

Consolidated Financial Statements

Consolidated Balance Sheets

INTAGE HOLDINGS Inc. and Consolidated Subsidiaries
As of March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars*
	2017	2018	2018
ASSETS			
Current assets:			
Cash and deposits	¥10,466	¥11,631	\$109,478
Notes and accounts receivable–trade	11,533	12,779	120,284
Work in progress	1,620	1,270	11,954
Stored item	80	85	800
Deferred tax assets	1,187	1,216	11,445
Other current assets	810	877	8,254
Allowance for doubtful accounts	(4)	(4)	(37)
Total current assets	25,694	27,856	262,198
Non-current assets:			
Property, plant and equipment:			
Buildings and structures	5,898	5,936	55,873
Accumulated depreciation	(4,279)	(4,488)	(42,243)
Net buildings and structures	1,619	1,447	13,620
Equipment and fixtures	1,219	1,312	12,349
Accumulated depreciation	(902)	(987)	(9,290)
Net equipment and fixtures	317	324	3,049
Land	1,998	1,998	18,806
Lease assets	1,315	1,111	10,457
Accumulated depreciation	(667)	(617)	(5,807)
Net lease assets	647	494	4,649
Other	0	0	0
Accumulated depreciation	(0)	(0)	(0)
Net other	0	0	0
Net property, plant and equipment	4,582	4,264	40,135
Intangible assets:			
Goodwill	117	130	1,223
Other intangible assets	1,790	1,676	15,775
Total intangible assets	1,908	1,806	16,999
Investments and other assets:			
Investment securities	3,327	5,311	49,990
Deferred tax assets	669	636	5,986
Net defined benefit retirement assets	1,329	—	—
Other	1,556	1,617	15,220
Allowance for doubtful accounts	(1)	(7)	(65)
Total investments and other assets	6,882	7,558	71,140
Total non-current assets	13,373	13,630	128,294
Total assets	¥39,067	¥41,486	\$390,493

* The U.S. dollar amounts presented are calculated from Japanese yen at US\$1 = ¥106.24, the rate prevailing on March 31, 2018.

	Millions of yen		Thousands of U.S. dollars*
	2017	2018	2018
LIABILITIES			
Current liabilities:			
Accounts payable–trade	¥ 3,065	¥ 2,864	\$ 26,957
Short-term loans payable	2,200	2,057	19,361
Lease obligations	271	230	2,164
Income taxes payable	733	423	3,981
Provision for bonuses	1,778	1,729	16,274
Allowance for point program	1,218	1,435	13,507
Allowance for directors' bonuses	17	—	—
Provision for stock benefits	1	1	9
Other current liabilities	2,713	2,858	26,901
Total current liabilities	11,999	11,601	109,196
Non-current liabilities:			
Long-term loans payable	—	408	3,840
Lease obligations	448	318	2,993
Provision for stock benefits	76	106	997
Net defined benefit liability	2,763	1,617	15,220
Other non-current liabilities	7	4	37
Total non-current liabilities	3,295	2,456	23,117
Total liabilities	15,295	14,057	132,313
NET ASSETS			
Shareholders' equity:			
Capital stock	1,681	2,378	22,383
Capital surplus	1,336	1,849	17,403
Retained earnings	19,651	21,997	207,050
Treasury stock, at cost	(207)	(200)	(1,882)
Total shareholders' equity	22,462	26,024	244,954
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	589	848	7,981
Foreign currency translation adjustments	390	421	3,962
Remeasurements of defined benefit plans	115	(117)	(1,101)
Total accumulated other comprehensive income	1,095	1,153	10,852
Share acquisition rights	—	16	150
Non-controlling interests	214	234	2,202
Total net assets	23,771	27,428	258,170
Total liabilities and net assets	¥39,067	¥41,486	\$390,493

* The U.S. dollar amounts presented are calculated from Japanese yen at US\$1 = ¥106.24, the rate prevailing on March 31, 2018.

Consolidated Statements of Income

INTAGE HOLDINGS Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars*
	2017	2018	2018
Net sales	¥47,987	¥50,499	\$475,329
Cost of sales	34,603	35,732	336,332
Gross profit	13,384	14,767	138,996
Selling, general and administrative expenses	9,115	10,743	101,120
Operating income	4,268	4,023	37,867
Non-operating income			
Interest income	6	11	103
Dividend income	45	235	2,211
Share of profit of entities accounted for using equity method	122	187	1,760
Insurance benefit received and dividends	24	21	197
Other	32	63	592
Total non-operating income	231	519	4,885
Non-operating expenses			
Interest expenses	26	17	160
Loss on investments in partnership	33	139	1,308
Loss on retirement of non-current assets	17	10	94
Foreign exchange losses	11	40	376
Other	20	24	225
Total non-operating expenses	108	232	2,183
Ordinary income	4,392	4,311	40,577
Extraordinary loss			
Impairment loss	118	—	—
Loss on extinguishment of tie-in shares	—	9	84
Total extraordinary loss	118	9	84
Net profit before income taxes	4,273	4,301	40,483
Income taxes—current	1,498	1,301	12,245
Income taxes—deferred	(109)	(6)	(56)
Total	1,388	1,294	12,179
Net income	2,885	3,007	28,303
Profit (loss) attributable to non-controlling interests	13	(43)	(404)
Net income attributable to owners of parent	¥ 2,871	¥ 3,050	\$ 28,708

Consolidated Statements of Comprehensive Income

INTAGE HOLDINGS Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars*
	2017	2018	2018
Net income	¥2,885	¥3,007	\$28,303
Other comprehensive income			
Valuation difference on available-for-sale securities	305	259	2,437
Foreign currency translation adjustments	(79)	31	291
Remeasurements of defined benefit plans	(63)	(233)	(2,193)
Share of other comprehensive income of entities accounted for using equity method	—	(2)	(18)
Total of other comprehensive income	162	55	517
Comprehensive income	¥3,047	¥3,062	\$28,821
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥3,039	¥3,108	\$29,254
Comprehensive income attributable to non-controlling interests	8	(45)	(423)

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Consolidated Statements of Changes in Net Assets

INTAGE HOLDINGS Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2017 and 2018

2017	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	Share acquisition rights	Non-controlling interests	Total net assets
Balance at the previous year-end	¥1,681	¥1,336	¥17,433	¥(216)	¥20,234	¥284	¥464	¥179	¥ 928	—	¥175	¥21,338
Change during period shown:												
Issuance of new shares	—	—	—	—	—	—	—	—	—	—	—	—
Dividends from surplus	—	—	(653)	—	(653)	—	—	—	—	—	—	(653)
Net income attributable to owners of parent	—	—	2,871	—	2,871	—	—	—	—	—	—	2,871
Purchase of treasury stock	—	—	—	(0)	(0)	—	—	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	9	9	—	—	—	—	—	—	9
Change in ownership interest of parent due to transactions with non-controlling interests	—	(0)	—	—	(0)	—	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—	305	(74)	(63)	167	—	39	206
Total	—	(0)	2,218	9	2,227	305	(74)	(63)	167	—	39	2,433
Balance at fiscal year-end	¥1,681	¥1,336	¥19,651	¥(207)	¥22,462	¥589	¥390	¥115	¥1,095	—	¥214	¥23,771

2018	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	Share acquisition rights	Non-controlling interests	Total net assets
Balance at the previous year-end	¥1,681	¥1,336	¥19,651	¥(207)	¥22,462	¥589	¥390	¥ 115	¥1,095	¥—	¥214	¥23,771
Change during period shown:												
Issuance of new shares	697	697	—	—	1,394	—	—	—	—	—	—	1,394
Dividends from surplus	—	—	(703)	—	(703)	—	—	—	—	—	—	(703)
Net income attributable to owners of parent	—	—	3,050	—	3,050	—	—	—	—	—	—	3,050
Purchase of treasury stock	—	—	—	(0)	(0)	—	—	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	6	6	—	—	—	—	—	—	6
Change in ownership interest of parent due to transactions with non-controlling interests	—	(184)	—	—	(184)	—	—	—	—	—	—	(184)
Net changes of items other than shareholders' equity	—	—	—	—	—	259	30	(233)	57	16	20	93
Total	697	512	2,346	6	3,562	259	30	(233)	57	16	20	3,656
Balance at fiscal year-end	¥2,378	¥1,849	¥21,997	¥(200)	¥26,024	¥848	¥421	¥(117)	¥1,153	¥16	¥234	¥27,428

2018	Thousands of U.S. dollars*											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	Share acquisition rights	Non-controlling interests	Total net assets
Balance at the previous year-end	\$15,822	\$12,575	\$184,967	\$ (1,948)	\$211,426	\$5,544	\$3,670	\$1,082	\$10,306	\$ —	\$2,014	\$223,748
Change during period shown:												
Issuance of new shares	6,560	6,560	0	—	13,121	—	—	—	—	—	—	13,121
Dividends from surplus	—	—	(6,617)	—	(6,617)	—	—	—	—	—	—	(6,617)
Net income attributable to owners of parent	—	—	28,708	—	28,708	—	—	—	—	—	—	28,708
Purchase of treasury stock	—	—	—	(0)	(0)	—	—	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	56	56	—	—	—	—	—	—	56
Change in ownership interest of parent due to transactions with non-controlling interests	—	(1,731)	—	—	(1,731)	—	—	—	—	—	—	(1,731)
Net changes of items other than shareholders' equity	—	—	—	—	—	2,437	282	(2,193)	536	150	188	875
Total	6,560	4,819	22,082	56	33,527	2,437	282	(2,193)	536	150	188	34,412
Balance at fiscal year-end	\$22,383	\$17,403	\$207,050	\$ (1,882)	\$244,954	\$7,981	\$3,962	\$ (1,101)	\$10,852	\$150	\$2,202	\$258,170

* The U.S. dollar amounts presented are calculated from Japanese yen at US\$1 = ¥106.24, the rate prevailing on March 31, 2018.

Consolidated Statements of Cash Flows

INTAGE HOLDINGS Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars*
	2017	2018	2018
Cash flows from operating activities:			
Income before income tax and minority interests	¥ 4,273	¥ 4,301	\$ 40,483
Depreciation	1,417	1,379	12,980
Impairment loss	118	—	—
Amortization of goodwill	116	43	404
Decrease (increase) in net defined benefit retirement assets	(32)	1,329	12,509
Increase (decrease) in net defined benefit retirement liability	(33)	(1,169)	(11,003)
Increase (decrease) in accrued employees' bonuses	138	(61)	(574)
Increase (decrease) in provision for directors' retirement benefits	6	(17)	(160)
Increase (decrease) in allowance for doubtful accounts	(0)	6	56
Increase (decrease) in allowance for point program	105	216	2,033
Increase (decrease) in provision for stock benefits	26	29	272
Interest and dividend income	(52)	(247)	(2,324)
Equity in (earnings) losses of affiliates	(122)	(187)	(1,760)
Interest expenses	26	17	160
Loss (gain) on investments in partnership	33	139	1,308
Loss on retirement of non-current assets	17	10	94
Loss (gain) on extinguishment of tie-in shares	—	9	84
Decrease (increase) in notes and accounts receivable-trade	(701)	(1,135)	(10,683)
Decrease (increase) in inventories	(417)	358	3,369
Increase (decrease) in notes and accounts payable-trade	392	(261)	(2,456)
Increase (decrease) in accrued consumption taxes	(39)	15	141
Other	763	(259)	(2,437)
Sub total	6,036	4,520	42,545
Proceeds from interest and dividend income	52	247	2,324
Interests expenses paid	(26)	(13)	(122)
Income taxes paid	(1,990)	(1,565)	(14,730)
Net cash provided by operating activities	4,072	3,188	30,007
Cash flows from investing activities:			
Payments into time deposits	(38)	(0)	(0)
Proceeds from withdrawal of time deposits	4	39	367
Payments for purchases of property, plant and equipment	(520)	(165)	(1,553)
Payments for acquisition of intangible assets	(829)	(823)	(7,746)
Payments for purchases of investment securities	(684)	(1,507)	(14,184)
Payments for loans	(25)	(2)	(18)
Proceeds from loans receivable	4	3	28
Purchase of investments in affiliates resulting in change in scope of consolidation	(12)	(10)	(94)
Proceeds from liquidation of subsidiaries and associates	—	66	621
Payments for security deposits	(27)	(23)	(216)
Proceeds from refund of security deposits	19	8	75
Other	0	1	9
Net cash used in investing activities	(2,110)	(2,414)	(22,722)
Cash flows from financing activities:			
Proceeds from short-term loans payable	4,032	4,000	37,650
Repayments of short-term loans payable	(4,381)	(4,000)	(37,650)
Proceeds from long-term loans payable	—	300	2,823
Repayments of long-term loans payable	—	(200)	(1,882)
Repayments of lease obligations	(322)	(289)	(2,720)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	—	1,387	13,055
Proceeds from issuance of share acquisition rights	—	22	207
Proceeds from payments from non-controlling interests	31	129	1,214
Payments for acquisition of treasury stock	(0)	(0)	(0)
Dividends paid	(659)	(702)	(6,607)
Payments for dividends paid to non-controlling interests	(0)	(0)	(0)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(247)	(2,324)
Net cash provided by (used in) financing activities	(1,300)	399	3,755
Effect of exchange rate changes on cash and cash equivalents	(55)	10	94
Net increase (decrease) in cash and cash equivalents	605	1,183	11,135
Cash and cash equivalents at beginning of year	9,812	10,418	98,060
Increase in cash and cash equivalents resulting from merger	—	19	178
Cash and cash equivalents at end of year	¥10,418	¥11,622	\$109,393

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