

February 9, 2016

Consolidated Financial Results for the Fiscal Year Ended December 31, 2015

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' meeting: March 25, 2016
Date of scheduled payment of dividends: March 28, 2016
Date of scheduled filing of securities report: March 25, 2016
Supplementary explanatory documents: Yes
Presentation: Yes

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

1. Consolidated Business Performance for the FY2015 (from April 1, 2015 to December 31, 2015)

(1) Consolidated Operating Results (Cumulative) (% of change from previous year)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) *	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2015	56,771	-	2,122	-	2,526	-	3,015	-
FY2014	78,267	5.8	4,478	3.9	4,966	4.2	2,166	(24.6)

(Note) Comprehensive income: FY2015: 2,420 million yen; FY2014: 2,426 million yen

*Net income attributable to parent company's shareholders.

	EPS	Diluted EPS	ROE	ROA	Ratio of operating income to net sales
	yen	yen	%	%	%
FY2015	92.54	—	7.3	4.0	3.7
FY2014	66.50	—	5.5	8.2	5.7

(Note) Equity in earnings of affiliated companies: FY2015: 73 million yen; FY2014: 85 million yen

(Note) Following the approval of the partial revision to the Articles of Incorporation at the General Ordinary Meeting of Shareholders held on June 23, 2015, the Company has revised the business year-end from March 31 to December 31 from fiscal year 2015 which consolidated period has been nine months from April 1 to December 31, 2015.

Ref: The percentages below are comparisons between the Company's consolidated results and the first nine months of the preceding fiscal year (from April 1 to December 31, 2014).

Net sales		Operating income		Ordinary income		Net income *		Comprehensive income	
(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
56,771	5.5	2,122	97.8	2,526	99.5	3,015	347.3	2,420	109.5

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	yen
FY2015	63,115	41,997	66.5	1,288.23
FY2014	62,328	40,499	64.9	1,242.15

(Reference) Total shareholders' equity: FY2015: 41,974 million yen; FY2014: 40,472 million yen

(3) Consolidated Cash Flow

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2015	5,624	2,642	(1,619)	24,230
FY2014	8,776	(2,583)	(1,729)	17,714

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)	(%)	(%)
FY2014	-	12.00	-	14.00	26.00	847	39.1	2.1
FY2015	-	14.00	-	18.00	32.00	1,042	34.6	2.5
FY2016 (Forecast)	-	21.00	-	21.00	42.00		35.3	

(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 FY2016 (from January 1, 2016 to December 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income *		EPS
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(yen)
First half of FY 2016	40,179	-	2,675	-	2,752	-	1,794	-	55.06
FY 2016	82,013	-	5,700	-	5,873	-	3,871	-	118.82

The Company has revised the business year-end from March 31 to December 31 from fiscal year 2015 which consolidated period has been nine months from April 1 to December 31, 2015.

Ref: The percentages below are comparisons between the Company's consolidated forecasts for the fiscal year ending December 31, 2016 and the consolidated results from January 1 to December 31, 2015.

	Net sales		Operating income		Ordinary income		Net income	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
First half of FY 2016	40,179	0.0	2,675	0.3	2,752	(11.7)	1,794	66.9
FY 2016	82,013	0.9	5,700	3.1	5,873	(5.7)	3,871	(14.1)

4. Other Items

- Changes in the scope of consolidation for significant subsidiaries during three months (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

3. Issued and outstanding common stock

1) Number of shares issued and outstanding at end of period, including treasury stock:	FY2015	32,591,240 shares	FY2014	32,591,240 shares
2) Number of treasury stock at end of period:	FY2015	8,430 shares	FY2014	8,430 shares
3) Average number of shares outstanding for each period (cumulative quarterly period):	FY2015	32,582,810 shares	FY2014	32,582,861 shares

(Reference) Summary of Non-Consolidated Financial Results

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

1. Non-Consolidated Results for FY 2015 (From April 1, 2015 to December 31, 2015)**(1) Non-Consolidated Financial Results**

(% of change from previous year)

	Net sales		Operating income		Ordinary income	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
FY 2015	46,938	-	687	-	2,153	-
FY 2014	64,478	5.3	2,470	28.5	3,593	19.4

	Net income (loss)		EPS	Diluted EPS
	(million yen)	(%)	(yen)	(yen)
FY 2015	3,089	-	94.83	—
FY 2014	1,333	(27.9)	40.94	—

The Company has revised the business year-end from March 31 to December 31 from fiscal year 2015 which consolidated period has been nine months from April 1 to December 31, 2015.

Ref: The percentages below are comparisons between the Company's results and the first nine months of the preceding fiscal year (from April 1 to December 31, 2014).

Net sales		Operating income		Ordinary income		Net income	
(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
46,938	6.7	687	-	2,153	171.8	3,089	351.6

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	(million yen)	(million yen)	(%)	(yen)
FY 2015	57,480	36,190	63.0	1,110.72
FY 2014	55,778	34,483	61.8	1,058.35

Ref.: Shareholders' equity: FY 2015: 36,190 million yen; FY 2014: 34,483 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.

2. The above forecast has been calculated based on the currently available information as of the disclosure date of this document. The actual performance results of operation 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 FY2015 (Ended December 31, 2015)

During the fiscal period under review (April 1, 2015 to December 31, 2015) *1, the Japanese economy remained in a phase of modest recovery against a backdrop of solid corporate earnings, despite such factors as a slowdown of growth in China and other emerging markets and a sense of uncertainty stemming from multiple terrorist attacks. In the information services industry, IT investment remained buoyant, centering on the manufacturing and financial industries. Although a worsening macroeconomic environment prompted risk of deceleration, the business environment remains positive for the time being.

Amid such conditions, the ISID Group promoted “ISID Open Innovation 2016 ‘Joint Value Creation’—Progress to the Future,” a medium-term management plan with three core policies: “Pursue competitive advantages,” “Develop new business fields” and “Enhance human resources.” For FY2015, the second year of this plan, we have defined our focus areas as “IoT/big data,” “the automotive industry” and “2020 and beyond—Develop new business fields through 2020 and beyond.” We have put in place organizations to promote these policies, which are aimed at initiatives to further expand the ISID Group’s business.

Consolidated net sales for the fiscal period under review amounted to ¥56,771 million, up 5.5% from the same period of the preceding fiscal year. Although affected by the conclusion of large-scale projects, the generation of new projects led to year-on-year increases in sales in all business segments. We recorded the highest net sales figures to date for the nine-month period (April–December).

On the earnings front, gross profit expanded 16.7%, to ¥16,843 million, benefiting from the effect of higher sales and an improved gross profit ratio centered on consulting services and in-house software. As a result, despite higher selling, general and administrative (SG&A) expenses due to an increase in personnel, operating income surged 97.8% year on year, to ¥2,122 million. Ordinary income also rose substantially, climbing 99.5%, to ¥2,526 million. Furthermore, the Company posted extraordinary income stemming from a ¥1,886 million gain on sales of investment securities, causing a 4.5-fold increase in profit attributable to owners of parent*2, which grew 347.3%, to ¥3,015 million. Despite the fact that this was a nine-month accounting period, the company recorded its highest-ever level of profit attributable to owners of parent.

*1. From the fiscal period under review, 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 nine months of the preceding fiscal year (April 1, 2014 to December 31, 2014). 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.

*2. Due to the adoption of the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), from the fiscal period under review “net income” became “profit attributable to owners of parent.”

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	Third quarter of FY2014 (From April 1, 2014 to December 31, 2014)		FY2015 (From April 1, 2015 to December 31, 2015)		YOY	
	Net sales	Operating income	Net Sales	Operating income	Net Sales	Operating income
	% of sales		% of sales			
Financial Solutions	17,281	416	17,851	1,441	570	1,025
	32.1		31.4			
Business Solutions	10,578	169	11,177	(30)	599	(199)
	19.7		19.7			
Engineering Solutions	14,079	(838)	15,588	(619)	1,509	219
	26.2		27.5			
Communications IT	11,855	1,325	12,152	1,331	297	6
	22.0		21.4			
Total	53,795	1,073	56,771	2,122	2,976	1,049
	100.0		100.0			

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.

During the period, in addition to expansion of custom system development for megabanks and major financial institutions, new orders were favorable for our next-generation financing solution, BANK・R, a mainstay in-house software offering, boosting segment sales. Operating income grew substantially, benefiting from the increase in sales as well as to the settlement of in-house software development projects for which cost of sales increased in the preceding term.

Business Solutions

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

During the period, sales increased for mainstay in-house software, such as the POSITIVE human resources management solution and our STRAVIS consolidated accounting solution. Provision of third-party software for the accounting domain, such as Oracle-EBS, was also favorable, prompting an increase in segment sales. However, operating income decreased, as certain projects grew unprofitable due to higher development costs.

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, business focused on the automotive industry grew substantially, including consulting services to support the introduction of MBD*3, iQUAVIS in-house software that supports conceptual design operations, and Teamcenter third-party software that supports product lifecycle management (PLM). We also enjoyed robust sales of third-party software for social infrastructure and energy-related industries, among others,

prompting a rise in segment sales. Although yen depreciation caused our cost of purchasing third-party software to increase, operating income improved thanks to the effect of higher sales and enhanced profitability centered on consulting services.

*3 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.

Although sales to the Dentsu Group fell during the period due to the completion of large-scale projects, business in collaboration with the Dentsu Group expanded, particularly for public organizations. Segment sales increased as a result. Operating income also grew, mainly as a result of higher sales.

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

Net Sales by Service Category

(Millions of yen)

Service category	Third quarter of FY2014 (From April 1, 2014 to December 31, 2014)		FY2015 (From April 1, 2015 to December 31, 2015)		YOY
	Net sales	% of sales	Net Sales	% of sales	
Consulting services	2,242	4.2	3,350	5.9	1,108
Custom system development	15,935	29.6	16,658	29.3	723
In-house software	9,298	17.3	10,366	18.3	1,068
Third-party software	15,349	28.5	16,578	29.2	1,229
Outsourcing, operation and maintenance services	5,287	9.8	5,256	9.3	(31)
IT equipment sales and others	5,681	10.6	4,561	8.0	(1,120)
Total	53,795	100.0	56,771	100.0	2,976

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 of these services increased, centered on support for the introduction of MBD by the automotive industry.

Custom system development

Sales of these services expanded, owing in particular to sales to megabanks and other major financial institutions.

In-house software

Sales in this category rose, due to increased sales of our next-generation financing solution, BANK・R, the POSITIVE human resources management solution, the STRAVIS consolidated accounting solution, the iQUAVIS conceptual design solution, and the iPLAss marketing platform.

Third-party software

In this category, sales grew as a result of expansion of design and development tools for the manufacturing industry, centered on the Teamcenter product lifecycle management (PLM) solution, and increased sales in the accounting field of Oracle-EBS and other products.

Outsourcing, operation and maintenance services

Sales of these services were essentially flat year on year, centering on services for the Dentsu Group.

IT equipment sales and others

Sales of these services decreased, reflecting a backlash in growth from major customers.

2) Forecast for FY2016 (Ending December 31, 2016)

The ISID Group's forecasts for FY 2016 are as follows:

Earnings Forecast for FY 2016 (January 1, 2016 to December 31, 2016)

	(Millions of yen)	
	Consolidated	
	Amount	YOY (%)
Net sales	82,013	100.9
Operating income	5,700	103.1
Ordinary income	5,873	94.3
Profit attributable to owners of parent	3,871	85.9

Note:

The year-on-year percentage figures shown above represent a forecast for the upcoming fiscal term, compared to the nine-month consolidated operating results for January 1, 2015 to December 31, 2015.

Although we expect a decrease in revenue from the Business Solutions segment due to the completion of large-scale projects, we anticipate a rise in net sales, buoyed by higher revenues from the Engineering Solutions and Communications IT segments. We also expect operating income to rise due to an increase in sales and an improved gross profit ratio, despite higher SG&A expenses stemming from cost increases for software purchases due to the weaker yen, an increase in personnel and expanded R&D activities.

Conversely, we expect ordinary income to decrease, mainly because of a downturn in foreign exchange gains. We also forecast a decline in profit attributable to owners of parent due to the absence of extraordinary income posted in the period 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 FY2015 and FY2016

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, 2016, we expect to pay a year-end dividend of ¥18 per share (¥11 as an ordinary dividend and ¥7 as a commemorative dividend), up ¥4 per share from our initial forecast of ¥14 per share (¥7.00 as an ordinary dividend and ¥7 as a commemorative dividend). The full-year dividend, including the dividend of ¥14 per share paid at the end of the second quarter, is therefore expected to amount to ¥32 per share, up ¥6 from ¥26 per share in the previous fiscal year.

For the next fiscal year (ending December 31, 2016), we forecast an annual dividend of ¥42 per share, comprising ¥21 at the end of the second half and ¥21 at year-end. This would amount to an increase of ¥10 per share from the current period.

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."

These three basic policies form the planks of "ISID Open Innovation 2016 "Joint Value Creation"—Progress to the Future," the three-year medium-term management plan the ISID Group commenced in April 2014. Under this plan, the Company formulated an activity plan and set its management targets as achieving "consolidated net sales of ¥85.0 billion and operating income of ¥6.0 billion by the fiscal year ending March 31, 2017."

For the fiscal period under review, the second year of this plan, we defined our focus areas as "IoT/big data," "the automotive industry" and "2020 and beyond—Develop new business fields through 2020 and beyond." By promoting policies in these areas and undertaking initiatives aimed at further expanding our business, we achieved major year-on-year increases in sales and income. Net sales consequently rose for the fifth consecutive fiscal period and operating income grew for the sixth straight period, indicating that we are making steady progress toward our targets for the fiscal year ending March 31, 2017.

However, ISID Group has continued to see dramatic changes in business surroundings such as recent advances in the cloud, mobile, sensing, artificial intelligence and other areas, as well as the rapid developments of IoT accompanying these advances and a broadening application of these advances by companies. For this reason and to take advantage of the timing for the change of our fiscal year-end, we have formulated a new medium-term management plan that commenced in January 2016. Having celebrated its 40th anniversary of establishment in December 2015, ISID Group positions the New Plan as "the first step in creating our next new decade." An outline of the New Plan is as follows.

■ Plan Title

ISID Open Innovation 2018 “Joint Value Creation”

■ Basic Objectives

• **Pursue Competitive Advantages**

Concentrate our management resources in our competitive advantages to further nurture our strengths.

• **Develop New Business Fields**

Looking to the future, aggressively cultivate new business domains.

• **Enhance Human Resources**

Invest proactively in human resources, the source of “Joint Value Creation,” and advance “the value of human resources.”

■ Quantitative Goals

(Millions of yen)

	FY2015 (From April 1, 2015 to December 31, 2015)	FY2018 Target	CAGR (Compound annual growth rate)
Consolidated net sales	81,200	100,000	7.2%
Consolidated operating income	5,500	8,000	13.3%
Operating margin	6.8%	8.0%	

■ Capital Policies

We will implement capital policies aimed at ensuring sustainable increases in corporate value. We will pursue organic business growth, increase sales and profit through strategic M&A, and endeavor to improve capital efficiency and enhance shareholder returns.

Improve capital efficiency	Enhance shareholder returns	Strategic M&A
Return on equity (ROE) at 10.0% or more	Target a consolidated payout ratio at 35–40%	M&A investment budget of ¥10,000 million (three-year total)

■ Main Measures

Financial Solutions Segment

We will reinforce solutions to assist major financial institutions’ efforts to operate globally, as well as to meet regulatory and statutory requirements. We also aim to generate new customers mainly by our in-house software solutions including “Stream-R”, Bank of Japan settlement liquidity management system, “BANK・R”, next-generation financing solution, and “Lamp”, core system for leasing companies. In the fast-growing FinTech sector, we will create financial services in collaboration with startup companies.

Business Solutions

We will strengthen our solutions for corporate core systems, of which major parts are our in-house software solutions such as “POSITIVE”, human resources management solution, and “STRAVIS”, consolidated accounting solution. In addition, we will respond to customer needs that have become increasingly complex and diverse by embarking on the development of next-generation enterprise IT platforms.

Engineering Solutions

We will focus on developing and providing solutions that support model-based development (MDB), a manufacturing method being increasingly adopted by the automotive industry, among others, especially with our solution “iQUAVIS”, a conceptual design solution. Furthermore, we will work to promote digitalization and efficiency improvements of the manufacturing industry through 3D CAD and CAE, strengthen our collaborations with partners in Japan and overseas, to support customers’ efforts to realize customers’ production innovations and digital enterprises, characterized by Industry 4.0.

Communications IT

We will support the additional sophistication of the Dentsu Group’s core systems and reinforce collaboration with Dentsu. In digital marketing arena, we will concentrate on providing IT solutions that resolve the issues companies face and help them realize innovation. We will also strive to create new business in areas related to 2020 with initiatives involving regional revitalization and inbound tourist demand.

Strategic Domains

We will focus on three strategic domains common to our business segments: “global,” “IoT/big data” and “2020 and beyond.” In the global domain, we will further strengthen our efforts to support Japanese companies’ business expansion into overseas and strive to make inroads into the non-Japanese market through M&A. In IoT/big data, we will generate new solutions appropriate to the IoT era, such as those that leverage industrial big data in the manufacturing industry, supporting business transformations of our customers. In 2020 and beyond, we aim to create brand-new business with a view to 2020 and later years.

Enhance Human Resources

To maximize “value of human resources,” as stated in our management philosophy, we focus on recruiting and cultivating personnel with broad perspectives and high-level expertise. At the same time, we create environment where diverse human resources may flourish own talents, regardless of their age, gender, nationality and other factors, and pursue working style reforms that the personnel may realize notable creativity and high levels of productivity.

Set Improved Measures to Prevent Unprofitable Projects

We will further emphasize measures that we have already undertaken. By introducing risk judgment criteria based on the analysis of past projects, we will make project screening more stringent at the time of order receipt, reinforce project management training, and increase the quality of project upstream processes through third-party evaluations. Through these thorough efforts, we work hard to prevent the recurrence of unprofitable projects.

By pursuing the New Plan, the ISID Group is determined to seek further differentiation, and take the lead in resolving the issues our customers and society are facing. We take it as a mission of an IT company, and willing to realize it by proactively carrying on “Joint Value Creation”.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

Item	Period	As of March 31, 2015	As of December 31, 2015
		Amount	Amount
(Assets)			
Current assets:			
Cash and deposits		3,833	3,430
Notes and accounts receivable—trade		20,054	16,202
Lease investment assets		63	67
Short Term Investment Securities		700	700
Merchandise and finished goods		36	71
Work in process		633	1,815
Raw materials and supplies		23	23
Deferred tax assets		1,184	1,440
Advance payments—trade		4,643	4,716
Deposit paid		14,045	20,955
Other		1,482	759
Total current assets		46,699	50,181
Noncurrent assets:			
Property, plant and equipment:			
Buildings, net		991	908
Tools, furniture and fixtures, net		305	315
Land		1,346	1,346
Lease assets, net		1,690	1,383
Construction in progress		7	—
Total noncurrent assets		4,341	3,954
Intangible assets:			
Software		4,006	3,328
Goodwill		12	—
Lease assets		415	293
Other		34	33
Total intangible assets		4,468	3,655
Investments and other assets:			
Investment securities		2,645	1,052
Deferred tax assets		320	427
Lease and guarantee deposits		3,457	3,463
Other		396	383
Allowance for doubtful accounts		(1)	(1)
Total investments and other assets		6,819	5,324
Total noncurrent assets		15,629	12,934
Total assets		62,328	63,115

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

Item	Period	As of March 31, 2015	As of December 31, 2015
		Amount	Amount
(Liabilities)			
Current liabilities:			
Notes and accounts payable—trade		5,901	4,094
Lease obligations		848	697
Accrued expenses		3,188	3,039
Income taxes payable		1,909	630
Advances received		5,319	6,738
Provision for loss on order received		44	989
Provision for business structure improvement		164	103
Other		2,107	2,899
Total current liabilities		19,481	19,192
Noncurrent liabilities:			
Lease obligations		1,269	979
Deferred tax liabilities		2	1
Provision for directors' retirement benefits		28	3
Provision for business structure improvement		113	18
Asset retirement obligations		806	818
Other		127	104
Total noncurrent liabilities		2,347	1,926
Total liabilities		21,829	21,118
(Net assets)			
Shareholders' equity:			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		15,804	17,907
Treasury stock		(28)	(28)
Total shareholders' equity		39,242	41,345
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities		427	62
Deferred gains or losses on hedges		106	—
Foreign currency translation adjustments		696	566
Total accumulated other comprehensive income		1,230	628
Non-controlling interests		27	23
Total net assets		40,499	41,997
Total liabilities and net assets		62,328	63,115

(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 March 31, 2015 (From April 1, 2014 to March 31, 2015)	Fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)
		Amount	Amount
Net sales		78,267	56,771
Cost of sales		55,902	39,927
Gross profit		22,364	16,843
Selling, general and administrative expenses		17,886	14,721
Operating income		4,478	2,122
Non-operating income:			
Interest income		45	43
Dividends income		64	12
Equity in earnings of affiliates		85	73
Foreign exchange gains		184	164
Reversal of provision for business structure improvement		—	65
Miscellaneous income		147	69
Total non-operating income		526	430
Non-operating expenses:			
Interest expenses		28	19
Loss on retirement of noncurrent assets		6	5
Miscellaneous loss		3	1
Total non-operating expenses		38	25
Ordinary income		4,966	2,526
Extraordinary income:			
Gain on sales of investment securities		209	1,886
Gain on sales of investment in subsidiaries and affiliates		147	—
Total extraordinary income		356	1,886
Extraordinary loss:			
Provision for business structure improvement		1,265	—
Total extraordinary loss		1,265	—
Income before income taxes		4,057	4,413
Income taxes—current		2,345	1,532
Income taxes—deferred		(465)	(140)
Total income taxes		1,880	1,391
Net income		2,177	3,021
Profit attributable to non-controlling interests		10	6
Profit attributable to owners of parent		2,166	3,015

(Consolidated Statements of Comprehensive Income)

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

Item	Period	Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	Fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)
		Amount	Amount
Net income		2,177	3,021
Other comprehensive income:			
Valuation difference on available-for-sale securities		(294)	(365)
Deferred gains or losses on hedges		83	(106)
Foreign currency translation adjustment		459	(130)
Total other comprehensive income		249	(601)
Comprehensive income:		2,426	2,420
Comprehensive income attributable to owners of the parent		2,416	2,413
Comprehensive income attributable to non-controlling interests		10	6

(3) Consolidated Statements of Changes in Net Assets

Year ended March 31, 2015 (from April 1, 2014 to March 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	14,419	(28)	37,857
Changes of items during the period					
Dividends from surplus			(781)		(781)
Profit attributable to owners of parent			2,166		2,166
Purchase of treasury stock				(0)	(0)
Change of scope of consolidation					
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	1,384	(0)	1,384
Balance at the end of period	8,180	15,285	15,804	(28)	39,242

	Accumulated other comprehensive income				Profit 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	721	22	236	980	25	38,864
Changes of items during the period						
Dividends from surplus						(781)
Profit attributable to owners of parent						2,166
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	(294)	83	459	249	1	250
Total changes of items during the period	(294)	83	459	249	1	1,635
Balance at the end of period	427	106	696	1,230	27	40,499

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)
Profit 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				Profit 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)
Profit attributable to owners of parent						3,105
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

(4) Consolidated Statements of Cash Flows

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

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

Item	Period	Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	Fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)
		Amount	Amount
Net cash provided by (used in) operating activities:			
Income before income taxes and minority interests		4,057	4,413
Depreciation and amortization		4,213	2,475
Amortization of goodwill		25	12
Increase (decrease) in allowance for doubtful accounts		(2)	—
Increase (decrease) in provision for directors' retirement benefits		—	(25)
Increase (decrease) in provision for loss on order received		(121)	946
Increase (decrease) in provision for business structure improvement		—	(155)
Interest and dividends income		(110)	(56)
Interest expenses		28	19
Equity in (earnings) losses of affiliates		(35)	(63)
Loss on retirement of noncurrent assets		6	5
Loss (gain) on sales of investment securities		(209)	(1,886)
Loss (gain) on sales of investment in subsidiaries and affiliates		(147)	—
Business structure improvement expenses		1,265	—
Decrease (increase) in notes and accounts receivable—trade		371	3,832
Decrease (increase) in inventories		(76)	(1,226)
Decrease (increase) in advance payments		(44)	(77)
Increase (decrease) in notes and accounts payable—trade		76	(1,788)
Increase (decrease) in accrued expenses		135	(142)
Increase (decrease) in advances received		417	1,440
Increase (decrease) in accrued consumption taxes		683	(338)
Other, net		(149)	1,003
Subtotal		10,385	8,388
Interest and dividends income received		89	74
Interest expenses paid		(28)	(19)
Income taxes paid		(1,671)	(2,818)
Income taxes refund		1	—
Net cash provided by operating activities		8,776	5,624

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

Item \ Period	Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	Fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)
	Amount	Amount
Net cash provided by (used in) investing activities:		
Payments into time deposits	(500)	(9)
Proceeds from withdrawal of time deposits	498	18
Purchase of property, plant and equipment	(320)	(111)
Purchases of intangible assets	(2,247)	(902)
Payments for execution of assets retirement obligations	—	(8)
Purchases of investment securities	(30)	(89)
Proceeds from sales of investment securities	34	3,571
Purchase of shares of subsidiaries and affiliates	—	(5)
Proceeds from sales of investments in capital of subsidiaries and affiliates	—	189
Payments for lease and guarantee deposits	(30)	(30)
Proceeds from collection of lease and guarantee deposits	23	23
Other, net	(10)	(2)
Net cash used in investing activities	(2,583)	2,642
Net cash provided by (used in) financing activities:		
Repayments of lease obligations	(938)	(696)
Cash dividends paid	(781)	(912)
Cash dividends paid to non-controlling interests	(9)	(10)
Other, net	(0)	—
Net cash used in financing activities	(1,729)	(1,619)
Effect of exchange rate change on cash and cash equivalents	400	(132)
Net increase (decrease) in cash and cash equivalents	4,864	6,515
Cash and cash equivalents at the beginning of period	12,849	17,714
Cash and cash equivalents at the end of period	17,714	24,230

4. Supplementary Information

Status of Production, Orders and Sales

The Company revised its reportable segment categories during the fiscal period under review. For purposes of comparison, figures for the same period of the preceding fiscal year have been adjusted to correspond with the post-revision segments.

Due to the change in our fiscal year-end during the fiscal period under review, the current consolidated fiscal period is nine months, from April 1, 2015 to December 31, 2015. The indicated year-on-year comparisons of business performance are with the corresponding period of the previous year (from April 1, 2014 to December 31, 2014).

(1) Production

The status of production through the fiscal year ended December 31, 2015 (from April 1, 2015 to December 31, 2015) by business segment is as follows:

(Millions of yen)		
Business segment	Production output	YOY (%)
Financial Solutions	13,275	90.5
Business Solutions	6,249	102.4
Engineering Solutions	3,062	127.2
Communications IT	5,725	94.5
Total	28,312	96.8

The status of production through the fiscal year ended December 31, 2015 (from April 1, 2015 to December 31, 2015) by service category is as follows:

(Millions of yen)		
Service category	Production output	YOY (%)
Custom system development	16,509	87.5
In-house software add-on development	5,861	112.3
Third-party software add-on development	5,941	115.0
Total	28,312	96.8

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, 2015 (from April 1, 2015 to December 31, 2015) by business segment is as follows:

(Millions of yen)				
Business segment	Orders received	YOY (%)	Order backlog	YOY (%)
Financial Solutions	13,722	103.5	2,873	77.8
Business Solutions	5,743	74.9	2,168	66.1
Engineering Solutions	3,389	125.4	793	90.5
Communications IT	5,405	90.9	1,197	55.8
Total	28,261	95.6	7,031	70.3

The status of orders through the fiscal year ended December 31, 2015 (from April 1, 2015 to December 31, 2015) by service category is as follows:

(Millions of yen)

Service category	Orders received	YOY (%)	Order backlog	YOY (%)
Custom system development	16,017	90.4	3,204	62.6
In-house software add-on development	5,913	94.4	2,164	72.5
Third-party software add-on development	6,330	113.3	1,662	87.8
Total	28,261	95.6	7,031	70.3

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, 2015 (from April 1, 2015 to December 31, 2015) by business segment is as follows:

(Millions of yen)

Business segment	Sales volume	YOY (%)
Financial Solutions	17,851	103.3
Business Solutions	11,177	105.7
Engineering Solutions	15,588	110.7
Communications IT	12,152	102.5
Total	56,771	105.5

The status of sales through the fiscal year ended December 31, 2015 (from April 1, 2015 to December 31, 2015) by service category is as follows:

(Millions of yen)

Service category	Sales volume	YOY (%)
Consulting services	3,350	149.4
Custom system development	16,658	104.5
In-house software	10,366	111.5
Third-party software	16,578	108.0
Outsourcing, operation and maintenance	5,256	99.4
IT equipment sales and others	4,561	80.3
Total	56,771	105.5

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	Third quarter of FY2014 (From April 1, 2014 to December 31, 2014)		FY2015 (From April 1, 2015 to December 31, 2015)	
	Amount	Proportion (%)	Amount	Proportion (%)
Dentsu, Inc.	8,076	15.0	7,823	13.8