Summary of Business Results for the Year Ended March 31, 2016
[Japan GAAP] (Consolidated)

May 13, 2016

Company	**Miroku Jyoho Service Co., Ltd.**	Listed on the TSE 1st Section
Stock Code	9928	URL: http://www.mjs.co.jp
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Expected date of annual shareholders' meeting: June 29, 2016 Expected starting date of dividend payment: June 30, 2016
Expected date of filing of annual securities report: June 30, 2016
Preparation of supplementary financial document: Yes
Results briefing: Yes (for analysts)

(Rounded down to million yen)

1. Consolidated business results for the year ended March 2016 (April 1, 2015 through March 31, 2016)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Mar. 2016	23,636	5.6	3,039	20.4	3,068	18.6	1,906	8.4
Year ended Mar. 2015	22,383	1.4	2,524	5.6	2,587	6.8	1,757	26.5

(Note) Comprehensive income: Year ended March 2016: 1,950 million yen (97.3%)
Year ended March 2015: 988 million yen (-69.1%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended Mar. 2016	60.00	57.25	14.0	15.5	12.9
Year ended Mar. 2015	55.76	52.58	13.7	13.2	11.3

(Reference) Investment earnings/loss on equity-method: Year ended March 2016: -8 million yen
Year ended March 2015: -0 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 2016	19,882	14,059	70.2	443.22
As of Mar. 2015	19,671	13,346	67.8	411.46

(Reference) Shareholders' equity: As of March 2016: 13,962 million yen
As of March 2015: 13,329 million yen

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Mar. 2016	2,139	-711	-1,683	5,423
Year ended Mar. 2015	2,707	-1,024	-586	5,679

2. Dividends

	Annual dividend					Total dividend (Total)	Dividend payout ratio (Consolidated)	Rate of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Mar. 2015	–	0.00	–	15.00	15.00	485	26.9	3.7
Year ended Mar. 2016	–	0.00	–	17.00	17.00	535	28.3	4.0
Year ending Mar. 2017 (forecast)	–	0.00	–	20.00	20.00		25.7	

3. Forecast of consolidated business results for the year ending March 2017 (April 1, 2016 through March 31, 2017)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the six months ending Sept. 30, 2016	12,800	8.2	1,930	34.6	1,990	37.0	1,210	44.5	38.41
Year ending Mar. 2017	26,000	10.0	3,930	29.3	4,000	30.4	2,450	28.5	77.77

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Changes in accounting policies, accounting estimates and restatement
- (i) Changes in accounting policies associated with revision of accounting standards: Yes
- (ii) Changes in accounting policies other than (i): None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(3) Shares outstanding (common stock)
- (i) Number of shares outstanding at the end of period (treasury stock included):
  As of March 2016 34,806,286 shares As of March 2015 34,806,286 shares
- (ii) Treasury stock at the end of period:
  As of March 2016 3,304,743 shares As of March 2015 2,410,403 shares
- (iii) Average number of stock during period:
  Year ended March 2016 31,773,418 shares Year ended March 2015 31,522,871 shares

(Reference) Summary of non-consolidated business results

1. Non-consolidated business results for the year ended March 2016 (April 1, 2015 through March 31, 2016)

(1) Non-consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Mar. 2016	22,321	5.6	2,925	25.5	2,998	24.0	1,900	15.3
Year ended Mar. 2015	21,147	1.9	2,331	8.1	2,419	9.6	1,649	31.5

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Mar. 2016	59.83	57.08
Year ended Mar. 2015	52.31	49.33

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 2016	18,964	13,342	70.3	423.17
As of Mar. 2015	18,837	12,719	67.4	392.08

(Reference) Shareholders' equity: As of March 2016: 13,330 million yen
As of March 2015: 12,701 million yen

2. Forecast of non-consolidated business results for the year ending March 2017 (April 1, 2016 through March 31, 2017)

(% change from the previous corresponding period)

	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
For the six months ending Sept. 30, 2016	11,500	2.7	1,684	18.4	1,054	24.9	33.46
Year ending Mar. 2017	23,100	3.5	3,450	15.0	2,160	13.6	68.57

* Implementation status of auditing procedures

This financial summary is not subject to auditing procedures pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this report, the auditing procedures of financial statements are being conducted.

* Explanation regarding appropriate use of business forecasts and other special instructions

Forecasts regarding future performance in this material are based on information currently available to the company and certain assumptions that the company deems to be reasonable at the time this report was prepared. The company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.

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1. Results of operations

(1) Analysis of results of operations

(i) Results of operations

In the fiscal year ended in March 2016, the Japanese economy continued to be on a gradual recovery trend, with continued improvement in corporate earnings and the employment and income conditions and signs of firming consumer spending. However, the outlook remained uncertain, given the impact of slowdown in China and other emerging Asian economies.

In the software and information service industries, there are expectations for increases in capital investment, including IT related investment, backed by improving corporate earnings, and the business environment is in improvement mode.

In this management environment the Company's Group entered the second year of its third medium term management plan (from fiscal year 2014 to fiscal year 2016), and implemented initiatives for further growth. The plan's theme is "Challenging new value creation," in which the management vision is described as follows: "MJS Group's goal is to achieve constant and rapid growth in corporate value by becoming more competitive in current business sectors while creating innovative forms of value by targeting new business opportunities."

In existing businesses, Miroku Joho Service sought to maintain relationships with existing customers and increase satisfaction by improving sales power and product and service capabilities. The Group also sought to expand its customer base by developing new customers, thereby expanding service income and further reinforcing the earnings foundation.

In the sales aspect, Miroku Joho Service held a wide range of seminars and training sessions nationwide. Miroku Joho Service also aggressively developed sales promotion activities, exhibiting core products at general events, and focused on expanding sales of core products, especially finance and accounting systems for accounting offices and small/mid-sized companies. Also, from mid-September last year, ahead of the launch of the "My Number" system (social security and tax number system) in January this year, Miroku Joho Service began sales of MJS My Number (on-premise version and cloud version), a new product to support safe and appropriate operations, covering all aspects from registration to retention, use and destruction of numbers, and also endeavored to expand sales of various security products.

In the development aspect, the Group continued to improve and expand the functions of existing products and also developed new products and services for the My Number system. Further, for the creation of new cloud services, the Group worked on the construction of the BtoB Cloud Platform**,** bizsky and the development of the Rakutasu series of cloud services to support small/mid-sized companies in improving business efficiency and reducing costs. The Group also worked to strengthen its development structure to further expand the functions of its products and services and to create next-generation services, including making Miroku Webcash International Co., Ltd. and Cloud Invoice, Inc. subsidiaries in December last year and agreeing to a capital and business alliance with Skwile Ltd., a UK-based fintech venture in February this year.

Meanwhile, as one of its new businesses, the Group is working on services to support the business succession and revival of small/mid-sized companies. In collaboration with the Company's wholly owned subsidiary MJS M&A Partners Co., Ltd. and with the cooperation of nationwide accounting office accountants, the Group pushed ahead with the establishment of a base for actively promoting this business, and concluded partner agreements with more than 750 account firms as of the end of March this year. Additionally, in April this year, the Group spun off the operation of bizocean, its business information/data site, by means of a company split to accede to the newly established bizocean Co., Ltd. (a wholly owned subsidiary of the Company). Moving forward, the Group plans to increase the corporate value of Group companies including bizocean Co., Ltd. and further strengthen Group management with the aim of moving to a new growth stage.

The Group sought to provide customers with optimum management and information systems and high-quality services, maintain and expand its customer base, and strove to establish a new earnings foundation driven by new business, generating further profits and increasing the corporate value.

By activities like this, net sales in the consolidated fiscal year under review posted a record high, with income levels also posting record highs for the fifth straight term. Consolidated net sales were 23,636 million yen (up 5.6% from one year earlier), operating income was 3,039 million yen (up 20.4% from one year earlier), ordinary income was 3,068 million yen (up 18.6% from one year earlier) and net income attributable to owners of parent was 1,906 million yen (up 8.4% from one year earlier).

Results of operations in product categories were as follows.

(System installation contract sales)

Hardware sales were 2,801 million yen, up 6.1% from one year earlier. Software sales were 8,949 million yen, down 0.1% from one year earlier. Useware sales were 2,932 million yen, up 11.3% from one year earlier.

As a result, total system installation contract sales were 14,683 million yen, up 3.2% from one year earlier.

* "System installation contract sales" are the total of sales recorded when a system is newly installed. These sales consist of hardware, software and useware (system installation support services, etc.) sales.

(Service revenues)

Sales from the Total Value Service (TVS), which is a comprehensive maintenance service for tax accountant and CPA firms, increased 1.9% from one year earlier to 1,851 million yen. Software utilization revenues increased 19.0% from one year earlier to 1,009 million yen due to growth in utilization revenues for low-priced software used by tax accountant and CPA firms. Corporate software operations support service revenues increased 8.0% from one year earlier to 3,538 million yen. Hardware and network maintenance service revenues increased 7.2% from one year earlier to 1,211million yen and sales from supplies and office products increased 16.0% from one year earlier to 695 million yen.

As a result, service revenues increased 8.3% from one year earlier to 8,307 million yen.

* "Service revenues" are consistent revenues received primarily from fees for the continuous provision of services. These revenues consist of software maintenance services, hardware and network maintenance services, software utilization fees, and sales of supplies and office products.

YoY sales (Million yen, %)

		Previous fiscal year From April 1, 2014 to March 31, 2015		Current fiscal year From April 1, 2015 to March 31, 2016		YoY	
		Sales	Pct.	Sales	Pct.	Change	YoY
	Hardware	2,639	11.8	2,801	11.9	161	6.1
	Software	8,954	40.0	8,949	37.9	-5	-0.1
	Useware	2,635	11.8	2,932	12.4	297	11.3
System introduction contract sales		14,229	63.6	14,683	62.1	454	3.2
	TVS	1,817	8.1	1,851	7.8	34	1.9
	Software updating fees	0	0.0	0	0.0	-0	-54.2
	Software utilization fees	848	3.8	1,009	4.3	161	19.0
	Software operational support services	3,275	14.6	3,538	15.0	263	8.0
	HW/NW maintenance services	1,130	5.0	1,211	5.1	81	7.2
	Supplies and office products	599	2.7	695	2.9	95	16.0
Service revenues		7,671	34.3	8,307	35.1	635	8.3
Others		483	2.2	645	2.7	162	33.7
Total		22,383	100.0	23,636	100.0	1,252	5.6

(ii) Outlook for fiscal year ending March 2017

Looking ahead, Japan's economy is expected to remain on a gradual recovery trend, with expected improvement in corporate earnings and employment conditions partly attributable to economic stimulus measures, despite concern of downside risks stemming from overseas economies. In the software and information service industries, there are expectations for steady expansion in IT investment demand in conjunction with corporate earnings improvement.

Fiscal year 2016 is the final year of the Group's third medium term management plan (from fiscal year 2014 to fiscal year 2016). The Group will continue to focus on concrete measures based on the basic policies of the third management plan, which are (i) Enlarge the customer base by strengthening sales activities and expanding sales channels; (ii) Develop and offer new products and services to create new customers; and (iii) Build a new foundation for earnings by new businesses.. The Group will also boldly take on the challenge of achieving the Group's management targets for FY2020 of "Sales 50.0 billion yen, Ordinary income margin 30%, ROE 30%."

The forecast for consolidated performance in the fiscal year ending in March 2017 is as follows.

	1st half	Full year
Net sales	12,800 million yen	26,000 million yen
Operating income	1,930 million yen	3,930 million yen
Ordinary income	1,990 million yen	4,000 million yen
Net income attributable to owners of parent	1,210 million yen	2,450 million yen

(2) Analysis of financial position

(i) Assets, liabilities and net assets

Assets

Current assets were 10,120 million yen at the end of March 2016, a decrease of 110 million yen from one year earlier. The main factors were increases of 349 million yen in merchandise and 133 million yen in work in process, and decreases of 155 million yen in cash and deposits and 200 million yen in securities.

Fixed assets were 9,761 million yen at the end of the fiscal year under review, an increase of 321 million yen from the end of the previous fiscal year. The main factors were an increase of 440 million yen in investments and other assets and a decrease of 111 million yen in intangible fixed assets.

As a result, total assets were 19,882 million yen at the end of March 2016, up 210 million yen from one year earlier.

Liabilities

Current liabilities were 5,000 million yen at the end of March 2016, down 489 million yen from a year earlier. The main factors were increases of 79 million yen in accrued amount payable and 98 million yen in income in advance and decreases of 100 million yen in short-term debt, 224 million yen in the current portion of long-term debt, and 307 million yen in accrued consumption tax.

Fixed liabilities were 823 million yen at the end of March 2016, down 11 million yen from a year earlier. The main factors were an increase of 9 million yen in deferred tax liability and a decrease of 19 million yen in lease obligation.

As a result, total liabilities were 5,823 million yen, down 501 million yen from the end of the previous fiscal year.

Net assets

Net assets were 14,059 million yen at the end of March 2016, an increase of 712 million yen from a year earlier. The main factors were net income attributable to owners of parent of 1,906 million yen, offset by an increase of 807 million yen in treasury stock and the payment of dividends of surplus of 485 million yen.

As a result, the equity ratio was 70.2% (compared with 67.8% a year earlier).

(ii) Cash flows

There was a net decrease of 255 million yen in cash and cash equivalents from the end of the previous fiscal year to 5,423 million yen.

The cash flows in the fiscal year under review and factors relating to each are as follows.

(Operating activities)

Net cash provided by operating activities was 2,139 million yen (compared with 2,707 million yen one year earlier). This was mainly due to net income before income taxes of 3,009 million yen, depreciation and amortization of 477 million yen, a 368 million yen decrease in accounts receivable, and a 60 million yen loss on valuation of investment securities resulting in cash inflows, and income taxes paid of 1,140 million yen, a 331 million yen increase in inventories, and a 309 million yen decrease in accrued consumption tax resulting in cash outflows.

(Investing activities)

Net cash used in investing activities was 711 million yen (compared with 1,024 million yen one year earlier). This was mainly due to proceeds from redemptions of investment securities of 100 million yen and proceeds from the acquisition of shares of subsidiaries resulting in change in scope of consolidation of 96 million yen resulting in cash inflows, and payments for acquisition of tangible fixed assets of 124 million yen, payments for acquisition of intangible fixed assets of 287 million yen, payments for acquisition of investment securities of 405 million yen, and payment for the acquisition of shares of subsidiaries resulting in change in scope of consolidation of 28 million yen resulting in cash outflows.

(Financing activities)

Net cash used in financing activities was 1,683 million yen (compared with 586 million yen one year earlier). This was mainly due to proceeds from short-term debt of 2,240 million yen, proceeds from long-term debt of 300 million yen and proceeds from exercise of stock option of 58 million yen resulting in cash inflows, and repayment of short-term debt of 2,340 million yen, repayment of long-term debt of 522 million yen, payments for acquisition of treasury stock of 900 million yen, and dividends paid of 485 million yen resulting in cash outflows.

(Reference) Cash flow-related indicators

	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16
Shareholders’ equity ratio	55.8%	59.9%	63.6%	67.8%	70.2%
Shareholders’ equity ratio on a market value basis	53.5%	70.4%	65.7%	113.1%	165.9%
Years of debt redemption	1.2 years	6.9 years	0.6 years	0.5 years	0.5 years
Instant coverage ratio	36.4	7.0	76.5	131.2	161.8

(Notes) Equity ratio: Equity/Total assets

Equity ratio on a market value basis: Total market capitalization/Total assets

Years of debt redemption: Interest-bearing debt/cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/Interest expenses paid

1. All indicators are calculated using consolidated financial results.
2. Total market capitalization is calculated by multiplying the final share price at the end of the fiscal year by the total number of issued shares at the end of the fiscal year (excluding treasury stock).
3. Cash flows from operating activities refer to net cash provided by (used in) operating activities on the Consolidated Statements of Cash Flows. Interest-bearing debt refers to all liabilities on the Consolidated Balance Sheets for which interest is paid. Interest expenses paid refer to interest expenses paid on the Consolidated Statements of Cash Flows.

(3) Basic policy concerning the distribution of profits, and dividend distributions for the current and the following fiscal years

(i) Policy concerning the determination of dividends from surplus, etc.

Miroku Jyoho Service is dedicated to the stable, long-term distribution of earnings to shareholders. Building a more powerful base of operations and financial position is essential to maintaining the ability to make stable, long-term earnings distributions. Consequently, the fundamental policy for dividends is to make appropriate earnings distributions while taking into account the need to retain earnings.

As stipulated in Article 459, Paragraph 1 of the Company Law, the Articles of Incorporation provide for the payment of an interim dividend with a record date of September 30 based on resolutions of the Board of Directors.

(ii) Dividends from surplus

For the fiscal year that ended in March 2016, Miroku Jyoho Service plans to pay a dividend of 17 yen per share. This dividend will require the approval of a resolution at the annual shareholders meeting on June 29, 2016.

At this time, the company plans to pay a dividend of 20 yen per share as well for the fiscal year ending in March 2017.

(Resolution)	Total amount of dividend (Thousand yen)	Dividends per share (Yen)	Record date	Effective date
June 29, 2016 Annual shareholders’ meeting	535,526	17.00	March 31, 2016	June 30, 2016

(4) Business risks

(i) Risks involving market conditions

The Miroku Jyoho Service Group develops and sells finance and accounting systems for tax accountant and CPA firms in Japan and provides management information services. The number of tax accountant and CPA firms in Japan is decreasing because of the increasing number of tax accounting companies and shortage of accountants to take over the offices of retiring accountants. As a result, this market may become smaller. Furthermore, there may be price and other forms of competition in the business software industry that are more intense than expected due mainly to the innovation of computer technology and change in business model. Either of these events may have an effect on the Group’s performance.

(ii) Risks involving software development

The Miroku Jyoho Service Group has a quality management system that complies with ISO 9001:2008. However, if there is a problem involving a system, there may be an effect on the Group’s performance. If there is a rapid change in market conditions in the IT services industry and the Group is unable to keep up with the pace of technological innovation, or if the Group is unable to adapt quickly to revisions to laws and regulations, there may be an effect on the Group’s performance. Furthermore, if there is litigation demanding the payment of damages for the alleged infringement on third-party rights of software or other products developed and sold by the Group, there may be an effect on the Group’s performance and financial condition.

(iii) Risks involving human resources

People are the most valuable asset in the software industry and the information services industry. As a result, the Group must recruit and train people with outstanding skills in order to retain and expand its customer base. In these two industries, employees tend to change jobs frequently. This is particularly true of younger employees. The Group is taking many actions to hire people by using both periodic recruiting and recruiting people from other companies. If these recruiting activities fail to secure the necessary human resources, there may be an effect on the Group’s performance.

(iv) Risks involving information security

The Group holds the information assets of customers in some cases as part of the process of building information systems. The Group is working to strengthen the information security framework, including obtaining Information Security Management System (ISMS) certification to avoid the risk of a leak of customer information, etc. In the event that an information leak occurs, demands for the payment of damages by customers, damage to the Group’s reliability as an IT services company and other events may have an effect on the Group’s performance and financial condition.

(v) Risks involving natural disasters, etc.

The Group has a nationwide network of sales and support offices in Japan. A major natural disaster that occurs at any of these offices may have an effect on the Group’s performance. In addition, most of the Group’s product development, procurement, shipping, call center and other operations are located in the Tokyo area. Consequently, a major natural disaster in the Tokyo area may have an effect on the Group’s performance and financial condition.

2. Corporate group

The Miroku Jyoho Service Group (Miroku Jyoho Service and its affiliates) consists of the company (Miroku Jyoho Service Co., Ltd.) and six subsidiaries and two affiliated companies. These companies are engaged primarily in business activities associated with software. The Group's customers are small/mid-sized companies, primarily tax accountant and CPA firms and their client companies. The Group develops and sells business application software, sells general-purpose servers, PCs and supplies, and provides maintenance, management information, employee training and consulting services. Through these activities, the Group supports customers with management reforms and improving their business processes.

The Group is a single software-related business segment.

The software-related business involves the provision of the following products and services.

<Major products and services in the software-related business>

Items		Description of products or services	Major companies
System installation contract sales	Hardware	Sale of computer hardware (servers, PCs, peripherals, etc.)	Miroku Jyoho Service NTC Co., Ltd.
	Software	Development and sale of business application software, primarily for accounting, tax accounting, sales, payroll and personnel management systems; contracted IT system development	Miroku Jyoho Service NTC Co., Ltd. MSI Co., Ltd. Lead Co., Ltd. Primal Inc.
	Useware	Support for the installation of business process application software	Miroku Jyoho Service NTC Co., Ltd. MSI Co., Ltd. Lead Co., Ltd. Primal Inc.
Service revenues	TVS (total value service for tax accountant and CPA firm)	Comprehensive maintenance service for tax accountant and CPA firm (program updating service, telephone support service, information provision service, and others)	Miroku Jyoho Service
	Software updating fees	Development and sale of software for updates (update programs)	Miroku Jyoho Service
	Software utilization fees (Software rental service)	Rental of business application software to small companies	Miroku Jyoho Service
	Software operational support service	Comprehensive maintenance service for small/mid-sized companies (program updating service, telephone support service, various information services, and others)	Miroku Jyoho Service NTC Co., Ltd. MSI Co., Ltd. Lead Co., Ltd. Primal Inc.
	HW/NW maintenance service	Maintenance service for computer hardware and networks	Miroku Jyoho Service
	Supplies and office products	Sale of supplies and office products	Miroku Jyoho Service
	Other	Service revenues not included in the above.	MJS M&A Partners Co., Ltd. Cloud Invoice, Inc. Miroku Webcash International Co., Ltd. Blue Table Co., Ltd.

<The Markets of the Miroku Jyoho Service Group>

The Miroku Jyoho Service Group is engaged in business activities involving software and serves primarily tax accountant and CPA firms and small/mid-sized companies, most of which are the customers of these tax accountant and CPA firms. The Group has a nationwide network of 31 sales and support bases in Japan. The Group is a one-stop source of high-quality services by conducting direct sales and support for customers centered on products and services developed by the Group.

(i) Tax accountant and CPA firms and their client companies

Since its inception, the Group has been dedicated to the mission of "contributing along with tax accountant and CPA firms to the growth of small/mid-sized companies." Group companies extend support for management reforms and business process improvements at tax accountant and CPA firms. By using solid partnerships with these offices, the Group also helps the small/mid-sized companies that are the clients of these offices to use IT for improving their business operations.

The Group provides products for tax accountant and CPA firms to perform rational and efficient services to their client companies and creates the optimum service environment at tax accountant and CPA firms. For after-sales services, the Group uses its 31-location nationwide network to extend support that is closely linked to regional markets. This extensive support infrastructure includes a 24-hour call center that never closes. To further improve customer satisfaction, the Group supplies a broad range of management information services involving taxes, business laws, accounting and management.

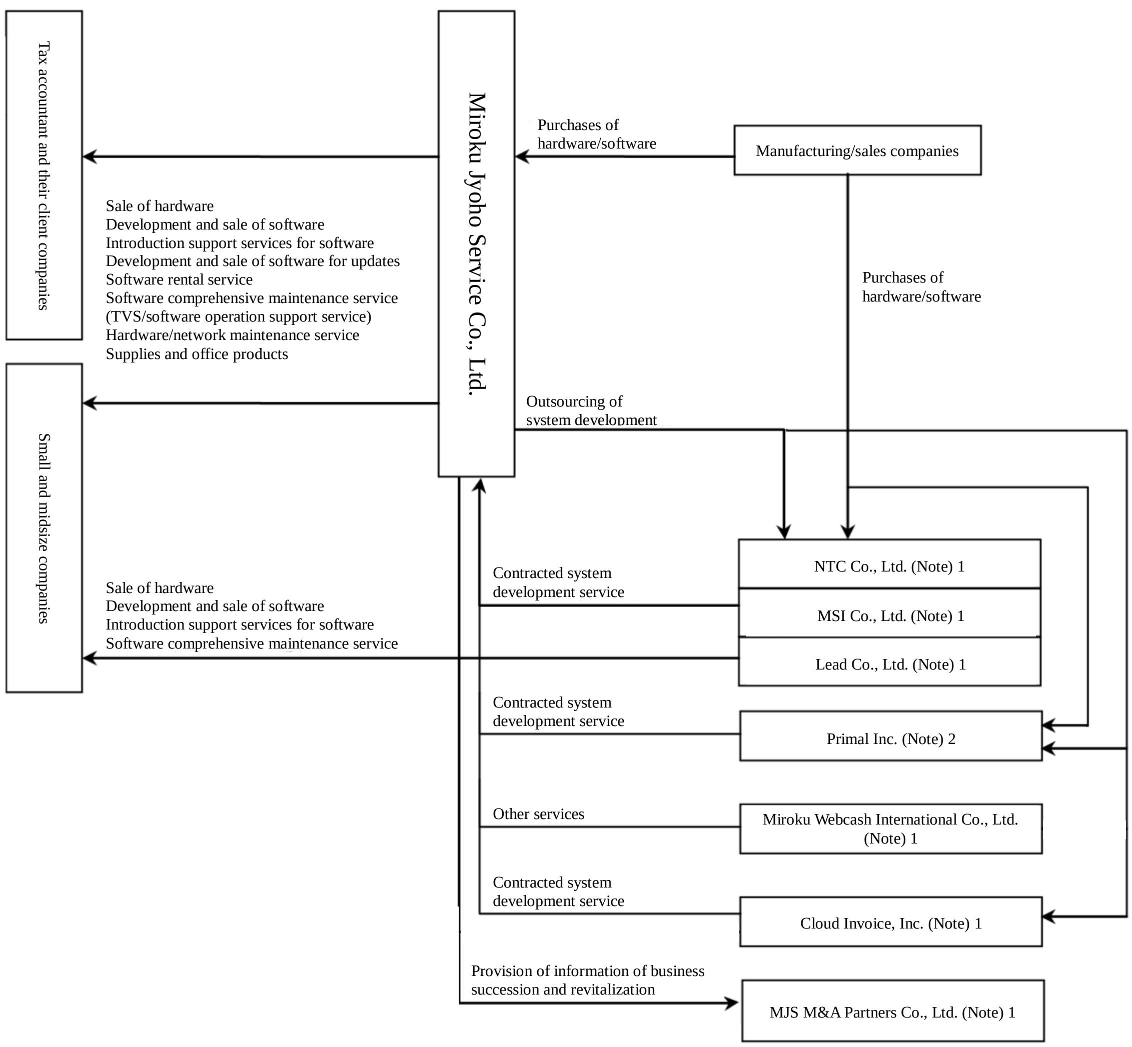
For the client companies of tax accountant and CPA firms, the Group supplies finance and accounting systems that have data sharing compatibility with products sold to tax accountant and CPA firms. There are also many other business systems along with maintenance services for these client companies.

(ii) Small/mid-sized companies

For small/mid-sized companies, the Group conducts a solutions business that utilizes ERP systems centered on finance and accounting systems.

These solutions support rapid decision-making by optimizing the overall use of a company's resources and facilitating the visualization of management information. These solutions also target a diverse array of customer needs. Examples include compatibility with IFRS (International Financial Reporting Standards), actions to strengthen internal controls and information security measures. Activities encompass consulting to solve customers' management issues, the selection of hardware, the installment of ERP systems, construction of networks and data infrastructures, and follow-up services after a system's installation. Overall, these capabilities make the Group a one-stop source of services that precisely meet the requirements of every customer.

The following diagram shows how the Miroku Jyoho Service Group conducts its business activities.



(Notes) 1. Consolidated subsidiaries

2. Equity-method affiliated company

3. Management policies

(1) Fundamental management policy

The Miroku Jyoho Service Group develops the best possible management systems and management know-how for tax accountant and CPA firms and their client companies and promotes the use of these systems and know-how (consulting sales). Group companies also provide management information services. The fundamental management policy is to use these activities to contribute to the advancement of management at tax accountant and CPA firms and their client companies. Furthermore, the Group is dedicated to using these activities to help enhance the social standing of accountants and increase the prosperity of small/mid-sized companies, chiefly the client companies of these accountants, thereby ultimately playing a role in the advancement of the Japanese economy.

(2) Targeted performance indicators

Based on the medium-term management vision covering the six-year from fiscal year 2011 through 2016, the goal for the final year of this six-year period is raising ordinary income ratio to 15% of net sales.

In the third medium-term management plan (fiscal 2014 – fiscal 2016) announced on May 19, 2014, the Group established and is promoting following three central policies with "Challenging new value creation" as the theme.

<Medium-to long-term Management Vision>

The Miroku Jyoho Service Group promotes management innovation for its customers by adapting to technical innovation on the internet and evolving to deal with a changing business environment and adopting the customers' viewpoint to provide them with new value (in management systems, management know-how, and management information services) to satisfy them.

~ Supporting IT transformation, and promoting growth at SMEs ~

<Basic policies on 3rd medium-term management plan (fiscal 2014 – fiscal 2016)>

1	Enlarge the customer base by strengthening sales activities and expanding sales channels
2	Develop and offer new products and services to create new customers
3	Build a new foundation for earnings by new businesses

<Management target of fiscal 2016, the final year of 3rd medium-term management plan >

Net sales	26 billion yen
Ordinary income	4 billion yen
Ordinary income ratio	15%

(3) Enlarge the customer base by strengthening sales activities and expanding sales channels

In promoting its third medium term management plan, the Group recognizes the following as the principal issues to be dealt with.

1) Reinforcing sales ability and expanding sales route to bolster the customer base
- (i) Promoting proposal format sales model to demonstrate maximization of professionalism
- (ii) Strengthening sales and support personnel and making optimization of resource allocation to match market potential
- (iii) Increasing indirect sales on radical reform of partner business system
- (iv) Improving customer satisfaction by filling out customer support systems and management information services
- (v) Building the MJS brand by aggressive advertising and publicity activities

2) Develop and offer new products and services to create new customers
- (i) Developing cloud services corresponding to multi-devices
- (ii) Strengthening investigation and research activities for customer expansion and new market cultivation
- (iii) Promoting aggressive joint development with Group companies and cooperating companies
- (iv) Effective use of development resources by consolidating existing products and improving development efficiency
- (v) Developing investment planning based on management strategies and monitoring of their results

3) Build a new foundation for earnings by new businesses
- (i) Redesigning the business portfolio to improve margins
- (ii) Bringing in support services for small/mid-sized companies business revival
- (iii) Aggressive promotion of the Net business
- (iv) Build a base for overseas growth that utilizes cloud technologies

By implementing these policies, the Miroku Jyoho Service Group aims to achieve new management target, and thereby meet the expectations of all its stakeholders. To accomplish its aim, the Group will strive to increase its corporate value.

4. Basic concepts related to selection of accounting standards

To secure inter-company and year-to-year comparability, the Group prepares the Company's consolidated financial statements based on "Regulations related to consolidated financial statement terminology, stock and preparation methods (excluding Chapters 7 and 8" (Finance Ministry Ordinance 28, 1976).

As for application of international accounting standards, the policy is appropriate response taking account of the domestic and overseas situations.

5. Consolidated financial statements

(1) Consolidated balance sheet

(Thousand yen)

	Previous fiscal year (March 31, 2015)	Current fiscal year (March 31, 2016)
Assets		
Current assets		
Cash and deposits	5,809,480	5,654,061
Notes and accounts receivable-trade	2,998,810	2,629,161
Securities	200,710	–
Merchandise	298,543	648,438
Work in process	145,659	278,762
Supplies	34,956	42,596
Prepaid expenses	355,159	408,529
Deferred tax assets	282,113	262,152
Others	112,411	202,053
Allowance for doubtful accounts	-6,635	-5,367
Total current assets	10,231,210	10,120,388
Fixed assets		
Tangible fixed assets		
Buildings and structures	2,591,630	2,635,811
Accumulated depreciation	-1,596,153	-1,635,559
Buildings and structures (net amount)	995,476	1,000,251
Land	2,728,197	2,728,197
Lease asset	98,967	98,967
Accumulated depreciation	-22,966	-40,313
Lease asset (net amount)	76,000	58,653
Others	1,088,785	1,090,608
Accumulated depreciation	-836,944	-834,405
Others (net amount)	251,841	256,203
Total tangible fixed assets	4,051,515	4,043,306
Intangible fixed assets		
Goodwill	–	27,833
Software	1,069,768	799,604
Software development in progress	125,080	258,443
Others	17,038	14,948
Total intangible fixed assets	1,211,886	1,100,829
Investments and other assets		
Investment securities	3,119,091	3,499,697
Long-term prepaid expenses	144,127	163,821
Deferred tax assets	29,412	26,931
Others	887,985	932,116
Allowance for doubtful accounts	-3,725	-4,864
Total investments and other assets	4,176,891	4,617,702
Total fixed assets	9,440,293	9,761,838
Total assets	19,671,504	19,882,226

(Thousand yen)

	Previous fiscal year (March 31, 2015)	Current fiscal year (March 31, 2016)
Liabilities		
Current liabilities		
Accounts payable-trade	662,197	687,457
Short-term debt	650,000	550,000
Current portion of long-term debt	522,400	298,000
Lease obligation	19,498	19,245
Accrued amount payable	577,120	656,589
Accrued expenses	343,794	347,754
Accrued income taxes	651,382	597,612
Income in advance	848,431	947,267
Reserve for bonuses	455,051	358,155
Reserve for returned goods unsold	72,759	99,216
Others	687,012	438,710
Total current liabilities	5,489,648	5,000,009
Fixed liabilities		
Long-term debt	298,000	300,000
Lease obligation	66,350	47,105
Deferred tax liability	394,231	403,673
Liabilities related to retirement benefits	20,670	19,505
Asset retirement obligation	18,124	18,541
Others	37,793	34,360
Total fixed liabilities	835,169	823,185
Total liabilities	6,324,817	5,823,195
Net assets		
Shareholders’ equity		
Capital	3,198,380	3,198,380
Capital surplus	3,013,389	3,013,389
Retained earnings	6,765,171	8,155,355
Treasury stock	-679,223	-1,486,315
Total shareholders’ equity	12,297,717	12,880,809
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	1,035,588	1,083,332
Unrealized holding gain (loss) on hedges	-3,766	-2,137
Total accumulated other comprehensive income	1,031,821	1,081,195
Stock acquisition rights	17,147	12,207
Non-controlling interests	–	84,818
Total net assets	13,346,686	14,059,031
Total liabilities and net assets	19,671,504	19,882,226

(2) Consolidated statement of income and statement of comprehensive income

(Consolidated statement of income)

(Thousand yen)

	Previous fiscal year (from April 1, 2014 to March 31, 2015)	Current fiscal year (from April 1, 2015 to March 31, 2016)
Net sales	22,383,954	23,636,438
Cost of sales	8,050,681	8,216,784
Gross profit	14,333,273	15,419,654
Provision of reserve for returned goods unsold	64,313	72,759
Reversal of reserve for returned goods unsold	72,759	99,216
Gross profit-net	14,324,827	15,393,197
Selling, general and administrative expenses		
Sales promotional expenses	1,197,068	1,346,129
Provision of allowance for doubtful accounts	-515	201
Salaries and allowances	4,358,060	4,667,505
Provision of reserve for bonuses for employees	361,330	284,981
Retirement benefit expenses	461,739	394,900
Others	5,422,506	5,659,773
Total selling, general and administrative expenses	11,800,190	12,353,492
Operating income	2,524,637	3,039,704
Non-operating revenues		
Interest income	5,938	8,371
Dividend income	17,902	16,490
Insurance income	12,839	17,224
Rent income	5,540	5,067
Foreign exchange gain	14,689	–
Others	30,243	11,688
Total non-operating revenues	87,154	58,841
Non-operating expenses		
Interest expenses	20,324	13,107
Investment loss on equity method	563	8,228
Payment commissions	2,500	7,622
Others	1,222	1,236
Total non-operating expenses	24,610	30,195
Ordinary income	2,587,181	3,068,351
Extraordinary profit		
Gain on sale of investment securities	291,046	–
Gain on sale of membership rights	28	–
Gain on step acquisitions	–	8,483
Others	408	446
Total extraordinary profit	291,483	8,930
Extraordinary loss		
Loss on disposal of fixed assets	1,536	4,550
Impairment loss	291	2,541
Loss on valuation of investment securities	–	60,622
Total extraordinary loss	1,827	67,714
Net income before income taxes	2,876,837	3,009,567
Income taxes-current	1,082,871	1,063,961
Income taxes-deferred	36,131	43,991
Total income taxes	1,119,002	1,107,952
Net income	1,757,834	1,901,614
Net income attributable to non-controlling interests	–	-4,636
Net income attributable to owners of parent	1,757,834	1,906,251

(Consolidated statement of comprehensive income)

(Thousand yen)

	Previous fiscal year (from April 1, 2014 to March 31, 2015)	Current fiscal year (from April 1, 2015 to March 31, 2016)
Net income	1,757,834	1,901,614
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	-771,992	47,744
Unrealized holding gain (loss) on hedges	3,132	1,628
Other comprehensive income total	-768,859	49,373
Comprehensive income	988,975	1,950,988
(Breakdown)		
Comprehensive income attributable to owners of parent	988,975	1,955,624
Comprehensive income attributable to non-controlling interests	–	-4,636

(3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

(Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current fiscal year	3,198,380	3,013,389	5,491,174	-1,165,792	10,537,151
Changes in current fiscal year					
Dividends from surplus			-460,035		-460,035
Net income attributable to owners of parent			1,757,834		1,757,834
Acquisition of treasury stock				-69	-69
Disposition of treasury stock			-23,802	486,638	462,836
Changes in items other than shareholders' equity (net amount)					
Total changes in current fiscal year	–	–	1,273,996	486,569	1,760,565
Balance at end of current fiscal year	3,198,380	3,013,389	6,765,171	-679,223	12,297,717

	Accumulated other comprehensive income			Stock acquisition rights	Total net assets
	Unrealized gain (loss) on available-for-sale securities	Unrealized holding gain (loss) on hedges	Total accumulated other comprehensive income		
Balance at beginning of current fiscal year	1,807,580	-6,899	1,800,681	47,545	12,385,378
Changes in current fiscal year					
Dividends from surplus					-460,035
Net income attributable to owners of parent					1,757,834
Acquisition of treasury stock					-69
Disposition of treasury stock					462,836
Changes in items other than shareholders' equity (net amount)	-771,992	3,132	-768,859	-30,398	-799,258
Total changes in current fiscal year	-771,992	3,132	-768,859	-30,398	961,307
Balance at end of current fiscal year	1,035,588	-3,766	1,031,821	17,147	13,346,686

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

(Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current fiscal year	3,198,380	3,013,389	6,765,171	-679,223	12,297,717
Changes in current fiscal year					
Dividends from surplus			-485,938		-485,938
Net income attributable to owners of parent			1,906,251		1,906,251
Acquisition of treasury stock				-900,602	-900,602
Disposition of treasury stock			-30,129	93,511	63,382
Changes in items other than shareholders' equity (net amount)					
Total changes in current fiscal year	–	–	1,390,183	-807,091	583,092
Balance at end of current fiscal year	3,198,380	3,013,389	8,155,355	-1,486,315	12,880,809

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Unrealized gain (loss) on available-for-sale securities	Unrealized holding gain (loss) on hedges	Total accumulated other comprehensive income			
Balance at beginning of current fiscal year	1,035,588	-3,766	1,031,821	17,147	–	13,346,686
Changes in current fiscal year						
Dividends from surplus						-485,938
Net income attributable to owners of parent						1,906,251
Acquisition of treasury stock						-900,602
Disposition of treasury stock						63,382
Changes in items other than shareholders' equity (net amount)	47,744	1,628	49,373	-4,940	84,818	129,252
Total changes in current fiscal year	47,744	1,628	49,373	-4,940	84,818	712,344
Balance at end of current fiscal year	1,083,332	-2,137	1,081,195	12,207	84,818	14,059,031

(4) Consolidated statement of cash flow

(Thousand yen)

	Previous fiscal year (from April 1, 2014 to March 31, 2015)	Current fiscal year (from April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Net income before income taxes	2,876,837	3,009,567
Depreciation and amortization	547,600	477,697
Amortization of goodwill	–	14,195
Impairment loss	291	2,541
Stock-based compensation expenses	2,823	–
Increase (decrease) in allowance for doubtful accounts	-3,503	-129
Increase (decrease) in reserve for bonuses for employees	-54,980	-96,895
Increase (decrease) in reserve for returned goods unsold	8,446	26,457
Increase (decrease) in liabilities related to retirement benefits	-1,081	-1,165
Interest income and dividend income	-23,841	-24,861
Interest expenses	20,324	13,107
Foreign exchange loss (gain)	-14,689	–
Share of (profit) loss of entities accounted for using equity method	563	8,228
Loss (gain) on sale of investment securities	-291,046	–
Loss (gain) on valuation of investment securities	–	60,622
Loss (gain) on disposal or sale of fixed assets	1,536	4,550
Loss (gain) on step acquisitions	–	-8,483
Decrease (increase) in accounts receivables	-6,091	368,430
Decrease (increase) in inventories	320,881	-331,682
Increase (decrease) in accounts payable	-91,088	16,051
Others	578,824	-258,041
Subtotal	3,871,805	3,280,191
Income taxes paid	-1,163,865	-1,140,625
Cash flows from operating activities	2,707,940	2,139,566
Cash flows from investing activities		
Payments for time deposits	-430,060	-230,064
Proceeds from withdrawal of time deposits	228,403	230,060
Payments for acquisition of tangible fixed assets	-190,969	-124,636
Payments for acquisition of intangible fixed assets	-264,579	-287,792
Payments for acquisition of investment securities	-824,143	-405,981
Proceeds from sale of investment securities	400,964	—
Proceeds from redemption of investment securities	100,000	100,000
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	-28,877
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	96,767
Payments for insurance reserve fund	-5,366	-5,359
Purchase of long-term prepaid expenses	-14,492	-17,403
Interest and dividends received	23,508	24,894
Others	-48,130	-63,473
Cash flows from investing activities	-1,024,864	-711,867

(Thousand yen)

	Previous fiscal year (from April 1, 2014 to March 31, 2015)	Current fiscal year (from April 1, 2015 to March 31, 2016)
Cash flows from financing activities		
Proceeds from short-term debt	2,390,000	2,240,000
Repayment of short-term debt	-2,340,000	-2,340,000
Proceeds from long-term debt	–	300,000
Repayment of long-term debt	-545,000	-522,400
Payments for redemption of bonds	-30,000	–
Proceeds from exercise of stock option	428,806	58,467
Payments for acquisition of treasury stock	-69	-900,602
Dividends paid	-459,677	-485,862
Interest paid	-20,632	-13,225
Others	-9,926	-19,498
Cash flows from financing activities	-586,499	-1,683,122
Increase (decrease) in cash and cash equivalents	1,096,577	-255,423
Cash and cash equivalents at beginning of year	4,582,843	5,679,420
Cash and cash equivalents at end of year	5,679,420	5,423,997