Note: This document is an English translation of “Kessan Tanshin” for the fiscal year that ended March 31, 2017 and is provided solely for reference purposes. In the event of any inconsistency between the Japanese and English versions, the Japanese version will govern.

Consolidated Financial Results for the Fiscal Year Ending March 31, 2017 [J-GAAP]

April 28, 2017

Company name:	INFORMATION DEVELOPMENT CO., LTD.
Listing:	Tokyo Stock Exchange, 1st Section
Securities code:	4709
URL:	http://www.idnet.co.jp
Company representative:	Masaki Funakoshi, President and Representative Director
Direct inquiries to:	Masayoshi Nakatani, Senior Officer Corporate Strategy Planning Office Tel: +81 3-3264-3571
Scheduled date of the ordinary general shareholders’ meeting:	June 23, 2017
Scheduled date of dividend payment:	June 26, 2017
Schedule date of submitting the annual securities report:	June 26, 2017
Preparation of supplementary materials on financial results:	Yes
Presentation on results:	Yes (For institutional investors and analysts)

(Amounts of less than ¥1 million are truncated)

1. Consolidated Financial Results for FY2016 (April 1, 2016 - March 31, 2017)

(1) Consolidated Business Results (% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2016	21,554	7.3	1,105	14.0	1,133	17.5	654	19.2
FY2015	20,082	6.4	970	0.4	964	-3.4	548	7.9

Note: Comprehensive income FY2016 ¥1,057 million (–%) FY2015 ¥-44 million (–%)

	Net income per share	Net income per share (diluted)	Return on equity	Return on assets	Net sales operating income margin
	¥	¥	%	%	%
FY2016	60.13	59.51	9.5	10.9	5.1
FY2015	50.73	50.30	8.3	9.4	4.8

Notes: Equity in income of affiliates FY2016 ¥– million FY2015 ¥– million

The Company carried out a 1-for-1.5 stock split of its common stock on January 1, 2017. We therefore calculated the net income per share and the net income per share (diluted) on the assumption that the stock split had been carried out at the beginning of the previous consolidated accounting period.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Book value per share
	¥ million	¥ million	%	¥
FY2016	10,552	7,321	69.0	666.68
FY2015	10,319	6,509	62.7	596.65

Note: Equity FY2016 ¥7,281 million FY2015 ¥6,471 million

Note: The Company carried out a 1-for-1.5 stock split of its common stock on January 1, 2017. We therefore calculated the net income per share on the assumption that the stock split had been carried out at the beginning of the previous consolidated accounting period.

(ii) Consolidated Cash Flow

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Cash and cash equivalent balance at end of term
	¥ million	¥ million	¥ million	¥ million
FY2016	1,185	-137	-801	2,391
FY2015	187	-219	-231	2,167

2. Dividends

	Annual dividends					Total amount of cash dividends (annual)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of fiscal period	Total			
	¥	¥	¥	¥	¥	¥ million	%	%
FY2015	―	0.00	―	35.00	35.00	264	46.0	3.8
FY2016	―	0.00	―	37.00	37.00	420	61.5	5.9
FY2017 (forecast)	―	0.00	―	37.00	37.00		41.2	

Notes: 1. The Company carried out a 1-for-1.5 stock split of its common stock with an effective date of January 1, 2017. The dividend for FY2015 is based on the number of pre-split shares.

2. The dividend for FY2016 is ¥37.00. It will not be adjusted because of the stock split. When converting the pre-stock split year-end dividend per share, the dividend/share is ¥55.50, which is an effective increase of ¥20.50.

3. Forecasts of Consolidated Results for FY2017 (April 1, 2017 - March 31, 2018)

(Percentages show period-over-period changes for the full year and YoY changes for the quarter)

	Net sales		**Operating income**		**Ordinary income**		**Net income attributable to owners of parent**		**Net income per share**
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Second quarter (cumulative)	10,621	0.3	600	20.6	600	23.3	400	18.1	36.62
Full-year	22,650	5.1	1,470	32.9	1,450	28.0	980	49.8	89.73

*Notes

(1) Changes in important subsidiaries during the period (changes in specified subsidiaries resulting in the change in consolidation scope): No

(2) Changes in accounting policies, changes in accounting estimates and restatements

(i) Changes in accounting policies due to revisions of accounting standards, etc.: Yes

(ii) Changes in accounting policies other than (i): No

(iii) Changes in accounting estimates: No

(iv) Restatements: No

Note: For details, please see the section Changes in Accounting Policies on page 20.

(3) Number of shares outstanding (common stock)

(i) Number of shares outstanding (inclusive of treasury stock)	FY2016	12,044,302 shares	FY2015	12,044,302 shares
(ii) Number of treasury stock	FY2016	1,122,461 shares	FY2015	1,198,165 shares
(iii) Interim average number of shares	FY2016	10,881,240 shares	FY2015	10,821,029 shares

Note: The Company carried out a 1-for-1.5 stock split of its common stock on January 1, 2017. We therefore calculated the year-end number of shares outstanding and the interim average number of shares on the assumption that the stock split would be executed at the beginning of the previous consolidated accounting period.

Reference: Outline of unconsolidated financial results

1. Unconsolidated Financial Results for FY2016 (April 1, 2016 - March 31, 2017)

(1) Unconsolidated business results (% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2016	20,785	11.1	1,161	25.6	1,171	27.6	791	5.5
FY2015	18,716	21.2	925	31.3	917	8.2	750	48.9

	Net income per share	Net income per share (diluted)
	¥	¥
FY2016	72.72	71.96
FY2015	69.32	68.74

Note: The Company carried out a 1-for-1.5 stock split of its common stock on January 1, 2017. We therefore calculated the net income per share and the net income per share (diluted) on the assumption that the stock split had been carried out at the beginning of the previous fiscal year.

(2) Unconsolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	¥ million	¥ million	%	¥
FY2016	10,545	7,394	70.0	675.80
FY2015	10,070	6,695	66.3	615.80

Note: Equity FY2016 ¥7,380 million FY2015 ¥6,679million

Note: The Company carried out a 1-for-1.5 stock split of its common stock on January 1, 2017. We therefore calculated the net income per share on the assumption that the stock split had been carried out at the beginning of the previous fiscal year.

* This summary of financial results is not subject to an audit.

* Qualitative information relating to the appropriate use of results forecasts, and other noteworthy items

Results forecasts are estimates based on the information that was available as of the day the results were announced, and some of this information may be uncertain. The actual results, etc. may be different from the forecasts because of changes in business conditions, etc. See (1) Summary of Business Results for the Period and Estimates for the Next Period under section 1. Summary of Business Results, etc. on page 4 of the Attachment for the assumptions that form the basis of results forecasts and other things to remember when relying on results forecasts.

The Company has also introduced a board benefit trust (BBT) and Japanese employee stock ownership plan (J-ESOP), and the Company's shares that are held by Trust & Custody Services Bank, Ltd. (Trust Account E) as the trust property regarding the BBT and J-ESOP plans include treasury stock.

(Method of obtaining supplementary explanatory materials regarding results and details of the results briefing)

The Company will hold a results briefing for institutional investors and analysts on May 26, 2017. The materials that will be distributed at the briefing will be posted on the Company website promptly after the briefing.

Contents

1. Summary of Business Results, etc.

(1) Summary of Business Results for the Period

Some sectors of the Japanese economy experienced sluggish growth in the consolidated fiscal year (April 1, 2016 to March 31, 2017), but hiring and income improved amid signs of a gradual recovery. The global economy also appeared to be recovering, although concerns remain about future US policy, the direction of the economies of China and other emerging countries in Asia, and political uncertainties in the EU.

According to the **Survey of Selected Service Industries** (published April 14, 2017) conducted by the Ministry of Economy, Trade, and Industry, the information service industry–the area that the ID Group operates in–has been generally up over the previous year every month, and there are signs that the business environment is improving. The ID Group continues to undertake human resource training as a top priority in this environment, and is actively seeking to improve operational efficiency and develop cross-sectional group sales with existing customers by sharing and leveraging group management resources.

This has helped to boost sales in the system administration and management segment, one of the Company's main lines of business. With an increase in sales in the software development segment, ID Group sales rose to ¥21.554 billion (+7.3% YoY) in the consolidated accounting period.

On the revenue side, the Company incurred higher expenses* in the form of service expenses (SG&A expenses) associated with the acquisition of Terra Corp., Ltd.'s shares and higher retirement benefit expenses (cost of sales and SG&A expenses) stemming from changes that were made to the retirement benefit plan (the shift to a defined contribution pension plan in April 2016), and there was also an uptick in outsourcing costs. But given the decline in costs stemming from moving the head office in the previous fiscal year (SG&A expenses) and the convergence of some unprofitable projects in the software development segment that arose in the previous fiscal year, operating income rose to ¥1.105 billion (+14.0% YoY) and ordinary income rose to ¥1.133 billion (+17.5% YoY). Net income attributable to the owners of the parent rose to ¥654 million (+19.2% YoY), reflecting an extraordinary gain from the reduction in retirement benefit obligations based on changes to the retirement benefits plan (shift to a defined contribution pension plan), an extraordinary loss from the sale of a fixed asset (the employee dormitory), and an extraordinary loss due to a provision, etc. for allowance for doubtful accounts.

*The Company contributed payments of ¥31 million to pension assets and incurred ¥9 million in expenses as retirement benefit obligations every month in the previous fiscal year. It stopped payments to the pension assets because of the change in the retirement plan this fiscal year, and recorded roughly ¥27 million as an expense in the form of monthly contributions to the defined contribution pension plan. By offsetting the ¥9 million/month expense that the Company had incurred up to the preceding fiscal year, the monthly retirement benefit expense rose to roughly ¥18 million, and the cumulative amount for the consolidated accounting period rose to ¥218 million yen. There will be no impact on the consolidated results forecasts this fiscal year as these figures have already been reflected in consolidated results forecasts calculations.

The ID Group's segment-by-segment results in the consolidated accounting period are as follows.

(i) System operation management

Sales rose sharply in existing finance-related operations and management business. Net sales rose to ¥12.070 billion (+3.0% YoY) because of an increase in sales in existing finance-related platform development operations*.

(ii) Software development

Public sector sales rose significantly as clients coped with system changes and revisions to laws. Net sales also rose to ¥8.609 billion (+14.5% YoY) due to an increase in finance-related sales stemming from clients' efforts to manage system integrations and renewals.

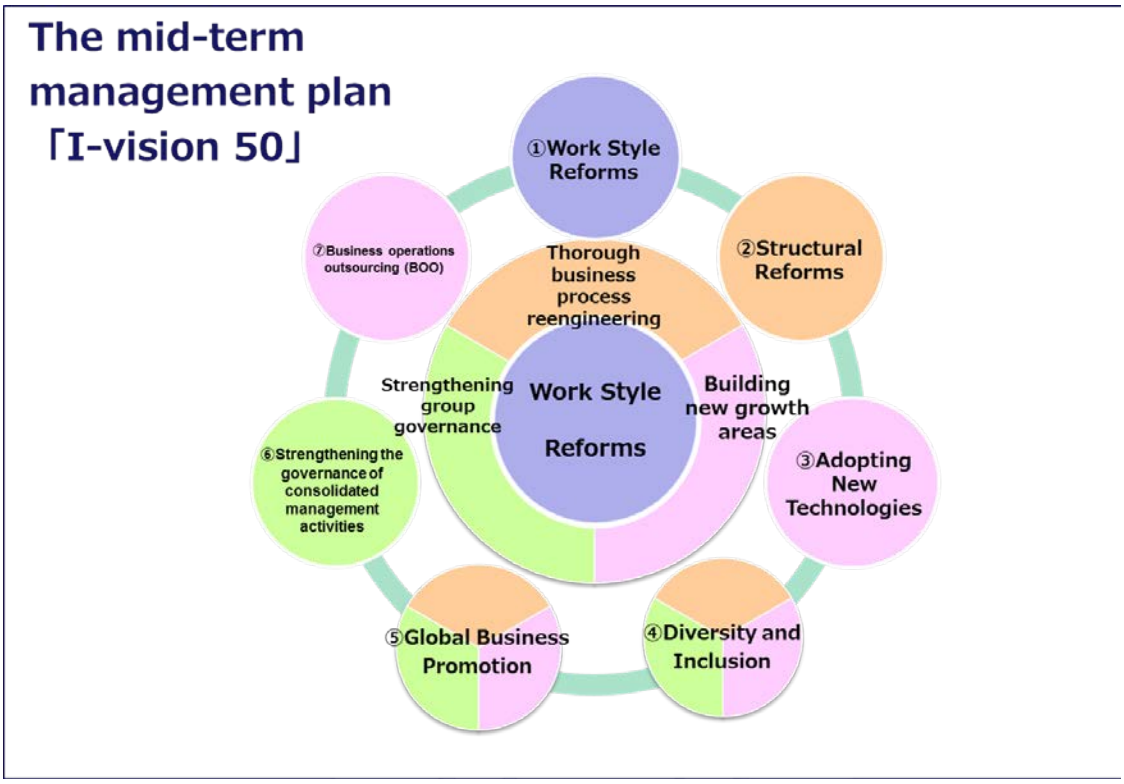
(iii) Others

Both security sales and sales overseas companies rose, and consulting sales fell. Net sales rose to ¥875 million (+4.3% YoY).

*Platform development operations refer to the Company's service of making optimal use of hardware, operating systems, and middleware to design and build low-cost, reliable system operational environments.

<Management Policy Initiatives>

Following the Company's philosophy of "better, quicker services for our customers" set out in the mid-term management plan **I-vision 50** (adopted in April 2016; for the FY2016 to FY2018 period), the ID Group is implementing initiatives to reach ¥24 billion in net sales and ¥1.68 billion in operating income by FY2018. **I-vision 50** supports three basic principles that are aimed at work style reforms: thorough business process reengineering (BPR), the creation of new growth areas, and strengthening group governance. The Company is also undertaking the following seven priority initiatives: (1) work style reforms, (2) structural reforms, (3) adopting new technologies, (4) diversity and inclusion, (5) global business promotion, (6) strengthening the governance of consolidated management activities, and (7) business operation outsourcing (BOO). These seven priority initiatives will motivate our employees and business partners to grow the business, which will in turn help generate higher revenues and better wages. In doing so, the Company aims to create an environment that produces a virtuous cycle of taking on increasingly tougher challenges and enabling it to fairly return the profits to stakeholders other than the employees.



The following is a summary on the state of each of the initiatives.

Note: The numbers in brackets below match each of the priority initiatives listed above.

(1) Work style reforms

The entire Company is addressing the way it works, with an emphasis on the importance of a work-life balance and the creation of attractive workplaces to help improve productivity and keep talented personnel*.

・Acquisition of the good-company certification mark “Eruboshi” under the Act on Promotion of Women's Career Activities [(1), (4)]

・Health & Productivity initiatives [(1)]

・Appointment of officers who are in charge of the “changing how we work” initiative [(1)]

*The Company believes that our employees are precious resources, not just a means to an end.

(2) Structural reforms

The Company is fundamentally reforming how it does business without fixating on past business practices, and creating new business processes. It is also attempting to improve the organization’s overall productivity by promoting transfers of authority or IT systemization.

・Overseas bases: Review of Standards on Decision-Making and Management Approval Authority [(2), (6)]

・Indirect divisions: Launch of a project team to review business processes [(2)]

(3) Adopting new technologies

The Company is aggressively adopting new technologies to make its existing services more competitive and improve productivity and quality.

・Execution of an Exclusive Sales Agreement with Seceon Inc. (US) [(3), (5)]

・Launch of cloud-based secure-server service for IoT model verification projects in emergency medical and disaster responses [(3)]

・Launch of managed security services (iD–MSS) for small and medium-sized businesses [(3)]

・Launch of services utilizing smart glass [(3), (2)]

・Participate in verification tests for the early detection of sick or wounded individuals using emergency-response drones [(3)]

・Commence sales of Seceon OTM, a cutting-edge security solution that uses artificial intelligence (AI) and machine learning [(3), (5)]

(4) Diversity and inclusion

The Company is refining its training techniques and diversifying so that it can keep pace with the ever-changing business environment and stimulate the organization as it pursues global strategies.

・Ratio of women in management positions: 14.0% [(4)]

・Ratio of non-Japanese workers at the Company: 9.8% [(4), (5)]

(5) Global business promotion

The Company is aggressively expanding overseas to assist other Japanese companies with their own overseas expansion and to increase its global competitiveness. The Company has begun to offer higher quality products and services to overseas clients and provides a 24/7 support system through its nine overseas bases (see the diagram below of our global network).

・Establishment of a representative office in Amsterdam [(5), (3)]

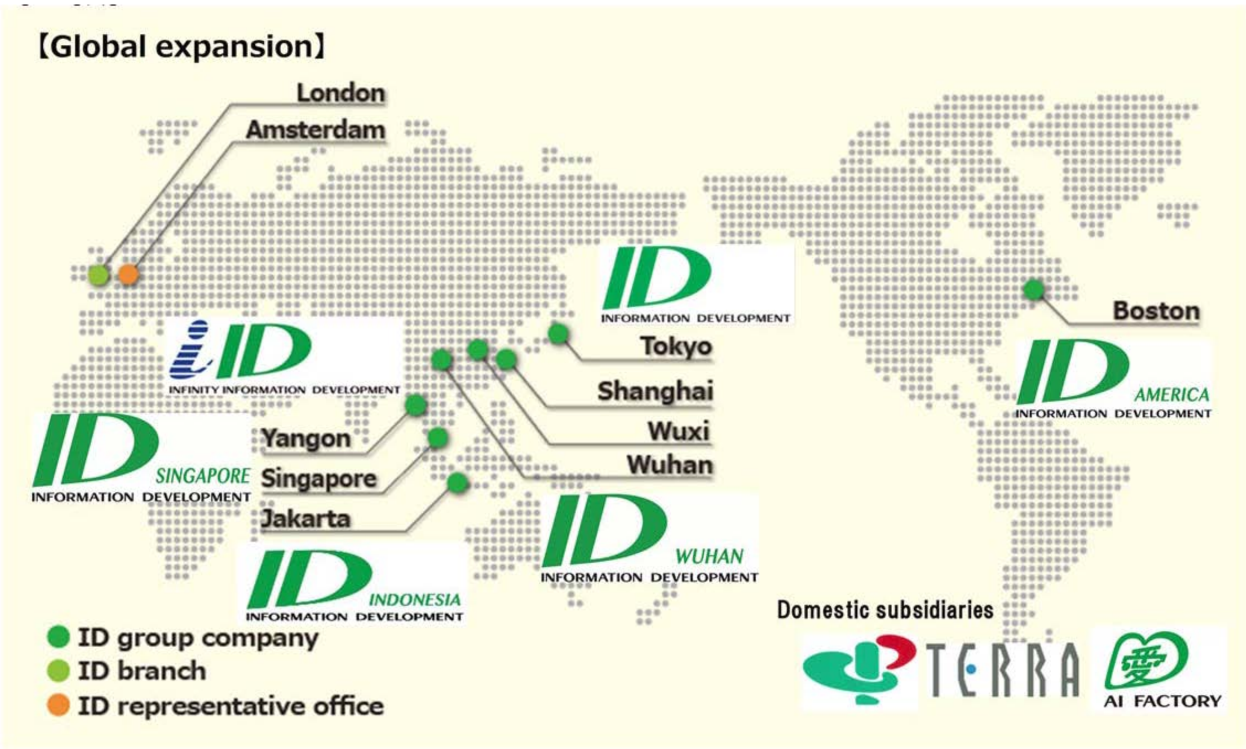
・The consolidated subsidiary INFORMATION DEVELOPMENT Wuhan CO., LTD. achieved Capability Maturity Model Integration (CMMI) Maturity Level 3 [(5)]

・INFORMATION DEVELOPMENT Wuhan CO., LTD. also achieved IT Service Standard Grade 3 in China [(5)]

(6) Strengthening the governance of consolidated management activities

The Company is working to bring together solutions and maximize corporate value by communicating closely with the 12 bases of operations in and outside of Japan (see the diagram below of our global network). The Company strives to quickly ascertain management information, including the personnel and know-how at each base and the state of operations, and resolve customers' issues as a cohesive group.

・Acquisition of shares in Infinity Information Development Co., Ltd. (made it a subsidiary) [(6)]



(7) Business operations outsourcing (BOO)

The ID Group has a diverse line-up of businesses, ranging from system operation management, software development, cybersecurity, and consulting.

BOO is a strategy for providing a wide range of services to individual customers, and the ID Group aims to provide these services to customers in Japan and overseas.

・Estimates for the next period

The Japanese economy is gradually recovering amid signs of sustained improvements in hiring and income. The global economy also appears to be gradually recovering overall, although concerns remain about future US policy, the direction of the economies of China and other emerging countries in Asia, and political uncertainties in the EU. Under these conditions, the business environment for the information services industry in which the ID Group operates is showing signs of improvement. The Company estimates that net sales will increase to ¥22.65 billion (+5.1% YoY), operating income will increase to ¥1.47 billion (+32.9% YoY), ordinary income will increase to ¥1.45 billion (+28.0% YoY), and net income attributable to owners of parent will increase to ¥980 million (+49.8% YoY) regarding FY2017 consolidated financial results.

* Results forecasts are estimates based on the information that was available as of the day the results were announced. The actual results may be different from the forecasts because of changes in business conditions, the economy, or other factors.

(2) Summary of Financial Condition for the Period

(1) Assets, liabilities, and net assets

Assets rose to ¥10.552 billion at the end of the consolidated accounting period, which is a ¥232 million increase over the previous consolidated accounting period. Cash and deposits rose ¥223 million, land fell ¥213 million, and investment securities rose ¥209 million.

Liabilities fell to ¥3.23 billion, which is a ¥579 million decrease over the previous consolidated accounting period. Trade payables rose ¥79 million, interest-bearing debt fell ¥544 million, income taxes payable rose ¥98 million, deferred tax liabilities rose ¥149 million, and net defined benefit liabilities fell ¥515 million.

Net assets rose to ¥7.321 billion, which is a ¥812 million increase over the previous consolidated accounting period. Net income attributable to owners of parent was ¥654 million, there was a decrease of ¥264 million due to the payment of dividends, and accumulated other comprehensive income rose ¥397 million due to the partial termination of the retirement benefit plan.

(2) Cash Flow

Cash flows from operating activities	¥1.185 billion (+¥998 million YoY)
Cash flow from investment activities	-¥137 million (+¥81 million YoY)
Cash flow from financing activities	-¥801 million (-¥570 million YoY)
Cash and cash equivalents at the end of the year	¥2.391 billion (+¥223 million YoY)

Cash flows from operating activities was ¥1.185 billion, as net income before taxes and other adjustments was ¥1.133 billion, depreciation was ¥210 million, impairment losses were ¥147 million, the provision for bonuses increased ¥54 million, and income taxes paid was ¥370 million.

Cash flow from investment activities was -¥137 million, as the purchase of property and equipment was ¥132 million, proceeds from sales of property and equipment was ¥104 million, and the purchase of investments in subsidiaries resulting in change in scope of consolidation was ¥92 million.

Cash flow from financing activities was -¥801 million, as short-term loans payable experienced a net decrease of ¥480 million, the repayment of long-term loans payable was ¥60 million, and the cash dividends paid was ¥263 million.

Thus, cash and cash equivalents at the end of the year rose to ¥2.391 billion, which is a ¥223 million increase over the previous consolidated accounting period.

Note: Cash flow benchmarks

	FY2012	FY2013	FY2014	FY2015	FY2016
Equity ratio (%)	55.9	61.1	65.3	62.7	69.0
Equity ratio (%) at fair value	36.3	47.3	70.3	61.2	122.5
Ratio of cash flow to interest-bearing debt (annual)	1.4	-58.5	1.8	5.0	0.3
Interest coverage ratio (multiple)	103.2	-1.9	72.9	20.0	229.5

*Equity ratio: Shareholder equity / total assets
Equity ratio at fair value: Market capitalization / total assets
Ratio of cash flow to interest-bearing debt: Interest-bearing debt / cash flow
Interest coverage ratio: Cash flow / interest payments

1. These benchmarks were calculated based on consolidated financial figures.
2. Market capitalization was calculated based on the closing share price at the end of the period X number of shares outstanding (after deducting treasury stock).
3. To determine cash flow, the cash flows from operating activities stated in the Consolidated Statement of Cash Flows were used. All debts stated in the consolidated balance sheet on which interest payments are being made are included in the interest-bearing debt. The interest expenses paid stated in the Consolidated Statement of Cash Flows were used regarding interest payments.

(3) Basic Policy on Profit Distributions and Dividends for the Current Period and the Next Period

The Company considers the return of profits to shareholders to be one of its chief management priorities. It is making every effort to secure a strong business foundation, and improve stable revenues and return on equity. It has made the sustained distribution of appropriate dividends supported by results a basic policy. The Company added ¥2 to ordinary dividends at the end of the fiscal year, raising it to ¥37 from ¥35, as the Company announced on October 31, 2016 in the Notice on Stock Split, Partial Amendment to the Articles of Incorporation Due to the Split, and the Revision of Dividend Forecast (Increase).

Internal reserves were used to invest in many operational areas in the spirit of expanding the business and improving results. These areas included the training of skilled technicians in platform development operations (a service area in high demand), building services using AI, IoT, and other new technologies, acquiring new materials, and investing in the ID Group’s global strategy, including China, Singapore, Myanmar, Indonesia, the US, and Europe.

As for dividends in the next period, the Company plans to distribute ¥37/share as annual dividends (all at the end of the period) based on this policy.

(4) Business Risks

The business and accounting matters of the ID Group that may have a material impact on investors' decision-making are listed below.

The following forward-looking statements have been made at the discretion of the ID Group as of the end of the consolidated accounting period.

(1) Information Management

The Company has drafted various rules, such as the Basic Policy on Information Management and the Personal Information Protection Rules, to ensure the proper handling of personal information and information assets. To strengthen its information management systems, the Company will appoint an information management supervisor to plan, propose, and promote, and create an information management committee to engage in cross-organizational discussions about, general information management matters. Furthermore, the Company will implement various security measures and work to educate its workforce through ongoing training and education activities. Seeking to continuously improve its business operations, the Company obtained the P-Mark in September 2003, and obtained in February 2007 and is maintaining the ISO 27001 (information security) certification in its business process outsourcing segment.

The ID Group is focused on maintaining and improving information security, and it will continue to provide services that its customers want. However, the loss, tampering, or leak of information regarding a customer or transaction due to an unauthorized access or significant error may diminish the credibility of the ID Group and impact the ID Group's business results and financial position.

(2) Risks in the Execution of Software Development and Infrastructure-Building Projects

Software development and infrastructure-building projects are becoming more sophisticated and complex, and clients are demanding quicker deliveries. In this context, there is the risk of mid-project changes being made to programming requirements, diminished quality, or delayed deliveries. The Company has implemented a quality management system that complies with ISO 9001 to hedge against these risks. The project and systems division and quality management division monitors three criteria for each project: quality, cost, and deliveries (QCD). By doing so, they can to detect or predict abnormalities, quickly implement countermeasures, and keep projects from becoming unprofitable. However, if the Company is unable to prevent a problem despite these initiatives, additional costs may arise that pull down profitability, which may in turn impact the ID Group's business results and financial position.

(3) Risks in the Execution of System Operation Management Projects

System failures due to operational errors or delays in the provision of information could potentially arise in system operation management projects. To keep any failures from happening, the ID Group created a quality management division that plans and implements initiatives, such as training to prevent failures from happening, analyzing and giving feedback on the causes of failures, and on-site inspections. The ID Group has also obtained the ISO 9001 certification to keep improving quality. However, if a major system failure happens, liability for damages could arise, which might impact the ID Group's business results and financial position.

(4) Personnel Risks

Hiring talented personnel is an important issue for handling the latest information technology and improving customer satisfaction. The ID Group is reevaluating the human resource system and devoting resources to hiring activities to secure personnel who will add value to the business. However, if the ID Group cannot hire and train talented personnel or cannot fill positions that match the Company's needs in a way that is aligned with changes in the business, then that could potentially affect the ID Group's business results and financial position.

(5) Bringing on Personnel from Partner Companies

The ID Group is actively bringing on personnel from partner companies to flexibly match personnel to the needs of each project. Through deepening cooperative relationships with over 150 partner companies and finding new partner companies, the ID Group will continue along this line. However, if this strategy does not work out, then that could affect the ID Group's business results and financial position.

(6) Reliance on Specific Trading Partners

The percentage of sales made by the ID Group to affiliates of the Mizuho Financial Group is increasing. If the amount of work the Company receive from the Mizuho Financial Group changes, that could affect the ID Group's business results and financial position.

(7) Acquisition Risks

One of the ID Group's business strategies is to expand through M&A activities. When acquiring a company, every effort is made to avoid risk by conducting due diligence of the target's finances in advance, but the desired results may not be achievable because of subsequent changes to market conditions or an unpredictable event, which could affect the ID Group's business results and financial position.

(8) Natural Disasters, Terrorism, or Infectious Diseases, etc.

The ID Group has implemented several measures to minimize the effects of an earthquake, flood, or other major disaster, terrorism or other criminal acts, or the spread of an infectious disease that might obstruct the execution of operations. These include the creation of a Business Continuation Plan (BCP) and Crisis Management Manual, securing back-up centers, introducing a safety confirmation system, and carrying out disaster-preparedness drills. However, these measures are not a guarantee that a natural disaster, act of terrorism, infectious disease, or other damage can be completely avoided. If the ID Group suffers damage on a greater scale than it envisioned, then its business results and financial position could be affected.

(9) Global Business Risk

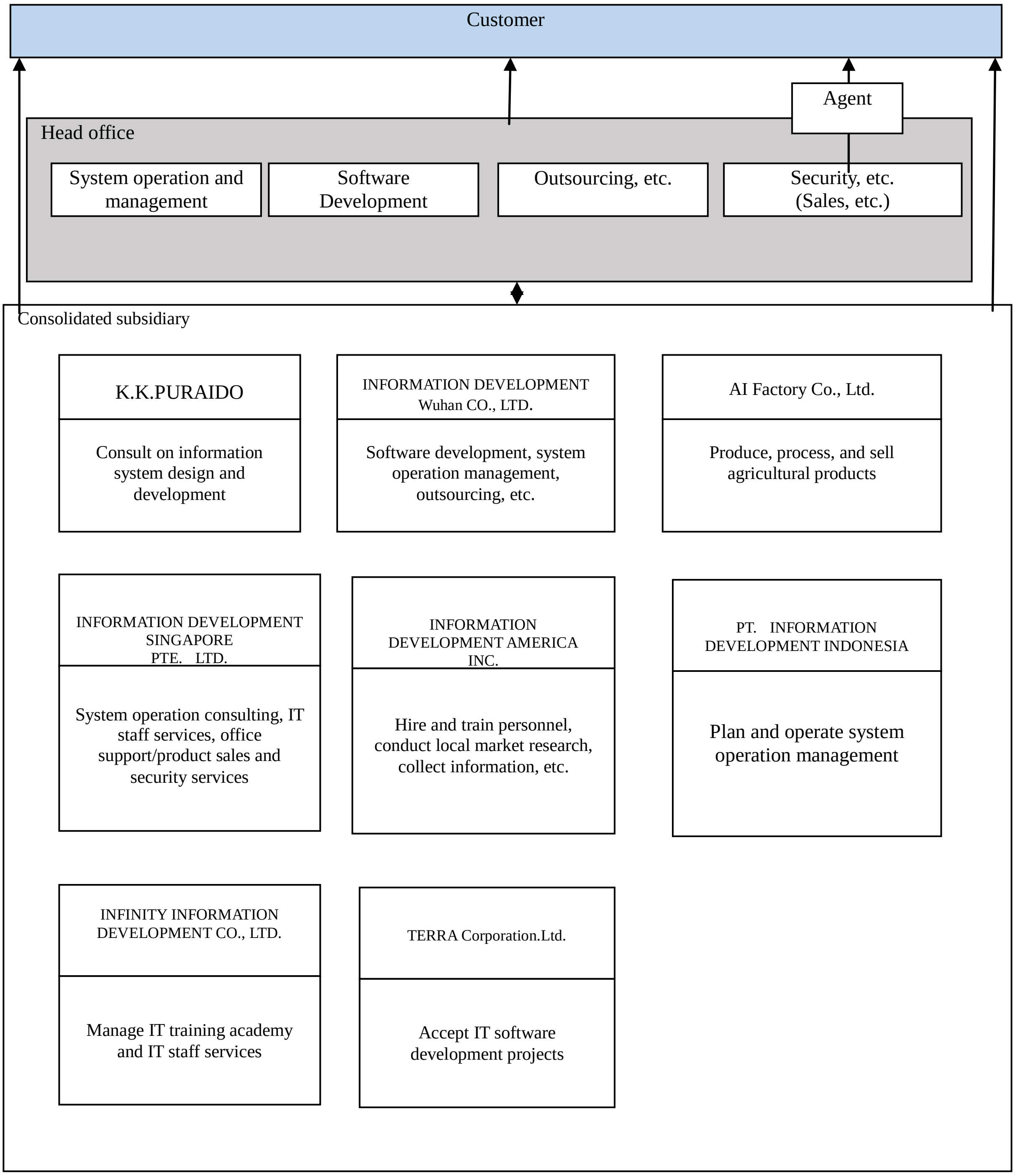
Part of the ID Group's business strategy includes doing business globally, primarily in China, Singapore, Myanmar, Indonesia, the US, and Europe. Many factors could affect the ID Group's business results and financial position, such as changes to the global economy or exchange rates, business regulations, differences in business customs, or social or political changes.

2. State of the Corporate Group

The ID Group consists of the head office and eight consolidated subsidiaries. Business activities are centered on three areas: (1) system operation management, (2) software development, and (3) other business. The following table shows the categories and details of the lines of business that the head office and consolidated subsidiaries are engage in. Note that AI Factory Co., Ltd. is engaged in the production, processing, and sales of agricultural products as a special subsidiary.

Category	Details	Company name
System operation and management	・Station ID Group technicians at the computer divisions of our clients, and manage, administer, and operate information processing systems ・Install new systems and operate rebuilt systems	Head office INFORMATION DEVELOPMENT Wuhan CO., LTD. ("ID Wuhan") INFORMATION DEVELOPMENT SINGAPORE PTE. LTD. PT. INFORMATION DEVELOPMENT INDONESIA
Software development	・Accept requests to develop client software over the entire development cycle, and do development work within the ID Group ・Station ID Group technicians at client offices and develop software	Head office INFORMATION DEVELOPMENT Wuhan CO., LTD. ("ID Wuhan") INFORMATION DEVELOPMENT SINGAPORE PTE. LTD. TERRA Corporation.Ltd.
Others	・Sell network security products, and offer support services for security system building and implementation ・Offer training and consulting on information system development and administration technologies ・Outsourcing projects, etc. ・Hire and train personnel, conduct local market research, and collect information, etc.	Head office K.K.PURAIDO INFORMATION DEVELOPMENT Wuhan CO., LTD. ("ID Wuhan") INFORMATION DEVELOPMENT AMERICA INC. INFORMATION DEVELOPMENT SINGAPORE PTE. LTD. INFINITY INFORMATION DEVELOPMENT CO., LTD.

The following is a diagram of the ID Group business lines.



3. Management Policies

(1) Basic Policy on Company Management

The ID Group's basic management policy is to build high-quality and efficient systems for and provide system operation management and other information services to clients to contribute to their growth and development in the information society. The ID Group is striving to improve information technology and quality based on the following key concepts.

(1) Exceptional technology
(2) High-quality services
(3) Willingness to confront the unknown

(2) Management targets

To become more competitive and improve its corporate value, the ID Group is prioritizing increasing net sales and improving operating income margin, and continuously working to improve these management benchmarks.

<Key Benchmarks>
FY2018
(1) Net sales: ¥24.0 billion
(2) Operating income margin: 7.0%

(3) Medium- to Long-Term Company Management Strategies

The ID Group implemented the mid-term management plan, **I-vision 50** (FY2016 – FY2018), to grow the business as the Company approaches the 50th anniversary of its founding in 2019. Building on the fundamental idea of sustained growth, I-vision 50 stipulates three basic principles: thorough business process reengineering (BPR), building new growth areas, and strengthening group governance. The ID Group is following through with several initiatives to this end. The measures are described under Management Policy Initiatives.

(4) Company Issues to Be Addressed

In 2016, the Japanese IT market experienced year-over-year growth, marking the fifth straight year of growth. The industry is undergoing major changes. Japanese companies are expanding into global markets, and business opportunities are arising in new fields, such as IoT, AI, and wearable devices. IT companies are under pressure to quickly and flexibly adapt.

Attuned to these changes, the ID Group is prioritizing proposals to uncover customers' needs, improving services to meet those needs, and training personnel so that they can handle global business. Specifically, the ID Group is working to improve its proposals, from the discovery stage of customer needs through the presentation of solutions, train platform development technicians, build services that use AI and other new technologies, and train personnel so that they are equipped with technical and linguistic skills to handle global business.

4. Basic Approach to the Selection of Accounting Standards

The ID Group is currently basing its accounting policies on consolidated financial statements prepared according to Japanese accounting standards, in light of the ability to compare time periods and companies on the consolidated financial statements.

The ID Group will appropriately comply with the IFRS standards considering domestic and international conditions.

5. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(thousands of ¥)

	Previous consolidated accounting period As of March 31, 2016	Consolidated accounting period As of March 31, 2017
Assets		
Current assets		
Cash and deposits	2,267,365	2,491,228
Notes and accounts receivable – trade	3,836,114	3,874,257
Works-in-process	26,753	48,987
Deferred tax assets	235,164	264,433
Others	186,557	222,680
Allowance for doubtful accounts	-64	-64
Total current assets	6,551,890	6,901,521
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,580,807	1,491,077
Accumulated depreciation	-659,271	-586,575
Buildings and structures (net)	921,536	904,502
Motor vehicles and transport equipment	15,553	15,553
Accumulated depreciation	-12,465	-13,507
Motor vehicles and transport equipment (net)	3,087	2,045
Machines and equipment	15,957	15,957
Accumulated depreciation	-4,094	-7,508
Machines and equipment (net)	11,862	8,448
Tools, appliances, and accessories	426,694	463,452
Accumulated depreciation	-211,623	-279,822
Tools, appliances, and accessories (net)	215,070	183,629
Land	1,047,790	834,180
Total property, plant and equipment	2,199,347	1,932,805
Intangible assets		
Goodwill	53,230	57,816
Software	100,587	93,870
Others	770	760
Total intangible assets	154,587	152,447
Investments and other assets		
Investment securities	909,269	1,118,795
Deferred tax assets	119,883	18,151
Guarantee deposits	220,947	226,783
Others	171,463	265,380
Allowance for doubtful accounts	-7,500	-63,600
Total investments and other assets	1,414,064	1,565,511
Total tangible assets	3,768,000	3,650,765
Total assets	10,319,890	10,552,287

(thousands of ¥)

	Previous consolidated accounting period As of March 31, 2016	Consolidated accounting period As of March 31, 2017
Liabilities		
Current liabilities		
Accounts payable – trade	643,294	722,429
Short-term loans payable	860,000	380,000
Current portion of long-term loans payable	60,000	—
Income taxes payable	254,426	352,877
Provision for bonuses	556,661	615,998
Provision for directors’ bonuses	17,225	15,165
Provision for loss on orders received	54,633	31,625
Others	659,008	771,915
Total current liabilities	3,105,249	2,890,012
Non-current liabilities		
Deferred tax liabilities	—	149,009
Net retirement benefit liability	563,124	47,458
Provision for directors’ retirement benefits	13,700	4,780
Others	128,725	139,721
Total non-current liabilities	705,550	340,969
Total liabilities	3,810,800	3,230,981
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	569,688	568,829
Retained earnings	5,789,599	6,173,153
Treasury stock	-562,633	-533,302
Total shareholders’ equity	6,388,999	6,801,025
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	209,691	358,560
Foreign currency translation adjustment	150,305	121,757
Remeasurements of retirement benefit plans	-277,597	—
Total accumulated other comprehensive income	82,398	480,317
Subscription rights to shares	16,144	13,953
Non-controlling interests	21,547	26,009
Total net assets	6,509,090	7,321,305
Total liabilities and net assets	10,319,890	10,552,287

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(thousands of ¥)

	Previous consolidated accounting period (April 1, 2015 to December 31, 2016)	Consolidated accounting period (April 1, 2016 to March 31, 2017)
Net sales	20,082,605	21,554,874
Cost of sales	16,108,713	17,569,640
Gross profit	3,973,891	3,985,233
Selling, general, and administrative expenses		
Directors' compensation	150,064	148,675
Salary allowances and bonuses	1,152,625	1,160,704
Provision for bonuses	84,198	84,435
Provision for directors' bonuses	17,225	15,165
Retirement benefit expenses	14,140	40,605
Provision for directors' retirement benefits	2,746	2,266
Statutory welfare expenses	262,973	257,507
Land rent	224,944	132,454
Depreciation	150,205	145,071
Amortization of goodwill	63,876	67,083
Others	880,690	825,448
Total selling, general, and administrative expenses	3,003,691	2,879,417
Operating income	970,200	1,105,815
Non-operating income		
Interest income	9,088	3,252
Dividend income	14,966	14,250
Insurance proceeds and dividends	750	7,980
Income from subsidies	7,965	17,732
Others	7,916	9,501
Total non-operating income	40,688	52,717
Non-operating expense		
Interest expenses	9,391	5,215
Commitment line fees	17,661	17,690
Others	19,071	2,381
Total non-operating expense	46,124	25,287
Ordinary income	964,763	1,133,245

(thousands of ¥)

	Previous consolidated accounting period (April 1, 2015 to December 31, 2016)	Consolidated accounting period (April 1, 2016 to March 31, 2017)
Extraordinary income		
Gain on sales of non-current assets	64	7
Gain on sale of investment securities	53,536	—
Gain on reversal of subscription rights to shares	864	288
Subsidy income	7,852	—
Gain on abolishment of retirement benefit plan	—	207,390
Gain on step acquisitions	—	5,159
Total extraordinary income	62,318	212,845
Extraordinary losses		
Loss on sales of non-current assets	16	25
Loss on retirement of non-current assets	5,289	416
Loss on sale of investment securities	—	178
Loss on reduction of non-current assets	7,852	—
Loss on valuation of right of using facilities	7,252	—
Impairment loss	1,445	147,772
Allowance for doubtful accounts	—	54,590
Loss from bad debt	—	9,661
Total extraordinary losses	21,854	212,643
Net income before income taxes	1,005,227	1,133,447
Income taxes–current	289,881	421,517
Income taxes–deferred	162,855	52,749
Total income taxes	452,737	474,266
Net income	552,490	659,181
Net income attributable to non-controlling interests	3,553	4,840
Net income attributable to owners of parent	548,936	654,340

(Consolidated Statement of Comprehensive Income)

(thousands of ¥)

	Previous consolidated accounting period (April 1, 2015 to December 31, 2016)	Consolidated accounting period (April 1, 2016 to March 31, 2017)
Net income	552,490	659,181
Other comprehensive income		
Valuation difference on available-for-sale securities	88,888	149,160
Foreign currency translation adjustment	-54,749	-28,548
Remeasurements of retirement benefit plans	-631,399	277,597
Total other comprehensive income	-597,260	398,209
Comprehensive income	-44,770	1,057,391
(Breakdown)		
Comprehensive income attributable to owners of parent	-48,369	1,052,259
Comprehensive income to non-controlling interests	3,599	5,131

(3) Consolidated Statement of Changes in Shareholders' Equity

Previous consolidated accounting period (April 1, 2015 to March 31, 2016)

(thousands of ¥)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances at the beginning of the period	592,344	541,352	5,464,535	-553,811	6,044,422
Changes during the period					
Dividends from surplus			-223,872		-223,872
Net income attributable to owners of parent			548,936		548,936
Acquisition of treasury shares				-100,331	-100,331
Disposition of treasury shares		28,335		91,508	119,844
Changes to consolidation scope					
Net changes of items other than shareholders' equity					
Total changes during the period	—	28,335	325,064	-8,822	344,577
Balances at the end of the period	592,344	569,688	5,789,599	-562,633	6,388,999

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income			
Balances at the beginning of the period	120,847	205,054	353,802	679,704	17,759	18,618	6,760,504
Changes during the period							
Dividends from surplus							-223,872
Net income attributable to owners of parent							548,936
Acquisition of treasury shares							-100,331
Disposition of treasury shares							119,844
Changes to consolidation scope							—
Net changes of items other than shareholders' equity	88,843	-54,749	-631,399	-597,305	-1,614	2,929	-595,991
Total changes during the period	88,843	-54,749	-631,399	-597,305	-1,614	2,929	-251,413
Balances at the end of the period	209,691	150,305	-277,597	82,398	16,144	21,547	6,509,090

Consolidated accounting period (April 1, 2016 to March 31, 2017)

(thousands of ¥)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances at the beginning of the period	592,344	569,688	5,789,599	-562,633	6,388,999
Changes during the period					
Dividends from surplus			-264,896		-264,896
Net income attributable to owners of parent			654,340		654,340
Acquisition of treasury shares				-2,671	-2,671
Disposition of treasury shares		-858		32,002	31,143
Changes to consolidation scope			-5,891		-5,891
Net changes of items other than shareholders' equity					
Total changes during the period	―	-858	383,553	29,330	412,025
Balances at the end of the period	592,344	568,829	6,173,153	-533,302	6,801,025

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income			
Balances at the beginning of the period	209,691	150,305	-277,597	82,398	16,144	21,547	6,509,090
Changes during the period							
Dividends from surplus							-264,896
Net income attributable to owners of parent							654,340
Acquisition of treasury shares							-2,671
Disposition of treasury shares							31,143
Changes to consolidation scope							-5,891
Net changes of items other than shareholders' equity	148,868	-28,548	277,597	397,918	-2,191	4,461	400,189
Total changes during the period	148,868	-28,548	277,597	397,918	-2,191	4,461	812,214
Balances at the end of the period	358,560	121,757	―	480,317	13,953	26,009	7,321,305

(4) Consolidated Cash Flow Statement

(thousands of ¥)

	Previous consolidated accounting period (April 1, 2015 to December 31, 2016)	Consolidated accounting period (April 1, 2016 to March 31, 2017)
Cash flow from operating activities		
Net income before income taxes	1,005,227	1,133,447
Depreciation	199,877	210,495
Impairment loss	1,445	147,772
Amortization of goodwill	63,876	67,083
Loss on retirement of non-current assets	471	416
Loss (gain) on sales of non-current assets	-48	17
Loss on reduction of non-current assets	7,852	—
Loss (gain) on sales of investment securities	-53,536	178
Loss on valuation of right of using facilities	7,252	—
Loss from bad debt	—	9,661
Loss (gain) on step acquisitions	—	-5,159
Increase (decrease) in allowance for doubtful accounts	64	54,440
Increase (decrease) in provision for bonuses	-166,658	54,574
Increase (decrease) in provision for officer bonuses	-8,750	-2,060
Increase (decrease) of provision for loss on orders received	54,633	-23,007
Increase or decrease in retirement benefit assets or liabilities	-269,351	-231,411
Increase (decrease) in provision for directors' retirement benefits	2,746	-39,819
Interest earned and dividend income	-24,055	-17,503
Interest expenses	9,391	5,215
Foreign exchange losses (gains)	18,443	1,568
Subsidy income	-7,852	—
Decrease (increase) in notes and accounts receivable–trade	-234,684	28,126
Decrease (increase) in inventories	-13,512	-23,577
Increase (decrease) in notes and accounts payable–trade	135,604	59,892
Increase (decrease) in accrued consumption tax, etc.	-266,238	28,943
Decrease (increase) of other current assets	-21,568	-3,562
Increase (decrease) in other current liabilities	7,649	59,709
Increase (decrease) in other non-current assets	-15,989	-6,963
Increase (decrease) in other non-current liabilities	33,905	15,219
Others	16,411	20,052
Subtotal	482,606	1,543,749
Interest and dividends income received	18,471	17,938
Interest expenses paid	-9,370	-5,166
Corporation tax, etc. payable	-304,062	-370,656
Cash flow from operating activities	187,645	1,185,865
Cash flow from investment activities		
Payments for time deposits	—	-3
Proceeds from withdrawal of time deposits	50,000	31,055
Purchase of property and equipment	-553,519	-132,856
Proceeds from sales of property, plant and equipment	128	104,708
Purchase of intangible assets	-50,462	-25,640
Purchase of investment securities	-55,297	-2,225
Proceeds from sales of investment securities	156,234	1,042
Purchase of investments in subsidiaries	—	-92,011
Payments of loans receivable	-3,714	-2,540
Collection of loans receivable	2,347	4,013
Payments for guarantee deposits	-5,492	-16,650
Proceeds from collection of guarantee deposits	247,279	5,192

Others	-7,265	-11,968
Cash flow from investment activities	-219,762	-137,883

(thousands of ¥)

	Previous consolidated accounting period (April 1, 2015 to December 31, 2016)	Consolidated accounting period (April 1, 2016 to March 31, 2017)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	50,000	-480,000
Repayment of long-term loans payable	-60,000	-60,000
Expenditure due to acquisition of treasure stock	-100,331	-2,671
Proceeds from sales of treasury stock	103,555	9,094
Cash dividends paid	-221,661	-263,505
Cash dividends paid to non-controlling interests	-670	-670
Others	-2,315	-4,207
Cash flow from financing activities	-231,423	-801,959
Effect of exchange rate changes on cash and cash equivalents	-54,630	-22,160
Net increase (decrease) in cash and cash equivalents	-318,171	223,862
Cash and cash equivalent balance at beginning of period	2,485,537	2,167,365
Cash and cash equivalent balance at end of period	2,167,365	2,391,228

(5) Notes on Consolidated Financial Statements

(Notes on Assumptions regarding Going Concern)

None.

(Changes in Accounting Policies)

(Application of Practical Treatment regarding Changes to the Depreciation Method Due to FY2016 Revisions to the Tax Code)

The Company applied the **Practical Treatment regarding Changes to the Depreciation Method Due to FY2016 Revisions to the Tax Code** (Practical Solution No. 32, June 17, 2016) to the consolidated accounting period attendant to the revision of the Corporation Tax Act, and changed the depreciation method for buildings, appurtenant equipment, and structures acquired on and after April 1, 2016 from the fixed-rate method to the straight-line method.

This change led to an increase in operating income, ordinary income, and net income before taxes and other adjustments in the consolidated accounting period of ¥994,000, respectively.

(Additional Information)

(Shift to Defined Benefit Contribution Plan)

The Company shifted part of its defined benefit corporate pension plan to a defined contribution benefit pension plan on April 1, 2016. It applied the Accounting for Transfers between Retirement Benefit Plans (ASBJ Guidance No. 1, January 31, 2002) and the Practical Treatment of Accounting for Transfers, etc. between Retirement Benefit Plans (Practical Solution No. 2, February 7, 2007), and treated the retirement benefit plan as partially terminated with respect to the part of the plan that was transferred to the defined contribution corporate pension plan.

An extraordinary gain of ¥207,390,000 was recorded in the consolidated accounting period due to a reduction in retirement benefit obligations stemming from this shift.

(Application of Applicable Guidelines on Recoverability of Deferred Tax Assets)

The Company applied the **Application Guidelines on Recoverability of Deferred Tax Assets** (ASBJ Guidance No 26, March 28, 2016) from the consolidated accounting period.

(Segment Information, etc.)

[Segment Information]

1. Summary of Reporting Segments

The reporting segments provide separate financial information from the units that make up the ID Group. The board of directors routinely examines that information to decide how to distribute management resources and assess business results.

The ID Group has established a business division for each service. Each of the business divisions devise comprehensive domestic and overseas strategies and carries out business activities regarding the services.

Accordingly, the ID Group has two main reporting segments–system operation management and software development–made up of segments for individual services that form the foundation of the business divisions.

System operation management involves the management, administration, and operation of information processing systems. Software development involves accepting requests to develop software and stationing IT technicians at client offices to develop software.

2. Method for Determining the Net Sales, Profits or Losses, Assets, Liabilities, and Other Accounting Items by Reporting Segment

The accounting treatment of the reporting business segments is the same as described in the Basis of Presentation of the Consolidated Financial Statements.

Reporting segment profits are based on operating income, and internal net sales and internal transfer volumes, etc. between segments is based on market prices.

3. Information regarding Each Reporting Segment's Net Sales, Profits or Losses, Assets, Liabilities, and Other Account Items

Previous consolidated accounting period (April 1, 2015 to March 31, 2016)

(thousands of ¥)

	Reporting segment			Others (Note 1)	Total	Adjustments (Notes 2, 3)	Amounts recorded in consolidated financial statements (Note 4)
	System operation and management	Software development	Total				
Net sales							
Net sales to external clients	11,721,462	7,521,720	19,243,182	839,423	20,082,605	—	20,082,605
Internal net sales and transfer volumes between segments	38,895	13,281	52,176	77,761	129,937	-129,937	—
Total	11,760,357	7,535,001	19,295,358	917,184	20,212,543	-129,937	20,082,605
Segment profit or loss	1,845,702	1,216,816	3,062,518	-45,113	3,017,405	-2,047,204	970,200
Segment assets	1,862,575	1,937,776	3,800,352	333,910	4,134,262	6,185,628	10,319,890
Other accounting items							
Depreciation	9,230	16,069	25,300	17,452	42,753	157,124	199,877
Increase in property, plant, and equipment and intangible assets	2,484	15,794	18,279	35,215	53,495	536,341	589,836

Consolidated accounting period (April 1, 2016 to March 31, 2017)

(thousands of ¥)

	Reporting segment			Others (Note 1)	Total	Adjustments (Notes 2, 3)	Amounts recorded in consolidated financial statements (Note 4)
	System operation and managem ent	Software development	Total				
Net sales							
Net sales to external clients	12,070,485	8,609,188	20,679,673	875,200	21,554,874	—	21,554,874
Internal net sales and transfer volumes between segments	39,373	6,359	45,733	107,380	153,113	-153,133	—
Total	12,109,858	8,615,547	20,725,406	982,581	21,707,988	-153,133	21,554,874
Segment profit or loss	1,823,555	1,216,633	3,040,189	-73,363	2,966,825	-1,861,009	1,105,815
Segment assets	1,965,937	1,902,230	3,868,167	404,186	4,272,354	6,279,932	10,552,287
Other accounting items							
Depreciation	9,134	22,418	31,553	21,285	52,838	157,656	210,495
Increase in property, plant, and equipment and intangible assets	2,036	27,001	29,038	72,451	101,490	68,290	169,780

Notes 1. The "Others" category represents business segments that do not include reporting segments, but it does include data entry, security, consulting, and other businesses.

2. The details of the adjustments are stated below.

(thousands of ¥)

Segment profit	Previous consolidated accounting period	Consolidated accounting period
Elimination of intra-segment transactions	-81,215	-82,131
Company expenses*	-1,965,989	-1,778,878
Total	-2,047,204	-1,861,009

*"Company expenses" are mainly general management expenses that do not fall under the reporting segments.

(thousands of ¥)

Segment assets	Previous consolidated accounting period	Consolidated accounting period
Company assets*	6,185,628	6,279,932
Total	6,185,628	6,279,932

*"Company assets" are surplus working capital, long-term investment funds, and other assets that do not fall under the reporting segments.

3. The adjustments to depreciation under the other accounting items represent depreciation of company expenses. In addition, the adjustments to increases of property, plant and equipment and intangible assets are equipment and other investments that do not fall under the reporting segments.

4. Segment profits or losses are adjusted together with the operating income stated in the consolidated financial statements.

[Related Information]

Previous consolidated accounting period (April 1, 2015 to March 31, 2016)

1. Information by Product and Service

Omitted. The same information is disclosed in the segment information.

2. Information by Region

(1) Net sales

Omitted. Net sales to external clients in Japan makes up more than 90% of the net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

Omitted. The amount of property, plant and equipment located in Japan makes up more than 90% of the amount of the property, plant and equipment reported in the consolidated balance sheet.

3. Information by Major Client

(thousands of ¥)

Client designation or name	Net sales	Related segment name
MHTS Co., Ltd.	3,167,516	System operation management, software development, others
IBM Japan, Ltd.	2,046,843	System operation management, software development

Consolidated accounting period (April 1, 2016 to March 31, 2017)

1. Information by Product and Service

Omitted. The same information is disclosed in the segment information.

2. Information by Region

(1) Net sales

Omitted. Net sales to external clients in Japan makes up more than 90% of the net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

Omitted. The amount of property, plant and equipment located in Japan makes up more than 90% of the amount of the property, plant and equipment reported in the consolidated balance sheet.

3. Information by Major Client

(thousands of ¥)

Client designation or name	Net sales	Related segment name
MHTS Co., Ltd.	3,363,282	System operation management, software development, others
IBM Japan, Ltd.	2,490,449	System operation management, software development

[Information on Non-current Asset Impairment Losses by Reporting Segment]

Previous consolidated accounting period (April 1, 2015 to March 31, 2016)

(thousands of ¥)

	System operation and management	Software development	Others	Company, eliminations	Total
Impairment loss	–	–	–	1,445	1,445

Note: “Company, eliminations” represents the impairment losses regarding the company assets that do not fall under the reporting segments.

Consolidated accounting period (April 1, 2016 to March 31, 2017)

(thousands of ¥)

	System operation management	Software development	Others	Company, eliminations	Total
Impairment loss	–	–	–	147,772	147,772

Note: “Company, eliminations” represents the impairment losses regarding the company assets that do not fall under the reporting segments.

[Information on Depreciated Amount of Goodwill and Balance of Undepreciated Balance for Each Reporting Segment]

Previous consolidated accounting period (April 1, 2015 to March 31, 2016)

(thousands of ¥)

	System operation management	Software development	Others	Company, eliminations	Total
Depreciation for the period	42,495	21,381	–	–	63,876
Balances at the end of the period	35,412	17,817	–	–	53,230

Consolidated accounting period (April 1, 2016 to March 31, 2017)

(thousands of ¥)

	System operation management	Software development	Others	Company, eliminations	Total
Depreciation for the period	35,412	30,027	1,643	–	67,083
Balances at the end of the period	–	48,839	8,977	–	57,816

[Information on Gain on Bargain Purchase by Reporting Segment]

None.

(Per-Share Information)

	Previous consolidated accounting period (April 1, 2015 to March 31, 2016)	Consolidated accounting period (April 1, 2016 to March 31, 2017)
Book value per share	¥596.65	¥666.68
Net income per share	¥50.73	¥60.13
Diluted net income per share	¥50.30	¥59.51

Notes: 1. The Company carried out a 1.5-for-1 stock split of its common stock on January 1, 2017. We therefore calculated the book value per share, net income per share, and net income per share (diluted) on the assumption that the stock split had been carried out at the beginning of the previous consolidated accounting period.

2. The number of Company shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as the trust property regarding the board benefit trust (BBT) and Japanese employee stock ownership plan (J-ESOP)include a number of common shares that were treasury shares at the end of the period for calculating the book value per share, and include treasury shares to be deducted in the calculation of the interim average number of shares for calculating the net income per share and the net income per share (diluted).

The trust account held 506,550 shares at the end of the previous consolidated accounting period, and 453,219 shares at the end of the current consolidated accounting period. The interim average number of shares was 478,075 shares in the previous consolidated accounting period, and 482,576 shares for the current consolidated accounting period.

3. The basis for calculating the net income per share and the diluted net income per share is stated below.

	Previous consolidated accounting period (April 1, 2015 to March 31, 2016)	Consolidated accounting period (April 1, 2016 to March 31, 2017)
Net income per share		
Net income attributable to owners of parent	¥548,936,000	¥654,340,000
Amounts not attributable to common shareholders	—	—
Net income attributable to owners of parent regarding common stock	¥548,936,000	¥654,340,000
Interim average number of shares	Common stock: 10,821,029 shares	Common stock: 10,881,240 shares
Diluted net income per share		
Adjusted net income attributable to owners of parent	—	—
Increase in common stock	92,218 shares	114,835 shares
(portion of these shares that are stock options deriving from the subscription-rights-to-shares method)	(92,218 shares)	(114,835 shares)
Summary of residual securities excluded from the calculation of the diluted net income per share because there was no dilutive effect	—	—

Notes: 1. The Company carried out a 1.5-for-1. stock split of its common stock on January 1, 2017. We therefore calculated the net income per share and the net income per share (diluted) on the assumption that the stock split had been carried out at the beginning of the previous consolidated accounting period.

2. The number of Company shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as the trust property regarding the board benefit trust (BBT) and Japanese employee stock ownership plan (J-ESOP) include a number of common shares that were interim average treasury stock for calculating the net income per share and the net income per share (diluted).

6. Unconsolidated Financial Statements and Important Notes

(1) Balance Sheet

(thousands of ¥)

	Previous fiscal year As of March 31, 2016	Current fiscal year As of March 31, 2017
Assets		
Current assets		
Cash and deposits	1,454,416	1,387,086
Accounts receivable – trade	3,739,547	3,800,886
Works-in-process	25,593	43,126
Supplies	771	2,259
Advance payments	8,731	28,823
Prepaid expenses	151,221	163,672
Deferred tax assets	234,057	261,119
Others	18,656	14,780
Allowance for doubtful accounts	-64	-64
Total current assets	5,632,931	5,701,689
Non-current assets		
Property, plant and equipment		
Buildings	1,396,491	1,238,907
Accumulated depreciation	-626,693	-541,536
Buildings (net)	769,798	697,370
Structures	30,806	30,806
Accumulated depreciation	-16,930	-18,941
Structures (net)	13,876	11,865
Motor vehicles and transport equipment	15,324	15,324
Accumulated depreciation	-12,274	-13,291
Motor vehicles and transport equipment (net)	3,049	2,032
Tools, appliances, and accessories	387,404	418,838
Accumulated depreciation	-188,416	-250,110
Tools, appliances, and accessories (net)	198,988	168,728
Land	1,047,790	834,180
Total property, plant and equipment	2,033,502	1,714,177
Intangible assets		
Goodwill	53,230	—
Software	95,172	89,088
Others	762	752
Total intangible assets	149,165	89,840
Investments and other assets		
Investment securities	898,852	1,111,373
Affiliate shares	1,050,384	1,512,916
Capital investments	100	100
Long-term loans	4,858	3,573
Long-term prepaid expenses	3,275	1,381
Guarantee deposits	211,643	215,538
Facilities use memberships	40,469	38,469
Others	52,868	164,098
Allowance for doubtful accounts	-7,500	-7,500
Total investments and other assets	2,254,952	3,039,950
Total tangible assets	4,437,619	4,843,968
Total assets	10,070,551	10,545,658

(thousands of ¥)

	Previous fiscal year As of March 31, 2016	Current fiscal year As of March 31, 2017
Liabilities		
Current liabilities		
Accounts payable – trade	655,186	750,948
Short-term loans payable	860,000	380,000
Current portion of long-term loans payable	60,000	―
Lease obligations	4,207	4,207
Accounts payable – other	128,844	139,356
Accrued expenses	293,118	309,199
Income taxes payable	246,635	342,464
Accrued consumption tax, etc.	160,616	187,030
Advances received	2,075	46,066
Deposits	54,170	55,826
Provision for bonuses	551,706	602,071
Provision for directors’ bonuses	17,225	15,165
Provision for loss on orders received	54,633	31,625
Total current liabilities	3,088,420	2,863,961
Non-current liabilities		
Lease obligations	17,058	12,851
Provision for retirement benefits	149,396	―
Long-term accounts payable – other	110,180	124,944
Deferred tax liabilities	10,335	149,009
Total non-current liabilities	286,971	286,805
Total liabilities	3,375,391	3,150,767
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus		
Capital reserve	543,293	543,293
Other capital surplus	29,108	28,249
Total capital surplus	572,401	571,543
Retained earnings		
Legal retained earnings	43,687	43,687
Other retained earnings		
Voluntary reserve	4,210,000	4,210,000
Special depreciation	2,041	1,526
Retained earnings brought forward	1,612,630	2,139,503
Total retained earnings	5,868,358	6,394,717
Treasury stock	-562,633	-533,302
Total shareholders’ equity	6,470,472	7,025,302
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	208,542	355,634
Total valuation and translation adjustments	208,542	355,634
Subscription rights to shares	16,144	13,953
Total net assets	6,695,159	7,394,890
Total liabilities and net assets	10,070,551	10,545,658

(2) Statement of Income

(thousands of ¥)

	Previous fiscal year (April 1, 2015 to December 31, 2016)	Current fiscal year (April 1, 2016 to March 31, 2017)
Net sales		
Net sales from information services	18,289,560	20,288,128
Product net sales	419,288	490,168
Other net sales	7,479	7,354
Total net sales	18,716,328	20,785,650
Cost of sales		
Cost of sales for information services	14,598,747	16,484,700
Product cost of sales	376,136	440,079
Total cost of sales	14,974,884	16,924,780
Gross profit	3,741,443	3,860,870
Selling, general, and administrative expenses		
Directors’ compensation	142,279	147,795
Salaries and allowances	935,051	949,114
Bonuses	69,949	76,924
Provision for bonuses	78,525	82,328
Provision for directors’ bonuses	17,225	15,165
Retirement benefit expenses	13,342	39,775
Statutory welfare expenses	231,396	231,611
Entertainment expenses	65,815	66,826
Education and training expenses	52,526	44,656
Land rent	197,886	104,463
Outsourcing expenses	170,532	157,987
Depreciation	144,274	136,921
Amortization of goodwill	47,907	53,230
Others	649,607	592,451
Total selling, general, and administrative expenses	2,816,319	2,699,251
Operating income	925,124	1,161,618
Non-operating income		
Interest income	383	483
Interest from securities	2,437	2,532
Dividend income	18,892	18,243
Insurance proceeds and dividends	501	7,545
Others	15,386	9,013
Total non-operating income	37,601	37,818
Non-operating expense		
Interest expenses	9,314	5,215
Commitment line fees	17,661	17,690
Foreign exchange loss	17,132	5,073
Others	628	309
Total non-operating expense	44,737	28,289
Ordinary income	917,988	1,171,148

(thousands of ¥)

	Previous fiscal year (April 1, 2015 to December 31, 2016)	Current fiscal year (April 1, 2016 to March 31, 2017)
Extraordinary income		
Gain on sales of non-current assets	3	7
Gain on sale of investment securities	49,348	—
Gain on reversal of subscription rights to shares	864	288
Gain on extinguishment of tie-in shares	194,059	—
Gain on abolishment of retirement benefit plan	—	214,482
Total extraordinary income	244,276	214,778
Extraordinary losses		
Loss on sales of non-current assets	16	25
Loss on retirement of non-current assets	5,402	2
Loss on sale of investment securities	—	178
Loss on valuation of right of using facilities	7,252	—
Impairment loss	—	147,772
Total extraordinary losses	12,670	147,978
Net income before income tax	1,149,594	1,237,947
Income taxes–current	265,343	399,937
Income taxes–deferred	134,124	46,755
Total income taxes	399,468	446,693
Net income	750,126	791,254

(3) Statement of Changes in Shareholders' Equity

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

(thousands of ¥)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Capital reserve	Others Capital surplus	Capital surplus Total	Legal retained earnings	Voluntary reserve	Special depreciation reserve	Retained earnings brought forward	Retained earnings Total
Balances at the beginning of the period	592,344	543,293	772	544,066	43,687	4,210,000	2,377	1,086,040	5,342,105
Changes during the period									
Draw-down of special depreciation reserve							-336	336	—
Dividends from surplus								-223,872	-223,872
Net income								750,126	750,126
Acquisition of treasury shares									
Disposition of treasury shares			28,335	28,335					
Net changes of items other than shareholders' equity									
Total changes during the period	—	—	28,335	28,335	—	—	-336	526,590	526,253
Balances at the end of the period	592,344	543,293	29,108	572,401	43,687	4,210,000	2,041	1,612,630	5,868,358

	Shareholders' equity		Valuation and translation adjustments			
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balances at the beginning of the period	-553,811	5,924,705	119,236	119,236	17,759	6,061,700
Changes during the period						
Draw-down of special depreciation reserve		—				—
Dividends from surplus		-223,872				-223,872
Net income		750,126				750,126
Acquisition of treasury shares	-100,331	-100,331				-100,331
Disposition of treasury shares	91,508	119,844				119,844
Net changes of items other than shareholders' equity			89,306	89,306	-1,614	87,691
Total changes during the period	-8,822	545,767	89,306	89,306	-1,614	633,459
Balances at the end of the period	-562,633	6,470,472	208,542	208,542	16,144	6,695,159

Current fiscal year (April 1, 2016 to March 31, 2017)

(thousands of ¥)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Capital reserve	Others Capital surplus	Capital surplus Total	Legal retained earnings	Voluntary reserve	Special depreciation reserve	Retained earnings brought forward	Retained earnings Total
Balances at the beginning of the period	592,344	543,293	29,108	572,401	43,687	4,210,000	2,041	1,612,630	5,868,358
Changes during the period									
Draw-down of special depreciation reserve							-514	514	—
Dividends from surplus								-264,896	-264,896
Net income								791,254	791,254
Acquisition of treasury shares									
Disposition of treasury shares			-858	-858					
Net changes of items other than shareholders' equity									
Total changes during the period	—	—	-858	-858	—	—	-514	526,872	526,358
Balances at the end of the period	592,344	543,293	28,249	571,543	43,687	4,210,000	1,526	2,139,503	6,394,717

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balances at the beginning of the period	-562,633	6,470,472	208,542	208,542	16,144	6,695,159
Changes during the period						
Draw-down of special depreciation reserve		—				—
Dividends from surplus		-264,896				-264,896
Net income		791,254				791,254
Acquisition of treasury shares	-2,671	-2,671				-2,671
Disposition of treasury shares	32,002	31,143				31,143
Net changes of items other than shareholders' equity			147,091	147,091	-2,191	144,900
Total changes during the period	29,330	554,830	147,091	147,091	-2,191	699,731
Balances at the end of the period	-533,302	7,025,302	355,634	355,634	13,953	7,394,890

(4) Notes on Unconsolidated Financial Statements

(Notes on Assumptions regarding Going Concern)

None.