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1. Outlook on Operating Results

(1) Outlook on Operating Results of this Term

The Japanese economy saw continued steady improvement in employment and earnings due to the Japanese government's economic policies. However, there are still concerns about the fragility of this recovery and the effect of overseas market uncertainties and financial capital market fluctuations.

Although personal-use smart device shipments are slowing, the company's target market, corporate-use smart devices, is still growing. Regardless of company size, smart devices for businesses are being bought and implemented at an aggressive rate. Furthermore, the Internet of Things (IoT), which is the concept of a network of internet-connected devices beyond just smart devices, along with Artificial Intelligence (AI), are seeing increased awareness in workplaces. In addition, that awareness often leads to discussions on how to incorporate those technologies into the company.

In this market, the company has been increasing its licenses for each service. The IoT platform service Optimal Biz continues to be the domestic No. 1 in number of IDs for an MDM service and in shipment value share (Source: MIC Research Institute, Ltd. "Collaboration Contents and Mobile Management Package Software Market View 2016"). As workplaces continue to use such technology, license sales are not only growing for MDM, but also for supplementary products such as security or web filtering.

OPTiM Cloud IoT OS, an OS optimized for the IoT era, has a growing network of partners which includes over fifty companies that provide IoT-enabled products and services. In addition, the company has added important features to the OS based on the results of research experiments conducted with companies in a variety of industries.

The company's remote management services have seen a growth in license acquisition for both new and existing services. The use of remote work support services Remote Action and Optimal Second Sight have been featured in the media, and the number of licenses for both services has increased. Pocket Doctor, the remote medical consultation service, has added two new options for patients to contact medical professionals, "Family Doctor Service" and "Appointment Consultation Service." With this, the number of medical facilities involved with Pocket Doctor and reselling partner acquisition has been making strides.

The number of licenses for Unlimited Tablet has increased both by acquiring new major partners and promoting sales measures with existing partners.

As a result of the above successes, the financial year that ended on March 31, 2017 saw growth from the previous year. Net sales were 3,314,636,000 yen, an increase of 26.5%. Operating income was 685,178,000 yen, an increase of 27.3% from last year. Ordinary income was 682,219,000 yen, which was an increase of 26.4%. Finally, the net income was 397,602,000 yen, which was an increase of 37.3%.

As OPTiM focuses on a single segment for license sales and maintenance support service (Optimal), segmentation was omitted from this explanation, however, service classifications will follow.

(IoT Platform Services)

The number of licenses for Optimal Biz has remained steady this year with the increase in the number of corporate-use smart devices. Also, the service has been recognized as Japan's No. 1 in number of IDs for an MDM service and in shipment value share (Source: MIC Research Institute, Ltd. "Collaboration Contents and Mobile Management Package Software Market View 2016"). By aggressively taking advantage of the expanding use of smart devices in business, the company has seen an increase of not just product licenses, but also growth in license sales for supplementary services such as security and web filtering.

Regarding the features of this service, the company has been continuing the efforts of last year to strengthen features for Windows OS, as well as starting to support the increasingly-popular Windows 10 mobile. Furthermore, Optimal Biz technology has added new features for the educational market, including Apple School Manager for iOS integration. The service has expanded features for all types of educational institutions. Apple School Manager allows schools to streamline various procedures utilizing the iPad, for example, device and app distribution, classroom-use applications and lesson support by the Shared iPad feature.

Moreover, the company ensures that Optimal Biz can support the newest features of each operating system to provide customers with a safe environment to use any new operating system.

The IoT and AI field is predicted to expand by investments related to those technologies in all industries. The company is facing this trend with OPTiM Cloud IoT OS, an operating system optimized for the IoT era. All network-enabled devices can be connected to this OS. And, to provide a flexible environment for the user that does not rely on the use of specific devices, the company has entered business partnerships with numerous device vendors. A concrete example of OPTiM Cloud IoT OS can be found at Medical Innovation Lab. This institution was founded to conduct collaborative research, and is run by the company and Saga University, a national public university in Saga, Japan. This research lab is working on diagnosis by AI analysis of ocular fundus images, a procedure that runs on OPTiM Cloud IoT OS. In another project, the Saga Prefectural government, Saga University, Saga Prefecture Ariake Fishery Cooperative Federation, Norinchukin Bank, NTT Docomo, and this company entered a six-party cooperation agreement to improve the nori seaweed industry with IoT, AI, and robots. Nori seaweed cultivation is the main industry of the area. The goals of this agreement include utilizing OPTiM Cloud IoT OS and the company's drones to improve nori seaweed cultivation practices in ways to increase the yield and quality of nori seaweed harvests, disease control, and to reduce seaweed cultivator workloads.

License sales of Optimal Biz in this field will continue to be strong, and measures to improve average revenue per user through supplementary products will be developed. Also, in order to further expand opportunities created through OPTiM Cloud IoT OS, the company will aggressively acquire new partners in various industries and develop new business prospects.

(Remote Management Services)

In remote management services, license sales from existing customers of both Optimal Remote and the integrated call center Premium Remote Support Service have remained steady. Furthermore, sales are growing for customized services tailored to the needs of the customer.

In addition, the company has implemented the "Remote Experience Sharing" concept to various industries through the remote work support service Optimal Second Sight and the remote work support dedicated smart glass, Remote Action. Furthermore, every company that trialed one of those services during this fiscal year had are expected to eventually purchase the service.. New sales stemming from trial usage are expected to continue. Moreover, other companies in all industries will be approached through existing customers in the respective industry. Pocket Doctor, the remote medical consultation service, has added two new options for patients to contact medical professionals, "Family Doctor Service" and "Appointment Consultation Service." The demand for telemedicine is growing, and further efforts will be needed as more companies enter the market.

(Support Services)

As the PC market is shrinking, OPTiM's sales figures in this area are decreasing. The need for efficient support in the rapidly-growing MVNO market will create new business opportunities.

(Other Services)

The growth of business with Unlimited Software and Unlimited Biz Software (corporate-use version of Unlimited Software) has been occurring alongside the increasing focus on businesspeople by major fixed-line communication service carriers. All-you-can-read popular magazine service Unlimited Tablet has expanded to over 500 titles and 2,300 issues. The company will continue to acquire new sales partners and support sales of existing sales partners.

(2) Outlook on the Financial Position

(Assets)

The total of current assets at the end of this year is 3,331,024,000 yen, an increase of 626,418,000 yen from the end of the previous fiscal year. This is mainly due to a 221,660,000 yen increase of cash and deposits, a 195,724,000 yen increase of deferred tax assets (fixed assets), and a 155,532,000 yen increase of accounts receivable.

(Liabilities)

The total value of liabilities is 913,763,000 yen, an increase of 216,399,000 yen from the previous fiscal year. The reasons for this chiefly include a decrease of accrued payables by 97,150,000 yen countered by an increase in accrued income tax by 171,343,000 yen, and an increase of accounts payable by 103,245,000 yen.

(Net Assets)

The total value of net assets is 2,417,260,000 yen, an increase of 410,018,000 yen from the end of the previous fiscal year. This is chiefly due to a 397,602,000 yen increase in retained earnings.

(3) Outlook on Cash Flow of this Term

Cash and cash equivalents (henceforth referred to as "capital") for this fiscal year has increased by 221,660,000 yen from the previous year to 2,038,659,000 yen.

The reasons for the state of the cash flow are as follows.

(Cash flow from operating activities)

This year, 362,947,000 yen in capital was acquired for operating activities, while 244,501,000 yen was acquired the previous year. The main reason for this change was from the profit before taxes being 703,186,000, a 103,245,000 yen increase in notes and accounts payable - trade, while income tax payments increased by 215,729,000 yen, and notes and accounts receivable - trade increased by 157,806,000.

(Cash flow from investment activities)

Net cash used for investing activities was 153,703,000 yen, while 187,234,000 yen was used the previous year. The reason for this was chiefly an 80,000,000 purchase of investment securities and a 74,710,000 acquisition of tangible fixed assets.

(Cash flow from financial activities)

12,416,000 yen was acquired through financing activities, and there were no funds used or acquired in the

previous year. This was due to the issuance of shares through stock acquisition rights.

(Reference) Transition of Related Parameters

	FY ending March 2015	FY ending March 2016	FY ending March 2017
Equity Ratio (%)	71.7	74.2	72.6
Market value based capital-to-asset ratio (%)	1,542.4	1,310.3	1,173.87
Cash Flow Interest-bearing liabilities ratio (years)	—	—	—
Interest coverage ratio	—	—	—

Equity ratio: equity / total assets

Market value based capital-to-asset ratio: market capitalization total / total assets

Cash flow interest-bearing liabilities ratio: interest-bearing debt / operating cash flow

Interest coverage ratio: operating cash flow / interest payments

(Notes) 1. Stock capitalization is based on the number of shares issued except the outstanding treasury shares.

2. Since there were no interest-bearing liabilities from the fiscal year ending in 2015 to the fiscal year ending in 2017, the interest-bearing liabilities ratio and the interest coverage ratio are not stated.

(4) Future Outlook

The company's business model is based on income from licensing sales. Key markets for the company such as Enterprise Mobile Management (EMM) and Mobile Device Management (MDM) are expanding steadily, and the company will remain dominant in those markets. Therefore, assuming that growth investment is unchanged for the next fiscal year, sales can be predicted to grow 20%. Operating income and ordinary income can also be predicted to grow 20%. However, in regard to new markets, the company has also been looking towards the 4th industrial revolution, which utilizes AI, IoT, and robots. Although the company was able to achieve definite results from extensive R&D investment, in order to be a major player in the new aforementioned market, further investment into R&D will be done.

Based on the above assessment, the company will actively invest in R&D to achieve a non-negative maximum ordinary profit for the next fiscal year. In this, the company hopes to establish OPTiM Cloud IoT OS as an industry standard. For this, the company will further promote its "IoT×IT" initiative, which combines various industries with IT.

Three different challenges must be overcome. First, in order to establish OPTiM Cloud IoT OS as a standard, the company must be flexible in order to take advantage of any promising investment opportunities that arise. Sticking to a single profit plan may lead to lost opportunities. Second, in promoting "IoT×IT," the company will aim for two different sources of revenue: both license sales and custom services. However, as this is a new strategy for the company, it is difficult to predict the sales and profit from such endeavors. And third, securing resources to allow for robust research and development may be difficult for the company to procure.

Due to the challenges listed above, the company has decided to format forecasts for the next fiscal year as ranges. Net sales are predicted to be 4,000,000,000 yen, up 20.7% from the previous year. Operating income is predicted to be 1,000,000 yen to 800,000,000 yen, which would be from a 99.9% decrease to 16.8% increase from the previous year. Ordinary income is predicted to be 1,000,000 yen to 800,000,000 yen, which would be from a 99.9% decrease to 17.3% increase from the previous year. Finally, net income is predicted to be 620,000 yen to 496,000,000 yen, which would be from a 99.8% decrease to 24.7% increase.

2. General Policy on the Chosen Accounting Standard

The company uses Japanese accounting standards because its financial statements are used in calculations for the Corporation Law and Corporate Tax Law of Japan.

3. Financial Statement and Notes

(1) Balance sheet

(in thousands of yen)

	FY ending March 2016	FY ending March 2017
Assets		
Current Assets		
Cash and deposits	1,816,999	2,038,659
Notes receivable	41,326	43,600
Accounts receivable	383,012	538,544
Work in process	—	814
Prepaid expenses	8,518	21,157
Deferred tax assets	56,189	66,678
Other	79,886	5,950
Total current assets	2,385,931	2,715,405
Fixed assets		
Tangible fixed assets		
Buildings (net)	137,919	116,298
Vehicles (net)	—	151
Tools and other equipment (net)	15,717	15,397
Total tangible fixed assets	153,637	131,847
Intangible fixed assets		
Software	7,837	62,591
Other	161	161
Total intangible fixed assets	7,998	62,752
Investments and other assets		
Investments in securities	—	74,386
Long-term prepaid expenses	23,617	6,526
Lease and guarantee deposits	129,683	140,643
Deferred tax assets	2,182	197,906
Other	1,555	1,555
Total investments and other assets	157,038	421,018
Total fixed assets	318,674	615,618
Total assets	2,704,606	3,331,024

(in thousands of yen)

	FY ending March 2016	FY ending March 2017
Liabilities		
Current liabilities		
Accounts payable	80,004	183,250
Payables	167,800	70,649
Accrued expenses	24,419	20,499
Income taxes payable	123,454	294,798
Accrued consumption taxes	23,004	44,015
Sales deposits	30,433	30,433
Deposits received	5,528	5,952
Unearned income	103,289	119,668
Provision for bonuses	75,000	72,000
Provision for directors' bonuses	31,900	39,900
Total current liabilities	664,835	881,167
Non-current liabilities		
Asset retirement obligation	32,528	32,595
Total non-current liabilities	32,528	32,595
Total liabilities	697,364	913,763
Net assets		
Shareholders' equity		
Capital stock	411,356	417,664
Capital surplus		
Change in capital reserve	375,856	382,164
Other capital surplus	319,631	319,631
Total capital surplus	695,487	701,795
Retained earnings		
Other retained earnings		
Investment earnings reserve	—	12,552
Transferred retained earnings	900,413	1,285,462
Total retained earnings	900,413	1,298,015
Treasury shares	-14	-213
Total shareholders' equity	2,007,242	2,417,260
Total net assets	2,007,242	2,417,260
Total liabilities and net assets	2,704,606	3,331,024

(2) Statement of Income

(in thousands of yen)

	FY from April 1, 2015 to March 31, 2016	FY from April 1, 2016 to March 31, 2017
Net Sales	2,620,544	3,314,636
Cost of sales	450,612	605,165
Gross profit	2,169,931	2,709,471
Selling, general and administrative expenses	1,631,715	2,024,293
Operating Income	538,216	685,178
Non-operating income		
Interest income	949	11
Currency exchange profit	137	—
Subsidy income	80	480
Miscellaneous income	611	2,338
Total non-operating income	1,778	2,830
Non-operating expenses		
Foreign exchange loss	—	63
Losses on investment partnership management	—	5,613
Miscellaneous losses	108	112
Total non-operating expenses	108	5,789
Ordinary Income	539,886	682,219
Extraordinary profit		
Refunded premiums for cancelled insurance policies	—	20,967
Total extraordinary profit	—	20,967
Extraordinary expenses		
Loss on retirement of non-current assets	43,510	—
Total extraordinary expenses	43,510	—
Net income before taxes	496,375	703,186
Income taxes - current	201,842	373,533
Previous year corporate income tax	—	138,265
Income taxes - deferred	4,923	-206,213
Total income taxes	206,766	305,584
Net income attributable to the company	289,608	397,602

[Explanation of Costs of Sales]

Classification	Notes Code	FY from April 1, 2015 to March 31, 2016		FY from April 1, 2015 to March 31, 2016	
		Amount (in 1000s of yen)	Ratio (%)	Amount (in 1000s of yen)	Ratio (%)
I Direct labor costs		526,323	41.0	573,700	31.5
II Expenses	※1	758,508	59.0	1,247,692	68.5
This term's general production costs		1,284,832	100.0	1,821,392	100.0
Inventory for works in process at the beginning of the term		12,696		—	
Quality of goods in the current term		42,659		91,387	
Annual Total		1,340,188		1,912,780	
Inventory for works in process at the end of the term		—		814	
Transfers to other accounts	※2	889,575		1,306,800	
Cost of sales		450,612		605,165	

(Cost accounting process)

The company's cost accounting is practical cost accounting according to individual cost accounting.

(Note) ※1 The breakdown is as follows (in thousands of yen)

Item	FY from April 1, 2015 to March 31, 2016	FY from April 1, 2015 to March 31, 2016
Outsourcing	473,707	860,565
Communications	95,607	113,132
Office supplies	25,893	32,169
Rent	66,386	94,844
Contents	50,062	91,422

※2 The breakdown of transfers to other accounts is as follows (in thousands of yen)

Item	FY from April 1, 2015 to March 31, 2016	FY from April 1, 2015 to March 31, 2016
R&D expenses	882,042	1,224,734
Other	7,533	82,066
Total	889,575	1,306,800

(3) Statement in Changes in Equity

FY from April 1, 2015 to April 1, 2016

(in thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Change in capital reserve	Other capital surplus	Total capital surplus
Balance	411,356	375,856	319,631	695,487
Change				
Net income attributable to the company				
Total changes	—	—	—	—
End-of-year balance	411,356	375,856	319,631	695,487

	Shareholders' equity			Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity	
	Other profits Surplus			
	Transferred retained earnings			
Balance	610,804	-14	1,717,633	1,717,633
Change				
Net income attributable to the company	289,608		289,608	289,608
Total changes	289,608	—	289,608	289,608
End-of-year balance	900,413	-14	2,007,242	2,007,242

FY from April 1, 2016 to March 31, 2017

(in thousands of
yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Change in capital reserve	Other capital surplus	Total capital surplus
Balance	411,356	375,856	319,631	695,487
Change				
Issuance of new shares - exercise of subscription rights to shares	6,308	6,308		6,308
Investment earnings reserves				
Net income attributable to the company				
Purchase of treasury shares				
Total changes	6,308	6,308	—	6,308
End-of-year balance	417,664	382,164	319,631	701,795

	Shareholders' equity					Total net assets
	Retained earnings			Treasury shares	Total shareholders' equity	
	Other retained earnings		Total retained earnings			
	Investment earnings reserve	Transferred retained earnings				
Balance	—	900,413	900,413	-14	2,007,242	2,007,242
Changes						
Issuance of new shares - exercise of subscription rights to shares					12,616	12,616
Investment earnings reserves	12,552	-12,552	—		—	—
Net income attributable to the company		397,602	397,602		397,602	397,602
Purchase of treasury shares				-199	-199	-199
Total changes	12,552	385,049	397,602	-199	410,018	410,018
End-of-year balance	12,552	1,285,462	1,298,015	-213	2,417,260	2,417,260

(4) Cash Flow Statement

(in thousands of yen)

	FY from April 1, 2015 to March 31, 2016	FY from April 1, 2016 to March 31, 2017
Cash flows from operating activities		
Income before taxes	496,375	703,186
Depreciation cost	17,900	42,332
Provision for directors' bonuses	2,500	8,000
Provision for bonuses	13,500	-3,000
Provision for interest income and receipt	-949	-11
Loss on retirement of non-current assets	43,510	-
Refunded premiums for cancelled insurance policies	-	-20,967
Gains and losses on investment partnership management	-	5,613
Notes and accounts receivable - trade	-74,647	-157,806
Inventory assets	12,696	-814
Notes and accounts payable - trade	-42,390	103,245
Accounts payable - other	25,385	-33,350
Accrued expenses	-7,490	-3,919
Accrued consumption taxes	-45,323	21,010
Unearned revenue	29,915	16,378
Other	10,788	-9,580
Subtotal	481,771	670,316
Interest and dividend income received	949	6
Revenue from cancelled insurance policies	-	46,618
Income taxes paid	-238,219	-215,729
Payment of prior year income tax	-	-138,265
Cash flows from operating activities	244,501	362,947
Cash flows from investing activities		
Time deposits	-700,000	-
Proceeds from withdrawal of time deposits	700,000	-
Purchase of property, plant and equipment	-56,518	-74,710
Purchase of intangible assets	-2,717	-64,386
Purchase of investment securities	-	-80,000
Payments for lease and guarantee deposits	-129,458	-11,184
Proceeds from collection of lease and guarantee deposits	1,460	76,578
Cash flows from investing activities	-187,234	-153,703
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	-	12,616
Purchase of treasury shares	-	-199
Cash flows from financing activities	-	12,416
Net increase or decrease in cash and cash equivalents	57,266	221,660
Cash and cash equivalents at beginning of period	1,759,732	1,816,999
Cash and cash equivalents at end of period	1,816,999	2,038,659

(5) Notes on consolidated financial statements

(Notes on assumptions of going concerns)

None to report.

(Changes in accounting policies)

(On changes related to the 2016 fiscal year tax reform on practical treatment of depreciation)

An amendment of the Japanese Corporate Tax law, the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (PITF No. 32, June 17, 2016) was applied the target fiscal year. Calculations for the depreciation of buildings and structures was changed from the declining balance method to the straight-line method.

The effect on profit is insignificant.

(Additional Information)

(Application guidelines on deferred tax assets)

The "Implementation Guidance on Recoverability of Deferred Tax Assets" (Guidance No.26 (revised 2016)) was issued on March 28, 2016 and applied to the target fiscal year.

(Equity in earnings of affiliates)

None to report.

(Information on segments)

As the company focuses on a single segment for license sales and maintenance support service (Optimal), segmentation was omitted from this explanation.

(Information on each share)

	FY from April 1, 2015 to March 31, 2016	FY from April 1, 2015 to March 31, 2016
Net assets per share	151.80円	249.94円
Net earnings per share	21.90円	29.96円
Diluted Earnings per Share	20.53円	28.70円

(Notes) 1. On April 1, 2017, the number of shares of the company was doubled. So the net assets per share, the net earnings per share, and the diluted earnings per share are calculated assuming that the split occurred in the beginning of the previous fiscal year.

2. The calculations for the net earnings per share and diluted earnings per share are as follows.

	FY from April 1, 2015 to March 31, 2016	FY from April 1, 2015 to March 31, 2016
Net earnings per share		
Net income	289,608	397,602
Amount not belonging to common shareholders	—	—
Profit involved in common stock (in 1000s of yen)	289,608	397,602
Average number of shares during the term	13,223,120	13,269,331
Diluted Earnings per Share		
Net income adjustment (in 1000s of yen)	—	—
Increased number of common shares (shares)	886,144	584,754
(Stock acquisition rights (shares))	(886,144)	(584,754)
The summary of potential shares was not included in the calculation of the diluted earnings per share as there is no dilutive effect.	—	—

3. The basis for calculating the net asset value per share is as follows.

	FY ending March 31, 2016	FY ending March 31, 2017
Total net assets (in 1000s of yen)	2,007,242	2,417,260
Total net assets deductibles (in 1000s of yen)	—	—
Profit involved in common stock (in 1000s of yen)	2,007,242	2,417,260
Common shares used to calculate net assets per share	13,223,120	13,327,176

(Material events after the balance sheet date)

None to report.

* This English translation is for reference purposes only. The original Japanese version will prevail as the official authoritative version.