Translation

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Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (Based on Japanese GAAP)

May 9, 2016

Company name:	CRESCO LTD.		
Stock exchange listing:	Tokyo		
Stock code:	4674 URL http://www.cresco.co.jp/		
Representative:	President	Hiroyuki Nemoto	
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Scheduled date of Ordinary General Meeting of Shareholders:	June 17, 2016
Scheduled date to commence dividend payments:	June 20, 2016
Scheduled date to file annual securities report:	June 20, 2016
Preparation of supplementary material on financial results:	No
Holding of financial results meeting:	Yes for analysts

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(1) Consolidated financial results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2016	28,775	14.8	2,484	23.4	2,857	27.5	1,705	21.3
March 31, 2015	25,063	13.8	2,013	40.8	2,240	33.6	1,405	49.3

Note: Comprehensive income
Fiscal year ended March 31, 2016: ¥1,266 million [(21.8)%]
Fiscal year ended March 31, 2015: ¥1,618 million [60.4%]

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary income on total assets	Operating income on net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2016	152.26	152.09	14.8	15.4	8.6
March 31, 2015	133.12	133.01	14.1	13.6	8.0

Reference: Share of profit (loss) of entities accounted for using equity method:
Fiscal year ended March 31, 2016: ¥7 million Fiscal year ended March 31, 2015: ¥10 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2016	19,230	12,181	63.3	1,078.35
March 31, 2015	17,886	10,946	60.8	990.11

Reference: Equity
As of March 31, 2016: ¥12,180 million As of March 31, 2015: ¥10,882 million

(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
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2016	1,543	(1,287)	(286)	5,470
March 31, 2015	1,681	178	8	5,504

2. Cash dividends

	Annual dividends per share					Total dividend payments	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2015	–	17.00	–	21.00	38.00	409	28.5	4.1
Fiscal year ended March 31, 2016	–	23.00	–	27.00	50.00	563	32.8	4.8
Fiscal year ending March 31, 2017 (Forecast)	–	26.00	–	26.00	52.00		29.4	

3. Forecast of consolidated financial results for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2016	15,220	10.1	1,260	4.3	1,400	(0.7)	949	(6.7)	84.01
Full year	31,100	8.1	2,750	10.7	3,000	5.0	2,000	17.3	177.06

4. Notes

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

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2016	12,000,000 shares	As of March 31, 2015	12,000,000 shares

Number of treasury shares at the end of the period

As of March 31, 2016	704,220 shares	As of March 31, 2015	1,008,888 shares

Average number of shares during the period

Fiscal year ended March 31, 2016	11,199,020 shares	Fiscal year ended March 31, 2015	10,560,278 shares

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes.

	Net sales		Operating income		Ordinary income		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2016	18,602	17.8	1,849	28.9	2,278	34.5	1,388	25.9
March 31, 2015	15,795	16.7	1,434	33.6	1,694	30.7	1,102	37.9

	Earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2016	123.98	123.84
March 31, 2015	104.45	104.36

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2016	16,879	10,986	65.1	972.56
March 31, 2015	15,536	9,933	63.9	903.76

Reference: Equity
As of March 31, 2016: ¥10,985 million As of March 31, 2015: ¥9,933 million

2. Forecast of non-consolidated financial results forecasts for the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

Percentages indicate year-on-year changes.

	Net sales		Ordinary income		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2016	10,070	12.0	1,220	5.3	899	1.1	79.59
Full year	20,420	9.8	2,370	4.0	1,669	20.2	147.75

*** Indication regarding execution of audit procedures**

This financial results report is not subject to the audit procedures under the Financial Instruments and Exchange Act, and at the time of disclosure hereof, the audit procedures for financial statements under the Financial Instruments and Exchange Act are in progress.

*** Proper use of earnings forecasts, and other special matters**

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. The Company makes no promise regarding achievement of any content in the forward-looking statements. Actual business and other results may differ substantially due to various factors. Please refer to “(1) Analysis of operating results, 1. Analysis of operating results and financial position” on page 2 of the attached materials for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of business results forecasts.

Contents

1. Analysis of operating results and financial position

(1) Analysis of operating results

- Operating results in the fiscal year under review

During the fiscal year ended March 31, 2016 (April 1, 2015–March 31, 2016), the business environment was harsh with the Nikkei 225 Stock Average falling dramatically since the beginning of 2016, at one point shedding more than 3,000 yen year on year, on account of U.S. and Shanghai stock markets, and corporate sentiment deteriorated in the second half of the fiscal year due to stagnant grow in capital expenditures, an economic slowdown in China, etc. However, corporate earnings for the full fiscal year were firm, supported by the recovery in Japanese demand and an increase in demand from overseas.

Under these business conditions, earnings from the near field communication related business fell short of projections because projects were scaled backed and orders were delayed, but the overall Group recorded an increase in both sales and income for the fiscal year under review, like it did for the previous fiscal year, because orders increased as a result of strategic IT investments by companies to grow their businesses (expand business fields, reform operation processes, reform business models, etc.), particularly for large and medium-size companies.

As for investment in IT, there is growing interest in the third platform (that is, cloud services, mobility, big data, and social technologies); the Internet of Things (IoT), including robotics; and security (preventing targeted threats and responding to the introduction of social security and tax numbers, which are commonly referred to as “My Numbers”). In particular, a growing number of companies are examining entering cloud and mobility related fields on account of the spread of public clouds and mobile devices (smartphones, tablet computers, etc.), and this is an opportunity for the Group, which operates in a wide range of business fields, to demonstrate its superiority.

The Group has not only focused on reinforcing its development system (securing and training human resources, etc.), managing quality, and strengthening cooperation within the CRESCO Group but also worked on various endeavors, including researching leading technology, creating new businesses, and expanding sales of various services and solutions in order to properly respond to the increase in the size of projects, larger number of inquiries, and changes in the market. The following were the Group’s main efforts during the fiscal year under review.

◆ On April 1, the Company acquired all the shares of System Integration Service Co., Ltd., whose main business is providing support for networking and introducing systems, mainly SAP® core operation package system, and transformed the company into a subsidiary. System Integration Service will partner with the subsidiary CRESCO e-Solution Co.,Ltd., and the goal is to achieve further growth for the ERP business.

◆ On May 1, the subsidiary CRESCO HOKURIKU, Ltd. launched sales of the hosting service misterPARK, which supports the creation of smartphone applications. The goal is to establish a multifaceted mobile portal business, centered on this business that will undertake the commissioned creation of applications and icons and operation of systems.

◆ On May 12, the Company announced the sensor platform BeaconBridge, which provides broad support ranging from the provision of infrastructure to the development and operation of applications, as a method to realize IoT, which ties all things to the Internet.

◆ May 13–15, the Company exhibited its products and services (Intelligent Folder Express, Creage, and BeaconBridge) at the 6th Cloud Computing Expo Japan (CLOUD JAPAN Spring), which was hosted by Reed Exhibitions Japan Ltd.

◆ On May 26, the Company launched sales of Minna No Tenko (Everyone’s Roll Call), an automatic headcount solution that can be used not only for group tours (bus tours, etc.) but also meetings, trainings, and events.

◆ On May 29, the Company conducted a capital increase of 100 million yen for its subsidiary System Integration Service in order to implement its ERP business strategy and to expand operations in the future.

◆ On June 19, the Company switched to a company with an audit and supervisory committee, after obtaining approval at the Ordinary General Meeting of Shareholders. This was done to strengthen the supervisory function of the board of directors and reinforce corporate governance while realizing more transparent management and increased functionality of management.

◆ On June 30, the Company announced the launch of efforts to jointly develop and test a dispersed autonomous P2P network, next-generation technology for BeaconBridge, with Skeed Co., Ltd. The goal is to jointly develop next-generation IoT infrastructure.

◆ On July 11, the subsidiary CRESCO Wireless, Inc. launched sales of beacons powered by two AA batteries, which dramatically increase battery life.

◆ On July 30, the Company joined the Watson related business as an initial eco-system partner for the IBM Watson Ecosystem Program.

◆ On August 20, the subsidiaries CRESCO e-Solution and System Integration Service introduced the jointly developed data network tool ConnectPlus for CONCUR Expense, which went on sale October 1.

◆ On August 24, the subsidiary CRESCO HOKURIKU exhibited its handy cloud system CMAC for taking orders and automatic plate counting equipment Toppar used by conveyor-belt sushi restaurants at Gaishoku Business Week 2015.

◆ On September 29, the subsidiary CRESCO e-Solution announced the development of the PDF distribution system Any PDF Delivery for SAP® ERP users, and the system went on sale October 1.

◆ On September 30, the Company joined the Kii Consortium, a corporate consortium to establish new inter-company partnerships in an IoT era. The goal is to create a new business model by sharing IoT knowledge among participating companies and communicating the results to society.

◆ September 30–October 2, the Company exhibited its products and services (Intelligent Folder Express, Creage, and BeaconBridge) at Cloud Days 2015, which was sponsored by Nikkei Business Publications, Inc.

◆ On October 1, the Company acquired 65% of the shares of Osaka-based Media Magic Co., Ltd., which is particularly strong in the field of Internet-based development, and transformed the company into a subsidiary. The goal is to expand its business fields and reinforce the Group’s bases in the Kansai area.

◆ On October 6, the subsidiary CRESCO Wireless introduced the stamp-type Beacon device Switch Beacon, which was jointly developed with a client.

◆ November 16–17, the subsidiary CRESCO HOKURIKU exhibited at Matching HUB Kanazawa 2015, which was hosted by Japan Advanced Institute of Science and Technology, in order to contribute to the creation of new industries and training of human resources.

◆ On March 1, the Company started to provide the IoT platform KEYAKI for corporations, which provides strong support for using and applying IoT businesses.

◆ On March 4, the Company conducted a capital increase for its subsidiaries CRESCO Wireless and Media Magic in order to strengthen their financial bases.

As a result of the above, both profits and income increased, and for the fiscal year ended March 31, 2016, the Company recorded 28,775 million yen in net sales (25,063 million yen for the previous fiscal year), 2,484 million yen in operating income (2,013 million yen for the previous fiscal year), 2,857 million yen in ordinary income (2,240 million yen for the previous fiscal year), and 1,705 million yen in profit attributable to owners of parent (1,405 million yen in profit attributable to owners of parent for the previous fiscal year).

Business results for each segment are as follows.

(i) Software development business

For the software development business, net sales rose 14.8% year on year to 23,767 million yen and segment profit (operating income) increased 20.2% year on year to 2,904 million yen. A breakdown of net sales by industry reveals that sales for the finance sector, which is our main field, grew 1,673 million yen year on year because of an increase in number of projects for banks and insurance businesses. In the public service sector as well, sales rose 524 million yen year on year. In the distribution and other sector, net sales grew 864 million yen year on year.

(ii) Embedded software development business

For the embedded software development business, net sales rose 15.6% year on year to 4,901 million yen and segment profit (operating income) increased 16.0% year on year to 662 million yen. In terms of products, net sales of telecom system products fell 94 million yen year on year. On the other hand, net sales of car electronics rose 393 million yen year on year. As for information appliances, etc. and other embedded products, net sales increased 361 million yen year on year.

(iii) Other

For other businesses such as the product sales business, net sales decreased 9.6% year on year to 106 million yen, and a segment loss (operating loss) of 39 million yen (30 million yen of segment loss for the previous fiscal year) was recorded.

• Outlook for the coming year

During the fiscal year under review, business environment was harsh with the Nikkei 225 Stock Average falling dramatically since the beginning of 2016, at one point shedding more than 3,000 yen year on year, on account of U.S. and Shanghai stock markets, and corporate sentiment deteriorated in the second half of the fiscal year due to stagnant grow in capital expenditures, an economic slowdown in China, and other developments. However, corporate earnings for the full fiscal year were firm, supported by the recovery in Japanese demand and an increase in demand from overseas.

In FY2016, there are not only numerous financials risks, such as the Bank of Japan’s negative interest rate policy, strong yen, and weak stock prices, but also concerns that an economic slowdown in China and other emerging economies could have a negative impact on the economy. However, considering economic conditions in the U.S. and Europe, which continue to benefit from a cyclic recovery, we project that although there will be differences between industries and businesses, demand will gradually grow, supported by a recovery in corporate earnings, better employment conditions, government economic stimulus measures, etc.

Even in the various economic trend surveys, there are concerns about economic trends in China and the U.S., monetary policy, tax reforms, etc., and although the economic outlook for FY2016 is that there are substantial downside risks, it is our opinion that IT investment to create new value and strengthen competitiveness (so-called “aggressive management strategies utilizing IT”) will remain strong for the time being if one considers trends among the Group’s customers and business conditions.

As for IT investment, we project that growth in fields related to cloud services, mobility, big data, and social technologies (so-called the third platform), such as migrating to systems that make use of cloud services and mobile devices (smartphones, tablet computers, etc.), integrating and rebuilding IT system infrastructure, analyzing and making use of big data, and applying social technology for business, will accelerate when combined with next-generation trends, such as IoT, smart robots, and artificial intelligence (AI).

As for growth industries, the medical, energy, and robot industries will probably generate particularly strong innovations in the market. In addition to our core software development business, we expect the cutting-edge technology related business to grow for the time being.

Furthermore, companies are becoming more aware of security on account of efforts to strengthen the protection of personal information following the introduction of My Numbers system, sophisticated cyber attacks (targeted threats, etc.), and a series of scandals related to various incidences, including the leak of information by malicious employees. We consider this a new business opportunity for our platform related business (network and infrastructure system, including cloud related ones, etc.).

The Group is active in various technical fields, and its services are in a position that they can capture demand from these trends, and as a partner of companies, organizations, and industries to bring about a digital revolution that transforms business models using digital technology, we are expected to make realistic proposals so that companies can achieve growth through strategic IT investment.

The Group will work to further strengthen the technical and quality aspects of our software development businesses (business software and embedded software), our core business. At the same time, we will actively work to incorporate cutting-edge technology, to expand our services and solutions that contribute to stronger corporate earnings, and to contribute to society as leader of the digital revolution.

(2) Analysis of financial position

(i) Assets, liabilities and net assets

Total assets at the end of the fiscal year under review totaled 19,230 million yen, a year-on-year increase of 1,343 million yen.

Currents assets rose 619 million yen year on year to 12,020 million yen. This was mainly because although cash and deposits declined 85 million yen, notes and accounts receivable - trade increased 377 million yen and securities grew 359 million yen.

Non-current assets rose 724 million yen year on year to 7,209 million yen. This was mainly because although insurance funds declined 64 million yen, investment securities increased 582 million yen and deferred tax assets grew 200 million yen.

Total liabilities at the end of the fiscal year under review were 7,048 million yen, a year-on-year increase of 108 million yen.

Current liabilities decreased 78 million yen year on year to 4,712 million yen. This was mainly because although accounts payable - trade rose 238 million yen, current portion of long-term loans payable fell 152 million yen and accrued consumption taxes fell 318 million yen.

Non-current liabilities rose 186 million yen year on year to 2,335 million yen. This was mainly because although provision for directors' retirement benefits declined 208 million yen, net defined benefit liability increased 226 million yen and long-term accounts payable - other rose 110 million yen.

Total net assets at the end of the fiscal year under review were 12,181 million yen, a year-on-year increase of 1,235 million yen. This was mainly because although accumulated other comprehensive income decreased 446 million yen, capital surplus increased 333 million yen, and retained earnings grew 1,215 million yen.

(ii) Cash flows

The balance of cash and cash equivalents at the end of the fiscal year under review was 5,470 million yen, a year-on-year decrease of 34 million yen.

Cash flows from operating activities

There was a net cash inflow of 1,543 million yen from operating activities, compared to a net cash inflow of 1,681 million yen for the previous fiscal year.

This was primarily for the following reasons. The Company recorded income taxes paid of 1,000 million yen, a decrease in accrued consumption taxes of 319 million yen and an increase in notes and accounts receivable - trade of 321 million yen, while the Company also recorded profit before income taxes of 2,799 million yen, and an increase in notes and accounts payable - trade of 220 million yen.

Cash flows from investing activities

There was a net cash outflow of 1,287 million yen from investing activities, compared to a net cash inflow of 178 million yen for the previous fiscal year.

This was primarily for the following reasons. The Company recorded proceeds from sales of securities of 2,948 million yen and proceeds from sales of investment securities of 862 million yen but used 2,912 million yen for purchase of securities and 2,496 million yen for purchase of investment securities.

Cash flows from financing activities

There was a net cash outflow of 286 million yen from financing activities, compared to a net cash inflow of 8 million yen for the previous fiscal year.

This was primarily for the following reasons. The Company recorded 549 million yen in proceeds from disposal of treasury shares in association with exercise of subscription rights to shares and 150 million yen in proceeds from long-term loans payable, while the Company also recorded 489 million yen in cash dividends paid and 398 million yen in repayments of long-term loans payable.

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Equity ratio (%)	61.6	59.6	59.5	60.8	63.3
Market value equity ratio (%)	55.2	53.2	70.3	117.6	106.4
Interest-bearing debt to cash flow ratio (%)	0.6	1.9	0.6	0.2	0.1
Interest coverage ratio (times)	116.6	86.0	159.4	469.5	792.3

* Equity ratio: equity / total assets

Market value equity ratio: market capitalization / total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt / operating cash flow

Interest coverage ratio: operating cash flow / paid interest

Notes: 1. All indicators are calculated using consolidated-based financial indicators.

2. Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of issued shares at the end of the period (excluding treasury shares).

3. The figure used for operating cash flow is “net cash provided by (used in) operating activities” on the consolidated statements of cash flows. Interest-bearing debt includes all liabilities recorded on the consolidated balance sheets on which we paid interest. Regarding the paid interest, we use “interest expenses paid” on the consolidated statements of cash flows.

(3) Basic policy on distribution of profits and dividends for the current and coming fiscal years

The Company considers paying all shareholders a return an important business issue. The Company has adopted the basic policy of increasing Shareholders’ equity, maintaining stable profitability in the long term, and continuing to fairly distribute profits in a manner that reflects earnings. As for dividends, the Company is aiming to continually pay out 40% of profit for each fiscal year in principle, which is calculated from ordinary income and assuming extraordinary profits and losses are zero.

As for dividends for the fiscal year under review, the Company plans on paying an annual dividend of 50 yen per share, which consists of an year-end dividend of 27 yen per share and interim dividend of 23 yen per share. The Company also expects to pay an annual dividend of 52 yen per share (interim dividend of 26 yen per share and year-end dividend of 26 yen per share) for the coming fiscal year.

As for internal reserves, the Company will not only strive to improve earnings by allocating such reserves to investments to strengthen the Group’s competitiveness so that it can respond to business growth and rapid technological innovation expected in the future but also work to meet the expectations of shareholders, including those related to improving business performance and strengthening financial position.

(4) Risks related to businesses, etc.

This has been omitted as there have been no material changes from the information in the most recent yuka-shoken-hokokusho (securities report) submitted on June 22, 2015.

(5) Material events related to assumptions for a going concern

No items to report.

2. Management policies

(1) Basic management policies

The Company’s basic management policy is to provide customers with services in a wide range of fields and contribute to a society that is rapidly making greater use of information technology by building information systems for companies and developing embedded software for information appliances as a systems integrator that has remained independent since its founding. The Company has established a CRESCO Charter incorporating this basic policy and worked on its business based on this Charter as guidelines for its corporate activities, and thereby strove to expand its business.

The Company's goal is to provide the best services from a global perspective by always possessing the latest technology. As for corporate activities, the Company is also aiming to become a people-centered company overflowing with youthful vibrancy that provides freedom based on actual abilities.

In addition, when conducting business management, the Group will strengthen each company's abilities in their field of specialization based on the basic policy, demonstrate all-around abilities as the CRESCO Group with each group company supplementing each other's business, and strive to improve customer satisfaction and contribute to society.

(2) Targeted business indicators

The Group considers the following indicators important and has set the corresponding target.

(i)	Return on equity (ROE)	10% or more
(ii)	Ordinary income to sales	10% or more
(iii)	Earnings per share (EPS)	100 yen or more
(iv)	Growth in sales and ordinary income	10% or more

(3) Medium- and long-term business strategy

The Group is striving to implement its five-year plan "CRESCO Ambition 2020," that kicked off in 2016, in order to achieve further growth and will work to increase corporate value by implementing various priority measures to achieve the plan.

Three priority topics in "CRESCO Ambition 2020"

1. Corporate group that takes on challenges
2. Sophisticated technological capabilities and reliable quality
3. CRESCO that everyone can shine in

Basic Policy for FY2016: Constant "credibility and growth"

Priority measures for FY2016

Taking into consideration "CRESCO Ambition 2020" and issues that should be addressed, the Company has set the following as priority measures for FY2016; the fiscal year ending March 2017.

1. Organization related measures

- Restructuring the Group's massive organization in order to speed up decision making and create mutual links between core business
- Establishing Delivery Center to handle large-scale projects
- Establishing AI & Robotics Center to pursue future technology
- Establishing Group Business Promotion Unit to reinforce cooperation within the Group

2. Business related measures

- Introducing digital technology into the system integration business
- Promoting the accumulation, management, and use of intellectual property
- Restructuring the business in order to expand the cloud business
- Expanding the functional safety (highly-reliable technology) business market
- Investing in the market-in business

3. Other measures

- Reforming the human resources and training system for diverse specialists

- Strengthening efforts to promote business and our services and reinforcing PR and IR activities
- Strengthening the corporate governance system and promoting compliance

According to the Corporate IT Trend Survey 2016 conducted by Japan Users Association of Information Systems, more than 40% of companies will continue to increase their budget for FY2016, the same result obtained for the previous fiscal year. In terms of business fields, companies in the finance, machinery and tool production, material production, and trading/logistics fields have a large appetite for IT investment, and in terms of size, medium-size and small companies have a strong desire to make IT investment. These results appear to be demonstrated by the Group's recent business conditions. The top priority area of investment for companies is making business visible, which supports aggressive IT management, and the areas of increasing operation processes efficiency, raising the quality and precision of operation processes, quickly ascertaining operations and information, and strengthening sales abilities also remain to rank highly. The Company expects that in FY2016, there will be stronger demand for core systems and information systems directly tied to the main businesses of companies.

While the Group's main business is the development of software, including system integration (construction of IT system infrastructure, development of applications, and development of embedded products), the Group also provides various services, solutions, and IT consulting. As IT services become commodities and prices fall, the Company projects that growth in the third platform field (that is, cloud service, mobility, big data, and social technologies) will accelerate as next-generation trends related to IoT, smart robots, and AI take off. Firmly riding this wave, the Company will quickly meet customer needs that are growing more advance and diverse.

In addition, using the sales skills and experience that the Group has acquired over many years, the Company will quickly detect changes in the environment that its customers operate in; develop new, convenient services that support the business opportunities of its customers; and expand its business, including cooperation within the Group and alliance business with other companies.

(4) Issues to be addressed

In FY2016, there are not only numerous financials risks, such as the Bank of Japan's negative interest rate policy, strong yen, and weak stock prices, but also concerns that an economic slowdown in China and other emerging economies could have a negative impact on the economy. However, considering economic conditions in the U.S. and Europe, which continue to benefit from a cyclic recovery, we project that although there will be differences between industries and businesses, demand will gradually grow, supported by a recovery in corporate earnings, better employment conditions, government economic stimulus measures, etc.

As for trends in the overall information service industry, IT investment is growing because of the recovery in corporate earnings; the industry is moving toward a "digital revolution," a revolution in business models that makes use of digital technology; and demand in advanced technical fields is growing.

It is our opinion that to appropriately respond to this business environment it is necessary to be aware of the following issues, to implement various measures to strengthen the Company's sales, technological, and development capabilities, and to increase corporate value.

(i) Accelerate the pace that business is conducted

(ii) Promote business that brings together core businesses (system infrastructure, application development, and embedding)

(iii) Research and expand cutting-edge technologies that will play a leading role in the digital revolution (AI, robotics, IoT)

(iv) Thoroughly pursue quality and productivity

(v) Promote the service business

(vi) Strengthen synergies within the Group and move forward with M&As and alliances

(vii) Train and reinforce the skills of specialist who can solve problems that are growing larger, more complex, and more diverse

(viii) Expand the development system (near-shoring, offshoring, business partners)

(ix) Aggressively communicate information (PR and IR)

(x) Strengthen group governance and compliance

While further increasing the added value in existing business fields, the Company will move forward with efforts to research and expand cutting-edge technology, meet the expectations of stakeholders, and achieve sustainable growth and greater corporate value.

(5) Other material items related to the Company's management

No items to report.

3. Basic policy on the selection of accounting standards

Taking into consideration the ability to compare not only consolidated financial statements for different accounting periods but also the Company to other companies, the Group has adopted, for the time being, a policy of creating consolidated financial statements based on Japanese generally accepted accounting principles.

As for the application of International Financial Reporting Standards (IFRS), the Company plans on appropriately responding after considering conditions both in Japan and overseas.

4. Consolidated financial statements

(1) Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	5,512,778	5,427,100
Notes and accounts receivable - trade	4,747,228	5,124,657
Electronically recorded monetary claims	–	2,466
Securities	187,085	546,526
Money held in trust	50,503	47,027
Merchandise and finished goods	16,023	12,767
Work in process	115,259	170,276
Raw materials and supplies	6,354	4,544
Prepaid expenses	207,586	239,521
Deferred tax assets	443,939	418,129
Other	114,760	30,347
Allowance for doubtful accounts	–	(2,495)
Total current assets	11,401,519	12,020,870
Non-current assets		
Property, plant and equipment		
Buildings	366,499	419,655
Accumulated depreciation	(229,679)	(252,319)
Buildings, net	136,819	167,336
Tools, furniture and fixtures	373,196	422,608
Accumulated depreciation	(289,603)	(312,453)
Tools, furniture and fixtures, net	83,593	110,154
Land	19,990	19,990
Leased assets	24,067	24,272
Accumulated depreciation	(21,838)	(21,105)
Leased assets, net	2,229	3,167
Total property, plant and equipment	242,632	300,648
Intangible assets		
Goodwill	313,228	323,455
Software	315,602	266,086
Other	12,149	12,511
Total intangible assets	640,981	602,053
Investments and other assets		
Investment securities	4,258,414	4,841,063
Lease and guarantee deposits	480,228	547,168
Insurance funds	166,677	102,180
Deferred tax assets	564,365	765,062
Other	235,866	155,376
Allowance for doubtful accounts	(104,179)	(104,179)
Total investments and other assets	5,601,373	6,306,672
Total non-current assets	6,484,987	7,209,373
Total assets	17,886,506	19,230,244

(Thousands of yen)

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	1,590,804	1,829,254
Short-term loans payable	40,000	40,000
Current portion of long-term loans payable	235,570	83,480
Lease obligations	884	1,152
Accounts payable - other	323,234	361,357
Income taxes payable	572,580	654,393
Accrued business office taxes	25,080	27,100
Accrued consumption taxes	590,778	272,625
Provision for bonuses	907,791	964,613
Provision for directors' bonuses	67,500	69,200
Provision for loss on order received	3,578	–
Provision for compensation losses	62,000	–
Other	371,241	409,579
Total current liabilities	4,791,045	4,712,756
Non-current liabilities		
Long-term loans payable	45,000	101,320
Long-term accounts payable - other	460,400	571,327
Lease obligations	1,496	2,261
Provision for directors' retirement benefits	208,513	–
Net defined benefit liability	1,385,437	1,611,779
Asset retirement obligations	47,987	48,948
Total non-current liabilities	2,148,835	2,335,636
Total liabilities	6,939,880	7,048,392
Net assets		
Shareholders' equity		
Capital stock	2,514,875	2,514,875
Capital surplus	3,476,630	3,810,255
Retained earnings	5,217,024	6,432,354
Treasury shares	(651,332)	(455,045)
Total shareholders' equity	10,557,198	12,302,440
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	344,729	(57,306)
Foreign currency translation adjustment	11,118	8,132
Remeasurements of defined benefit plans	(30,660)	(72,456)
Total accumulated other comprehensive income	325,188	(121,630)
Subscription rights to shares	625	411
Non-controlling interests	63,614	630
Total net assets	10,946,625	12,181,851
Total liabilities and net assets	17,886,506	19,230,244

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Thousands of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	25,063,601	28,775,033
Cost of sales	20,552,111	23,543,622
Gross profit	4,511,490	5,231,410
Selling, general and administrative expenses		
Advertising expenses	24,566	24,567
Directors' compensations, salaries and allowances	1,120,822	1,151,568
Bonuses	62,327	70,961
Provision for bonuses	85,995	87,649
Provision for directors' bonuses	67,500	69,200
Retirement benefit expenses	30,807	26,768
Legal welfare expenses	155,285	170,077
Recruiting expenses	85,203	112,987
Entertainment expenses	37,183	43,191
Rents	139,797	142,988
Supplies expenses	42,910	42,157
Amortization of goodwill	69,683	88,268
Enterprise tax	51,239	89,668
Provision of allowance for doubtful accounts	–	2,495
Other	525,158	624,676
Total selling, general and administrative expenses	2,498,481	2,747,227
Operating income	2,013,009	2,484,183
Non-operating income		
Interest income	38,421	34,496
Dividend income	92,198	128,591
Gain on sales of securities	69,153	227,592
Gain on investments in money held in trust	11,946	–
Subsidy income	4,863	10,486
Share of profit of entities accounted for using equity method	10,693	7,664
Other	15,223	13,396
Total non-operating income	242,500	422,227
Non-operating expenses		
Interest expenses	3,396	2,093
Loss on valuation of securities	–	37,866
Loss on investments in money held in trust	–	3,476
Amortization of long-term prepaid expenses	3,899	2,157
Issuance cost of subscription rights to shares	6,870	–
Other	356	3,184
Total non-operating expenses	14,521	48,779
Ordinary income	2,240,987	2,857,631

(Thousands of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Extraordinary income		
Gain on change in equity	56,294	–
Gain on sales of investment securities	190,906	158,527
Gain on redemption of investment securities	20,108	22,847
Surrender value of insurance	4,056	24,810
Other	–	1,320
Total extraordinary income	271,366	207,506
Extraordinary losses		
Loss on retirement of non-current assets	2,371	1,913
Loss on sales of investment securities	8,807	–
Loss on valuation of investment securities	–	121,939
Office transfer expenses	2,049	9,300
Provision for directors’ retirement benefits	38,864	–
Provision for compensation losses	62,000	–
Impairment loss	–	89,370
Other	26,339	42,743
Total extraordinary losses	140,433	265,268
Profit before income taxes	2,371,920	2,799,870
Income taxes - current	921,474	1,054,897
Income taxes - deferred	35,545	32,179
Total income taxes	957,020	1,087,077
Profit	1,414,899	1,712,792
Profit attributable to non-controlling interests	9,161	7,647
Profit attributable to owners of parent	1,405,738	1,705,144

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit	1,414,899	1,712,792
Other comprehensive income		
Valuation difference on available-for-sale securities	215,153	(402,003)
Remeasurements of defined benefit plans, net of tax	(17,067)	(41,796)
Share of other comprehensive income of entities accounted for using equity method	182	(48)
Foreign currency translation adjustment	4,973	(2,938)
Total other comprehensive income	203,242	(446,787)
Comprehensive income	1,618,142	1,266,005
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,608,912	1,258,325
Comprehensive income attributable to non-controlling interests	9,229	7,679

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2015

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,514,875	2,998,808	4,203,209	(794,300)	8,922,592
Cumulative effects of changes in accounting policies			(32,615)		(32,615)
Restated balance	2,514,875	2,998,808	4,170,593	(794,300)	8,889,977
Changes of items during period					
Dividends of surplus			(359,307)		(359,307)
Profit attributable to owners of parent			1,405,738		1,405,738
Purchase of treasury shares				(179,784)	(179,784)
Disposal of treasury shares		477,822		322,752	800,575
Purchase of shares of consolidated subsidiaries					–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	477,822	1,046,430	142,967	1,667,221
Balance at end of current period	2,514,875	3,476,630	5,217,024	(651,332)	10,557,198

	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	129,643	5,962	(13,592)	122,013	–	69,696	9,114,303
Cumulative effects of changes in accounting policies				–			(32,615)
Restated balance	129,643	5,962	(13,592)	122,013	–	69,696	9,081,687
Changes of items during period							
Dividends of surplus							(359,307)
Profit attributable to owners of parent							1,405,738
Purchase of treasury shares							(179,784)
Disposal of treasury shares							800,575
Purchase of shares of consolidated subsidiaries							–
Net changes of items other than shareholders' equity	215,085	5,156	(17,067)	203,174	625	(6,082)	197,716
Total changes of items during period	215,085	5,156	(17,067)	203,174	625	(6,082)	1,864,937
Balance at end of current period	344,729	11,118	(30,660)	325,188	625	63,614	10,946,625

Fiscal year ended March 31, 2016

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,514,875	3,476,630	5,217,024	(651,332)	10,557,198
Cumulative effects of changes in accounting policies					–
Restated balance	2,514,875	3,476,630	5,217,024	(651,332)	10,557,198
Changes of items during period					
Dividends of surplus			(489,814)		(489,814)
Profit attributable to owners of parent			1,705,144		1,705,144
Purchase of treasury shares				(640)	(640)
Disposal of treasury shares		352,286		196,926	549,213
Purchase of shares of consolidated subsidiaries		(18,661)			(18,661)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	333,625	1,215,330	196,286	1,745,241
Balance at end of current period	2,514,875	3,810,255	6,432,354	(455,045)	12,302,440

	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	Remeasure-ments of defined benefit plans	Total accumulated other com-prehensive income			
Balance at beginning of current period	344,729	11,118	(30,660)	325,188	625	63,614	10,946,625
Cumulative effects of changes in accounting policies				–			–
Restated balance	344,729	11,118	(30,660)	325,188	625	63,614	10,946,625
Changes of items during period							
Dividends of surplus							(489,814)
Profit attributable to owners of parent							1,705,144
Purchase of treasury shares							(640)
Disposal of treasury shares							549,213
Purchase of shares of consolidated subsidiaries							(18,661)
Net changes of items other than shareholders' equity	(402,035)	(2,986)	(41,796)	(446,818)	(213)	(62,983)	(510,015)
Total changes of items during period	(402,035)	(2,986)	(41,796)	(446,818)	(213)	(62,983)	1,235,226
Balance at end of current period	(57,306)	8,132	(72,456)	(121,630)	411	630	12,181,851

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from operating activities		
Profit before income taxes	2,371,920	2,799,870
Depreciation	135,831	166,977
Amortization of goodwill	69,683	88,268
Impairment loss	–	89,370
Increase (decrease) in allowance for doubtful accounts	–	2,495
Increase (decrease) in provision for bonuses	66,545	52,615
Increase (decrease) in provision for directors’ bonuses	6,949	1,700
Increase (decrease) in provision for loss on order received	(15,395)	(3,578)
Increase (decrease) in provision for directors’ retirement benefits	36,764	(208,513)
Increase (decrease) in net defined benefit liability	127,812	141,780
Interest and dividend income	(130,619)	(163,088)
Interest expenses	3,396	2,093
Loss (gain) on sales of securities	(69,153)	(227,592)
Share of (profit) loss of entities accounted for using equity method	(10,693)	(7,664)
Loss (gain) on change in equity	(56,294)	–
Loss on retirement of non-current assets	2,371	1,913
Loss (gain) on sales of investment securities	(182,099)	(158,527)
Decrease (increase) in notes and accounts receivable - trade	(761,716)	(321,947)
Decrease (increase) in inventories	33,729	(44,609)
Increase (decrease) in notes and accounts payable - trade	253,351	220,309
Increase (decrease) in accounts payable - other	15,062	19,569
Increase (decrease) in long-term accounts payable - other	–	110,927
Increase (decrease) in accrued consumption taxes	461,758	(319,794)
Other, net	37,897	135,760
Subtotal	2,397,101	2,378,337
Interest and dividend income received	128,656	168,512
Interest expenses paid	(3,582)	(1,948)
Income taxes paid	(840,474)	(1,000,904)
Net cash provided by (used in) operating activities	1,681,701	1,543,997

(Thousands of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from investing activities		
Payments into time deposits	(8,000)	(8,500)
Proceeds from withdrawal of time deposits	128,000	16,004
Purchase of securities	(1,456,185)	(2,912,338)
Proceeds from sales of securities	1,586,175	2,948,431
Purchase of property, plant and equipment	(62,685)	(141,398)
Purchase of intangible assets	(132,194)	(63,677)
Purchase of investment securities	(1,481,501)	(2,496,522)
Proceeds from sales of investment securities	1,411,225	862,870
Proceeds from redemption of investment securities	234,014	419,329
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(53,040)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	12,063
Proceeds from cancellation of insurance funds	45,591	167,501
Other, net	(86,024)	(38,658)
Net cash provided by (used in) investing activities	178,416	(1,287,935)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	(9,200)
Proceeds from long-term loans payable	–	150,000
Repayments of long-term loans payable	(245,122)	(398,966)
Redemption of bonds	(5,000)	–
Repayments of lease obligations	(1,118)	(1,138)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(90,528)
Cash dividends paid	(358,987)	(489,382)
Purchase of treasury shares	(179,784)	(640)
Proceeds from issuance of subscription rights to shares	1,200	–
Proceeds from disposal of treasury shares from exercise of subscription rights to shares	800,000	549,000
Other, net	(3,112)	4,588
Net cash provided by (used in) financing activities	8,074	(286,266)
Effect of exchange rate change on cash and cash equivalents	3,244	(3,929)
Net increase (decrease) in cash and cash equivalents	1,871,437	(34,133)
Cash and cash equivalents at beginning of period	3,633,341	5,504,778
Cash and cash equivalents at end of period	5,504,778	5,470,644

(5) Notes on consolidated financial statements

(Notes on premise of going concern)

There is nothing to report.

(Changes in accounting policies)

Starting with the fiscal year under review, the Company will apply various new accounting standards, including "Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013; hereinafter the "Business Combinations Accounting Standard")," "Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013; hereinafter the "Consolidated Financial Statements Accounting Standard")," and "Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013; hereinafter the "Business Divestitures Accounting Standard")," and these changes resulted in the Company posting as capital surplus, adjustments due to changes in its equity in subsidiaries that it continues to control and recording acquisition related expenses as expenses for the fiscal year they were generated. Furthermore, for business combinations conducted after the beginning of the fiscal year under review, the method is switched to one in which changes in the allocation of acquisition costs when provisional accounting treatment was finalized are reflected in the consolidated financial statements for the fiscal year that the date of the business combination falls in. In addition, there are changes in the presentation of net income, etc., and "minority interest" was changed to "non-controlling interest."

In order to reflect these changes in the presentation, items appearing in the consolidated financial statements for the fiscal year under review and the fiscal year ended March 31, 2015 were reclassified. When applying the Business Combinations Accounting Standard and other accounting standards, the transition accounting methods stipulated in item 58-2 (4) of the Business Combinations Accounting Standard, item 44-5 (4) of Consolidated Financial Statements Accounting Standard, and item 57-4 (4) of the Business Divestitures Accounting Standard, were used, and these will be applied starting with the beginning of the fiscal year under review and continuing into the future. As a result of this change, operating income, ordinary income, and profit before income taxes for the fiscal year under review each fell 10,901 thousand yen, and the capital surplus at the end of fiscal year under review declined 18,661 thousand yen.

As for the consolidated statements of cash flows for the fiscal year under review, cash flows related to the acquisition and sale of shares in subsidiaries not resulting in the change in scope of consolidation are listed as cash flows from financing activities, and cash flows related to expenses for acquiring shares of subsidiaries resulting in the change in scope of consolidation and expenses related to the acquisition or sale of shares in subsidiaries not resulting in the change in scope of consolidation are listed as the cash flows from operating activities.

The capital surplus given in the consolidated statements of changes in equity for the fiscal year under review declined 18,661 thousand yen.

The impact this has on per share information is stated in the relevant section.

(Segment information, etc.)

[Segment information]

1. Summary of reportable segments

The Company's reportable segments are based on those units within the Company where separate financial information is available and where the Board of Directors periodically reviews matters such as the distribution of management resources and financial performance.

The Company has established divisions for product and service type, and each division creates a comprehensive strategy for the products and services it handles and conducts related business activities.

Therefore, the Company's product and service segments are based on its divisions. There are two reportable segments—software development segment and embedded software development segment.

Details of each segment's business are provided below.

Business segment	Main products and role
Software development business	Application development, IT infrastructure system development, solutions and services
Embedded software development business	Telecom system, Embedded software development for telecom systems, car electronics, and digital home appliances

2. Method for calculating net sales, profit (loss), assets, liabilities, and other items for each segment

The accounting treatment for business segments reported is generally the same as those given in "Significant Matters Forming the Basis of Preparing the Consolidated Financial Statements."

Segment profit is based on operating income.

Internal earnings and transfers between segments are based on actual market prices.

3. Information regarding amounts of net sales, profit (loss), assets, liabilities, and other items by reportable segment

Fiscal year ended March 31, 2015

(Thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on consolidated financial statements (Note 3)
	Software development business	Embedded software development business	Total				
Net sales							
Sales to external customers	20,704,431	4,241,462	24,945,894	117,707	25,063,601	–	25,063,601
Inter-segment sales or transactions	2,850	7,119	9,969	14,370	24,339	(24,339)	–
Total sales	20,707,282	4,248,581	24,955,863	132,077	25,087,941	(24,339)	25,063,601
Segment profit (loss)	2,415,897	571,502	2,987,400	(30,825)	2,956,575	(943,565)	2,013,009
Segment assets	8,139,680	1,862,593	10,002,274	55,136	10,057,410	7,829,096	17,886,506
Other items							
Depreciation	89,000	21,471	110,471	4,858	115,330	20,501	135,831
Increase in property, plant and equipment and intangible assets	166,055	31,849	197,905	–	197,905	13,978	211,883

Notes: 1. The "Other" segment refers to business segments not included in reportable segments and includes product sales business.

2. The following adjustments have been made.

(1) The negative 943,565 thousand yen adjustment to segment profit includes 7,778 thousand yen in eliminations for inter-segment business and negative 951,344 thousand yen in all corporate expenses not allocated to reportable segments. All corporate expenses are mainly general and administrative expenses not attributed to reportable segments.

(2) The 7,829,096 thousand yen adjustment to segment assets is corporate assets not allocated to reportable segments. All corporate assets are primarily unused operating funds not attributed to reportable segments (cash and deposits and securities), long-term investments funds (investment securities), and assets, etc. related to administrative divisions.

(3) The 13,978 thousand yen adjustment to property, plant and equipment and intangible assets is for capital expenditures by the headquarters' administrative divisions.

3. Segment profit is calculated by making adjustments to the operating income appearing in the consolidated statement of income.

Fiscal year ended March 31, 2016

(Thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on consolidated financial statements (Note 3)
	Software development business	Embedded software development business	Total				
Net sales							
Sales to external customers	23,767,109	4,901,511	28,668,621	106,411	28,775,033	–	28,775,033
Inter-segment sales or transactions	12,831	123	12,954	7,593	20,548	(20,548)	–
Total sales	23,779,941	4,901,634	28,681,575	114,005	28,795,581	(20,548)	28,775,033
Segment profit (loss)	2,904,149	662,960	3,567,110	(39,828)	3,527,281	(1,043,098)	2,484,183
Segment assets	7,893,538	1,767,462	9,661,000	93,113	9,754,113	9,476,130	19,230,244
Other items							
Depreciation	102,609	26,039	128,649	4,139	132,788	34,188	166,977
Increase in property, plant and equipment and intangible assets	118,153	29,826	147,979	6,152	154,132	17,658	171,790

Notes: 1. The "other" segment refers to business segments not included in reportable segments and includes product sales business.

2. The following adjustments have been made.

(1) The negative 1,043,098 thousand yen adjustment to segment profit includes 440 thousand yen in eliminations for inter-segment business and negative 1,043,539 thousand yen in all corporate expenses not allocated to reportable segments. All corporate expenses are mainly general and administrative expenses not attributed to reportable segments.

(2) The 9,476,130 thousand yen adjustment to segment assets is all corporate assets not allocated to reportable segments. All corporate assets are primarily unused operating funds not attributed to reportable segments (cash and deposits and securities), long-term investments funds (investment securities), and assets, etc. related to administrative divisions.

(3) The 17,658 thousand yen adjustment to property, plant and equipment and intangible assets is for capital expenditures by the headquarters' administrative divisions.

3. Segment profit is calculated by making adjustments to the operating income appearing in the consolidated statement of income.

[Related information]

Fiscal year ended March 31, 2015

1. Information by product and service

This has been omitted since the same information is provided in segment information.

2. Information by geographical area

(1) Net sales

This has been omitted because net sales to external Japanese customers account for more than 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

This has been omitted because the value of property, plant and equipment in Japan accounts for more than 90% of the value of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

(Thousands of yen)

Name of customer or individual	Net sales	Related segment name
IBM Japan, Ltd.	4,464,004	Software development business

Fiscal year ended March 31, 2016

1. Information by product and service

   This has been omitted since the same information is provided in segment information.

2. Information by geographical area

   (1) Net sales

   This has been omitted because net sales to external Japanese customers account for more than 90% of net sales on the consolidated statement of income.

   (2) Property, plant and equipment

   This has been omitted because the value of property, plant and equipment in Japan accounts for more than 90% of the value of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

(Thousands of yen)

Name of customer or individual	Net sales	Related segment name
IBM Japan, Ltd.	5,571,197	Software development business

(Per share information)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net assets per share	990.11 yen	1,078.35 yen
Earnings per share	133.12 yen	152.26 yen
Diluted earnings per share	133.01 yen	152.09 yen

Notes: 1. The basis of calculating earnings per share is as follows:

Item	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Earnings per share		
Profit attributable to owners of parent (Thousands of yen)	1,405,738	1,705,144
Amounts not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent related to common shares (Thousands of yen)	1,405,738	1,705,144
Average number of common shares during the period (Shares)	10,560,278	11,199,020
Diluted earnings per share		
Increase in common shares (Shares)	8,744	12,739
[Of the above, subscription rights to shares (Shares)]	[8,744]	[12,739]
Overview of potential shares not included in the calculation of the diluted earnings per share because of the lack of dilution effects	2nd Series Subscription Rights to Shares 500,000 units (Common shares 500,000 shares) Issue date: November 28, 2014 3rd Series Subscription Rights to Shares 500,000 units (Common shares 500,000 shares) Issue date: November 28, 2014	3rd Series Subscription Rights to Shares 500,000 units (Common shares 500,000 shares) Issue date: November 28, 2014

2. The basis of calculating net assets per share is as follows:

Item	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Total net assets (Thousands of yen)	10,946,625	12,181,851
Amount deducted from total net assets (Thousands of yen)	64,239	1,042
[Of the above, subscription rights to shares (Thousands of yen)]	[625]	[411]
[Non-controlling interests (Thousands of yen)]	[63,614]	[630]
Net assets related to common shares at the fiscal year-end (Thousands of yen)	10,882,386	12,180,809
Number of common shares at the fiscal year-end used for the calculation of net assets per share (shares)	10,991,112	11,295,780

3. As noted in “Changes in accounting policies”, Accounting Standard for Business Combinations and other accounting standards have been applied. Therefore, net assets per share, earnings per share and diluted earnings per share fell 2.62 yen, 0.97 yen and 0.97 yen, respectively, for the fiscal year ended March 31, 2016.

(Material subsequent events)

Restructuring of subsidiaries

In accordance with the resolution adopted at the Board of Directors meeting held on January 25, 2016, the Company merged its consolidated subsidiaries CRESCO e-Solution Co.,Ltd. and System Integration Service Co., Ltd. as of April 1, 2016.

(1) Reason for merger

Since its founding in 1998, CRESCO e-Solution Co.,Ltd. has primarily been involved in providing support for the introduction, maintenance, and operation of SAP's ERP, and since its founding in 1999, System Integration Service Co., Ltd. has mainly been involved in providing support for networking SAP's ERP and the various client systems.

System Integration Service was transformed into a wholly-owned subsidiary in April 2015 in order to achieve further growth of the CRESCO Group's ERP business. This merger will expand the customer base, fundamentally increase efficiency, accelerate business reforms, and contribute to greater corporate value by integrating the businesses.

(2) Merger outline

(i) Date of execution

January 25, 2016

(ii) Date of implementation

April 1, 2016

(iii) Merger method

Absorption-type merger with CRESCO e-Solution Co.,Ltd. being the surviving company.

(iv) Summary of involved companies

(Surviving company)

Trade name	CRESCO e-Solution Co.,Ltd.
Representative	Yoshie Taniguchi, Representative Director
Location	5-31-19 Shiba, Minato-ku, Tokyo
Date established	September 1998
Capital	200 million yen
End of the fiscal year	March 31
Line of business	Consulting, system development, and solutions related to SAP's ERP

(Company to be extinguished)

Trade name	System Integration Service Co., Ltd.
Representative	Yoshie Taniguchi, Representative Director
Location	5-31-19 Shiba, Minato-ku, Tokyo
Date established	April 1999
Capital	100 million yen
End of the fiscal year	March 31
Line of business	Providing support for networking and introducing systems, primarily SAP's ERP packages and developing and selling products

5. Others

(1) Change in directors

Please refer to "Notice regarding Change in Director Position and Introduction of Executive Officer System," dated May 9, 2016, for details.