

Note: This document is an English translation of “Kessan Tanshin” for the fiscal year that ended March 31, 2018 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 Ended March 31, 2018 (J-GAAP)

April 27, 2018

Company name: INFORMATION DEVELOPMENT CO., LTD.
 Listing: Tokyo Stock Exchange, 1st Section
 Securities code: 4709
 URL: <https://www.idnet.co.jp>
 Company representative: Masaki Funakoshi, President and Representative Director
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Scheduled date of the ordinary general shareholders' meeting: June 22, 2018
 Scheduled date of dividend payment: June 25, 2018
 Schedule date of submitting the annual securities report: June 25, 2018
 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 FY2017 (April 1, 2017–March 31, 2018)

(1) Consolidated Business Results

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2017	23,207	7.7	1,254	13.5	1,274	12.5	622	-4.8
FY2016	21,554	7.3	1,105	14.0	1,133	17.5	654	19.2

Note: Comprehensive income FY2017 ¥706 million (-%) FY2016 ¥1,057 million (-%)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating income margin
	¥	¥	%	%	%
FY2017	56.84	56.19	8.4	10.4	5.4
FY2016	60.13	59.51	9.5	10.9	5.1

Reference: Equity in income of affiliates FY2017 ¥- million FY2016 ¥- million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Book value per share
	¥ million	¥ million	%	¥
FY2017	13,917	7,617	54.5	689.74
FY2016	10,552	7,321	69.0	666.68

Reference: Equity FY2017 ¥7,586 million FY2016 ¥7,281 million

(3) Consolidated Cash Flow

	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	¥ million	¥ million	¥ million	¥ million
FY2017	1,237	-2,129	1,464	2,944
FY2016	1,185	-137	-801	2,391

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	%	%
FY2016	—	0.00	—	37.00	37.00	420	61.5	5.9
FY2017	—	0.00	—	40.00	40.00	455	70.4	5.9
FY2018 (forecast)	—	0.00	—	40.00	40.00		56.4	

3. Forecasts of Consolidated Results for FY2018 (April 1, 2018–March 31, 2019)

(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	%	¥
Q2 FY2018 (cumulative)	12,700	18.4	570	55.3	570	53.6	280	51.9	25.46
FY2018 (full fiscal year)	26,300	13.3	1,480	17.9	1,500	17.7	780	25.3	70.91

*Notes

(1) Changes in important subsidiaries during the period

Changes in specified subsidiaries resulting in change in consolidation scope

Yes

One new subsidiary. Name: Fess Co., Ltd.

Note: For details, please refer to page 16 of the Attachment, "3. Consolidated Financial Statements (5) Notes on Consolidated Financial Statements (Key Items Forming the Basis for Preparation of the Consolidated Financial Statements): Scope of Consolidation."

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

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

No

(ii) Changes in accounting policies other than (i):

No

(iii) Changes in accounting estimates:

No

(iv) Restatements:

No

(3) Number of shares outstanding (common stock)

(i) Number of shares outstanding (inclusive of treasury stock)

FY2017	12,044,302 shares	FY2016	12,044,302 shares
FY2017	1,044,686 shares	FY2016	1,122,461 shares
FY2017	10,953,961 shares	FY2016	10,881,240 shares

(ii) Amount of treasury stock

(iii) Interim average number of shares

Reference: Outline of unconsolidated financial results

1. Unconsolidated Financial Results for FY2017 (April 1, 2017–March 31, 2018)

(1) Unconsolidated Business Results

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2017	21,537	3.6	1,124	-3.2	1,144	-2.3	412	-47.8
FY2016	20,785	11.1	1,161	25.6	1,171	27.6	791	5.5

	Net income per share	Diluted net income per share
	¥	¥
FY2017	37.69	37.26
FY2016	72.72	71.96

(2) Unconsolidated Financial Position

	Total assets	Net assets	Equity ratio	Book value per share
	¥ million	¥ million	%	¥
FY2017	13,153	7,510	57.0	681.75
FY2016	10,545	7,394	70.0	675.80

Reference: Equity FY2017 ¥7,498 million FY2016 ¥7,380 million

* The Consolidated Financial Results are not subject to audit by a certified public accountant or audit corporation.

* 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 5 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). Company shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as trust property for the BBT and J-ESOP plans are include in 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 29, 2018. The materials that will be distributed at the briefing will be posted on the Company website promptly after the briefing.

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1. Summary of Business Results, etc.

(1) Summary of Business Results for the Period

The business results of the ID Group in the consolidated fiscal year under review (from April 1, 2017 to March 31, 2018) were supported by contributions from acquired subsidiaries and increased sales in the system operation management segment, the Company's core operating area. Net sales rose 7.7% in comparison with the previous fiscal year (YoY) to ¥23.27 billion.

Despite significant achievements, the ID Group encountered setbacks on the earnings front. In software development, two unprofitable projects drove an increase in cost of sales (which ended completely in the fiscal year ended March 31, 2018). In the security segment, vigorous sales activities by Seceon OTM* engendered an increase in marketing expenses. Driven by the increase in net sales described above, operating income appreciated to ¥1.254 billion (+13.5% YoY) and ordinary income rose to ¥1.274 billion (+12.5% YoY). Net income attributable to owners of parent decreased to ¥622 million (-4.8% YoY). One factor in this decrease was the drop-out of extraordinary income million in the previous fiscal year; the Company had booked this extraordinary income due to a reduction in retirement benefit obligations caused by a change in the retirement benefit plan. Another factor in this decrease was an extraordinary loss (loss on valuation of investment securities).

*Seceon OTM is a cybersecurity product made by the US company Seceon Inc. It is a cutting-edge security solution that utilizes artificial intelligence (AI) and machine learning. The Company entered into an exclusive distribution agreement with Seceon in January 2017.

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

(i) System operation management

Results were mixed but overall strong in the system operation management segment. Platform development operations* suffered a downturn in transportation-related sales. However, recently acquired subsidiaries contributed to sales, while sales in the finance-related operations management business continued their rising trend due to efforts to deepen and expand relationships with existing customers. Net sales reached ¥13.589 billion (+12.6% YoY).

(ii) Software development

Sales gained support from orders received for major public-sector projects but were tempered by the wrap-up of major projects for financial-software development. Net sales were ¥8.499 billion (-1.3% YoY).

(iii) Others

Sales of security products and consulting services both rose, achieving significant growth to net sales of ¥1.118 billion (+27.8% YoY).

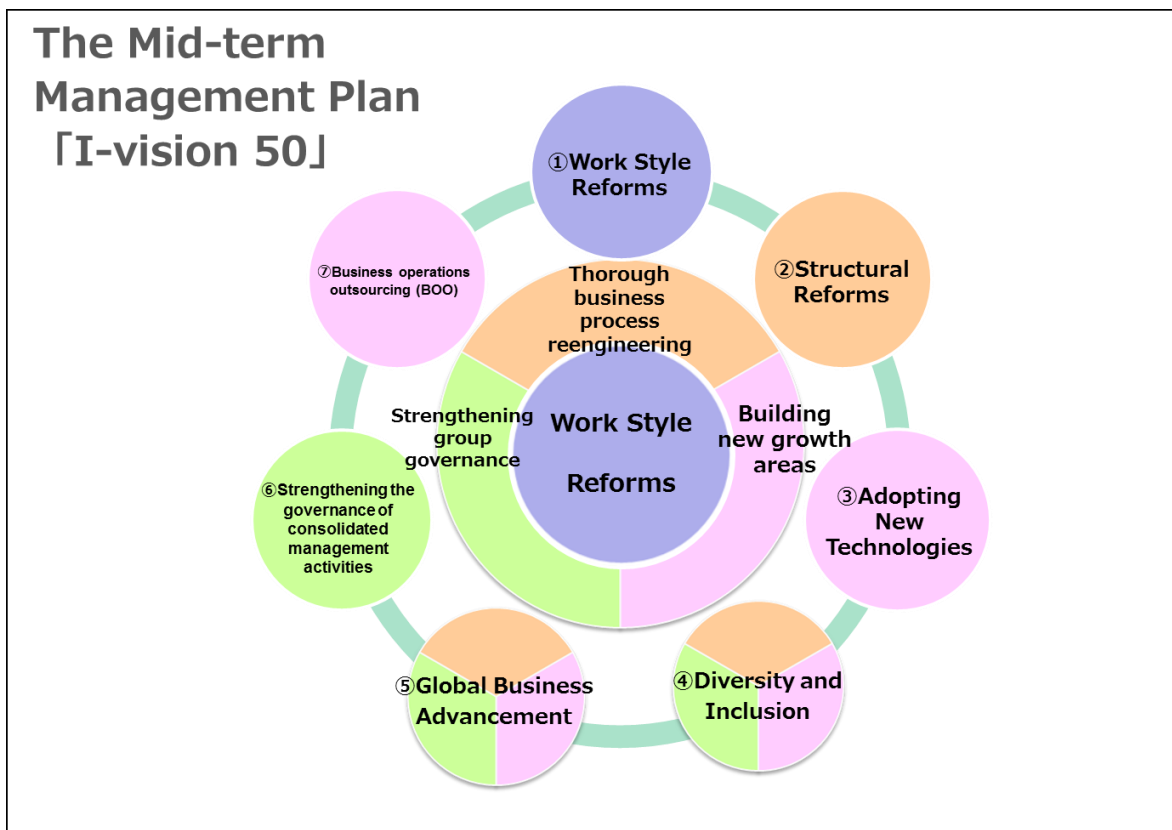
*Platform development operations refer to the Company's service of making optimal use of hardware, operating systems, and middleware to design and build low-cost, reliable system operational environments.

Management Policy Initiatives

The Company remains as committed as ever to its philosophy of "better, quicker services for our customers," set out in Mid-term Management Plan **I-vision 50** (adopted in April 2016 for the FY2016 to FY2018 period). In light of the current operating environment, the Company is implementing initiatives to achieve net sales of ¥26.3 billion and operating income of ¥1.48 billion in FY2018. **I-vision 50** supports three basic principles that are aimed at work style reforms: thorough business process reengineering (BPR), building new growth areas, and strengthening group governance. The Company is also undertaking the following seven priority initiatives: (i) work style reforms, (ii) structural reforms, (iii) adopting new technologies, (iv) diversity and inclusion, (v) global business advancement, (vi) strengthening the governance of consolidated management activities, and (vii) business operations outsourcing (BOO). These seven priority initiatives will motivate our employees and business partners to grow the business, supporting 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 leading to fair return of profits to stakeholders other than the employees.

As of January 2018, Fess Co., Ltd. ("Fess"), whose core businesses are medical-related operations and system operation-related business such as ITIL consulting, is newly included in the ID Group. This stock acquisition is expected to expand the scope of the system operation management business, a core business of both companies, and to significantly contribute to the development of an efficient operations system. The Company aims at utilizing the synergy effects of Fess to further enhance its

core business.



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.

(i) Work style reforms

IT engineers are in high demand, and there is a serious shortage of engineers across the industry. This situation calls for an improvement in work environment to facilitate the recruitment of talented personnel*. 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 the work environment and enhance productivity.

- Implementation of super flex-time system [(1)]
- Percentage of target paid holidays taken: 108% achieved (Annual target percentage of paid holidays taken: 70%) [1]

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

(ii) 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.

- Review of the Standards on Decision-Making and Management Approval Authority [(2)]
- Implementation of business reform and improvement activities based on company-wide call for suggestions [(1), (2)]
- Reduction of overtime work hours (-12.8% YoY) [(1), (2)]

(iii) Adopting new technologies

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

- Commencement of sales of Seceon OTM, a cutting-edge security solution that uses AI and machine learning [(3), (5)]
- Seceon OTM was selected as a finalist in the Best of Show Award (AI Division) at Interop Tokyo 2017 [(3), (5)]

- Implementation of partnership with Seceon Inc. and investments for reinforcement of development capabilities and business expansion [(3), (5)]
- Launch of a SaaS remote-operation service using smart glass [(3)]
- Conclusion of a partnership agreement with Cyber X, a provider of security products for industrial control systems [(3), (5)]
- Establishment of a Service Model Planning Committee using RPA and AI [(3)]

(iv) Diversity and inclusion

To pursue global strategies effectively, the Company is undertaking an array of initiatives to strengthen its workplace through diversity. The Company is creating an environment amenable to attracting excellent personnel, for example by hiring year-round (rather than hiring fresh graduates only, once a year). In addition, the Company is working hard to train its employees and diversify their talents, invigorating its organization and strengthening its capacity to respond to the ever-changing business environment.

- Percentage of women in management positions: 12.1% [(4)]
- Percentage of non-Japanese workers at the Company: 9.2% [(4), (5)]

(v) Global business advancement

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 eight overseas bases (see the diagram below of our global network).

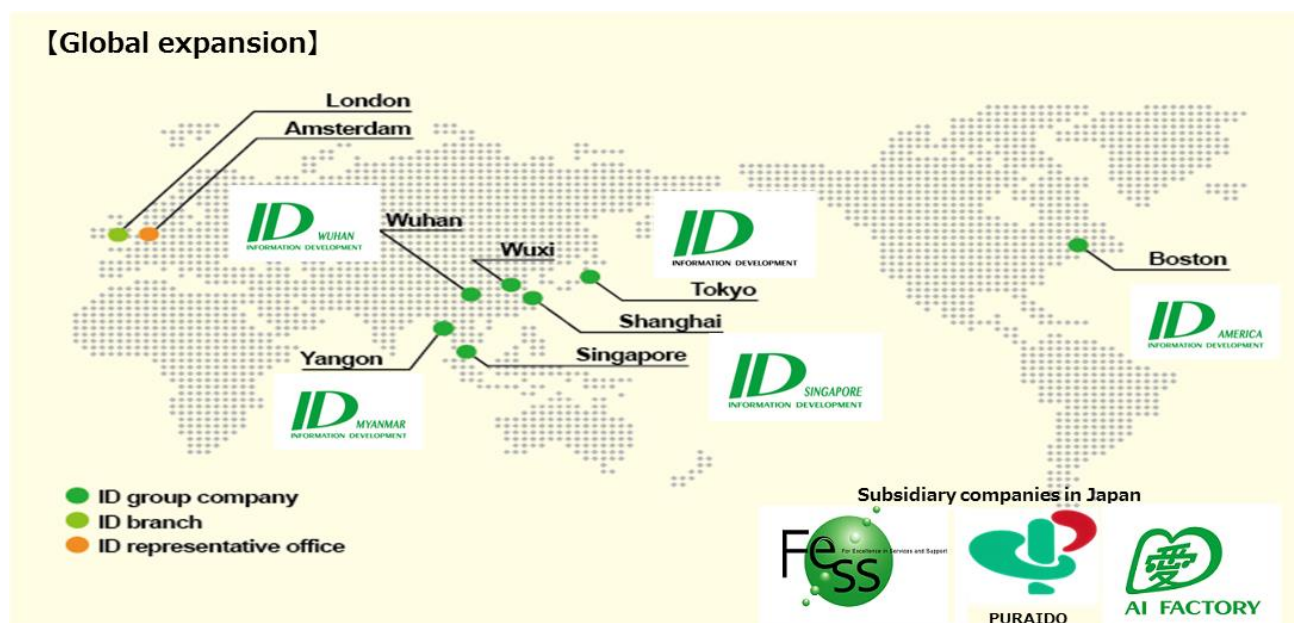
- Creation of the Asia & Oceania Regional Strategy and Management Department [(5), (6)]
- Conclusion of a business alliance memorandum with OGD ict-diensten¹⁾ of the Netherlands [(5)]
- Conclusion of a cooperation agreement with Indica Holding B.V.²⁾ of the Netherlands [(5)]

- 1) OGD ict-diensten is a Netherlands-based IT service integrator with a wide variety of customers, from governmental to healthcare organizations, and from mid/small to large size enterprise customers.
- 2) Indica Holding B.V. is a Netherlands-based software development company. Its products include solutions supporting the EU's general data protection regulations (GDPR).

(vi) 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 expertise at each base and the state of operations, and resolve customers' issues as a cohesive group.

- Absorption-type merger with Terra Corp., Ltd. [(6)]
- Acceptance of Fess Co., Ltd. as a subsidiary of the ID Group [(6)]



(vii) 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. In view of the conditions outlined above, and in view of the Group's transition to a holding-company system, the Company forecasts that in the fiscal year ending March 31, 2019 (FY2018), net sales will increase to ¥26.3 billion (+13.3% YoY), operating income will rise to ¥1.48 billion (+17.9% YoY), ordinary income will improve to ¥1.5 billion (+17.7 YoY) and net income attributable to owners of parent will grow to ¥780 million (+25.3% YoY).

* 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

(i) Assets, liabilities, and net assets

Assets at the end of the consolidated accounting period increased by ¥3.364 billion to ¥13.917 billion from ¥10.552 billion at the end of the previous consolidated accounting period, owing to an increase in notes and accounts receivable of ¥1.036 billion, an increase in cash and deposits of ¥654 million, a decrease in property, plant, and equipment of ¥141 million, and an increase in goodwill of ¥1.615 billion, etc.

Liabilities increased by ¥3.068 billion to ¥6.299 billion from ¥3.230 billion at the end of the previous consolidated accounting period, owing to an increase in interest-bearing debt of ¥1.895 billion, and an increase in provision for bonuses of ¥314 million, etc.

Net assets increased by ¥295 million to ¥7.617 billion from ¥7.321 billion at the end of the previous consolidated accounting period, owing to a net income attributable to owners of parent of ¥622 million, a decrease in dividends paid of ¥420 million, and an increase in valuation difference on available-for-sale securities of ¥93 million, etc.

(ii) Cash Flow

Cash flows from operating activities	¥1.237 billion (+¥51 million YoY)
Cash flows from investment activities	-¥2.129 billion (-¥1.991 billion YoY)
Cash flows from financing activities	¥1.464 billion (+¥2.266 billion YoY)
Cash and cash equivalents at end of period	¥2.944 billion (+¥553 million YoY)

Cash flows from operating activities were ¥1.237 billion, as net income before income taxes was ¥1.112 billion, provision for bonuses increased ¥256 million, and notes and accounts receivable–trade increased ¥537 million.

Cash flows from investment activities were -¥2.129 billion, as purchase of investments in subsidiaries resulting in change in scope of consolidation was ¥1.983 billion, and purchase of investment securities was ¥96 million.

Cash flows from financing activities were ¥1.464 billion, as short-term loans payable experienced a net increase of ¥1.9 billion, and cash dividends paid was ¥420 million.

Thus, cash and cash equivalents at the end of the period rose to ¥2.944 billion, which is a ¥553 million increase over the previous consolidated accounting period.

Note: Cash flow benchmarks

	FY2013	FY2014	FY2015	FY2016	FY2017
Equity ratio (%)*	61.1	65.3	62.7	69.0	54.5
Equity ratio (%) at fair value	47.3	70.3	61.2	122.5	122.6
Ratio of cash flow to interest-bearing debt (annual)	-58.5	1.8	5.0	0.3	1.9
Interest coverage ratio (multiple)	-1.9	72.9	20.0	229.5	159.2

*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 multiplied by the number of shares outstanding (after deducting treasury stock).
3. To determine cash flow, the cash flows from operating activities stated in the Consolidated Cash Flow Statement 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 Cash Flow Statement 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. The Company's basic policy is to maintain appropriate distributions of profits based on the business results. The Company added ¥3 to ordinary dividends at the end of the fiscal year, raising it to ¥40 from ¥37, as the Company announced on October 31, 2017 in the Notice on the Revision of Dividend Forecast (Increase).

The Company is also committed to bolstering its internal reserves, for a number of strategic purposes. Fortified internal reserves will enable the Company to continue to train the engineers it needs to provide the value-added IT solutions that meet the demanding needs of its customers. They will also support the Company's formation of services and acquisition of new products using new technologies such as AI and IoT. Finally, enhanced reserves fortify the Company's investment in promoting its global strategy, embracing not only China but also Singapore and Myanmar as well as North America and Europe. Through all of these efforts, the Company will strive to expand operations and enhance its business results.

As for dividends in the next period, the Company plans to distribute ¥40/share as annual dividends (all at the end of the period) based on this policy.

2. 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 comply appropriately with the IFRS standards considering domestic and international conditions.

3. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2017	Consolidated accounting period under review As of March 31, 2018
Assets		
Current assets		
Cash and deposits	2,491,228	3,145,324
Notes and accounts receivable – trade	3,874,257	4,911,145
Work in process	48,987	51,743
Deferred tax assets	264,433	383,498
Other	222,680	235,990
Allowance for doubtful accounts	-64	-64
Total current assets	6,901,521	8,727,637
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,491,077	1,437,291
Accumulated depreciation	-586,575	-641,563
Buildings and structures (net)	904,502	795,727
Motor vehicles and transport equipment	15,553	15,553
Accumulated depreciation	-13,507	-14,339
Motor vehicles and transport equipment (net)	2,045	1,214
Machines and equipment	15,957	15,957
Accumulated depreciation	-7,508	-9,960
Machines and equipment (net)	8,448	5,996
Tools, appliances, and accessories	463,452	502,286
Accumulated depreciation	-279,822	-348,280
Tools, appliances, and accessories (net)	183,629	154,006
Land	834,180	834,180
Total property, plant and equipment	1,932,805	1,791,124
Intangible assets		
Goodwill	57,816	1,673,712
Software	93,870	90,443
Other	760	749
Total intangible assets	152,447	1,764,906
Investments and other assets		
Investment securities	1,118,795	1,154,677
Deferred tax assets	18,151	17,998
Guarantee deposits	226,783	261,052
Other	265,380	207,142
Allowance for doubtful accounts	-63,600	-7,500
Total investments and other assets	1,565,511	1,633,371
Total non-current assets	3,650,765	5,189,402
Total assets	10,552,287	13,917,039

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2017	Consolidated accounting period under review As of March 31, 2018
Liabilities		
Current liabilities		
Accounts payable – trade	722,429	956,721
Short-term loans payable	380,000	2,280,000
Income taxes payable	352,877	497,043
Provision for bonuses	615,998	930,104
Provision for directors' bonuses	15,165	20,847
Provision for loss on orders received	31,625	–
Other	771,915	1,239,280
Total current liabilities	2,890,012	5,923,997
Non-current liabilities		
Deferred tax liabilities	149,009	168,081
Net retirement benefit liability	47,458	46,117
Provision for directors' retirement benefits	4,780	7,985
Other	139,721	153,605
Total non-current liabilities	340,969	375,790
Total liabilities	3,230,981	6,299,788
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	568,829	568,970
Retained earnings	6,173,153	6,374,935
Treasury stock	–533,302	–502,870
Total shareholders' equity	6,801,025	7,033,380
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	358,560	451,852
Foreign currency translation adjustment	121,757	103,481
Remeasurements of retirement benefit plans	–	–1,892
Total accumulated other comprehensive income	480,317	553,441
Subscription rights to shares	13,953	11,993
Non-controlling interests	26,009	18,435
Total net assets	7,321,305	7,617,250
Total liabilities and net assets	10,552,287	13,917,039

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(Thousands of ¥)

	Previous consolidated accounting period (April 1, 2016 to December 31, 2017)	Consolidated accounting period under review (April 1, 2017 to March 31, 2018)
Net sales	21,554,874	23,207,461
Cost of sales	17,569,640	18,758,647
Gross profit	3,985,233	4,448,813
Selling, general, and administrative expenses		
Directors' compensation	148,675	156,978
Salary allowances and bonuses	1,160,704	1,279,185
Provision for bonuses	84,435	120,914
Provision for directors' bonuses	15,165	20,847
Retirement benefit expenses	40,605	85,282
Provision for directors' retirement benefits	2,266	3,205
Statutory welfare expenses	257,507	289,485
Land rent	132,454	168,240
Depreciation	145,071	130,052
Amortization of goodwill	67,083	74,943
Other	825,448	864,740
Total selling, general, and administrative expenses	2,879,417	3,193,874
Operating income	1,105,815	1,254,939
Non-operating income		
Interest income	3,252	3,948
Dividend income	14,250	19,811
Insurance proceeds and dividends	7,980	5,514
Subsidy income	17,732	14,483
Other	9,501	6,833
Total non-operating income	52,717	50,591
Non-operating expenses		
Interest expenses	5,215	7,783
Commitment line fees	17,690	18,039
Foreign exchange loss	1,568	4,731
Other	812	219
Total non-operating expenses	25,287	30,774
Ordinary income	1,133,245	1,274,756

(Thousands of ¥)

	Previous consolidated accounting period (April 1, 2016 to December 31, 2017)	Consolidated accounting period under review (April 1, 2017 to March 31, 2018)
Extraordinary income		
Gain on sales of non-current assets	7	5
Gain on sales of investment securities	—	6,948
Gain on reversal of subscription rights to shares	288	403
Gain on abolishment of retirement benefit plan	207,390	—
Gain on step acquisitions	5,159	—
Total extraordinary income	212,845	7,357
Extraordinary losses		
Loss on sales of non-current assets	25	218
Loss on retirement of non-current assets	416	2,972
Loss on sales of investment securities	178	—
Loss on valuation of investment securities	—	142,039
Impairment loss	147,772	16,558
Provision of allowance for doubtful accounts	54,590	—
Loss from bad debt	9,661	—
Other	—	7,645
Total extraordinary losses	212,643	169,434
Net income before income taxes	1,133,447	1,112,680
Income taxes—current	421,517	583,589
Income taxes—deferred	52,749	–104,953
Total income taxes	474,266	478,635
Net income	659,181	634,044
Net income attributable to non-controlling interests	4,840	11,385
Net income attributable to owners of parent	654,340	622,659

(Consolidated Statement of Comprehensive Income)

(Thousands of ¥)

	Previous consolidated accounting period (April 1, 2016 to December 31, 2017)	Consolidated accounting period under review (April 1, 2017 to March 31, 2018)
Net income	659,181	634,044
Other comprehensive income		
Valuation difference on available-for-sale securities	149,160	92,789
Foreign currency translation adjustment	-28,548	-18,275
Remeasurements of retirement benefit plans	277,597	-1,892
Total other comprehensive income	398,209	72,620
Comprehensive income	1,057,391	706,665
(Breakdown)		
Comprehensive income attributable to owners of parent	1,052,259	695,783
Comprehensive income to non-controlling interests	5,131	10,881

(3) Consolidated Statement of Changes in Shareholders' Equity

Previous 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 stock				-2,671	-2,671
Disposition of treasury stock		-858		32,002	31,143
Change in treasury stock of parent arising from transactions with non-controlling shareholders			-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 stock							-2,671
Disposition of treasury stock							31,143
Change in treasury shares of parent arising from transactions with non-controlling shareholders							-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

Consolidated accounting period under review (April 1, 2017 to March 31, 2018)

(Thousands of ¥)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances at the beginning of the period	592,344	568,829	6,173,153	-533,302	6,801,025
Changes during the period					
Dividends from surplus			-420,877		-420,877
Net income attributable to owners of parent			622,659		622,659
Acquisition of treasury stock				-1,093	-1,093
Disposition of treasury stock		-754		31,525	30,770
Change in treasury shares of parent arising from transactions with non-controlling shareholders		895			895
Net changes of items other than shareholders' equity					
Total changes during the period	—	140	201,782	30,432	232,355
Balances at the end of the period	592,344	568,970	6,374,935	-502,870	7,033,380

	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	358,560	121,757	—	480,317	13,953	26,009	7,321,305
Changes during the period							
Dividends from surplus							-420,877
Net income attributable to owners of parent							622,659
Acquisition of treasury stock							-1,093
Disposition of treasury stock							30,770
Change in treasury shares of parent arising from transactions with non-controlling shareholders							895
Net changes of items other than shareholders' equity	93,292	-18,275	-1,892	73,123	-1,960	-7,573	63,589
Total changes during the period	93,292	-18,275	-1,892	73,123	-1,960	-7,573	295,945
Balances at the end of the period	451,852	103,481	-1,892	553,441	11,993	18,435	7,617,250

(4) Consolidated Cash Flow Statement

(Thousands of ¥)

	Previous consolidated accounting period (April 1, 2016 to December 31, 2017)	Consolidated accounting period under review (April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Net income before income taxes	1,133,447	1,112,680
Depreciation	210,495	205,755
Impairment loss	147,772	16,558
Amortization of goodwill	67,083	74,943
Loss on retirement of non-current assets	416	2,972
Loss (gain) on sales of non-current assets	17	213
Loss (gain) on valuation of investment securities	—	142,039
Loss (gain) on sales of investment securities	178	-6,948
Loss from bad debt	9,661	—
Loss (gain) on step acquisitions	-5,159	—
Increase (decrease) in allowance for doubtful accounts	54,440	-55,415
Increase (decrease) in provision for bonuses	54,574	256,436
Increase (decrease) in provision for directors' bonuses	-2,060	5,682
Increase (decrease) in provision for loss on orders received	-23,007	-31,625
Increase (decrease) in net retirement benefit assets (liabilities)	-231,411	29,385
Increase (decrease) in provision for directors' retirement benefits	-39,819	3,205
Interest income and dividend income	-17,503	-23,759
Interest expenses	5,215	7,783
Foreign exchange losses (gains)	1,568	4,731
Decrease (increase) in notes and accounts receivable—trade	28,126	-537,921
Decrease (increase) in inventories	-23,577	-97
Increase (decrease) in notes and accounts payable—trade	59,892	343,746
Increase (decrease) in accrued consumption tax, etc.	28,943	144,769
Decrease (increase) of other current assets	-3,562	-63,979
Increase (decrease) in other current liabilities	59,709	60,826
Decrease (increase) in other non-current assets	-6,963	-20,049
Increase (decrease) in other non-current liabilities	15,219	894
Other	20,052	31,329
Subtotal	1,543,749	1,704,156
Interest and dividend income received	17,938	24,216
Interest expenses paid	-5,166	-7,777
Corporation tax, etc. paid	-370,656	-482,753
Net cash provided by (used in) operating activities	1,185,865	1,237,842
Cash flows from investment activities		
Payments into time deposits	-3	-53,135
Proceeds from withdrawal of time deposits	31,055	—
Purchase of property, plant and equipment	-132,856	-73,208
Proceeds from sales of property, plant and equipment	104,708	49,792
Purchase of intangible assets	-25,640	-24,026
Purchase of investment securities	-2,225	-96,068
Proceeds from sales of investment securities	1,042	59,229
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-92,011	-1,983,626
Payments of loans receivable	-2,540	-2,152
Collection of loans receivable	4,013	3,320
Other	-23,426	-9,429
Net cash provided by (used in) investing activities	-137,883	-2,129,304

(Thousands of ¥)

	Previous consolidated accounting period (April 1, 2016 to December 31, 2017)	Consolidated accounting period under review (April 1, 2017 to March 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-480,000	1,900,000
Repayment of long-term loans payable	-60,000	—
Purchase of treasury stock	-2,671	-1,093
Proceeds from sales of treasury stock	9,094	7,391
Purchase of treasury stock of subsidiaries	—	-19,866
Proceeds from disposal of treasury stock of subsidiaries	—	3,311
Cash dividends paid	-263,505	-420,288
Cash dividends paid to non-controlling interests	-670	-1,005
Other	-4,207	-4,207
Net cash provided by (used in) financing activities	-801,959	1,464,242
Effect of exchange rate changes on cash and cash equivalents	-22,160	-19,484
Net increase (decrease) in cash and cash equivalents	223,862	553,295
Cash and cash equivalents at beginning of period	2,167,365	2,391,228
Cash and cash equivalents at end of period	2,391,228	2,944,523

(5) Notes on Consolidated Financial Statements

(Notes on Assumptions regarding Going Concern)

None.

(Key Items Forming the Basis for Preparation of the Consolidated Financial Statements)

Scope of Consolidation

On January 4, 2018, the Company acquired all shares of Fess Co., Ltd., reorganizing Fess as a wholly owned subsidiary of the ID Group. For this reason the business results of Fess are included in the scope of consolidated accounts from consolidated Q4 FY2017 forward.

(Changes in Accounting Policies)

None.

(Additional Information)

(Trades involving the delivery of Company shares to employees, etc. through a trust)

The Company introduced two performance pay plans: a “board benefit trust (BBT) plan” for Company directors and executive officers (“Directors, etc.”), and a “Japanese employee stock ownership plan (J-ESOP)” for Company employees. The former is designed to encourage Directors, etc. to contribute to better mid- to long-term results and greater corporate value, and the latter is designed to motivate employees to increase the share price and improve results.

(1) How the Plans Work

The Board of Directors Meeting held on April 30, 2015 approved the BBT for Directors, etc. as a way to provide directors’ compensation. The BBT is a performance pay plan under which Company shares are acquired through a trust using money contributed by the Company, and those Company shares are then awarded to Directors, etc. through the trust based on their job performance, etc. as stipulated by the Officer Stock Benefit Rules established by the Company. Directors, etc. are generally eligible to receive the award of Company shares when they retire.

Under the J-ESOP, the Company awards shares to employees who satisfy certain conditions as stipulated under the Stock Benefit Rules previously established by the Company.

The Company awards points to the employees based on their years of service or promotions, and issues Company shares to the employees commensurate with the points that the employees have been awarded. The shares to be awarded to the employees in the future are acquired through a previously established trust, and those shares are segregated and managed as trust property.

(2) Notes on the Company shares held in trust

Shares in the Company held by BBT and J-ESOP at the end of the consolidated fiscal period under review are listed in the consolidated balance sheet under “Net Assets” as “Treasury stock.” The book value of these shares was ¥213,260,000 at the end of the previous consolidated fiscal period and was ¥191,437,000 at the end of the consolidated fiscal period under review. The number of shares was 453,219 at the end of the previous consolidated fiscal period and was 394,869 at the end of the consolidated fiscal period under review.

(Segment Information, etc.)

a. 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 devises 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 Key Items Forming the Basis for Preparation of the Consolidated Financial Statements.

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

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

Previous 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 management	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

Consolidated accounting period under review (April 1, 2017 to March 31, 2018)

(Thousands of ¥)

	Reporting segment			Others (Note 1)	Total	Adjustments (Notes 2, 3)	Amounts recorded in consolidated financial statements (Note 4)
	System operation management	Software development	Total				
Net sales							
Net sales to external clients	13,589,583	8,499,229	22,088,812	1,118,648	23,207,461	—	23,207,461
Internal net sales and transfer volumes between segments	38,578	8,714	47,293	99,264	146,557	-146,557	—
Total	13,628,162	8,507,944	22,136,106	1,217,913	23,354,019	-146,557	23,207,461
Segment profit or loss	2,046,202	1,233,346	3,279,548	69,430	3,348,979	-2,094,039	1,254,939
Segment assets	4,271,538	2,131,322	6,402,861	440,590	6,843,451	7,073,587	13,917,039
Other accounting items							
Depreciation	10,185	29,069	39,255	18,731	57,986	142,063	200,050
Increase in property, plant, and equipment and intangible assets	4,319	28,291	32,611	4,087	36,699	42,794	79,494

Notes 1. The “Others” category represents business segments that are not included in the 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 under review
Elimination of intra-segment transactions	-82,131	-100,826
Company expenses*	-1,778,878	-1,993,213
Total	-1,861,009	-2,094,039

*“Company expenses” are mainly general management expenses that are not included in the reporting segments.

(Thousands of ¥)

Segment assets	Previous consolidated accounting period	Consolidated accounting period under review
Company assets*	6,279,932	7,073,587
Total	6,279,932	7,073,587

*“Company assets” are surplus working capital, long-term investment funds, and other assets that are not included in the reporting segments.

- 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 are not included in the reporting segments.
- Segment profits or losses are adjusted together with the operating income stated in the consolidated financial statements.

b. Related Information

Previous 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 make 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

Consolidated accounting period (April 1, 2017 to March 31, 2018)

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 make 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.	3,248,569	System operation management, software development, others
IBM Japan, Ltd.	2,917,957	System operation management, software development

c. Information on Non-current Asset Impairment Losses by Reporting Segment

Previous 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 are not included in the reporting segments.

Consolidated accounting period (April 1, 2017 to March 31, 2018)

(Thousands of ¥)

	System operation management	Software development	Others	Company, eliminations	Total
Impairment loss	—	—	16,558	—	16,558

d. Information on Depreciated Amount of Goodwill and Balance of Undepreciated Balance for Each Reporting Segment

Previous 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

Consolidated accounting period (April 1, 2017 to March 31, 2018)

(Thousands of ¥)

	System operation management	Software development	Others	Company, eliminations	Total
Depreciation for the period	60,632	12,209	2,100	—	74,943
Balances at the end of the period	1,637,083	36,629	0	—	1,673,712

e. Information on Gain on Bargain Purchase by Reporting Segment

None.

(Per-Share Information)

	Previous consolidated accounting period (April 1, 2016 to March 31, 2017)	Consolidated accounting period under review (April 1, 2017 to March 31, 2018)
Book value per share	¥666.68	¥689.74
Net income per share	¥60.13	¥56.84
Diluted net income per share	¥59.51	¥56.19

Notes: 1. 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) is included in the number of common shares that were treasury stock at the end of the period for calculating the book value per share, and is included in the treasury stock to be deducted in the calculation of the interim average number of shares for calculating the net income per share and the diluted net income per share.

The trust account held 453,219 shares at the end of the previous consolidated accounting period, and 394,869 shares at the end of the current consolidated accounting period. The interim average number of shares was 482,576 shares in the previous consolidated accounting period, and 426,994 shares for the current consolidated accounting period.

2. 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, 2016 to March 31, 2017)	Consolidated accounting period under review (April 1, 2017 to March 31, 2018)
Net income per share		
Net income attributable to owners of parent	¥654,340,000	¥622,659,000
Amounts not attributable to common shareholders	—	—
Net income attributable to owners of parent regarding common stock	¥654,340,000	¥622,659,000
Interim average number of shares	Common stock: 10,881,240 shares	Common stock: 10,953,961 shares
Diluted net income per share		
Adjusted net income attributable to owners of parent	—	—
Increase in common stock	114,835 shares	127,642 shares
(portion of these shares that are stock options deriving from the subscription-rights-to-shares method)	(114,835 shares)	(127,642 shares)
Summary of residual securities excluded from the calculation of the diluted net income per share because there was no dilutive effect	—	—

Note: 1. 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) is included in the number of common shares that were interim average treasury stock for calculating the net income per share and the diluted net income per share.

(Material Subsequent Events)

None.

4. Unconsolidated Financial Statements and Important Notes

(1) Balance Sheet

(Thousands of ¥)

	Previous fiscal year As of March 31, 2017	Current fiscal year As of March 31, 2018
Assets		
Current assets		
Cash and deposits	1,387,086	1,911,155
Accounts receivable – trade	3,800,886	4,223,861
Work in process	43,126	43,378
Supplies	2,259	1,897
Advance payments	28,823	90
Prepaid expenses	163,672	180,237
Deferred tax assets	261,119	322,509
Other	14,780	13,229
Allowance for doubtful accounts	-64	-64
Total current assets	5,701,689	6,696,294
Non-current assets		
Property, plant and equipment		
Buildings	1,238,907	1,239,873
Accumulated depreciation	-541,536	-591,539
Buildings (net)	697,370	648,334
Structures	30,806	30,806
Accumulated depreciation	-18,941	-20,611
Structures (net)	11,865	10,195
Motor vehicles and transport equipment	15,324	15,324
Accumulated depreciation	-13,291	-14,110
Motor vehicles and transport equipment (net)	2,032	1,214
Tools, appliances, and accessories	418,838	448,125
Accumulated depreciation	-250,110	-308,943
Tools, appliances, and accessories (net)	168,728	139,181
Land	834,180	834,180
Total property, plant and equipment	1,714,177	1,633,105
Intangible assets		
Goodwill	–	36,629
Software	89,088	84,869
Other	752	741
Total intangible assets	89,840	122,241
Investments and other assets		
Investment securities	1,111,373	1,154,677
Affiliate shares	1,512,916	3,334,673
Capital investments	100	100
Long-term loans	3,573	2,487
Long-term prepaid expenses	1,381	28,795
Guarantee deposits	215,538	211,262
Facilities use memberships	38,469	38,469
Allowance for investment loss	–	-196,512
Other	164,098	135,081
Allowance for doubtful accounts	-7,500	-7,500
Total investments and other assets	3,039,950	4,701,534
Total non-current assets	4,843,968	6,456,881
Total assets	10,545,658	13,153,176

(Thousands of ¥)

	Previous fiscal year As of March 31, 2017	Current fiscal year As of March 31, 2018
Liabilities		
Current liabilities		
Accounts payable – trade	750,948	899,381
Short-term loans payable	380,000	2,280,000
Lease obligations	4,207	4,207
Accounts payable – other	139,356	121,921
Accrued expenses	309,199	432,265
Income taxes payable	342,464	388,506
Accrued consumption tax, etc.	187,030	317,350
Advances received	46,066	810
Deposits	55,826	56,891
Provision for bonuses	602,071	784,469
Provision for directors' bonuses	15,165	16,347
Provision for loss on orders received	31,625	–
Other	–	18,926
Total current liabilities	2,863,961	5,321,077
Non-current liabilities		
Lease obligations	12,851	8,644
Long-term accounts payable – other	124,944	144,393
Deferred tax liabilities	149,009	168,081
Total non-current liabilities	286,805	321,120
Total liabilities	3,150,767	5,642,198
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus		
Capital reserve	543,293	543,293
Other capital surplus	28,249	27,495
Total capital surplus	571,543	570,788
Retained earnings		
Legal retained earnings	43,687	43,687
Other retained earnings		
Voluntary reserve	4,210,000	4,210,000
Special depreciation reserve	1,526	1,011
Retained earnings brought forward	2,139,503	2,132,030
Total retained earnings	6,394,717	6,386,730
Treasury stock	–533,302	–502,870
Total shareholders' equity	7,025,302	7,046,992
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	355,634	451,991
Total valuation and translation adjustments	355,634	451,991
Subscription rights to shares	13,953	11,993
Total net assets	7,394,890	7,510,978
Total liabilities and net assets	10,545,658	13,153,176

(2) Statement of Income

(Thousands of ¥)

	Previous fiscal year (April 1, 2016 to December 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)
Net sales		
Net sales from information services	20,288,128	20,901,930
Product net sales	490,168	628,689
Other net sales	7,354	6,851
Total net sales	20,785,650	21,537,471
Cost of sales		
Cost of sales for information services	16,484,700	16,910,023
Product cost of sales	440,079	570,654
Total cost of sales	16,924,780	17,480,678
Gross profit	3,860,870	4,056,793
Selling, general, and administrative expenses		
Directors' compensation	147,795	148,638
Salaries and allowances	949,114	1,040,152
Bonuses	76,924	87,567
Provision for bonuses	82,328	114,256
Provision for directors' bonuses	15,165	16,347
Retirement benefit expenses	39,775	85,137
Statutory welfare expenses	231,611	258,537
Entertainment expenses	66,826	71,374
Education and training expenses	44,656	63,858
Land rent	104,463	126,134
Outsourcing expenses	157,987	200,733
Depreciation	136,921	122,886
Amortization of goodwill	53,230	9,157
Other	592,451	587,795
Total selling, general, and administrative expenses	2,699,251	2,932,577
Operating income	1,161,618	1,124,216
Non-operating income		
Interest income	483	222
Interest from securities	2,532	2,805
Dividend income	18,243	25,828
Insurance proceeds and dividends	7,545	5,131
Foreign exchange gains	—	4,982
Other	9,013	6,988
Total non-operating income	37,818	45,959
Non-operating expenses		
Interest expenses	5,215	7,783
Commitment line fees	17,690	18,039
Foreign exchange loss	5,073	—
Other	309	2
Total non-operating expenses	28,289	25,825
Ordinary income	1,171,148	1,144,350

(Thousands of ¥)

	Previous fiscal year (April 1, 2016 to December 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)
Extraordinary income		
Gain on sales of non-current assets	7	5
Gain on reversal of subscription rights to shares	288	403
Gain on abolishment of retirement benefit plan	214,482	—
Total extraordinary income	214,778	409
Extraordinary losses		
Loss on sales of non-current assets	25	29
Loss on retirement of non-current assets	2	—
Loss on sales of investment securities	178	—
Loss on valuation of investment securities	—	95,797
Impairment loss	147,772	—
Loss on valuation of shares of subsidiaries	—	25,524
Provision of allowance for investment loss	—	196,512
Loss on extinguishment of tie-in shares	—	25,283
Total extraordinary losses	147,978	343,148
Net income before income tax	1,237,947	801,611
Income taxes—current	399,937	463,202
Income taxes—deferred	46,755	–74,480
Total income taxes	446,693	388,721
Net income	791,254	412,889

(3) Statement of Changes in Shareholders' Equity

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

(Thousands of ¥)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings			Total retained earnings
						Voluntary reserve	Special depreciation reserve	Retained earnings brought forward	
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 stock									
Disposition of treasury stock			-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 stock	-2,671	-2,671				-2,671
Disposition of treasury stock	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

Current fiscal year (April 1, 2017 to March 31, 2018)

(Thousands of ¥)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings			
						Voluntary reserve	Special depreciation reserve	Retained earnings brought forward	
Balances at the beginning of the period	592,344	543,293	28,249	571,543	43,687	4,210,000	1,526	2,139,503	6,394,717
Changes during the period									
Draw-down of special depreciation reserve							-514	514	-
Dividends from surplus								-420,877	-420,877
Net income								412,889	412,889
Acquisition of treasury stock									
Disposition of treasury stock			-754	-754					
Net changes of items other than shareholders' equity									
Total changes during the period	-	-	-754	-754	-	-	-514	-7,472	-7,987
Balances at the end of the period	592,344	543,293	27,495	570,788	43,687	4,210,000	1,011	2,132,030	6,386,730

	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	-533,302	7,025,302	355,634	355,634	13,953	7,394,890
Changes during the period						
Draw-down of special depreciation reserve		-				-
Dividends from surplus		-420,877				-420,877
Net income		412,889				412,889
Acquisition of treasury stock	-1,093	-1,093				-1,093
Disposition of treasury stock	31,525	30,770				30,770
Net changes of items other than shareholders' equity			96,357	96,357	-1,960	94,397
Total changes during the period	30,432	21,690	96,357	96,357	-1,960	116,087
Balances at the end of the period	-502,870	7,046,992	451,991	451,991	11,993	7,510,978

(4) Notes on Unconsolidated Financial Statements

(Notes on Assumptions regarding Going Concern)

None.