March 13, 2017

Consolidated Financial Results
for the Fiscal Year Ended January 31, 2017
(Japanese Accounting Standards)

Name of Listed Company: **Poletowin Pitcrew Holdings, Inc.**
Listing: First Section of Tokyo Stock Exchange
Stock code: 3657
URL: http://www.poletowin-pitcrew-holdings.co.jp
Representative: Naoto Konishi, President
Contact Person: Joji Yamauchi, Chief Financial Officer
Tel: +81-3-5909-7911

Scheduled date of General Shareholders' Meeting: April 27, 2017
Scheduled date to file Securities Report: April 28, 2017
Scheduled date to commence dividend payments: April 28, 2017
Supplementary explanatory materials prepared: Yes
Explanatory meeting: Yes (For analysts and institutional investors)

(Millions of yen with fractional amounts discarded, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended January 31, 2017 (from February 1, 2016, to January 31, 2017)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2017	19,633	8.3	2,409	2.1	2,312	3.8	1,168	(9.2)
January 31, 2016	18,120	22.8	2,360	26.8	2,228	18.6	1,286	28.6

(Note) Comprehensive income
For the year ended January 31, 2017: ¥602 million (-49.0%)
For the year ended January 31, 2016: ¥1,181 million (-3.6%)

	Net income per share	Diluted net income per share	Return on equity (ROE)	Ordinary income/ total assets	Operating income ratio
Fiscal year ended	Yen	Yen	%	%	%
January 31, 2017	63.42	62.63	12.8	19.1	12.3
January 31, 2016	67.58	66.65	14.5	19.5	13.0

(Reference) Equity in earnings of affiliates
For the year ended January 31, 2017: ¥— million
For the year ended January 31, 2016: ¥— million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
January 31, 2017	11,842	9,046	75.1	485.75
January 31, 2016	12,317	9,517	75.6	489.25

(Reference) Equity
As of January 31, 2017: ¥8,895 million
As of January 31, 2016: ¥9,316 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
January 31, 2017	1,517	(542)	(1,349)	5,075
January 31, 2016	1,623	(995)	(304)	5,636

2. Cash dividends

	Cash dividends per share					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividends on net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended January 31, 2016	–	0.00	–	18.00	18.00	342	26.6	3.9
Fiscal year ended January 31, 2017	–	0.00	–	19.00	19.00	347	30.0	3.9
Fiscal year ending January 31, 2018 (Forecasts)	–	0.00	–	19.00	19.00		24.7	

3. Consolidated financial forecasts for the fiscal year ending January 31, 2018 (from February 1, 2017, to January 31, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending July 31, 2017	10,474	17.9	997	16.9	969	44.7	541	102.1	28.40
Fiscal year ending January 31, 2018	21,951	11.8	2,442	1.4	2,385	3.1	1,468	25.7	77.07

Notes:

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

(2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

a. Changes in accounting standards due to revisions to accounting standards and other guidelines: Yes

b. Changes in accounting policies due to reasons other than a. above: No

c. Changes in accounting estimates: No

d. Restatement of revisions: No

(Note) For details, see the appended “Changes in Accounting Policy” under “(5) Notes to Consolidated Financial Statements” on page 19.

(3) Number of common shares issued

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

As of January 31, 2017 19,053,600 shares
As of January 31, 2016 19,043,200 shares

b. Number of shares of treasury stock at the end of the period

As of January 31, 2017 740,000 shares
As of January 31, 2016 — shares

c. Average number of shares

For the year ended January 31, 2017 18,425,081 shares
For the year ended January 31, 2016 19,042,214 shares

(Reference) Summary of non-consolidated operating results

Non-consolidated financial results for the fiscal year ended January 31, 2017

(from February 1, 2016, to January 31, 2017)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2017	894	(50.7)	371	(71.5)	333	(71.8)	324	(72.2)
January 31, 2016	1,817	140.7	1,300	297.6	1,184	252.9	1,169	314.2

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
January 31, 2017	17.62	17.40
January 31, 2016	61.40	60.55

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
January 31, 2017	4,197	4,163	99.2	227.33
January 31, 2016	4,942	4,912	99.4	257.95

(Reference) Equity

As of January 31, 2017: ¥4,163 million

As of January 31, 2016: ¥4,912 million

* Disclosure of status of audit procedures

This report falls outside the scope of audit procedures as laid out in the Financial Instruments and Exchange Act. As of the time of the release of this report, the audit procedures of the consolidated financial statements outlined in the Act had not been concluded.

* Proper use of earnings forecasts, and other special matters

(Disclaimer to forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors. For details on the conditions assumed and the cautionary notes and items in the financial forecasts, please refer to “(1) Analysis of Operating Results (ii) Earnings forecasts for the year ending January 31, 2018,” under “Analysis of Operating Results and Financial Position” on page 5 of the Attachment Materials to this report.

(How to obtain Supplementary Information to the Financial Results and details of the earnings results briefing)

The Company discloses the Supplementary Information to the Financial Results on the TDnet on the same day. The Company plans to hold an earnings results briefing for institutional investors and analysts on Tuesday, March 14, 2017. Along with the earnings presentation materials, streaming video of the briefing session and content are scheduled to be promptly posted on the Company’s website following the briefing.

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

(i) Operating Results in Year under Review

During the year under review, the Japanese economy looked set for a mild recovery owing to an ongoing improvement in the employment outlook, income climates and government policies. Under these circumstances, uncertainties about overseas economies, impact of financial and capital market fluctuations warrant close attention.

It was against that backdrop the Poletowin Pitcrew Holdings Group's core Testing/Verification & Evaluation Business experienced ongoing growth in the social games market, which major developers of software for consumer electronic game consoles also entered, amid the rising popularity of smartphones and tablet PCs. To increase opportunities to steadily recoup their development expenses, social game developers increasingly deployed their offerings globally, just as has happened with consumer electronic game software. As a result, demand expanded for localization in multiple languages and for user support, augmenting services in detecting defects (bugs). At the same time, sales were favorable in the consumer electronic game market for new next-generation game consoles and virtual reality Systems launched around the world.

In markets related to the Group's Internet Monitoring Business, online shopping, flea market apps, video, e-book, and other forms of e-commerce are catching on. This, in turn, is pushing up demand for monitoring postings and other types of user support services to make safe and reliable Internet access ubiquitous. In the e-commerce market, there is growing demand for handling merchandise checks, the review of Internet advertising based on the Pharmaceuticals and Medical Devices Act (formerly the Pharmaceutical Affairs Act), the Act against Unjustifiable Premiums and Misleading Representations, and other laws and regulations, and for handling the rights infringement investigations and end-user inquiries and so forth. A recent rise in the incidence of Internet usage problems among the young has prompted municipal boards of education to put efforts into monitoring youth Internet usage and providing Internet literacy education for students, parents and guardians. As a result, monitoring work has increased, as have educational activities, including through leaflets and seminar lecturers.

The Group provides checking, testing, monitoring and inspection services that require human input on a contractual basis to corporate clients. The demand for such services has been growing as these clients have diversified and expanded overseas, and as business processes have become more advanced and sophisticated. During the year under review, The Group made Entalize Co., Ltd., which provides localization (translation) services for consumer electronic game software, its consolidated subsidiary in March to prepare for globalization of software for consumer electronic game consoles. In September, Pole To Win International Limited established Pole To Win Romania SRL. and Pole To Win India Private Limited opened its studio in Hyderabad as a second center in India. In December, Pole To Win International Limited also established Pole To Win (Malaysia) Sdn. Bhd. PITCREW CO., LTD increased floor space at the Sapporo Support Center and PITCREW COREOPS CO., LTD opened the Gifu BCP Center in February to accommodate order expansion. Collaboration has stepped up between sixteen delivery centers in eight countries and Japanese Group companies to provide a one-stop, full service platform in such areas as defect detection (finding bugs), localization, Internet monitoring, and user support.

As a result of these factors, consolidated net sales for the year were ¥19,633,397 thousand (up 8.3%). Operating income was ¥2,409,493 thousand (up 2.1%). Ordinary income was ¥2,312,491 thousand (up 3.8%) and Profit attributable to owners of parent was ¥1,168,569 thousand (down 9.2%).

Results by segment were as follows.

Testing/Verification & Evaluation Business

Reflecting collaboration between sixteen delivery centers in eight countries and Japanese Group companies in supporting the global deployments of domestic and foreign game makers, outsourcing services including defect detection, localization, and user support (overseas) expanded. Side UK Limited, which became a consolidated subsidiary in the previous fiscal year, QaaS Co., Ltd., and Entalize Co., Ltd., which became a consolidated subsidiary during the year under review, contributed to revenues and earnings from the current fiscal year. Although there were the impact of strong yen and decrease in orders for outsourcing services for the amusement equipment, orders for software testing services for the PlayStation 4 increased Testing/Verification & Evaluation Business sales increased 9.6% year on year, to ¥16,039,724 thousand. Operating income increased 4.0%, to ¥2,499,760 thousand.

Internet Monitoring Business

In the Internet Monitoring Business, the Group received orders for outsourcing services including user support (domestic) from Internet companies, reflecting their vigorous efforts to cultivate business in the e-commerce market. The orders were for merchandise check services for Internet shopping, auction sites, and free market apps and for reviews of advertisements based on the Pharmaceuticals and Medical Devices Act, the Act against Unjustifiable Premiums and Misleading Representations, and other laws and regulations, and also reflected increased demand for handling charges and product arrival inquiries from end-users. However, owing to downsizing among some client companies, Monitoring Business sales decreased 1.0%, to ¥3,261,359 thousand. However, operating income was ¥27,690 thousand a year earlier, there was an operating loss of ¥27,616 thousand.

Others

Palabra Inc. provide services to produce barrier-free subtitles audio guides for television program to prepare for the advent of barrier-free motion pictures. IMAid Inc. offers medical staffing services. Sales of this segment increased 77.0%, to ¥332,313 thousand. There was an operating loss of ¥90,221 thousand, up from ¥81,614 thousand a year earlier.

(ii) Earnings forecasts for the fiscal year ending January 31, 2018

The Testing/Verification & Evaluation Business traditionally focused on the video game sector, while the Internet monitoring business centered on online services. Both businesses cover the emerging social games area, blurring that distinction. With the global expansion of the consumer electronic game software and the social games market standardized, the companies which provide business process outsourcing services for games market also need to be developed globally. We will go beyond the Testing/Verification & Evaluation and Internet Monitoring service frameworks to develop and provide business process outsourcing services platform with user-friendly support.

Segment projections for the year ending January 31, 2018, are as follows.

Testing/Verification & Evaluation Business

In Japan, Virtual Reality systems have been released and the new next generation game consoles are preparing to be released. Therefore, the market related to the Testing/Verification & Evaluation Business will be expected to generally remain on target. We seek to expand our shares in the smartphone apps, social games, consumer electronic game console, and amusement equipment markets. We will strive to bolster our sales capabilities in the marketplace and deploy human resources policies that enable us to build close ties with customers and enhance our services, thereby ensuring that we can sustainably and stably deliver top-quality services.

Overseas, we will strengthen collaboration between sixteen delivery centers in eight countries with domestic delivery centers to assist with the global business expansions of overseas and Japanese companies. We will take advantage of prospects for further globalization in games and Internet services by expanding orders for testing/verification, localization, and user support services by local staffers. We will extend our marketing of core testing/verification and user support services beyond the games arena.

Internet Monitoring Business

The number of users of Internet shopping and auction, flea market apps, e-book, and other e-commerce services has increased with the spread of smartphones and tablet PCs. E-commerce markets represented just 3% of sales in Japan and 7% of sales in the United States, and have significant upside potential. Given that the future of the e-commerce business depends on the security and convenience of site operations, the Group seeks to expand orders for merchandise checks, advertising representation reviews, and end-user inquiries. While we have primarily provided inbound user support to date, we aim to boost the capabilities of our call and contact centers to accommodate the growing need to deliver active support and outbound services in response to consumer feedback through Facebook, Twitter, and other social media channels. We will cultivate and hire people who can identify customer needs and plan and deliver high-value-added services in the fast-changing Internet sector.

Others

Palabra Inc. provides services to produce barrier-free subtitles audio guides for television program to prepare for the advent of barrier-free motion pictures. IMAid Inc. is offering medical staffing services. We will explore and cultivate new businesses in the medical field.

As a result of these factors, for the year ending January 31, 2018, the Group projects consolidated net sales of ¥21,951 million (up 11.8%), operating income of ¥2,442 million (up 1.4%), ordinary income of ¥2,385 million (up 3.1%), and net income attributable to owners of parent of ¥1,468 million (up 25.7%).

The earnings forecasts are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors.

(2) Analysis of Financial Position

(i) Assets, liabilities and net assets

Total Assets

Current assets fell ¥232,629 thousand or 2.6% from the previous fiscal year, to ¥8,703,500 thousand. This was mainly attributable to a ¥560,897 thousand decrease in cash and deposits and ¥216,748 thousand decrease in accounts receivable-other, which offset an increase of ¥445,366 thousand in notes and accounts receivable-trade.

Noncurrent assets stood at ¥3,138,582 thousand, ¥242,920 thousand or 7.2% lower than at January 31, 2017. Key factors were decrease of ¥326,153 thousand in goodwill and ¥210,278 thousand in other intangible assets, which offset an increase of ¥137,804 thousand in buildings and structures.

As a result, total assets decreased ¥475,549 thousand or 3.9% year on year, to ¥11,842,083 thousand.

Liabilities

Current liabilities stood at ¥2,604,249 thousand at January 31, 2017, ¥65,623 thousand or 2.6% higher than the previous fiscal year. The prime factors in this change were rises of ¥105,372 thousand in income taxes payable, ¥76,953 thousand in accounts payable-other, ¥31,076 thousand in accrued expenses and ¥29,370 thousand in other (advances received), which offset a ¥225,113 thousand decrease in other (deposits received).

Noncurrent liabilities decreased ¥69,778 thousand or 26.7%, to ¥191,604 thousand. This was mainly due to a ¥52,085 thousand decrease in deferred tax liabilities.

As a result, total liabilities decreased ¥4,154 thousand or 0.1% year on year, to ¥2,795,853 thousand.

Net assets

Net assets decreased ¥471,395 thousand or 5.0%, to ¥9,046,230 thousand. This was because although profit attributable to owners of parent added ¥1,168,569 thousand to retained earnings, dividend payments detracted ¥342,777 thousand from retained earnings, while foreign currency translation adjustments declined by ¥517,697 thousand and treasury shares repurchase detracted ¥732,600 thousand.

(ii) Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) as of January 31, 2017, were ¥5,075,574 thousand, down ¥560,897 thousand from he previous fiscal year.

Cash flows for each activity and the reasons behind them are as follows.

Cash flows from operating activities

Operating activities provided net cash of ¥1,517,623 thousand compared to ¥1,623,481, thousand provided in the previous fiscal year. The main contributors to cash were ¥2,135,590 thousand in income before income taxes and minority interests, partly offset by ¥928,683 thousand in income taxes paid.

Cash flows from investing activities

Investing activities used net cash of ¥542,977 thousand compared to ¥995,031 thousand used in the previous fiscal year. The main uses of cash were ¥303,966 thousand in purchase of property, plant and equipment and a ¥145,933 thousand purchase of investments in subsidiaries.

Cash flows from financing activities

Financing activities used net cash of ¥1,349,973 thousand, from ¥304,345 thousand used in the previous fiscal year. The main factors in this change were ¥342,777 thousand in cash dividends paid and ¥733,740 thousand repurchase of treasury shares.

(Reference)

Trends in cash flow indicators are as shown below:

	Fiscal year ended January 31, 2013	Fiscal year ended January 31, 2014	Fiscal year ended January 31, 2015	Fiscal year ended January 31, 2016	Fiscal year ended January 31, 2017
Equity ratio (%)	78.2	81.2	80.1	75.6	75.1
Market value equity ratio (%)	196.7	347.3	145.2	162.5	169.5
Interest-bearing debt to cash flow ratio (Years)	—	—	—	—	—
Interest coverage ratio (Times)	1082.4	—	—	—	1,091.5

Equity ratio: equity / total assets
Market value equity ratio: market capitalization / total assets
Interest-bearing debt to cash flow ratio: interest-bearing debt / cash flow
Interest coverage ratio: cash flow / paid interest

Notes: 1. All indicators are calculated using consolidated financial figures.
2. Market capitalization is calculated based on the number of issued shares, less treasury stock, as of the end of the fiscal year.
3. The figure used for cash flow is "net cash provided by operating activities" in the consolidated statements of cash flows.
4. Interest-bearing debt includes all liabilities recorded in the consolidated balance sheets on which interest was paid.
5. The figure used for interest paid is "interest expenses paid" recorded in the consolidated statements of cash flows.

(iii) Basic Policy on Earnings Distribution for the Year Ended January 2017 and the Year Ending January 2018

The Company considers shareholder returns an important management issue. Management is taking into account the Group's overall financial position, including by factoring in the internal reserves needed to cultivate its businesses to maintain growth in the years ahead, in maintaining a basic policy of targeting a consolidated payout ratio of 25% on net income for the payment of one yearly dividend at the end of the year.

Management aims to allocate retained earnings to invest for future business development.

The Articles of Incorporation stipulate that the company may issue an interim dividend in accordance with Article 454-5 of the Companies Act of Japan. The Board of Directors determines interim dividends. The General Meeting of Shareholders determines year-end dividends.

Subject to a resolution at the General Meeting of Shareholders scheduled for April 2017, the basic policy for the year ended January 31, 2017, is to pay a year-end dividend of ¥19 per share. The planned year-end dividend for the year ending January 31, 2018, is ¥19 per share.

2. Management Policies

(1) Basic Management Policies of the Company

The Group has two core segments. One is the Testing/Verification & Evaluation Business, which detects defects to support software and hardware quality enhancement. The other is the Internet Monitoring Business, which supports sound growth of the Internet by detecting illegal and harmful information in various Web content, and improper use of the Web. With client companies relying more on information technology to manage their business processes and as the use of systems progresses, the Group provides services in business areas that ultimately require human input to check, test, monitor, and review. The Group's businesses currently focus on the video game and Internet sectors.

Based on its corporate philosophy "Create Customer Value," the Group's mission is to integrate the "things only people can do" with the "higher quality systems," and be an outstanding partner in providing client companies with user-friendly support services.

(2) Target Management Indicators

The Group prioritizes maintaining a certain business scale and profitability so it can consistently continue to provide support for enhancing corporate value as an outstanding partner of client companies. The Group thus positions net sales and return on sales as key management indicators.

(3) Medium- to Long-term Management Strategies and Issues Facing the Company

The Group built businesses out of software and hardware testing/verification and evaluation through Pole To Win Co., Ltd., which was established in 1994, and Internet monitoring through PITCREW CO., LTD., which was created in 2000. The goal was to fulfill the corporate mission, which is that, "Ultimately, only people can conduct checks no matter how far systems advance." Over the years, the Group has built solid business ties in the video game, Internet, and e-commerce sectors, broadening its services beyond Testing/Verification & Evaluation and Internet Monitoring to encompass such areas as game development and management, localization to buttress online services, advertising reviews, and user support.

We will move beyond the segment frameworks and the geographic borders to bolster business process outsourcing services, for which there is strong demand among existing customers in the video game, Internet, and e-commerce sectors, in which we have solid business ties, expanding our share of the market for such services. We recognize the importance of enhancing our management and administrative structure as we cultivate new markets and sectors for our core Testing/Verification & Evaluation and Internet Monitoring businesses, and will undertake management activities that reflect the following considerations in particular.

(i) Increase transactions with each client by expanding business process outsourcing services, focusing on customer value chain

The Group created outsourcing markets as a pioneer in the Testing/Verification & Evaluation and Internet Monitoring fields. Based on customer value chain, we will increase transactions with each client by providing a one-stop, full service platform with user-friendly support beyond our segment frameworks and the geographic borders.

(ii) Explore the introduction of new business process outsourcing services to new markets, introducing new operating systems and operating flow to reform our services

We aim to expand new business process outsourcing services to new markets with our reformed services by introducing new operating systems with artificial intelligence technology and new operating flow between current service platform and domestic/overseas centers.

(iii) Bolster business development in overseas market, which offers great growth potential
Although it focused initially on serving Japanese companies in deploying operations internationally, the Group has increased business with locally based companies through M&As and other means, thus steadily increasing overseas sales. Foreign video and social game software developers offer far greater scope for testing, localization and user support services than Japanese counterparts. The Group will therefore expand transactions with existing clients while reinforcing new business development.

3. Basic Policy on Selection of Accounting Standards

Considering the comparability of consolidated statements across periods and among companies, the Group has a policy of preparing its consolidated financial statements in accordance with Japanese Accounting Standards for the time being.
Regarding the application of International Financial Reporting Standards, the Group is to respond appropriately, taking into account circumstances in Japan and abroad.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2016 (As of January 31, 2016)	Fiscal 2017 (As of January 31, 2017)
Assets		
Current assets		
Cash and deposits	5,636,472	5,075,574
Notes and accounts receivable-trade	2,485,451	2,930,818
Merchandise and finished goods	52,862	39,460
Work in process	48,904	72,881
Deferred tax assets	72,058	73,149
Other	650,642	517,626
Allowance for doubtful accounts	(10,261)	(6,009)
Total current assets	8,936,130	8,703,500
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	485,032	711,846
Accumulated depreciation	(191,461)	(280,470)
Buildings and structures, net	293,571	431,375
Machinery, equipment and vehicles	840	12,803
Accumulated depreciation	(840)	(9,666)
Machinery, equipment and vehicles, net	0	3,137
Tools, furniture and fixtures	858,933	963,296
Accumulated depreciation	(660,693)	(716,985)
Tools, furniture and fixtures, net	198,239	246,310
Total property, plant and equipment	491,810	680,824
Intangible assets		
Goodwill	1,514,355	1,188,202
Software	66,926	47,504
Software in progress	—	3,960
Other intangible assets	561,265	350,987
Other	2,244	2,244
Total intangible assets	2,144,792	1,592,899
Investments and other assets		
Investment securities	203,471	202,695
Lease and guarantee deposits	406,915	469,364
Deferred tax assets	44,401	46,275
Other	102,091	149,265
Allowance for doubtful accounts	(11,979)	(2,742)
Total investments and other assets	744,899	864,858
Total noncurrent assets	3,381,502	3,138,582
Total assets	12,317,633	11,842,083

(Thousands of yen)

	Fiscal 2016 (As of January 31, 2016)	Fiscal 2017 (As of January 31, 2017)
Liabilities		
Current liabilities		
Accounts payable-other	1,321,708	1,398,662
Accrued expenses	93,306	124,383
Income taxes payable	522,983	628,355
Provision for bonuses	30,515	40,631
Other	570,110	412,216
Total current liabilities	2,538,625	2,604,249
Noncurrent liabilities		
Provision for retirement benefits	56,686	53,061
Deferred tax liabilities	130,106	78,020
Other	74,589	60,521
Total noncurrent liabilities	261,382	191,604
Total liabilities	2,800,007	2,795,853
Net Assets		
Shareholders' equity		
Capital stock	1,236,323	1,237,140
Capital surplus	1,282,778	1,283,594
Retained earnings	6,258,446	7,084,238
Treasury shares	—	(732,600)
Total shareholders’ equity	8,777,548	8,872,373
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,356	13,998
Foreign currency translation adjustments	527,066	9,368
Total accumulated other comprehensive income	539,422	23,366
Non-controlling interests	200,654	150,490
Total net assets	9,517,625	9,046,230
Total liabilities and net assets	12,317,633	11,842,083

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

(Thousands of yen)

	Fiscal 2016 (From February 1, 2015, to January 31, 2016)	Fiscal 2017 (From February 1, 2016, to January 31, 2017)
Net sales	18,120,472	19,633,397
Cost of sales	12,029,571	13,007,097
Gross profit	6,090,900	6,626,300
Selling, general and administrative expenses	3,730,842	4,216,807
Operating income	2,360,058	2,409,493
Non-operating income		
Interest income	2,213	3,208
Dividends income	2,352	2,296
Insurance premiums refunded cancellation	4,452	18,846
Subsidy income	9,692	8,067
Commission fees	3,918	3,918
Gain on adjustment of accounts payable	3,256	3,127
Other	6,324	14,540
Total non-operating income	32,210	54,003
Non-operating expenses		
Interest expenses	－	1,390
Foreign exchange losses	159,626	142,580
Compensation expenses	3,601	2,932
Commission for purchase of treasury shares	－	1,140
Other	165	2,960
Total non-operating expenses	163,393	151,005
Ordinary income	2,228,874	2,312,491
Extraordinary gains		
Loss on retirement of noncurrent assets	94	－
Gain on sales of investment securities	－	2,479
Other	15	－
Total extraordinary gains	109	2,479
Extraordinary losses		
Loss on retirement of noncurrent assets	10,414	7,057
Loss on sales of noncurrent assets	－	2,645
Impairment loss	－	169,677
Directors' retirement benefits	59,644	－
Other	1,276	－
Total non-operating expenses	71,334	179,380
Income before income taxes and minority interests	2,157,649	2,135,590
Income taxes-current	886,050	1,002,969
Income taxes-deferred	(15,989)	(24,452)
Total income taxes	870,060	978,516
Net income	1,287,588	1,157,073
Profit (loss) attributable to non-controlling interests	674	(11,495)
Profit attributable to owners of parent	1,286,914	1,168,569

(Thousands of yen)

	Fiscal 2016 (From February 1, 2015, to January 31, 2016)	Fiscal 2017 (From February 1, 2016, to January 31, 2017)
Profit	1,287,588	1,157,073
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,695)	1,641
Foreign currency translation adjustments	(103,092)	(556,366)
Total other comprehensive income	(105,788)	(554,724)
Total comprehensive income	1,181,800	602,349
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,199,943	652,512
Comprehensive income attributable to non-controlling interests	(18,142)	(50,163)

(3) Consolidated Statements of Changes in Net Assets
Fiscal 2016 (From February 1, 2015, to January 31, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	1,236,166	1,282,621	5,276,191	―	7,794,979
Changes of items during the period					
Issuance of new shares	157	157			314
Dividends from surplus			(304,659)		(304,659)
Profit attributable to owners of parent			1,286,914		1,286,914
Treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during the period	157	157	982,255	―	982,569
Balance at the end of current period	1,236,323	1,282,778	6,258,446	―	8,777,548

	Accumulated other comprehensive income			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 current period	15,052	611,342	626,394	―	8,421,373
Changes of items during the period					
Issuance of new shares					314
Dividends from surplus					(304,659)
Profit attributable to owners of parent					1,286,914
Treasury shares					―
Net changes of items other than shareholders' equity	(2,695)	(84,275)	(86,971)	200,654	113,682
Total changes of items during the period	(2,695)	(84,275)	(86,971)	200,654	1,096,251
Balance at the end of current period	12,356	527,066	539,422	200,654	9,517,625

Fiscal 2017 (From February 1, 2016, to January 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	1,236,323	1,282,778	6,258,446	–	8,777,548
Changes of items during the period					
Issuance of new shares	816	816			1,632
Dividends from surplus			(342,777)		(342,777)
Profit attributable to owners of parent			1,168,569		1,168,569
Treasury shares				(732,600)	(732,600)
Net changes of items other than shareholders' equity					
Total changes of items during the period	816	816	825,791	(732,600)	94,824
Balance at the end of current period	1,237,140	1,283,594	7,084,238	(732,600)	8,872,373

	Accumulated other comprehensive income			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 current period	12,356	527,066	539,422	200,654	9,517,625
Changes of items during the period					
Issuance of new shares					1,632
Dividends from surplus					(342,777)
Profit attributable to owners of parent					1,168,569
Treasury shares					(732,600)
Net changes of items other than shareholders' equity	1,641	(517,697)	(516,056)	(50,163)	(566,220)
Total changes of items during the period	1,641	(517,697)	(516,056)	(50,163)	(471,395)
Balance at the end of current period	13,998	9,368	23,366	150,490	9,046,230

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal 2016 (From February 1, 2015, to January 31, 2016)	Fiscal 2017 (From February 1, 2016, to January 31, 2017)
Cash flows from operating activities		
Income before income taxes and minority interests	2,157,649	2,135,590
Depreciation and amortization	247,806	339,394
Impairment loss	—	169,677
Amortization of goodwill	219,798	270,503
Increase in allowance for doubtful accounts	6,131	(13,301)
Increase (decrease) in provision for bonuses	(4,136)	10,116
Increase in retirement benefits liability	5,407	(3,624)
Interest and dividends income	(4,566)	(5,504)
Interest expenses	—	1,390
Foreign exchange (gains) losses	61,572	(26,198)
Loss on retirement of noncurrent assets	10,414	7,057
Loss (gain) on sales of non-current assets	—	2,645
Loss (gain) on sales of investment securities	—	(2,479)
Decrease (increase) in notes and accounts receivable - trade	(249,340)	(424,522)
Increase (decrease) in accounts receivable-other	(32,143)	(111,915)
Increase in accounts payable-other	118,579	116,194
Increase in accrued expenses	23,766	31,753
Increase (decrease) in accrued consumption taxes	(107,905)	(10,180)
Increase in deposits received	9,938	(53,672)
Other, net	(85,949)	9,271
Subtotal	2,377,021	2,442,193
Interest and dividends income received	5,462	5,504
Interest expenses paid	—	(1,390)
Income taxes paid	(759,002)	(928,683)
Net cash provided by operating activities	1,623,481	1,517,623
Cash flows from investing activities		
Purchase of property, plant and equipment	(224,460)	(303,966)
Proceeds from sales of property, plant and equipment	—	522
Purchase of intangible assets	(44,145)	(16,051)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(633,213)	(145,933)
Purchase of investment securities	(50,644)	(329)
Proceeds from sales of investment securities	—	5,337
Payments of loans receivable	(7,185)	(38,078)
Collection of loans receivable	6,573	12,038
Payments for lease and guarantee deposits	(73,796)	(79,914)
Proceeds from collection of lease and guarantee deposits	31,840	23,398
Net cash used in investing activities	(995,031)	(542,977)
Cash flows from financing activities		
Repayments of long-term loans payable	—	(275,088)
Proceeds from issuance of common stock	314	1,632
Cash dividends paid	(304,659)	(342,777)
Purchase of treasury shares	—	(733,740)
Net cash provided by (used in) financing activities	(304,345)	(1,349,973)
Effect of exchange rate change on cash and cash equivalents	(31,313)	(185,570)
Net increase in cash and cash equivalents	292,791	(560,897)
Cash and cash equivalents at beginning of period	5,343,681	5,636,472
Cash and cash equivalents at end of period	5,636,472	5,075,574

(5) Notes to Consolidated Financial Statements

（Notes on Going Concern Assumption）

Not applicable

Changes in Accounting Policy

(Application of the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Pursuant to an amendment in the Corporation Tax Act, the Group has applied the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (Practical Issue Task Force (PITF) No.32 issued on June 17, 2016) from the Fiscal 2017. Accordingly, the Group changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change in accounting policies to operating income, ordinary income and income before income taxes and minority interests for the year under review is immaterial.

Segment Information

a. Segment Information

1. Overview of reporting segments

The Company's reporting segments are the compositional units of the Company for which separate financial information is available. They are periodically examined by the Board of Directors for the purpose of deciding on allocation of management resources and evaluating business results.

The Company consists of two main businesses: A Testing/Verification & Evaluation Business that carries out defect detection (finding bugs) in support of improvement in product quality of software and hardware, and an Internet Monitoring Business that detects illegal or harmful information in Web content, and improper use of the Web, in order to support sound Internet growth.

As a result, the Company is composed of two reporting segments with separate organizations and service characteristics: the Testing/Verification & Evaluation Business, and the Internet Monitoring Business.

In the Testing/Verification & Evaluation Business, the Company provides defect detecting (finding bugs), verification and evaluation, and translation services. In Internet Monitoring Business, the Company provides Internet monitoring and user support services.

2. Calculation methods for net sales, income and loss, assets and liabilities and other items by reporting segment

The accounting methods used for the reported business segments are the same as the accounting methods the Company applies for consolidated financial reporting purposes.

Segment income (loss) for reporting segments represents operating income (loss).

Intersegment sales and transactions are based on prevailing market prices.

3. Net sales, income (loss), assets and other items by reporting segment

Fiscal year ended January 31, 2016 (From February 1, 2015, to January 31, 2016)

(Thousands of yen)

	Reporting segment			Others *1	Total	Adjustments *2, 3, 4, 5	Amounts in the consolidated financial statements*6
	Testing/ Verification & Evaluation Business	Internet Monitoring Business	Total				
Net sales							
Sales to third parties	14,637,774	3,294,945	17,932,719	187,752	18,120,472	—	18,120,472
Inter-segment sales and transfers	28,018	38,500	66,518	—	66,518	△66,518	—
Total	14,665,792	3,333,445	17,999,237	187,752	18,186,990	(66,518)	18,120,472
Segment income (loss)	2,403,731	27,690	2,431,422	(81,614)	2,349,807	10,250	2,360,058
Segment assets	9,319,864	1,099,942	10,419,807	172,957	10,592,764	1,724,869	12,317,633
Other items							
Depreciation and amortization	221,178	21,018	242,196	647	242,844	4,962	247,806
Increase in property, plant and equipment and intangible assets	870,672	32,614	903,286	2,095	905,382	20,850	926,232

*Notes:
1. Others covers operations not included in reporting segments, and mainly encompasses the market research, publishing, media businesses and medical staffing services.
2. Adjustment for segment income of ¥10,250 thousand comprises elimination of intersegment transactions of ¥507,252 thousand and unallocated corporate expenses of ¥497,001 thousand. Unallocated corporate expenses are mainly general administrative expenses.
3. Adjustment for segment assets of ¥1,724,869 thousand comprises elimination of intersegment transactions of -¥12,586 thousand and unallocated corporate assets of ¥1,737,455 thousand. Major components of the unallocated corporate assets are surplus operating funds (cash and deposits), long-term investment funds (investment securities) and assets pertaining to administrative divisions.
4. Adjustment for depreciation and amortization of ¥4,962 thousand is unallocated and part of corporate depreciation and amortization.
5. The increase in property, plant and equipment and intangible assets of ¥20,850 thousand is unallocated and part of corporate capital expenditures.
6. Segment income (loss) is adjusted against the operating income recorded in the consolidated income statement.

Fiscal year ended January 31, 2017 (From February 1, 2016, to January 31, 2017)

(Thousands of yen)

	Reporting segment			Others *1	Total	Adjustments *2, 3, 4, 5	Amounts in the consolidated financial statements*6
	Testing/ Verification & Evaluation Business	Internet Monitoring Business	Total				
Net sales							
Sales to third parties	16,039,724	3,261,359	19,301,084	332,313	19,633,397	—	19,633,397
Inter-segment sales and transfers	26,355	21,342	47,697	—	47,697	(47,697)	—
Total	16,066,080	3,282,701	19,348,781	332,313	19,681,095	(47,697)	19,633,397
Segment income (loss)	2,499,760	(27,616)	2,472,143	(90,221)	2,381,922	27,571	2,409,493
Segment assets	9,966,989	948,092	10,915,081	340,670	11,255,751	586,331	11,842,083
Other items							
Depreciation and amortization	306,994	23,051	330,046	1,019	331,065	8,328	339,394
Increase in property, plant and equipment and intangible assets	454,112	4,782	458,894	833	459,728	—	459,728

*Notes:
1. Others covers operations not included in reporting segments, and mainly encompasses the market research, publishing, media businesses and medical staffing services.
2. Adjustment for segment income of ¥27,571 thousand comprises elimination of intersegment transactions of ¥531,387 thousand and unallocated corporate expenses of ¥503,816 thousand. Unallocated corporate expenses are mainly general administrative expenses.
3. Adjustment for segment assets of ¥586,331 thousand comprises elimination of intersegment transactions of -¥8,602 thousand and unallocated corporate assets of ¥594,934 thousand. Major components of the unallocated corporate assets are surplus operating funds (cash and deposits), long-term investment funds (investment securities) and assets pertaining to administrative divisions.
4. Adjustment for depreciation and amortization of ¥8,328 thousand is unallocated and part of corporate depreciation and amortization.
5. Segment income (loss) is adjusted against the operating income recorded in the consolidated income statement.

b. Related information

Fiscal year ended January 31, 2016 (From February 1, 2015, to January 31, 2016)

1. Product- and services-specific information

Not presented, as information similar to segment information is already presented.

2. Geographical information

(1) Net Sales

(Thousands of yen)

Japan	Asia	United States	Europe	Others	Total
13,570,026	83,683	2,633,520	1,821,313	11,928	18,120,472

Note: Sales are categorized by country or region based on customer locations.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Asia	United States	Europe	Total
204,351	51,949	104,411	131,098	491,810

Fiscal year ended January 31, 2017 (From February 1, 2016, to January 31, 2017)

1. Product- and services-specific information

Not presented, as information similar to segment information is already presented.

2. Geographical information

(1) Net Sales

(Thousands of yen)

Japan	Asia	United States	Europe	Others	Total
15,098,721	161,578	2,515,811	1,799,865	57,421	19,633,397

Note: Sales are categorized by country or region based on customer locations.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Asia	United States	Europe	Total
250,210	124,166	178,374	128,072	680,824

c. Information about impairment losses on property, plant and equipment by reporting segment

Fiscal year ended January 31, 2016 (From February 1, 2015, to January 31, 2016)

Not applicable

Fiscal year ended January 31, 2017 (From February 1, 2016, to January 31, 2017)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Monitoring Business	Others*	Corporate and Eliminations	Total
impairment losses	161,128	8,548	—	—	169,677

d. Information about amortization of goodwill and amortized balance by reporting segment

Fiscal year ended January 31, 2016 (From February 1, 2015, to January 31, 2016)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Monitoring Business	Others*	Corporate and Eliminations	Total
Amortization of goodwill	219,798	—	—	—	219,798
Amortized balance	1,514,355	—	—	—	1,514,355

*Note: Others covers operations not included in reporting segments, and mainly encompasses the publishing, and media businesses.

Fiscal year ended January 31, 2017 (From February 1, 2016, to January 31, 2017)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Monitoring Business	Others*	Corporate and Eliminations	Total
Amortization of goodwill	270,503	—	—	—	270,503
Amortized balance	1,188,202	—	—	—	1,188,202

*Note: Others covers operations not included in reporting segments, and mainly encompasses the market research, publishing, and media businesses.

e. Information about negative goodwill gains by reporting segment

Fiscal year ended January 31, 2016 (From February 1, 2015, to January 31, 2016)

Not applicable

Fiscal year ended January 31, 2017 (From February 1, 2016, to January 31, 2017)

Not applicable

(Per share information)

	Fiscal 2016 (From February 1, 2015, to January 31, 2016)	Fiscal 2017 (From February 1, 2016, to January 31, 2017)
Net assets per share	¥489.25	¥485.75
Net income per share	¥67.58	¥63.42
Diluted net income per share	¥66.65	¥62.63

Note: The basis for calculating net income per share and diluted net income per share is as follows.

	Fiscal 2016 (From February 1, 2015, to January 31, 2016)	Fiscal 2017 (From February 1, 2016, to January 31, 2017)
Net income per share		
Profit attributable to owners of parent (thousands of yen)	1,286,914	1,168,569
Amount not attributable to common stockholders (thousands of yen)	—	—
Profit attributable to owners of parent per share of common stock(thousands of yen)	1,286,914	1,168,569
Average number of shares outstanding during period	19,042,214	18,425,081
Diluted net income per share		
Adjustment for profit attributable to owners of parent (thousands of yen)	—	—
Increase in number of shares of common stock	266,210	234,499
(Subscription rights to shares)	(266,210)	(234,499)
Because there was no dilutive effect, net income per share was not included in the calculation of diluted net income per share	—	—