Annual Securities Report

(The English translation of the "Yukashoken-Hokokusho" based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan)

The 54th Fiscal Year
From April 1, 2017 to March 31, 2018

Striders Corporation

(E02738)

Contents

Cover page

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[Fiscal year]	54th fiscal year (from April 1, 2017 to March 31, 2018)
[Corporate name]	Kabushiki-Kaisha Striders
[Corporate name in English]	Striders Corporation
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[Place available for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I. Company Information

Section 1. Overview of the Company

1. Transition of Significant Business Indicators, etc.

(1) Consolidated Business Indicators, etc.

Term		50th Period	51st Period	52nd Period	53rd Period	54th Period
Fiscal year ended		March 2014	March 2015	March 2016	March 2017	March 2018
Net sales	(Thousands of yen)	2,690,638	3,642,696	5,046,810	6,366,301	7,971,402
Ordinary profit	(Thousands of yen)	91,435	83,194	277,339	293,121	179,291
Profit attributable to owners of parent	(Thousands of yen)	133,560	73,194	135,256	229,226	125,196
Comprehensive income	(Thousands of yen)	88,885	78,019	90,544	247,862	114,453
Net assets	(Thousands of yen)	1,140,962	1,577,328	1,646,052	1,898,595	2,033,021
Total assets	(Thousands of yen)	2,309,294	3,502,215	3,605,056	3,891,444	4,843,351
Net assets per share	(Yen)	13.32	17.40	18.46	213.02	226.65
Net income per share	(Yen)	1.64	0.86	1.52	25.83	14.09
Diluted net income per share	(Yen)	1.62	0.86	1.51	25.68	14.07
Ratio of shareholders’ equity	(%)	48.2	44.1	45.4	48.6	41.6
Ratio of profit to shareholders’ equity	(%)	12.89	5.51	8.51	12.99	6.41
Price-earnings ratio	(Times)	33.62	104.41	51.15	26.32	32.57
Net cash from operating activities	(Thousands of yen)	172,247	217,080	156,626	278,477	472,621
Net cash from investing activities	(Thousands of yen)	175,706	(813,836)	(159,310)	(135,796)	(262,030)
Net cash from financing activities	(Thousands of yen)	263,747	706,583	30,914	(16,518)	343,950
Cash and cash equivalents at the end of fiscal year	(Thousands of yen)	1,173,824	1,283,481	1,310,138	1,436,880	1,985,398
Number of employees [Average number of additional temporary workers]	(Persons)	62 [32]	120 [39]	120 [52]	131 [68]	194 [94]

Notes:
1. Net sales do not include consumption taxes, etc.
2. The Company conducted a 1-for-10 reverse common stock split effective on October 1, 2017. The amounts of net assets per share, net income per share and diluted net income per share were calculated based on the assumption that the reverse stock split had been conducted at the beginning of the 53rd period.

(2) Non-consolidated Business Indicators, etc. of the Company

Term		50th Period	51st Period	52nd Period	53rd Period	54th Period
Fiscal year ended		March 2014	March 2015	March 2016	March 2017	March 2018
Net sales	(Thousands of yen)	68,291	150,356	117,882	128,553	155,560
Ordinary profit (loss)	(Thousands of yen)	5,641	(5,444)	108,639	162,151	150,879
Profit	(Thousands of yen)	66,549	24,329	58,476	194,551	174,396
Capital stock	(Thousands of yen)	1,403,421	1,578,674	1,578,674	1,582,416	1,582,416
Number of issued shares	(Shares)	83,555,896	88,730,896	88,730,896	88,870,896	8,887,089
Net assets	(Thousands of yen)	1,038,425	1,424,412	1,440,825	1,650,261	1,823,304
Total assets	(Thousands of yen)	1,169,985	2,083,701	2,128,228	2,386,540	2,957,991
Net assets per share	(Yen)	12.43	15.99	16.15	185.14	204.98
Dividend per share [Interim dividend per share]		- [-]	- [-]	- [-]	- [-]	— [-]
Net income per share	(Yen)	0.82	0.29	0.66	21.92	19.63
Diluted net income per share	(Yen)	0.81	0.29	0.65	21.80	19.60
Ratio of shareholders' equity	(%)	88.7	68.1	67.3	68.9	61.6
Ratio of profit to shareholders' equity	(%)	6.41	1.72	4.08	11.83	9.58
Price-earnings ratio	(Times)	67.46	314.12	118.32	31.02	23.38
Dividend payout ratio	(%)	-	-	-	-	-
Number of employees [Average number of additional temporary workers]	(Persons)	6 [-]	6 [-]	7 [-]	7 [-]	9 [1]

Notes:
1. Net sales do not include consumption taxes, etc.
2. The Company conducted a 1-for-10 reverse common stock split effective on October 1, 2017. The amounts of net assets per share, net income per share and diluted net income per share were calculated based on the assumption that the reverse stock split had been conducted at the beginning of the 53rd period.

2. The Company's History

Month & Year	Events
February 1965	Established as a company handling lease business machines.
February 1977	Changed trade name to Lease Electronics Co., Ltd.
February 1991	Registered the Company's shares for the over-the-counter trading.
July 1998	Changed trade name to Vertex Link Corporation.
April 2004	Established Yu Tech Co., Ltd.
November 2004	Changed the trade name of Yu Tech Co., Ltd. to GeoBrain Corporation.
December 2004	Listed on Jasdaq Securities Exchange.
February 2005	Established VLR Co., Ltd.
August 2005	Established Vertex Link Digital Design Co., Ltd.
December 2006	Converted AGATE CONSULTING, Inc. into a wholly owned subsidiary.
March 2007	Established a capital and business alliance with dit Co., Ltd.
July 2007	Acquired shares of Your Capital Co., Limited (South Korea) and converted it into a consolidated subsidiary.
February 2008	Vertex Link Digital Design Co., Ltd. started a recruiting business.
May 2008	Vertex Link Digital Design Co., Ltd. started a recruiting business (business license acquired) and changed its trade name to Japan Career Partners Co., Ltd.
	Changed the trade name of VLR Co., Ltd. to M&A Global Partners Co., Ltd.
January 2009	Transferred all the shares of consolidated subsidiary Japan Career Partners Co., Ltd.
February 2009	Convert S-GRANT Advisors Co., Ltd. into a subsidiary and changed its trade name to Trust Advisers Corporation.
March 2009	M&A Global Partners Co., Ltd. merged with AM Composite Co., Ltd.
April 2009	Transferred shares of consolidated subsidiary AGATE CONSULTING, Inc.
	Transferred shares of GeoBrain Corporation.
April 2010	Got listed in the JASDAQ market of the Osaka Securities Exchange (currently JASDAQ market of the Tokyo Stock Exchange), in accordance with the integration of the Jasdaq Securities Exchange and the Osaka Securities Exchange.
July 2010	Changed trade name to Striders Corporation.
May 2011	Transferred all the shares of Your Capital Co., Limited (South Korea).
March 2012	Acquired shares of Mobile Link Inc. and converted it into a consolidated subsidiary through the third-party allotment.
May 2012	Acquired shares of Y.K. Masuda Seimen and converted it into a consolidated subsidiary.
December 2012	Established Global Holdings Co., Ltd.
March 2013	Global Holdings Co., Ltd. acquired Narita Port Hotel (currently Narita Gateway Hotel), converted its operating company Ishin Narita Oyama Operations into a consolidated subsidiary and changed the trade name to Narita Gateway Hotel Co., Ltd.
March 2014	Established Tokyo Apartment Guaranty Corporation.
June 2014	Converted L'Hotel de Kurashiki Co., Ltd. which owns and operates Hotel Nikko Kurashiki into a subsidiary and changed the trade name to Kurashiki Royal Art Hotel Co., Ltd.
March 2015	Mobile Link Inc. established Shin-Kong Mobilelink co., Ltd. as a joint enterprise in Taiwan.
April 2015	Established Strider Capital Asia PLC in Sri Lanka as a joint enterprise with Asia Capital PLC.
April 2017	Trust Advisers Corporation established ReLive Co., Ltd.
August 2017	Transferred all the shares of Sri Lanka joint venture Strider Capital Asia PLC.
September 2017	Subsidiary Striders Global Investment Pte. Ltd. purchased newly issued stock of PT. Citra Surya Komunikasi through a third-party allotment and converted it into a consolidated subsidiary.
January 2018	Acquired part of the shares of MIRAI Intellectual Property and Technology Research Center Co., Ltd. and converted it into an equity-method affiliate.

3. Description of Business

The Striders Group (Striders Corporation (the “Company” or “Striders”) and its subsidiaries and associates) consists of the Company, its 11 subsidiaries and two affiliates. The primary businesses are Real Estate Business, Hotel Business and Overseas Business.

The Company corresponds to Specified Listed Corporations, etc. defined in the Article 49-2 of the Cabinet Office Ordinance on Restrictions on Securities Transactions, etc. Accordingly, insignificance criteria of material facts of insider trading regulations shall be determined based on values on consolidated basis.

The followings are the description of business and the subsidiaries and associates. The following four business segments are the same as the segment classifications listed in “5. Financial Information, 1. Consolidated Financial Statements, etc., (1) Notes to Consolidated Financial Statements.”

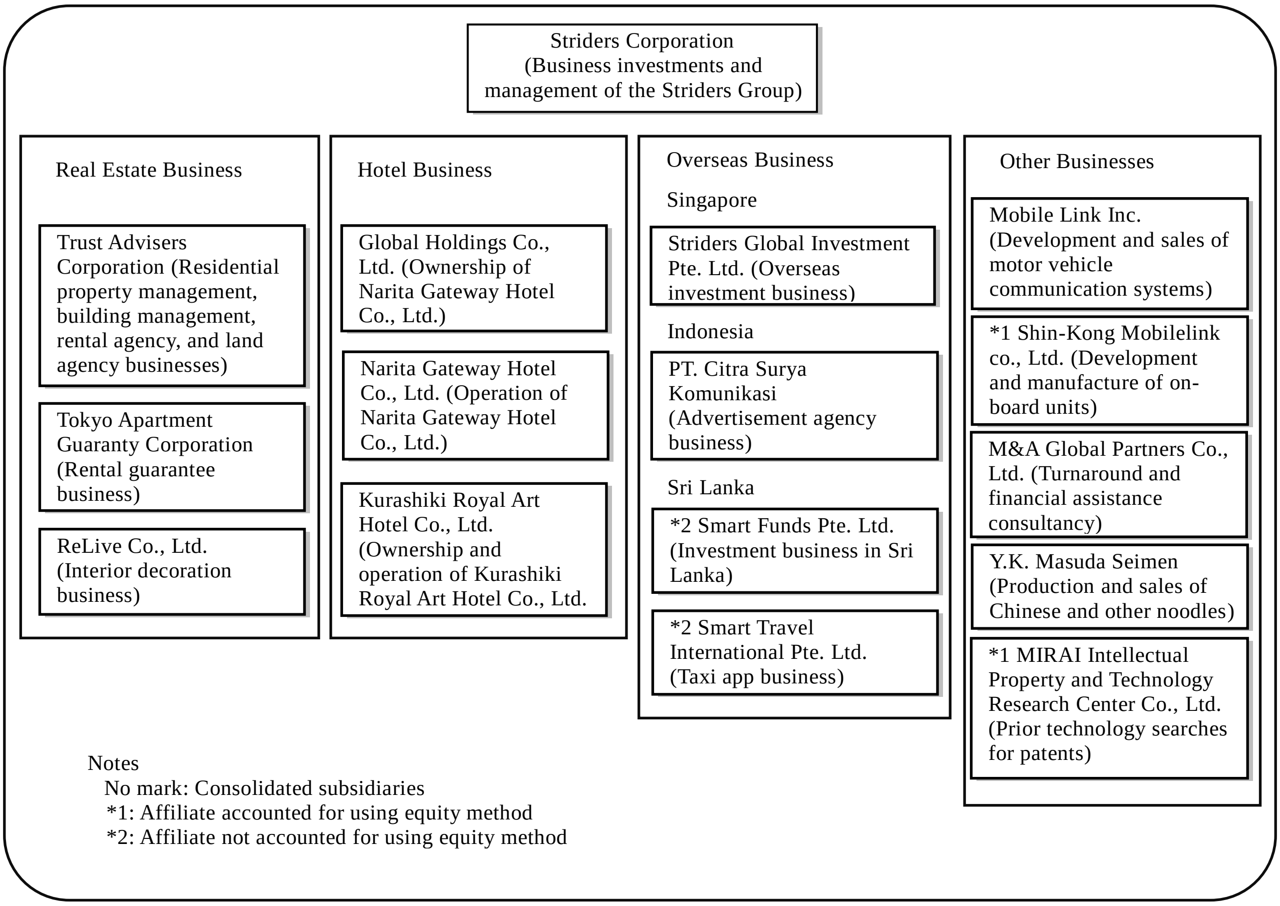
[Business Description]

Operating segment	Business	Company
Real Estate Business	- Residential property management, building management, rental agency and land agency businesses - Rental guarantee business - Interior decoration business	Trust Advisers Corporation Tokyo Apartment Guaranty Corporation ReLive Co., Ltd.
Hotel Business	- Hotel ownership and operation and management business	Global Holdings Co., Ltd. Narita Gateway Hotel Co., Ltd. Kurashiki Royal Art Hotel Co., Ltd.
Overseas Business	- Investments business mainly in the Asian region - Advertisement agency business in Indonesia	Striders Global Investment Pte. Ltd. PT. Citra Surya Komunikasi
Other Businesses	- Development and sales of motor vehicle communication systems - Turnaround consultancy business - Production and sales of Chinese and other noodles - Prior technology searches for patents	Mobile Link Inc. Shin-Kong Mobilelink co., Ltd. (Note) M&A Global Partners Co., Ltd. Y.K. Masuda Seimen MIRAI Intellectual Property and Technology Research Center Co., Ltd.

Note: Shareholders of Shin-Kong Mobilelink co., Ltd. approved a resolution on March 7, 2018 to dissolve this company and its liquidation procedure is under way.

Business flowchart

The business linkage of the above status is shown in the business flowchart below:



4. Overview of Subsidiaries and Associates

Name of company	Location	Capital stock (Thousands of yen)	Main line of business (Note 1)	Holding ratio of voting rights (%)	Relationship
(Consolidated subsidiary)					
Trust Advisers Corporation (Note 3)	Taito-ku, Tokyo	50,000	Real Estate Business	100.0	Interlocking directors Fund support
Tokyo Apartment Guaranty Corporation	Taito-ku, Tokyo	3,000	Real Estate Business	100.0	Interlocking directors
ReLive Co., Ltd. (Note 2)	Sumida-ku, Tokyo	5,000	Real Estate Business	100.0 (100.0)	-
Global Holdings Co., Ltd.	Minato-ku, Tokyo	3,000	Hotel Business	100.0	Interlocking directors Fund support
Narita Gateway Hotel Co., Ltd. (Note 3)	Narita, Chiba	3,000	Hotel Business	100.0	Interlocking directors Fund support
Kurashiki Royal Art Hotel Co., Ltd.	Kurashiki, Okayama	27,068	Hotel Business	99.8	Interlocking directors Fund support
Striders Global Investment Pte. Ltd.	Singapore	10,000 SGD	Overseas Business	100.0	Interlocking directors Fund support
PT. Citra Surya Komunikasi (Note 2)	Jakarta, Indonesia	4,000 million IDR	Overseas Business	51.0 (51.0)	-
M&A Global Partners Co., Ltd.	Minato-ku, Tokyo	50,000	Other Businesses	100.0	Interlocking directors Fund support
Mobile Link Inc.	Shinjuku-ku, Tokyo	65,000	Other Businesses	81.0	Interlocking directors Fund support
Y.K. Masuda Seimen	Yokosuka, Kanagawa	45,000	Other Businesses	100.0	Interlocking directors Fund support
(Affiliate accounted for using equity method)					
Shin-Kong Mobilelink co., Ltd. (Note 2)	Taipei, Taiwan	30,000 thousand TWD	Other Businesses	49.0 (49.0)	Interlocking directors
MIRAI Intellectual Property and Technology Research Center Co., Ltd.	Shinjuku-ku, Tokyo	24,003	Other Businesses	42.2	Interlocking directors

Notes: 1. In the “Main lines of business,” the name of the segment is stated.
2. The figure in parentheses under “Holding ratio of voting rights” represents the percentage of indirectly held votes.
3. Sales of Trust Advisers Corporation and Narita Gateway Hotel Co., Ltd. (excluding internal transactions between consolidated subsidiaries) exceed 10% of consolidated sales.

Major Profit and Loss Information, etc.

(Thousands of yen)	Trust Advisers Corporation	Narita Gateway Hotel Co., Ltd.
(1) Sales	5,536,668	833,248
(2) Ordinary profit	178,189	66,052
(3) Profit	115,480	43,799
(4) Net assets	243,184	114,935
(5) Total assets	1,073,141	253,274

5. Information about Employees

(1) Employees on a Consolidated Basis

As of March 31, 2018

Name of segment	Number of employees
Real Estate Business	54 (3)
Hotel Business	70 (58)
Overseas Business	44 (20)
Other Businesses	17 (12)
Reportable segment total	185 (93)
Corporate (unallocated)	9 (1)
Total	194 (94)

Notes: 1. The number of employees represents the number of full-time employees, and the average annual number of temporary workers other than the full-time employees (including part-time employees and temporary workers from staffing agencies) is indicated in parentheses.
2. The number of employees in the "Corporate (unallocated)" segment represents those employees employed by the administrative departments that are not allocated to any specific segments.
3. The number of employees increased 63 from the end of the previous fiscal year mainly because PT. Citra Komunikasi became a consolidated subsidiary in the Overseas Business as of September 22, 2017.

(2) Employees of the Company

As of March 31, 2018

Number of employees	Average age	Average number of years employed	Average annual salary (Thousands of yen)
9 (1)	37.7	1.9	4,692

Notes: 1. The number of employees represents the number of full-time employees, and the average annual number of temporary workers other than the full-time employees (including part-time employees and temporary workers from staffing agencies) is indicated in parentheses.
2. These employees are not divided into segments because they are assigned to administrative departments of the Company.
3. Average annual salary includes bonuses and surplus wages.

(3) Labor Union

Although a labor union has not been formed, the Company has maintained sound labor-management relations.

Section 2. Overview of Business

1. Management Policies, Market Conditions and Issues to Address

Forward-looking statements in this section represent the judgments of the Striders Group as of the end of the period under review.

(1) Management Policies

Business investments are the core activity of Striders, but capital gains are not the only objective of these investments. Decisions about investments are also based on prospects for a business to make a contribution to society and a better future.

The best investment method for each business is used. For example, Striders may establish a subsidiary, make a joint investment with a partner or fund, acquire a company to participate in its management, make a company a consolidated subsidiary, or use other schemes. As a rule, business investments are long-term holdings. After an investment has been made, Striders uses its resources to provide a diverse spectrum of support at many levels.

In all cases, the goals are to increase the value of companies where investments were made and to maximize the earnings of the Striders Group.

(2) Business Strategy

Striders concentrates investments on businesses in Japan and other countries with foresight about upcoming trends and the potential to achieve sustained growth in the business value. In addition, Striders extends management and financial assistance to companies lacking a competitive edge in cases where regaining the ability to compete is possible. The aim is to earn a high return on invested capital by reorganizing these companies.

For overseas investments, Striders uses its experience to make investments in growing industries while taking into account economic and other conditions in other countries.

(3) Market Conditions

In the core Real Estate Business, the operating environment remained challenging as an oversupply of real estate for leasing in the Tokyo area caused vacancy rates to climb. Furthermore, although Japan’s hotel sector benefited from growth in the number of foreign tourists, competition became even more intense because of the increasing use of vacation rentals, the construction of new hotels and other events. In addition, in the Overseas Business, although there is potential for economic growth in Indonesia and Sri Lanka, which is where investments are made, there are geopolitical risks and internal risk factors involving management and other items.

(4) Issues to Address

1) Strengthen management of the group

Due to the organizational structure of Striders, the performance of Striders is greatly influenced by the overall performance of the Striders Group. As a result, monitoring the performance of subsidiaries and other operating companies is an important aspect of business activities. To strengthen management of the group, Striders is reexamining the authority of group companies regarding their respective business activities and establishing a business reporting system and an administrative framework for operating companies. The goals are to conduct aggressive business operations, foster a strong commitment to compliance and operate more efficiently.

2) Use corporate resources more efficiently

To use corporate resources more efficiently, Striders is providing training for group employees and using funds available for investments more effectively. For example, there will be more information exchanges and sharing among managers of group companies and more training programs for employees. Goals include strengthening cooperation among subsidiaries and benefiting from more synergies among group companies. In addition, management will consider the centralized management of funds for all group companies and the sharing of sales information in order to perform sales activities backed by a network that only the Striders Group can create.

3) Use of M&A and alliances with external companies

To continue growing, Striders will need to acquire or invest in companies with operations that are consistent with the Striders corporate philosophy. Consequently, the medium to long-term policy is to aim for growth in sales and earnings by aggressively acquiring companies, forming business alliances and taking other actions.

4) Establish frameworks for internal controls and compliance

For internal controls that comply with the Companies Act and Financial Instruments and Exchange Act, Striders is establishing rules for the flow, documentation and visualization of business processes for all group companies. In addition to establishing rules, actions are needed to ensure that the activities of group companies follow these rules. Striders is assembling a structure for implementing these rules and recruiting the required personnel. The objective is to perform internal supervision, monitoring and IT oversight in a manner that matches the characteristics of business activities.

For compliance, the Striders Group has established a number of guidelines and policies: the Code of Corporate Conduct, Code of Employee Conduct, Personal Information Protection Policy, and Basic Policy against Anti-Social Forces. There are programs to ensure that everyone knows about and understands these guidelines and policies. As to the actual implementation of compliance in business operations, there are monitoring activities, studies by the Compliance Committee and an employee training program.

2. Business Risks

The following is a list of items described in the Overview of Business and Financial Information of this report that may have a significant effect on investors’ decisions.

Forward-looking statements in this section represent the judgments of the Striders Group as of the end of the period under review.

1) The economy

The activities of the Striders Group cover many business sectors and are vulnerable directly and indirectly to changes in the health of the economies of Japan and other countries. Therefore, changes in the economy may have an effect on the group’s performance and financial position.

2) New business activities

The Striders Group starts new business activities only after completing thorough studies. If a change in the operating environment prevents the group from conducting a new business as planned, there may be an effect on the group’s performance and financial position.

3) Overseas business activities

Overseas business activities of the Striders Group are vulnerable to the following risk factors. If any of these problems occur, there may be an effect on the group’s performance and financial position.

a. Economic downturns and competition from other companies
b. Unexpected establishment of laws or regulations or taxation revisions
c. Social turmoil caused by terrorism, demonstrations, wars or other events
d. Unfavorable political events
e. Movements in the value of a currency or exchange rates

4) Personal information

The Striders Group has a personal information management system that is structured to prevent leaks of personal information as prescribed in the Act on the Protection of Personal Information. However, the environment for the handling of personal information is becoming increasingly severe because of the high reliance of today's world on information. As a result, there may be a leak of personal information caused by an unforeseen event. If this happens, the resulting loss of public trust in the Striders Group, expenses for responding to the leak and other factors may have an effect on the group's performance.

5) Harm to the group's reputation

In the past, the performance and stock price of Striders have been negatively impacted by careless loans, investments and equity measures by former executives. Criticism and other damage to the group's reputation that occurred at that time still exist on the Internet and other channels. If this damage to the group's reputation prevents the group from conducting sound business activities, there may be an effect on the group's performance and financial condition.

6) Laws and regulations

In the Real Estate Business of the Striders Group, consolidated subsidiary Trust Advisers Corporation, as a real estate company, has received licenses in accordance with the Building Lots and Buildings Transaction Business Act and the Act on Advancement of Proper Condominium Management. Consequently, Trust Advisers Corporation is subject to the associated legal restrictions. If current laws or regulations are revised or new legal restrictions are established, there may be restrictions on the group's business activities that could affect the group's performance and financial condition.

7) Food safety

In the group's Other Businesses, consolidated subsidiary Y.K. Masuda Seimen produces and sells Chinese and other types of noodles. This company is subject to the Food Sanitation Act and other laws and regulations involving food products. The group has extensive measures for the assurance of quality and hygiene and exercises extreme care to maintain the safety of food products. However, if there is a violation of a law or regulation due to an unforeseen event, there may be an effect on the group's performance.

8) Natural disasters and diseases

A powerful earthquake, typhoon or other natural disaster may damage buildings and other facilities of the Striders Group. This damage could reduce sales due to an interruption in business activities and require expenses for repairs. In addition, the occurrence of a new strain of influenza or some other infections disease would lower long-distance travel and travel by groups. Any of these events may have an effect on the group's performance.

3. Management's Analysis of Financial Position, Operating Results and Cash Flows

(1) Overview of Operating Results

This section provides an overview of the financial position, operating results and cash flows ("operating results, etc.") in the current fiscal year for the Striders Group (the Company and its consolidated subsidiaries and equity-method affiliates).

1) Financial position and operating results

In the current fiscal year, the Japanese economy continued to recover moderately thanks mainly to higher corporate earnings, lower unemployment, and increased personal spending, although there were several issues of concern including increasing labor costs due to exacerbating labor shortage.

The U.S. economy was healthy but outlook for the global economy remained uncertain. One reason was slowing economic growth rates in China and some emerging countries. Trade policies of the Trump administration, the upcoming direction of monetary policies, geopolitical risk involving North Korea and the Middle East, and other factors are also behind the uncertain economic outlook.

Under the economic circumstance described above, the Striders Group (the Company and its consolidated subsidiaries) focused on increasing the group's earnings by implementing initiatives such as streamlining unprofitable businesses, strengthening sales and marketing capabilities of the existing business, and cutting overhead costs. In addition, the group continued to work on creating new businesses.

Consequently, net sales for the current fiscal year increased 25.2% year-on-year to 7,971 million yen, operating profit decreased 25.2% year-on-year to 208 million yen, ordinary profit decreased 38.8% year-on-year to 179 million yen, and profit attributable to owners of parent decreased 45.4% year-on-year to 125 million yen.

Business segment performance was as follows.

As a result of a change in reportable segments in the current fiscal year, the figures for the previous fiscal year have been restated to reflect the reclassification for the following year-on-year comparisons.

Real Estate Business

Trust Advisers Corporation has successfully achieved an increase in the number of buildings under management as a result of aggressive marketing efforts in the residential property business. The land agency business also maintained strong performance with the increased number of contracts.

Consequently, segment sales for the current fiscal year increased 25.9% year-on-year to 5,543 million yen and operating profit increased 22.3% year-on-year to 203 million yen.

Hotel Business

We currently operate the Narita Gateway Hotel in the Narita International Airport area and the Kurashiki Royal Art Hotel located in the Kurashiki Bikan Historical Quarter, Okayama Prefecture. Despite an increase in the number of foreign tourists visiting Japan, room rates declined overall due mainly to an increase in the number of vacation rentals and openings of new hotels. Furthermore, the Kurashiki Royal Art Hotel had been completely closed for one and a half months to replace major facilities.

Consequently, segment sales for the current fiscal year decreased 6.1% year-on-year to 1,373 million yen and operating profit decreased 39.4% year-on-year to 138 million yen.

Overseas Business

In the current fiscal year, the Company made PT. Citra Surya Komunikasi a consolidated subsidiary in the Republic of Indonesia. PT. Citra Surya Komunikasi engages in the advertisement agency business that serves Japanese companies operating in Indonesia. Specifically, we made store development proposals using new materials to our existing Japanese customers and provided advertising for events targeting local companies.

Consequently, the segment reported sales of 612 million yen with operating profit of 37 million yen for the current fiscal year. We do not report the year-on-year comparison as we started this business from the current fiscal year.

Other Businesses

In the other businesses category, Mobile Link Inc. develops and sells motor vehicle communication systems, M&A Global Partners Co., Ltd. provides fund procurement support and M&A consulting services, and Y. K. Masuda Seimen produces Chinese and other noodles that are sold mainly to Yokohama house-type ramen restaurants in the Kanagawa area. Although all three of these companies took actions aimed at attracting new customers, cutting costs and other goals, the performance of these companies fell short of their initial plans.

As a result, net sales of the other businesses for the current fiscal year decreased 11.9% year-on-year to 442 million yen and operating profit decreased 74.9% year-on-year to 11 million yen. Operating profit was down much more than sales mainly because M&A Global Partners Co., Ltd. was unable to receive orders for outsourced projects.

2) Cash flows

Cash and cash equivalents (hereinafter referred to as "net cash") increased 548 million yen from the end of the previous fiscal year to 1,985 million yen at the end of the period under review.

Cash flows from operating activities

Net cash provided by operating activities increased 69.7% year-on-year to 472 million yen. The main factors include booking of profit before income taxes of 156 million yen and depreciation of 84 million yen, which were partially offset by an increase in notes and accounts receivable-trade of 56 million yen.

Cash flows from investing activities

Net cash used in investing activities increased 93.0% year-on-year to 262 million yen. The main factors include purchase of property, plant and equipment of 198 million yen, net increase in time deposits of 129 million yen, and purchase of shares of subsidiaries and associates of 78 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 343 million yen (compared with net cash used of 16 million yen in the previous fiscal year). The main factors include an increase in short-term loans payable of 80 million yen and proceeds from long-term loans payable of 473 million yen, which were partially offset by repayments of long-term loans payable of 209 million yen.

3) Overview of production, orders received and sales

a. Production

There are some production activities in the Other Businesses segment, but no information is provided because the monetary amount of these activities is negligible.

b. Orders received

There are some production activities in the Other Businesses segment, but no information is provided because the monetary amount of these activities is negligible.

c. Sales performance

The sales performance in each segment in the period under review is as follows:

Name of segment	FY3/18 (April 1, 2017 – March 31, 2018)	Year-on-year comparison (%)
Real Estate Business (Thousands of yen)	5,543,176	25.9
Hotel Business (Thousands of yen)	1,373,942	(6.1)
Overseas Business (Thousands of yen)	612,229	-
Other Businesses (Thousands of yen)	442,054	(11.9)
Reportable segment total (Thousands of yen)	7,971,402	25.2
Total	7,971,402	25.2

Notes: 1. Inter-segment transactions have been eliminated.

2. Sales amounts to major customers and their ratios to total sales amount in the last two fiscal years are not stated because the ratios are less than 10% of the total sales amount.

3. Consumption taxes, etc. are not included in the above amounts.

(2) Management's Discussion and Analysis of Operating Results, etc.

This section contains a discussion, analysis and points under consideration concerning the Striders Group's operating results, etc. from the perspective of management. Forward-looking statements in this section are based on the judgments of management as of the end of the period under review.

1) Significant accounting policies and estimates

The consolidated financial statements of the Striders Group are prepared based on generally accepted accounting standards in Japan. The preparation of these financial statements required judgments and estimates by management, such as decisions concerning the selection and application of accounting policies that influence the information that is disclosed. Estimates by management are based on reasonable judgments that reflect past performance and other items. However, actual results may differ from these estimates due to the inherent uncertainty of estimates.

Of the significant accounting policies used by the Striders Group (see Section 5. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Significant Accounting Policies for Preparation of Consolidated Financial Statements), management believes that the following significant policies have a particularly important effect on judgments used for significant estimates for the preparation of the consolidated financial statements.

a. Impairment of non-current assets

The Striders Group examines non-current assets regarding possible impairment at the end of every quarter, when there is a situation that prevents the recovery of book value, and when there is a change in circumstances involving non-current assets. If book value is greater than estimated future cash flows before discounting, the amount by which these cash flows exceed book value is recognized as an impairment loss. Although the Company believes estimates used for impairment decisions are reasonable, actual performance may differ from these estimates.

b. Impairment of goodwill

The Striders Group amortizes goodwill using the straight-line method over a period of not more than 20 years during which benefits are expected to be received from the goodwill of each corresponding company or business. If there is a decline in profitability caused by a revision in an estimate resulting from a change in business assumptions that could have not been foreseen, there may be an impairment loss on goodwill.

2) Discussion, analysis and points under consideration for operating results, etc. in the current fiscal year

The Striders Group's sales increased but earnings decreased in the current fiscal year. Sales increased mainly because of the sales of PT. Citra Surya Komunikasi, a new consolidated subsidiary in Indonesia, in the Overseas Business and increases in the number of leased residences managed and the number of real estate transactions in the Real Estate Business, which was the result of extensive sales activities.

Lower earnings in the Hotel Business were one main reason for the decline in earnings. The causes were the temporary closing of Kurashiki Royal Art Hotel for the replacement of major facilities, lower room rates due to price competition with nearby hotels and to newly opened hotels. In Other Businesses, there was a share of loss of entities accounted for using the equity method loss of 36 million yen due to the withdrawal of Mobile Link Inc. from part of its joint operations with the Taiwan-based Shin-Kong Group.

In the fiscal year ending in March 2019 and afterward, there will be measures to build a stronger and more efficient organizational structure for the Real Estate Business in order to increase profitability. In the Hotel Business, earnings are improving because of the increasing number of foreign tourists in Japan and restrictions on vacation rentals. But price competition with nearby hotels is expected to continue. In the Overseas Business, the outlook is for growth of the advertising agency business of PT. Citra Surya Komunikasi that serves Japanese companies in Indonesia. In particular, demand in the digital advertising sector is expected to continue growing due to Indonesia's strong GDP growth rate. Upgrading sales activities to capture digital advertising demand is a major goal in Indonesia. In Sri Lanka, there will be investments in new businesses. There are no earnings at this time in Sri Lanka because businesses are in the start-up phase. Making operations in this country profitable quickly is a high priority, such as by reviewing the management framework, forming business alliances with good prospects for synergies and taking other actions.

There was a 548 million yen increase in cash during the current fiscal year. Cash flows were negatively affected by the decline in earnings, but cash was provided by sales of real estate for sale, sales of investment securities that produced capital gains and low interest rate loans from financial institutions. Uses of cash included construction work at hotels and investments in venture companies and operating companies.

Regarding the Striders Group's capital resources and liquidity, in principle, the group's overall demand for capital is monitored and managed and funds are procured from financial institutions as needed. Surplus funds at subsidiaries are returned to the Company by using dividend payments and other methods. Investments are funded by internal funds or funds procured from financial institutions depending on the characteristics of each project.

To aim for more growth and higher earnings, net sales and operating profit are used as objective performance indicators to monitor progress toward targets of management policies and strategies.

Discussion, analysis and points under consideration for financial position are as follows.

Assets

Current assets increased 761 million yen from the end of the previous fiscal year to 2,912 million yen at the end of the period under review. The main factors include increases in cash and deposits by 677 million yen and accounts receivable-trade by 107 million yen due to new loans, consolidation of PT. Citra Surya Komunikasi and other factors.

Non-current assets increased 190 million yen from the end of the previous fiscal year to 1,930 million yen. This was mainly attributable to increases in buildings and structures, net by 97 million yen and goodwill by 33 million yen due to capital expenditures in hotels, consolidation of PT. Citra Surya Komunikasi and other factors.

As a result, total assets were 4,843 million yen, which was 951 million yen more than at the end of the previous fiscal year.

Liabilities

Current liabilities increased 592 million yen from the end of the previous fiscal year to 1,418 million yen at the end of the period under review. The main factors include increases in accounts payable-trade by 72 million yen, short-term loans payable by 165 million yen, unearned revenue by 117 million yen, and accrued expenses by 84 million yen due to consolidation of PT. Citra Surya Komunikasi and other factors.

Non-current liabilities increased 224 million yen from the end of the previous fiscal year to 1,391 million yen. This was mainly due to an increase in long-term loans payable by 200 million yen resulting from new loans.

As a result, total liabilities were 2,810 million yen, which was 817 million yen more than at the end of the previous fiscal year.

Net assets

Net assets increased 134 million yen from the end of the previous fiscal year to 2,033 million yen at the end of the period under review. The main factor includes booking of profit attributable to owners of parent of 125 million yen.

Consequently, the equity ratio was 41.6%.

4. Critical Contracts for Operation

There is no applicable information.

5. Research and Development Activities

There is no applicable information for research and development activities for the current fiscal year.

Section 3. Information about Facilities

1. Overview of Capital Expenditures, etc.

There were investments of 12 million yen in the Real Estate Business for interior construction of new office and 144 million yen for updating and replacing equipment and 48 million yen for renovating guest rooms in the Hotel Business.

2. Major Facilities

The major facilities and equipment of the Striders Group are as follows:

(1) Domestic Subsidiaries

As of March 31, 2018

Company name	Facility name (Location)	Segment	Purpose of facility and equipment	Book value (Thousands of yen)					Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (square meters)	Others	Total	
Global Holdings Co., Ltd.	Narita Gateway Hotel (Narita, Chiba)	Hotel Business	Accommodation facility	250,300	-	85,663 (7,218.48)	0	335,963	- (-)
Narita Gateway Hotel Co., Ltd.	Narita Gateway Hotel (Narita, Chiba)	Hotel Business	Accommodation facility	58,900	2,838	-	37,628	99,367	21 (26)
Kurashiki Royal Art Hotel Co., Ltd.	Kurashiki Royal Art Hotel (Kurashiki, Okayama)	Hotel Business	Accommodation facility	637,893	397	223,000 (1,490.90)	35,560	896,850	49 (32)
Y.K. Masuda Seimen	Head Office Plant (Yokosuka, Kanagawa)	Other Businesses	Production equipment	16,787	4,417	40,000 (221.36)	0	61,205	6 (12)

Notes: 1. “Others” under “Book value” represents tools, furniture and fixtures.
The amounts do not include consumption taxes.
2. Temporary workers are indicated in parentheses under “Number of employees.”

3. Planned Additions, Retirements, etc. of Facilities

There is no applicable information.

Section 4. Information about Reporting Company

1. Information about Shares, etc.

(1) Total Number of Shares, etc.

1) Total Number of Shares

Classification	Total number of authorized shares (Shares)
Common stock	18,000,000
Total	18,000,000

Note: In accordance with the resolution approved at the 53rd Ordinary General Shareholders' Meeting held on June 22, 2017, the Company conducted a 1-for-10 reverse common stock split effective on October 1, 2017. Accordingly, total number of authorized shares decreased 162,000,000 shares to 18,000,000.

2) Issued Shares

(Shares)

Classification	Number of issued shares as of the end of the current fiscal year (As of March 31, 2018)	Number of issued shares as of the submission date of this report (As of June 22, 2018)	Name of listed financial instruments exchange market or authorized financial instruments firms association	Remarks
Common stock	8,887,089	8,887,089	Tokyo Stock Exchange, Jasdaq (standard)	Number of shares for one unit: 100
Total	8,887,089	8,887,089	-	-

Notes: 1. In accordance with the resolution approved at the 53rd Ordinary General Shareholders' Meeting held on June 22, 2017, the Company conducted a 1-for-10 reverse common stock split effective on October 1, 2017. Accordingly, total number of issued shares decreased 79,983,807 shares to 8,887,089 shares.

2. In accordance with the resolution approved at the 53rd Ordinary General Shareholders' Meeting held on June 22, 2017, the number of shares per unit changed from 1,000 shares to 100 shares on October 1, 2017.

(2) Share Acquisition Rights, etc.

1) Details of Employee Share Option Program

There is no applicable information.

2) Description of Rights Plan

There is no applicable information.

3) Other Share Acquisition Rights, etc.

The following share acquisition rights have been issued in accordance with the Companies Act:

Date of resolution	May 14, 2013
Number of share acquisition rights (Units)*	250
Class, details and number of shares subject to share acquisition rights*	Common stock
Number of shares subject to share acquisition rights (Shares)	25,000 (Notes 1 and 6)
Amount to be paid upon the exercise of share acquisition rights (Yen)*	280 (Notes 2 and 6)
Exercise period of share acquisition rights*	From May 29, 2013 to May 28, 2021
Issue price of stock due to exercise of share acquisition rights and amount to be incorporated into capital stock (Yen)*	Issue price: 280 (Notes 3 and 6) Amount to be incorporated into capital stock: 140 (Notes 3 and 6)
Conditions for exercising share acquisition rights*	(Note 4)
Matters pertaining to transfer of share acquisition rights*	The approval of the Board of Directors is required.
Matters pertaining to issuance of share acquisition rights resulting from the reorganization event*	(Note 5)

* This table presents information as of March 31, 2018. No information as of May 31, 2018, which is the end of the month prior to the month when this report was submitted, is shown because there were no changes since March 31, 2018.

Note 1. In the case that the Company conducts a stock split (including the allotment of shares of common stock of the Company without consideration; hereinafter the same shall apply) or a stock consolidation, the number of shares subject to share acquisition rights shall be adjusted in accordance with the following formula.

However, such adjustment shall be made only for shares subject to share acquisition rights that have not been exercised or retired at the time of the stock split or stock consolidation. Any fraction less than one (1) share arising from the adjustment shall be rounded down.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of stock split/stock consolidation}$$

In addition to the above, if any unavoidable event arises where the number of shares to be issued upon exercise of share acquisition rights must be adjusted after the date of allotment, the Company may adjust the number of shares as appropriate to the extent deemed reasonable.

Any fraction less than one (1) share arising from the adjustment shall be rounded down.

Note 2. If the Company conducts a stock split or stock consolidation after the issuance of the share acquisition rights, the payment amount shall be adjusted using the following formula as of the effective date of the split or consolidation, with any fraction less than one (1) yen arising from the adjustment rounded up.

$$\text{Payment amount after adjustment} = \text{Payment amount before adjustment} \times \frac{1}{\text{Ratio of stock split/stock consolidation}}$$

If, after the issuance of share acquisition rights, the Company issues shares at a price below the market price, the payment amount shall be adjusted using the following formula, with any fraction less than one (1) yen arising from the adjustment rounded up.

$$\text{Payment amount after adjustment} = \text{Payment amount before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of newly issued shares} \times \text{Amount to be paid per share}}{\text{Market price per share}}}{\text{Number of issued shares} + \text{Number of newly issued shares}}$$

Note 3. Matters relating to increments of capital stock and legal capital surplus

1) The amount of an increase in capital stock when new shares are issued upon the exercise of share acquisition rights shall be 50% of the maximum limit of such capital increase (“maximum increase in capital”) calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Rules. Any fraction less than one (1) yen arising from the calculation shall be rounded up.
2) The amount of an increase in legal capital surplus when new shares are issued upon exercise of share acquisition rights shall be the maximum increase in capital as described in 1) above, less the amount of an increase in capital stock as stipulated in 1) above.

Note 4. Conditions for exercising share acquisition rights are as follows.

1) If the average closing price (including indicated prices; average excludes days with no closing price, but the Board of Directors may make adjustments as described in the above item 2) of the Company’s common stock for ordinary trading on financial instrument exchanges where this stock is listed over any five-day period between the allocation date and end of the exercise period, including both of these days, is less than 50% of the exercise price at that time (the Board of Directors may make adjustments as described in the above item 2), holders of share acquisition rights must exercise all remaining rights by the end of the exercise period at the exercise price (but the Board of Directors may make adjustments as described in the above item 2). However, this requirement does not apply in the following cases.
   (a) When significant false or fraudulent information has been discovered in information disclosed by the Company
   (b) The discovery that the Company has failed to properly announce a significant fact that should have been disclosed in accordance with laws and regulations or the rules of a financial instruments exchange where the Company’s stock is listed
   (c) When the Company’s stock is delisted, the Company becomes insolvent or there is some other major change involving an item used as a premise when the share acquisition rights are issued
   (d) When there is any other event that can be viewed objectively as a detrimental act by the Company regarding the trust of right holders
2) If the total number of issued shares would exceed the number of then-authorized shares by the exercise of share acquisition rights at the time of exercise thereof, said share acquisition rights cannot be exercised at that time.
3) The partial exercise of an individual share acquisition right to shares is not allowed.
4) This share acquisition rights may not be exercised by an heir to a holder thereof.
5) The Company’s Board of Directors may establish other conditions for exercising the share acquisition rights in addition to the preceding items in this note.

Note 5. In the event of an absorption merger in which the Company is dissolved, a merger in which a new merged company is established and the Company is dissolved, an absorption and divestiture in which the Company is divested, a divestiture in which a new divested company is established, an exchange of stock in which the Company becomes a wholly owned subsidiary, or a stock transfer in which the Company becomes a wholly owned subsidiary ("reorganization event"), any remaining share acquisition rights immediately prior to the date the reorganization event takes place will be replaced with new share acquisition rights based on the following terms. The replacement will be made by the remaining company after the absorption merger, the newly established merged company, the remaining divested company after the absorption, the newly established divested company, the parent company after the exchange of stock or the parent company established after the transfer of stock ("reorganized company").

1) Number of share acquisition rights to be newly granted
Based on the number of share acquisition rights held by each holder, a reasonable adjustment will be made that reflects the terms of the reorganization event and other factors. Any resulting fraction of one (1) right will be rounded down.

2) Class of stock subject to share acquisition rights to be newly granted
The same class of stock of the reorganized company

3) The method of calculating the number of shares subject to share acquisition rights to be newly granted
A reasonable adjustment will be made that reflects the terms of the reorganization event and other factors. Any resulting fraction of one (1) share will be rounded up.

4) Value of assets to be contributed upon the exercise of the share acquisition rights to be newly granted
A reasonable adjustment will be made that reflects the terms of the reorganization event and other factors. Any resulting fraction of one (1) yen will be rounded up.

5) The exercise period of the share acquisition rights to be newly granted, additions to capital stock and legal capital surplus when stock is issued upon the exercise of the new rights, reasons for the acquisition of the new rights by the reorganized company, the provision of the new rights when there is a reorganization event, and the share acquisition right certificates and exercise terms
To be determined when the reorganization event takes place.

6) Restrictions on the acquisition of share acquisition rights to be newly granted through transfer
The acquisition of share acquisition rights to be newly granted through transfer shall require the approval of the Board of Directors of the reorganized company.

7) Other conditions shall be determined in the same manner as those for the reorganized company.

Note 6. The Company conducted a 1-for-10 reverse common stock split effective on October 1, 2017. Accordingly, figures for the number of shares subject to share acquisition rights, amount to be paid upon the exercise of share acquisition rights and issue price of stock due to exercise of share acquisition rights and amount to be incorporated into capital stock have been adjusted.

Date of resolution	September 18, 2015
Number of share acquisition rights (Units)*	4,350
Class, details and number of shares subject to share acquisition rights*	Common stock
Number of shares subject to share acquisition rights (Shares)	435,000 (Notes 1 and 6)
Amount to be paid upon the exercise of share acquisition rights (Yen)*	670 (Notes 2 and 6)
Exercise period of share acquisition rights*	From July 1, 2016 to October 4, 2023
Issue price of stock due to exercise of share acquisition rights and amount to be incorporated into capital stock (Yen)*	Issue price: 670 (Notes 3 and 6) Amount to be incorporated into capital stock: 335 (Notes 3 and 6)
Conditions for exercising share acquisition rights*	(Note 4)
Matters pertaining to transfer of share acquisition rights*	The approval of the Board of Directors is required.
Matters pertaining to issuance of share acquisition rights resulting from the reorganization event*	(Note 5)

* This table presents information as of March 31, 2018. No information as of May 31, 2018, which is the end of the month prior to the month when this report was submitted, is shown because there were no changes since March 31, 2018.

Note 1. Class, details and number of shares to be acquired upon exercise of share acquisition rights

The number of shares to be issued upon exercise of each of share acquisition rights (hereinafter referred to as the "number of shares granted") shall be one thousand (1,000).

In the case that the Company conducts a stock split (including the allotment of shares of common stock of the Company without consideration; hereinafter the same shall apply) or a stock consolidation after the date of allotment of share acquisition rights, the number of shares granted shall be adjusted in accordance with the following formula. However, such adjustment shall be made only for shares to be granted for share acquisition rights that have not been exercised or retired at the time of the stock split or stock consolidation. Any fraction less than one (1) share arising from the adjustment shall be rounded down.

$$\text{Number of shares granted after adjustment} = \text{Number of shares granted before adjustment} \times \text{Ratio of stock split (or stock consolidation)}$$

In addition to the above, if any unavoidable event arises where the number of shares to be issued upon exercise of share acquisition rights must be adjusted after the date of allotment, the Company may adjust the number of shares granted as appropriate to the extent deemed reasonable.

Any fraction less than one (1) share arising from the above adjustment shall be rounded down.

Note 2. Adjustment to the exercise price

If the Company conducts a stock split or stock consolidation, the exercise price shall be adjusted using the following formula, with any fraction less than one (1) yen arising from the adjustment rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of stock split (or stock consolidation)}}$$

If, after the date of allotment of share acquisition rights, the Company issues new shares of common stock or disposes of its treasury shares of common stock at a price below the market price of its common stock (excluding issuance of new shares and disposal of treasury shares upon the exercise of share acquisition rights, and transfer of treasury shares in exchange of shares), the exercise price shall be adjusted using the following formula, with any amount less than one (1) yen arising from the adjustment rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of newly issued shares} \times \text{Amount to be paid per share}}{\text{Market price per share before issuing new shares}}}{\text{Number of issued shares} + \text{Number of newly issued shares}}$$

In the formula above, the "number of issued shares" denotes the number of shares of common stock of the Company already issued, less the number of treasury shares of common stock of the Company. If the Company disposes of its treasury shares of common stock, the "number of newly issued shares" shall be replaced with the "number of treasury shares to be disposed of."

Furthermore, other than the above, if the Company conducts a merger, a company split, or other similar events that require adjustment of the exercise price, the Company may adjust the exercise price as appropriate to the extent deemed reasonable.

Note 3. Amount to be accounted for as capital stock out of the issue price when shares are issued upon exercise of share acquisition rights

1) The amount of an increase in capital stock when new shares are issued upon the exercise of share acquisition rights shall be 50% of the maximum limit of such capital increase calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Rules. Any fraction less than one (1) yen arising from the calculation shall be rounded up.

2) The amount of an increase in legal capital surplus when new shares are issued upon exercise of share acquisition rights shall be the maximum limit of such capital increase as described in 1) above, less the amount of an increase in capital stock as stipulated in 1) above.

Note 4. Condition for exercising share acquisition rights

1) A person to whom share acquisition rights have been allotted (hereinafter referred to as a "holder of share acquisition rights") may exercise the number of share acquisition rights out of the allotted number based on the percentage specified in each of (a) to (c) below during the exercise period only when the Company's operating profit has reached the amount shown below. These operating profit figures have been set according to the Company's performance goals. To determine the operating profit, figures in the consolidated statement of income included in the Company's Securities Registration Reports (*Yukashoken Hokokusho*) for the periods between the fiscal years ended March 31, 2016 and ending March 31, 2023 shall be referred to. Should there be any material change in the concept of operating profit to be referred to due to the change of applicable accounting standards or any other factors, the Company shall specify at its Board of Directors meeting another appropriate performance indicator to the extent deemed reasonable. Any fraction less than one (1) right that may be exercised shall be rounded down.

(a) 30% of the allotted number may be exercised when operating profit has exceeded 130 million yen, except when the exercise becomes mandatory under the condition described in 2) below.

(b) 60% of the allotted number may be exercised when operating profit has exceeded 150 million yen, except when the exercise becomes mandatory under the condition described in 2) below.

(c) 100% of the allotted number may be exercised when operating profit has exceeded 200 million yen, except when the exercise becomes mandatory under the condition described in 2) below.

2) If the average closing price (including indicated prices; average excludes days with no closing price, but the Board of Directors may make adjustments as described in the above Note 2) of the Company's common stock for ordinary trading on financial instrument exchanges where this stock is listed over any five-day period between the allocation

date and end of the exercise period, including both of these days, is less than 30% of the exercise price at that time (the Board of Directors may make adjustments as described in the above Note 2), holders of share acquisition rights must exercise all remaining rights by the end of the exercise period at the exercise price (but the Board of Directors may make adjustments as described in the above Note 2). However, this requirement does not apply in the following cases.

(a) When significant false or fraudulent information has been discovered in information disclosed by the Company
(b) The discovery that the Company has failed to properly announce a significant fact that should have been disclosed in accordance with laws and regulations or the rules of a financial instruments exchange where the Company's stock is listed
(c) When the Company's stock is delisted, the Company becomes insolvent or there is some other major change involving an item used as a premise when the share acquisition rights are issued
(d) When there is any other event that can be viewed objectively as a detrimental act by the Company regarding the trust of right holders.

3) If the total number of issued shares would exceed the number of then-authorized shares by the exercise of share acquisition rights at the time of exercise thereof, said share acquisition rights cannot be exercised at that time.
4) The partial exercise of an individual share acquisition right to shares is not allowed.
5) This share acquisition rights may not be exercised by an heir to a holder thereof.

Note 5. Handling of share acquisition rights when a reorganization event takes place

In the event of an absorption merger in which the Company is dissolved, a merger in which a new merged company is established and the Company is dissolved, an absorption and divestiture in which the Company is divested, a divestiture in which a new divested company is established, an exchange of stock in which the Company becomes a wholly owned subsidiary, or a stock transfer in which the Company becomes a wholly owned subsidiary ("reorganization event"), any remaining share acquisition rights immediately prior to the date the reorganization event takes place will be replaced with new share acquisition rights based on the following terms. The replacement will be made by the remaining company after the absorption merger, the newly established merged company, the remaining divested company after the absorption, the newly established divested company, the parent company after the exchange of stock or the parent company established after the transfer of stock ("reorganized company").

1) The number of share acquisition rights to be delivered by a reorganized company
Based on the number of share acquisition rights held by each holder, a reasonable adjustment will be made that reflects the terms of the reorganization event and other factors. Any resulting fraction of one (1) right will be rounded down.
2) Class of stock in the reorganized company to be acquired upon exercise of share acquisition rights
The same class of stock of the reorganized company
3) The method of calculating the number of shares of the reorganized company to be acquired upon exercise of share acquisition rights
A reasonable adjustment will be made that reflects the terms of the reorganization event and other factors. Any resulting fraction of one (1) share will be rounded up.
4) Values of assets to be contributed upon the exercise of share acquisition rights
A reasonable adjustment will be made that reflects the terms of the reorganization event and other factors. Any resulting fraction of one (1) yen will be rounded up.
5) The exercise period of the new share acquisition rights, additions to capital stock and legal capital surplus when stock is issued upon the exercise of the new rights, reasons for the acquisition of the new rights by the reorganized company, the provision of the new rights when there is a reorganization event, and the share acquisition right certificates and exercise terms
To be determined when the reorganization event takes place.
6) Restrictions on the acquisition of share acquisition rights through transfer
The acquisition of share acquisition rights to be newly granted through transfer shall require the approval of the Board of Directors of the reorganized company.
7) Other conditions shall be determined in the same manner as those for the reorganized company.

Note 6. The Company conducted a 1-for-10 reverse common stock split effective on October 1, 2017. Accordingly, figures for the number of shares subject to share acquisition rights, amount to be paid upon the exercise of share acquisition rights and issue price of stock due to exercise of share acquisition rights and amount to be incorporated into capital stock have been adjusted.

(3) Exercises, etc. of Moving Strike Convertible Bonds, etc.

There is no applicable information.

(4) Changes in the Number of Issued Shares, Stated Capital, etc.

Date	Change in total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Change in capital stock (Thousands of yen)	Balance of capital stock (Thousands of yen)	Change in legal capital surplus (Thousands of yen)	Balance of legal capital surplus (Thousands of yen)
From April 1, 2013 to March 31, 2014 (Note 1)	3,225,000	83,555,896	32,015	1,403,421	32,015	89,015
November 4, 2014 (Note 2)	2,200,000	86,180,896	101,200	1,510,609	101,200	196,203
From April 1, 2014 to March 31, 2015 (Note 1)	2,975,000	88,730,896	74,052	1,578,674	74,052	264,268
From April 1, 2016 to March 31, 2017 (Note 1)	140,000	88,870,896	3,742	1,582,416	3,742	268,010
June 22, 2017 (Note 3)	-	88,870,896	-	1,582,416	(173,267)	94,742
October 1, 2017 (Note 4)	(79,983,807)	8,887,089	-	1,582,416	-	94,742

Notes: 1. The increase in the number of shares and amounts is due to exercise of the share acquisition rights.

2. Third-party allocation Allottees: Ryoichi Hayakawa, Kazuna Fukumitsu, Hong Kong Dewei Enterprise Group Holdings Limited
Issue price: 92 yen
Amount to be incorporated into capital stock: 46.0 yen

3. The decrease in legal capital surplus is due to covering the deficit.

4. The decrease in the total number of issued shares is due to the 1-for-10 reverse stock split.

(5) Shareholding by Shareholder Category

As of March 31, 2018

Category	Details of shareholders (one unit share represents 100 shares)								Number of shares less than one unit share (Shares)
	Government agencies and public institutions	Financial institutions	Financial instruments traders	Other entities	Foreign entities, etc.		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders (Persons)	-	1	23	27	20	12	5,091	5,174	-
Number of shares held (Units)	-	619	1,538	18,117	3,836	534	64,172	88,816	5,489
Shareholding percentage (%)	-	0.70	1.73	20.40	4.32	0.60	72.25	100.00	-

Notes: 1. Treasury shares of 2,699 shares are included in “Individuals and others” and “Number of shares less than one unit share” in terms of 26 units and 99 shares, respectively.

2. One unit of shares under the name of Japan Securities Depository Center, Inc., is included in “Other entities” above.

3. In accordance with the resolution approved at the 53rd Ordinary General Shareholders’ Meeting held on June 22, 2017, the number of shares per unit changed from 1,000 shares to 100 shares on October 1, 2017.

(6) Major Shareholders

As of March 31, 2018

Name	Address	Number of shares held (Thousand shares)	Holding ratio to total number of issued shares (%)
ShinkoShien ILP	2-8, Kandasuda-cho, Chiyoda-ku, Tokyo	1,529	17.22
Ryoichi Hayakawa	Kitasaku-gun, Nagano	483	5.45
KGI ASIA LIMITED-CLIENT ACCOUNT (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	41/F CENTRAL PLAZA, 18 HARBOUR ROAD, WANCHAI, HONG KONG (3-11-1 Nihombashi, Chuo-ku, Tokyo)	284	3.21
Japan Silber Fleece Co., Ltd.	1-21-4, Minamihorie, Nishi-ku, Osaka-shi, Osaka	197	2.22
Kazuna Fukumitsu	Nishinari-ku, Osaka-shi, Osaka	178	2.01
Akitaka Hatanaka	Chita-shi, Aichi	105	1.19
Ikuyo Morikawa	Kadoma-shi, Osaka	72	0.81
Fumio Yamamoto	Sakai-shi, Fukui	70	0.79
Tsuyoshi Goshono	Koshigaya-shi, Saitama	70	0.79
Japan Securities Finance Co., Ltd.	1-2-10, Nihombashi-Kayabacho, Chuo-ku, Tokyo	61	0.70
Total	-	3,054	34.38

(7) Voting Rights

1) Issued Shares

As of March 31, 2018

Classification of shares	Number of shares (Shares)	Number of voting rights (Units)	Remarks
Shares without voting rights	-	-	-
Shares with limited voting rights (treasury shares, etc.)	-	-	-
Shares with limited voting rights (others)	-	-	-
Shares with full voting rights (treasury shares, etc.)	Common stock 2,600	-	-
Shares with full voting rights (others)	Common stock 8,879,000	88,790	-
Shares less than one unit share	Common stock 5,489	-	-
Total number of issued shares	8,887,089	-	-
Voting rights of total shareholders	-	88,790	-

Notes: 1. The common stock indicated in “Shares with full voting rights (others)” includes 100 shares (Number of voting rights: 1) of unknown holders’ stock registered under the name of Japan Securities Depository Center, Inc.
2. The Company conducted a 1-for-10 reverse common stock split effective on October 1, 2017. Accordingly, total number of issued shares decreased 79,983,807 shares to 8,887,089 shares.

2) Treasury Shares, etc.

As of March 31, 2018

Owner’s name or title	Owner’s address	Number of treasury shares in own name (Shares)	Number of treasury shares in the names of others (Shares)	Total number of shares owned (Shares)	Holding ratio to total number of issued shares (%)
Striders Corporation	5-13-5, Shimbashi, Minato-ku, Tokyo	2,600	-	2,600	0.03
Total	-	2,600	-	2,600	0.03

Note: The Company conducted a 1-for-10 reverse common stock split effective on October 1, 2017.

2. Acquisitions, etc. of Treasury Shares

[Classes of Shares, etc.] Acquisition of common stock that falls under the provisions of Article 155, Paragraph 7 and Article 155, Paragraph 9 of the Companies Act

(1) Acquisitions by Resolution of Shareholders' Meeting
There is no applicable information.

(2) Acquisitions by Resolution of Board of Directors' Meeting
There is no applicable information.

(3) Acquisitions Not Based on Resolution of Shareholders' Meeting or Board of Directors' Meeting

Classification of shares	Number of shares (Shares)	Total value (Yen)
Treasury shares acquired during the current fiscal year	90	41,850
Treasury shares acquired during the period for acquisition	10	4,740

Notes: 1. In accordance with the resolution approved at the 53rd Ordinary General Shareholders' Meeting held on June 22, 2017, the Company conducted a 1-for-10 reverse common stock split effective on October 1, 2017. The number of treasury shares acquired during the current fiscal year increased from 0 shares to 90 shares after the reverse stock split.
2. The number of treasury shares acquired during the "period for acquisition" does not include shares resulting from purchases of less than one unit share from June 1, 2018 to the submission date of this Securities Registration Report.

(4) Disposals or Holding of Acquired Treasury Shares

Classification of shares	Current fiscal year		Period for acquisition	
	Number of shares (Shares)	Total amount of disposition (Yen)	Number of shares (Shares)	Total amount of disposition (Yen)
Treasury shares offered for acquisition	-	-	-	-
Treasury shares canceled for disposition	-	-	-	-
Transferred treasury shares in connection with merger, share exchange or corporate divestiture	-	-	-	-
Others (decrease due to reverse stock split)	23,489	-	-	-
Number of treasury shares held	2,699	-	2,699	-

Notes: 1. In accordance with the resolution approved at the 53rd Ordinary General Shareholders' Meeting held on June 22, 2017, the Company conducted a 1-for-10 reverse common stock split effective on October 1, 2017.
2. The number of treasury shares held during the "period for acquisition" does not include shares resulting from purchases of less than one unit share from June 1, 2018 to the submission date of this Securities Registration Report.

3. Dividend Policy

An early resumption of dividend payments is one of the highest priorities of the Company and numerous actions are being taken to improve and stabilize sales and earnings. The policy for the dividend is to make a decision that reflects all applicable factors while taking into account results of operations, market conditions and the need to retain earnings to strengthen business operations over the medium and long term.

The Company has a fundamental policy of paying an interim dividend and a year-end dividend. Shareholders determine the year-end dividend at the annual meeting and the Board of Directors determines the interim dividend.

Furthermore, the Articles of Incorporation of the Company allow for the payment of an interim dividend with a record date of September 30 based on a resolution by the Board of Directors.

4. Historical Records of Share Price

(1) Highest and Lowest Share Price of Each Fiscal Year in Last Five Years

Term	50th Period	51st Period	52nd Period	53rd Period	54th Period
Fiscal year-end	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Highest (Yen)	94	134	106	91	590 (74)
Lowest (Yen)	19	47	56	45	419 (55)

Notes: 1. The highest and lowest share prices were at the Jasdaq (standard) market of the Tokyo Stock Exchange since July 16, 2013. Before that date, prices were at the Jasdaq (standard) market of the Osaka Securities Exchange.

2. The Company conducted a 1-for-10 reverse common stock split effective on October 1, 2017. The stock prices shown for the 54th period are after this reverse stock split and stock prices in parentheses are prior to the reverse stock split.

(2) Highest and Lowest Share Price of Each Month in Last Six Months

Month	October 2017	November	December	January 2018	February	March
Highest (Yen)	590	535	489	589	522	478
Lowest (Yen)	505	421	435	456	419	428

Note: The highest and lowest share prices were at the Jasdaq (standard) market of the Tokyo Stock Exchange.

5. Information about Officers

8 males, 0 female (Pct. of female officers -%)

Official title	Position title	Name	Date of birth	Brief career history		Term of office	Number of the company shares held (Thousand shares)
Chairman and Chief Executive Officer	CEO	Ryoichi Hayakawa	January 9, 1955	April 1977 September 1995 November 1998 February 2007 April 2007 February 2009 June 2009 March 2012 May 2012 March 2013 June 2014 December 2017	Joined The Long-Term Credit Bank of Japan (current Shinsei Bank, Limited) Councilor of Asia Department of The Long-Term Credit Bank of Japan General Manager of Management Planning Office of Nippon Computer Systems Corp. Director of the Company Representative Director of VLR Co., Ltd. (current M&A Global Partners Co., Ltd.) (current) Director of Trust Advisers Corporation (current) Representative Director of the Company (current) Director of Mobile Link Inc. (current) Director of Y.K. Masuda Seimen (current) Representative Director of Narita Gateway Hotel Co., Ltd. (current) Representative Director of Kurashiki Royal Art Hotel Co., Ltd. (current) Director of MIRAI Intellectual Property and Technology Research Center Co., Ltd. (current)	Note 3	483
President and Chief Executive Officer	COO	Ryotaro Hayakawa	June 22, 1983	April 2008 June 2014 October 2014 October 2014 April 2016 June 2016 January 2018	Joined ORIX Corporation Director and General Manager of Management Planning Office of the Company Director of Mobile Link Inc. (current) Director of Kurashiki Royal Art Hotel Co., Ltd. (current) General Manager of Business Planning Division, Director of the Company Director of Trust Advisers Corporation (current) Representative Director of the Company (current)	Notes 3 and 5	4
Managing Director	CFO	Yoshiyuki Wakahara	February 13, 1976	April 1999 July 2001 March 2007 October 2011 November 2011 February 2012 October 2014 June 2015	Joined Fujitsu Limited Joined Future System Consulting, Inc. (current Future Architect, Inc.) Joined Deloitte Touche Tohmatsu (current Deloitte Touche Tohmatsu LLC) Registered as Certified Public Accountant Joined BayCurrent Consulting, Inc. Joined the Company General Manager of Administrative Division of the Company CFO, Managing Director of the Company (current)	Note 3	0

Official title	Position title	Name	Date of birth	Brief career history	Term of office	Number of the company shares held (Thousand shares)
Director		Koichi Miyamura	December 21, 1976	April 1999 Joined Yuto K.K. August 1999 Joined Shoco Sangyo Co., Ltd. January 2005 Joined S-fit Co., Ltd. April 2005 Joined S-GRANT Co., Ltd. December 2008 Director of S-GRANT Advisors Co., Ltd. (current Trust Advisers Corporation) June 2012 Director of the Company (current) June 2014 Representative Director of Trust Advisers Corporation (current)	Note 3	1
Director		Yasushi Suzuki	February 24, 1963	April 1986 Joined The Long-Term Credit Bank of Japan (current Shinsei Bank, Limited) July 1995 General Manager of Sales Department of the Indonesia Office, The Long-Term Credit Bank of Japan November 1996 Deputy Branch Manager of the Singapore Branch, The Long-Term Credit Bank of Japan August 1999 Deputy General Manager of the New York Branch, The Long-Term Credit Bank of Japan March 2000 Senior Economist of the Institute for Social and Economic Infrastructure Systems (posted in London) June 2001 Financial Advisor of AntFactory Inc. (U.K.) March 2002 Associate Professor of the Department of Management Systems, Kanazawa Institute of Technology April 2004 Associate Professor of the College of Asia Pacific Studies, Ritsumeikan Asia Pacific University April 2008 Professor of the College of International Management, Ritsumeikan Asia Pacific University (current) June 2015 Director of the Company (current)	Note 3	0

Official title	Position title	Name	Date of birth	Brief career history	Term of office	Number of the company shares held (Thousand shares)
Full-time Corporate Auditor		Ikuo Yoshizawa	January 28, 1952	April 1976 Joined Kokusai Denshin Denwa Co., Ltd. (current KDDI Corp.) March 1992 Manager, in-charge of Sales Division of Kokusai Denshin Denwa Co., Ltd. September 2000 Manager of Investigation of KDD Research Institute, Inc. (current KDDI Research Institute, Inc.) April 2004 External assignment to Research Institute of Telecommunications and Economics, Foundation for Multi-Media Communications April 2007 External assignment to KDDI Engineering and Consulting, Inc. April 2008 Assignment to Nonprofit Organization (NPO) ITS Japan June 2012 Full-time Corporate Auditor of the Company (current) January 2013 Corporate Auditor of Mobile Link Inc. (current) June 2014 Corporate Auditor of Kurashiki Royal Art Hotel Co., Ltd. (current) October 2014 Corporate Auditor of Trust Advisers Corporation (current) October 2014 Corporate Auditor of Y.K. Masuda Seimen (current) October 2014 Corporate Auditor of Narita Gateway Hotel Co., Ltd. (current) June 2015 Corporate Auditor of M&A Global Partners Co., Ltd. (current) May 2018 Corporate Auditor of MIRAI Intellectual Property and Technology Research Center Co., Ltd. (current)	Note 4	31
Corporate Auditor		Nobuyuki Kobayashi	March 22, 1950	May 1977 Registered as Certified Public Accountant January 1983 Joined Chuo Accounting Office (changed the office name to Misuzu Audit Corp.) March 1985 Corporate Auditor of Omtec Co., Ltd. (current) July 1985 Partner of Chuo Accounting Office (changed the office name to Misuzu Audit Corp.) July 1988 Senior Partner of Chuo Accounting Office October 2000 Manager of Examination, Business Operations Division, Chuo Accounting Office September 2006 Joined Crowe Toyo & Co. Examination Department June 2007 Corporate Auditor of the Company (current) January 2008 Senior Partner of Crowe Toyo & Co. August 2014 Chairman of Crowe Toyo & Co. October 2017 Advisor of Crowe Toyo & Co. (current) March 2018 Representative Director of Eishin Partners Co., Ltd. (current)	Note 4	-
Corporate Auditor		Ayumu Kuniyoshi	October 22, 1972	October 2000 Registered as an attorney October 2000 Joined Asuka Law Office June 2006 Corporate Auditor of the Company (current) December 2010 Established Forest Walk Law Office as Representative (current) December 2015 Director of SINCERE Corporation (current)	Note 4	26
Total						547

Notes: 1. Director Yasushi Suzuki is an outside director.
2. Corporate Auditors Ikuo Yoshizawa, Nobuyuki Kobayashi and Ayumu Kuniyoshi are outside corporate auditors.
3. The term of office is two years from the conclusion of the Ordinary General Shareholders' Meeting held on June 22, 2017.
4. The term of office is four years from the conclusion of the Ordinary General Shareholders' Meeting held on June 24, 2015.
5. The President and Chief Executive Officer Ryotaro Hayakawa is the first son of Ryoichi Hayakawa, the Chairman and Chief Executive Officer of the Company.

6. Explanation about Corporate Governance, etc.

(1) Explanation about Corporate Governance

(Fundamental approach to corporate governance)

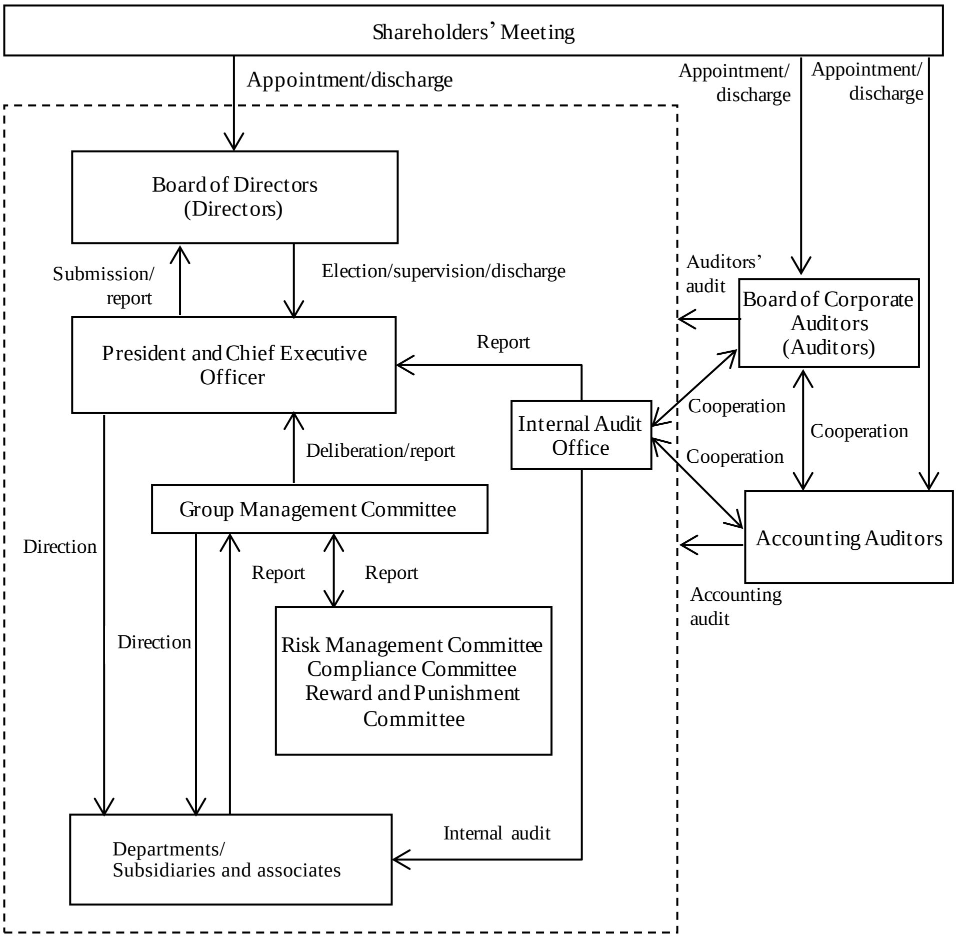
The Striders Group considers important the safeguarding of shareholders' interests and maximization of corporate value while maintaining a balance among the interests of individuals associated with the Company. To this end, the Company recognizes the creation and further strengthening of the corporate governance system as a management issue. The Company uses objective checks of management to ensure transparency and maintain the soundness and fairness of management. To perform these checks, the Company uses the deliberating function of the Board of Directors, the auditing function of the corporate auditors, the division of responsibilities within the Company, and other measures.

1) Corporate governance structure

(a) Outline of corporate governance structure

The Company is a company with corporate auditors. Corporate institutions include the Board of Directors, which is the decision-making and supervisory unit for matters concerning management policy and other important items. The Board of Corporate Auditors is the audit institution.

The following diagram shows the structure of the corporate governance system.



(b) Reason for using this structure

The Company believes externally objective and neutral management supervisory functions to be important to a corporate governance system that facilitates swift management decisions, highly transparent management and a strong management supervisory function. The Company has adopted this structure, as it considers optimal a system with a Board of Directors including outside directors and under which outside corporate auditors supervise and audit business execution.

(c) Other items concerning corporate governance

Development of internal control system

As the cornerstone of the Company's internal control system, the representative director promotes the creation, maintenance and enhancement of the internal control system. To put in place and maintain the compliance structure, the representative director appoints as executing organizations a person in charge of internal auditing and a person in charge of legal compliance.

Development of risk management system

The Company's risk management system involves establishing regulations for the director in charge of risk management, Risk Management Committee regulations and other regulations, determining personnel responsible for individual risks, and configuring a risk management system in accordance with these regulations.

Development of a system for ensuring the appropriate operation of subsidiaries

To ensure the appropriate operation of subsidiaries, the Company has formulated regulations for the management of subsidiaries and associates as behavioral guidelines that apply to all group companies. Individual group companies establish regulations based on these guidelines.

(d) Overview of limited liability contracts

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into contracts with its outside directors and corporate auditors that provide the greatest possible limit to their liability as stated in Article 423, Paragraph 1 of the Companies Act. The monetary liability limit in these contracts shall be the amounts as stipulated by laws and regulations for outside directors and corporate auditors.

(e) Overview of limited liability contract with the accounting auditors

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into a contract with Aria Audit Corporation, which is the Company's accounting auditor. The contract provides the greatest possible limit to liability as stated in Article 423, Paragraph 1 of the Companies Act. The monetary liability limit in such contract shall be set at the amount as stipulated by laws and regulations.

2) Internal audits and audits by corporate auditors

The Company has established the Internal Audit Office, which is independent of departments involved with business activities and under the direct control of the president and representative director. In liaison with the Board of Corporate Auditors, this office examines the compliance, risk management and accounting activities of organizational units within the Company and the entire Group as well as the suitability of business processes and provide suggestions for improvements. In addition, to strengthen internal controls, the Internal Audit Office examines the status of internal control systems and provides suggestions for improvements.

Corporate auditors perform regular audits. For specific issues involving management and accounting, they liaise with the Internal Audit Office and the accounting auditor to enhance audit effectiveness and efficiency. Corporate auditors have considerable knowledge of finance, accounting and legal matters. For example, these auditors have extensive business expertise due to many years of experience in the communications and IT industries, are certified public accountants or attorneys, or have other experience or qualifications.

3) Accounting audit

(a) Names of certified public accountants who executed the audit, the name of the audit corporation and consecutive years of audit experience

Names of certified public accountants (CPA) who executed the audit	Name of audit corporation
Representative: Designated Partner and Managing Partner Hidetoshi Motegi	Aria Audit Corporation
Representative: Designated Partner and Managing Partner Yasuyuki Yamanaka	Aria Audit Corporation

Note: The number of consecutive years of audit experience has been omitted because it is less than seven years for both CPAs.

(b) Details of audit assistants

Certified public accountants: 2 Others: 4

4) Outside directors and outside corporate auditors

(a) Number of outside directors and outside corporate auditors

The Company has one outside director and three outside corporate auditors as of the submission date of this report.

(b) Personal, financial, business and other significant relationships with outside directors and outside corporate auditors

Outside director Yasushi Suzuki is a professor of the College of International Management at Ritsumeikan Asia Pacific University. There is no significant relationship between the Company and this university.

Outside corporate auditor Ikuo Yoshizawa is a corporate auditor of the following subsidiaries of the Company: Trust Advisers Corporation, Mobile Link Inc., Y.K. Masuda Seimen, Narita Gateway Hotel Co., Ltd., Kurashiki Royal Art Hotel Co., Ltd., M&A Global Partners Co., Ltd. and the Company's affiliate MIRAI Intellectual Property and Technology Research Center Co., Ltd.

Outside corporate auditor Nobuyuki Kobayashi is an advisor of Crowe Toyo & Co., an outside corporate auditor of Omtec Co., Ltd. and the representative director of Eishin Partners Co., Ltd. There is no significant relationship between the Company and either of these entities.

Outside corporate auditor Ayumu Kuniyoshi is the representative of Forest Walk Law Office and an outside director of SINCERE Corporation. There is no significant relationship between the Company and either of these entities.

In addition, as of the date this report was submitted, the Company stock holdings of one outside director and two outside corporate auditors were as follows.

Outside director:	Yasushi Suzuki	600 shares
Outside corporate auditor:	Ikuo Yoshizawa	31,200 shares
Outside corporate auditor:	Ayumu Kuniyoshi	26,100 shares

(c) Functions and roles of outside directors and outside corporate auditors from the standpoint of corporate governance

Outside director Yasushi Suzuki has considerable experience and specialized knowledge due to his position as a university professor. He was selected as an outside director mainly to provide valuable advice concerning investments in Asia as well as other subjects.

The outside corporate auditors were selected for the following reasons. Ikuo Yoshizawa uses many years of experience as a corporate executive and knowledge covering a broad range of fields to oversee management and provide suitable suggestions. Nobuyuki Kobayashi, who is a certified public accountant, has considerable expertise involving corporate accounting and legal affairs. Mr. Kobayashi's knowledge about the oversight of corporate management is incorporated in auditing activities. Ayumu Kuniyoshi has specialized knowledge as an attorney that is incorporated in auditing activities.

(d) Standards and policy for independence of the outside directors and outside corporate auditors

The Company has established the following standards for the selection independent directors and corporate auditors. The Company selects one outside director and three outside corporate auditors who are independent of the Company to fulfill the role of ensuring that corporate governance functions effectively from the standpoint of protecting ordinary shareholders with no risk of conflicts of interest with these shareholders. The names of the outside director and corporate auditors are submitted to the Tokyo Stock Exchange.

i. No past experience as a director or corporate auditor or employee (including corporate officer) of the Company and no receipt of executive compensation, salaries or advisory fees
ii. Expertise involving corporate management
iii. No significant monetary relationship or interest with the Company
iv. Ability to attend the regular meetings of the Board of Directors

(e) Stance regarding the selection of outside directors and outside corporate auditors

The Company selects outside directors and outside corporate auditors based on their corporate management experience and knowledge and involvement in various industries, specialized knowledge and auditing experience and knowledge as a certified public accountant, and specialized knowledge and viewpoint based on experience and knowledge as an attorney.

(f) Oversight, audits and internal audits by outside directors and outside corporate auditors, audits by corporate auditors, mutual cooperation with the accounting auditor, and relationship with internal controls departments

The outside director uses his extensive experience and specialized knowledge to make appropriate statements at meetings of the Board of Directors. This director supervises management and fulfills a checking function from the perspective independent from management.

The outside corporate auditors make appropriate statements at meetings of the Board of Directors based on their specialized knowledge and objective perspective. By cooperating with the Internal Audit Office, which is independent of departments involved with business activities, the outside corporate auditors examines the compliance, risk management and accounting activities of organizational units within the Company and the entire Group as well as the suitability of business processes and provide suggestions for improvements. Regarding the relationship with the accounting auditor, there are measures for upgrading audits performed by corporate auditors. For example, there are regular audits and regular exchanges of information and opinions as well as requests for more effective collaboration with the Board of Corporate Auditors.

5) Remuneration paid to executives

(a) Compensation for executives (with separate data for outside directors and outside corporate auditors)

Category	Individuals	Annual remuneration (Thousands of yen)
Directors (of which outside directors)	5 (1)	35,100 (2,250)
Corporate Auditors (of which outside corporate auditors)	3 (3)	9,750 (9,750)

Notes: 1. Compensation for directors does not include salaries paid to directors who are also employees of the Company.
2. The amount of remuneration to be paid to directors was approved at the 24th Ordinary General Shareholders' Meeting held on October 28, 1988, as no more than 80,000 thousand yen per year (do not include the employee salaries of directors who serve concurrently as employees).
3. The amount of remuneration to be paid to corporate auditors was approved at the 24th Ordinary General Shareholders' Meeting held on October 28, 1988, as no more than 15,000 thousand yen per year.
4. In the fiscal year ended in March 2018, there were no bonuses for directors.
5. In the fiscal year ended in March 2018, there was no director or corporate auditor compensation from subsidiaries for outside directors and outside corporate auditors who also serve in any of these roles at a subsidiary.
6. The Company had five directors (including one outside director) and three corporate auditors (all outside corporate auditors) as of March 31, 2018. There is one director who receives no compensation.

(b) Policy concerning determination of the amount or calculation method of compensation, etc. of executives

There is no applicable information.

6) Shareholding status

(a) Number and total balance sheet amount of stock brands of the investment stocks of which the purpose of holding is other than pure investment purposes

2 stock brands, 3,994 thousand yen

(b) Category of holding, stock brand, number of shares, the balance sheet amount and purpose of holding of the investment stocks of which the purpose of holding is other than pure investment purposes

FY3/17

Specified Investment Stocks

Stock brand	Number of shares (Shares)	Amount in consolidated balance sheet (Thousands of yen)	Purpose of holding
Chuo Senko (Thailand) Public Company Limited	3,420,000	6,689	To strengthen and maintain a business relationship
Smart Metro Private Limited	150	22,095	To strengthen and maintain a business relationship

FY3/18

Specified Investment Stocks

Stock brand	Number of shares (Shares)	Amount in consolidated balance sheet (Thousands of yen)	Purpose of holding
Chuo Senko (Thailand) Public Company Limited	3,420,000	2,325	To strengthen and maintain a business relationship
Smart Metro Private Limited	150	1,668	To strengthen and maintain a business relationship

(c) Total balance sheet amount for the previous and current fiscal years, as well as the total amounts of dividend income, sales gain/loss and valuation gain/loss for the current fiscal year, of the investment stocks of which the purpose of holding is pure investment

Category	FY3/17 (Thousands of yen)	FY3/18 (Thousands of yen)			
	Total amount in the balance sheet	Total amount in the balance sheet	Total amount of dividend income	Total amount of gain/loss on sales	Total amount of valuation gain/loss
Non-listed shares	48	1,476	-	-	1,428

7) Number of directors

The Company’s Articles of Incorporation state that the maximum number of directors shall be 10.

8) Requirements for resolutions for election of directors

As stated in the Company’s Articles of Incorporation, resolutions for the election of directors require the participation of shareholders representing at least one-third of all voting rights of shareholders entitled to vote and a candidate must receive a majority of the votes cast. Furthermore, the Articles of Incorporation prohibit cumulative voting.

9) Resolution matters that can be approved by the Board of Directors without approval at the Shareholders’ Meeting

(a) Exemption of liabilities of directors

Pursuant to the provision of Article 426, Paragraph 1 of the Companies Act, the Company stipulates in its Articles of Incorporation to exempt the liabilities of directors (including persons who were previously directors) as stipulated in Article 423, Paragraph 1 of the same act by a resolution of the Board of Directors within the scope legally allowed by applicable laws and regulations.

(b) Exemption of liabilities of corporate auditors

Pursuant to the provision of Article 426, Paragraph 1 of the Companies Act, the Company stipulates in its Articles of Incorporation to exempt the liabilities of corporate auditors (including persons who were previously corporate auditors) as stipulated in Article 423, Paragraph 1 of the same act by a resolution of the Board of Directors within the scope legally allowed by applicable laws and regulations.

(c) Determination of interim dividends

Pursuant to Article 454, Paragraph 5 of the Companies Act concerning the payment of an interim dividend from retained earnings, the Company's Articles of Incorporation state that the Board of Directors can approve an interim dividend each year with a record date of September 30 without the approval of a resolution at the Shareholders' Meeting. Designating the Board of Directors as the unit to reach decisions for the interim dividend facilitates the rapid and flexible distribution of earnings to shareholders based on the Company's business climate and results of operations.

10) Requirements for extraordinary resolutions at Shareholders' Meetings

The Company's Articles of Incorporation state that the resolutions stipulated in Article 309, Paragraph 2 of the Companies Act shall be made by two-thirds or more of the votes of shareholders present at the Shareholders' Meeting where the shareholders holding one-third or more of the voting rights of shareholders entitled to exercise their votes at such meeting are present. The purpose of this provision is to run Shareholders' Meetings smoothly, by relaxing the quorum requirement for extraordinary resolutions at the Shareholders' Meetings.

(2) Details of Audit Fee, etc.

1) Details of Remuneration to Independent Auditors

Category	FY3/17		FY3/18	
	Compensation based on audit certification work (Thousands of yen)	Compensation based on non-audit work (Thousands of yen)	Compensation based on audit certification work (Thousands of yen)	Compensation based on non-audit work (Thousands of yen)
Reporting company	10,500	-	16,500	-
Consolidated subsidiaries	-	-	-	-
Total	10,500	-	16,500	-

2) Other Material Remuneration to Independent Auditors

FY3/17

There is no applicable information.

FY3/18

Consolidated subsidiary PT. Citra Surya Komunikasi paid 294 thousand yen to Indonesian auditing firm KAP TANUWIJAYA for audit certification work.

3) Details of Non-audit Services Rendered by Independent Auditors

FY3/17

There is no applicable information.

FY3/18

There is no applicable information.

4) Policy on Determining Audit Fee

The audit fee is determined by the representative director with the consent of and Board of Corporate Auditors after taking into account the size and characteristics of the Company's business activities, the number of days required for auditing, and other factors.

Section 5. Financial Information

1. Basis for Preparation of Consolidated and Non-consolidated Financial Statements

(1) The consolidated financial statements of the Company are prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28, 1976).

(2) The non-consolidated financial statements of the Company are prepared in accordance with the “Regulation on the Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59, 1963) (hereinafter the “Regulations for Non-consolidated Financial Statements”).

The Company is subject to prepare the financial statements in accordance with special provision pursuant to Article 127 of the Regulations for Non-consolidated Financial Statements.

2. Audit Certificate

Pursuant to the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the fiscal year (from April 1, 2017 to March 31, 2018) and the non-consolidated financial statements for the business year (from April 1, 2017 to March 31, 2018) have been audited by Aria Audit Corporation.

3. Special Approaches to Secure the Appropriateness of the Consolidated Financial Statements, etc.

(1) The Company uses the following framework to ensure appropriateness of financial reports.

1) To create a framework for the suitable implementation of internal controls for financial reports, policies for internal controls and other items have been established.

2) To ensure the suitability of financial reports, the Internal Audit Office has been established to oversee internal controls.

3) The Internal Audit Office uses audits, meetings, directives and other measures involving group companies for the purpose of submitting guidance so that group companies operate properly and in compliance with laws, regulations and rules. This office works with the Accounting Department to establish an infrastructure for ensuring that financial reports are accurate and reliable.

(2) As one step to ensure the suitability of consolidated financial statements and other financial reports, the Company belongs to the Financial Accounting Standards Foundation and is creating a framework for accurately complying with accounting standards, revisions to these standards and other items.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements
1) Consolidated Balance Sheet

(Thousands of yen)

	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	*1 1,536,880	*1 2,214,398
Accounts receivable-trade	132,794	240,552
Securities	15,541	2,672
Real estate for sale	296,687	219,039
Work in process	-	84,478
Other inventories	19,721	23,057
Deferred tax assets	16,000	26,000
Other	139,660	123,114
Allowance for doubtful accounts	(6,217)	(20,715)
Total current assets	2,151,067	2,912,596
Non-current assets		
Property, plant and equipment		
Buildings and structures	*1 1,080,155	*1 1,233,144
Accumulated depreciation	(196,944)	(252,006)
Buildings and structures, net	883,211	981,137
Machinery, equipment and vehicles	43,475	70,221
Accumulated depreciation	(33,647)	(48,895)
Machinery, equipment and vehicles, net	9,827	21,326
Tools, furniture and fixtures	77,849	195,443
Accumulated depreciation	(45,744)	(115,334)
Tools, furniture and fixtures, net	32,104	80,108
Land	*1 348,663	*1 348,663
Total property, plant and equipment	1,273,807	1,431,236
Intangible assets		
Goodwill	182,638	216,551
Other	22,695	19,307
Total intangible assets	205,333	235,858
Investments and other assets		
Investment securities	49,588	33,019
Shares of subsidiaries and associates	82,671	84,147
Deferred tax assets	68,693	91,210
Other	65,309	56,477
Allowance for doubtful accounts	(5,027)	(1,195)
Total investments and other assets	261,235	263,659
Total non-current assets	1,740,376	1,930,754
Total assets	3,891,444	4,843,351

(Thousands of yen)

	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	86,120	158,305
Short-term loans payable	*2 50,000	*1,*2 215,352
Current portion of long-term loans payable	*1 166,108	*1 228,670
Unearned revenue	119,734	236,945
Accrued expenses	84,261	169,160
Accounts payable-other	85,482	103,758
Income taxes payable	23,206	32,232
Provision for bonuses	28,606	28,284
Deposits received	92,383	132,198
Interest rate swaps	33,049	29,569
Other	56,968	84,089
Total current liabilities	825,922	1,418,567
Non-current liabilities		
Long-term loans payable	*1 733,712	*1 934,338
Net defined benefit liability	10,025	37,069
Long-term lease and guarantee deposited	240,135	246,747
Deferred tax liabilities	183,053	173,607
Total non-current liabilities	1,166,926	1,391,762
Total liabilities	1,992,848	2,810,329
Net assets		
Shareholders’ equity		
Capital stock	1,582,416	1,582,416
Capital surplus	270,961	106,207
Retained earnings	68,359	364,878
Treasury shares	(3,020)	(3,062)
Total shareholders’ equity	1,918,716	2,050,440
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,641	3,009
Deferred gains or losses on hedges	(33,049)	(29,176)
Foreign currency translation adjustment	2,279	(3,253)
Remeasurements of defined benefit plans	-	(7,385)
Total accumulated other comprehensive income	(26,129)	(36,805)
Share acquisition rights	5,415	2,220
Non-controlling interests	593	17,166
Total net assets	1,898,595	2,033,021
Total liabilities and net assets	3,891,444	4,843,351

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

(Thousands of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Net sales	6,366,301	7,971,402
Cost of sales	4,352,369	5,779,662
Gross profit	2,013,932	2,191,739
Selling, general and administrative expenses	* 1,734,657	* 1,982,786
Operating profit	279,274	208,952
Non-operating income		
Interest income	715	2,314
Dividend income	436	135
Gain on valuation of securities	30	244
Gain on sales of securities	6,247	1,243
Commission fee	16,712	21,018
Other	10,805	4,970
Total non-operating income	34,948	29,927
Non-operating expenses		
Interest expenses	16,937	15,596
Share of loss of entities accounted for using equity method	3,431	36,290
Foreign exchange losses	-	7,158
Other	733	543
Total non-operating expenses	21,102	59,588
Ordinary profit	293,121	179,291
Extraordinary income		
Gain on sales of investment securities	32,354	8,421
Other	-	3,195
Total extraordinary income	32,354	11,616
Extraordinary losses		
Loss on valuation of investment securities	47,682	23,369
Loss on sales of shares of subsidiaries and associates	-	3,693
Loss on valuation of shares of subsidiaries and associates	-	3,196
Office transfer expenses	-	3,952
Total extraordinary losses	47,682	34,211
Profit before income taxes	277,793	156,696
Income taxes-current	74,809	67,887
Income taxes-deferred	(26,207)	(36,321)
Total income taxes	48,601	31,566
Profit	229,191	125,130
Loss attributable to non-controlling interests	(35)	(66)
Profit attributable to owners of parent	229,226	125,196

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Profit	229,191	125,130
Other comprehensive income		
Valuation difference on available-for-sale securities	4,641	(1,632)
Deferred gains or losses on hedges	11,750	3,873
Foreign currency translation adjustment	2,279	(5,532)
Remeasurements of defined benefit plans, net of tax	-	(7,385)
Total other comprehensive income	* 18,671	* (10,676)
Comprehensive income	247,862	114,453
Comprehensive income attributable to:		
Owners of parent	247,898	114,520
Non-controlling interests	(35)	(66)

3) Consolidated Statement of Changes in Equity

FY3/17 (April 1, 2016 – March 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,578,674	267,219	(160,867)	(3,020)	1,682,005
Changes of items during period					
Issuance of new shares	3,742	3,742			7,484
Profit attributable to owners of parent			229,226		229,226
Net changes of items other than shareholders' equity					
Total changes of items during period	3,742	3,742	229,226	-	236,710
Balance at end of current period	1,582,416	270,961	68,359	(3,020)	1,918,716

(Thousands of yen)

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	-	(44,800)	-	(44,800)	8,219	628	1,646,052
Changes of items during period							
Issuance of new shares							7,484
Profit attributable to owners of parent							229,226
Net changes of items other than shareholders' equity	4,641	11,750	2,279	18,671	(2,804)	(35)	15,832
Total changes of items during period	4,641	11,750	2,279	18,671	(2,804)	(35)	252,542
Balance at end of current period	4,641	(33,049)	2,279	(26,129)	5,415	593	1,898,595

FY3/18 (April 1, 2017 – March 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,582,416	270,961	68,359	(3,020)	1,918,716
Changes of items during period					
Deficit disposition		(173,267)	173,267		-
Profit attributable to owners of parent			125,196		125,196
Capital increase of consolidated subsidiaries		453			453
Sales of shares of consolidated subsidiaries		8,060			8,060
Change of scope of consolidation			(1,945)		(1,945)
Purchase of treasury shares				(41)	(41)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(164,753)	296,519	(41)	131,724
Balance at end of current period	1,582,416	106,207	364,878	(3,062)	2,050,440

(Thousands of yen)

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for- sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	4,641	(33,049)	2,279	-	(26,129)	5,415	593	1,898,595
Changes of items during period								
Deficit disposition								-
Profit attributable to owners of parent								125,196
Capital increase of consolidated subsidiaries								453
Sales of shares of consolidated subsidiaries								8,060
Change of scope of consolidation								(1,945)
Purchase of treasury shares								(41)
Net changes of items other than shareholders' equity	(1,632)	3,873	(5,532)	(7,385)	(10,676)	(3,195)	16,573	2,701
Total changes of items during period	(1,632)	3,873	(5,532)	(7,385)	(10,676)	(3,195)	16,573	134,425
Balance at end of current period	3,009	(29,176)	(3,253)	(7,385)	(36,805)	2,220	17,166	2,033,021

4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	277,793	156,696
Depreciation	68,008	84,597
Amortization of goodwill	26,047	29,203
Increase (decrease) in allowance for doubtful accounts	1,644	(4,650)
Increase (decrease) in other provision	7,734	487
Loss (gain) on sales of investment securities	(32,354)	(8,421)
Loss (gain) on valuation of investment securities	47,682	23,369
Share of loss (profit) of entities accounted for using equity method	3,431	36,290
Interest and dividend income	(1,152)	(1,430)
Interest expenses	16,937	15,596
Loss (gain) on sales of securities	(6,247)	(1,243)
Foreign exchange losses (gains)	(482)	6,250
Loss on valuation of shares of subsidiaries and associates	-	3,196
Loss (gain) on sales of shares of subsidiaries and associates	-	3,693
Decrease (increase) in notes and accounts receivable - trade	(15,994)	(56,535)
Decrease (increase) in inventories	(91,835)	51,549
Increase (decrease) in notes and accounts payable - trade	23,073	(1,807)
Increase (decrease) in deposits received	(8,716)	36,430
Increase (decrease) in lease and guarantee deposits received	(4,560)	6,612
Other, net	67,198	167,108
Subtotal	378,208	546,993
Interest and dividend income received	494	1,078
Interest expenses paid	(16,894)	(14,867)
Income taxes paid	(83,331)	(60,583)
Net cash provided by (used in) operating activities	278,477	472,621
Cash flows from investing activities		
Purchase of securities	(3,164)	(615)
Proceeds from sales of securities	44,924	14,972
Purchase of property, plant and equipment	(82,033)	(198,017)
Purchase of intangible assets	(12,512)	(3,544)
Net decrease (increase) in time deposits	9,500	(129,000)
Purchase of investment securities	(120,615)	(20,000)
Proceeds from sales of investment securities	32,380	103,785
Payments for investments in capital of subsidiaries and associates	(5,178)	-
Purchase of shares of subsidiaries and associates	-	(78,275)
Proceeds from sales of shares of subsidiaries and associates	-	51,740
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	*2 4,748
Payments of loans receivable	(700)	-
Collection of loans receivable	1,303	-
Other, net	299	(7,825)
Net cash provided by (used in) investing activities	(135,796)	(262,030)

(Thousands of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	48,000	80,000
Proceeds from long-term loans payable	100,000	473,000
Repayments of long-term loans payable	(169,078)	(209,461)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	7,304	-
Payments for retirement by purchase of share acquisition rights	(2,745)	-
Other, net	-	412
Net cash provided by (used in) financing activities	(16,518)	343,950
Effect of exchange rate change on cash and cash equivalents	580	(6,022)
Net increase (decrease) in cash and cash equivalents	126,741	548,518
Cash and cash equivalents at beginning of period	1,310,138	1,436,880
Cash and cash equivalents at end of period	*1 1,436,880	*1 1,985,398

[Notes]

Notes - Significant Accounting Policies for Preparation of Consolidated Financial Statements

1. Matters relating to the scope of consolidation

(1) Number of consolidated subsidiaries: 11

Names of consolidated subsidiaries:

M&A Global Partners Co., Ltd.
Trust Advisers Corporation
Mobile Link Inc.
Y.K. Masuda Seimen
Global Holdings Co., Ltd.
Narita Gateway Hotel Co., Ltd.
Tokyo Apartment Guaranty Corporation
Kurashiki Royal Art Hotel Co., Ltd.
ReLive Co., Ltd.
Striders Global Investment Pte. Ltd.
PT. Citra Surya Komunikasi

ReLive Co., Ltd. was included in the scope of consolidation due to its establishment in the current fiscal year.

In addition, Striders Global Investment Pte. Ltd. and PT. Citra Surya Komunikasi were included in the scope of consolidation as the Company consolidated PT. Citra Surya Komunikasi on September 22, 2017 through subsidiary Striders Global Investment Pte. Ltd.

2. Application of the equity method

(1) Number of affiliates accounted for by the equity method: 2

Names of companies:

Shin-Kong Mobilelink co., Ltd.
MIRAI Intellectual Property and Technology Research Center Co., Ltd.

MIRAI Intellectual Property and Technology Research Center Co., Ltd. is included in the scope of application of the equity method due to the purchase of its shares on January 31, 2018.

(2) Affiliates not accounted for by the equity method (SMART FUNDS PTE. LTD., SMART TRAVEL INTERNATIONAL PTE. LTD.) are excluded from the scope of the application of the equity method, since they have a minor effect on profit//loss (equity in earnings/losses) and retained earnings (equity in earnings) and are relatively insignificant in the context of the consolidated financial statements. Even collectively, they do not have a material impact.

(3) Some equity-method affiliates end their fiscal years on a date that differs from the end of the fiscal year for the consolidated financial statements, and financial statements for the fiscal years of these companies are used to prepare the consolidated financial statements.

3. Matters regarding the fiscal year, etc. of consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year of PT. Citra Surya Komunikasi ends on December 31.

In preparing the consolidated financial statements, the financial statements of this subsidiary as of December 31 were used, provided, however, that the necessary consolidation adjustments have been made for all significant transactions that occurred between January 1 and March 31, the end of the fiscal year.

4. Matters regarding standards for accounting procedures

(1) Valuation criteria and methods for significant assets

i. Securities

-Securities for trade purposes

Valued at the market price, cost of sales being determined by the moving average method.

-Available-for-sale securities

Securities having market prices

Market price method based on market prices, etc. as of the closing date of the fiscal year. (Valuation differences are included directly in net assets and the cost of securities sold is determined by the moving average method.)

Securities without market prices

Cost method based on the moving average method.

ii. Inventories

-Real estate for sale

Cost method primarily based on the specific identification method. (The amount stated in the balance sheet was calculated by the book value write-down method based on a reduction in profitability.)

-Work in process

Cost method based on the specific identification method. (The amount stated in the balance sheet was calculated by the book value write-down method based on a reduction in profitability.)

-Other inventories

Merchandise and finished goods are calculated by the cost method based on the specific identification method (the amount stated in the balance sheet was calculated by the book value write-down method based on a reduction in profitability). Raw materials are calculated by the cost method primarily based on the last purchase cost method (the amount stated in the balance sheet was calculated by the book value write-down method based on a reduction in profitability). Supplies are calculated by the cost method based on the moving average method (the amount stated in the balance sheet was calculated by the book value write-down method based on a reduction in profitability).

(2) Depreciation and amortization methods for significant depreciable and amortizing assets

i. Property, plant and equipment

The Company and its consolidated subsidiaries primarily use the declining-balance method.
However, buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016, are depreciated using the straight-line method. Approximate useful lives are as follows:

Buildings and structures: 6 to 31 years
Machinery, equipment and vehicles: 2 to 10 years
Tools, furniture and fixtures: 2 to 13 years

ii. Intangible assets

Software intended for internal use is amortized using the straight-line method based on an estimated period of internal use (five years).

(3) Reporting basis for significant allowances

i. Allowance for doubtful accounts

In the provision for possible losses on receivables caused by bad debts, the Company and its consolidated subsidiaries record estimated uncollectible amount based on the historical losses as to ordinary receivables and based on the consideration of feasibly recoverable amounts in individual cases of specific receivables for which collectability is a great concern.

ii. Provision for bonuses

In the provision for the future payment of employee bonuses, an anticipated amount of total bonus payments attributable to the current fiscal year is reported.

(4) Accounting method for retirement benefits

Some domestic consolidated subsidiaries calculate net defined benefit liability and retirement benefit expenses by using a simplified method in which the retirement benefit obligations are equal to the amount that would be paid if all employees voluntarily requested retirement benefits at the end of the fiscal year.
To prepare for retirement benefit payments to employees, some overseas consolidated subsidiaries use an accounting method based on International Financial Reporting Standards.

(5) Translation standard of significant foreign currency–denominated assets or liabilities into yen

Monetary debts and credits denominated in foreign currencies are translated into yen at the spot exchange rates on the fiscal year-end date, with the differences resulting from such translations recorded as losses or profits. The assets and liabilities of overseas subsidiaries and other companies are translated into yen at the spot exchange rates on the fiscal year-end date. Revenue and expenses are translated into yen using the average exchange rates during the fiscal year. Any differences resulting from these translations are included in the foreign currency translation adjustment and non-controlling interests under net assets.

(6) Accounting for hedges

-Hedging method

The Company applies deferred hedge accounting.

-Hedging instruments and risks hedged

Hedging instruments: Interest rate swaps
Risk hedged: Interest on borrowings

-Hedging policy

As stated in the Company’s Derivative Management Rules, hedges are used to reduce exposure to interest rate volatility.

-Evaluation method for the effectiveness of hedges

The cumulative changes in cash flows of the hedged risk and of the hedging instrument are compared and the ratio is used to evaluate effectiveness.

(7) Amortization method and amortization period of goodwill

Goodwill is amortized using the straight-line method over a period of not more than 20 years during which benefits are expected to be received from the goodwill of each corresponding company or business.

(8) Definition of cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with maturities of three months or less, that are highly liquid and readily convertible to known amounts of cash and present insignificant risk of change in value.

(9) Other significant matters for preparation of the consolidated financial statements

i. Accounting procedure for consumption taxes

National and local consumption taxes are accounted by the tax-exclusion method.

ii. Application of consolidated taxation system

The Company applies the consolidated taxation system.

Notes - Accounting Standards Issued but Not Yet Applied

Accounting Standard for Revenue Recognition, etc.
- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

(1) Summary

The International Accounting Standards Board (IASB) and U.S. Financial Accounting Standards Board (FASB) have jointly developed a comprehensive accounting standard concerning the recognition of revenue. This resulted in the May 2014 announcement of “Revenue from Contracts with Customers” (IFRS No. 15 of the IASB and Topic 606 of the FASB). IFRS No. 15 became effective starting with fiscal years beginning on or after January 1, 2018 and Topic 606 became effective starting with fiscal years beginning after December 15, 2017. Due to this action, the ASBJ developed a comprehensive accounting standard for revenue recognition and announced this standard along with implementation guidance.

The fundamental policy for the development of the ASBJ accounting standard for revenue recognition was to facilitate comparisons of financial statements, which is one benefit of compatibility with IFRS No. 15. Consequently, the development of this standard started by incorporating the basic elements of IFRS No. 15. In addition, in cases where there were items to be considered in relation to accounting practices in Japan, alternative methods were added, but only to an extent that did not negatively affect financial statement comparisons.

(2) Planned date of application

The Company plans to apply this standard and guidance at the beginning of the fiscal year ending March 31, 2022.

(3) Effect of application of this accounting standard, etc.

The Company is currently studying how the application of the Accounting Standard for Revenue Recognition, etc. will affect the consolidated financial statements.

Notes - Changes in Presentation

Consolidated Balance Sheet

“Accrued expenses,” included in “Other” under “Current liabilities” in the previous fiscal year, are reclassified and presented as a separate line item in the current fiscal year due to the increased significance of the amount. For consistency with these changes, the consolidated financial statements for the previous fiscal year have been revised.

Accordingly, the 141,229 thousand yen “Other” line item under “Current liabilities” in the previous fiscal year’s consolidated balance sheet have been reclassified as 84,261 thousand yen “Accrued expenses,” and 56,968 thousand yen “Other” line items.

Notes - Consolidated Balance Sheet

*1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows.

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Time deposits	100,000	179,000
Buildings	792,324	749,920
Land	348,663	348,663
Total	1,240,987	1,277,583

Secured liabilities are as follows.

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Short-term loans payable	-	30,000
Long-term loans payable (include current portion of long-term loans payable)	717,727	691,903
Total	717,727	721,903

*2. Current account overdraft agreements

The Company has current account overdraft agreements with Shinsei Bank, Limited and Trust Advisers Corporation, a subsidiary of the Company, has current account overdraft agreements with Sumitomo Mitsui Banking Corporation in order to improve capital efficiency and to raise funds efficiently as deemed necessary. The amount of credit available at the end of the past two fiscal years was as follows.

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Current account overdraft limit	100,000	130,000
Credit used	50,000	130,000
Credit available	50,000	-

Notes - Consolidated Statement of Income

* Major components and amounts of the selling, general and administrative expenses are as follows.

(Thousands of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Directors' compensations	75,444	83,516
Salaries and allowances	476,553	573,574
Provision for bonuses	45,906	46,340
Retirement benefit expenses	312	2,850
Provision of allowance for doubtful accounts	1,914	1,126
Business consignment expenses	241,647	225,034
Commission fee	182,074	209,810
Amortization of goodwill	26,047	29,203

Notes - Consolidated Statement of Comprehensive Income

*Reclassification adjustments and tax effects pertaining to other comprehensive income are as follows.

(Thousands of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Valuation difference on available-for-sale securities:		
Amount recognized during the current fiscal year	6,948	24,339
Re-classification adjustments	-	(26,820)
Before tax effect adjustment	6,948	(2,480)
Tax effects	(2,306)	848
Valuation difference on available-for-sale securities	4,641	(1,632)
Deferred gains or losses on hedges:		
Amount recognized during the current fiscal year	11,750	3,480
Re-classification adjustments	-	-
Before tax effect adjustment	11,750	3,480
Tax effects	-	393
Deferred gains or losses on hedges	11,750	3,873
Foreign currency translation adjustment:		
Amount recognized during the current fiscal year	2,279	(5,532)
Remeasurements of defined benefit plans, net of tax:		
Amount recognized during the current fiscal year	-	(7,385)
Total other comprehensive income	18,671	(10,676)

Notes - Consolidated Statement of Changes in Equity

FY3/17 (April 1, 2016 – March 31, 2017)
1. Matters regarding the class and number of issued shares and treasury shares

(Thousand shares)

	As of April 1, 2016	Increase	Decrease	As of March 31, 2017
Issued shares				
Common stock (Note)	88,730	140	-	88,870
Total	88,730	140	-	88,870
Treasury shares				
Common stock	26	-	-	26
Total	26	-	-	26

Note: Number of issued shares of common stock increased 140 thousand shares due to the issuance of new shares through the exercise of share acquisition rights.

2. Matters regarding share acquisition rights

Classification	Classification of share acquisition rights	Type of shares subject to share acquisition rights	Number of shares subject to share acquisition rights (Shares)				Balance as of March 31, 2017 (Thousands of yen)
			As of April 1, 2016	Increase	Decrease	As of March 31, 2017	
The Company (Parent company)	No. 6 share acquisition rights (issued on May 29, 2013) (Note 1)	Common stock	300,000	-	50,000	250,000	45
The Company (Parent company)	No. 7 share acquisition rights (issued on Nov. 4, 2014) (Note 2)	Common stock	13,200,000	-	6,100,000	7,100,000	3,195
The Company (Parent company)	No. 8 share acquisition rights (issued on Oct. 5, 2015) (Note 3)	Common stock	4,450,000	-	100,000	4,350,000	2,175
Total		-	17,950,000	-	6,250,000	11,700,000	5,415

Notes: 1. The decrease in the number of No. 6 share acquisition rights is due to the exercise of the rights.
2. The decrease in the number of No. 7 share acquisition rights is due to the retirement of the rights.
3. The decrease in the number of No. 8 share acquisition rights is due to the exercise of 90,000 rights and the cancellation of 10,000 rights.

FY3/18 (April 1, 2017 – March 31, 2018)
1. Matters regarding the class and number of issued shares and treasury shares

(Thousand shares)

	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Issued shares				
Common stock (Notes 1 and 2)	88,870	-	79,983	8,887
Total	88,870	-	79,983	8,887
Treasury shares				
Common stock (Notes 1, 3 and 4)	26	0	23	2
Total	26	0	23	2

Notes: 1. The Company conducted a 1-for-10 reverse common stock split effective on October 1, 2017.
2. Number of issued shares of common stock decreased 79,983 thousand shares due to stock consolidation.
3. Number of treasury shares of common stock increased 0 thousand shares due to the purchase of shares less than one unit.
4. Number of treasury shares of common stock decreased 23 thousand shares due to stock consolidation.

2. Matters regarding share acquisition rights

Classification	Classification of share acquisition rights	Type of shares subject to share acquisition rights	Number of shares subject to share acquisition rights (Shares)				Balance as of March 31, 2018 (Thousands of yen)
			As of April 1, 2017	Increase	Decrease	As of March 31, 2018	
The Company (Parent company)	No. 6 share acquisition rights (issued on May 29, 2013) (Notes 1 and 2)	Common stock	250,000	-	225,000	25,000	45
The Company (Parent company)	No. 7 share acquisition rights (issued on Nov. 4, 2014) (Notes 1 and 3)	Common stock	7,100,000	-	7,100,000	-	-
The Company (Parent company)	No. 8 share acquisition rights (issued on Oct. 5, 2015) (Notes 1 and 2)	Common stock	4,350,000	-	3,915,000	435,000	2,175
Total		-	11,700,000	-	11,240,000	460,000	2,220

Notes: 1. The Company conducted a 1-for-10 reverse common stock split effective on October 1, 2017.
2. The decreases in the number of No. 6 share acquisition rights and No. 8 share acquisition rights are due to stock consolidation.
3. The decrease in the number of No. 7 share acquisition rights is due to 6,390,000 rights for stock consolidation and the end of the exercise period of 710,000 rights.

Notes - Consolidated Statement of Cash Flows

*1. The relationship between the balance of cash and cash equivalents at the end of the fiscal year and the amount of items posted in the consolidated balance sheet is as follows.

(Thousands of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Cash and deposit account	1,536,880	2,214,398
Derivative deposits	(100,000)	(229,000)
Cash and cash equivalents	1,436,880	1,985,398

*2. Breakdown of assets and liabilities of consolidated subsidiary newly included in the consolidation through stock acquisition in the current fiscal year

Due to the acquisition of the stock of PT. Citra Surya Komunikasi (CSK) by non-consolidated subsidiary Striders Global Investment Pte. Ltd. (SGI), both CSK and SGI have been newly consolidated. The assets and liabilities of CSK and SGI as of the date the Company made them consolidated subsidiaries and the relationship between the acquisition price of this stock and net payment for this stock are as follows.

	(Thousands of yen)
Current assets	209,532
Non-current assets	27,199
Goodwill	63,116
Current liabilities	(238,333)
Non-current liabilities	(63,940)
Retained earnings	1,945
Foreign currency translation adjustment	480
Acquisition cost	-
Cash and cash equivalents	(49,840)
Loans extended to SGI between the date control was acquired and the deemed acquisition date	45,092
Net: Expenditures for the acquisition	(4,748)

Notes - Leases

This information is not disclosed due to its lack of significance.

Notes - Financial Instruments

1. Matters pertaining to the status of financial instruments

(1) Policy to deal with financial instruments

The group's policy is to restrict investment of funds to short-term deposits and similar financial instruments and to use bank loans as the primary means of procuring funds.

(2) Details and risks of financial instruments

Operating receivables consisting of accounts receivable-trade are generally exposed to the credit risk of customers. To manage exposure to this credit risk, the Striders Group monitors payment deadlines and amounts outstanding for each counterparty and customer in accordance with the group's credit management rules.

Operating debt consisting of accounts payable-trade has payment deadlines of not more than one year.

Short-term loans are used mainly to fund business transactions and long-term loans are used mainly to fund capital expenditures. To eliminate exposure to interest rate risk for some long-term loans, the Company uses interest rate swaps to change to fixed interest rates. The Company limits derivatives transactions within the scope of real demand in line with its internal guidelines. Operating debts and loans are always vulnerable to liquidity risk. As a result, the Company manages this risk for all group companies in order to perform comprehensive risk management for the entire group.

(3) Supplemental explanation concerning fair value of financial instruments

Fair value of the financial instrument is measured at a quoted fair value, if available, or reasonably assessed value if a quoted fair value is not available. As the calculation of the reasonably assessed value incorporates varying factors, the amount may vary if different assumptions are used.

2. Matters pertaining to the fair value, etc. of financial instruments

Amounts in the consolidated balance sheet, fair value and the differences are as follows. Items for which fair value is extremely difficult to measure are not included. (See Note 2)

FY3/17 (As of March 31, 2017)

(Thousands of yen)

	Amount posted in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	1,536,880	1,536,880	-
(2) Accounts receivable-trade	132,794		
Allowance for doubtful accounts*1	(6,037)		
	126,757	126,757	-
(3) Marketable securities and investment securities	42,986	42,986	-
Total assets	1,706,623	1,706,623	-
(1) Accounts payable-trade	86,120	86,120	-
(2) Short-term loans payable	50,000	50,000	-
(3) Current portion of long-term loans payable	166,108	164,278	(1,829)
(4) Accrued expenses	84,261	84,261	-
(5) Accounts payable-other	85,482	85,482	-
(6) Income taxes payable	23,206	23,206	-
(7) Deposits received	92,383	92,383	-
(8) Long-term loans payable	733,712	715,644	(18,067)
(9) Long-term lease and guarantee deposited	240,135	229,729	(10,405)
Total liabilities	1,561,409	1,531,107	(30,302)
Derivative transactions*2	[33,049]	[33,049]	-

*1: Allowance for doubtful accounts on accounts receivable-trade is eliminated.

*2: Receivables and payables incurred under derivative transactions are presented in net amounts. Net payables are presented in brackets.

FY3/18 (As of March 31, 2018)

(Thousands of yen)

	Amount posted in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	2,214,398	2,214,398	-
(2) Accounts receivable-trade	240,552		
Allowance for doubtful accounts*1	(5,196)		
	235,355	235,355	-
(3) Marketable securities and investment securities	10,220	10,220	-
Total assets	2,459,974	2,459,974	-
(1) Accounts payable-trade	158,305	158,305	-
(2) Short-term loans payable	215,352	215,352	-
(3) Current portion of long-term loans payable	228,670	226,314	(2,356)
(4) Accrued expenses	169,160	169,160	-
(5) Accounts payable-other	103,758	103,758	-
(6) Income taxes payable	32,232	32,232	-
(7) Deposits received	132,198	132,198	-
(8) Long-term loans payable	934,338	908,109	(26,229)
(9) Long-term lease and guarantee deposited	246,747	236,038	(10,709)
Total liabilities	2,220,760	2,181,471	(39,293)
Derivative transactions*2	[29,569]	[29,569]	-

*1: Allowance for doubtful accounts on accounts receivable-trade is eliminated.

*2: Receivables and payables incurred under derivative transactions are presented in net amounts. Net payables are presented in brackets.

Notes: 1. Calculation method of fair value of financial instruments and matters pertaining to securities and derivative transactions

Assets

(1) Cash and deposits and (2) Accounts receivable-trade

Because these items are settled in a short period and their fair value is nearly equal to their book values, the fair value of these items is based on their book value.

(3) Marketable securities and investment securities

Fair value of these items is based on prices at listed securities exchanges. See "Securities" under the Notes section for information about securities categorized by holding purpose.

Liabilities

(1) Accounts payable-trade, (2) Short-term loans payable, (4) Accrued expenses, (5) Accounts payable-other and (6) Income taxes payable and (7) Deposits received

Because these items are settled in a short period and their fair value is nearly equal to their book values, the fair value of these items is based on their book value.

(3) Current portion of long-term loans payable and (8) Long-term loans payable

Fair value of the financial instruments in these categories is determined using present value obtained by discounting the combined value of principal and interest by the interest rate assumed when the Company borrows new money.

(9) Long-term lease and guarantee deposited

Fair value of long-term lease and guarantee deposits is determined using present value discounted by a suitable interest rate, such as the yield of Japanese government bonds over the remaining period of each real estate lease contract, with a credit spread added.

Derivative Transactions

See "Derivatives" under the Notes section.

2. Financial instruments for which fair value is extremely difficult to measure

(Thousands of yen)

Category	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Investment securities (non-listed shares) *1	22,143	25,471
Shares of subsidiaries and associates*2	82,671	84,147

*1: As the investment securities (non-listed shares) have no market price and their fair value is deemed extremely difficult to determine, they are not included in "(3) Marketable securities and investment securities."

*2: The market value of shares of subsidiaries and associates is not disclosed, as they have no market price and their fair value is deemed extremely difficult to determine.

3. Scheduled redemption of monetary receivables after the fiscal year end

FY3/17 (As of March 31, 2017)

(Thousands of yen)

	Within one year	More than one year but within five years	More than five years but within 10 years	More than 10 years
Cash and deposits	1,536,880	-	-	-
Accounts receivable-trade	132,794	-	-	-
Total	1,669,674	-	-	-

FY3/18 (As of March 31, 2018)

(Thousands of yen)

	Within one year	More than one year but within five years	More than five years but within 10 years	More than 10 years
Cash and deposits	2,214,398	-	-	-
Accounts receivable-trade	240,552	-	-	-
Total	2,454,951	-	-	-

4. Scheduled repayment of long-term loans payable and other interest-bearing debt after the fiscal year end

FY3/17 (As of March 31, 2017)

(Thousands of yen)

	Within one year	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years	More than five years
Short-term loans payable	50,000	-	-	-	-	-
Long-term loans payable	166,108	140,327	82,994	69,112	65,392	375,887
Total	216,108	140,327	82,994	69,112	65,392	375,887

FY3/18 (As of March 31, 2018)

(Thousands of yen)

	Within one year	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years	More than five years
Short-term loans payable	215,352	-	-	-	-	-
Long-term loans payable	228,670	168,254	129,407	117,328	184,014	335,335
Total	444,022	168,254	129,407	117,328	184,014	335,335

Notes - Securities

1. Securities for trade purposes

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Unrealized gain (loss) included in profit/loss	30	244

2. Available-for-sale securities

FY3/17 (April 1, 2016 – March 31, 2017)

(Thousands of yen)

	Type	Carrying value	Acquisition cost	Difference
Securities for which the carrying value exceeds their acquisition cost	Stocks	20,755	15,228	5,527
	Subtotal	20,755	15,228	5,527
Securities for which the carrying value does not exceed their acquisition cost	Stocks	6,689	94,358	(87,668)
	Subtotal	6,689	94,358	(87,668)
Total		27,444	109,586	(82,141)

Note: As the investment securities (reported at 22,143 thousand yen in the consolidated balance sheet) have no market price and the fair value is deemed extremely difficult to determine, they are not included in the above table reporting the status of available-for-sale securities.

FY3/18 (April 1, 2017 – March 31, 2018)

(Thousands of yen)

	Type	Carrying value	Acquisition cost	Difference
Securities for which the carrying value exceeds their acquisition cost	Stocks	7,548	4,509	3,039
	Subtotal	7,548	4,509	3,039
Securities for which the carrying value does not exceed their acquisition cost	Stocks	-	-	-
	Subtotal	-	-	-
Total		7,548	4,509	3,039

Note: As the investment securities (reported at 25,471 thousand yen in the consolidated balance sheet) have no market price and the fair value is deemed extremely difficult to determine, they are not included in the above table reporting the status of available-for-sale securities.

3. Available-for-sale securities sold

FY3/17 (April 1, 2016 – March 31, 2017)

(Thousands of yen)

Type	Sales proceeds	Total gain	Total loss
Stocks	116,994	32,354	-
Total	116,994	32,354	-

FY3/18 (April 1, 2017 – March 31, 2018)

(Thousands of yen)

Type	Sales proceeds	Total gain	Total loss
Stocks	19,307	8,421	-
Total	19,307	8,421	-

4. Marketable securities written down for impairment

Available-for-sale securities of 47,682 thousand yen were written down for the fiscal year ended March 31, 2017.

Securities of 26,565 thousand yen (available-for-sale securities of 23,369 thousand yen and shares of subsidiaries and associates of 3,196 thousand yen) were written down for the fiscal year ended March 31, 2018.

Notes - Derivatives

Derivative transactions accounted by the hedge accounting method

Currencies

FY3/17 (As of March 31, 2017)

(Thousands of yen)

Hedging method	Transaction category	Risk hedged	Contract amount, etc.	Contract amount, etc. exceeding one year	Fair value
Principle method	Interest rate swaps Receive floating/pay fixed	Loans payable	847,000	615,855	(33,049)
Total			847,000	615,855	(33,049)

Note: Calculation method of fair value

The fair value was calculated based on prices, etc. presented by financial institutions, etc. with which the Company has transactions.

FY3/18 (As of March 31, 2018)

(Thousands of yen)

Hedging method	Transaction category	Risk hedged	Contract amount, etc.	Contract amount, etc. exceeding one year	Fair value
Principle method	Interest rate swaps Receive floating/pay fixed	Loans payable	997,000	693,357	(29,569)
Total			997,000	693,357	(29,569)

Note: Calculation method of fair value

The fair value was calculated based on prices, etc. presented by financial institutions, etc. with which the Company has transactions.

Notes - Retirement Benefits

1. Retirement benefit plans

Some domestic consolidated subsidiaries use a defined benefit non-contributory retirement benefit plan (a lump-sum retirement payment system based on retirement payment rules) for the payment of retirement benefits to their employees. A simplified method is used to calculate net defined benefit liability and retirement benefit expenses.

An overseas subsidiary PT. Citra Surya Komunikasi has a defined retirement benefit plan.

2. Defined benefit plan

(1) Reconciliation of beginning and ending balances of retirement benefit obligations (excluding plans using the simplified method as stated in (2))

(Thousands of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Retirement benefit obligations at beginning of period	-	-
Service cost	-	2,115
Actuarial differences	-	7,385
Increase resulting from changes in scope of consolidation	-	18,848
Retirement benefit obligations at end of period	-	28,349

Note: The increase resulting from changes in scope of consolidation is due to consolidation of PT. Citra Surya Komunikasi in FY3/18.

(2) Reconciliation of beginning and ending balances of net defined benefit liability when using the simplified method

(Thousands of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Net defined benefit liability at beginning of period	8,967	10,025
Retirement benefit expenses	1,058	2,002
Payment of retirement benefits	-	(3,307)
Net defined benefit liability at end of period	10,025	8,720

(3) Reconciliation of ending balances of retirement benefit obligations and plan assets against net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Retirement benefit obligations of contributory plan	-	-
Plan assets at fair value	-	-
	-	-
Retirement benefit obligations of non-contributory plan	10,025	37,069
Net liability/asset recognized in the consolidated balance sheet	10,025	37,069
Net defined benefit liability	10,025	37,069
Net liability/asset recognized in the consolidated balance sheet	10,025	37,069

Note: Plans using the simplified method are included.

(4) Components of retirement benefit expenses

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Service cost	-	2,115
Retirement benefit expenses using the simplified method	1,058	2,002
Retirement benefit expenses for defined benefit plan	1,058	4,117

Notes - Tax Effect Accounting

1. Details of the causes for deferred tax assets and deferred tax liabilities

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Deferred tax assets (current)		
Excess allowance for doubtful accounts	2,473	2,121
Provision for bonuses	11,989	9,437
Deferred loss	16,000	26,000
Other	1,445	1,185
Subtotal deferred tax assets (current)	31,908	38,745
Valuation allowance	(15,908)	(12,745)
Total deferred tax assets (current)	16,000	26,000
Deferred tax assets (non-current)		
Deferred loss	407,074	396,127
Loss on valuation of investment securities	30,138	38,038
Impairment loss	700	947
Other	9,133	17,825
Subtotal deferred tax assets (non-current)	447,046	452,938
Valuation allowance	(376,046)	(360,269)
Total deferred tax assets (non-current)	71,000	92,668
Deferred tax liabilities (non-current)		
Valuation difference on available-for-sale securities	2,306	1,458
Valuation difference due to the evaluation of stock of consolidated subsidiary at fair value	183,053	173,607
Total deferred tax liabilities (non-current)	185,360	175,065
Net deferred tax liabilities (non-current)	114,360	82,396

2. Details of major items causing the significant difference between the statutory effective tax rate and the actual effective tax rate after the application of tax-effect accounting

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Statutory effective tax rate	30.9%	30.9%
(Adjustments)		
Dividend income and other items not to be included in income indefinitely	(11.2)	(10.5)
Entertainment expenses and other items not to be included in expenses indefinitely	0.4	1.3
Residential tax for the period	0.4	0.5
Increase (decrease) in valuation allowance	(6.9)	(3.1)
Amortization of goodwill	0.9	1.5
Consolidation adjustment	11.0	8.9
Effect of consolidated taxation	(8.1)	(7.6)
Other	(0.1)	(1.7)
Actual effective tax rate after the application of tax-effect accounting	17.4	20.1

Notes - Business Combinations

Business combination through acquisition

1. Summary of business combination

(1) Name of company acquired and its business activity

Name of company acquired: PT. Citra Surya Komunikasi

Business activities: Advertisement agency business

(2) Reason for business combination

Investments in PT. Citra Surya Komunikasi, which need additional funding, will make it possible to use the technologies of zMessenger (Pvt) Ltd., the Company's partner company in Sri Lanka, for the expansion and earnings growth of the digital advertising business in Indonesia and Southeast Asia.

(3) Date of business combination

June 30, 2017 (deemed acquisition date)

(4) Method of business combination

Acquisition of stock through a third-party allotment

(5) Name of the company after business combination

There is no change in the company's name.

(6) Ratio of ownership

51%

(7) Main reason for choosing the company to acquire

Acquisition of shares with cash.

2. Period of business results of the acquired company included in the consolidated financial statements

The end of the fiscal year of PT. Citra Surya Komunikasi is December 31, which is three months earlier than the end of the fiscal year for the consolidated financial statements. As June 30, 2017 is used as the acquisition date of this company for accounting purposes, the consolidated financial statements for the fiscal year ended March 31, 2018 include PT. Citra Surya Komunikasi for the period from July 1 to December 31, 2017.

3. Acquisition cost of acquired company and type of consideration

		(Thousands of yen)
Consideration for the acquisition:	Cash	17,159
Acquisition cost		17,159

4. Goodwill resulting from the acquisition

(1) Value of goodwill

63,116 thousand yen

(2) Source of goodwill

Expected contribution to earnings growth.

(3) Amortization method and amortization period

Goodwill is amortized over a period of 10 years by the straight-line method.

5. Summary of assets acquired and liabilities assumed on the date of business combination

	(Thousands of yen)
Current assets	181,471
Non-current assets	27,815
Total assets	209,286
Current liabilities	236,580
Non-current liabilities	18,848
Total liabilities	255,428

6. Estimated effect of the business combination on the consolidated statement of income and its calculation method if the business combination had been completed at the beginning of the current fiscal year

Omitted due to the difficulty of calculating an estimate in the current fiscal year.

Notes - Segment Information, etc.

Segment information

1. Outline of reportable segments

The reportable segments of the Company are the constituent units for which separate financial information is available and which are subject to periodic reviews by the Board of Directors to determine allocations of resources and to evaluate performance.

The Group has consolidated subsidiaries that are mainly categorized in accordance with business activities. These consolidated subsidiaries determine comprehensive strategies and conduct business activities as a unified business unit.

The Group is composed of segments by line of business of which there are four reportable segments based on the scale of business: Real Estate Business, Hotel Business, Overseas Business and Other Businesses.

The Real Estate Business is engaged in management of apartments and other properties and real estate brokerage, the Hotel Business in operation of hotels, the Overseas Business in business investments mainly in the Asian region and developing countries and the advertisement agency business in the Republic of Indonesia. The Other Businesses are engaged in development and sales of motor vehicle communication systems, turnaround consultancy business and production and sales of Chinese and other noodles.

From the current fiscal year, we changed the reportable segment classification from the previously defined five reportable segments, consisting of the Information Technology Business, the Turnaround Consultancy Business, the Real Estate Lease Management Business, the Food Business, and the Hotel Business, to four segments, consisting of the Real Estate Business, the Hotel Business, the Overseas Business and the Other Businesses, based on the quantitative criteria of each business.

We have disclosed the segment information for the previous fiscal year based on the reportable segments after the above change.

2. Calculation method of net sales, profit/loss, assets, liabilities and other items in each reportable segment

The accounting methods used for reportable operating segments are generally the same as those described in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements.”

Profits for reportable segments are generally operating profit. Inter-segment sales and transfers are based on prevailing market prices.

3. Information pertaining to net sales, profit/loss, assets, liabilities and other items in reportable segments

FY3/17 (April 1, 2016 – March 31, 2017) (Thousands of yen)

	Reportable Segment				Other (Note 1)	Total	Adjustment (Notes 2, 3 and 4)	Amount in the consolidated financial statements (Note 5)
	Real Estate Business	Hotel Business	Other Businesses	Subtotal				
Net sales								
Sales to external customers	4,401,213	1,463,355	501,232	6,365,801	500	6,366,301	-	6,366,301
Inter-segment sales and transfers	-	-	12	12	-	12	(12)	-
Total	4,401,213	1,463,355	501,244	6,365,813	500	6,366,313	(12)	6,366,301
Segment profit	166,512	228,822	45,750	441,085	500	441,585	(162,311)	279,274
Segment assets	1,001,662	1,757,722	429,246	3,188,631	-	3,188,631	702,812	3,891,444
Other items								
Depreciation	2,020	61,121	3,515	66,657	-	66,657	1,351	68,008
Amortization of goodwill	15,060	8,122	2,864	26,047	-	26,047	-	26,047
Share of profit (loss) of entities accounted for using equity method	-	-	(3,431)	(3,431)	-	(3,431)	-	(3,431)
Increase in property, plant and equipment, and intangible assets	12,779	89,611	5,500	107,891	-	107,891	478	108,369

Notes: 1. The “Other” business segment consists of activities that are not included in any of the reportable segments, and is engaged in the outsourcing business.

2. The adjustment of minus 162,311 thousand yen to segment profit is mainly personnel and other expenses for administrative departments.

3. The adjustments to segment assets and depreciation are for corporate assets and depreciation that are not allocated to

reportable segments.

4. The adjustment to increase in property, plant and equipment, and intangible assets is the sum of company-wide assets that are not allocated to reportable segments.
5. Segment profit is adjusted with operating profit shown in the consolidated statement of income.

FY3/18 (April 1, 2017 – March 31, 2018) (Thousands of yen)

	Reportable Segment					Adjustment (Notes 1, 2 and 3)	Amount in the consolidated financial statements (Note 4)
	Real Estate Business	Hotel Business	Overseas Business	Other Businesses	Subtotal		
Net sales							
Sales to external customers	5,543,176	1,373,942	612,229	442,054	7,971,402	-	7,971,402
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	5,543,176	1,373,942	612,229	442,054	7,971,402	-	7,971,402
Segment profit	203,641	138,769	37,991	11,630	392,033	(183,080)	208,952
Segment assets	1,092,549	1,761,517	366,142	334,544	3,554,754	1,288,596	4,843,351
Other items							
Depreciation	7,928	71,177	1,058	3,315	83,480	1,116	84,597
Amortization of goodwill	15,060	8,122	3,155	2,864	29,203	-	29,203
Share of profit (loss) of entities accounted for using equity method	-	-	-	(36,290)	(36,290)	-	(36,290)
Increase in property, plant and equipment, and intangible assets	37,198	193,840	63,116	3,812	297,967	-	297,967

Notes: 1. The adjustment of minus 183,080 thousand yen to segment profit is mainly personnel and other expenses for administrative departments.
2. The adjustments to segment assets and depreciation are for corporate assets and depreciation that are not allocated to reportable segments.
3. The adjustment to increase in property, plant and equipment, and intangible assets is the sum of company-wide assets that are not allocated to reportable segments.
4. Segment profit is adjusted with operating profit shown in the consolidated statement of income.

Related information

FY3/17 (April 1, 2016 – March 31, 2017)

1. Information about products and services

This information is omitted because this information is presented in segment information.

2. Geographical information

(1) Net sales

This information is omitted because sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan exceed 90% of property, plant and equipment in the consolidated balance sheet.

3. Information of specific major customer

This information is omitted because no single customer accounted for 10% or more of total sales in FY3/17.

FY3/18 (April 1, 2017 – March 31, 2018)

1. Information about products and services

This information is omitted because this information is presented in segment information.

2. Geographical information

(1) Net sales

This information is omitted because sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan exceed 90% of property, plant and equipment in the consolidated balance sheet.

3. Information of specific major customer

This information is omitted because no single customer accounted for 10% or more of total sales in FY3/18.

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

There is no applicable information.

Information related to amortization of goodwill and unamortized balance by each reportable segment

FY3/17 (April 1, 2016 – March 31, 2017) (Thousands of yen)

	Real Estate Business	Hotel Business	Other Businesses	Elimination or corporate	Total
Amortization for the period	15,060	8,122	2,864	-	26,047
Balance at the end of the period	27,611	140,107	14,919	-	182,638

FY3/18 (April 1, 2017 – March 31, 2018) (Thousands of yen)

	Real Estate Business	Hotel Business	Overseas Business	Other Businesses	Elimination or corporate	Total
Amortization for the period	15,060	8,122	3,155	2,864	-	29,203
Balance at the end of the period	12,550	131,985	59,960	12,054	-	216,551

Information related to gain on bargain purchase by each reportable segment

There is no applicable information.

Notes - Per Share Information

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Net assets per share (Yen)	213.02	226.65
Net income per share (Yen)	25.83	14.09
Diluted net income per share (Yen)	25.68	14.07

Notes: 1. The Company conducted a 1-for-10 reverse common stock split effective on October 1, 2017. The amounts of net assets per share, net income per share and diluted net income per share were calculated based on the assumption that the reverse stock split had been conducted at the beginning of the previous fiscal year.

2. The calculation basis for net income per share and diluted net income per share are as follows:

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	229,226	125,196
Amount not attributed to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent related to common stock (Thousands of yen)	229,226	125,196
Average number of shares outstanding during the period (Thousands of shares)	8,873	8,884
Diluted net income per share		
[Basis for calculation]		
Adjustment to profit attributable to owners of parent (Thousands of yen)	-	-
Increase in the number of shares of common stock (Thousands of shares)	51	12
[Of which, share acquisition rights (Thousands of shares)]	[51]	[12]
Description of the potential shares not included in the calculation of diluted net income per share due to their non-dilutive effect	Striders Corporation No. 7 Share acquisition rights: 71 (10,000 shares of common stock per right)	Striders Corporation No. 8 Share acquisition rights: 4,350 (100 shares of common stock per right)

Notes - Subsequent Events

There is no applicable information.

5) Consolidated Supplementary Schedules

Detailed Statement of Borrowings

Category	Balance as of April 1, 2017 (Thousands of yen)	Balance as of March 31, 2018 (Thousands of yen)	Average interest rate (%)	Due date
Short-term loans payable	50,000	215,352	2.0	-
Current portion of long-term loans payable	166,108	228,670	1.1	-
Long-term loans payable (excluding those repayable within one year)	733,712	934,338	1.4	2019-2024
Total	949,820	1,378,360	-	-

Notes: 1. The weighted average interest rate on the balance of borrowings at the end of fiscal year is stated as the average interest rate.

2. Long-term loans payable (excluding those repayable within one year) scheduled to be repaid within five years after the fiscal year end are as follows:

(Thousands of yen)

	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years
Long-term loans payable	168,254	129,407	117,328	184,014

(2) Other Information

Quarterly Information for the Current Fiscal Year

Cumulative period	Three months ended June 30, 2017	Six months ended September 30, 2017	Nine months ended December 31, 2017	Fiscal year ended March 31, 2018
Net sales (Thousands of yen)	1,658,390	3,279,940	5,710,268	7,971,402
Profit before income taxes (Thousands of yen)	76,057	127,560	207,193	156,696
Profit attributable to owners of parent (Thousands of yen)	54,932	90,865	142,261	125,196
Net income per share (Yen)	6.18	10.23	16.01	14.07

Each quarter	1st Quarter April 1, 2017 to June 30, 2017	2nd Quarter July 1, 2017 to September 30, 2017	3rd Quarter October 1, 2017 to December 31, 2017	4th Quarter January 1, 2018 to March 31, 2018
Net income (loss) per share (Yen)	6.18	4.04	5.78	(1.92)

Note: The Company conducted a 1-for-10 reverse common stock split effective on October 1, 2017. The amounts of net income (loss) per share were calculated based on the assumption that the reverse stock split had been conducted at the beginning of the previous fiscal year.

2. Financial Statements, etc.

(1) Financial Statements
1) Non-consolidated Balance Sheet

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	*1 526,031	*1 1,178,731
Securities	15,541	2,047
Accounts receivable-other from subsidiaries and associates	104,516	100,678
Short-term loans receivable from subsidiaries and associates	145,000	48,000
Deferred tax assets	12,000	17,000
Other	9,740	12,298
Total current assets	812,830	1,358,755
Non-current assets		
Property, plant and equipment	1,237	676
Intangible assets	900	540
Investments and other assets		
Investment securities	28,832	6,305
Shares of subsidiaries and associates	871,727	893,246
Long-term loans receivable	22,438	-
Long-term accounts receivable from subsidiaries and associates	37,258	-
Long-term loans receivable from subsidiaries and associates	*4 590,000	*4 633,996
Deferred tax assets	50,561	56,562
Other	8,013	7,909
Allowance for doubtful accounts	(37,258)	-
Total investments and other assets	1,571,572	1,598,019
Total non-current assets	1,573,710	1,599,236
Total assets	2,386,540	2,957,991

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Liabilities		
Current liabilities		
Short-term loans payable	*3 50,000	*3 100,000
Current portion of long-term loans payable	*1 95,304	*1 180,536
Accounts payable-other from subsidiaries and associates	225	319
Accrued expenses	8,048	12,277
Income taxes payable	3,208	3,760
Accrued consumption taxes	1,699	1,841
Provision for bonuses	2,713	2,119
Interest rate swaps	30,274	28,399
Other	5,508	18,236
Total current liabilities	196,981	347,489
Non-current liabilities		
Long-term loans payable	*1 539,298	*1 787,198
Total non-current liabilities	539,298	787,198
Total liabilities	736,279	1,134,687
Net assets		
Shareholders’ equity		
Capital stock	1,582,416	1,582,416
Capital surplus		
Legal capital surplus	268,010	94,742
Total capital surpluses	268,010	94,742
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(173,267)	174,396
Total retained earnings	(173,267)	174,396
Treasury shares	(3,020)	(3,062)
Total shareholders’ equity	1,674,137	1,848,492
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	982	990
Deferred gains or losses on hedges	(30,274)	(28,399)
Total valuation and translation adjustments	(29,291)	(27,408)
Share acquisition rights	5,415	2,220
Total net assets	1,650,261	1,823,304
Total liabilities and net assets	2,386,540	2,957,991

2) Non-consolidated Statement of Income

(Thousands of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Net sales	*1 128,553	*1 155,560
Cost of sales	1,293	-
Gross profit	127,260	155,560
Selling, general and administrative expenses	*2 166,881	*2 189,185
Operating loss	(39,621)	(33,625)
Non-operating income		
Interest income	*1 15,625	*1 20,628
Dividend income	*1 183,134	*1 142,634
Gain on sales of securities	6,247	1,243
Reversal of allowance for doubtful accounts	2,741	37,258
Other	5,982	401
Total non-operating income	213,731	202,166
Non-operating expenses		
Interest expenses	11,832	11,002
Foreign exchange losses	-	6,582
Other	125	76
Total non-operating expenses	11,958	17,660
Ordinary profit	162,151	150,879
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	-	3,040
Other	-	3,195
Total extraordinary income	-	6,235
Extraordinary losses		
Loss on valuation of investment securities	47,682	26,565
Loss on sales of shares of subsidiaries and associates	-	3,693
Total extraordinary losses	47,682	30,258
Profit before income taxes	114,469	126,856
Income taxes–current	(46,581)	(36,540)
Income taxes-deferred	(33,500)	(11,000)
Total income taxes	(80,081)	(47,540)
Profit	194,551	174,396

3) Non-consolidated Statement of Changes in Equity

FY3/17 (April 1, 2016 – March 31, 2017)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	1,578,674	264,268	264,268	(367,819)	(367,819)	(3,020)	1,472,102
Changes of items during period							
Issuance of new shares	3,742	3,742	3,742				7,484
Profit				194,551	194,551		194,551
Net changes of items other than shareholders' equity							
Total changes of items during period	3,742	3,742	3,742	194,551	194,551	-	202,035
Balance at end of current period	1,582,416	268,010	268,010	(173,267)	(173,267)	(3,020)	1,674,137

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	-	(39,495)	(39,495)	8,219	1,440,825
Changes of items during period					
Issuance of new shares					7,484
Profit					194,551
Net changes of items other than shareholders' equity	982	9,221	10,203	(2,804)	7,399
Total changes of items during period	982	9,221	10,203	(2,804)	209,435
Balance at end of current period	982	(30,274)	(29,291)	5,415	1,650,261

FY3/18 (April 1, 2017 – March 31, 2018)

(Thousands of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
					Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,582,416	268,010	-	268,010	(173,267)	(173,267)	(3,020)	1,674,137
Changes of items during period								
Transfer to other capital surplus from legal capital surplus		(173,267)	173,267	-				-
Deficit disposition			(173,267)	(173,267)	173,267	173,267		-
Profit					174,396	174,396		174,396
Purchase of treasury shares							(41)	(41)
Net changes of items other than shareholders' equity								
Total changes of items during period	-	(173,267)	-	(173,267)	347,664	347,664	(41)	174,354
Balance at end of current period	1,582,416	94,742	-	94,742	174,396	174,396	(3,062)	1,848,492

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	982	(30,274)	(29,291)	5,415	1,650,261
Changes of items during period					
Transfer to other capital surplus from legal capital surplus					-
Deficit disposition					-
Profit					174,396
Purchase of treasury shares					(41)
Net changes of items other than shareholders' equity	8	1,874	1,883	(3,195)	(1,311)
Total changes of items during period	8	1,874	1,883	(3,195)	173,043
Balance at end of current period	990	(28,399)	(27,408)	2,220	1,823,304

[Notes]

Notes - Significant Accounting Policies

1. Valuation criteria and methods for assets
   Valuation criteria and methods for marketable securities
   i. Securities for trade purposes
      Valued at the market price, cost of sales being determined by the moving average method.
   ii. Shares of subsidiaries and affiliates
      Cost method based on the moving average method.
   iii. Available-for-sale securities
      Securities having market prices
         Market price method based on market prices, etc. as of the closing date of the fiscal year. (Valuation differences are included directly in net assets and the cost of securities sold is determined by the moving average method.)
      Securities without market prices
         Cost method based on the moving average method.

2. Depreciation and amortization methods for non-current assets
   (1) Property, plant and equipment
      The Company uses the declining-balance method.
      However, buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016, are depreciated using the straight-line method.
      Approximate useful lives: Tools, furniture and fixtures: 4-5 years
   (2) Intangible assets
      Software intended for internal use is amortized using the straight-line method based on an estimated period of internal use (five years).

3. Translation standard of foreign currency-denominated assets or liabilities into yen
      Monetary debts and credits denominated in foreign currencies are translated into yen at the spot exchange rates on the fiscal year-end date, with the differences resulting from such translations recorded as losses or profits.

4. Reporting basis for allowances
   (1) Allowance for doubtful accounts
      In the provision for possible losses on receivables caused by bad debts, an estimated uncollectible amount is reported based on their historical losses as to ordinary receivables and based on the consideration of feasibly recoverable amounts in individual cases of specific receivables for which collectability is a great concern.
   (2) Provision for bonuses
      In the provision for the future payment of employee bonuses, an anticipated amount of total bonus payments attributable to the current fiscal year is reported.

5. Accounting for hedges
   -Hedging method
      The Company applies deferred hedge accounting.
   -Hedging instruments and risks hedged
      Hedging instruments: Interest rate swaps
      Risk hedged: Interest on borrowings
   -Hedging policy
      As stated in the Company's Derivative Management Rules, hedges are used to reduce exposure to interest rate volatility.
   -Evaluation method for the effectiveness of hedges
      The cumulative changes in cash flows of the hedged risk and of the hedging instrument are compared and the ratio is used to evaluate effectiveness.

6. Other significant matters for preparation of the financial statements
   (1) Accounting procedure for consumption taxes
      National and local consumption taxes are accounted by the tax-exclusion method.
   (2) Application of consolidated taxation system
      The Company applies the consolidated taxation system.

Notes - Changes in Presentation

Non-consolidated Statement of Income

"Reversal of allowance for doubtful accounts," included in "Other" under "Non-operating income" in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year since the amount exceeded 10% of non-operating income. For consistency with this change, the financial statements for the previous fiscal year have been revised.

Accordingly, the 8,723 thousand yen "Other" line item under "Non-operating income" in the previous fiscal year's non-consolidated statement of income has been reclassified as "Reversal of allowance for doubtful accounts" of 2,741 thousand yen and "Other" of 5,982 thousand yen.

Notes - Non-consolidated Balance Sheet

*1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows.

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Time deposits	100,000	149,000

Secured liabilities corresponding to the above collateral are as follows.

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Long-term loans payable (includes current portion of long-term loans payable)	502,947	510,943

2. Guaranteed debt

(1) The Company guarantees the following subsidiaries' bank loans.

(Thousands of yen)

FY3/17 (As of March 31, 2017)		FY3/18 (As of March 31, 2018)	
Global Holdings Co., Ltd.	172,900	Global Holdings Co., Ltd.	148,200
Y.K. Masuda Seimen	41,880	Y.K. Masuda Seimen	32,760
Trust Advisers Corporation	17,100	Trust Advisers Corporation	7,640

(2) The Company guarantees as follows debt based on an administrative outsourcing contract of a subsidiary with a property management organization.

(Thousands of yen)

FY3/17 (As of March 31, 2017)		FY3/18 (As of March 31, 2018)	
Trust Advisers Corporation	15,814	Trust Advisers Corporation	16,779

*3. Current account overdraft agreements

The Company has current account overdraft agreements with Shinsei Bank, Limited, in order to improve capital efficiency and to raise funds efficiently as deemed necessary. The amount of credit available at the end of the past two fiscal years was as follows.

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Current account overdraft limit	100,000	100,000
Credit used	50,000	100,000
Credit available	50,000	-

*4. The Company has credit facility agreements with consolidated subsidiaries Global Holdings Co., Ltd., Narita Gateway Hotel Co., Ltd., Kurashiki Royal Art Hotel Co., Ltd., Trust Advisers Corporation and Mobile Link Inc. The amount of credit available at the end of the past two fiscal years was as follows.

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Credit available	720,000	1,295,000
Credit used	660,000	631,500
Credit available	60,000	663,500

Notes - Non-consolidated Statement of Income

*1. The following items related to transactions with subsidiaries and associates are included.

(Thousands of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Sales to subsidiaries and associates	128,053	154,060
Interests received from subsidiaries and associates	14,934	19,521
Dividend income received from subsidiaries and associates	182,700	142,500

*2. Selling expenses accounted for 0% of selling, general and administrative (SG&A) expenses for the previous and current fiscal years. General and administrative expenses accounted for 100% of the SG&A expenses for the previous and current fiscal years.

Major components and amounts of the selling, general and administrative expenses are as follows.

(Thousands of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Directors' compensations	37,950	44,850
Salaries and allowances	39,253	32,416

Notes - Marketable Securities

No subsidiaries' stocks (carrying value of 813,823 thousand yen in FY3/18 and 835,483 thousand yen in FY3/17) and affiliates' stocks (carrying value of 79,423 thousand yen in FY3/18 and 36,243 thousand yen in FY3/17) are shown because there is no market price and the fair value is deemed extremely difficult to determine.

Notes - Tax Effect Accounting

1. Details of the causes for deferred tax assets and deferred tax liabilities

(Thousands of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Deferred tax assets (current)		
Provision for bonuses	837	648
Deferred loss	12,000	17,000
Other	123	96
Subtotal deferred tax assets (current)	12,961	17,745
Valuation allowance	(961)	(745)
Total deferred tax assets (current)	12,000	17,000
Deferred tax assets (non-current)		
Deferred loss	305,107	277,726
Loss on valuation of investment securities	30,138	38,038
Loss on valuation of shares of subsidiaries and associates	185,468	184,026
Excess of allowance for doubtful accounts	11,498	-
Other	691	626
Subtotal deferred tax assets (non-current)	532,905	500,418
Valuation allowance	(481,905)	(443,418)
Total deferred tax assets (non-current)	51,000	57,000
Deferred tax liabilities (non-current)		
Valuation difference on available-for-sale securities	438	437
Total deferred tax liabilities (non-current)	438	437
Net deferred tax liabilities (non-current)	50,561	56,562

2. Details of major items causing the significant difference between the statutory effective tax rate and the actual effective tax rate after the application of tax-effect accounting

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Statutory effective tax rate	30.9%	30.9%
(Adjustments)		
Dividend income and other items not to be included in income indefinitely	(49.3)	(34.7)
Entertainment expenses and other items not to be included in expenses indefinitely	0.1	1.8
Residential tax for the period	0.8	0.7
Increase (decrease) in valuation allowance	(21.2)	(9.4)
Effect of consolidated taxation	(32.7)	(26.4)
Other	1.5	(0.3)
Actual effective tax rate after the application of tax-effect accounting	(70.0)	(37.5)

Notes - Significant Events after Reporting Period

There is no applicable information.

4) Non-consolidated Supplementary Schedules

Detailed Statement of Property, Plant and Equipment, etc.

(Thousands of yen)

Category	Balance as of April 1, 2017	Increase	Decrease	Depreciation or amortization at year-end	Balance As of March 31, 2018	Accumulated depreciation or amortization
Property, plant and equipment	-	-	-	561	676	8,208
Intangible assets	-	-	-	360	540	-

Note: Because the amount of property, plant and equipment and intangible assets was no more than 1% of total assets, the amounts of “Balance as of April 1, 2017,” “Increase” and “Decrease” were omitted.

Detailed Statement of Allowances

(Thousands of yen)

Category	Balance as of April 1, 2017	Increase	Decrease	Balance As of March 31, 2018
Allowance for doubtful accounts	37,258	-	37,258	-
Provision for bonuses	2,713	2,119	2,713	2,119

(2) Components of Major Assets and Liabilities

Omitted because the Company prepares consolidated financial statements.

(3) Other Information

There is no applicable information.

Section 6. Overview of Operational Procedures for Shares

<table>
<tr><td>Business year</td><td>April 1 to March 31</td></tr>
<tr><td>Ordinary Shareholders' Meeting</td><td>June</td></tr>
<tr><td>Record date</td><td>March 31</td></tr>
<tr><td>Record date of dividend from surplus</td><td>September 30 and March 31</td></tr>
<tr><td>Number of shares in one share unit</td><td>100 shares</td></tr>
<tr><td>Purchase of shares less than one unit
Administration office

Administrator of the shareholder registry
Agents
Purchasing fee</td><td>

Special account administrator
Mitsubishi UFJ Trust and Banking Corporation
Securities Agency Division
1-4-5, Marunouchi, Chiyoda-ku, Tokyo
This administrator does not handle these purchases.
-
The amount prescribed separately as the one equivalent to the commission fees for entrustment of purchases of shares</td></tr>
<tr><td>Method of public notice</td><td>Public notices of the Company are done by electronic public notice.
However, if the Company is not able to issue electronic public notices due to accidents or any other unavoidable reasons, notices will be published in the Nihon Keizai Shimbun newspaper.
Electronic notices are posted on the Company's website at the following address.
http://www.striders.co.jp/</td></tr>
<tr><td>Special benefit for shareholders</td><td>(1) Eligible shareholders: Shareholders of record at the end of March and September of every year who hold at least two units (200 shares)
(2) Benefit
<table>
<tr><td rowspan="2">Shares held</td><td colspan="2">Benefit</td></tr>
<tr><td>Coupon valid at Striders Group hotels (Note 1)</td><td>Discount coupon valid at Kanmonkai tiger puffer fish restaurants (Note 2)</td></tr>
<tr><td>At least 200 shares (2 units) and less than 500 shares (5 units)</td><td>1,000 yen</td><td>1,000 yen</td></tr>
<tr><td>At least 500 shares (5 units) and less than 1,000 shares (10 units)</td><td>3,000 yen</td><td>2,000 yen</td></tr>
<tr><td>At least 1,000 shares (10 units)</td><td>5,000 yen</td><td>3,000 yen</td></tr>
</table>
Notes: 1. Valid at Narita Gateway Hotel and Kurashiki Royal Art Hotel.
2. Valid at all Kanmonkai restaurants and can be exchanged for Guenpin Fugu original products.
The above benefits may change.</td></tr>
</table>

Notes: 1. Rights for holdings of shares less than one unit

The Company's Articles of Incorporation state that shareholders who own shares less than one unit cannot exercise any rights other than the rights listed below.

(1) Rights stipulated in each item of Article 189, Paragraph 2 of the Companies Act

(2) Right to demand acquisition of stock with acquisition rights

(3) Right to receive allocations of shares solicited or subscription of share purchase warrants in accordance with the number of shares held by each shareholder

2. In accordance with the resolution approved at the 53rd Ordinary General Shareholders' Meeting held on June 22, 2017, the number of shares per unit was changed from 1,000 shares to 100 shares on October 1, 2017.

3. The Company's administrator of the shareholder registry is as follows.

Sumitomo Mitsui Trust Bank, Limited

1-4-1, Marunouchi, Chiyoda-ku, Tokyo

Section 7. Reference Information of Reporting Company

1. Information about Parent Company, etc. of Reporting Company

The Company has no parent companies, etc.

2. Other Reference Information

The Company has submitted the following documents during the period from the beginning date of the current fiscal year to the date of submission of this Securities Registration Report.

(1) Securities Registration Report, Attachments and Written Confirmation

For the 53rd period (from April 1, 2016 to March 31, 2017): Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2017.

(2) Amendment to the Securities Registration Report and Written Confirmation

Submitted to the Director-General of the Kanto Local Finance Bureau on October 3, 2017.
These are an amendment to the Securities Registration Report for the 53rd period (from April 1, 2016 to March 31, 2017) and its Written Confirmation.

(3) Internal Control Report and Attachments

Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2017.

(4) Quarterly Reports and Written Confirmation

1st Quarter of the 54th period (from April 1, 2017 to June 30, 2017):
Submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2017.
2nd Quarter of the 54th period (from July 1, 2017 to September 30, 2017):
Submitted to the Director-General of the Kanto Local Finance Bureau on November 13, 2017.
3rd Quarter of the 54th period (from October 1, 2017 to December 31, 2017):
Submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2018.

(5) Extraordinary Reports

Submitted to the Director-General of the Kanto Local Finance Bureau on June 26, 2017.
The extraordinary report was filed pursuant to Item 9-2, Paragraph 2, Article 19 (Result of exercise of voting rights at a Shareholders' Meeting) of the "Cabinet Office Ordinance on Disclosure of Corporate Affairs."

Submitted to the Director-General of the Kanto Local Finance Bureau on December 22, 2017.
The extraordinary report was filed pursuant to Item 9, Paragraph 2, Article 19 (Changes in representative) of the "Cabinet Office Ordinance on Disclosure of Corporate Affairs."

Submitted to the Director-General of the Kanto Local Finance Bureau on March 5, 2018.
The extraordinary report was filed pursuant to Item 12, Paragraph 2, Article 19 (Occurrence of events that have a marked impact on the Company's financial position, results of operations or cash flows) of the "Cabinet Office Ordinance on Disclosure of Corporate Affairs."

Submitted to the Director-General of the Kanto Local Finance Bureau on May 17, 2018.
The extraordinary report was filed pursuant to Item 9-4, Paragraph 2, Article 19 (Changes in independent auditors) of the "Cabinet Office Ordinance on Disclosure of Corporate Affairs."

Part II. Information about Company which Provides Guarantee to Reporting Company

There is no applicable information.

Audit Report and Internal Control Audit Report by Independent Auditor

June 21, 2018

Board of Directors
Striders Corporation

ARIA Audit Corporation
Hidetoshi Motegi, CPA, Representative Partner, Managing Partner
Yasuyuki Yamanaka, CPA, Representative Partner, Managing Partner

<Audit on Financial Statements>

To make audit certification pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, ARIA Audit Corporation (the "Audit Firm") audited the consolidated financial statements of Striders Corporation (the "Company") included in the "Financial Information" section of the Securities Registration Report for the consolidated fiscal year that commenced on April 1, 2017, and ended on March 31, 2018, which consisted of consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, significant accounting policies for preparation of consolidated financial statements and other notes to consolidated financial statements and consolidated supplementary schedules.

Management's responsibility for the consolidated financial statements

The Company's management is responsible for the preparation and fair disclosure of the aforementioned consolidated financial statements in accordance with the corporate accounting standards generally accepted as fair and appropriate in Japan. This includes the establishment and operation of internal control systems that are regarded as necessary by management to ensure the preparation and fair disclosure of the consolidated financial statements without material misstatement due to fraudulence or errors.

Auditor's responsibility

The Audit Firm is responsible for expressing its opinions regarding the aforementioned consolidated financial statements from an independent standpoint, based on the audit it conducted. The Audit Firm performed the audit in accordance with the auditing standards generally accepted as fair and appropriate in Japan. These auditing standards require the Audit Firm to plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement.

During the audit, auditing procedures are executed to obtain audit evidence supporting the amounts and disclosures of the consolidated financial statements. The auditing procedures are selected and applied at the discretion of the Audit Firm based on the assessment of risks on material misstatements in the consolidated financial statements due to fraudulence or errors. Although the audit on financial statements is not intended to express opinions as to the effectiveness of internal controls, the Audit Firm examines internal controls concerning the preparation and fair disclosure of consolidated financial statements when it conducts the aforementioned risk assessment to draw up appropriate auditing procedures according to the situation. The audit also includes a review of the overall presentation of the consolidated financial statements, including the assessment of the accounting principles and methods of application thereof adopted by management, as well as significant estimates made by management.

The Audit Firm believes that it obtained sufficient and appropriate audit evidence that forms the basis for expressing its opinions.

Auditor's opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material aspects, the financial position of Striders Corporation and its consolidated subsidiaries as of March 31, 2018, and their operating results and cash flows for the consolidated fiscal year ended on the same day, in accordance with the corporate accounting standards generally accepted as fair and appropriate in Japan.

<Internal Control Audit>

To make audit certification in accordance with the provision of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, the Audit Firm audited the internal control report of Striders Corporation As of March 31, 2018.

Management's responsibility for the internal control report

The Company's management is responsible for streamlining and operating its internal control concerning its financial reporting and preparing and fairly disclosing an internal control report in accordance with the evaluation standards for internal controls relating to financial reporting generally accepted as fair and appropriate in Japan.

There is a possibility that misstatements in financial reporting are not completely prevented or detected by the internal control systems concerning financial reporting.

Auditor's responsibility

The Audit Firm is responsible for expressing its opinions regarding the internal control report from an independent standpoint, based on the internal control audit it conducted. The Audit Firm performed the internal control audit in accordance with the auditing standards for internal controls concerning financial reporting that are generally accepted as fair and appropriate in Japan. These standards require the Audit Firm to plan and perform the internal control audit to obtain reasonable assurance as to whether the internal control report is free of material misstatement.

During the internal control audit, auditing procedures are executed to obtain audit evidence supporting the results of evaluation of the internal control systems relating to financial reporting in the internal control report. The internal control auditing procedures are selected and applied at the discretion of the Audit Firm based on the importance of the internal control's effects on the reliability of financial reports. The internal control audit also includes a review of the overall presentation of the internal control report, including the statements made by management on the scope, procedures and results of evaluation on the internal controls relating to financial reporting.

The Audit Firm believes that it obtained sufficient and appropriate audit evidence that forms the basis for expressing its opinions.

Auditor's opinion

In our opinion, the internal control report referred to above, in which Striders Corporation indicated that the internal controls concerning financial reporting as of March 31, 2018 were effective, presents fairly, in all material aspects, the results of evaluation on the internal controls concerning financial reporting, in accordance with the evaluation standards for internal controls concerning financial reporting generally accepted as fair and appropriate in Japan.

Vested interests

The Audit Firm and its Managing Partners have no vested interests in the Company that should be disclosed in accordance with the provisions of the Certified Public Accountants Act.

End

Notes: 1. The above is the digitized form of the matters described in the original audit report, and the original copy is in the custody of the Company.

2. The scope of the audit does not include the XBRL data.

Independent Auditors' Report

June 21, 2018

Board of Directors
Striders Corporation

ARIA Audit Corporation
Hidetoshi Motegi, CPA, Representative Partner, Managing Partner
Yasuyuki Yamanaka, CPA, Representative Partner, Managing Partner

To make audit certification pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, ARIA Audit Corporation (the "Audit Firm") audited the non-consolidated financial statements of Striders Corporation (the "Company") included in the "Financial Information" section of the Securities Registration Report for the 54th business year that commenced on April 1, 2017, and ended on March 31, 2018, which consisted of non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, significant accounting policies and other notes to non-consolidated financial statements and non-consolidated supplementary schedules.

Management's responsibility for non-consolidated financial statements

The Company's management is responsible for the preparation and fair disclosure of the aforementioned non-consolidated financial statements in accordance with the corporate accounting standards generally accepted as fair and appropriate in Japan. This includes the establishment and operation of internal control systems that are regarded as necessary by the management to ensure the preparation and fair disclosure of the non-consolidated financial statements without material misstatement due to fraudulence or errors.

Auditor's responsibility

The Audit Firm is responsible for expressing its opinions regarding the aforementioned non-consolidated financial statements from an independent standpoint, based on the audit it conducted. The Audit Firm performed the audit in accordance with the auditing standards generally accepted as fair and appropriate in Japan. These auditing standards require the Audit Firm to plan and perform the audit to obtain reasonable assurance as to whether the non-consolidated financial statements are free of material misstatement.

During the audit, auditing procedures are executed to obtain audit evidence supporting the amounts and disclosures of the non-consolidated financial statements. The auditing procedures are selected and applied at the discretion of the Audit Firm based on the assessment of risks on material misstatements in the non-consolidated financial statements due to fraudulence or errors. Although the audit on the non-consolidated financial statements is not intended to express opinions as to the effectiveness of internal controls, the Audit Firm examines internal controls concerning the preparation and fair disclosure of the non-consolidated financial statements when it conducts the aforementioned risk assessment to draw up appropriate auditing procedures according to the situation. The audit also includes a review of the overall presentation of the non-consolidated financial statements, including the assessment of the accounting principles and methods of application thereof adopted by management, as well as significant estimates made by management.

The Audit Firm believes that it obtained sufficient and appropriate audit evidence that forms the basis for expressing its opinions.

Auditor's opinion

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material aspects, the financial position of Striders Corporation as of March 31, 2018, and its operating results for the fiscal year ended on the same day, in accordance with the corporate accounting standards generally accepted as fair and appropriate in Japan.

Vested interests

The Audit Firm and its Managing Partners have no vested interests in the Company that should be disclosed in accordance with the provisions of the Certified Public Accountants Act.

End

Notes: 1. The above is the digitized form of the matters described in the original audit report, and the original copy is in the custody of the Company.
2. The scope of the audit does not include the XBRL data.

Cover page

[Submitted document]	Written Confirmation
[Statutory basis]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
[Agency receiving submission]	Director-General of the Kanto Local Finance Bureau
[Submission date]	June 22, 2018
[Corporate name]	Kabushiki-Kaisha Striders
[Name in English]	Striders Corporation
[Name and position of representative]	Ryoichi Hayakawa, President and Chief Executive Officer
[Name and position of Chief Financial Officer]	Yoshiyuki Wakahara, Managing Director and Chief Financial Officer
[Location of headquarters]	5-13-5, Shimbashi, Minato-ku, Tokyo
[Place available for public inspection]	Tokyo Stock Exchange, Inc.
	(2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

1. Matters Regarding the Appropriateness of Descriptions in the Financial Information

Ryoichi Hayakawa, President and Chief Executive Officer and Yoshiyuki Wakahara, Chief Financial Officer confirmed that the contents of the Company's Financial Information for the 54th period (from April 1, 2017 through March 31, 2018) were appropriately stated pursuant to the Financial Instruments and Exchange Act.

2. Matters to Be Noted

There is no applicable information.

Cover page

[Submitted document]	Internal Control Report
[Statutory basis]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
[Agency receiving submission]	Director-General of the Kanto Local Finance Bureau
[Submission date]	June 22, 2018
[Corporate name]	Kabushiki-kaisha Striders
[Name in English]	Striders Corporation
[Name and position of representative]	Ryoichi Hayakawa, President and Chief Executive Officer
[Name and position of Chief Financial Officer]	Yoshiyuki Wakahara, Managing Director and Chief Financial Officer
[Location of headquarters]	5-13-5, Shimbashi, Minato-ku, Tokyo
[Place available for public inspection]	Tokyo Stock Exchange, Inc.
	(2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

1. Basic Framework for Internal Controls Concerning Financial Reports

Ryoichi Hayakawa, President and Chief Executive Officer and Yoshiyuki Wakahara, Chief Financial Officer are responsible for establishing and operating internal controls for financial reports of Striders Corporation and its consolidated subsidiaries (collectively “the Striders Group”). The establishment and operation of these internal controls complies with the basic framework for internal controls in Business Accounting Council Opinion Statement concerning the Standards for Evaluations and Audits of Financial Report Internal Controls and the Standards for Implementing Internal Control Evaluations and Audits.

Internal controls are intended to achieve their objectives within reasonable bounds by functioning as an integrated unit with all fundamental elements seamlessly linked. Consequently, preventing or identifying every false entry in financial reports by using internal controls for these reports may not be possible.

2. Scope of Evaluations, Record Date and Evaluation Procedure

The evaluation of internal controls for financial reports was performed with a record date of March 31, 2018, the last day of the fiscal year. The evaluation was based on evaluation standards for financial report internal controls that are recognized as fair and proper.

For this evaluation, there was an evaluation of internal controls that have a significant influence on overall consolidated financial reports (entity-level internal controls). The results of this evaluation were used to select operational processes for evaluations. For the evaluation of these processes, the selected processes were analyzed and items that have a significant influence on the reliability of financial reports were identified. Then the status and implementation of these items in relation to the applicable controls were evaluated in order to determine the effectiveness of internal controls.

The scope of financial report internal control evaluations is the coverage required from the standpoint of the importance of influences on the reliability of financial reports of the Striders Group. The importance of influences on the reliability of financial reports was decided by taking into consideration the importance of monetary and qualitative influences. Based on the evaluation results of entity-level controls for Striders Corporation and six consolidated subsidiaries, a reasonable evaluation scope was determined for internal controls for operational processes. The coverage of evaluations for internal controls for the entire company does not include other consolidated subsidiaries, based on the judgment that their monetary and qualitative importance is negligible.

For the scope of evaluations for internal controls for operational processes, the sales of all business sites in the fiscal year ended March 31, 2017 were added in order beginning with the location having the highest sales. Then the business sites that account for about two-thirds of total sales were classified as important business sites. At the selected important business sites, the operational process evaluation covered processes involving sales and receivables, which are items closely linked to business activities.

In addition, irrespective of the important business sites selected, evaluations included operational processes that are important because of their influence on financial reports at certain other business sites. One category is businesses processes where there is a high probability of significant false entries and that are associated with important accounting items requiring estimates and forecasts. Another category is operational processes for businesses and operations that perform transactions with substantial risk.

3. Results of evaluations

Based on the results of the internal control evaluations described in the preceding section, management has concluded that internal controls for financial reports of the Striders Group were effective as of March 31, 2018.

4. Supplementary Information

There is no applicable information.

5. Matters to Be Noted

There is no applicable information.