Consolidated Financial Results for the Fiscal Year ended March 31, 2017 (IFRS)

May 1, 2017

Listed Company Name:	ITOCHU Techno-Solutions Corporation	Listing Exchanges:	Tokyo Stock Exchange
Securities Code:	4739	URL:	http://www.ctc-g.co.jp/en/index.html
Representative:	Satoshi Kikuchi, President & CEO		
Contact:	Masami Suzuki, General Manager, General Accounting & Financial Control Department Phone: +81-3-6203-5000		

Scheduled date of Annual General Meeting of Shareholders: June 21, 2017
Scheduled date of dividend payment: June 22, 2017
Scheduled date to submit the annual securities report *(Yukashoken Hokokusho)*: June 22, 2017
Supplementary documents for financial results: Yes
Financial results briefing: Yes (for institutional investors and analysts)

(Figures less than one Millions of yen are omitted)

1. Consolidated Business Results for the Fiscal Year ended March 31, 2017 (April 1, 2016– March 31, 2017)

(1) Consolidated operating results (Percentages represent year-on-year changes)

	Revenue		Operating income		Profit before tax		Profit for the year		Profit for the year attributable to owners of the Company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended 3/17	407,849	4.1	31,129	11.4	31,300	12.0	21,996	21.3	21,861	21.3
Year ended 3/16	391,606	2.5	27,942	(4.8)	27,942	(5.3)	18,138	2.8	18,018	3.5

	Total comprehensive income for the year		Basic earnings per share for the year	Diluted earnings per share for the year	Ratio of profit to equity attributable to owners of the Company	Ratio of profit before tax to total assets	Ratio of operating income to revenue
	Millions of yen	%	Yen	Yen	%	%	%
Year ended 3/17	21,419	21.9	189.09	—	11.8	9.8	7.6
Year ended 3/16	17,577	(1.9)	155.85	—	10.4	9.2	7.1

(Reference) Share of profit (loss) of entities accounted for using equity method (Millions of yen): Year ended 3/17: 66 Year ended 3/16: 50

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the Company	Percentage of equity attributable to owners of the Company to total assets	Equity attributable to owners of the Company per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
Year ended 3/17	333,123	195,701	192,175	57.7	1,662.21
Year ended 3/16	307,932	183,043	179,285	58.2	1,550.72

(3) Consolidated cash flow position

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended 3/17	25,203	(14,158)	(7,833)	48,213
Year ended 3/16	21,856	(18,185)	(8,422)	44,880

2. Dividends

	Dividend per share					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of the Company (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended 3/16	—	32.50	—	37.50	70.00	8,092	44.9	4.6
Year ended 3/17	—	37.50	—	42.50	80.00	9,249	42.3	5.0
Year ending 3/18 (forecast)	—	42.50	—	42.50	85.00		43.7	

3. Forecast for Consolidated Business Results for the Fiscal Year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(Percentages represent changes from the same period of previous fiscal year)

	Revenue		Operating income		Profit before tax		Profit for the year		Profit for the year attributable to owners of the Company		Basic earnings per share for the year (forecast)
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full year	425,000	4.2	32,500	4.4	32,600	4.2	22,500	2.3	22,500	2.9	194.61

* Notes

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

(2) Changes in accounting principles and changes of accounting estimates

(i) Changes in accounting principles required by IFRS: Not applicable

(ii) Changes in accounting principles other than (i): Not applicable

(iii) Changes in accounting estimates: Not applicable

(3) Number of outstanding shares (common shares)

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

Year ended 3/17: 120,000,000 shares Year ended 3/16: 120,000,000 shares

(ii) Number of treasury shares at the end of period:

Year ended 3/17: 4,385,798 shares Year ended 3/16: 4,385,750 shares

(iii) Average number of shares during the period:

Year ended 3/17: 115,614,228shares Year ended 3/16: 115,614,319 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Business Results for the Fiscal Year ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Non-consolidated operating results (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended 3/17	359,456	4.8	20,397	20.7	23,218	8.0	21,906	17.1
Year ended 3/16	343,151	2.0	16,895	1.1	21,506	(12.5)	18,710	(15.2)

	Earnings per share	Earnings per share/ diluted
	Yen	Yen
Year ended 3/17	189.48	-
Year ended 3/16	161.84	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Book-value per share
	Millions of yen	Millions of yen	%	Yen
Year ended 3/17	308,121	181,916	59.0	1,573.48
Year ended 3/16	282,262	169,013	59.9	1,461.88

(Reference) Shareholders' equity (Millions of yen): Year ended 3/17:181,916 Year ended 3/16: 169,013

(Note) The financial figures presented in the Summary of Non-Consolidated Financial Results are prepared in accordance with the Japan GAAP.

* This document is an English translation of a statement written initially in Japanese as a guide for non-Japanese investors. The Japanese original document should be considered as the primary version.

* Cautionary statement with respect to forward-looking statements

- These materials contain forward-looking statements and statements of this nature based on assumptions judged to be valid and information available to the Company as of the announcement date of the summary. These statements are not promises by the Company regarding future performance. Actual results may differ materially from forecasts due to a variety of factors.

○Accompanying Materials – Contents

1. Analysis of Operating Results and Financial Condition

(1) Analysis of operating results

In the fiscal year under review, the Japanese economy continued to follow a moderate recovery trend overall, chiefly supported by solid corporate earnings and improvements in the employment environment, despite uncertainty over the economic outlook, due partly to concerns over an economic slowdown in China and other Asian emerging economies, and the ambiguity of the United States' future policies.

In the information services industry, the overall business environment remained steady, given the recovery trend of IT investments centered mainly on the manufacturing, financial and distribution industries.

In this environment, the ITOCHU Techno-Solutions Corporation (CTC) Group has established a Medium- Term Management Plan for three years from the fiscal year ended March 2016 to the fiscal year ending March 2018 by specifying its vision, "Take responsibility for the evolution of the IT industry, as the industry's leading company." In an effort to achieve this, the Group has been pursuing initiatives such as expanding the service-type business, strengthening the customer base by exerting its comprehensive capabilities and making aggressive growth investments.

Specifically, the Group focused on operations specializing in mission-critical systems centered on backbone systems, and began offering CUVICmc2, a cloud service that has superior security and cost performance, and Avail-I, which are maintenance services that automatically scan problems in the multivendor environment to reduce the burdens of customers in terms of maintenance and shorten the time for the resolution of problems. Based on this, the Group launched Avail-ProE, a service that predicts the occurrence of problems and delays through big data analysis of networks and performance. Moreover, the Group carried out initiatives to expand the service-type business. These initiatives included collaborative development with BELLSYSTEM24 Inc. of BellCloud AI for Webself, a solution to be offered by BELLSYSTEM24 Inc. that uses AI to automatically answer inquiries from consumers, etc. received through corporate websites. The Group also launched IoT Digital LAB, which allows large-scale demonstrations and verification with an eye to the use of IoT by companies, RoBo-LAB, a test facility that uses a unique management platform to support the utilization of robots for business, and CSIRT construction and management support services, which provide comprehensive support for the establishment and management of a Computer Security Incident Response Team (CSIRT), an organization that responds internally to security incidents as a result of cyber-attacks. In addition, the Group focused on the development of CTC ESPA (Enterprise Simple Provisioning Architecture), a service that supports the implementation and operation of SDN (Software-Defined Network = integrated control of a network by using software) and NFV (Network Function Virtualization = implementation of network functions on a general-purpose server instead of dedicated hardware by virtualizing the network functions) on customers' enterprise networks.

At the same time, the Group also worked to create business innovation on themes such as BigData, IoT and Artificial Intelligence, and made investments in anticipation of the next growth phase in areas such as the development of advanced technologies related to these themes and PoC testing in the network robot, agriculture and welfare sectors.

As for initiatives to exert the Group's comprehensive capabilities, in April 2016, the Group carried out reform including the reorganization of the segments, which mainly helped to strengthen the capability to respond to large projects by using human resources in a flexible manner and to expand the scope of businesses with key customers.

In its Medium-Term Management Plan, the Group has specified the strengthening of the management base as one of the key measures. Accordingly, the Group has been promoting work-style innovation to ensure that its employees are able to experience job satisfaction and carry out their duties efficiently and effectively. More specifically, the Group adopted new systems to support flexible working styles, such as slide work, which allows employees to choose their working hours in a flexible manner, meeting their needs for child rearing, nursing care, self-development and the like. Other new systems include the time-based paid holiday system that allows the employees to build up leave in hourly increments, and mobile work, which supports employees in achieving efficient operations by using free hours when they are out of the office and commuting hours. In addition, the Group conducted activities to raise employee awareness about working styles, including using finishing time visualization cards for sharing the estimated finishing time among co-workers, and putting "Premium Friday" promoted by the government into practice as "Work Style Innovation Challenge Day." In recognition of its health and productivity management initiatives for supervising employees' health from a management and productivity perspective, the company was certified as an "Excellent Enterprise of Health and Productivity Management 2017 (White 500)" by the Ministry of Economy, Trade and Industry and the Nihon Kenko Kaigi.

In sales activities, the Group mainly focused on infrastructure building projects and development projects for the distribution and manufacturing industries, and network construction projects for the telecommunications industry.

During the fiscal year under review, both revenue and income reached record levels. Revenue rose 4.1% year on year, to ¥407,849 million, with Services and SI development recording higher revenue. Profits also increased year on year, reflecting higher revenue and an increase in gross profit. Operating income rose 11.4% year on year, to ¥31,129 million, profit before tax increased 12.0%, to ¥31,300 million, profit climbed 21.3%, to ¥21,996 million, and profit attributable to owners of the Company rose 21.3%, to ¥21,861 million.

Segment results by business were as follows.

Effective from the fiscal year under review, the Company revised its reportable segment structure. Year-on-year comparisons and analyses have been adjusted to reflect the revised segments.

(i) Distribution & Enterprise

Revenue increased by 13.3% year on year, to 131,632 million yen, due mainly to the increase in projects for the distribution sector. Pre-tax profit rose by 47.1%, to 7,256 million yen.

(ii) Telecommunication

Revenue rose by 4.0%, to 150,768 million yen, reflecting growth mainly in projects for the communications sector and internet services providers. Pre-tax profit increased by 38.9%, to 14,393 million yen, due to higher revenue and improvement in the gross margin.

(iii) Public & Regional

Revenue increased by 1.3%, to 38,574 million yen, reflecting growth mainly in projects for local government. Pre-tax profit climbed 26.5%, to 886 million yen due to higher revenue and a decrease in other expense.

(iv) Financial & Social Infrastructure

Revenue rose by 0.1%, to 51,551 million yen. However, pre-tax profit decreased by 24.5%, to 2,778 million yen, due to decline in the gross margin and higher SG&A expenses.

(v)IT Services

In this segment, all the companies in the Group offer comprehensive services that focus on cloud-related business and maintenance and operation. Revenue rose by 3.8%, to 109,720 million yen, while pre-tax profit fell by 8.5%, to 7,986 million yen.

(vi) Others

This segment includes the overseas subsidiaries, science business and others. Although revenue fell by 10.3%, to 33,216 million yen, pre-tax profit rose by 15.0%, to 1,916 million yen due to a decrease in other expense.

(Note) The revenue and pre-tax profit for the segments shown above are those before the elimination of inter-segment sales.

(2) Analysis of financial condition

Assets at the end of the consolidated fiscal year under review amounted to 333,123 million yen, up 25,191 million yen from the end of the previous consolidated fiscal year. This mainly reflected increases of 3,333 million yen in cash and cash equivalents, 4,354 million yen in trade and other receivables, 5,557 million yen in inventories, and 4,992 million yen in other financial assets (current assets).

Liabilities rose by 12,533 million yen from the end of the previous consolidated fiscal year, to 137,422 million yen. This was mainly due to increases of 2,751 million yen in income taxes payable, 3,017 million yen in liabilities for employee benefits, and 6,769 million yen in other current liabilities.

Equity reached 195,701 million yen, up 12,657 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to an increase of 21,996 million yen in profit for the year, offsetting a decrease of 8,761 million yen in the payment of dividends.

(3) Analysis of cash flows

Cash and cash equivalents (hereinafter called “cash”) at the end of the fiscal year under review rose 3,333 million yen from the end of the previous fiscal year to 48,213 million yen.

The status and major components of each cash flow in the consolidated fiscal year under review are shown below.

(Cash flows from operating activities)

Net cash provided by operating activities totaled 25,203 million yen. This reflected 31,300 million yen in profit before tax, with income of 8,438 million yen in depreciation and amortization expense, 8,382 million yen in decrease (increase) in trade and other receivables, and 9,274 million yen in income taxes paid.

Compared to the previous consolidated fiscal year, net cash provided by operating activities increased by 3,347 million yen due to the increase of 3,357 million in profit before tax, 2,178 million yen in increase (decrease) in trade and other payables, 8,542 million yen in others, despite 4,531 million yen in decrease (increase) in trade and other receivables and 8,054 million yen (decrease (increase) in inventories.

(Cash flows from investing activities)

Net cash used in investing activities totaled 14,158 million yen. This was due to 4,892 million yen for payments for acquisition of property, plant and equipment, 4,297 million yen for payments for acquisition of intangible assets, and 5,000 million yen in net decrease (increase) in deposits.

Compared to the previous consolidated fiscal year, net cash used in investing activities decreased by 4,027 million yen. This was attributable to a 3,401 million yen decrease in payments for acquisition of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities totaled 7,833 million yen. Major factors were 8,671 million yen in dividends paid and 2,530 million yen in repayments of finance lease obligations, offsetting 3,570 million yen in proceeds from sales and leasebacks.

Compared to the previous consolidated fiscal year, net cash used in financing activities decreased by 588 million yen. This result reflected a 1,944 million yen increase in proceeds from sales and leasebacks, despite a 1,300 million yen increase in dividends paid.

(4) Outlook for the fiscal year ending March 31, 2018

Although the impact of uncertainty over policy measures in the United States and Europe will require close monitoring, the Japanese economy is expected to improve at a modest pace, supported by improvement in corporate earnings and the employment environment and the effect of various policy measures.

In the information services industry, the impact of changes in the economic environment will need to be monitored. However, investment in the IT sector is expected to remain solid, particularly in the financial, manufacturing and distribution sectors, and the telecommunications sector is also expected to show a modest recovery trend.

Under these circumstances, we will continue to focus on expanding service-type business, strengthening the customer base through our comprehensive strength, and investing actively in growing areas, to achieve our medium-term business covering the three years from the fiscal year ending March 31, 2016 to the fiscal year ending March 31, 2018 which we announced in May 2015.

More specifically, we will focus on areas such as expanding cloud business especially our new CUVICmc2 cloud service for backbone systems and expanding maintenance and operations services that utilize our technical expertise and knowhow.

In addition to the restructuring implemented last fiscal year, we carried out further restructuring in April 2017, aimed at increasing the mobility of human resources between organizations to demonstrate our comprehensive strength and increase cooperation with customers as well as identifying and developing advanced technologies that anticipate the future and creating new business models. As part of our efforts to achieve the three-year medium-term business plan and further expand business, we will also continue to invest actively in areas such as the development of human resources, cutting-edge technologies and innovation.

As a result of the above, the Company’s forecast for the next consolidated fiscal year is revenue of 425,000 million yen, operating income of 32,500 million yen, profit before tax of 32,600 million yen, profit for the year of 22,500 million yen, and profit attributable to owners of the parent of 22,500 million yen.

2. Basic Policy for the Selection of Accounting Standards

As part of its efforts to promote global business expansion, the Group adopts International Financial Reporting Standards, which are global accounting standards, with the aim of enhancing convenience to Japanese and overseas shareholders and investors by facilitating the international comparability of our financial information in capital markets.

3. Consolidated Financial Statements

(1) Consolidated statement of financial position

	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year (As of March 31, 2017)
Items	Amount (Millions of yen)	Amount (Millions of yen)
(Assets)		
Current assets		
Cash and cash equivalents	44,880	48,213
Trade and other receivables	111,118	115,473
Inventories	18,488	24,045
Current tax assets	8	22
Other current financial assets	20,025	25,017
Other current assets	34,492	37,421
Total current assets	229,013	250,194
Non-current assets		
Property, plant and equipment	35,514	36,365
Goodwill	4,245	3,899
Intangible assets	11,548	12,560
Investments accounted for using the equity method	635	664
Other non-current financial assets	14,490	13,989
Deferred tax assets	10,286	12,679
Other non-current assets	2,198	2,769
Total non-current assets	78,918	82,929
Total assets	307,932	333,123

Items	Previous consolidated fiscal year (As of March 31, 2016) Amount (Millions of yen)	Consolidated fiscal year (As of March 31, 2017) Amount (Millions of yen)
(Liabilities and Equity)		
Current liabilities		
Trade and other payables	47,202	48,222
Other current financial liabilities	6,179	5,658
Income taxes payable	6,312	9,064
Liabilities for employee benefits	14,061	17,079
Provisions	660	689
Other current liabilities	34,140	40,909
Total current liabilities	108,558	121,624
Non-current liabilities		
Non-current financial liabilities	10,207	10,016
Liabilities for employee benefits	3,973	3,720
Provisions	1,671	1,732
Deferred tax liabilities	474	327
Other non-current liabilities	3	—
Total non-current liabilities	16,329	15,797
Total liabilities	124,888	137,422
Equity		
Common stock	21,763	21,763
Capital surplus	33,076	33,076
Treasury stock	(9,231)	(9,231)
Retained earnings	132,677	146,537
Other components of equity	999	29
Total equity attributable to owners of the Company	179,285	192,175
Non-controlling interests	3,758	3,525
Total equity	183,043	195,701
Total liabilities and equity	307,932	333,123

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

Consolidated income statement

	Previous consolidated fiscal year (From April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 to March 31, 2017)
Items	Amount (Millions of yen)	Amount (Millions of yen)
Revenue	391,606	407,849
Cost of sales	(300,080)	(311,133)
Gross profit	91,526	96,716
Other income and expenses		
Selling, general and administrative expenses	(63,464)	(65,512)
Other income	450	348
Other expenses	(569)	(423)
Total other income and expenses	(63,583)	(65,586)
Operating income	27,942	31,129
Financial income	193	263
Financial costs	(243)	(158)
Share of profit of associated accounted for using the equity method	50	66
Profit before taxes	27,942	31,300
Income tax expense	(9,804)	(9,304)
Profit for the year	18,138	21,996
Profit for the year attributable to :		
Owners of the Company	18,018	21,861
Non-controlling interests	120	134

Earnings per share for the year (Attribution to the owners of the Company):	(yen)	(yen)
Basic earnings per share for the year	155.85	189.09
Diluted earnings per share for the year	—	—

Consolidated comprehensive income

	Previous consolidated fiscal year (From April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 to March 31, 2017)
Items	Amount (Millions of yen)	Amount (Millions of yen)
Profit for the year	18,138	21,996
Other comprehensive income, net of tax effect		
Items that will not be reclassified to profit or loss:		
Changes in net fair value of financial assets measured through other comprehensive income	114	(332)
Remeasurement of defined benefit plans	524	671
Share of other comprehensive income of associates accounted for using the equity method	(0)	0
Items that may be transferred to profit or loss:		
Exchange differences on translating foreign operations	(1,147)	(918)
Cash flow hedges	(30)	6
Share of other comprehensive income of associates accounted for using the equity method	(21)	(5)
Total other comprehensive income for the year, net of income tax	(560)	(576)
Total comprehensive income for the year	17,577	21,419
Total comprehensive income for the year attributable to:		
Owners of the Company	17,784	21,561
Non-controlling interests	(206)	(141)

(3) Consolidated statement of changes in equity

Previous consolidated fiscal year (From April 1, 2015 to March 31, 2016)

(Millions of yen)

Items	Attributable to the owners of the Company						
					Other components of equity		
	Common stock	Capital surplus	Treasury stock	Retained earnings	Exchange differences on translating foreign operations	Changes in net fair value of financial assets measured through other comprehensive income	Cash flow hedges
April 1, 2015	21,763	33,076	(9,225)	121,530	907	812	13
Profit for the year	–	–	–	18,018	–	–	–
Other comprehensive income for the year, net of tax effect	–	–	–	–	(842)	114	(30)
Total comprehensive income for the year	–	–	–	18,018	(842)	114	(30)
Payment of dividends	–	–	–	(7,370)	–	–	–
Purchase of treasury stock	–	–	(5)	–	–	–	–
Transfer to retained earnings from other components of equity	–	–	–	499	–	24	–
Total transactions with owners	–	–	(5)	(6,870)	–	24	–
March 31, 2016	21,763	33,076	(9,231)	132,677	64	950	(16)

(Millions of yen)

Items	Attributable to the owners of the Company		Non-controlling interests	Total equity
	Other components of equity	Total equity attributable to owners of the Company		
	Remeasurement of defined benefit plans			
April 1, 2015	–	168,876	4,030	172,907
Profit for the year	–	18,018	120	18,138
Other comprehensive income for the year, net of tax effect	524	(233)	(326)	(560)
Total comprehensive income for the year	524	17,784	(206)	17,577
Payment of dividends	–	(7,370)	(64)	(7,435)
Purchase of treasury stock	–	(5)	–	(5)
Transfer to retained earnings from other components of equity	(524)	–	–	–
Total transactions with owners	(524)	(7,376)	(64)	(7,441)
March 31, 2016	–	179,285	3,758	183,043

Consolidated fiscal year under review (From April 1, 2016 to March 31, 2017)

(Millions of yen)

Items	Attributable to the owners of the Company						
					Other components of equity		
	Common stock	Capital surplus	Treasury stock	Retained earnings	Exchange differences on translating foreign operations	Changes in net fair value of financial assets measured through other comprehensive income	Cash flow hedges
April 1, 2016	21,763	33,076	(9,231)	132,677	64	950	(16)
Profit for the year	—	—	—	21,861	—	—	—
Other comprehensive income for the year, net of tax effect	—	—	—	—	(647)	(331)	6
Total comprehensive income for the year	—	—	—	21,861	(647)	(331)	6
Payment of dividends	—	—	—	(8,671)	—	—	—
Purchase of treasury stock	—	—	(0)	—	—	—	—
Transfer to retained earnings from other components of equity	—	—	—	668	—	2	—
Total transactions with owners	—	—	(0)	(8,002)	—	2	—
March 31, 2017	21,763	33,076	(9,231)	146,537	(582)	621	(9)

(Millions of yen)

Items	Attributable to the owners of the Company		Non-controlling interests	Total equity
	Other components of equity			
	Remeasurement of defined benefit plans	Total equity attributable to owners of the Company		
April 1, 2016	—	179,285	3,758	183,043
Profit for the year	—	21,861	134	21,996
Other comprehensive income for the year, net of tax effect	671	(300)	(276)	(576)
Total comprehensive income for the year	671	21,561	(141)	21,419
Payment of dividends	—	(8,671)	(90)	(8,761)
Purchase of treasury stock	—	(0)	—	(0)
Transfer to retained earnings from other components of equity	(671)	—	—	—
Total transactions with owners	(671)	(8,671)	(90)	(8,762)
March 31, 2017	—	192,175	3,525	195,701

(4) Consolidated cash flow statement

	Previous consolidated fiscal year (From April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 to March 31, 2017)
Items	Amount (Millions of yen)	Amount (Millions of yen)
Cash flows from operating activities		
Profit before tax	27,942	31,300
Adjustments for:		
Depreciation and amortization expense	8,442	8,438
Impairment losses	53	69
Interest and dividend income	(193)	(227)
Interest expenses	135	112
Share of profit of associates accounted for using the equity method	(50)	(66)
Increase in trade and other receivables	(3,850)	(8,382)
(Increase) decrease in inventories	2,350	(5,704)
Increase (decrease) in trade and other payables	(725)	1,452
Others - net	(1,220)	7,322
Subtotal	32,884	34,314
Interest and dividends received	178	248
Interest paid	(97)	(85)
Income taxes paid	(11,108)	(9,274)
Net cash provided by operating activities	21,856	25,203
Cash flows from investing activities		
Purchases of property, plant and equipment	(4,942)	(4,892)
Payments for retirement of property, plant and equipment	(159)	(1)
Proceeds from sales of property, plant and equipment	139	21
Purchases of intangible assets	(4,907)	(4,297)
Purchases of investment securities	(3,602)	(201)
Proceeds from sales of investment securities	—	0
Proceeds from dividend of investment partnership	171	164
Proceeds from Government grants	42	42
Decrease (increase) in deposits other than cash equivalents	(4,932)	(5,000)
Others – net	5	6
Net cash used in investing activities	(18,185)	(14,158)

	Previous consolidated fiscal year (From April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 to March 31, 2017)
Items	Amount (Millions of yen)	Amount (Millions of yen)
Cash flows from financing activities		
Repayments of short-term borrowings	—	(110)
Proceeds from short-term borrowings	122	—
Purchase of treasury stock	(5)	(0)
Proceeds from sales and leaseback	1,625	3,570
Repayments of finance lease obligations	(2,728)	(2,530)
Dividends paid to owners of the Company	(7,371)	(8,671)
Dividends paid to non-controlling interests	(64)	(90)
Net cash used in financing activities	(8,422)	(7,833)
Effects of exchange rate changes on cash and cash equivalents	(514)	121
Net increase(decrease) in cash and cash equivalents	(5,266)	3,333
Cash and cash equivalents at the beginning of the year	50,146	44,880
Cash and cash equivalents at the end of the year	44,880	48,213

(5) Notes to the consolidated financial statements

(Notes on going concern assumption)

None

(Segment information)

(i) Summary of reportable segments

The Group's reporting segments are components of the Group's organizational structure, and the Group has five reportable segments: Distribution & Enterprise, Telecommunication, Public & Regional, Finance & Social Infrastructure, and IT Services

The Distribution & Enterprise, Telecommunication, Public & Regional, and Finance & Social Infrastructure Business Groups are classed as organizations that can provide optimum solutions to meet customer needs, and each of these segments conduct comprehensive proposal and sales activities ranging from consulting to system design, construction, maintenance and operation services.

The IT Services Business Group's role is to collaborate with the abovementioned four reportable segments over proposals and procurement in the service-type business which consists mainly in IT infrastructure outsourcing and maintenance and operations.

As a result of structural changes implemented on April 1, 2016, effective from the fiscal year under review, the Company has integrated the two existing segments, the Enterprise segment and the Distribution segment, into the Distribution & Enterprise segment. The Group also established a new Public & Regional segment and transferred part of the Distribution & Enterprise segment and the Finance & Social Infrastructure segment to the Public & Regional segment to expand business with central government offices and with local governments, educational institutions and enterprises in the Tokyo metropolitan area, Northern, Central and Western Japan.

The segment information for the previous fiscal year has been prepared based on the reportable segment classifications after the change.

The segments reported below are business units of the Group that have separate financial information available and that are subject to periodical examinations by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance

(ii) Information about reportable segment revenue, profit or loss, assets, etc.

The accounting policies and procedures used for the reportable segments are the same as those used for preparation of the consolidated financial statements. Intersegment transactions are based on actual market prices.

The Group's reportable segment information is as follows.

Previous consolidated fiscal year (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable Segment						Other (Note1)	Total	Reconciliations (Note 2)	Consolidated
	Distribution & Enterprise	Telecommunications	Public & Regional	Finance & Social	IT Services	Subtotal				
Revenue										
Revenue from external customers	112,818	143,402	37,518	50,714	11,012	355,467	36,139	391,606	—	391,606
Inter-segment revenue or transfers	3,354	1,498	549	770	94,649	100,822	900	101,722	(101,722)	—
Total	116,173	144,900	38,068	51,485	105,662	456,289	37,039	493,329	(101,722)	391,606
Profit before tax (Segment profit)	4,932	10,359	701	3,677	8,723	28,394	1,666	30,061	(2,118)	27,942
Segment assets	55,972	60,621	12,133	13,670	74,631	217,029	25,262	242,291	65,640	307,932
Other items										
Financial income	42	17	1	2	17	81	31	113	80	193
Financial costs	(29)	(4)	(6)	(6)	(49)	(97)	(4)	(102)	(141)	(243)
Share of profit of associates accounted for using the equity method	29	—	—	—	—	29	(7)	21	29	50
Depreciation and amortization expense (Note 3)	(1,683)	(406)	(270)	(223)	(3,182)	(5,767)	(1,076)	(6,844)	(1,598)	(8,442)
Impairment losses	—	—	—	—	(49)	(49)	—	(49)	(4)	(53)
Investments accounted for using the equity method	304	—	—	—	—	304	189	493	141	635
Capital expenditures (Note 3)	2,088	204	132	82	5,246	7,754	538	8,292	2,790	11,083

Notes:1. “Other”, which is not included in the reportable segments, consists of foreign subsidiaries and a science business segment, etc.

2. Reconciliations are as follows:

(1) Reconciliations of segment loss of ¥2,118 million include primarily administrative expenses and investments that are not allocated to business segments of ¥2,303 million.

(2) Reconciliations of segment assets of ¥65,640 million include corporate assets of ¥75,448 million and intersegmental elimination of receivables and payables of ¥(10,743) million.

Corporate assets consist of primarily cash and cash equivalents that are not allocated to business segments and assets related to the administrative department.

(3) Reconciliations of financial income in other items of ¥80 million include ¥79 million of gains related to the administrative department that are not allocated to business segments.

Reconciliations of financial costs of ¥141 million include ¥146 million of losses related to the administrative department that are not allocated to business segments.

Reconciliations of share of profit of associates accounted for using the equity method of ¥29 million are profit or loss related to associates accounted for using the equity method managed by the administrative department of the Company.

Reconciliations of depreciation and amortization expense of ¥1,598 million include depreciation and amortization on impairment losses of ¥1,788 million and elimination of unrealized gains of ¥189 million.

Reconciliations of impairment losses of ¥4 million are impairment losses related to corporate assets.

Reconciliations of investments in associates accounted for using the equity method of ¥141 million are investments to associates accounted for using the equity method managed by the administrative department of the Company.

Reconciliations of capital expenditures of ¥2,790 million include an increase in corporate assets of ¥2,967 million and elimination of unrealized gains of ¥(177) million.

3. Depreciation and amortization expense and capital expenditures in other items include the amounts related to long-term prepaid expenses.

Consolidated fiscal year under review (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable Segment						Other (Note1)	Total	Reconciliations (Note 2)	Consolidated
	Distribution & Enterprise	Telecommunications	Public & Regional	Finance & Social	IT Services	Subtotal				
Revenue										
Revenue from external customers	127,265	148,204	37,919	50,649	11,266	375,305	32,543	407,849	—	407,849
Inter-segment revenue or transfers	4,367	2,563	654	901	98,454	106,941	672	107,613	(107,613)	—
Total	131,632	150,768	38,574	51,551	109,720	482,246	33,216	515,463	(107,613)	407,849
Profit before tax (Segment profit)	7,256	14,393	886	2,778	7,986	33,300	1,916	35,217	(3,917)	31,300
Segment assets	58,427	60,754	14,908	15,038	78,343	227,472	24,336	251,808	81,314	333,123
Other items										
Financial income	39	52	5	8	11	117	28	146	116	263
Financial costs	(16)	(3)	(5)	(2)	(55)	(83)	(6)	(90)	(67)	(158)
Share of profit of associates accounted for using the equity method	41	—	—	—	—	41	11	52	13	66
Depreciation and amortization expense (Note 3)	(1,743)	(366)	(210)	(228)	(3,681)	(6,230)	(906)	(7,137)	(1,300)	(8,438)
Impairment losses	(1)	—	—	—	(65)	(67)	—	(67)	(2)	(69)
Investments accounted for using the equity method	328	—	—	—	—	328	195	523	140	664
Capital expenditures (Note 3)	1,667	273	130	94	4,783	6,948	631	7,580	3,168	10,748

(Notes) 1. "Other", which is not included in the reportable segments, consists of foreign subsidiaries and a science business segment, etc.

2. Reconciliations are as follows:

(1) Reconciliations of segment loss of ¥3,917 million include primarily administrative expenses and investments that are not allocated to business segments of ¥3,549 million.

(2) Reconciliations of segment assets of ¥81,314 million include corporate assets of ¥92,755 million and intersegmental elimination of receivables and payables of ¥(12,764) million.

Corporate assets consist of primarily cash and cash equivalents that are not allocated to business segments and assets related to the administrative department.

(3) Reconciliations of financial income in other items of ¥116 million include ¥112 million of gains related to the administrative department that are not allocated to business segments.

Reconciliations of financial costs of ¥67 million include ¥80 million of losses related to the administrative department that are not allocated to business segments.

Reconciliations of share of profit of associates accounted for using the equity method of ¥13 million are profit or loss related to associates accounted for using the equity method managed by the administrative department of the Company.

Reconciliations of depreciation and amortization expense of ¥1,300 million include depreciation and amortization on impairment losses of ¥1,505 million and elimination of unrealized gains of ¥204 million.

Reconciliations of impairment losses of ¥2 million are impairment losses related to corporate assets.

Reconciliations of investments in associates accounted for using the equity method of ¥140 million are investments to associates accounted for using the equity method managed by the administrative department of the Company.

Reconciliations of capital expenditures of ¥3,168 million include an increase in corporate assets of ¥3,260 million and elimination of unrealized gains of ¥(92) million.

3. Depreciation and amortization and capital expenditure under other items include amounts associated with long-term prepaid expenses.

(iii)Information on products and services

Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Services	SI development	Products	Total
Revenue from external customers	158,338	77,625	155,642	391,606

Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Services	SI development	Products	Total
Revenue from external customers	164,932	87,158	155,757	407,849

(iv) Information about geographical areas

(a) Revenue from external customers

Information about geographical areas is omitted as revenue from external customers in Japan makes up most of revenue recorded in the consolidated statement of income

(b) Noncurrent assets

A breakdown of the carrying value of noncurrent assets (excluding financial instruments, deferred tax assets and post-employment benefit assets) by location is as follows.

(Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year under review (As of March 31, 2017)
Japan	44,763	47,057
Asia	7,389	6,500
Others	20	15
Total	52,173	53,574

(vi) Information on major customers

External customers who contribute 10% or more to the revenue recorded in the consolidated statement of income are as follows.

(Millions of yen)

	Main related reportable segment	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
NTT Group	Telecommunication	48,546	50,165
KDDI Group	Telecommunication	47,396	47,513

(Earnings per share)

Basic earnings per share for the previous consolidated fiscal year and the consolidated fiscal year under review is calculated as follows.

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
Profit attributable to owners of the parent (millions of yen)	18,018	21,861
Weighted average number of shares of common stock outstanding (thousand shares)	115,614	115,614
Basic earnings per share (yen)	155.85	189.09

(Note)Information on diluted earnings per share is omitted because there are no potential shares outstanding.

(Material subsequent events)

Reduction in amount of capital reserve

The Company resolved at the meeting of the Board of Directors held on May 1, 2015 to propose a proposal on reduction of capital reserve to the Annual General Meeting of Shareholders to be held on June 21, 2017

(i) Purpose of reduction of capital reserve

To reduce part of the capital reserve and transfer this amount to other capital surplus pursuant to Article 448, Paragraph 1 of the Companies Act to ensure flexible and dynamic capital policy in the future.

(ii) Outline of reduction of capital reserve

Item and amount to be reduced

Capital reserve 20,000,000,000 yen out of 33,076,014,360 yen

Item and amount to be increased

Other capital surplus 20,000,000,000 yen

(iii) Schedule of reduction of capital reserve

Resolution of Board of Directors	May 1, 2017
Resolution of General Meeting of Shareholders	June 21, 2017 (Scheduled)
Public notice to creditors	June 30, 2017 (Scheduled)
End of exercise period of creditors' opposition rights	July 31, 2017 (Scheduled)
Effective date	August 31, 2017 (Scheduled)