

May 12, 2016

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

[Japanese GAAP]

Company name:	Japan System Techniques Co., Ltd.	Listing:	Tokyo Stock Exchange, Second Section
Stock code:	4323	URL:	http://www.jast.jp
Representative:	Takeaki Hirabayashi, President and CEO		
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Scheduled date of Annual General Meeting of Shareholders:			June 24, 2016
Scheduled date of payment of dividend:			June 9, 2016
Scheduled date of filing of Annual Security Report:			June 27, 2016
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, 2016 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, 2016 (April 1, 2015 – March 31, 2016)

(1) Consolidated results of operations (Percentages for net sales and incomes 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, 2016	11,821	2.7	401	10.4	441	1.2	291	27.7
Fiscal year ended Mar. 31, 2015	11,505	6.2	363	(15.0)	435	(8.0)	228	(18.0)

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2016: 191 (down 39.0 %)

Fiscal year ended Mar. 31, 2015: 314 (up 0.9%)

	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, 2016	55.62	-	5.4	5.0	3.4
Fiscal year ended Mar. 31, 2015	43.56	-	4.4	5.0	3.2

Reference: Equity in earnings of affiliates (million yen): Fiscal year ended Mar. 31, 2016: - Fiscal year ended Mar. 31, 2015: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2016	9,019	5,448	59.8	1,028.31
As of Mar. 31, 2015	8,717	5,433	61.4	1,020.03

Reference: Shareholders' equity (million yen) As of Mar. 31, 2016: 5,396 As of Mar. 31, 2015: 5,353

(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, 2016	(12)	119	(216)	1,447
Fiscal year ended Mar. 31, 2015	(204)	(281)	(102)	1,559

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, 2015	-	0.00	-	25.00	25.00	131	57.4	2.5
Fiscal year ended Mar. 31, 2016	-	0.00	-	25.00	25.00	131	45.0	2.4
Fiscal year ending Mar. 31, 2017 (forecasts)	-	0.00	-	25.00	25.00		37.0	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(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
First half	6,216	11.8	14	(60.0)	26	(51.8)	6	(85.8)	1.14
Full year	13,120	11.0	600	49.4	610	38.3	355	21.6	67.64

*** 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 stock)

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

As of Mar. 31, 2016: 5,612,230 shares As of Mar. 31, 2015: 5,612,230 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2016: 364,210 shares As of Mar. 31, 2015: 364,210 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2016: 5,248,020 shares Fiscal year ended Mar. 31, 2015: 5,247,753 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2016	10,160	4.9	414	10.8	437	2.3	288	29.4
Fiscal year ended Mar. 31, 2015	9,682	12.1	374	(7.2)	428	(5.0)	223	(23.7)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2016	55.04	-
Fiscal year ended Mar. 31, 2015	42.54	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2016	8,568	5,650	65.9	1,076.69
As of Mar. 31, 2015	8,314	5,503	66.2	1,048.61

Reference: Shareholders' equity (million yen) As of Mar. 31, 2016: 5,650 As of Mar. 31, 2015: 5,503

2. Non-consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	5,223	8.0	26	(69.2)	40	(64.0)	26	(60.0)	4.95
Full year	11,040	8.7	520	25.5	530	21.0	330	14.2	62.88

Note 1: Information regarding the implementation of audit procedure

The current financial statements are exempted from audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the audit procedure for these consolidated statements has not been completed.

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. Analysis of Results of Operations and Financial Position, (1) Analysis of Results of Operations” on page 2 for forecast assumptions and notes of caution for usage.

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1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

1) Summary of the fiscal year

In the current fiscal year, consolidated results of the Japan System Techniques Group (Japan System Techniques Co., Ltd. (JAST) and its consolidated subsidiaries, hereafter “the Group”) showed higher sales and profits as follows: net sales of 11,821 million yen (up 2.7% year on year), operating income of 401 million yen (up 10.4% year on year), ordinary income of 441 million yen (up 1.2% year on year), and profit attributable to owners of parent of 291 million yen (up 27.7% year on year). Results by segment were as follows.

In the software business (individualized contracted software development), net sales increased but profits decreased. Sales remained strong because orders from the telecommunications industry, the service/retail industry and the finance/insurance/brokerage industry increased while there was a decrease in orders from the manufacturing industry, the public sector, and educational and medical institutions. Costs were higher because of the occurrence of some unprofitable projects. As a result, net sales in this business totaled 8,080 million yen (up 3.3% year on year) and operating income totaled 203 million yen (down 0.4% year on year).

In the package business (sale and related services of operational reform packages for schools), both net sales and profits declined. The program product (PP) sales to universities as well as implementation support and operation services increased year on year, but end user computing (EUC: individualized contracted development of related systems) and IT equipment sales declined. Net sales in this business totaled 2,117 million yen (down 0.7% year on year), and due to an increase in research and development expenses for product development, operating income totaled 218 million yen (down 19.5% year on year).

In the system sales business (IT equipment sales and IT/telecom infrastructure construction), net sales decreased but profits increased. Equipment sales to universities declined, but orders from highly profitable system integration (SI) projects for public sectors increased. As a result, sales totaled 1,039 million yen (down 8.1% year on year) and operating income totaled 5 million yen (vs. operating loss of 28 million yen in the previous fiscal year.)

Lastly, in the medical big data business (inspection, analysis and related services of medical information), net sales totaled 584 million yen (up 39.5 % year on year), and operating loss totaled 26 million yen (vs. operating loss of 84 million yen in the previous fiscal year). This was due to the expansion of services for data analysis and notification of the cost of medical care, cloud services for checking service providers, and support services for data health plans and other services in addition to automated inspection services for health insurance claims.

2) Forecasts for the new fiscal year

In the fiscal year under review, the overall Japanese economy continued to recover. Economic stimulus measures by the government and the Bank of Japan’s monetary policy were partly responsible for this trend. Although exports and some other economic indicators are weak, there are expectations for an increase in employment supported by the improved corporate earnings and rises in capital investment. However, a risk of economic stagnation or a downturn remains because of uncertainties on both the political and economic fronts, such as slowing growth in China and other major emerging countries, and the appreciation of the yen.

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 2.6% year on year in 2015 (compared with 3.0% annual growth in 2014), keeping a recovery trend. The monthly figures for September 2015 showed year-on-year decline of 2.2%, suggesting that the strength of recovery remains weak.

The Group’s slogan for the fiscal year ending March 31, 2017 is “make a commitment to reaching targets your customary thoughts and actions.” By learning lessons from events in the fiscal year under review, we will go back to the basics for development operations, sales techniques, internal administrative procedures and all other aspects of our operations. To achieve the goals of every department and person in our Group, we will make “thinking and

translating thoughts into actions” the basis for everything we do. As a result, we aim to boost orders volume and enhance profitability in the contracted development business, as well as to achieve sustained growth by further expanding JAST-driven business centering on proprietary brand products.

Based on the above, we expect increases in sales and profits for the fiscal year ending March 31, 2017; net sales of 13,120 million yen (up 11.0% year on year), operating income of 600 million yen (up 49.4% year on year), ordinary income of 610 million yen (up 38.3% year on year), and profit attributable to owners of parent of 355 million yen (up 21.6% year on year).

(2) Analysis of Financial Position

1) Balance sheet position

The balance of current assets at the end of the current fiscal year was 6,597 million yen, up 6.4% 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, and a decrease in cash and deposits. The balance of non-current assets was 2,422 million yen at the end of the current fiscal year, down 3.8% over the end of the previous fiscal year.

The balance of current liabilities at the end of the current fiscal year was 2,265 million yen, up 11.8% over the end of the previous fiscal year. This was mainly due to increases in notes and accounts payable-trade, and advances received. The balance of non-current liabilities was 1,306 million yen at the end of the current fiscal year, up 3.8% 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 net assets was 5,448 million yen at the end of the current fiscal year, up 0.3% over the end of the previous fiscal year. This was mainly due to an increase in retained earnings and a decrease in remeasurements of defined benefit plans.

2) Cash flows

Cash and cash equivalents decreased 112 million yen from 1,559 million yen at the start of the current fiscal year to 1,447 million yen at the end of the current fiscal year.

Cash flows by category were as follows.

Cash flows used in operating activities totaled 12 million yen, compared with 204 million yen used in the previous fiscal year. This difference was mainly due to increases in notes and accounts payable-trade and advances received, and a decrease in proceeds from collection of notes and accounts receivable-trade.

Cash flows provided by investing activities totaled 119 million yen, compared with 281 million yen used in the previous fiscal year. This difference was mainly due to decreases in outlays for the purchases of property, plant and equipment and investment securities.

Cash flows used in financing activities totaled 216 million yen, compared with 102 million yen used in the previous fiscal year. This difference was mainly due to payments for investments in capital of subsidiaries and associates that do not result in change in scope of consolidation and a decrease in short-term loans payable.

Reference: Cash flow indicators

	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16
Equity ratio (%)	59.2	55.0	56.6	61.4	59.8
Equity ratio based on market value (%)	38.7	38.2	39.0	50.0	38.6
Interest-bearing debt to cash flow ratio (years)	0.0	0.1	0.0	-	-
Interest coverage ratio (times)	178.8	89.1	228.6	-	-

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

Equity ratio: Shareholders’ equity / Total assets

Equity ratio based on market value: $\text{Market capitalization} / \text{Total assets}$

Interest-bearing debt to cash flow ratio: $\text{Interest-bearing debt} / \text{Operating cash flows}$

Interest coverage ratio: $\text{Operating cash flows} / \text{Interest payments}$

- * 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.

(3) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

The Company's basic policy for dividends is the same as that for earnings: long-term stable growth. It will examine specific policies and amounts, in light of the trend in earnings, its financial condition, and various business environments, while taking into consideration the payout ratio. The Company will make effective use of retained earnings to invest in the training of professional human resources, the creation of new businesses, the promotion of various alliances, and R&D for new products.

The Group will pay a dividend of 25 yen for each common share, in accordance with initial plans, for the fiscal year ended March 31, 2016, in response to support from shareholders and investors.

The Group plans a dividend of 25 yen for each common share in the fiscal year ending March 31, 2017 in light of the outlook for stable earnings growth.

(4) Business Risks

Listed below are the risk factors that may affect operating results and financial position as well as the stock price and other performance indices of the Group. Forward-looking statements are based on the judgment of the Group as of the date of the release of these materials.

1) Risks related to defects in products and services

Information systems development within the IT industry, including the Group, has become increasingly complex due to the growing sophistication of hardware and networking technologies, advances in operating systems, middleware and development languages, and the rapid spread and transition in recent years to cloud and other new information-processing technologies. Meanwhile, the demands of clients regarding quality have become stricter as society shows increased interest in quality and defect issues related to IT products and services given the growing impact of such defects on society. Against this backdrop, the Group is very careful in thoroughly educating employees about improving and stabilizing software quality, strengthening screening functions during the quote and order process, improving quote technology, and enhancing project management. Nevertheless, the Group cannot rule out the possibility of defects which could cause major projects to become unprofitable due to client indemnities and product repairs, and together with credit deterioration, result in a material impact on the Group's business performance.

2) Risks related to information management, misuse, and negligence, etc.

To prevent the leak of confidential or personal information relating to clients or employees, as well as accidents due to negligence of all kinds, and misuse, the Group has formulated internal guidelines, trained employees, and holds regular inspections conducted by professional organizations. However, these problems may occur because no preventive measures are absolutely reliable, and the materialization of such problems could lower the Group's creditworthiness, require indemnities, and have a material impact on the Group's business performance.

3) Risks associated with overreliance on major clients

The Group's top clients account for a comparatively high proportion of its overall sales. Its top three clients accounted for approximately 21% of consolidated net sales in the fiscal year under review, and its top five clients approximately 27%. Although the Group's overreliance on these particular major clients has eased somewhat over the past few years, a change in orders from major clients or in the industry environment for major clients could cause significant fluctuations in the Group's business performance.

4) Risks associated with the concentration of earnings towards the fiscal yearend

A unique feature of the Group's contracted software development, package, and systems equipment sales businesses is that product inspections tend to concentrate in March, which is the last month of the fiscal year for most clients. As a result, most sales and operating income are recorded in the fourth quarter, as shown in the following table. Delays in the recognition of revenue due to clients' postponement of development processes, budget executions, or product inspections could cause fluctuations in the Group's business performance.

Quarterly sales and operating income in the fiscal years ended March 31, 2015 and 2016

(Millions of yen)

Fiscal year ended March 31, 2015					
	1Q	2Q	3Q	4Q	Total
Sales	2,678	2,746	2,574	3,506	11,505
Operating income (loss)	(11)	90	(172)	456	363

(Millions of yen)

Fiscal year ended March 31, 2016					
	1Q	2Q	3Q	4Q	Total
Sales	2,528	3,030	2,458	3,804	11,821
Operating income (loss)	(76)	111	(152)	518	401

5) Risks associated with the valuation of assets

The Group owns marketable securities, real estate for rent, and other investment assets. The balance of these assets is considerably smaller than its current assets which can be easily converted to cash. Still, unpredictable or rapid changes in market prices or the bankruptcy of issuers, while difficult to forecast, could reduce the value of these assets, impacting the Group's business performance.

6) Risks related to large natural disasters

The outbreak of a large earthquake or other natural disaster could inflict devastating damage on the Group's mainstay offices and injure many employees requiring expensive repairs and impacting the Group's business performance.

2. Corporate Group

Shanghai Jiafeng Information Technology Co., Ltd. was newly included in the scope of consolidation in the fiscal year under review, in which the Company completed the payment for the investments in capital and a series of proceedings to be registered as a foreign invested enterprise in China.

The Group is comprised of Japan System Techniques Co., Ltd. and its seven consolidated subsidiaries. It operates four businesses including 1) the software business which develops software on contract to meet the specific needs of clients, 2) the package business which develops and sells operations packages mainly for educational institutions, 3) the system sales business which sells hardware and software, and 4) 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.

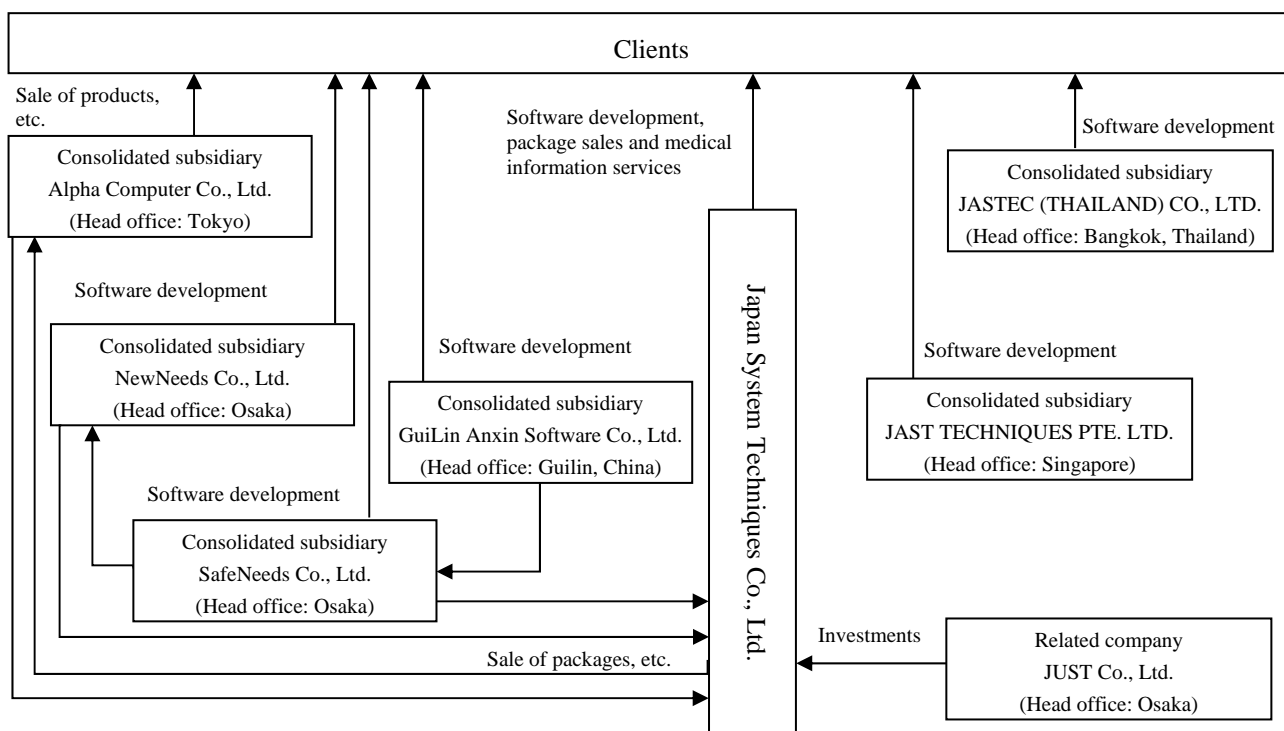
The table below shows the content of each of the Group's businesses.

The business classification below is the same as in "5. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements (Segment and Other Information)" on page 18.

Business segment	Field	Content	Company name
Software business	Business applications (office work processing system)	<ul style="list-style-type: none"> - Systems for the manufacturing industry including production management, logistics management, and order management - Systems for the retail and service industries including store information, procurement, shipment management, virtual shopping malls, and shopping mileage services - Systems for financial institutions including accounts, information, global operations, business administration, and card loans - Systems for the securities industry including equity trading, investment trusts, dealing, and Internet securities trading - Systems for the insurance industry including contract management and non-life new reserves - Systems for the public sector including phone billing, tax revenue management, resident information, postal accounts, and highway ETC (electronic toll collection) - Systems for schools and students including entrance examinations, student registries, teaching, and job search support - Systems for website production, smartphone app development, and related network businesses - Accounting, personnel, ERP package introduction support, customer relations management (CRM) systems, data warehousing construction, biometric identification security systems, and other office work processing systems - Vehicle dispatch and sales support systems for transport companies - Development, sales, maintenance, and introduction support for "BankNeo," a data integration package for financial institutions, and contracted development of related systems 	Japan System Techniques Co., Ltd. JAST TECHNQUES PTE. LTD. JASTE (THAILAND) CO., LTD. NewNeeds Co., Ltd. SafeNeeds Co., Ltd. GuiLin Anxin Software Co., Ltd.
	Engineering applications (communications, control, technology systems)	<ul style="list-style-type: none"> - Embedded software for cell phones, digital audio-visual equipment, and car mounted systems; IT/telecom systems for terrestrial digital broadcasts, mobile communications, car navigation, and simulators 	
	Event applications (sports and cultural event systems)	<ul style="list-style-type: none"> - Sporting and cultural event management systems, such as for ballet and other competitions 	

Business segment	Field	Content	Company name
Package business	Strategic university management system	<ul style="list-style-type: none"> - Large-scale university-edition ERP “GAKUEN REVOLUTION EX” series development, sales, maintenance, introduction support, and contract development of related systems - School office work support integrated system “GAKUEN EX” series development, sales, maintenance, introduction support, and contract development of related systems - University integrated web service system “GAKUEN UNIVERSAL PASSPORT EX” development, sales, maintenance, introduction support, and contract development of related systems - School operations system consultation, end-user computing (EUC) support, and business process reengineering (BPR) support and operation services - Development, sales, maintenance, and introduction support for “GAKUEN EduTrack,” an online educational support system, and contracted development of related systems 	Japan System Techniques Co., Ltd. Alpha Computer Co., Ltd. Shanghai Jiafeng Information Technology Co., Ltd.
System sales business	Information system equipment sales	<ul style="list-style-type: none"> - Sale and maintenance of computers, network equipment, and software packages - Provision of system solutions for universities and public bodies - Information communications network construction -Construction of security systems 	Alpha Computer Co., Ltd.
Medical big data business	Inspection, analysis and related services of medical information	<ul style="list-style-type: none"> - Automated inspection services for health insurance claims “JMICS”(JAST Medical Insurance Checking System) - Systems for medical information services sector including medical expense notices - Cloud services for checking service providers - Support services for the preparation of data health plans 	Japan System Techniques Co., Ltd. NewNeeds Co., Ltd.

The diagram below provides a visual representation of the positioning and relationships of businesses within the Group.



3. Management Policies

(1) Basic Management Policy

Japan System Techniques, since its founding, has maintained its complete independence, unaffiliated with any group, based on the motto of “creating and providing information technology to contribute to society.” While challenging the frontiers of the latest technologies, the Company has worked on systems development independent of any specific industry, technology field, or manufacturer. As a comprehensive information services provider, this independence has allowed it to meet an extremely wide variety of needs as the description in “2. Corporate Group” on page 6 shows. This is a major strength of the Company and has contributed significantly to its stable earnings growth. It is the passion of each and every employee towards information systems development, and sincerity in dealing with clients, that drives this growth. As such, the Company believes in “developing human resources” based on the management philosophy that the most important management priority is for each and every employee to polish his or herself.

(2) Performance Targets

The Company understands the importance of achieving the sales and profit targets it discloses every fiscal year.

From the standpoint of improving enterprise value by seeking returns on shareholders’ equity, the Company’s basic dividend policy is to aim for stable, long-term growth in line with operating performance, taking the payout ratio into consideration. The Company also aims to further improve the ratio of net income to shareholders’ equity, or ROE, which was 5.4% on a consolidated basis in the fiscal year under review.

(3) Medium- and Long-term Business Strategy

A key strength of the Company is that, through a business strategy of covering a wide variety of fields while also focusing deeply on each and staying ahead of the latest technologies, it can maintain stable earnings, unaffected by business environment changes such as the boom-bust cycles of specific industries or changes in technology trends, while at the same time aiming for long-term growth.

However, in the uncertain 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” as its basic medium- to long-term management policy. Specifically, in the contracted development business this policy calls for the Company to reinforce solution sales, with a focus on expanding direct agreements with end users. At the same time, we will strive to strengthen management capabilities for production process, lower the cost of production through measures such as promoting offshore development, and enhance our systems in the Tokyo metropolitan area—Japan’s largest market. We intend to enhance the overall profitability of this business by increasing our volume of orders in this area. In addition, to create new customers and demand by expanding our proprietary brand business, we will further expand our product and service offerings around our existing brands: GAKUEN, JMICS and BankNeo. Meanwhile, we will persist with R&D to ensure the continuous launch of new brands. In addition to these initiatives, we will pursue globalization and the expansion of alliances, including through M&A, in the aim of boosting our proprietary brand business to around 50% of net sales. Also, to further strengthen the growth base, it will continue to improve project management technologies, increase added value by enriching the solutions menu, and introduce intensive training and personnel systems capable of nurturing top-class talent.

(4) Challenges

Please see “1. Analysis of Results of Operations and Financial Position, (1) Analysis of Results of Operations, 2) Forecasts for the new fiscal year” on page 2 for a description of current conditions and challenges in the IT industry and the Group. Based on these conditions and challenges, our slogan for the fiscal year ending March 31, 2017 is “make a commitment to reaching targets your customary thoughts and actions.” We will go back to the basics for development operations, sales techniques, internal administrative procedures and all other aspects of our operations. To achieve the goals of every department and person in our Group, we will make “thinking and translating thoughts into actions” the basis for everything we do. As part of these actions, we have established the following nine key challenges.

- 1) To achieve the objectives of JAST Vision 2020, everyone at the Group will focus on producing the greatest possible accomplishments by creating specific actions for reaching goals and then translating words into actions.
- 2) All managers, from senior executives to project leaders, will be strong leaders based on an understanding of their responsibilities as the managers of the organizational units they oversee.
- 3) We must eliminate problems by reinforcing our commitment to basic tasks like reports, communication, consultations, thorough checks, extensive discussions and speedy actions.
- 4) Our goal is to become a prime vendor for contracted development projects; we will offer a one-stop lineup of services extending from definitions to development and operations in order to compete successfully against the industry’s largest manufacturers and vendors.
- 5) We will make GAKUEN the clear leader in the field of education IT by enhancing current services, operating this business in other countries and offering more innovative solutions centered on new projects.
- 6) We will transform JMICS into a highly profitable business by covering more categories of services, improving the performance of the inspection engine and using alliances to capture synergies.
- 7) We will make carefully selected and targeted investments, rigorously cut costs and strengthen sales activities to make this the year when we turn around the performance of BankNeo.
- 8) We will take the first step toward establishing an outstanding workplace environment and unparalleled risk management systems by continuing to enact personnel system reforms and upgrading our data management infrastructure.
- 9) We will work relentlessly to make our people the leaders in their respective fields and achieve these key challenges.

4. 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.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/15	FY3/16
	(As of Mar. 31, 2015)	(As of Mar. 31, 2016)
Assets		
Current assets		
Cash and deposits	2,762,276	2,436,624
Notes and accounts receivable-trade	2,783,536	3,436,003
Merchandise and finished goods	59,362	78,434
Work in process	278,704	326,978
Raw materials and supplies	3,066	2,692
Deferred tax assets	202,070	191,764
Other	116,390	129,132
Allowance for doubtful accounts	(4,519)	(4,139)
Total current assets	6,200,887	6,597,491
Non-current assets		
Property, plant and equipment		
Buildings and structures	612,788	616,203
Accumulated depreciation	(271,071)	(310,047)
Buildings and structures, net	341,716	306,156
Land	142,361	142,361
Other	288,023	284,375
Accumulated depreciation	(189,891)	(208,302)
Other, net	98,131	76,072
Total property, plant and equipment	582,210	524,591
Intangible assets		
Goodwill	18,001	10,001
Software	149,314	120,195
Other	7,189	7,189
Total intangible assets	174,505	137,385
Investments and other assets		
Investment securities	580,032	564,136
Net defined benefit asset	481,576	447,426
Deferred tax assets	57,219	65,580
Guarantee deposits	342,917	376,493
Other	352,690	351,708
Allowance for doubtful accounts	(54,288)	(45,119)
Total investments and other assets	1,760,149	1,760,225
Total non-current assets	2,516,865	2,422,202
Total assets	8,717,753	9,019,694

	(Thousands of yen)	
	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	751,992	907,911
Short-term loans payable	23,367	-
Current portion of long-term loans payable	1,800	-
Income taxes payable	84,486	104,706
Provision for bonuses	446,267	419,637
Provision for directors' bonuses	20,624	20,935
Provision for loss on construction contracts	-	6,079
Other	697,818	805,784
Total current liabilities	2,026,357	2,265,055
Non-current liabilities		
Provision for directors' retirement benefits	350,248	372,585
Net defined benefit liability	772,160	800,914
Other	135,979	132,686
Total non-current liabilities	1,258,387	1,306,186
Total liabilities	3,284,745	3,571,242
Net assets		
Shareholders' equity		
Capital stock	1,076,669	1,076,669
Capital surplus	1,038,308	998,790
Retained earnings	3,299,968	3,460,641
Treasury shares	(266,539)	(266,539)
Total shareholders' equity	5,148,407	5,269,562
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	61,263	50,966
Foreign currency translation adjustment	(9,647)	(14,352)
Remeasurements of defined benefit plans	153,109	90,400
Total accumulated other comprehensive income	204,724	127,013
Non-controlling interests	79,875	51,875
Total net assets	5,433,007	5,448,452
Total liabilities and net assets	8,717,753	9,019,694

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

(Thousands of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net sales	11,505,104	11,821,083
Cost of sales	9,148,950	9,254,306
Gross profit	2,356,154	2,566,777
Selling, general and administrative expenses	1,992,473	2,165,167
Operating income	363,681	401,609
Non-operating income		
Interest income	10,041	7,262
Dividend income	6,219	6,141
Foreign exchange gains	1,303	-
Rent income	15,564	14,928
Commission fee	1,804	1,745
Subsidy income	35,313	8,007
Other	13,875	13,888
Total non-operating income	84,123	51,975
Non-operating expenses		
Interest expenses	1,610	2,023
Rent expenses	8,886	7,799
Other	1,347	2,590
Total non-operating expenses	11,844	12,413
Ordinary income	435,961	441,171
Extraordinary losses		
Loss on valuation of investment securities	-	117
Total extraordinary losses	-	117
Profit before income taxes	435,961	441,053
Income taxes - current	93,387	125,453
Income taxes - deferred	113,050	42,019
Total income taxes	206,437	167,473
Profit	229,523	273,580
Profit attributable to non-controlling interests	944	(18,292)
Profit attributable to owners of parent	228,579	291,873

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY3/15	FY3/16
	(Apr. 1, 2014 – Mar. 31, 2015)	(Apr. 1, 2015 – Mar. 31, 2016)
Profit	229,523	273,580
Other comprehensive income		
Valuation difference on available-for-sale securities	9,071	(10,296)
Foreign currency translation adjustment	14,073	(8,593)
Remeasurements of defined benefit plans, net of tax	61,958	(62,709)
Total other comprehensive income	85,103	(81,598)
Comprehensive income	314,626	191,981
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	304,898	214,162
Comprehensive income attributable to non-controlling interests	9,728	(22,180)

(3) Consolidated Statement of Changes in Equity

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,071,446	1,033,084	3,025,811	(266,539)	4,863,803
Cumulative effects of changes in accounting policies			176,328		176,328
Restated balance	1,071,446	1,033,084	3,202,140	(266,539)	5,040,131
Changes of items during period					
Issuance of new shares-exercise of subscription rights to shares	5,223	5,223			10,446
Dividends of surplus			(130,750)		(130,750)
Profit attributable to owners of parent			228,579		228,579
Net changes of items other than shareholders' equity					
Total changes of items during period	5,223	5,223	97,828	-	108,275
Balance at end of current period	1,076,669	1,038,308	3,299,968	(266,539)	5,148,407

	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 defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	52,191	(14,936)	91,150	128,405	514	73,686	5,066,409
Cumulative effects of changes in accounting policies							176,328
Restated balance	52,191	(14,936)	91,150	128,405	514	73,686	5,242,738
Changes of items during period							
Issuance of new shares-exercise of subscription rights to shares							10,446
Dividends of surplus							(130,750)
Profit attributable to owners of parent							228,579
Net changes of items other than shareholders' equity	9,071	5,288	61,958	76,318	(514)	6,189	81,993
Total changes of items during period	9,071	5,288	61,958	76,318	(514)	6,189	190,269
Balance at end of current period	61,263	(9,647)	153,109	204,724	-	79,875	5,433,007

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					
Issuance of new shares-exercise of subscription rights to shares					-
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						
Issuance of new shares-exercise of subscription rights to shares						-
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

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Cash flows from operating activities		
Profit before income taxes	435,961	441,053
Depreciation	93,930	77,333
Amortization of software	25,888	37,450
Amortization of goodwill	8,236	14,929
Increase (decrease) in provision for bonuses	(85,321)	(26,473)
Decrease (increase) in net defined benefit asset	(14,344)	34,150
Increase (decrease) in net defined benefit liability	44,784	29,630
Interest and dividend income	(16,260)	(13,404)
Interest expenses	1,610	2,023
Decrease (increase) in notes and accounts receivable-trade	(173,400)	(654,038)
Increase (decrease) in advances received	35,888	125,419
Decrease (increase) in inventories	(75,918)	(67,152)
Increase (decrease) in notes and accounts payable-trade	(154,760)	155,986
Other, net	(45,173)	(71,783)
Subtotal	81,120	85,126
Interest and dividend income received	17,118	15,389
Interest expenses paid	(1,561)	(1,956)
Income taxes paid	(301,019)	(110,930)
Net cash provided by (used in) operating activities	(204,341)	(12,370)
Cash flows from investing activities		
Decrease (increase) in time deposits	181,033	206,411
Purchase of property, plant and equipment	(133,643)	(15,725)
Purchase of software	(17,322)	(25,427)
Purchase of investment securities	(208,061)	(2,278)
Payments for investments in capital of subsidiaries and associates resulting in change in scope of consolidation	-	(2,007)
Payments for guarantee deposits	(47,514)	(35,915)
Payments for asset retirement obligations	(27,864)	-
Other, net	(28,611)	(5,452)
Net cash provided by (used in) investing activities	(281,985)	119,604
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	23,367	(21,893)
Repayments of lease obligations	-	(11,507)
Repayments of long-term loans payable	(2,400)	(1,800)
Proceeds from issuance of common shares	9,932	-
Cash dividends paid	(130,750)	(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	(2,435)	(2,324)
Other, net	(134)	-
Net cash provided by (used in) financing activities	(102,420)	(216,725)
Effect of exchange rate change on cash and cash equivalents	4,419	(2,758)
Net increase (decrease) in cash and cash equivalents	(584,327)	(112,250)
Cash and cash equivalents at beginning of period	2,144,070	1,559,743
Cash and cash equivalents at end of period	1,559,743	1,447,493

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

Application of the Accounting Standard for Business Combinations, etc.

The Company has applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. from the current fiscal year. Accordingly, difference arising from changes in the Company’s ownership interests in subsidiaries in cases where control is retained is recognized in capital surplus, and acquisition-related costs in connection with business combinations are recognized as expenses in the fiscal year in which they arise. Regarding business combinations that take place on or after the beginning of the current fiscal year, the Company has revised the method to reflect reviewed allocation of the acquisition costs arising from determination of the provisional accounting treatment on the consolidated financial statements to which the date of the business combination belongs. In addition, the presentation of net income and other items has been revised, and the minority interests item has been renamed non-controlling interests. For consistency with these changes, the consolidated financial statements for the previous fiscal year has been revised.

The Company has adopted these accounting standards, etc. from the beginning of the current fiscal year, in accordance with the transitional accounting treatments set forth in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

Consequently, the balance of capital surplus at the end of the current fiscal year decreased by 39,517 thousand yen.

In the consolidated statement of cash flows for current fiscal year, cash flows associated with purchase or sales of shares of subsidiary not resulting in changes in the scope of consolidation are included in cash flows from financing activities. On the other hand, cash flows associated with acquisition-related costs for purchase of shares of subsidiary resulting in changes in the scope of consolidation or costs in connection with purchase or sales of shares of subsidiary not resulting in changes in the scope of consolidation are included in cash flows from operating activities.

Capital surplus at the end of the current fiscal year in the consolidated statement of changes in equity decreased 39,517 thousand yen.

The effect of these changes on per-share information is shown in the corresponding section.

Reclassifications

Consolidated Statement of Cash Flows

“Increase (decrease) in advances received,” included in “Other, net” under cash flows from operating activities 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, net” under cash flows from operating activities (-9,285 thousand yen) shown in the prior-period consolidated statement of cash flows is reclassified and divided into “Increase (decrease) in advances received” (35,888 thousand yen) and “Other, net” (-45,173 thousand yen).

“Proceeds from collection of guarantee deposits” under cash flows from investing activities, presented as a separate line item in the previous fiscal year, is included in “Other, net” in the current fiscal year given the reduced materiality of impact of the amount on the consolidated financial statements. The prior-period consolidated financial statements are restated to conform to the current-period presentation.

“Proceeds from collection of guarantee deposits” under cash flows from investing activities (3,499 thousand yen) shown in the prior-period consolidated statement of cash flows is reclassified as “Other, net.”

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 generally the same as the methods listed in “Significant Accounting Policies in the Preparation of 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

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

(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	7,823,402	2,131,478	1,131,123	419,100	11,505,104	-	11,505,104
2. Inter-segment sales and transfers	67,233	-	33,694	-	100,928	(100,928)	-
Total	7,890,636	2,131,478	1,164,817	419,100	11,606,033	(100,928)	11,505,104
Segment profit (loss)	204,479	271,659	(28,990)	(84,030)	363,118	563	363,681
Segment assets	4,434,169	1,393,463	825,288	355,084	7,008,006	1,709,746	8,717,753
Other items							
Depreciation	78,847	21,199	2,416	14,260	116,724	-	116,724
Increase in property, plant and equipment and intangible assets	5,684	4,612	9,339	5,319	24,956	122,109	147,066

Notes: 1. Segment profit (loss) 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.

FY3/16 (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) 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

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

Company name	Net sales	Business segment
NTT COMWARE CORPORATION	1,021,979 thousand yen	Software business

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

Company name	Net sales	Business segment
NTT COMWARE CORPORATION	1,369,203 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

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

(Thousands of yen)

	Software business	Package business	System sales business	Medical big data business	Elimination or corporate	Total
Amortization for the period	8,236	-	-	-	-	8,236
Balance at the end of period	18,001	-	-	-	-	18,001

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

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per-share Information

(Yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net assets per share	1,020.03	1,028.31
Net income per share	43.56	55.62

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)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Net assets per share		
Total net assets on balance sheet	5,433,007	5,448,452
Deduction on total net assets	79,875	51,875
[Non-controlling interests]	[79,875]	[51,875]
Net assets applicable to common stock	5,353,131	5,396,576
Number of common stock used in calculation of net assets per share	5,248,020 shares	5,248,020 shares

(Thousands of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net income per share		
Profit attributable to owners of parent	228,579	291,873
Amount not available to common shareholders	-	-
Profit attributable to owners of parent applicable to common stock	228,579	291,873
Average number of shares outstanding during period	5,247,753 shares	5,248,020 shares

Note: As noted in the section “Changes in Accounting Policies,” the Company has started to apply the Accounting Standard for Business Combinations, etc. based on the transitional accounting treatments of these accounting standards.

As a result, net assets per share decreased 7.53 yen in FY3/16.

Subsequent Events

Not applicable.

6. Non-consolidated Financial Statements

(1) Balance Sheet

	(Thousands of yen)	
	FY3/15	FY3/16
	(As of Mar. 31, 2015)	(As of Mar. 31, 2016)
Assets		
Current assets		
Cash and deposits	1,943,231	1,724,616
Notes receivable-trade	52,284	21,714
Accounts receivable-trade	2,493,905	2,971,606
Merchandise and finished goods	14,914	60,202
Work in process	206,588	158,833
Raw materials and supplies	3,007	2,639
Prepaid expenses	96,353	100,888
Deferred tax assets	185,926	167,508
Accounts receivable-other	1,735	9,945
Other	9,877	13,552
Allowance for doubtful accounts	(4,268)	(3,687)
Total current assets	5,003,556	5,227,820
Non-current assets		
Property, plant and equipment		
Buildings	328,275	294,375
Structures	62	30
Tools, furniture and fixtures	85,636	66,092
Land	142,361	142,361
Total property, plant and equipment	556,335	502,860
Intangible assets		
Software	152,810	122,335
Telephone subscription right	6,180	6,180
Total intangible assets	158,990	128,515
Investments and other assets		
Investment securities	580,032	564,136
Shares of subsidiaries and associates	997,367	997,367
Investments in capital of subsidiaries and associates	-	61,447
Long-term loans receivable	-	4,446
Long-term loans receivable from subsidiaries and associates	26,232	49,998
Prepaid pension cost	275,684	335,817
Long-term time deposits	100,000	100,000
Deferred tax assets	121,223	94,768
Guarantee deposits	310,756	344,580
Real estate for rent	131,359	128,333
Membership	45,324	45,324
Insurance funds	65,587	67,868
Other	9,738	2,388
Allowance for doubtful accounts	(67,404)	(87,172)
Total investments and other assets	2,595,903	2,709,304
Total non-current assets	3,311,228	3,340,679
Total assets	8,314,784	8,568,500

	(Thousands of yen)	
	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Liabilities		
Current liabilities		
Accounts payable-trade	555,967	654,876
Accounts payable-other	158,282	122,232
Accrued expenses	193,427	205,504
Income taxes payable	67,535	84,219
Accrued consumption taxes	145,043	148,114
Advances received	61,883	58,050
Provision for bonuses	405,302	382,929
Provision for directors' bonuses	13,124	13,596
Provision for loss on construction contracts	-	6,079
Other	21,051	24,236
Total current liabilities	1,621,619	1,699,838
Non-current liabilities		
Provision for retirement benefits	756,168	776,498
Provision for directors' retirement benefits	298,432	314,420
Provision for loss on guarantees	4,896	-
Other	130,548	127,244
Total non-current liabilities	1,190,044	1,218,162
Total liabilities	2,811,664	2,918,001
Net assets		
Shareholders' equity		
Capital stock	1,076,669	1,076,669
Capital surplus		
Legal capital surplus	1,038,308	1,038,308
Total capital surpluses	1,038,308	1,038,308
Retained earnings		
Legal retained earnings	32,665	32,665
Other retained earnings		
General reserve	3,159,000	3,249,000
Retained earnings brought forward	401,753	469,429
Total retained earnings	3,593,418	3,751,094
Treasury shares	(266,539)	(266,539)
Total shareholders' equity	5,441,856	5,599,532
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	61,263	50,966
Total valuation and translation adjustments	61,263	50,966
Total net assets	5,503,120	5,650,499
Total liabilities and net assets	8,314,784	8,568,500

(2) Statement of Income

	(Thousands of yen)	
	FY3/15	FY3/16
	(Apr. 1, 2014 – Mar. 31, 2015)	(Apr. 1, 2015 – Mar. 31, 2016)
Net sales	9,682,373	10,160,749
Cost of sales	7,725,869	8,088,283
Gross profit	1,956,504	2,072,465
Selling, general and administrative expenses	1,582,437	1,658,136
Operating income	374,066	414,329
Non-operating income		
Interest and dividend income	38,094	23,540
Rent income	13,569	12,828
Commission fee	1,804	1,745
Interest on securities	2,793	3,695
Subsidy income	20,637	8,007
Reversal of provision for loss on guarantees	-	4,896
Other	6,891	10,916
Total non-operating income	83,791	65,630
Non-operating expenses		
Interest expenses	1,082	1,395
Rent expenses	8,886	7,799
Provision for loss on guarantees	4,896	-
Provision of allowance for doubtful accounts	13,116	29,506
Other	1,758	3,282
Total non-operating expenses	29,739	41,984
Ordinary income	428,119	437,974
Extraordinary losses		
Loss on valuation of investment securities	-	117
Loss on valuation of shares of subsidiaries and associates	20,535	-
Total extraordinary losses	20,535	117
Profit before income taxes	407,583	437,857
Income taxes-current	69,941	97,317
Income taxes-deferred	114,396	51,663
Total income taxes	184,337	148,980
Profit	223,245	288,876

(3) Statement of Changes in Equity

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

(Thousands of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus		Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	1,071,446	1,033,084	1,033,084	32,665	2,999,000	292,929	3,324,594	(266,539)	5,162,586
Cumulative effects of changes in accounting policies						176,328	176,328		176,328
Restated balance	1,071,446	1,033,084	1,033,084	32,665	2,999,000	469,258	3,500,923	(266,539)	5,338,915
Changes of items during period									
Issuance of new shares-exercise of subscription rights to shares	5,223	5,223	5,223						10,446
Provision of general reserve					160,000	(160,000)	-		-
Dividends of surplus						(130,750)	(130,750)		(130,750)
Profit						223,245	223,245		223,245
Net changes of items other than shareholders' equity									
Total changes of items during period	5,223	5,223	5,223	-	160,000	(67,504)	92,495	-	102,941
Balance at end of current period	1,076,669	1,038,308	1,038,308	32,665	3,159,000	401,753	3,593,418	(266,539)	5,441,856

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	52,191	52,191	514	5,215,292
Cumulative effects of changes in accounting policies				176,328
Restated balance	52,191	52,191	514	5,391,621
Changes of items during period				
Issuance of new shares-exercise of subscription rights to shares				10,446
Provision of general reserve				-
Dividends of surplus				(130,750)
Profit				223,245
Net changes of items other than shareholders' equity	9,071	9,071	(514)	8,557
Total changes of items during period	9,071	9,071	(514)	111,499
Balance at end of current period	61,263	61,263	-	5,503,120

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Thousands of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	1,076,669	1,038,308	1,038,308	32,665	3,159,000	401,753	3,593,418	(266,539)	5,441,856
Changes of items during period									
Issuance of new shares-exercise of subscription rights to shares									-
Provision of general reserve					90,000	(90,000)	-		-
Dividends of surplus						(131,200)	(131,200)		(131,200)
Profit						288,876	288,876		288,876
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	90,000	67,675	157,675	-	157,675
Balance at end of current period	1,076,669	1,038,308	1,038,308	32,665	3,249,000	469,429	3,751,094	(266,539)	5,599,532

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	61,263	61,263	5,503,120
Changes of items during period			
Issuance of new shares-exercise of subscription rights to shares			-
Provision of general reserve			-
Dividends of surplus			(131,200)
Profit			288,876
Net changes of items other than shareholders' equity	(10,296)	(10,296)	(10,296)
Total changes of items during period	(10,296)	(10,296)	147,379
Balance at end of current period	50,966	50,966	5,650,499

7. Others

(1) Changes in Directors

1) Changes in representative

Not applicable.

2) Changes in other directors

Candidate for director

Director and Executive Officer Yuji Tsuchiya

Director Yutaka Yamashina

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

3) Effective date

June 24, 2016

(2) Goods Manufactured, Orders Received and Sales

1) Goods Manufactured

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

Operating segment	FY3/16	
	(Apr. 1, 2015 – Mar. 31, 2016)	
		Year-on-year (%)
Software business	6,909,001	105.1
Package business	1,246,241	98.1
System sales business	748,567	79.5
Medical big data business	350,497	96.9
Total	9,254,306	101.2

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 fiscal year under review are broken down by segment as follows. (Thousands of yen)

Operating segment	Orders received	Year-on-year (%)	Order backlog	Year-on-year (%)	
Software business	8,358,231	103.9	1,545,641		121.9
Package business	2,187,182	93.6	674,624		111.6
System sales business	1,205,220	101.6	376,041		179.2
Medical big data business	1,058,868	248.6	684,040		326.3
Total	12,809,502	106.8	3,280,348		143.1

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 fiscal year under review are broken down by segment as follows. (Thousands of yen)

Operating segment	FY3/16	
	(Apr. 1, 2015 – Mar. 31, 2016)	
		Year-on-year (%)
Software business	8,080,536	103.3
Package business	2,117,057	99.3
System sales business	1,039,010	91.9
Medical big data business	584,479	139.5
Total	11,821,083	102.7

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	FY3/15		Customers	FY3/16	
	(Apr. 1, 2014 – Mar. 31, 2015)			(Apr. 1, 2015 – Mar. 31, 2016)	
	Amount	%		Amount	%
NTT COMWARE CORPORATION	1,021,979	8.9	NTT COMWARE CORPORATION	1,369,203	11.6
DUSKIN CO., LTD.	649,224	5.6	DUSKIN CO., LTD.	568,808	4.8
TIS Inc.	525,172	4.6	TIS Inc.	527,626	4.5

3. The above amounts do not include consumption taxes.

4. On July 1, 2014, NTT COMWARE CORPORATION merged its five regional group companies including NTT COMWARE WEST CORPORATION. Accordingly, total sales amount of NTT COMWARE CORPORATION includes results of NTT COMWARE WEST CORPORATION.

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.