

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017

[Japanese GAAP]

Company name:	Japan System Techniques Co., Ltd.	Listing:	Tokyo Stock Exchange, Second Section
Stock code:	4323	URL:	http://www.jast.jp
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Scheduled date of Annual General Meeting of Shareholders:			June 27, 2017
Scheduled date of payment of dividend:			June 12, 2017
Scheduled date of filing of Annual Security Report:			June 28, 2017
Preparation of supplementary materials for financial results:			Yes
Holding of financial results meeting:			Yes (for analysts)

Note: The original disclosure in Japanese was released on May 12, 2017 at 16:30 (GMT +9).

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2017	14,223	20.3	571	42.2	623	41.4	410	40.7
Fiscal year ended Mar. 31, 2016	11,821	2.7	401	10.4	441	1.2	291	27.7

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2017: 430 (up 124.1 %)

Fiscal year ended Mar. 31, 2016: 191 (down 39.0 %)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2017	78.26	-	7.4	6.5	4.0
Fiscal year ended Mar. 31, 2016	55.62	-	5.4	5.0	3.4

Reference: Equity in earnings of affiliates (million yen): Fiscal year ended Mar. 31, 2017: - Fiscal year ended Mar. 31, 2016: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	10,281	5,741	55.4	1,084.74
As of Mar. 31, 2016	9,019	5,448	59.8	1,028.31

Reference: Shareholders' equity (million yen) As of Mar. 31, 2017: 5,692 As of Mar. 31, 2016: 5,396

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2017	132	494	(122)	1,951
Fiscal year ended Mar. 31, 2016	(12)	119	(216)	1,447

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2016	-	0.00	-	25.00	25.00	131	45.0	2.4
Fiscal year ended Mar. 31, 2017	-	0.00	-	25.00	25.00	131	31.9	2.4
Fiscal year ending Mar. 31, 2018 (forecasts)	-	0.00	-	25.00	25.00		27.9	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	14,625	2.8	790	38.3	795	27.4	470	14.4	89.56

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes
 2) Changes in accounting policies other than 1) above: None
 3) Changes in accounting-based estimates: None
 4) Restatements: None

Please refer to “Notes to Consolidated Financial Statements” for further information.

(3) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Mar. 31, 2017: 5,612,230 shares As of Mar. 31, 2016: 5,612,230 shares

2) Number of treasury shares at the end of the period

As of Mar. 31, 2017: 364,210 shares As of Mar. 31, 2016: 364,210 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2017: 5,248,020 shares Fiscal year ended Mar. 31, 2016: 5,248,020 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2017	12,085	18.9	534	28.9	570	30.3	385	33.3
Fiscal year ended Mar. 31, 2016	10,160	4.9	414	10.8	437	2.3	288	29.4

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2017	73.39	-
Fiscal year ended Mar. 31, 2016	55.04	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	9,515	5,939	62.4	1,131.79
As of Mar. 31, 2016	8,568	5,650	65.9	1,076.69

Reference: Shareholders' equity (million yen) As of Mar. 31, 2017: 5,939 As of Mar. 31, 2016: 5,650

Note 1: The current financial report is not subject to audit procedures.

Note 2: Cautionary statement with respect to forward-looking statements

Forecasts of future performance in these materials are based on assumption judged to be valid and information available to the Company's management at the time the materials were prepared, but are not promises by the Company regarding future performance. Actual results may differ materially from the forecasts. Please refer to “1. Overview of Results of Operations, (4) Outlook” on page 4 for forecast assumptions and notes of caution for usage.

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1. Overview of Results of Operations

(1) Results of Operations

In the current fiscal year, the overall Japanese economy continued to recover at a moderate pace. The recovery is backed by the benefits of economic initiatives along with ongoing improvements in the number of jobs and personal income. However, the outlook remains unclear mainly because of concerns over increased uncertainty about overseas economies, such as policy changes of the new US government, slowing economic growth in China and other emerging countries in Asia, and the U.K. leaving the EU.

In the IT industry in Japan, according to the latest statistics in the “Survey of Selected Service Industries” by the Ministry of Economy, Trade and Industry (the final February figures), net sales rose 1.3% year on year in Fiscal 2016 (compared with 2.6% annual growth in Fiscal 2015), keeping a positive trend. The monthly sales figures increased year on year for seven straight months since August 2016, indicating that the IT industry as a whole is on a moderate growth path.

Consolidated results of the Japan System Techniques Group (Japan System Techniques Co., Ltd. and its consolidated subsidiaries, hereafter “the Group”) in the current fiscal year showed higher sales and profits as follows: net sales of 14,223 million yen (up 20.3% year on year), operating income of 571 million yen (up 42.2% year on year), ordinary income of 623 million yen (up 41.4% year on year), and profit attributable to owners of parent of 410 million yen (up 40.7% year on year). Results by segment were as follows.

In the software business (individualized contracted software development), net sales and profits increased. Sales remained strong because orders from the service/retail industry, the finance/insurance/brokerage industry, the telecommunications industry, the public sector, and the manufacturing industry increased while there was a decrease in orders from medical institutions. As a result, net sales in this business totaled 10,058 million yen (up 24.5% year on year) and operating income was 394 million yen (up 93.5% year on year).

In the package business (sale and related services of operational reform packages for schools), net sales and profits increased. The IT equipment sales, operation/maintenance services and end user computing (EUC: individualized contracted development of related systems) sales increased, while there was a decline in sales of program product (PP) sales and implementation support to universities. Net sales in this business totaled 2,274 million yen (up 7.4% year on year) and operating income was 218 million yen (up 0.1% year on year).

In the system sales business (IT equipment sales and IT/telecom infrastructure construction), net sales and profits increased. Equipment sales to universities declined, but orders from highly profitable system integration (SI) projects for public sectors increased. As a result, net sales totaled 1,116 million yen (up 7.5% year on year), and operating income was 6 million yen (up 20.3% year on year).

Lastly, in the medical big data business (inspection, analysis and related services of medical information), net sales totaled 774 million yen (up 32.5% year on year), and operating loss totaled 45 million yen (vs. operating loss of 26 million yen in the previous fiscal year). Sales remained strong due to the expansion of cloud services for checking service providers, services for data analysis and notification of the cost of medical care, and support services for data health plans and other services in addition to automated inspection services for health insurance claims. However, there was an increase in up-front costs involving enhancement of organization for future growth.

(2) Financial Position

The balance of current assets at the end of the current fiscal year was 7,750 million yen, up 17.5% over the end of the previous fiscal year. This was mainly due to an increase in notes and accounts receivable-trade from higher sales at the end of fiscal year, an increase in work in process, and a decrease in cash and deposits. The balance of non-current assets was 2,530 million yen at the end of the current fiscal year, up 4.5% over the end of the previous fiscal year.

The balance of current liabilities at the end of the current fiscal year was 3,078 million yen, up 35.9% over the end of the previous fiscal year. This was mainly due to increases in notes and accounts payable-trade, provision for bonuses and income taxes payable. The balance of non-current liabilities was 1,461 million yen at the end of the current fiscal year, up 11.9% over the end of the previous fiscal year. This was mainly due to increases in net defined benefit liability and provision for directors' retirement benefits.

The balance of total net assets was 5,741 million yen at the end of the current fiscal year, up 5.4% over the end of the previous fiscal year. This was mainly due to increases in retained earnings and valuation difference on available-for-sale securities, and a decrease in remeasurements of defined benefit plans.

(3) Cash Flows

Cash and cash equivalents increased 503 million yen from 1,447 million yen at the beginning of the current fiscal year to 1,951 million yen at the end of the current fiscal year.

Cash flows by category were as follows.

Cash flows provided by operating activities totaled 132 million yen, compared with 12 million yen used in the previous fiscal year. This difference was mainly due to increases in provision for bonuses and profit before income taxes, and a decrease in proceeds from collection of notes and accounts receivable-trade.

Cash flows provided by investing activities totaled 494 million yen, compared with 119 million yen provided in the previous fiscal year. This difference was mainly due to an increase in proceeds from withdrawal of time deposits.

Cash flows used in financing activities totaled 122 million yen, compared with 216 million yen used in the previous fiscal year. This difference was mainly due to an increase in short-term loans payable and a decrease in payments for investments in capital of subsidiaries and associates that do not result in change in scope of consolidation.

Reference: Cash flow indicators

	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Equity ratio (%)	55.0	56.6	61.4	59.8	55.4
Equity ratio based on market value (%)	38.2	39.0	50.0	38.6	50.0
Interest-bearing debt to cash flow ratio (years)	0.1	0.0	-	-	0.5
Interest coverage ratio (times)	89.1	228.6	-	-	78.0

Notes: 1. The above figures are calculated as follows.

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

* Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding at the end of the period, excluding treasury shares.

* Interest-bearing debt is calculated using total loans-payable on the consolidated balance sheet.

* Interest payments use the amount of interest expenses paid stated on the consolidated statement of cash flows.

2. There are no average debt repayment period and interest coverage ratio figures for FY3/15 and FY3/16 because the Company had negative operating cash flows.

(4) Outlook

In the uncertain global economy of late, and particularly in the IT industry where the environment is extremely volatile, the Company understands that it will be difficult to achieve growth into the future if it remains overly dependent on contract development, the IT industry's mainstay source of earnings to date.

Based on this understanding, the Group has formulated the "JAST Vision 2020" to define basic medium- to long-term management policies and targets for fiscal 2020. This vision sets forth the type of organization we want to become, including goals for the corporate image, brand image, business fields, the size of our operations and other items. Group companies will be using many actions in order to accomplish the goals of this vision.

As part of these actions, the Group has selected "Speed Up!" as the slogan for the fiscal year ending March 31, 2018. We will be making changes and enacting reforms even faster during the fiscal year concerning development operations, sales techniques, internal administrative procedures and all other aspects of our operations. We are determined to achieve the goals of every department and person in our Group. As a result, we aim to expand scale of projects and enhance profitability and productivity in the contracted development business, as well as to achieve sustained growth by further expanding JAST-driven business centering on proprietary brand products and creating new services.

Based on the above, we expect increases in sales and profits in the fiscal year ending March 31, 2018; net sales of 14,625 million yen (up 2.8% year on year), operating income of 790 million yen (up 38.3% year on year), ordinary income of 795 million yen (up 27.4% year on year), and profit attributable to owners of parent of 470 million yen (up 14.4% year on year).

2. Basic Approach to the Selection of Accounting Standards

The Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/16	FY3/17
	(As of Mar. 31, 2016)	(As of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	2,436,624	2,365,633
Notes and accounts receivable-trade	3,436,003	4,374,348
Merchandise and finished goods	78,434	86,509
Work in process	326,978	505,244
Raw materials and supplies	2,692	3,317
Deferred tax assets	191,764	270,257
Other	129,132	149,426
Allowance for doubtful accounts	(4,139)	(3,858)
Total current assets	6,597,491	7,750,879
Non-current assets		
Property, plant and equipment		
Buildings and structures	616,203	669,615
Accumulated depreciation	(310,047)	(347,533)
Buildings and structures, net	306,156	322,081
Land	142,361	142,361
Other	284,375	375,955
Accumulated depreciation	(208,302)	(241,349)
Other, net	76,072	134,606
Total property, plant and equipment	524,591	599,049
Intangible assets		
Goodwill	10,001	40,491
Software	120,195	109,996
Other	7,189	7,626
Total intangible assets	137,385	158,114
Investments and other assets		
Investment securities	564,136	625,020
Net defined benefit asset	447,426	479,037
Deferred tax assets	65,580	76,560
Guarantee deposits	376,493	376,763
Other	351,708	260,605
Allowance for doubtful accounts	(45,119)	(44,649)
Total investments and other assets	1,760,225	1,773,336
Total non-current assets	2,422,202	2,530,500
Total assets	9,019,694	10,281,379

	(Thousands of yen)	
	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	907,911	1,122,286
Short-term loans payable	-	26,678
Current portion of long-term loans payable	-	8,400
Income taxes payable	104,706	281,537
Provision for bonuses	419,637	615,341
Provision for directors' bonuses	20,935	29,174
Provision for loss on construction contracts	6,079	1,561
Other	805,784	993,321
Total current liabilities	2,265,055	3,078,301
Non-current liabilities		
Long-term loans payable	-	28,000
Provision for directors' retirement benefits	372,585	413,048
Net defined benefit liability	800,914	870,683
Other	132,686	150,188
Total non-current liabilities	1,306,186	1,461,920
Total liabilities	3,571,242	4,540,222
Net assets		
Shareholders' equity		
Capital stock	1,076,669	1,076,669
Capital surplus	998,790	994,621
Retained earnings	3,460,641	3,740,158
Treasury shares	(266,539)	(266,539)
Total shareholders' equity	5,269,562	5,544,909
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	50,966	85,686
Foreign currency translation adjustment	(14,352)	(13,063)
Remeasurements of defined benefit plans	90,400	75,227
Total accumulated other comprehensive income	127,013	147,850
Non-controlling interests	51,875	48,396
Total net assets	5,448,452	5,741,157
Total liabilities and net assets	9,019,694	10,281,379

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

	(Thousands of yen)	
	FY3/16	FY3/17
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Net sales	11,821,083	14,223,330
Cost of sales	9,254,306	11,287,537
Gross profit	2,566,777	2,935,792
Selling, general and administrative expenses	2,165,167	2,364,749
Operating income	401,609	571,043
Non-operating income		
Interest income	7,262	6,140
Dividend income	6,141	5,942
Rent income	14,928	13,844
Compensation income	-	15,107
Commission fee	1,745	1,718
Subsidy income	8,007	16,815
Other	13,888	10,622
Total non-operating income	51,975	70,191
Non-operating expenses		
Interest expenses	2,023	1,583
Foreign exchange losses	954	2,176
Rent expenses	7,799	11,824
Other	1,635	1,698
Total non-operating expenses	12,413	17,282
Ordinary income	441,171	623,952
Extraordinary losses		
Loss on valuation of investment securities	117	-
Total extraordinary losses	117	-
Profit before income taxes	441,053	623,952
Income taxes-current	125,453	291,138
Income taxes-deferred	42,019	(78,280)
Total income taxes	167,473	212,858
Profit	273,580	411,094
Profit attributable to non-controlling interests	(18,292)	376
Profit attributable to owners of parent	291,873	410,717

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Profit	273,580	411,094
Other comprehensive income		
Valuation difference on available-for-sale securities	(10,296)	34,719
Foreign currency translation adjustment	(8,593)	(493)
Remeasurements of defined benefit plans, net of tax	(62,709)	(15,172)
Total other comprehensive income	(81,598)	19,053
Comprehensive income	191,981	430,147
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	214,162	431,554
Comprehensive income attributable to non-controlling interests	(22,180)	(1,406)

(3) Consolidated Statement of Changes in Equity

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,076,669	1,038,308	3,299,968	(266,539)	5,148,407
Changes of items during period					
Dividends of surplus			(131,200)		(131,200)
Profit attributable to owners of parent			291,873		291,873
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(39,517)			(39,517)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(39,517)	160,672	-	121,155
Balance at end of current period	1,076,669	998,790	3,460,641	(266,539)	5,269,562

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	61,263	(9,647)	153,109	204,724	79,875	5,433,007
Changes of items during period						
Dividends of surplus						(131,200)
Profit attributable to owners of parent						291,873
Change in treasury shares of parent arising from transactions with non-controlling shareholders						(39,517)
Net changes of items other than shareholders' equity	(10,296)	(4,704)	(62,709)	(77,710)	(28,000)	(105,710)
Total changes of items during period	(10,296)	(4,704)	(62,709)	(77,710)	(28,000)	15,444
Balance at end of current period	50,966	(14,352)	90,400	127,013	51,875	5,448,452

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,076,669	998,790	3,460,641	(266,539)	5,269,562
Changes of items during period					
Dividends of surplus			(131,200)		(131,200)
Profit attributable to owners of parent			410,717		410,717
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(4,169)			(4,169)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(4,169)	279,516	-	275,347
Balance at end of current period	1,076,669	994,621	3,740,158	(266,539)	5,544,909

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	50,966	(14,352)	90,400	127,013	51,875	5,448,452
Changes of items during period						
Dividends of surplus						(131,200)
Profit attributable to owners of parent						410,717
Change in treasury shares of parent arising from transactions with non-controlling shareholders						(4,169)
Net changes of items other than shareholders' equity	34,719	1,289	(15,172)	20,837	(3,478)	17,358
Total changes of items during period	34,719	1,289	(15,172)	20,837	(3,478)	292,705
Balance at end of current period	85,686	(13,063)	75,227	147,850	48,396	5,741,157

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY3/16	FY3/17
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	441,053	623,952
Depreciation	77,333	87,631
Amortization of software	37,450	38,257
Amortization of goodwill	14,929	14,793
Increase (decrease) in provision for bonuses	(26,473)	191,434
Decrease (increase) in net defined benefit asset	34,150	(31,610)
Increase (decrease) in net defined benefit liability	29,630	70,122
Interest and dividend income	(13,404)	(12,082)
Compensation income	-	(15,107)
Interest expenses	2,023	1,583
Decrease (increase) in notes and accounts receivable-trade	(654,038)	(901,382)
Increase (decrease) in advances received	125,419	152,612
Decrease (increase) in inventories	(67,152)	(185,304)
Increase (decrease) in notes and accounts payable-trade	155,986	186,408
Other, net	(71,783)	28,962
Subtotal	85,126	250,270
Interest and dividend income received	15,389	13,564
Interest expenses paid	(1,956)	(1,700)
Income taxes paid	(110,930)	(144,722)
Proceeds from compensation	-	15,107
Net cash provided by (used in) operating activities	(12,370)	132,520
Cash flows from investing activities		
Decrease (increase) in time deposits	206,411	672,825
Purchase of property, plant and equipment	(15,725)	(137,295)
Purchase of software	(25,427)	(12,860)
Purchase of investment securities	(2,278)	(1,971)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(26,827)
Payments for investments in capital of subsidiaries and associates resulting in change in scope of consolidation	(2,007)	-
Payments for guarantee deposits	(35,915)	(651)
Other, net	(5,452)	799
Net cash provided by (used in) investing activities	119,604	494,018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(21,893)	26,678
Repayments of lease obligations	(11,507)	(11,151)
Proceeds from long-term loans payable	-	42,000
Repayments of long-term loans payable	(1,800)	(48,035)
Cash dividends paid	(131,200)	(131,200)
Payments for investments in capital of subsidiaries and associates that do not result in change in scope of consolidation	(48,000)	-
Dividends paid to non-controlling interests	(2,324)	(1,164)
Net cash provided by (used in) financing activities	(216,725)	(122,873)
Effect of exchange rate change on cash and cash equivalents	(2,758)	298
Net increase (decrease) in cash and cash equivalents	(112,250)	503,965
Cash and cash equivalents at beginning of period	1,559,743	1,447,493
Cash and cash equivalents at end of period	1,447,493	1,951,458

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the current fiscal year, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

This change has no effect on profit or loss in the current fiscal year.

Reclassifications

Consolidated Statement of Income

“Foreign exchange losses,” included in “Other” under non-operating expenses in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year since it has increased materiality in the context of financial statements. The prior-period consolidated financial statements are restated to conform to the current-period presentation.

“Other” under non-operating expenses (2,590 thousand yen) shown in the prior-period consolidated statement of income is reclassified and divided into “Foreign exchange losses” (954 thousand yen) and “Other” (1,635 thousand yen).

Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the current fiscal year, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

Segment and Other Information

Segment information

1. Overview of reportable segment

Segments used for financial reporting are the Company and subsidiaries’ constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group has four reportable business segments: software business, package business, system sales business and medical big data business each of which conducts its business in line with the comprehensive strategy it has devised for products and services in both domestic and overseas markets.

The software business handles the contracted software development. The package business is engaged in development, sale, and provision of related services of operational reform packages for schools. The system sales business conducts IT equipment sales, IT/telecom infrastructure construction. The medical big data business, which includes a full line of services including automated inspection services for health insurance claims, data analysis and notification of the cost of medical care.

2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting method used for reportable business segments is based on accounting policies used for the preparation of the consolidated financial statements.

Profits for reportable business segments are operating income figures.

Inter-segment sales and transfers are based on market prices.

3. Information related to net sales, profit or loss, assets, liabilities, and other items for each reportable segment

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Thousands of yen)

	Software business	Package business	System sales business	Medical big data business	Total	Adjustment (Note 1) (Note 2)	Amounts shown on consolidated financial statements (Note 3)
Net sales							
1. External sales	8,080,536	2,117,057	1,039,010	584,479	11,821,083	-	11,821,083
2. Inter-segment sales and transfers	125,909	-	14,378	-	140,288	(140,288)	-
Total	8,206,445	2,117,057	1,053,388	584,479	11,961,371	(140,288)	11,821,083
Segment profit (loss)	203,703	218,686	5,467	(26,066)	401,791	(181)	401,609
Segment assets	4,758,022	1,340,092	965,341	379,884	7,443,340	1,576,353	9,019,694
Other items							
Depreciation	73,863	23,706	2,691	11,497	111,758	-	111,758
Increase in property, plant and equipment and intangible assets	29,321	6,724	3,165	3,728	42,940	9,720	52,660

- Notes: 1. Segment profit (loss) in the above adjustment represents eliminations for inter-segment transactions.
2. Segment assets in the above adjustment consist mainly of corporate assets that cannot be attributed to any of the reportable segments.
3. Segment profit (loss) is adjusted with operating income shown on the consolidated statement of income.

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Software business	Package business	System sales business	Medical big data business	Total	Adjustment (Note 1) (Note 2)	Amounts shown on consolidated financial statements (Note 3)
Net sales							
1. External sales	10,058,212	2,274,452	1,116,485	774,179	14,223,330	-	14,223,330
2. Inter-segment sales and transfers	88,843	-	128,039	-	216,883	(216,883)	-
Total	10,147,056	2,274,452	1,244,525	774,179	14,440,213	(216,883)	14,223,330
Segment profit (loss)	394,092	218,939	6,578	(45,567)	574,042	(2,998)	571,043
Segment assets	5,629,282	1,450,745	1,123,729	422,747	8,626,504	1,654,875	10,281,379
Other items							
Depreciation	81,769	21,425	4,481	15,317	122,994	-	122,994
Increase in property, plant and equipment and intangible assets	85,884	41,415	1,746	12,914	141,960	18,960	160,921

- Notes: 1. Segment profit (loss) in the above adjustment represents eliminations for inter-segment transactions.
2. Segment assets in the above adjustment consist mainly of corporate assets that cannot be attributed to any of the reportable segments.
3. Segment profit (loss) is adjusted with operating income shown on the consolidated statement of income.

Related information

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

Geographical information concerning sales to external customers in Japan is not presented since sales to external customers exceeded 90% of net sales shown on the consolidated statement of income.

(2) Property, plant and equipment

Geographical information concerning property, plant and equipment is not presented since property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

Company name	Net sales	Business segment
NTT COMWARE CORPORATION	1,369,203 thousand yen	Software business

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

Company name	Net sales	Business segment
NTT COMWARE CORPORATION	1,468,452 thousand yen	Software business

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

Not applicable.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Thousands of yen)

	Software business	Package business	System sales business	Medical big data business	Elimination or corporate	Total
Amortization for the period	8,000	6,928	-	-	-	14,929
Balance at the end of period	10,001	-	-	-	-	10,001

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Software business	Package business	System sales business	Medical big data business	Elimination or corporate	Total
Amortization for the period	14,793	-	-	-	-	14,793
Balance at the end of period	40,491	-	-	-	-	40,491

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per-share Information

(Yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net assets per share	1,028.31	1,084.74
Net income per share	55.62	78.26

Notes: 1. Diluted net income per share is not presented since the Company has no outstanding dilutive securities.

2. The basis of calculation is as follows.

(Thousands of yen)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Net assets per share		
Total net assets on balance sheet	5,448,452	5,741,157
Deduction on total net assets	51,875	48,396
[Non-controlling interests]	[51,875]	[48,396]
Net assets applicable to common shares	5,396,576	5,692,760
Number of common shares used in calculation of net assets per share	5,248,020 shares	5,248,020 shares

(Thousands of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net income per share		
Profit attributable to owners of parent	291,873	410,717
Amount not available to common shareholders	-	-
Profit attributable to owners of parent applicable to common shares	291,873	410,717
Average number of shares outstanding during period	5,248,020 shares	5,248,020 shares

Subsequent Events

Not applicable.

4. Others**(1) Changes in Directors**

1) Changes in representative

Not applicable.

2) Changes in other directors

Candidate for director

Director Yutaka Hosoe

Note: Mr. Yutaka Hosoe is a candidate for an external director.

3) Effective date

June 27, 2017

(2) Goods Manufactured, Orders Received and Sales

1) Goods manufactured

Goods manufactured in the current fiscal year are broken down by segment as follows. (Thousands of yen)

Operating segment	FY3/17	
	(Apr. 1, 2016 – Mar. 31, 2017)	
		Year-on-year (%)
Software business	8,555,444	123.8
Package business	1,299,459	104.3
System sales business	884,793	118.2
Medical big data business	547,839	156.3
Total	11,287,537	122.0

Notes: 1. The above amounts are based on cost of sales; inter-segment transactions have been eliminated.

2. The above amounts do not include consumption taxes.

2) Orders received

Orders received in the current fiscal year are broken down by segment as follows. (Thousands of yen)

Operating segment	Orders received	Year-on-year (%)	Order backlog	Year-on-year (%)	
Software business	11,111,822	132.9	2,599,250		168.2
Package business	2,305,813	105.4	705,986		104.6
System sales business	948,587	78.7	208,144		55.4
Medical big data business	476,683	45.0	386,544		56.5
Total	14,842,907	115.9	3,899,925		118.9

Notes: 1. The above amounts are based on selling prices; inter-segment transactions have been eliminated.

2. The above amounts do not include consumption taxes.

3) Sales

Sales in the current fiscal year are broken down by segment as follows. (Thousands of yen)

Operating segment	FY3/17	
	(Apr. 1, 2016 – Mar. 31, 2017)	
		Year-on-year (%)
Software business	10,058,212	124.5
Package business	2,274,452	107.4
System sales business	1,116,485	107.5
Medical big data business	774,179	132.5
Total	14,223,330	120.3

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

2. The following table indicates sales amounts to major customers and their ratios to total sales amount.

Customers	FY3/16		Customers	FY3/17	
	(Apr. 1, 2015 – Mar. 31, 2016)			(Apr. 1, 2016 – Mar. 31, 2017)	
	Amount	%		Amount	%
NTT COMWARE CORPORATION	1,369,203	11.6	NTT COMWARE CORPORATION	1,468,452	10.3
TIS Inc.	527,626	4.5	TIS Inc.	896,707	6.3
Duskin Co., Ltd.	568,808	4.8	Duskin Co., Ltd.	732,723	5.2

3. The above amounts do not include consumption taxes.

This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.