

Summary of Consolidated Financial Results for the Fiscal Year ended December 31, 2018 (Japanese Accounting Standards)



February 14, 2019

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Listing Exchanges: Tokyo Stock Exchange
 URL <http://www.fsi.co.jp/>

Scheduled date of Annual General Meeting of Shareholders: March 15, 2019
 Scheduled date of dividend payment: March 18, 2019
 Scheduled date to submit the Quarterly Securities Report (*Yukashoken Hokokusho*): March 18, 2019
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes

(Figures less than one million yen are omitted)

1. Consolidated Business Results for the Fiscal Year ended December 31, 2018 (January 1, 2018 – December 31, 2018)

(1) Consolidated operating results (cumulative total)

(Percentages represent year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|------------------|-------------|------|------------------|------|-----------------|------|---|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Year ended 12/18 | 204,329 | 13.0 | 11,400 | 17.4 | 12,071 | 17.7 | 6,516 | 12.4 |
| Year ended 12/17 | 180,773 | 10.1 | 9,708 | 10.3 | 10,260 | 11.9 | 5,797 | 15.0 |

(Note) Comprehensive income (million yen) Year ended 12/18: 3,343 (-65.9%) Year ended 12/17: 9,791 (90.6%)

| | Net income per share | Net income per share/diluted | Return on equity | Ordinary income to total assets | Operating income to net sales |
|------------------|----------------------|------------------------------|------------------|---------------------------------|-------------------------------|
| | Yen | Yen | % | % | % |
| Year ended 12/18 | 208.22 | 207.71 | 6.2 | 6.5 | 5.6 |
| Year ended 12/17 | 185.33 | 185.10 | 5.8 | 6.1 | 5.4 |

Reference: Equity in earnings of affiliates (million yen): Year ended 12/18: 258 Year ended 12/17: 246

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| Year ended 12/18 | 194,279 | 119,670 | 54.6 | 3,391.15 |
| Year ended 12/17 | 174,568 | 118,411 | 59.9 | 3,340.35 |

Reference: Shareholders' equity (million yen) Year ended 12/18: 106,123 Year ended 12/17: 104,535

(3) Consolidated cash flow position

| | Cash flow from operating activities | Cash flow from investment activities | Cash flow from financing activities | Ending balance of cash and cash equivalents |
|------------------|-------------------------------------|--------------------------------------|-------------------------------------|---|
| | Million yen | Million yen | Million yen | Million yen |
| Year ended 12/18 | 11,192 | -23,424 | 14,766 | 24,587 |
| Year ended 12/17 | 9,244 | -4,524 | -4,462 | 22,157 |

2. Dividends

| | Dividend per share | | | | | Total dividends (annual) | Payout ratio (consolidated) | Dividends/net assets (consolidated) |
|------------------------------|----------------------|-----------------------|----------------------|----------|--------|--------------------------|-----------------------------|-------------------------------------|
| | End of first quarter | End of interim period | End of third quarter | Year end | Annual | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Year ended 12/17 | – | 15.00 | – | 18.00 | 33.00 | 1,032 | 17.8 | 1.0 |
| Year ended 12/18 | – | 18.00 | – | 19.00 | 37.00 | 1,157 | 17.8 | 1.1 |
| Year ending 12/19 (forecast) | – | 19.00 | – | 19.00 | 38.00 | | 17.7 | |

3. Forecast for Consolidated Business Results for the Fiscal Year Ending December 31, 2019

(Jan. 1, 2019 – Dec. 31, 2019)

(Percentages represent year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Net income per share |
|--|-------------|-----|------------------|-----|-----------------|------|---|------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Second consolidated quarter (cumulative) | 103,650 | 2.9 | 5,350 | 1.3 | 5,600 | -2.0 | 3,150 | -5.1 | 100.66 |
| Full year | 210,500 | 3.0 | 11,700 | 2.6 | 12,200 | 1.1 | 6,700 | 2.8 | 214.10 |

* Notes

- (1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): Not applicable
 New: — (company name) Exception: — (company name)
- (2) Changes in accounting principles and changes or restatement of accounting estimates
 (i) Changes in accounting principles due to amendment of accounting standards, etc.: Not applicable
 (ii) Changes in accounting principles other than (i): Not applicable
 (iii) Changes in accounting estimates: Not applicable
 (iv) Restatement: Not applicable
- (3) Number of outstanding shares (common shares)
 (i) Number of shares outstanding at the end of period (including treasury shares):
 Year ended 12/18: 33,700,000 shares Year ended 12/17: 33,700,000 shares
 (ii) Number of treasury shares at the end of period:
 Year ended 12/18: 2,405,901 shares Year ended 12/17: 2,405,296 shares
 (iii) Average number of shares during the period:
 Year ended 12/18: 31,294,391 shares Year ended 12/17: 31,282,333 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Business Results for the Fiscal Year Ended December 31, 2018 (January 1, 2018 – December 31, 2018)

(1) Non-consolidated operating results

(Percentages represent year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|------------------|-------------|------|------------------|------|-----------------|------|-------------|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Year ended 12/18 | 130,646 | 16.3 | 7,071 | 21.9 | 7,918 | 21.2 | 6,094 | 16.9 |
| Year ended 12/17 | 112,371 | 11.4 | 5,802 | 4.2 | 6,533 | 0.3 | 5,214 | 8.3 |

| | Net income per share | Net income per share/diluted |
|------------------|----------------------|------------------------------|
| | Yen | Yen |
| Year ended 12/18 | 194.75 | — |
| Year ended 12/17 | 166.70 | 166.65 |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| Year ended 12/18 | 155,988 | 95,258 | 61.1 | 3,043.91 |
| Year ended 12/17 | 133,068 | 92,015 | 69.1 | 2,940.22 |

Reference: Shareholders' equity (million yen): Year ended 12/18: 95,258 Year ended 12/17: 92,015

* The summary of consolidated financial results is not subject to audits by certified public accountants and audit corporations.

* Cautionary statement with respect to forward-looking statements

(Notes to forward-looking statements)

The above forecast has been prepared based on date as of the announcement date. Since various uncertainties subsist in forecasts, actual results may differ from forecasted figures.

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1. Overview of Consolidated Results, Etc.

(1) Overview of consolidated results for the fiscal year ended December 31, 2018

During the fiscal year under review (from January 1, 2018 to December 31, 2018), the Japanese economy remained on a moderate recovery track driven by improving corporate earnings and employment and income conditions, despite concerns over the direction of U.S. trade policy, the future of economies in emerging countries in Asia including China and the impact of a series of natural disasters such as earthquakes and heavy rainfall.

In the information services industry, new services and products utilizing advanced technologies such as artificial intelligence (AI), the Internet of Things (IoT) and robotics started to appear in efforts to achieve Society 5.0 (*1) through Investments for the Future Strategy 2018 (*2), a concept advocated by the Japanese government, among other initiatives. Meanwhile, given that the shortage of ICT engineers to respond to the sophistication and diversification of these new technologies and measures to strengthen cyber security to counter increasingly sophisticated and complex cyberattacks have become challenges, demand for ICT services is expected to increase.

In this business environment, the FUJISOFT Group focused on the more active hiring of human resources and the training of engineers and developed systems including those for strengthening cooperation with its business partners. In the area of the latest technologies, regarding AIS CRM (*3) as a priority technical field, the Group worked on technical research, product development and an improvement in technical capabilities (Registered Information Security Specialists (RISS) and the Japan Deep Learning Association, JDLA Deep Learning for GENERAL) to create new businesses. The Group also aimed to achieve its medium-term goal of becoming an innovative corporate group that links ICT development to greater value for customers through its efforts to improve productivity and enhance corporate value.

In System Construction, development demand was increasing in the booming market, and the development of in-vehicle control software centered on advanced driver-assistance systems (ADAS) and software related to electric vehicles continued to perform well in auto-related projects that attract attention with key words such as “automated driving,” “electronic operation” and “connectivity” (*4). In addition, official sales of the onboard software platform Julinar SPF (*5), which conforms to the AUTOSAR (*6) specifications, commenced in October 2018. It has been developed jointly with APTJ Co., Ltd. (*7), with a considerable investment of time. In factory automation for machine control systems, development demand remained robust, and the development of control software continued to be strong. The Group also worked actively on the industrial robot SI business, a new growth area. In operation system development, the Group expanded orders on the back of rising needs for system renewal and greater operational efficiency by utilizing RPA (Robotics Process Automation) (*8) in the financial sector, against the backdrop of digital transformation and fintech. In addition, system development in the Internet-related sectors including e-commerce and public offices, as well as infrastructure building using virtual foundations and cloud foundations, also remained strong. In the cloud SI business, the Group provided high value-added services utilizing the products of global vendors such as Amazon.com, Inc., Microsoft Corporation, Salesforce.com and Oracle Corporation.

In the Product and Service sector, sales continued to be solid in the license business, among others. With regard to PALRO, a communication robot, the Group has been taking steps to expand business fields, for instance with the release of consumer series products, reflecting the growing focus on communication robots. This trend is exemplified by the fact that the Ministry of Economy, Trade and Industry and the Ministry of Health, Labour and Welfare have selected “monitoring and communication systems” as one of the priority areas to which robot technology is to be introduced in nursing care. In addition, the Group began providing the FSDTV Middleware for ARIB (*9), middleware for digital TV broadcasting receivers that is compatible with the new 4K8K satellite broadcasting, in conjunction with the enhancement of broadcasting services including the 4K8K.

As part of its efforts in advanced technologies, the Group has proceeded with training AI engineers, collaborating with AI venture businesses, and offering AI integration services that include introduction consulting using various kinds of platforms as well as maintenance and operation support, and other total services covering from the proposal of solutions for the introduction of IoT in the manufacturing industry and the research and diagnosis of security to preliminary measures and responses and improvements in case of emergency.

To expand and strengthen new technologies and development fields, among other objectives, the Group has established additional offices in a number of locations in Japan (Sapporo, Hokkaido, Sumida-ku, Tokyo, Yokohama-shi, Kanagawa, Kariya-shi, Aichi, Fukuoka-shi, Fukuoka and Osaka-shi, Osaka) and has acquired a planned construction site for a building in Shiodome (Minato-ku, Tokyo). VINX Corporation, a subsidiary, has also established a local subsidiary in the distribution and service sectors in Thailand to further expand operations in the rapidly growing ASEAN region.

In the regenerative medicine sector, the Group received a certificate of success in “implant type regenerate cartilage,” research on which began in 2005, from the Japan Agency for Medical Research and Development (AMED) and proceeded with commercialization targeting manufacture and sales in 2019.

To enable diverse work styles in accordance with the work-style reform promoted by the Japanese government, the Group worked on the telework/satellite office working systems, which utilize ICT, and the Ultraflex System (*10), among other systems. In addition, the Group used the paperless system moreNOTE (*11), which can flexibly realize a mobile work style irrespective of time and place, and moreReception (*12), an unmanned reception system. With this approach, the Group has established systems to support work-style reforms from multiple aspects and proceeded with proposals in business. As a result, the Group’s efforts to promote work-life balance and health and the strategic practice of its efforts to reduce overtime work and encourage paid leave were valued, and the Group was certified as a Health and Productivity Management Organization announced by the Ministry of Economy, Trade and Industry for the second consecutive year.

With respect to CSR (corporate social responsibility) activities, the Group worked on not only employment transition support activities at an employment preparatory school, etc. to expand the employment of persons with disabilities through its special subsidiary FUJISOFT KIKAKU Inc., but also the cultivation of shitake mushrooms as a new agriculture using ICT technologies. As a result, the Group received the Golden Award for the third consecutive year at the Shiitake Mushrooms Competitive Exhibition hosted by the National Sunmush Production Council held in Fukushima, as well as the Hokken Award, the highest special award. The Group has also been promoting activities to spread the enjoyment of manufacturing and improve robot technologies through robot sumo wrestling by holding the All Japan Robot SUMO Tournament 2018 Grand Final, a competition

in which the contestants participate from 35 countries overseas to determine the world's No. 1 robot.

As a result of these initiatives, in the fiscal year under review, net sales stood at 204,329 million yen, up 13.0% year on year, thanks to the strong performance of the System Integration business. SG&A expenses came to 36,119 million yen, up 11.6% year on year, due in part to the increase in labor costs that resulted from the enhancement of the structure and expenses associated with establishment of new offices. However, operating income rose 17.4% year on year, to 11,400 million yen, thanks to the increase of net sales, and ordinary income climbed 17.7%, to 12,071 million yen. Profit attributable to owners of parent was 6,516 million yen, up 12.4% year on year due to a gain on sales of investment securities, a gain on transfer of business, impairment loss of goodwill, etc. and other extraordinary profit and loss items.

- *1: Society 5.0
A super smart society, the fifth new society using AI and IoT, etc., following “hunting and gathering society, “agrarian society,” “industrial society” and “information society.”
- *2: Investments for the Future Strategy 2018
An economic policy package adopted at a Cabinet meeting in 2017, which contains government measures to work on bold reforms including tax, budget, and regulatory reforms by positioning the three years until 2020 as a period for productivity revolution and concentrated investment
- *3: AIS-CRM (A: AI; I: IoT; S: Security; C: Cloud; R: Robot; M: Mobile & AutoMotive)
Technical field which the Group positions as a priority technology
- *4: Connectivity
Connecting a car with various items via the Internet
- *5: Julinar SPF (Joint development program by Users, Licensors, and Integrators for AUTOSAR-based software platforms)
SPF compliant with the AUTOSAR specifications which APTJ develops and the general term for the services thereof
- *6: AUTOSAR (AUTomotive Open System ARchitecture)
The name of an organization established in Europe in 2003 for the standardization of in-vehicle software and the collective name for the standard specifications created by the organization.
- *7: APTJ Co., Ltd. (Automotive Platform Technology Japan)
APTJ was founded in 2015 as a venture company created at Nagoya University. It aims to become a leading international software company in SPF for in-vehicle control systems in the future by developing SPF for automated driving systems and responding to IoT, etc., through enhanced security measures.
- *8: RPA (Robotic Process Automation)
Automation of operations utilizing AI and Robot technologies, which replace human workers
- *9: FSDTV Middleware for ARIB
Compatible with terrestrial digital and BS/CS110 digital broadcasting, FSDTV Middleware for ARIB provides functions conforming to the standards of ARIB (Association of Radio Industries and Businesses), including the tuning function. This enables a flexible response to various implementation forms such as television, personal computers, mobile devices and in-vehicle devices.
- *10: Ultraflex System
An ultra-flexible working system that is more flexible than the existing Superflex system (the flextime system without the core time that was introduced in 1990) as a result of introducing the Flexible Paid Leave System that enables employees to take a half-day paid leave without fixing the time and the Refresh Time System that allows them to take refreshment time in units of 10 minutes during work hours.
- *11: moreNOTE
Paperless system with the largest share in the industry in terms of sales by product in the mobile content management market according to the market research report issued by ITR Corporation. This system provides services for sharing, viewing, and editing documents, videos and images easily using tablets, smartphones, and personal computers.
- *12: moreReception
Smart document service boasting the top share of the mobile content management market, service for sharing, viewing, and editing documents, videos and images easily using tablets, smartphones, and personal computers

Results by business segment were as follows:

(i) SI (system integration) business

In the SI business, sales of and income from embedded/control software increased, reflecting brisk sales of auto-related and machine control projects. In operating software, both sales and income increased thanks to strong sales to internet service providers and the financial sector. In Products and Services, while sales increased due to the strong performance of license sales, income declined mainly due to investments to improve quality and a fall in sales of profitable products of certain Group companies. In the outsourcing business, sales remained the same as a year ago, reflecting a fall in projects for the distribution and service sectors, despite outsourcing projects for public offices. Income increased due to the absence of expenses for data center renovations posted in the previous fiscal year.

As a result, net sales stood at 189,277 million yen, up 13.1% year on year. Operating income amounted to 9,696 million yen, up 20.5%.

* The following table shows a breakdown of net sales and operating income in the SI business.

(Million yen)

| | Net sales | YoY change (%) | Operating income | YoY change (%) |
|---------------------------|-----------|----------------|------------------|----------------|
| SI business total | 189,277 | 113.1 | 9,696 | 120.5 |
| System construction | 115,351 | 113.5 | 6,971 | 128.7 |
| Embedded/control software | 59,622 | 112.4 | 4,242 | 130.5 |
| Operation software | 55,729 | 114.8 | 2,729 | 125.9 |
| Products and services | 73,925 | 112.4 | 2,725 | 103.5 |
| Products and services | 58,883 | 116.1 | 1,703 | 87.6 |
| Outsourcing | 15,041 | 100.0 | 1,021 | 148.8 |

(Note) Operating income includes the elimination of intersegment transactions of ¥768 thousand.

(ii) Facility business

Net sales stood at 2,909 million yen, up 7.9% year on year, and operating income rose 1.7% year on year, to 1,131 million yen, mainly reflecting an increase in rental income from office buildings owned by the Company and certain consolidated subsidiaries.

(iii) Other businesses

Net sales from other businesses amounted to 12,142 million yen, up 13.5% year on year, and operating income grew 4.7%, to 572 million yen, reflecting strong performances in the data entry business and the contact center business.

(2) Overview of financial position for the fiscal year under review

(Total assets)

Total assets stood at 194,279 million yen at the end of the consolidated fiscal year under review, up 19,710 million yen from the end of the preceding consolidated fiscal year. Current assets were 79,977 million yen (up 7,519 million yen from the end of the previous fiscal year), and non-current assets were 114,302 million yen (up 12,191 million yen).

Primary factors in the change of current assets included an increase of notes and accounts receivable - trade by 4,167 million yen from the end of the previous fiscal year, to 44,456 million yen associated with the increase in net sales.

The main factors for the change in non-current assets included an increase in land by 17,626 million yen from the end of the previous fiscal year, to 47,959 million yen, mainly due to the acquisition of the Ryogoku Office and a planned construction site for Shiodome Building associated with business expansion. Meanwhile, goodwill declined 1,882 million yen from the end of the preceding fiscal year, to 321 million yen, and investment securities decreased 2,335 million yen, to 17,990 million yen, due to the reappraisal of listed stocks at the market value.

(Liabilities)

At the end of the fiscal year under review, total liabilities amounted to 74,608 million yen, up 18,451 million yen from the end of the previous fiscal year. Current liabilities were 49,428 million yen (rising 10,230 million yen from the end of the previous fiscal year), and non-current liabilities were 25,180 million yen (increasing 8,221 million yen).

Primary factors in the change of current liabilities included a rise in short-term loans payable of 9,641 million yen from the end of the previous fiscal year, to 13,968 million yen.

The main factors in the change in non-current liabilities included a 9,137 million yen increase in long-term loans payable, to 13,319 million yen.

(Net assets)

Net assets rose 1,259 million yen from the end of the preceding fiscal year, to 119,670 million yen at the end of the consolidated fiscal year under review.

As a result, the equity ratio declined to 54.6% from 59.9% at the end of the previous fiscal year.

(3) Overview of cash flows for the fiscal year under review

Consolidated cash and cash equivalents ("cash") at the end of the fiscal year under review were 24,587 million yen, an increase of 2,430 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities stood at 11,192 million yen.

The principal factors included an increase in sales under the strong orders environment and a resulting increase in cash due to income before income taxes of 10,837 million yen, depreciation of 4,988 million yen, and impairment loss of 1,822 million yen, as well as a decrease in cash due to an increase (decrease) in notes and accounts receivable-trade of 3,922 million yen and income taxes paid of 3,277 million yen.

(Cash flows from investment activities)

Net cash used in investing activities came to 23,424 million yen.

The principal factors were investments in equipment and a decrease in cash due to payments of 23,311 million yen for property, plant and equipment and intangible assets.

(Cash flows from financing activities)

Net cash provided by financing activities was 14,766 million yen.

The principal factor was an increase in cash due to financing by borrowing for capital expenditures.

(Reference) Cash flow-related indicators

| | Year ended 12/14 | Year ended 12/15 | Year ended 12/16 | Year ended 12/17 | Year ended 12/18 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Equity ratio (%) | 56.8 | 60.3 | 59.0 | 59.9 | 54.6 |
| Equity ratio based on market value (%) | 48.6 | 53.9 | 52.8 | 64.9 | 67.2 |
| The ratio of interest-bearing debt to operating cash flow (years) | 1.5 | 2.0 | 1.7 | 1.4 | 2.7 |
| Interest coverage ratio (times) | 97.4 | 117.2 | 133.4 | 108.2 | 162.3 |

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

* Total market value for stocks is calculated on the basis of the number of outstanding shares, excluding treasury stock.

The ratio of interest-bearing debt to operating cash flow: Interest-bearing debt / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest payments

* All amounts are on a consolidated basis.

* Cash flows are cash flows from operating activities.

* Interest-bearing debt is all the debt with interest on the consolidated balance sheet.

(4) Future outlook

For the next consolidated fiscal year, the Group forecasts that net sales will stand at 210.5 billion yen, operating income will amount to 11.7 billion yen, ordinary income will come to 12.2 billion yen, and profit attributable to owners of parent will be 6.7 billion yen, given business expansion and improvements in the management efficiency of Group companies. The Group plans to pay a dividend of 38.00 yen per share in the next fiscal year.

* The above forecast has been prepared based on data as of the announcement date. Actual results may differ materially from the forecast figures due to various factors.

2. Basic Stance on Selection of Accounting Standards

Taking the comparability of accounts between periods and the comparability of accounts between companies into consideration, the FUJISOFT Group plans to prepare its consolidated financial statements based on Japan GAAP for the present time.

The Group's policy is respond appropriately, in view of developments regarding the application of IFRS both in Japan and overseas.

The Group's policy is to respond appropriately to the application of IFRS in view of developments both in Japan and overseas.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheet

(Thousand yen)

| | FY2017 (As of December 31, 2017) | FY2018 (As of December 31, 2018) |
|---------------------------------------|-------------------------------------|-------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 18,851,274 | 22,554,142 |
| Notes and accounts receivable - trade | 40,288,285 | 44,456,042 |
| Short-term investment securities | 5,200,000 | 4,000,000 |
| Merchandise | 806,810 | 652,855 |
| Work in process | 2,407,425 | 2,678,826 |
| Raw materials and supplies | 33,974 | 22,667 |
| Deferred tax assets | 2,435,948 | 2,662,030 |
| Other | 2,478,437 | 3,019,499 |
| Allowance for doubtful accounts | -44,242 | -68,607 |
| Total current assets | 72,457,914 | 79,977,455 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 57,774,786 | 58,298,686 |
| Accumulated depreciation | -26,375,330 | -27,699,740 |
| Buildings and structures, net | 31,399,455 | 30,598,946 |
| Land | 30,332,356 | 47,959,326 |
| Construction in progress | 344,841 | 558,717 |
| Other | 15,021,663 | 13,836,216 |
| Accumulated depreciation | -11,878,298 | -10,596,456 |
| Other, net | 3,143,365 | 3,239,759 |
| Total property, plant and equipment | 65,220,019 | 82,356,749 |
| Intangible assets | | |
| Goodwill | 2,203,635 | 321,276 |
| Software | 4,385,862 | 4,198,817 |
| Other | 232,417 | 218,858 |
| Total intangible assets | 6,821,915 | 4,738,952 |
| Investments and other assets | | |
| Investment securities | 20,325,812 | 17,990,334 |
| Net defined benefit asset | 6,279,744 | 4,633,463 |
| Deferred tax assets | 1,710,975 | 1,996,091 |
| Other | 1,761,389 | 2,639,297 |
| Allowance for doubtful accounts | -9,002 | -52,607 |
| Total investments and other assets | 30,068,919 | 27,206,579 |
| Total non-current assets | 102,110,854 | 114,302,281 |
| Total assets | 174,568,768 | 194,279,737 |

(Thousand yen)

| | FY2017 (As of December 31, 2017) | FY2018 (As of December 31, 2018) |
|---|-------------------------------------|-------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 9,977,104 | 9,526,858 |
| Short-term loans payable | 4,326,574 | 13,968,240 |
| Commercial paper | 1,500,000 | — |
| Current portion of long-term loans payable | 2,638,280 | 2,239,450 |
| Accrued expenses | 3,836,148 | 4,228,962 |
| Income taxes payable | 2,102,993 | 2,492,275 |
| Provision for bonuses | 3,914,985 | 4,926,062 |
| Provision for directors' bonuses | 188,431 | 205,332 |
| Provision for loss on construction contracts | 173,069 | 252,826 |
| Other | 10,540,209 | 11,588,255 |
| Total current liabilities | 39,197,796 | 49,428,263 |
| Non-current liabilities | | |
| Long-term loans payable | 4,182,408 | 13,319,800 |
| Deferred tax liabilities | 4,332,340 | 3,297,120 |
| Provision for directors' retirement benefits | 453,343 | 461,277 |
| Net defined benefit liability | 5,838,871 | 5,912,075 |
| Other | 2,152,128 | 2,190,311 |
| Total non-current liabilities | 16,959,091 | 25,180,584 |
| Total liabilities | 56,156,888 | 74,608,847 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 26,200,289 | 26,200,289 |
| Capital surplus | 28,941,843 | 28,796,949 |
| Retained earnings | 56,035,115 | 61,424,490 |
| Treasury shares | -4,863,528 | -4,866,282 |
| Total shareholders' equity | 106,313,720 | 111,555,447 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 6,172,724 | 4,345,124 |
| Revaluation reserve for land | -8,228,200 | -8,228,200 |
| Foreign currency translation adjustment | 194,526 | 22,608 |
| Remeasurements of defined benefit plans | 82,613 | -1,571,954 |
| Total accumulated other comprehensive income | -1,778,336 | -5,432,420 |
| Subscription rights to shares | 53,397 | 85,346 |
| Non-controlling interests | 13,823,098 | 13,462,516 |
| Total net assets | 118,411,880 | 119,670,889 |
| Total liabilities and net assets | 174,568,768 | 194,279,737 |

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

(Thousand yen)

| | FY2017 (From January 1, 2017 to December 31, 2017) | FY2018 (From January 1, 2018 to December 31, 2018) |
|--|--|--|
| Net sales | 180,773,750 | 204,329,186 |
| Cost of sales | 138,708,033 | 156,808,916 |
| Gross profit | 42,065,717 | 47,520,269 |
| Selling, general and administrative expenses | | |
| Advertising expenses | 439,685 | 445,267 |
| Directors' compensations | 781,775 | 848,053 |
| Employees' salaries | 14,311,038 | 15,988,404 |
| Provision for bonuses | 1,069,729 | 1,069,729 |
| Retirement benefit expenses | 618,391 | 656,172 |
| Legal welfare expenses | 2,419,591 | 2,722,157 |
| Provision for directors' retirement benefits | 77,406 | 76,626 |
| Provision for directors' bonuses | 188,431 | 208,407 |
| Welfare expenses | 790,916 | 839,757 |
| Recruiting and training expenses | 938,728 | 1,176,584 |
| Traveling and transportation expenses | 997,617 | 1,037,454 |
| Stationery expenses | 616,138 | 1,064,614 |
| Commission fee | 535,461 | 612,054 |
| Rents | 788,844 | 1,020,744 |
| Taxes and dues | 1,444,629 | 1,495,248 |
| Provision of allowance for doubtful accounts | -27,793 | 69,204 |
| Depreciation | 596,212 | 648,559 |
| Research study expenses | 772,948 | 660,788 |
| Operations consignment expenses | 2,161,197 | 2,515,030 |
| Amortization of goodwill | 395,045 | 261,767 |
| Other | 2,441,574 | 2,703,253 |
| Total selling, general and administrative expenses | 32,357,569 | 36,119,881 |
| Operating income | 9,708,147 | 11,400,387 |
| Non-operating income | | |
| Interest income | 41,833 | 62,240 |
| Dividends income | 173,870 | 214,065 |
| Equity in earnings of affiliates | 246,885 | 258,671 |
| Foreign exchange gains | - | 62,362 |
| Subsidy income | 156,757 | 124,361 |
| Other | 175,830 | 174,087 |
| Total non-operating income | 795,176 | 895,789 |
| Non-operating expenses | | |
| Interest expenses | 85,482 | 68,978 |
| Foreign exchange losses | 34,989 | - |
| Loss on retirement of non-current assets | 76,135 | 106,811 |
| Expenses for dealing with system failure | 14,751 | 19,434 |
| Other | 31,673 | 29,187 |
| Total non-operating expenses | 243,032 | 224,411 |
| Ordinary income | 10,260,291 | 12,071,765 |

(Thousand yen)

| | FY2017 (From January 1, 2017 to December 31, 2017) | FY2018 (From January 1, 2018 to December 31, 2018) |
|--|--|--|
| Extraordinary income | | |
| Gain on transfer of business | – | 490,426 |
| Refund received | – | 133,008 |
| Gain on sales of investment securities | 685,468 | 505,715 |
| Total extraordinary income | 685,468 | 1,129,149 |
| Extraordinary loss | | |
| Impairment loss | 640,619 | 1,822,709 |
| Loss on retirement of non-current assets | 64,700 | 245,064 |
| Loss on business withdrawal | – | 131,542 |
| Loss on valuation of investment securities | 77,549 | – |
| Office transfer expenses | 139,010 | 164,346 |
| Total extraordinary loss | 921,880 | 2,363,662 |
| Income before income taxes | 10,023,879 | 10,837,253 |
| Income taxes - current | 3,214,186 | 3,754,344 |
| Income taxes - deferred | -148,062 | -21,749 |
| Total income taxes | 3,066,123 | 3,732,594 |
| Net income | 6,957,755 | 7,104,658 |
| Profit attributable to non-controlling interests | 1,160,133 | 588,649 |
| Profit attributable to owners of parent | 5,797,621 | 6,516,008 |

Consolidated statements of comprehensive income

(Thousand yen)

| | FY2017 (From January 1, 2017 to December 31, 2017) | FY2018 (From January 1, 2018 to December 31, 2018) |
|--|--|--|
| Net income | 6,957,755 | 7,104,658 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,068,900 | -1,721,854 |
| Foreign currency translation adjustment | 194,631 | -293,502 |
| Remeasurements of defined benefit plans, net of tax | 469,116 | -1,657,474 |
| Share of other comprehensive income of entities accounted for using equity method | 101,459 | -88,604 |
| Total other comprehensive income | 2,834,108 | -3,761,435 |
| Comprehensive income | 9,791,864 | 3,343,222 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 8,691,573 | 2,862,276 |
| Comprehensive income attributable to non-controlling interests | 1,100,290 | 480,946 |

(3) Consolidated statements of changes in net assets
FY2017 (From January 1, 2017 to December 31, 2017)

(Thousand yen)

| | Shareholders' equity | | | | | Accumulated other comprehensive income |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Valuation difference on available-for-sale securities |
| Balance at the beginning of current period | 26,200,289 | 28,876,632 | 51,738,722 | -4,971,430 | 101,844,214 | 4,022,748 |
| Cumulative effects of changes in accounting policies | | | 6,295 | | 6,295 | |
| Restated balance | 26,200,289 | 28,876,632 | 51,745,018 | -4,971,430 | 101,850,509 | 4,022,748 |
| Changes of items during the period | | | | | | |
| Dividends from surplus | | | -938,063 | | -938,063 | |
| Profit attributable to owners of parent | | | 5,797,621 | | 5,797,621 | |
| Purchase of treasury shares | | | | -1,433 | -1,433 | |
| Disposal of treasury shares | | 21,099 | | 109,336 | 130,435 | |
| Reversal of revaluation reserve for land | | | -569,460 | | -569,460 | |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 44,112 | | | 44,112 | |
| Net changes of items other than shareholders' equity | | | | | | 2,149,976 |
| Total changes of items during the period | - | 65,211 | 4,290,097 | 107,902 | 4,463,211 | 2,149,976 |
| Balance at the end of current period | 26,200,289 | 28,941,843 | 56,035,115 | -4,863,528 | 106,313,720 | 6,172,724 |

| | Accumulated other comprehensive income | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|--|---|---|--|-------------------------------|---------------------------|------------------|
| | Revaluation reserve for land | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at the beginning of current period | -8,797,660 | 87,276 | -553,440 | -5,241,076 | 30,676 | 12,368,126 | 109,001,940 |
| Cumulative effects of changes in accounting policies | | | | | | | 6,295 |
| Restated balance | -8,797,660 | 87,276 | -553,440 | -5,241,076 | 30,676 | 12,368,126 | 109,008,236 |
| Changes of items during the period | | | | | | | |
| Dividends from surplus | | | | | | | -938,063 |
| Profit attributable to owners of parent | | | | | | | 5,797,621 |
| Purchase of treasury shares | | | | | | | -1,433 |
| Disposal of treasury shares | | | | | | | 130,435 |
| Reversal of revaluation reserve for land | 569,460 | | | 569,460 | | | - |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | 44,112 |
| Net changes of items other than shareholders' equity | | 107,249 | 636,053 | 2,893,279 | 22,720 | 1,454,971 | 4,370,971 |
| Total changes of items during the period | 569,460 | 107,249 | 636,053 | 3,462,740 | 22,720 | 1,454,971 | 9,403,644 |
| Balance at the end of current period | -8,228,200 | 194,526 | 82,613 | -1,778,336 | 53,397 | 13,823,098 | 118,411,880 |

FY2018 (From January 1, 2018 to December 31, 2018)

(Thousand yen)

| | Shareholders' equity | | | | | Accumulated other comprehensive income |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Valuation difference on available-for-sale securities |
| Balance at the beginning of current period | 26,200,289 | 28,941,843 | 56,035,115 | -4,863,528 | 106,313,720 | 6,172,724 |
| Changes of items during the period | | | | | | |
| Dividends from surplus | | | -1,126,633 | | -1,126,633 | |
| Profit attributable to owners of parent | | | 6,516,008 | | 6,516,008 | |
| Purchase of treasury shares | | | | -2,754 | -2,754 | |
| Change in ownership interest of parent due to transactions with non-controlling interests | | -144,894 | | | -144,894 | |
| Net changes of items other than shareholders' equity | | | | | | -1,827,600 |
| Total changes of items during the period | - | -144,894 | 5,389,374 | -2,754 | 5,241,726 | -1,827,600 |
| Balance at the end of current period | 26,200,289 | 28,796,949 | 61,424,490 | -4,866,282 | 111,555,447 | 4,345,124 |

| | Accumulated other comprehensive income | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|--|---|---|--|-------------------------------|---------------------------|------------------|
| | Revaluation reserve for land | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at the beginning of current period | -8,228,200 | 194,526 | 82,613 | -1,778,336 | 53,397 | 13,823,098 | 118,411,880 |
| Changes of items during the period | | | | | | | |
| Dividends from surplus | | | | | | | -1,126,633 |
| Profit attributable to owners of parent | | | | | | | 6,516,008 |
| Purchase of treasury shares | | | | | | | -2,754 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | -144,894 |
| Net changes of items other than shareholders' equity | | -171,917 | -1,654,567 | -3,654,084 | 31,949 | -360,581 | -3,982,717 |
| Total changes of items during the period | - | -171,917 | -1,654,567 | -3,654,084 | 31,949 | -360,581 | 1,259,009 |
| Balance at the end of current period | -8,228,200 | 22,608 | -1,571,954 | -5,432,420 | 85,346 | 13,462,516 | 119,670,889 |

(4) Consolidated cash flow statement

(Thousand yen)

| | FY2017 (From January 1, 2017 to December 31, 2017) | FY2018 (From January 1, 2018 to December 31, 2018) |
|--|--|--|
| Net cash from operating activities | | |
| Income before income taxes | 10,023,879 | 10,837,253 |
| Depreciation | 5,003,561 | 4,988,541 |
| Impairment loss | 640,619 | 1,822,709 |
| Amortization of goodwill | 395,045 | 261,767 |
| Increase (decrease) in provision for loss on construction contracts | -94,845 | 79,756 |
| Increase (decrease) in net defined benefit liability | 256,792 | 46,725 |
| Decrease (increase) in net defined benefit asset | -703,248 | -795,711 |
| Equity in (earnings) losses of affiliates | -246,885 | -258,671 |
| Interest expenses | 85,482 | 68,978 |
| Foreign exchange losses (gains) | 16,758 | -45,170 |
| Loss (gain) on transfer of business | - | -490,426 |
| Refund received | - | -133,008 |
| Loss (gain) on sales of investment securities | -685,468 | -505,715 |
| Loss on retirement of non-current assets | 64,700 | 245,064 |
| Loss on business withdrawal | - | 131,542 |
| Loss (gain) on valuation of investment securities | 77,549 | - |
| Office transfer expenses | 139,010 | 164,346 |
| Decrease (increase) in notes and accounts receivable-trade | -3,682,416 | -3,922,155 |
| Decrease (increase) in inventories | -641,686 | -106,094 |
| Increase (decrease) in notes and accounts payable - trade | 501,795 | -418,353 |
| Increase (decrease) in accounts payable - labor cost | 918,961 | 1,081,823 |
| Increase (decrease) in accrued consumption taxes | 318,648 | 613,404 |
| Increase (decrease) in accounts payable-other | 439,921 | 604,563 |
| Decrease (increase) in long-term prepaid expenses | -82,050 | 26,919 |
| Other | -82,656 | -131,692 |
| Subtotal | 12,663,471 | 14,166,395 |
| Interest and dividends income received | 215,786 | 372,320 |
| Interest expenses paid | -79,871 | -68,978 |
| Income taxes paid | -3,554,683 | -3,277,597 |
| Net cash provided by (used in) operating activities | 9,244,703 | 11,192,140 |
| Net cash from investing activities | | |
| Payments into time deposits | -2,097,730 | -3,649,995 |
| Proceeds from withdrawal of time deposits | 2,002,437 | 3,773,208 |
| Purchase of property, plant and equipment | -1,958,575 | -20,510,044 |
| Purchase of intangible assets | -3,423,698 | -2,801,609 |
| Purchase of investment securities | -324,430 | -192,663 |
| Proceeds from sales of investment securities | 1,200,441 | 622,013 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | -242,205 | - |
| Other | 319,397 | -665,553 |
| Net cash provided by (used in) investing activities | -4,524,364 | -23,424,643 |

(Thousand yen)

| | FY2017 (From January 1, 2017 to December 31, 2017) | FY2018 (From January 1, 2018 to December 31, 2018) |
|---|--|--|
| Net cash from financing activities | | |
| Increase in short-term loans payable | 5,767,000 | 17,278,000 |
| Decrease in short-term loans payable | -5,290,426 | -7,636,334 |
| Proceeds from long-term loans payable | 43,772 | 13,014,074 |
| Repayment of long-term loans payable | -5,575,480 | -4,241,632 |
| Net increase (decrease) in commercial papers | 1,500,000 | -1,500,000 |
| Proceeds from exercise of stock option | 114,259 | — |
| Cash dividends paid | -939,366 | -1,126,031 |
| Dividends paid to non-controlling interests | -372,766 | -420,005 |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | -5,504 | -542,427 |
| Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | 354,939 | — |
| Other | -59,335 | -59,023 |
| Net cash provided by (used in) financing activities | -4,462,908 | 14,766,619 |
| Effect of exchange rate change on cash and cash equivalents | 49,352 | -103,590 |
| Net increase (decrease) in cash and cash equivalents | 306,782 | 2,430,525 |
| Cash and cash equivalents at beginning of period | 21,790,707 | 22,157,266 |
| Increase in cash and cash equivalents resulting from merger | 59,776 | — |
| Cash and cash equivalents at end of period | 22,157,266 | 24,587,791 |

(5) Notes to consolidated financial statements

(Note on going concern assumptions)

Not applicable.

(Changes in accounting principles)

Not applicable.

(Segment information)

[Segment information]

1. Overview of reported segments

The reported segments of the Group are its constituents for which separate financial information is available and which the Board of Directors regularly examines to determine the distribution of management resources and evaluate performance.

The Group consists of two service units, or reported segments: the SI (system integration) business and the facility business.

- SI (system integration) business

Overall system integration including embedded/control software development related to machine control and auto-related projects, the development of operation software used in various industries, products and services, and systems construction, maintenance and operations services.

- Facility business

The leasing of office buildings that the Company and certain consolidated subsidiaries own

2. Calculating of net sales, income, loss, assets, liabilities and other items by reported segment

The accounting method for reported business segments is generally the same as the details stated in the “Important basic matters for the preparation of consolidated financial statements” in the recent annual securities report (submitted on March 19, 2018).

Reported segments’ income is based on operating income. Internal income and the transfer amount among the segments are based on the actual market prices.

3. Information on net sales, income, loss, assets, liabilities and other items by reported segment

I. (i) FY2017 (From January 1, 2017 to December 31, 2017)

(Thousand yen)

| | Reported segments | | | Others (Note 1) | Total | Adjustment (Note 2) | Amounts recorded in the consolidated financial statements (Note 3) |
|---|-------------------|----------------------|-------------|--------------------|-------------|------------------------|--|
| | SI business | Facility business | Total | | | | |
| Net sales | | | | | | | |
| Sales to outside customers | 167,376,891 | 2,696,922 | 170,073,813 | 10,699,937 | 180,773,750 | – | 180,773,750 |
| Inter-segment sales or transfers | 91,986 | 614,191 | 706,178 | 849,227 | 1,555,406 | -1,555,406 | – |
| Total | 167,468,877 | 3,311,113 | 170,779,991 | 11,549,165 | 182,329,157 | -1,555,406 | 180,773,750 |
| Segment profit | 8,049,369 | 1,112,396 | 9,161,765 | 546,500 | 9,708,265 | -118 | 9,708,147 |
| Segment assets | 169,001,151 | 276,038 | 169,277,190 | 5,291,578 | 174,568,768 | – | 174,568,768 |
| Other items | | | | | | | |
| Depreciation and amortization | 4,685,673 | 29,712 | 4,715,386 | 288,174 | 5,003,561 | – | 5,003,561 |
| Amortization of goodwill | 395,045 | – | 395,045 | – | 395,045 | – | 395,045 |
| Increase in property, plant and equipment and intangible assets | 5,156,254 | 790 | 5,157,045 | 727,088 | 5,884,134 | – | 5,884,134 |

(Notes) 1. “Others” is a business segment that is not included in the reported segments and includes the data entry business, contact center business, and tissue engineering business, etc.

2. An adjustment of segment profit of -118 thousand yen includes an elimination of inter-segment transactions of -118 thousand yen.

3. The segment profit has been adjusted to the operating income stated in the consolidated income statement.

(ii) Information on Impairment Loss in Non-current Assets and Goodwill by Reported Segment

(Significant impairment loss in non-current assets)

An impairment loss in non-current assets is posted in the SI business. The impairment loss amount posted in the fiscal year under review is 640,619 thousand yen.

II. (i) FY2017 (From January 1, 2018 to December 31, 2018)

(Thousand yen)

| | Reported segments | | | Others (Note 1) | Total | Adjustment (Note 2) | Amounts recorded in the consolidated financial statements (Note 3) |
|--|-------------------|----------------------|-------------|--------------------|-------------|------------------------|--|
| | SI business | Facility business | Total | | | | |
| Net sales | | | | | | | |
| Sales to outside customers | 189,277,008 | 2,909,847 | 192,186,855 | 12,142,330 | 204,329,186 | — | 204,329,186 |
| Inter-segment sales or transfers | 97,845 | 624,068 | 721,914 | 760,659 | 1,482,574 | -1,482,574 | — |
| Total | 189,374,854 | 3,533,915 | 192,908,769 | 12,902,990 | 205,811,760 | -1,482,574 | 204,329,186 |
| Segment profit | 9,697,589 | 1,131,561 | 10,829,150 | 572,005 | 11,401,156 | -768 | 11,400,387 |
| Segment assets | 187,276,222 | 238,865 | 187,515,088 | 6,764,649 | 194,279,737 | — | 194,279,737 |
| Other items | | | | | | | |
| Depreciation and amortization | 4,592,160 | 29,580 | 4,621,741 | 366,800 | 4,988,541 | — | 4,988,541 |
| Amortization of goodwill | 261,767 | — | 261,767 | — | 261,767 | — | 261,767 |
| Increase in property, plant and equipment and intangible assets | 21,624,664 | 2,570 | 21,627,234 | 981,245 | 22,608,480 | — | 22,608,480 |

(Notes) 1. "Others" is a business segment that is not included in the reported segments and includes the data entry business, contact center business, and tissue engineering business, etc.

2. An adjustment of segment profit of -768 thousand yen includes an elimination of inter-segment transactions of -768 thousand yen.

3. The segment profit has been adjusted to the operating income stated in the consolidated income statement.

(ii) Information on Impairment Loss in Non-current Assets and Goodwill by Reported Segment

(Significant impairment loss in non-current assets)

An impairment loss in non-current assets is posted in the SI business. The impairment loss amount posted in the fiscal year under review is 1,822,709 thousand yen.

(Significant changes in the amount of goodwill)

In the SI business, an impairment loss of goodwill was recorded and consequently the amount of goodwill decreased. The amount of decrease in goodwill due to the impairment loss is 1,536,651 thousand yen for the consolidated fiscal year under review.

(Per-share information)

(Yen)

| | FY2017 (From January 1, 2017 to December 31, 2017) | FY2018 (From January 1, 2018 to December 31, 2018) |
|------------------------------------|--|--|
| Net assets per share | 3,340.35 | 3,391.15 |
| Net income per share | 185.33 | 208.22 |
| Fully diluted net income per share | 185.10 | 207.71 |

(Notes) 1. The calculation basis of net income per share and fully diluted net income per share are as follows:

| Item | FY2017 (From January 1, 2017 to December 31, 2017) | FY2018 (From January 1, 2018 to December 31, 2018) |
|--|--|--|
| (1) Net income per share | | |
| Profit attributable to owners of parent (thousand yen) | 5,797,621 | 6,516,008 |
| Amounts which do not belong to ordinary shareholders (thousand yen) | – | – |
| Profit attributable to owners of parent on common shares (thousand yen) | 5,797,621 | 6,516,008 |
| Average number of common shares during the fiscal year (thousand shares) | 31,282 | 31,294 |
| (2) Fully diluted net income per share | | |
| Adjustment of profit attributable to owners of parent (thousand yen) | -6,450 | -15,988 |
| Increase in common shares (shares) | 5,110 | – |
| Outlines of potential shares not included in the computation of fully diluted net income per share because of the absence of diluting effect | – | – |

2. The calculation basis of net assets per share is as follows:

| Item | FY2017 (As of December 31, 2017) | FY2018 (As of December 31, 2018) |
|---|-------------------------------------|-------------------------------------|
| Total net assets (thousand yen) | 118,411,880 | 119,670,889 |
| Amount to be subtracted from total net assets (thousand yen) | 13,876,495 | 13,547,863 |
| Stock acquisition rights (thousand yen) | 53,397 | 85,346 |
| Non-controlling interests (thousand yen) | 13,823,098 | 13,462,516 |
| Net assets pertaining to common shares at the year end (thousand yen) | 104,535,384 | 106,123,026 |
| Number of common shares at the year end used in calculation of net assets per share (thousand shares) | 31,294 | 31,294 |

(Post-balance sheet events)

Not applicable.

4. Other

Production, orders, and sales situations

(1) Production performance

The table below shows production performance by business segment in the fiscal year under review.

| Segment by business type | Amount (thousand yen) | Year-on-year change (%) |
|--------------------------|-----------------------|-------------------------|
| SI business | 144,594,106 | 113.2 |
| Facility business | 1,733,327 | 113.7 |
| Other | 10,481,483 | 110.4 |
| Total | 156,808,916 | 113.1 |

- (Notes) 1. Inter-segment transactions were canceled out.
 2. The amount is calculated based on the manufacturing cost.
 3. Amounts are not inclusive of the consumption tax.

(2) Orders

The table below shows orders received by business segment in the fiscal year under review.

| Segment by business type | Amount of orders (thousand yen) | Year-on-year change (%) | Outstanding balance of orders (thousand yen) | Year-on-year change (%) |
|--------------------------|---------------------------------|-------------------------|--|-------------------------|
| SI business | 193,810,253 | 112.4 | 44,627,901 | 111.3 |
| Facility business | 3,007,733 | 111.6 | 1,133,470 | 109.5 |
| Other | 12,052,538 | 107.9 | 1,816,575 | 95.3 |
| Total | 208,870,525 | 112.1 | 47,577,946 | 110.6 |

- (Notes) 1. Inter-segment transactions were canceled out.
 2. Amounts are not inclusive of the consumption tax.

(3) Sales performance

The table below shows sales performance by business segment in the fiscal year under review.

| Segment by business type | Amount (thousand yen) | Year-on-year change (%) |
|--------------------------|-----------------------|-------------------------|
| SI business | 189,277,008 | 113.1 |
| Facility business | 2,909,847 | 107.9 |
| Other | 12,142,330 | 113.5 |
| Total | 204,329,186 | 113.0 |

- (Notes) 1. Inter-segment transactions were canceled out.
 2. Amounts are not inclusive of the consumption tax.
 3. Sales by major customer and the ratio of sales by major customer to total sales in the fiscal year under review were omitted, since the ratio was less than 10%.