



March 12, 2018

Consolidated Financial Results for the Fiscal Year Ended January 31, 2018 (Japanese Accounting Standards)

Name of Listed Company: **Poletowin Pitcrew Holdings, Inc.**
 Listing: First Section of Tokyo Stock Exchange
 Stock code: 3657
 URL: <http://www.poletowin-pitcrew-holdings.co.jp>
 Representative: Teppei Tachibana, President
 Contact Person: Joji Yamauchi, Chief Financial Officer
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Scheduled date of General Shareholders' Meeting: April 26, 2018
 Scheduled date to file Securities Report: April 27, 2018
 Scheduled date to commence dividend payments: April 27, 2018
 Supplementary explanatory materials prepared: Yes
 Explanatory meeting: Yes (For analysts and institutional investors)

(Millions of yen with fractional amounts discarded, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended January 31, 2018 (from February 1, 2017, to January 31, 2018)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended January 31, 2018	22,266	13.4	2,250	(6.6)	2,351	1.7	1,099	(5.9)
January 31, 2017	19,633	8.3	2,409	2.1	2,312	3.8	1,168	(9.2)

(Note) Comprehensive income

For the year ended January 31, 2018: ¥1,145 million (90.1%)
 For the year ended January 31, 2017: ¥602 million (-49.0%)

	Net income per share	Diluted net income per share	Return on equity (ROE)	Ordinary income/total assets	Operating income ratio
	Yen	Yen	%	%	%
Fiscal year ended January 31, 2018	60.90	60.83	12.3	19.5	10.1
January 31, 2017	63.42	62.63	12.8	19.1	12.3

(Reference) Equity in earnings of affiliates

For the year ended January 31, 2018: ¥— million
 For the year ended January 31, 2017: ¥— million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of January 31, 2018	12,291	9,053	73.7	505.19
January 31, 2017	11,842	9,046	75.1	485.75

(Reference) Equity

As of January 31, 2018: ¥9,053 million
 As of January 31, 2017: ¥8,895 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal year ended January 31, 2018	Millions of yen 2,434	Millions of yen (734)	Millions of yen (1,034)	Millions of yen 5,746
January 31, 2017	1,517	(542)	(1,349)	5,075

2. Cash dividends

	Cash dividends per share					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividends on net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended January 31, 2017	–	0.00	–	19.00	19.00	347	30.0	3.9
Fiscal year ended January 31, 2018	–	0.00	–	19.00	19.00	340	31.2	3.8
Fiscal year ending January 31, 2019 (Forecasts)	–	0.00	–	20.00	20.00		23.6	

3. Consolidated financial forecasts for the fiscal year ending January 31, 2019

(from February 1, 2018, to January 31, 2019)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending July 31, 2018	11,679	10.4	1,024	(8.9)	1,030	(11.5)	590	(5.0)	30.96
Fiscal year ending January 31, 2019	25,108	12.8	2,612	16.1	2,624	11.6	1,614	46.8	84.71

Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions
 - a. Changes in accounting standards due to revisions to accounting standards and other guidelines: No
 - b. Changes in accounting policies due to reasons other than a. above: No
 - c. Changes in accounting estimates: No
 - d. Restatement of revisions: No
- (3) Number of common shares issued
 - a. Total number of issued shares at the end of the period (including treasury shares)
 - As of January 31, 2018 19,058,400 shares
 - As of January 31, 2017 19,053,600 shares
 - b. Number of shares of treasury stock at the end of the period
 - As of January 31, 2018 1,136,694 shares
 - As of January 31, 2017 740,000 shares
 - c. Average number of shares
 - For the year ended January 31, 2018 18,061,979 shares
 - For the year ended January 31, 2017 18,425,081 shares

(Reference) Summary of non-consolidated operating results**Non-consolidated financial results for the fiscal year ended January 31, 2018****(from February 1, 2017, to January 31, 2018)****(1) Non-consolidated operating results****(Percentages indicate year-on-year changes)**

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2018	1,880	110.1	1,348	263.1	935	180.5	889	173.9
January 31, 2017	894	(50.7)	371	(71.5)	333	(71.8)	324	(72.2)

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
January 31, 2018	49.23	49.18
January 31, 2017	17.62	17.40

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
January 31, 2018	4,270	4,024	94.3	224.58
January 31, 2017	4,197	4,163	99.2	227.33

(Reference) Equity

As of January 31, 2018: ¥4,024 million

As of January 31, 2017: ¥4,163 million

* Financial statements are not subject to audit

* Proper use of earnings forecasts, and other special matters

(Disclaimer to forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors. For details on the conditions assumed and the cautionary notes and items in the financial forecasts, please refer to “(1) Analysis of Operating Results (ii) Earnings forecasts for the year ending January 31, 2019,” under “Overview of Operating Results” on page 3 of the Attachment Materials to this report.

(How to obtain Supplementary Information to the Financial Results and details of the earnings results briefing)

The Company discloses the Supplementary Information to the Financial Results on the TDnet on the same day. The Company plans to hold an earnings results briefing for institutional investors and analysts on Wednesday, March 14, 2018. Along with the earnings presentation materials, streaming video of the briefing session and content are scheduled to be promptly posted on the Company’s website following the briefing.

1. Overview of Operating Results

(1) Analysis of Operating Results

(i) Operating Results in Year under Review

During the year under review, the Japanese economy looked set for a mild recovery owing to an ongoing improvement in the employment outlook, income climates and government policies. Under these circumstances, uncertainties about overseas economies, impact of financial and capital market fluctuations warrant close attention.

It was against that backdrop the Poletowin Pitcrew Holdings Group's core Testing/Verification & Evaluation Business experienced ongoing growth in the social games market, which major developers of software for consumer electronic game consoles also entered, amid the rising popularity of smartphones and tablet PCs. To increase opportunities to steadily recoup their development expenses, social game developers increasingly deployed their offerings globally, just as has happened with consumer electronic game software. As a result, demand expanded for localization in multiple languages and for customer support, augmenting services in detecting defects (bugs). At the same time, sales were favorable in the consumer electronic game market for new next-generation game consoles and virtual reality systems.

In markets related to the Group's Internet Supporting Business, online shopping, flea market apps, video, e-book, and other forms of e-commerce are catching on. This, in turn, is pushing up demand for monitoring postings and other types of customer support services to make safe and reliable Internet access ubiquitous. In the e-commerce market, there is growing demand for handling merchandise checks, the review of Internet advertising based on the Pharmaceuticals and Medical Devices Act (formerly the Pharmaceutical Affairs Act), the Act against Unjustifiable Premiums and Misleading Representations, and other laws and regulations, and for handling the rights infringement investigations and end-user inquiries and so forth. A recent rise in the incidence of Internet usage problems among the young has prompted municipal boards of education to put efforts into monitoring youth Internet usage and providing Internet literacy education for students, parents and guardians. As a result, monitoring work has increased, as have educational activities, through leaflets and seminar lecturers. The Group provides checking, testing, monitoring and inspection services that require human input on a contractual basis to corporate clients. The demand for such services has been growing as these clients have diversified and expanded overseas, and as business processes have become more advanced and sophisticated. During the year under review, the Group established SIDE LA, LLC in February and Pole To Win Canada, Inc. in August. Pole To Win Singapore Pte. Ltd. opened Taipei Studio in May to prepare for globalization of software for consumer electronic game consoles. To accommodate order expansion, Pole To Win Co., Ltd. opened Sendai Studio in February, Osaki Studio in August and Niigata studio in January. Pole To Win Networks Co., Ltd. also opened Sapporo office in April. IMAid Inc. which offers medical staffing services established IMAID VIETNAM CO., LTD. in May. Collaboration has stepped up between nineteen delivery centers in ten countries and Japanese Group companies to provide a one-stop, full service platform in such areas as defect detection (finding bugs), localization, internet monitoring, and customer support.

As a result of these factors, consolidated net sales for the year were ¥22,266,314 thousand (up 13.4%). Operating income was ¥2,250,258 thousand (down 6.6%). Ordinary income was ¥2,351,109 thousand (up 1.7%) and Profit attributable to owners of parent was ¥1,099,989 thousand (down 5.9%).

Results by segment were as follows.

The Group has changed the presentation of segment name “Internet Monitoring Business” to “Internet Supporting Business” from the first quarter under review. This change has no impact on segment information. From this consolidated fiscal year, “Medical Related Business” previously included in “Others” has changed the presentation of segment name as its quantitative importance increased. Additionally, the changed name is presented to the reporting segment of the fiscal year ended January 31, 2017.

Testing/Verification & Evaluation Business

Reflecting collaboration between eighteen delivery centers in nine countries and Japanese Group companies in supporting the global deployments of domestic and foreign game makers, outsourcing services including defect detection, localization, and customer support (overseas) expanded. Although there was a decrease in orders for outsourcing services for the amusement equipment, orders for software testing services for the PlayStation 4 and social games increased. Testing/Verification & Evaluation Business sales increased 14.5% year on year, to ¥18,367,789 thousand. Operating income decreased 0.8%, to ¥2,480,202 thousand.

Internet Supporting Business

In the Internet Supporting Business, the Group received increased orders for outsourcing services including customer support (domestic) from Internet companies. The orders were for merchandise check services for Internet shopping, auction sites, and for reviews of advertisements based on the Pharmaceuticals and Medical Devices Act, the Act against Unjustifiable Premiums and Misleading Representations, and demand for handling charges and product arrival inquiries from end-users by phone, email and chat. School underground website patrolling business that aims to improve teenagers Internet literacy received orders from 30 local governments during the term and undertook a new project from Ministry of Health, Labor, and Welfare which certifies the baby-sitter matching sites to be complied with the guidelines. Internet Business sales increased 12.8%, to ¥3,678,748 thousand. Operating income was ¥155,961 thousand, whereas an year earlier there was operating loss of ¥27,616 thousand.

Medical Related Business

IMAid Inc. is offering medical recruitment staffing service and education services for caregivers and certified care workers. Assessment was conducted in preparation for losses due to legislation delay for the Technical Internship Program for foreigners in the related country and delay of licenses, resulting in sales decrease of 59.9% to ¥115,611 thousand. There was an operating loss of ¥422,185 thousand, up from ¥59,659 thousand a year earlier.

Others

Palabra Inc. provide services to produce barrier-free subtitles audio guides for television program to prepare for the advent of barrier-free motion pictures. Sales of this segment increased 135.6%, to ¥104,164 thousand. There was an operating loss of ¥2,821 thousand, down from ¥30,561 thousand a year earlier.

(ii) Earnings forecasts for the fiscal year ending January 31, 2019

The Testing/Verification & Evaluation Business traditionally focused on the video game sector, while the Internet Supporting Business centered on online services. However as many services and contents are being provided through the internet, our group also covers various industries likewise. We will go beyond the Testing/Verification & Evaluation and Internet Support Service frameworks, or go beyond the Group companies domestic/overseas framework to develop and provide business process outsourcing services platform with user-friendly support.

Segment projections for the year ending January 31, 2019, are as follows.

Testing/Verification & Evaluation Business

In Japan, the new next generation game consoles have been released. Therefore, the market related to the Testing/Verification & Evaluation Business will be expected to generally remain on target. In light of globalization of games industry, we seek to provide multiple language service, as well as extend our marketing of core testing/verification and customer support services beyond the games arena.

Internet Supporting Business

With the E-commerce markets expansion, the order demands for merchandise checks and advertising representation reviews has increased. The AI market is also expanding and the demand for support business that enables precise AI application is increasing accordingly. The Group seeks to expand support services in these areas as well as aligning with Testing/Verification & Evaluation Business to expand orders in games industry.

Medical Related Business and Others

In accordance with the human resource shortage in the medical industry in Japan, IMAid Inc. is offering medical staffing and education services. Palabra Inc. provides services to produce barrier-free subtitles audio guides for television program to prepare for the advent of barrier-free motion pictures. Utilizing our experience and knowledge, we will explore and cultivate new businesses.

As a result of these factors, for the year ending January 31, 2019, the Group projects consolidated net sales of ¥25,108 million (up 12.8%), operating income of ¥2,612 million (up 16.1%), ordinary income of ¥2,624 million (up 11.6%), and net income attributable to owners of parent of ¥1,614 million (up 46.8%).

The earnings forecasts are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors.

(2) Analysis of Financial Position

(i) Assets, liabilities and net assets

Total Assets

Current assets increased ¥695,113 thousand or 8.0% from the previous fiscal year, to ¥9,398,614 thousand. This was mainly attributable to a ¥671,258 thousand increase in cash and deposits and ¥163,553 thousand increase in accounts receivable-other, while there was decrease of ¥116,508 thousand in notes and accounts receivable-trade.

Noncurrent assets stood at ¥2,898,353 thousand, ¥245,229 thousand or 7.8% lower than the previous fiscal year. Key factors were decrease of ¥208,502 thousand in goodwill and ¥223,281 thousand in other intangible assets, which offset an increase of ¥68,261 thousand in property, plant and equipment and ¥90,061 thousand in lease and guarantee deposits.

As a result, total assets increased ¥449,884 thousand or 3.8% year on year, to ¥12,291,968 thousand.

Liabilities

Current liabilities stood at ¥3,052,347 thousand at January 31, 2018, ¥448,098 thousand or 17.2% higher than the previous fiscal year. The prime factors in this change were rises of ¥85,888 thousand in accounts payable-other and ¥343,430 thousand in other (advances received).

Noncurrent liabilities decreased ¥5,765 thousand or 3.0%, to ¥185,838 thousand. This was mainly due to a ¥47,914 thousand decrease in deferred tax liabilities.

As a result, total liabilities increased ¥442,333 thousand or 15.8% year on year, to ¥3,238,186 thousand.

Net assets

Net assets increased ¥7,551 thousand or 0.1%, to ¥9,053,781 thousand. This was because although profit attributable to owners of parent added ¥752,030 thousand to retained earnings and foreign currency translation adjustments increased by ¥84,312 thousand but treasury shares repurchase detracted ¥680,300 thousand and non-controlling interests decreased ¥150,490 thousand.

(ii) Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) as of January 31, 2018, were ¥5,746,832 thousand, up ¥671,258 thousand from the previous fiscal year.

Cash flows for each activity and the reasons behind them are as follows.

Cash flows from operating activities

Operating activities provided net cash of ¥ 2,434,645 thousand compared to ¥1,517,623 thousand provided in the previous fiscal year. The main contributors to cash were ¥2,087,639 thousand in income before income taxes and minority interests, partly offset by ¥1,295,231 thousand in income taxes paid.

Cash flows from investing activities

Investing activities used net cash of ¥734,574 thousand compared to ¥542,977 thousand used in the previous fiscal year. The main uses of cash were ¥390,591 thousand in purchase of property, plant and equipment and a ¥229,590 thousand purchase of investments in subsidiaries.

Cash flows from financing activities

Financing activities used net cash of ¥1,034,305 thousand, from ¥1,349,973 thousand used in the previous fiscal year. The main factors in this change were ¥347,958 thousand in cash dividends paid and ¥687,100 thousand repurchase of treasury shares.

(Reference)

Trends in cash flow indicators are as shown below:

	Fiscal year ended January 31, 2014	Fiscal year ended January 31, 2015	Fiscal year ended January 31, 2016	Fiscal year ended January 31, 2017	Fiscal year ended January 31, 2018
Equity ratio (%)	81.2	80.1	75.6	75.1	73.7
Market value equity ratio (%)	347.3	145.2	162.5	169.5	334.6
Interest-bearing debt to cash flow ratio (Years)	—	—	—	—	—
Interest coverage ratio (Times)	—	—	—	1,091.5	—

Equity ratio: equity / total assets

Market value equity ratio: market capitalization / total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / paid interest

- Notes:
1. All indicators are calculated using consolidated financial figures.
 2. Market capitalization is calculated based on the number of issued shares, less treasury stock, as of the end of the fiscal year.
 3. The figure used for cash flow is “net cash provided by operating activities” in the consolidated statements of cash flows.
 4. Interest-bearing debt includes all liabilities recorded in the consolidated balance sheets on which interest was paid.
 5. The figure used for interest paid is “interest expenses paid” recorded in the consolidated statements of cash flows.

2. Basic Policy on Selection of Accounting Standards

Considering the comparability of consolidated statements across periods and among companies, the Group has a policy of preparing its consolidated financial statements in accordance with Japanese Accounting Standards for the time being.

Regarding the application of International Financial Reporting Standards, the Group is to respond appropriately, taking into account circumstances in Japan and abroad.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2017 (As of January 31, 2017)	Fiscal 2018 (As of January 31, 2018)
Assets		
Current assets		
Cash and deposits	5,075,574	5,746,832
Notes and accounts receivable-trade	2,930,818	2,814,309
Merchandise and finished goods	39,460	17,393
Work in process	72,881	61,837
Deferred tax assets	73,149	85,274
Other	517,626	681,179
Allowance for doubtful accounts	(6,009)	(8,212)
Total current assets	8,703,500	9,398,614
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	711,846	866,891
Accumulated depreciation	(280,470)	(395,910)
Buildings and structures, net	431,375	470,981
Machinery, equipment and vehicles	12,803	19,444
Accumulated depreciation	(9,666)	(10,548)
Machinery, equipment and vehicles, net	3,137	8,896
Tools, furniture and fixtures	963,296	1,112,401
Accumulated depreciation	(716,985)	(843,193)
Tools, furniture and fixtures, net	246,310	269,207
Total property, plant and equipment	680,824	749,085
Intangible assets		
Goodwill	1,188,202	979,700
Software	51,464	50,599
Other intangible assets	350,987	127,705
Other	2,244	2,244
Total intangible assets	1,592,899	1,160,250
Investments and other assets		
Investment securities	202,695	192,454
Lease and guarantee deposits	469,364	559,425
Deferred tax assets	46,275	57,727
Other	149,265	232,409
Allowance for doubtful accounts	(2,742)	(58,000)
Total investments and other assets	864,858	984,017
Total noncurrent assets	3,138,582	2,893,353
Total assets	11,842,083	12,291,968

(Thousands of yen)

	Fiscal 2017 (As of January 31, 2017)	Fiscal 2018 (As of January 31, 2018)
Liabilities		
Current liabilities		
Accounts payable-other	1,398,662	1,484,551
Accrued expenses	124,383	174,737
Income taxes payable	628,355	583,958
Provision for bonuses	40,631	53,453
Other	412,216	755,646
Total current liabilities	2,604,249	3,052,347
Noncurrent liabilities		
Provision for retirement benefits	53,061	59,444
Deferred tax liabilities	78,020	30,105
Other	60,521	96,288
Total noncurrent liabilities	191,604	185,838
Total liabilities	2,795,853	3,238,186
Net Assets		
Shareholders' equity		
Capital stock	1,237,140	1,237,517
Capital surplus	1,283,594	1,283,971
Retained earnings	7,084,238	7,836,269
Treasury shares	(732,600)	(1,412,900)
Total shareholders' equity	8,872,373	8,944,857
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,998	15,243
Foreign currency translation adjustments	9,368	93,680
Total accumulated other comprehensive income	23,366	108,924
Non-controlling interests	150,490	-
Total net assets	9,046,230	9,053,781
Total liabilities and net assets	11,842,083	12,291,968

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

(Thousands of yen)

	Fiscal 2017 (From February 1, 2016, to January 31, 2017)	Fiscal 2018 (From February 1, 2017, to January 31, 2018)
Net sales	19,633,397	22,266,314
Cost of sales	13,007,097	15,121,270
Gross profit	6,626,300	7,145,044
Selling, general and administrative expenses	4,216,807	4,894,786
Operating income	2,409,493	2,250,258
Non-operating income		
Interest income	3,208	2,425
Dividends income	2,296	1,008
Insurance premiums refunded cancellation	18,846	12,850
Subsidy income	8,067	10,544
Commission fees	3,918	3,918
Gain on adjustment of accounts payable	3,127	4,473
Foreign exchange gains	—	60,327
Other	14,540	15,734
Total non-operating income	54,003	111,283
Non-operating expenses		
Interest expenses	1,390	—
Foreign exchange losses	142,580	—
Commission for purchase of treasury shares	1,140	6,799
Other	5,893	3,632
Total non-operating expenses	151,005	10,432
Ordinary income	2,312,491	2,351,109
Extraordinary gains		
Loss on retirement of noncurrent assets	—	110
Gain on sales of investment securities	2,479	—
Total extraordinary gains	2,479	110
Extraordinary losses		
Loss on retirement of noncurrent assets	7,057	—
Loss on sales of noncurrent assets	2,645	3,677
Loss on valuation of investment securities	—	33,000
Impairment loss	169,677	226,903
Total extraordinary losses	179,380	263,581
Income before income taxes and minority interests	2,135,590	2,087,639
Income taxes-current	1,002,969	1,114,028
Income taxes-deferred	(24,452)	(76,541)
Total income taxes	978,516	1,037,486
Net income	1,157,073	1,050,152
Profit (loss) attributable to non-controlling interests	(11,495)	(49,837)
Profit attributable to owners of parent	1,168,569	1,099,989

(Thousands of yen)

	Fiscal 2017 (From February 1, 2016, to January 31, 2017)	Fiscal 2018 (From February 1, 2017, to January 31, 2018)
Profit	1,157,073	1,050,152
Other comprehensive income		
Valuation difference on available-for-sale securities	1,641	1,245
Foreign currency translation adjustments	(556,366)	93,619
Total other comprehensive income	(554,724)	94,864
Total comprehensive income	602,349	1,145,017
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	652,512	1,185,546
Comprehensive income attributable to non-controlling interests	(50,163)	(40,529)

(3) Consolidated Statements of Changes in Net Assets
Fiscal 2017 (From February 1, 2016, to January 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	1,236,323	1,282,778	6,258,446	—	8,777,548
Changes of items during the period					
Issuance of new shares	816	816			1,632
Dividends from surplus			(342,777)		(342,777)
Profit attributable to owners of parent			1,168,569		1,168,569
Treasury shares				(732,600)	(732,600)
Net changes of items other than shareholders' equity					
Total changes of items during the period	816	816	825,791	(732,600)	94,824
Balance at the end of current period	1,237,140	1,283,594	7,084,238	(732,600)	8,872,373

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of current period	12,356	527,066	539,422	200,654	9,517,625
Changes of items during the period					
Issuance of new shares					1,632
Dividends from surplus					(342,777)
Profit attributable to owners of parent					1,168,569
Treasury shares					(732,600)
Net changes of items other than shareholders' equity	1,641	(517,697)	(516,056)	(50,163)	(566,220)
Total changes of items during the period	1,641	(517,697)	(516,056)	(50,163)	(471,395)
Balance at the end of current period	13,998	9,368	23,366	150,490	9,046,230

Fiscal 2018 (From February 1, 2017, to January 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	1,237,140	1,283,594	7,084,238	(732,600)	8,872,373
Changes of items during the period					
Issuance of new shares	376	376			753
Dividends from surplus			(347,958)		(347,958)
Profit attributable to owners of parent			1,099,989		1,099,989
Treasury shares				(680,300)	(680,300)
Net changes of items other than shareholders' equity					
Total changes of items during the period	376	376	752,030	(680,300)	72,484
Balance at the end of current period	1,237,517	1,283,971	7,836,269	(1,412,900)	8,944,857

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of current period	13,998	9,368	23,366	150,490	9,046,230
Changes of items during the period					
Issuance of new shares					753
Dividends from surplus					(347,958)
Profit attributable to owners of parent					1,099,989
Treasury shares					(680,300)
Net changes of items other than shareholders' equity	1,245	84,312	85,557	(150,490)	(64,932)
Total changes of items during the period	1,245	84,312	85,557	(150,490)	7,551
Balance at the end of current period	15,243	93,680	108,924	—	9,053,781

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal 2017 (From February 1, 2016, to January 31, 2017)	Fiscal 2018 (From February 1, 2017, to January 31, 2018)
Cash flows from operating activities		
Income before income taxes and minority interests	2,135,590	2,087,639
Depreciation and amortization	339,394	388,303
Impairment loss	169,677	226,903
Amortization of goodwill	270,503	275,866
Increase in allowance for doubtful accounts	(13,301)	57,443
Increase (decrease) in provision for bonuses	10,116	12,419
Increase in retirement benefits liability	(3,624)	6,382
Interest and dividends income	(5,504)	(3,433)
Interest expenses	1,390	—
Foreign exchange (gains) losses	(26,198)	354
Loss on retirement of noncurrent assets	7,057	—
Loss (gain) on sales of non-current assets	2,645	3,567
Loss (gain) on valuation of investment securities	—	33,000
Loss (gain) on sales of investment securities	(2,479)	—
Decrease (increase) in notes and accounts receivable – trade	(424,522)	131,873
Increase in accounts payable-other	116,194	99,927
Increase in accrued expenses	31,753	47,571
Increase (decrease) in accrued consumption taxes	(10,180)	30,210
Increase in deposits received	(53,672)	81,448
Other, net	(102,644)	247,051
Subtotal	2,442,193	3,726,529
Interest and dividends income received	5,504	3,346
Interest expenses paid	(1,390)	—
Income taxes paid	(928,683)	(1,295,231)
Net cash provided by operating activities	1,517,623	2,434,645
Cash flows from investing activities		
Purchase of property, plant and equipment	(303,966)	(390,591)
Proceeds from sales of property, plant and equipment	522	38,055
Purchase of intangible assets	(16,051)	(22,620)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(145,933)	(229,590)
Purchase of investment securities	(329)	(20,854)
Proceeds from sales of investment securities	5,337	—
Payments of loans receivable	(38,078)	(24,878)
Collection of loans receivable	12,038	10,099
Payments for lease and guarantee deposits	(79,914)	(115,181)
Proceeds from collection of lease and guarantee deposits	23,398	20,986
Net cash used in investing activities	(542,977)	(734,574)
Cash flows from financing activities		
Repayments of long-term loans payable	(275,088)	—
Proceeds from issuance of common stock	1,632	753
Cash dividends paid	(342,777)	(347,958)
Purchase of treasury shares	(733,740)	(687,100)
Net cash provided by (used in) financing activities	(1,349,973)	(1,034,305)
Effect of exchange rate change on cash and cash equivalents	(185,570)	5,492
Net increase in cash and cash equivalents	(560,897)	671,258
Cash and cash equivalents at beginning of period	5,636,472	5,075,574
Cash and cash equivalents at end of period	5,075,574	5,746,832

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

Segment Information and others

< Segment Information >

1. Overview of reporting segments

The Company's reporting segments are the compositional units of the Company for which separate financial information is available. They are periodically examined by the Board of Directors for the purpose of deciding on allocation of management resources and evaluating business results.

The Company consists of two main businesses: A Testing/Verification & Evaluation Business that carries out defect detection (finding bugs) in support of improvement in product quality of software and hardware, and an Internet Supporting Business that detects illegal or harmful information in Web content, and improper use of the Web, in order to support sound Internet growth.

As a result, the Company is composed of two reporting segments with separate organizations and service characteristics: the Testing/Verification & Evaluation Business, and the Internet Supporting Business.

In the Testing/Verification & Evaluation Business, the Company provides defect detecting (finding bugs), verification and evaluation, and translation services. In Internet Supporting Business, the Company provides Internet monitoring and Customer Support services.

From this consolidated fiscal year, "Medical Related Business" previously included in "Others" has changed the presentation of segment name as its quantitative importance increased.

Additionally, the changed name is presented to the reporting segment of the fiscal year ended January 31, 2017 and is described in "3. Net sales, income (loss), assets and other items by reporting segment" of the fiscal year ended January 31, 2017.

2. Calculation methods for net sales, income and loss, assets and liabilities and other items by reporting segment

The accounting methods used for the reported business segments are almost the same as that stated in "Significant Items Regarding the Preparation of Consolidated Financial Statements". Segment income (loss) for reporting segments represents operating income (loss). Intersegment sales and transactions are based on prevailing market prices.

3. Net sales, income (loss), assets and other items by reporting segment
Fiscal year ended January 31, 2017 (From February 1, 2016, to January 31, 2017)

(Thousands of yen)

	Reporting segment				Others *1	Total	Adjustments* 2, 3, 4	Amounts in the consolidated financial statements*5
	Testing/ Verification & Evaluation Business	Internet Supporting Business	Medical Related Business	Total				
Net sales								
Sales to third parties	16,039,724	3,261,359	288,093	19,589,177	44,220	19,633,397	—	19,633,397
Inter-segment sales and transfers	26,355	21,342	—	47,697	930	48,627	(48,627)	—
Total	16,066,080	3,282,701	288,093	19,636,874	45,150	19,682,025	(48,627)	19,633,397
Segment income (loss)	2,499,760	(27,616)	(59,659)	2,412,484	(30,561)	2,381,922	27,571	2,409,493
Segment assets	9,966,989	948,092	309,590	11,224,671	252,457	11,477,129	364,954	11,842,083
Other items								
Depreciation and amortization	306,994	23,051	469	330,516	549	331,065	8,328	339,394
Increase in property, plant and equipment and intangible assets	454,112	4,782	833	459,728	—	459,728	—	459,728

- *Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing and media businesses.
2. Adjustment for segment income of ¥27,571 thousand comprises elimination of intersegment transactions of ¥531,387 thousand and unallocated corporate expenses of - ¥503,816 thousand. Unallocated corporate expenses are mainly general administrative expenses.
3. Adjustment for segment assets of ¥364,954 thousand comprises elimination of intersegment transactions of - ¥229,621 thousand and unallocated corporate assets of ¥594,575 thousand. Major components of the unallocated corporate assets are surplus operating funds (cash and deposits), long-term investment funds (investment securities) and assets pertaining to administrative divisions.
4. Adjustment for depreciation and amortization of ¥8,328 thousand is unallocated and part of corporate depreciation and amortization.
5. Segment income (loss) is adjusted against the operating income recorded in the consolidated income statement.

Fiscal year ended January 31, 2018 (From February 1, 2017, to January 31, 2018)

(Thousands of yen)

	Reporting segment				Others *1	Total	Adjustments* 2, 3, 4	Amounts in the consolidated financial statements*5
	Testing/ Verification & Evaluation Business	Internet Supporting Business	Medical Related Business	Total				
Net sales								
Sales to third parties	18,367,789	3,678,748	115,611	22,162,150	104,164	22,266,314	—	22,266,314
Inter-segment sales and transfers	20,976	47,971	—	68,948	650	69,598	(69,598)	—
Total	18,388,766	3,726,720	115,611	22,231,098	104,814	22,335,913	(69,598)	22,266,314
Segment income (loss)	2,480,202	155,961	(422,185)	2,213,978	(2,821)	2,211,156	39,101	2,250,258
Segment assets	10,008,745	1,187,921	310,144	11,506,811	431,536	11,938,347	353,620	12,291,968
Other items								
Depreciation and amortization	362,242	17,348	510	380,101	144	380,245	8,057	388,303
Increase in property, plant and equipment and intangible assets	370,895	2,967	3,136	376,999	—	376,999	580	377,579

- *Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing and media businesses.
2. Adjustment for segment income of ¥39,101 thousand comprises elimination of intersegment transactions of ¥551,475 thousand and unallocated corporate expenses of - ¥512,373 thousand. Unallocated corporate expenses are mainly general administrative expenses.
3. Adjustment for segment assets of ¥353,620 thousand comprises elimination of intersegment transactions of - ¥419,892 thousand and unallocated corporate assets of ¥773,513 thousand. Major components of the unallocated corporate assets are surplus operating funds (cash and deposits), long-term investment funds (investment securities) and assets pertaining to administrative divisions.
4. Adjustment for depreciation and amortization of ¥8,057 thousand is unallocated and part of corporate depreciation and amortization.
5. Segment income (loss) is adjusted against the operating income recorded in the consolidated income statement.

<Related information>

Fiscal year ended January 31, 2017 (From February 1, 2016, to January 31, 2017)

1. Product- and services-specific information

Not presented, as information similar to segment information is already presented.

2. Geographical information

(1) Net Sales

(Thousands of yen)

Japan	Asia	United States	Europe	Others	Total
15,098,721	161,578	2,515,811	1,799,865	57,421	19,633,397

Note: Sales are categorized by country or region based on customer locations.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Asia	United States	Europe	Total
250,210	124,166	178,374	128,072	680,824

3. Key customer information

Not presented, as no customer accounts for more than 10% of sales in Consolidation Income Statements.

Fiscal year ended January 31, 2018 (From February 1, 2017, to January 31, 2018)

1. Product- and services-specific information

Not presented, as information similar to segment information is already presented.

2. Geographical information

(1) Net Sales

(Thousands of yen)

Japan	Asia	United States	Europe	Others	Total
16,672,129	387,981	3,018,466	2,114,403	73,333	22,266,314

Note: Sales are categorized by country or region based on customer locations.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Asia	United States	Europe	Total
331,099	157,767	139,066	121,151	749,085

3. Key customer information

Not presented, as no customer accounts for more than 10% of sales in Consolidation Income Statements.

<Information about impairment losses on property, plant and equipment by reporting segment>

Fiscal year ended January 31, 2017 (From February 1, 2016, to January 31, 2017)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Supporting Business	Medical Related Business	Others	Corporate and Eliminations	Total
Impairment losses	161,128	8,548	—	—	—	169,677

Fiscal year ended January 31, 2018 (From February 1, 2017, to January 31, 2018)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Supporting Business	Medical Related Business	Others	Corporate and Eliminations	Total
Impairment losses	226,903	—	—	—	—	226,903

<Information about amortization of goodwill and amortized balance by reporting segment>

Fiscal year ended January 31, 2017 (From February 1, 2015, to January 31, 2017)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Supporting Business	Medical Related Business	Others	Corporate and Eliminations	Total
Amortization of goodwill	270,503	—	—	—	—	270,503
Amortized balance	1,188,202	—	—	—	—	1,188,202

Fiscal year ended January 31, 2018 (From February 1, 2017, to January 31, 2018)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Supporting Business	Medical Related Business	Others	Corporate and Eliminations	Total
Amortization of goodwill	275,866	—	—	—	—	275,866
Amortized balance	979,700	—	—	—	—	979,700

<Information about negative goodwill gains by reporting segment>

Fiscal year ended January 31, 2017 (From February 1, 2016, to January 31, 2017)

Not applicable

Fiscal year ended January 31, 2018 (From February 1, 2017, to January 31, 2018)

Not applicable

(Per share information)

	Fiscal 2017 (From February 1, 2016, to January 31, 2017)	Fiscal 2018 (From February 1, 2017, to January 31, 2018)
Net assets per share	¥485.75	¥505.19
Net income per share	¥63.42	¥60.90
Diluted net income per share	¥62.63	¥60.83

Note: The basis for calculating net income per share and diluted net income per share is as follows.

	Fiscal 2017 (From February 1, 2016, to January 31, 2017)	Fiscal 2018 (From February 1, 2017, to January 31, 2018)
Net income per share		
Profit attributable to owners of parent (thousands of yen)	1,168,569	1,099,989
Amount not attributable to common stockholders (thousands of yen)	—	—
Profit attributable to owners of parent per share of common stock(thousands of yen)	1,168,569	1,099,989
Average number of shares outstanding during period	18,425,081	18,061,979
Diluted net income per share		
Adjustment for profit attributable to owners of parent (thousands of yen)		
Increase in number of shares of common stock	234,499	20,533
(Subscription rights to shares)	(234,499)	(20,533)
Because there was no dilutive effect, net income per share was not included in the calculation of diluted net income per share	—	—

(Significant Subsequent Events)

Not applicable