

## Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

Name of listed company: Information Services International-Dentsu, Ltd.  
Listed exchange: Tokyo  
Code number: 4812  
URL: <http://www.isid.co.jp/english/index.html>  
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Date of the general meeting of the shareholders: March 24, 2017  
Date of scheduled payment of dividends: March 27, 2017  
Date of scheduled filing of securities report: March 24, 2017  
Supplementary explanatory documents: Yes  
Presentation: Yes

(Amounts less than one million yen are rounded down.)

### 1. Consolidated Business Performance for the FY2016 (from January 1, 2016 to December 31, 2016)

#### (1) Consolidated Operating Results

(% of change from previous year)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)*	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
<b>FY2016</b>	79,783	—	6,488	—	6,704	—	4,580	—
FY2015	56,771	—	2,122	—	2,526	—	3,015	—

Note: Comprehensive income: FY2016: 4,307 million yen; FY2015: 2,420 million yen

	EPS	Diluted EPS	ROE	ROA	Ratio of operating income to net sales
	(yen)	(yen)	(%)	(%)	(%)
<b>FY2016</b>	140.58	—	10.5	10.4	8.1
FY2015	92.54	—	7.3	4.0	3.7

Reference: Equity in earnings of affiliated companies: FY2016: (2) million yen; FY2015: 73 million yen

Note: The Company has revised the business year-end from March 31 to December 31 from fiscal year 2015, which was the nine months from April 1 to December 31, 2015. Accordingly, year-on-year percentage changes for the fiscal year 2016 and the fiscal year 2015 are omitted.

Reference: The percentages below are percentage changes from the results of the same 12 months of the previous year (from January 1, 2015 to December 31, 2015).

Net sales		Operating income		Ordinary income		Net income *		Comprehensive income	
(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
79,783	(1.8)	6,488	17.4	6,704	7.7	4,580	1.6	4,307	16.7

\* Net income attributable to owners of parent

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	(million yen)	(million yen)	(%)	(yen)
<b>FY2016</b>	66,291	45,027	67.9	1,381.10
FY2015	63,115	41,997	66.5	1,288.23

Reference: Total shareholders' equity: FY2016: 45,000 million yen; FY2015: 41,974 million yen

#### (3) Consolidated Cash Flows

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at end of period
	(million yen)	(million yen)	(million yen)	(million yen)
<b>FY2016</b>	8,303	(34)	(1,991)	30,248
FY2015	5,624	2,642	(1,619)	24,230

## 2. Dividends

	Dividends per share					Total dividends paid (Annual)	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	First quarter	Second quarter	Third quarter	Fourth quarter	Total			
	(yen)	(yen)	(yen)	(yen)	(yen)	(million yen)	(%)	(%)
FY2015	–	14.00	–	18.00	32.00	1,042	34.6	2.5
FY2016	–	21.00	–	29.00	50.00	1,629	35.6	3.7
FY2017 (forecast)	–	25.00	–	25.00	50.00		35.8	

Note: The 2015 year-end dividend per share consisted of ¥11.00 as an ordinary dividend and ¥7.00 as a commemorative dividend.

## 3. Consolidated Forecasts for FY2017 (from January 1, 2017 to December 31, 2017)

Percentages indicate year-on-year increase/(decrease)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) *		EPS
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	
First half	40,594	2.6	3,101	(7.2)	3,127	(11.3)	2,096	(17.1)	64.34
Full year	84,000	5.3	6,700	3.3	6,737	0.5	4,549	(0.7)	139.63

## 4. Other Items

- Changes in the scope of consolidation for significant subsidiaries (Changes in specified subsidiaries resulting in change in the scope of consolidation): None
- Changes in accounting policies, changes in accounting estimates and restatements:
  - Changes in accounting policies in accordance with revision of accounting standards: Yes
  - Changes in accounting policies other than 1) above: None
  - Changes in accounting estimate: None
  - Restatements: None
- Issued and outstanding common stock
  - Number of shares issued and outstanding at end of period, including treasury stock:
  - Number of treasury stock at end of period:
  - Average number of shares outstanding for each period:

FY2016	32,591,240 shares	FY2015	32,591,240 shares
FY2016	8,470 shares	FY2015	8,430 shares
FY2016	32,582,806 shares	FY2015	32,582,810 shares

## (Reference) Summary of Non-consolidated Business Performance

(Amounts less than one million yen are rounded down.)

### 1. Non-consolidated Business Performance for the FY2016 (from January 1, 2016 to December 31, 2016)

#### (1) Non-consolidated Operating Results

Percentages indicate year-on-year increase/(decrease)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
<b>FY2016</b>	67,198	–	4,562	–	5,717	–	4,587	–
FY2015	46,938	–	687	–	2,153	–	3,089	–

	EPS	Diluted EPS
	(yen)	(yen)
<b>FY2016</b>	140.79	–
FY2015	94.83	–

Note: The Company has revised the business year-end from March 31 to December 31 from fiscal year 2015, which was the nine months from April 1 to December 31, 2015. Accordingly, year-on-year percentage changes for the fiscal year 2016 and the fiscal year 2015 are omitted.

Reference: The percentages below are percentage changes from the results of the same 12 months of the previous year (from January 1, 2015 to December 31, 2015).

Net sales		Operating income		Ordinary income		Net income	
(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
67,198	(0.3)	4,562	41.5	5,717	15.4	4,587	22.7

#### (2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	(million yen)	(million yen)	(%)	(yen)
<b>FY 2016</b>	60,950	39,518	64.8	1,212.87
FY 2015	57,480	36,190	63.0	1,110.72

Reference: Shareholders' equity: FY 2016: 39,518 million yen; FY 2015: 36,190 million yen

Notes: 1. Indication regarding the status of audit procedures

These financial statements are not subject to audit procedures under the Financial Instruments and Exchange Act. The audit of these financial statements in accordance with the Financial Instruments and Exchange Act had not been completed at the time of disclosure.

Notes: 2. The above forecast has been calculated based on the currently available information as of the disclosure date of this document. Actual performance may differ from the forecast in accordance with changes in the various business factors.

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# 1. Business Results

## (1) Analysis of Business Results

### 1) Results for FY2016 (Ended December 31, 2016)

In the consolidated fiscal year under review (from January 1, 2016, to December 31, 2016), the Japanese economy continued to drift toward a gradual recovery amid improved employment and income environments. However, concerns over increased uncertainty in overseas economies and the impact of negative interest rates on financial institution earnings were evident in the cautious stance determining business conditions. Even in the information services industry, which continued to experience generally favorable business conditions buoyed by proactive corporate IT investment, the election of a new administration in the U.S. government and other developments increased uncertainties with regard to the future of overseas political and economic conditions, giving rise to concerns about their impact

Amid such conditions, the ISID Group is promoting ISID Open Innovation 2018 “Joint Value Creation,” a medium-term management plan covering a three-year period starting from FY2016. In addition to initiatives aimed at further strengthening solutions at each of our four business segments, the plan focuses on three strategic domains: “global,” “IoT/big data,” and “2020 and beyond,” and tackles greater diversification and expanded earnings.

Net sales in the consolidated fiscal year under review were 79,783 million yen, down 1.8% year on year. This decrease was mainly due to sluggish growth in sales to financial institutions and the Dentsu Group.

At the same time, in terms of profit, sales of highly profitable consulting services and software products grew as the gross profit ratio increased significantly on the conclusion of unprofitable projects, resulting in gross profit of 26,127 million yen, up 5.4% year on year. This rise was partly offset by higher selling costs and general and administrative expense increases stemming from efforts to strengthen new order activities, resulting in operating income of 6,488 million yen (up 17.4% YoY), ordinary income of 6,704 million yen (up 7.7% YoY) and net income attributable to owners of parent of 4,580 million yen (up 1.6% YoY), all of which were higher compared to the previous fiscal year.

In the consolidated fiscal year under review, although net sales declined, efforts to improve profitability led to a seventh consecutive period of operating income growth as well as record high profits. Ordinary income and net income attributable to owners of parent also reached record highs. As a result, the operating margin, an indicator of profitability, was 8.1%, while ROE was 10.5%. Thus, fiscal 2018 targets (operating margin of 8.0% and ROE of 10.0% or higher) established in the medium-term management plan have been achieved two years ahead of schedule.

Note: In the previous fiscal period (from April 1, 2015 to December 31, 2015), the Company has changed its fiscal year-end from March 31 to December 31. Accordingly, the analysis of business results shown here compares figures with the same period of the previous year (from January 1, 2015 to December 31, 2015). We have also revised our reportable segments, dividing the Enterprise Solutions segment into the Business Solutions and Engineering Solutions segments. As a result, the Company has four reportable segments: Financial Solutions, Business Solutions, Engineering Solutions and Communications IT. Figures for the previous period have been retroactively adjusted to conform to the new categories.

Net sales, operating income, and status of business operations by business segment are as follows:

### Net Sales and Operating Income by Business Segment

(Millions of yen)

Business segment	The same period of the previous year (from January 1, 2015 to December 31, 2015)		FY2016 (from January 1, 2016 to December 31, 2016)		YoY	
	Net sales % of sales	Operating income	Net Sales % of sales	Operating income	Net Sales	Operating income
Financial Solutions	24,656	2,472	22,037	2,110	(2,619)	(362)
	30.3		27.6			
Business Solutions	15,534	202	16,965	1,666	1,431	1,464
	19.1		21.3			
Engineering Solutions	23,275	364	23,872	692	597	328
	28.7		29.9			
Communications IT	17,777	2,488	16,908	2,018	(869)	(470)
	21.9		21.2			
Total	81,243	5,527	79,783	6,488	(1,460)	961

### Status of Business Operations by Business Segment

#### Financial Solutions

The main business of this segment is providing IT solutions that support various operations at financial institutions.

In the consolidated fiscal year under review, sales of the BANK・R next-generation financing solution increased. However, the impact from the introduction of negative interest rates and other policies caused financial institutions to become cautious with regard to all types of IT investment. As a result, sales and profit declined due to sluggish sales of custom system development for megabanks mainly overseas.

#### Business Solutions

The main business of this segment is providing IT solutions for core systems and the business management field.

In the consolidated fiscal year under review, in addition to an increase in projects to develop custom systems for major clients, the provision of solutions in the accounting field remained firm, mainly led by core software products POSITIVE, a human resources management solution, and STRAVIS, a consolidated accounting solution. The conclusion of unprofitable projects, compared with the previous fiscal year, also contributed to the increase in profit in this segment.

#### Engineering Solutions

The main business of this segment is providing IT solutions for the product development and production fields in the manufacturing industry.

During the period, both the provision of consulting services to support the introduction of MBD\* and sales of the iQUAVIS conceptual design solution increased. In addition, our provision of consulting services targeting testing and analysis operations expanded, mainly to the automotive industry, resulting in higher sales and income.

\* Model-based development (MBD): Avoiding production of actual first stage prototypes as far as possible, MBD is a top-down product development approach that utilizes statistical data from experiments and mathematical formulae describing physical phenomena to construct virtual "models" that can be used in product development. This design method, which is prompting a major revolution in manufacturing, is currently in use primarily in the automotive industry.

## Communications IT

The main business of this segment is providing IT solutions for core systems at the Dentsu Group, as well as in collaboration with the Dentsu Group.

During the period, business in collaboration with the Dentsu Group was on a par with the previous year's level, but sales and profits declined due to a pullback in demand owing to the completion of large-scale backbone system projects for the Dentsu Group.

Net sales and status of business operations by service category are as follows:

### **Net Sales by Service Category**

(Millions of yen)

Service category	The same period of the previous year (from January 1, 2015 to December 31, 2015)		FY2016 (from January 1, 2016 to December 31, 2016)		YoY
	Net sales	% of sales	Net Sales	% of sales	
Consulting Services	4,969	6.1	5,426	6.8	457
Custom System Development	23,796	29.3	21,622	27.1	(2,174)
In-house Software	14,506	17.9	14,796	18.5	290
Third-party Software	23,957	29.5	23,850	29.9	(107)
Outsourcing, Operation and Maintenance Services	7,509	9.2	8,015	10.1	506
IT Equipment Sales and Others	6,504	8.0	6,071	7.6	(433)
Total	81,243	100.0	79,783	100.0	(1,460)

Note: "Consulting Services" is consulting for business operations and IT. "Custom System Development" is the building and maintenance of IT systems based on individual client specifications. "In-house Software" is the sale of software developed internally, including add-on development, technical support and maintenance service. "Third-party Software" is the sale of software purchased from other companies, including add-on development, technical support and maintenance service. "Outsourcing, Operation and Maintenance Services" is the operation, maintenance, support for client IT systems, as well as information services utilizing data centers and other facilities, and business services on a contract basis. "IT Equipment Sales and Others" is the sales and maintenance of hardware, as well as databases, middleware and other types of software and services.

### **Status of Business Operations by Service Category**

#### Consulting Services

Sales in this service category increased because of increased demand for consulting services to support the introduction of MBD for the automotive industry, and for experiment and analysis operations.

#### Custom System Development

In addition to sluggish sales to megabanks mainly overseas, sales to the Dentsu Group declined, resulting lower net sales of these services.

#### In-house Software

Expanded sales of next-generation financial solution BANK·R, consolidated accounting solution STRAVIS, human resources management solution POSITIVE and conceptual design solution iQUAVIS resulted in higher net sales of these services.

### Third-party Software

Despite firm sales of solutions in the accounting and design development fields, system building projects using the Force.com cloud platform declined, resulting in net sales of these services remaining at the same level as in the previous fiscal year.

### Outsourcing, Operation and Maintenance Services

Sales in this service category increased, centered on the Dentsu Group.

### IT Equipment Sales and Others

Sales of these services decreased, centered on financial institutions.

## **2) Forecast for FY2017 (Ending December 31, 2017)**

The ISID Group's forecasts for FY 2017 are as follows:

### **Earnings Forecast for FY 2017 (January 1, 2017 to December 31, 2017)**

(Millions of yen)

	Consolidated	
	Amount	YoY (%)
Net sales	84,000	105.3
Operating income	6,700	103.3
Ordinary income	6,737	100.5
Profit attributable to owners of parent	4,549	99.3

Net sales, mainly to the financial and manufacturing industries, are expected to increase. Operating income is also forecast to rise due to an increase in selling costs and general and administrative expense resulting from expanded R&D activities and human resources development being offset by higher sales and gross profit margin improvements. At the same time, as we expect non-operating income to decline, we forecast ordinary income and net income attributable to owners of the parent to remain at the same level as in the fiscal year under review.

Note: Forecast figures are projections based on information available at the time of release, and are not intended as a guarantee that the Company will achieve these targets. Actual results may differ significantly from the above forecasts as a result of changes in the business environment and other factors.

## **(2) Basic Policy Regarding Earnings Distribution, and Dividends for FY2016 and FY2017**

ISID regards returning profits to shareholders as one of its topmost management priorities. The Company's basic policy on dividends is to maintain an appropriate level of steady dividends while retaining sufficient internal reserves to ensure sustained growth. We also target a consolidated payout ratio of 35-40%.

As announced on January 20, 2017, we expect to pay a year-end dividend of ¥29 per share, up ¥8 per share from our initial forecast of ¥21 per share. The full-year dividend, including the dividend of ¥21 per share paid at the end of the second quarter, is therefore expected to amount to ¥50 per share, up ¥18 from ¥32 per share in the previous fiscal year. The consolidated payout ratio is 35.6%.

For the next fiscal year (ending December 31, 2017), we forecast an annual dividend of ¥50 per share, comprising ¥25 at the end of the first half and ¥25 at year-end. The consolidated payout ratio is expected to be 35.8%.

## 2. Management Policies

### (1) Basic Policy on Company Management

ISID's corporate philosophy is to contribute to the growth of its client companies and the advancement of society, with integrity as its moral backbone, through the use of leading-edge information technology, working as a specialized group of innovative and creative professionals. To realize our vision of being an "IT Solution Innovator," we work to achieve long-term business development by continually responding appropriately to changes in the business environment, and earning the trust and satisfaction of customers.

### (2) Issues to Address, Management Strategies and Target Management Indices

The ISID Group recognizes three key management tasks that it must address. These are "Pursue competitive advantages," "Develop new business fields" and "Enhance human resources."

In the three-year medium-term management plan launched in the consolidated fiscal year under review (hereinafter, "this fiscal year"), these three actions constitute basic policies under the action slogans "Joint Value Creation" and "Open Innovation," which establishes as quantitative targets for the fiscal year ending December 31, 2018, consolidated net sales of 100.0 billion yen, consolidated operating income of 8.0 billion yen, operating margin of 8.0% and ROE of 10.0% or higher.

This fiscal year, although net sales declined due to sluggish growth in sales to financial institutions and the Dentsu Group, initiatives aimed in improving profitability resulted in a seventh consecutive period of operating income growth as well as record high profits. Ordinary income and net income attributable to owners of the parent also reached record highs. As a result, the operating margin, an indicator of profitability, was 8.1%, while ROE was 10.5%. Thus, fiscal 2018 targets established in the medium-term management plan have been achieved two years ahead of schedule.

Initiatives this fiscal year by segment and focus area are as follows.

#### Financial Solutions Segment

This fiscal year, the impact from the introduction of negative interest rates and other policies caused financial institutions to become cautious with regard to all types of IT investment, creating a challenging business environment for the ISID Group. Within this environment, we focused efforts on launching the development and provision of iCollex, a software product corresponding to derivative margin regulations, and other solutions corresponding to regulations in areas where IT investment is expected. In the FinTech area, we collaborated with Mitsubishi Estate Co., Ltd., and Dentsu Inc., to establish and commence operation of The FinTech Center of Tokyo Fino Lab (FINOLAB). This is the first FinTech industry base in Japan, which aims to support and accelerate startup company growth. We also worked with leading financial institutions to conduct trials using blockchain technologies, biometric technologies and artificial intelligence (AI) to support the creation of new financial services.

#### Business Solutions Segment

In the core systems and management administration area, where many companies are faced with issues including the upgrade of outdated systems and conversion to cloud based systems, as well as the implementation of strategic operations such as talent management, the ISID Group is engaged in comprehensive proposals in response to these issues centered on proprietarily developed software products. This fiscal year, in addition to facilitating the creation of a personnel information platform for a major company in the transportation industry using our POSITIVE human resource management solution, we acquired multiple large projects in the accounting field from the manufacturing and service industries using our STRAVIS consolidated accounting solution. Also, to enhance the competitive capabilities of our proprietary products, we launched development of a next-generation enterprise IT platform that



will become the foundation of corporate core systems.

#### Engineering Solutions Segment

In the manufacturing product development and production field, we support the realization of client digital enterprises represented by Industry 4.0 and other trends. This fiscal year, we continued to expand our proprietary developed conceptual design solution iQUAVIS, which supports the introduction of model-based development (MBD), and ISID Group company ESTECH Corporation consulting services focused on the automotive industry. In addition, we established the Digital Enterprise Realization (DER) Promotion Office, an organization dedicated to support the realization of digital enterprises in the manufacturing industry. We also launched the provision of services related to smart factories as well as the provision of solutions in the post-product shipment repair and maintenance services field through an alliance with ServiceMax in the United States (owned by the GE Digital Group).

#### Communications IT Segment

ISID is engaged in the provision of IT solutions through collaborations with the Dentsu Group as well as advances in core systems for the Dentsu Group. With respect to the core system support business for the Dentsu Group, we received a number of large projects up until last fiscal year, and although there were fewer projects this fiscal year, we focused efforts on outsourcing operation and maintenance services. In terms of business collaborations with Dentsu, efforts were focused on the digital marketing domain, while system building services centered on the manufacturing and service industries remained firm.

#### Global Business

Global initiatives included efforts to support Japanese companies expanding overseas and to grow business targeting non-Japanese companies. This fiscal year, we were impacted by the economic slowdown in China and the Asia region, resulting in sluggish net sales. Despite these conditions, we conducted testing related to new channel communications utilizing AI at our base in Silicon Valley in conjunction with Mizuho Bank Ltd., and Nomura Research Institute Ltd., among other efforts to aggressively promote business development using cutting-edge technologies.

#### IoT/Big Data

Amid the ongoing expansion of IoT, big data and AI use in a variety of areas, ISID is particularly focused on the predictive maintenance area, which predicts breakdowns with a high degree of accuracy based on operational data from products and manufacturing equipment. This fiscal year, we expanded deployment to corporations engaged in improving breakdown prediction accuracy and introduced construction equipment operation management systems to major construction equipment manufacturers using the Intelligent Maintenance solution provided by Predictronics Corp. in the United States. We also entered into a capital tie-up and business alliance with XSHELL. Inc., an IoT gateway service business developer, to focus on the creation of new solutions for the age of IoT and launch a platform service that simplifies the connection of IoT devices to the cloud.

#### 2020 & Beyond

Aiming to create new business focused on 2020 and beyond, this fiscal year ISID invested in the Setouchi Brand Corporation as part of our regional revitalization innovation initiatives. We built a system delivering information on the safety of organic agricultural products grown in Aya Town, Miyazaki Prefecture, using blockchain technology to guarantee reliability of production control information. As part of our sports & IT solutions initiatives, we exhibited our Running Gate 3D sports motion analysis system in the public viewing venue at the Rio Olympics.

### Strategic M&A

This fiscal year, in addition to engaging in a capital tie-up and business alliance with XSHELL. Inc, ISID accepted a third-party allocation of shares from SUZUYO SHINWART CORPORATION, our POSITIVE human resource management solution business partner. We also invested in multiple funds, including Global Brain Corporation, with the aim of creating and supporting innovative ICT ventures. Furthermore, we expanded our alliance with Liquid. Inc., a company we invested in last year specializing in biometric services, and acquired the right to market their services.

### Enhance Human Resources

ISID is focusing efforts on the employment and development of human resources possessing a broad outlook and advanced specialization. This fiscal year, in addition to acquiring “Eruboshi” certification as a leading company based on the Act on Promotion of Women’s Participation and Advancement in the Workplace, we also acquired “Platinum Kurumin” certification, a special recognition for companies that offer excellent childrearing support. In addition, we formed project teams to promote workstyle innovation activities throughout the Company.

### Stronger Measures to Prevent Unprofitable Projects

In terms of further strengthening conventional initiatives, ISID introduced risk determination criteria based on past project analyses for a stricter review of projects when orders are received. We also enhanced project management education and engaged in improving the quality of project upstream processes through third-party evaluations. As a result of these efforts, there were no unprofitable projects this fiscal year.

The impact of the Fourth Industrial Revolution, driven by IoT, big data, AI and robotics, is not limited to the manufacturing industry. It is also expanding into the financial, services and all other industries, as social and corporate expectations for IT continue to expand going forward. Through the promotion of our Medium-term Management Plan, the ISID Group will pursue further differentiation while contributing to the resolution of issues faced by clients and society.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen; amounts less than one million yen are rounded down.)

Item	Period	As of December 31, 2015	As of December 31, 2016
		Amount	Amount
<b>(Assets)</b>			
<b>Current assets:</b>			
Cash and deposits		3,430	3,316
Notes and accounts receivable-trade		16,202	16,154
Lease investment assets		67	59
Short-term investment securities		700	–
Merchandise and finished goods		71	36
Work in process		1,815	1,119
Raw materials and supplies		23	29
Deferred tax assets		1,440	787
Advance payments—trade		4,716	5,617
Deposit paid		20,955	27,218
Other		759	707
Total current assets		50,181	55,046
<b>Noncurrent assets:</b>			
Property, plant and equipment:			
Buildings, net		908	798
Tools, furniture and fixtures, net		315	282
Land		1,346	1,346
Lease assets, net		1,383	1,041
Total noncurrent assets		3,954	3,469
Intangible assets:			
Software		3,328	2,824
Lease assets		293	141
Other		33	33
Total intangible assets		3,655	2,999
Investments and other assets:			
Investment securities		1,052	785
Deferred tax assets		427	294
Lease and guarantee deposits		3,463	3,505
Other		383	191
Allowance for doubtful accounts		(1)	(1)
Total investments and other assets		5,324	4,775
Total noncurrent assets		12,934	11,244
<b>Total assets</b>		<b>63,115</b>	<b>66,291</b>

(Millions of yen; amounts less than one million yen are rounded down.)

Item	Period	As of December 31, 2015	As of December 31, 2016
		Amount	Amount
<b>(Liabilities)</b>			
<b>Current liabilities:</b>			
Notes and accounts payable—trade		4,094	5,467
Lease obligations		697	482
Accrued expenses		3,039	2,242
Income taxes payable		630	965
Advances received		6,738	6,989
Provision for loss on order received		989	64
Provision for business structure improvement		103	25
Other		2,899	3,336
Total current liabilities		19,192	19,573
<b>Noncurrent liabilities:</b>			
Lease obligations		979	748
Provision for directors’ retirement benefits		3	1
Provision for business structure improvement		18	—
Net defined benefit liability		—	8
Asset retirement obligations		818	840
Other		106	91
Total noncurrent liabilities		1,926	1,690
<b>Total liabilities</b>		21,118	21,263
<b>(Net assets)</b>			
<b>Shareholders’ equity:</b>			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		17,907	21,217
Treasury stock		(28)	(29)
Total shareholders’ equity		41,345	44,655
<b>Accumulated other comprehensive income:</b>			
Valuation difference on available-for-sale securities		62	74
Foreign currency translation adjustments		566	270
Total accumulated other comprehensive income		628	344
<b>Non-controlling interests</b>		23	27
<b>Total net assets</b>		41,997	45,027
<b>Total liabilities and net assets</b>		63,115	66,291

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### (Consolidated Statements of Income)

(Millions of yen; amounts less than one million yen are rounded down.)

Item	Period	Fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	Fiscal year ended December 31, 2016 (From January 1, 2016 to December 31, 2016)
		Amount	Amount
<b>Net sales</b>		56,771	79,783
Cost of sales		39,927	53,656
Gross profit		16,843	26,127
Selling, general and administrative expenses		14,721	19,638
<b>Operating income</b>		2,122	6,488
<b>Non-operating income:</b>			
Interest income		43	33
Dividends income		12	6
Equity in earnings of affiliates		73	—
Foreign exchange gains		164	55
Dividends income of insurance		—	45
Subsidy income		28	43
Reversal of provision for business structure improvement		65	30
Miscellaneous income		41	54
Total non-operating income		430	269
<b>Non-operating expenses:</b>			
Interest expenses		19	17
Equity in losses of affiliates		—	2
Loss on retirement of noncurrent assets		5	14
Loss on investments in partnership		—	11
Miscellaneous loss		1	6
Total non-operating expenses		25	53
<b>Ordinary income</b>		2,526	6,704
<b>Extraordinary income:</b>			
Gain on sales of investment securities		1,886	—
Gain on sales of investment in subsidiaries and affiliates		—	259
Total extraordinary income		1,886	259
<b>Income before income taxes</b>		4,413	6,964
Income taxes—current		1,532	1,600
Income taxes—deferred		(140)	773
Total income taxes		1,391	2,373
<b>Net income</b>		3,021	4,590
<b>Net income attributable to non-controlling interests</b>		6	10
<b>Net income attributable to owners of parent</b>		3,015	4,580

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen; amounts less than one million yen are rounded down.)

Item	Period	Fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	Fiscal year ended <b>December 31, 2016</b> (From January 1, 2016 to December 31, 2016)
		Amount	Amount
<b>Net income</b>		3,021	4,590
<b>Other comprehensive income:</b>			
Valuation difference on available-for-sale securities		(365)	11
Deferred gains or losses on hedges		(106)	—
Foreign currency translation adjustment		(130)	(295)
Total other comprehensive income		(601)	(283)
<b>Comprehensive income:</b>		2,420	4,307
Comprehensive income attributable to owners of the parent		2,413	4,296
Comprehensive income attributable to non-controlling interests		6	10

### (3) Consolidated Statements of Changes in Net Assets

Year ended December 31, 2015 (from April 1, 2015 to December 31, 2015)

(Millions of yen; amounts less than one million yen are rounded down.)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	8,180	15,285	15,804	(28)	39,242
Changes of items during the period					
Dividends from surplus			(912)		(912)
Net income attributable to owners of parent			3,015		3,015
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	2,102	—	2,102
Balance at the end of period	8,180	15,285	17,907	(28)	41,345

	Accumulated other comprehensive income				Net income attributable to non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of period	427	106	696	1,230	27	40,499
Changes of items during the period						
Dividends from surplus						(912)
Net income attributable to owners of parent						3,015
Net changes of items other than shareholders' equity	(365)	(106)	(130)	(601)	(3)	(605)
Total changes of items during the period	(365)	(106)	(130)	(601)	(3)	1,497
Balance at the end of period	62	—	566	628	23	41,997

**Year ended December 31, 2016 (from January 1, 2016 to December 31, 2016)**

(Millions of yen; amounts less than one million yen are rounded down.)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	8,180	15,285	17,907	(28)	41,345
Changes of items during the period					
Dividends from surplus			(1,270)		(1,270)
Net income attributable to owners of parent			4,580		4,580
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	3,309	(0)	3,309
Balance at the end of period	8,180	15,285	21,217	(29)	44,655

	Accumulated other comprehensive income			Net income attributable to non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of period	62	566	628	23	41,997
Changes of items during the period					
Dividends from surplus					(1,270)
Net income attributable to owners of parent					4,580
Purchase of treasury stock					(0)
Net changes of items other than shareholders' equity	11	(295)	(283)	4	(279)
Total changes of items during the period	11	(295)	(283)	4	3,030
Balance at the end of period	74	270	344	27	45,027



#### (4) Consolidated Statements of Cash Flows

(Millions of yen; amounts less than one million yen are rounded down.)

		(In millions of yen; amounts less than one million yen are rounded down)	
Item	Period	Fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	Fiscal year ended December 31, 2016 (From January 1, 2016 to December 31, 2016)
		Amount	Amount
Net cash provided by (used in) operating activities:			
Income before income taxes		4,413	6,964
Depreciation and amortization		2,475	2,550
Amortization of goodwill		12	—
Increase (decrease) in provision for directors' retirement benefits		(25)	(2)
Increase (decrease) in defined benefit liability		—	8
Increase (decrease) in provision for loss on order received		946	(924)
Increase (decrease) in provision for business structure improvement		(155)	(95)
Interest and dividends income		(56)	(39)
Interest expenses		19	17
Equity in (earnings) losses of affiliates		(63)	37
Loss (gain) on sales of investment securities		(1,886)	—
Loss (gain) on sales of investment in subsidiaries and affiliates		—	(259)
Decrease (increase) in notes and accounts receivable-trade		3,832	15
Decrease (increase) in inventories		(1,226)	710
Decrease (increase) in advance payments		(77)	(906)
Increase (decrease) in notes and accounts payable-trade		(1,788)	1,407
Increase (decrease) in accrued expenses		(142)	(788)
Increase (decrease) in advances received		1,440	292
Increase (decrease) in accrued consumption taxes		(338)	166
Other, net		1,009	408
Subtotal		8,388	9,564
Interest and dividends income received		74	41
Interest expenses paid		(19)	(17)
Income taxes paid		(2,818)	(1,284)
Net cash provided by operating activities		5,624	8,303

(Millions of yen; amounts less than one million yen are rounded down.)

Item	Period	Fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	Fiscal year ended December 31, 2016 (From January 1, 2016 to December 31, 2016)
		Amount	Amount
<b>Net cash provided by (used in) investing activities:</b>			
Payments into time deposits		(9)	(285)
Proceeds from withdrawal of time deposits		18	292
Proceeds from redemption of securities		–	700
Purchase of property, plant and equipment		(111)	(160)
Purchases of intangible assets		(902)	(1,022)
Payments for execution of assets retirement obligations		(8)	(7)
Purchases of investment securities		(89)	(419)
Proceeds from sales of investment securities		3,571	18
Purchase of stocks of subsidiaries and affiliates		(5)	–
Proceeds from sales of stocks of subsidiaries and affiliates		–	900
Proceeds from sales of investments in capital of subsidiaries and affiliates		189	–
Payments for lease and guarantee deposits		(30)	(62)
Proceeds from collection of lease and guarantee deposits		23	15
Other, net		(2)	(2)
Net cash used in investing activities		2,642	(34)
<b>Net cash provided by (used in) financing activities:</b>			
Repayments of lease obligations		(696)	(715)
Cash dividends paid		(912)	(1,270)
Cash dividends paid to non-controlling interests		(10)	(6)
Purchase of treasury stock		–	(0)
Net cash used in financing activities		(1,619)	(1,991)
<b>Effect of exchange rate change on cash and cash equivalents</b>		(132)	(258)
<b>Net increase (decrease) in cash and cash equivalents</b>		6,515	6,018
<b>Cash and cash equivalents at the beginning of period</b>		17,714	24,230
<b>Cash and cash equivalents at the end of period</b>		24,230	30,248

## 4. Supplementary Information

### Status of Production, Orders and Sales

In the previous fiscal year (April 1, 2015–December 31, 2015), the Company changed its fiscal year-end from March 31 to December 31. Accordingly, the indicated year-on-year comparisons of business performance are with the corresponding period of the previous year (from January 1, 2015 to December 31, 2015).

#### (1) Production

The status of production through the fiscal year ended December 31, 2016 (from January 1, 2016 to December 31, 2016) by business segment is as follows:

(Millions of yen)		
Business segment	Production output	YoY (%)
Financial Solutions	17,114	95.2
Business Solutions	10,308	118.1
Engineering Solutions	4,444	101.7
Communications IT	6,987	84.3
Total	38,855	98.7

The status of production through the fiscal year ended December 31, 2016 (from January 1, 2016 to December 31, 2016) by service category is as follows:

(Millions of yen)		
Service category	Production output	YoY (%)
Custom System Development	21,484	93.9
In-house Software Add-on Development	8,685	108.3
Third-party Software Add-on Development	8,685	102.7
Total	38,855	98.7

Notes: 1. In-house Software Add-on Development and Third-party Software Add-on Development includes technical support services.  
2. Figures are calculated from sales prices.  
3. Figures do not include consumption tax or other additions.

#### (2) Orders

The status of orders through the fiscal year ended December 31, 2016 (from January 1, 2016 to December 31, 2016) by business segment is as follows:

(Millions of yen)				
Business segment	Orders received	YoY (%)	Order backlog	YoY (%)
Financial Solutions	17,718	97.8	3,344	116.4
Business Solutions	11,755	155.2	3,668	169.2
Engineering Solutions	4,395	98.9	650	82.0
Communications IT	7,002	91.6	1,119	93.5
Total	40,872	108.2	8,783	124.9

The status of orders through the fiscal year ended December 31, 2016 (from January 1, 2016 to December 31, 2016) by service category is as follows:

(Millions of yen)

Service category	Orders received	YOY (%)	Order backlog	YoY (%)
Custom System Development	22,993	105.1	4,575	142.8
In-house Software Add-on Development	8,940	119.5	2,372	109.6
Third-party Software Add-on Development	8,937	106.2	1,835	110.4
Total	40,872	108.2	8,783	124.9

Notes: 1. In-house Software Add-on Development and Third-party Software Add-on Development include technical support services.  
2. Figures do not include consumption tax or other additions.

### (3) Sales

The status of sales through the fiscal year ended December 31, 2016 (from January 1, 2016 to December 31, 2016) by business segment is as follows:

(Millions of yen)

Business segment	Sales volume	YoY (%)
Financial Solutions	22,037	89.4
Business Solutions	16,965	109.2
Engineering Solutions	23,872	102.6
Communications IT	16,908	95.1
Total	79,783	98.2

The status of sales through the fiscal year ended December 31, 2016 (from January 1, 2016 to December 31, 2016) by service category is as follows:

(Millions of yen)

Service category	Sales volume	YoY (%)
Consulting Services	5,426	109.2
Custom System Development	21,622	90.9
In-house Software	14,796	102.0
Third-party Software	23,850	99.6
Outsourcing, Operation and Maintenance	8,015	106.7
IT Equipment Sales and Others	6,071	93.3
Total	79,783	98.2

Notes: 1. Figures do not include consumption tax or other additions.

2. Sales to major client and the proportion of total sales are as follows:

(Millions of yen)

Client	The same period of the previous year (from January 1, 2015 to December 31, 2015)		FY2016 (from January 1, 2016 to December 31, 2016)	
	Amount	Proportion (%)	Amount	Proportion (%)
Dentsu, Inc.	11,663	14.4	10,648	13.3