,288,441
Changes of items during period					
Dividends of surplus [year-end]		(481,402)			(481,402)
Dividends of surplus [interim]		(429,816)			(429,816)
Profit		3,508,750			3,508,750
Decrease by corporate division		(6,034)			(6,034)
Purchase of treasury shares	(1,671)	(1,671)			(1,671)
Disposal of treasury shares	102,799	102,799			102,799
Net changes of items other than shareholders' equity			157,265	157,265	157,265
Total changes of items during period	101,128	2,692,624	157,265	157,265	2,849,889
Balance at end of current period	(5,169,531)	22,310,883	2,827,447	2,827,447	25,138,330

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of current period	3,000,000	498,800	119,172	617,972	251,200	12,310,000	11,301,242	23,862,442
Changes of items during period								
Dividends of surplus [year-end]							(756,468)	(756,468)
Dividends of surplus [interim]							(653,313)	(653,313)
Profit							3,587,525	3,587,525
Purchase of treasury shares								
Disposal of treasury shares			118	118				
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	118	118	—	—	2,177,743	2,177,743
Balance at end of current period	3,000,000	498,800	119,290	618,090	251,200	12,310,000	13,478,985	26,040,185

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(5,169,531)	22,310,883	2,827,447	2,827,447	25,138,330
Changes of items during period					
Dividends of surplus [year-end]		(756,468)			(756,468)
Dividends of surplus [interim]		(653,313)			(653,313)
Profit		3,587,525			3,587,525
Purchase of treasury shares	(1,364)	(1,364)			(1,364)
Disposal of treasury shares	209,326	209,444			209,444
Net changes of items other than shareholders' equity			(66,122)	(66,122)	(66,122)
Total changes of items during period	207,961	2,385,823	(66,122)	(66,122)	2,319,700
Balance at end of current period	(4,961,569)	24,696,706	2,761,325	2,761,325	27,458,031