

# Summary of Consolidated Financial Results for the First Half of Fiscal Year ending December 31, 2017 (Japanese Accounting Standards)



August 8, 2017

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Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): August 9, 2017  
 Scheduled date of dividend payment: September 8, 2017  
 Supplementary documents for quarterly results: Yes  
 Quarterly results briefing: Yes

(Figures less than one million yen are omitted)

## 1. Consolidated Business Results for the Six Months Ended June 30, 2017 (January 1, 2017 – June 30, 2017)

### (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	%
Six months ended 6/17	90,111	10.1	4,186	3.5	4,404	7.9	2,557	21.4
Six months ended 6/16	81,849	4.7	4,046	16.5	4,080	6.3	2,106	10.0

(Note) Comprehensive income (million yen) Six months ended 6/17: 3,486 (449.0%)  
 Six months ended 6/16: 634 (-79.2%)

	Net income per share	Net income per share/diluted
	Yen	Yen
Six months ended 6/17	81.80	81.73
Six months ended 6/16	67.56	67.53

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Six months ended 6/17	166,949	112,272	59.5
Year ended 12/16	163,863	109,001	59.0

Reference: Shareholders' equity (million yen) Six months ended 6/17: 99,275 Year ended 12/16: 96,603

## 2. Dividends

	Dividend per share				
	End of first quarter	End of interim period	End of third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended 12/16	—	14.00	—	15.00	29.00
Year ending 12/17	—	15.00	—	—	—
Year ending 12/17 (forecast)	—	—	—	15.00	30.00

(Note) Revisions to dividend forecasts published most recently: No

## 3. Forecast for Consolidated Business Results for the Fiscal Year Ending December 31, 2017

(Jan. 1, 2017 – Dec. 31, 2017)

(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
Full year	168,000	2.3	9,000	2.3	9,300	1.5	5,100	1.1	163.25

(Note) Revisions to forecast for consolidated business results published most recently: No

\* Notes

(1) Important changes in subsidiaries during this quarter (changes in specified subsidiaries resulting in change in scope of consolidation): Not applicable

(2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: Yes  
(Note) For details, please refer to “2. Consolidated Financial Statements and Key Notes (4) Notes to consolidated financial statements” on page 11 of the accompanying materials.

(3) Changes in accounting principles and changes or restatement of accounting estimates  
 (i) Changes in accounting principles due to amendment of accounting standards, etc.: Yes  
 (ii) Changes in accounting principles other than (i): Not applicable  
 (iii) Changes in accounting estimates: Not applicable  
 (iv) Restatement: Not applicable  
 (Note) For details, please refer to “2. Consolidated Financial Statements and Key Notes (4) Notes to consolidated financial statements” on page 11 of the accompanying materials.

(4) Number of outstanding shares (common shares)  
 1) Number of shares outstanding at the end of period (including treasury shares):  
 2) Number of treasury shares at the end of period  
 3) Average number of shares during the period (quarterly consolidated cumulative period)

6/17:	33,700,000 shares	Year ended 12/16:	33,700,000 shares
6/17:	2,405,100 shares	Year ended 12/16:	2,458,914 shares
6/17:	31,269,679 shares	6/16:	31,181,480 shares

\* This financial summary does not need to undergo a quarterly review.

\* Cautionary statement with respect to forward-looking statements

The above forecast has been prepared based on data available on the announcement date. Since the data contains uncertainties, actual results may differ materially from the projections above due to changes in business performance and other factors.

For assumptions concerning financial forecasts, please refer to 1. Qualitative Information on Consolidated Results for the First Half Ended June 30, 2017, (3) Information on the future outlook, including forecast for consolidated business results on page 4 of the accompanying materials.

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## 1. Qualitative Information on Consolidated Results for the First Half Ended June 30, 2017

### (1) Details of consolidated results

During the consolidated first half under review (from January 1, 2017 to June 30, 2017), the Japanese economy remained on a modest recovery track with signs of improvement in corporate earnings as well as in employment and income conditions. However, the outlook remained uncertain given concern over the impact on the global economy of the policies adopted by the new administration in the United States.

In the information services industry, the Japanese government's growth strategy, the Investments for the Future Strategy 2017 to realize Society 5.0 (\*1), sets high expectations for the realization of a super smart society using artificial intelligence (AI), such as automated driving, as well as Fintech, the Internet of Things (IoT), big data collection and analysis, and cloud computing technology. Meanwhile, the importance of creating new services to support corporate growth, including security services to counter increasingly sophisticated and complex cyberattacks, and the importance of hiring and training engineers continued to increase.

In this business environment, the FUJISOFT Group focused on hiring more human resources, training engineers within short timeframes and developing systems including those for strengthening cooperation with its business partners. The Group also sought to reduce overtime work by improving productivity under its basic corporate slogan "relaxed atmosphere and rewarding work," and aimed to achieve its medium-term goal of becoming an innovative corporate group that links ICT development to greater value for customers by making efforts for the key technology AIS CRM (\*2).

In System Construction, the Group expanded orders in auto-related and factory automation (tool machine) projects and other machine control systems against a backdrop of rising demand for the development of cutting-edge technologies. In the automotive sector, with demand for development related to automated driving and electronic operation growing, the development of in-vehicle control software continued to show a strong performance in technical fields such as electric control, image recognition and connectivity. In factory automation, development related to equipment control using IoT technology and automation using AI remained firm. The Group also conducted aggressive marketing activities in connection with development related to advanced imaging technology (4K, 8K, etc.) in the video distribution field, as well as development related to infrastructure investment in the aerospace and defense fields. In operation system development, orders remained strong in the financial industry, reflecting increasing needs for the renewal of core systems associated with the management integration of regional banks and the renovation of systems in the non-life industry, as well as demand in response to new technologies such as improvements in operating efficiency using Fintech. The Group also took steps to support the utilization of secure and reliable systems, including providing security references using public cloud computing to government agencies, with the aim of becoming a world-leading security SI vendor.

In the Product and Service sector, sales remained strong in CAE solution services (\*3) for the optical design field and the leading-edge cloud and software product businesses in collaboration with software vendors overseas. With widespread needs in the mobile device market as a backdrop, the Group worked on developing high value-added products such as the mobile router +F FS030W (\*4) and the +F MDM (\*5), a service to collectively manage mobile routers remotely. The Group supplied technology related to the communication robot PALRO, which mobilizes the AI and robotics technology of the Company, to the ATOM Project (\*6) launched by Kodansha Ltd. With its participation in this project, which allows purchasers to build "Japan's first real character-based communication robot" that can speak and move and will grow in the cloud, the Group expanded its business activities in this area. The Group also continued to introduce the smart document service for smart devices, moreNOTE and SYNCNEL (\*7), which boasts the top share of the mobile content management market, in different fields. In addition, for the Mirai School Station (\*8), an integrated education solution, the Group took steps for sales activities and promotion in anticipation of the rapid market expansion backed by the "Wi-Fi Environment Development Plan Contributing to Disaster Prevention" promoted by the Ministry of Internal Affairs and Communications and the "Acceleration Plan for Informatization of Education" promoted by the Ministry of Education, Culture, Sports, Science and Technology, etc. In the area of corporate social responsibility (CSR) activities, the Group was included in the Top Hundred Telework Pioneers announced by the Ministry of Internal Affairs and Communications in recognition of its efforts to create diverse work styles using teleworking (\*9) and its commitment to regional revitalization through the creation of local industry and the creation of local employment.

As a result of these initiatives, in the first half under review, net sales stood at 90,111 million yen, up 10.1% year on year. SG&A expenses came to 16,408 million yen, up 9.2% owing to prior investment in the improvement of the personnel structure and research and development, etc. Operating income rose 3.5% from a year earlier, to 4,186 million yen. Ordinary income climbed 7.9%, to 4,404 million yen due to improvement of equity in earnings of the securities-oriented affiliate from a year earlier. Profit attributable to owners of parent was 2,557 million yen, up 21.4% year on year, mainly due to gain on sales of investment securities.

## \*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: AIS-CRM (A: AI; I: IoT; S: Security; C: Cloud; R: Robot; M: Mobile &amp; AutoMotive)

Technical field which the Group positions as a priority technology

## \*3: CAE (Computer Aided Engineering)

The technology for simulation and analysis of prototypes on computers in research and development processes in manufacturing, which replaces the conventional tests and experiments using actual prototypes.

## \*4: +F FS030W

A data communication terminal that supports LTE, etc. for the consumer market and IoT/M2M market in the mobile communication market

## \*5: +F MDM

By utilizing the user console on web browser, the service that enables the suspension/resume of data communication, control of communication speed/volume, the remote change/operation of device setting, monitoring active/inactive connection devices, and also provides security functions such as monitoring communication status and irregular use.

## \*6: ATOM Project

Japanese corporations Kodansha Ltd., Tezuka Productions Co., Ltd., NTT DOCOMO, Inc., VAIO Corporation, and Fuji Soft Inc. are all joining forces for the "Atom Project," that allows purchasers to build a robot based on the character *Astro Boy* (known as *Tetsuwan Atom* in Japan).

## \*7: moreNOTE, SYNCNEL

Services for sharing, viewing, and editing documents, videos and images easily using tablets, smartphones, and personal computers

## \*8: Mirai School Station

An ICT education solution using unique information and communication technology (ICT) to improve educational environments

## \*9: Teleworking

Term used to describe flexible work styles that enable employees to work anytime anyplace using ICT

Results by business segment were as follows:

## (i) SI (system integration) business

In the SI business, sales of embedded/control software increased, reflecting brisk sales of machine control systems, including auto-related and factory automation projects and home appliances (AV equipment), as well as systems in the aerospace and defense industries. However, income declined, due to prior investment in the improvement of the personnel structure and the expansion of production base, etc. Sales of operation software rose, far exceeding the year-ago level, driven by sales to the distribution and services sectors. However, income fell due to prior investment in the improvement of the personnel structure and the expansion of production base, etc. In Products and Services, both sales and income increased due to strong sales in the licensing business and the PALRO and robot development business. In the outsourcing business, both sales and income decreased due to decline in transactions with the distribution sector and data center renovation.

As a result, net sales stood at 83,334 million yen, up 9.3% year on year. Operating income amounted to 3,346 million yen, down 3.7%.

\* 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	83,334	109.3	3,346	96.2
System construction	49,077	111.5	1,742	83.2
Embedded/control software	25,614	112.0	1,051	82.0
Operation software	23,463	110.9	690	85.1
Products and services	34,256	106.3	1,604	116.0
Products and services	26,665	112.1	1,386	142.5
Outsourcing	7,591	90.1	218	53.2

(Note) Operating income includes the elimination of intersegment transactions of ¥671 thousand.

## (ii) Facility business

Net sales stood at 1,364 million yen, up 0.4% year on year, and operating income grew 14.0% year on year, to 550 million yen, mainly reflecting rental income from office buildings owned by the Company and certain consolidated subsidiaries.

## (iii) Other businesses

Net sales from other businesses amounted to 5,413 million yen, up 27.3% year on year, and operating income grew 235.3%, to 288 million yen, reflecting strong performances in the data entry business and the contact center business.

## (2) Details of financial position

## (Total assets)

Total assets stood at 166,949 million yen at the end of the consolidated first half under review, up 3,085 million yen from the end of the preceding consolidated fiscal year. Current assets were 69,187 million yen (up 1,836 million yen from the end of the previous fiscal year), and non-current assets were 97,761 million yen (up 1,248 million yen).

Important factors for the change in current assets included an increase in cash and deposits of 1,847 million yen from the end of the previous fiscal year, to 20,982 million yen, and a rise in securities of 700 million yen from the end of the previous fiscal year, to 5,200 million yen.

The main factors for the change in non-current assets included a rise in software of 473 million yen from the end of the previous fiscal year, to 4,030 million yen, and a climb in investment securities of 650 million yen from the end of the previous fiscal year, to 17,899 million yen, mainly due to changes in the market values of shares held.

## (Liabilities)

At the end of the consolidated first half under review, total liabilities amounted to 54,677 million yen, down 184 million yen from the end of the previous fiscal year. Current liabilities were 38,886 million yen (rising 1,425 million yen from the end of the previous fiscal year), and non-current liabilities were 15,790 million yen (declining 1,610 million yen).

Primary factors for the change in current liabilities included an increase in the current portion of long-term loans payable of 1,933 million yen from the end of the previous fiscal year, to 7,494 million yen.

The main factor in the change in non-current liabilities included a 2,445 million yen decline in long-term loans payable, to 4,278 million yen.

## (Net assets)

Net assets rose 3,270 million yen from the end of the preceding fiscal year, to 112,272 million yen at the end of the consolidated first half under review. As a result, the equity ratio rose to 59.5% from 59.0% at the end of the previous fiscal year.

## (Cash flows)

Consolidated cash and cash equivalents (“cash”) at the end of the consolidated first half under review were 24,404 million yen, an increase of 2,614 million yen from the end of the previous fiscal year.

Cash flows by activity were as follows:

## (i) Cash flows from operating activities

Net cash provided by operating activities stood at 6,200 million yen (down 710 million yen year on year).

The principal factors included income before income taxes of 4,603 million yen and depreciation of 2,376 million yen.

## (ii) Cash flows from investing activities

Net cash used in investing activities came to 2,257 million yen (7 million yen more than a year ago).

The principal factors were payments of 2,755 million yen for the purchase of property, plant and equipment and intangible assets and 698 million yen proceeds from sales of investment securities.

## (iii) Cash flows from financing activities

Net cash used in financing activities was 1,356 million yen (3,468 million yen more than a year ago).

The principal factors included scheduled repayments of loans payable.

## (3) Information on the future outlook, including forecast for consolidated business results

The results forecasts remain unchanged from those announced in the financial results for the fiscal year ended December 31, 2016 announced on February 14, 2017.

## 2. Consolidated Financial Statements

## (1) Consolidated balance sheet

	(Thousand yen)	
	FY2016 (As of December 31, 2016)	Q2 FY2017 (As of June 30, 2017)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	19,134,369	20,982,111
Notes and accounts receivable - trade	36,727,703	35,366,259
Short-term investment securities	4,500,000	5,200,000
Merchandise	613,984	822,938
Work in process	1,932,495	1,814,508
Raw materials and supplies	30,717	31,313
Other	4,469,592	5,019,938
Allowance for doubtful accounts	-58,129	-49,390
<b>Total current assets</b>	<b>67,350,733</b>	<b>69,187,679</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	57,904,450	57,741,178
Accumulated depreciation	-25,768,766	-25,785,824
Buildings and structures, net	32,135,683	31,955,353
Land	30,415,744	30,513,285
Construction in progress	119,370	24,428
Other	15,303,788	15,428,346
Accumulated depreciation	-12,177,768	-12,262,853
Other, net	3,126,019	3,165,492
<b>Total property, plant and equipment</b>	<b>65,796,819</b>	<b>65,658,560</b>
<b>Intangible assets</b>		
Goodwill	2,150,891	1,966,918
Software	3,557,797	4,030,915
Other	241,191	236,475
<b>Total intangible assets</b>	<b>5,949,880</b>	<b>6,234,310</b>
<b>Investments and other assets</b>		
Investment securities	17,249,259	17,899,477
Net defined benefit asset	4,481,130	4,786,336
Other	3,060,881	3,215,821
Allowance for doubtful accounts	-24,818	-32,849
<b>Total investments and other assets</b>	<b>24,766,451</b>	<b>25,868,786</b>
<b>Total non-current assets</b>	<b>96,513,152</b>	<b>97,761,657</b>
<b>Total assets</b>	<b>163,863,886</b>	<b>166,949,337</b>

(Thousand yen)

	FY2016 (As of December 31, 2016)	Q2 FY2017 (As of June 30, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	9,444,963	10,225,098
Short-term loans payable	3,850,000	3,278,336
Current portion of long-term loans payable	5,560,360	7,494,120
Accrued expenses	3,731,997	4,516,980
Income taxes payable	2,153,573	1,446,995
Provision for bonuses	3,094,223	3,237,013
Provision for directors' bonuses	169,301	96,875
Provision for loss on construction contracts	267,915	101,610
Other	9,189,095	8,489,817
<b>Total current liabilities</b>	<b>37,461,430</b>	<b>38,886,847</b>
<b>Non-current liabilities</b>		
Long-term loans payable	6,723,996	4,278,201
Provision for directors' retirement benefits	386,591	410,862
Net defined benefit liability	5,459,667	5,772,548
Other	4,830,259	5,328,868
<b>Total non-current liabilities</b>	<b>17,400,514</b>	<b>15,790,480</b>
<b>Total liabilities</b>	<b>54,861,945</b>	<b>54,677,327</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	26,200,289	26,200,289
Capital surplus	28,876,632	28,902,631
Retained earnings	51,738,722	53,264,918
Treasury shares	-4,971,430	-4,862,875
<b>Total shareholders' equity</b>	<b>101,844,214</b>	<b>103,504,963</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,022,748	4,572,896
Revaluation reserve for land	-8,797,660	-8,228,200
Foreign currency translation adjustment	87,276	105,845
Remeasurements of defined benefit plans	-553,440	-680,079
<b>Total accumulated other comprehensive income</b>	<b>-5,241,076</b>	<b>-4,229,538</b>
Subscription rights to shares	30,676	33,741
Non-controlling interests	12,368,126	12,962,843
<b>Total net assets</b>	<b>109,001,940</b>	<b>112,272,009</b>
<b>Total liabilities and net assets</b>	<b>163,863,886</b>	<b>166,949,337</b>

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

Consolidated statements of income

Consolidated first half results

(Thousand yen)

	H1 FY2016 (From January 1, 2016 to June 30, 2016)	H1 FY2017 (From January 1, 2017 to June 30, 2017)
Net sales	81,849,669	90,111,965
Cost of sales	62,783,630	69,517,490
Gross profit	19,066,038	20,594,475
Selling, general and administrative expenses	15,019,485	16,408,270
Operating income	4,046,553	4,186,204
Non-operating income		
Interest income	17,765	10,671
Dividends income	84,845	86,837
Share of profit of entities accounted for using equity method	41,392	157,299
Subsidy income	52,190	65,453
Other	64,009	52,234
Total non-operating income	260,203	372,496
Non-operating expenses		
Interest expenses	25,548	48,841
Foreign exchange losses	152,704	50,791
Loss on retirement of non-current assets	26,656	35,477
Other	20,943	19,408
Total non-operating expenses	225,854	154,519
Ordinary income	4,080,902	4,404,181
Extraordinary income		
Gain on sales of investment securities	—	313,963
Gain on sales of subsidiaries and affiliates' stocks	14,722	—
Total extraordinary income	14,722	313,963
Extraordinary loss		
Impairment loss	48,454	11,419
Loss on sales of shares of subsidiaries and associates	60,463	—
Office transfer expenses	27,890	103,213
Loss on disaster	6,269	—
Total extraordinary loss	143,078	114,633
Income before income taxes	3,952,546	4,603,511
Income taxes-current	1,830,004	1,542,078
Income taxes-deferred	-380,455	-99,979
Total income taxes	1,449,548	1,442,098
Net income	2,502,997	3,161,413
Profit attributable to non-controlling interests	396,251	603,423
Profit attributable to owners of parent	2,106,746	2,557,989

Consolidated statements of comprehensive income  
 Consolidated first half results

	(Thousand yen)	
	H1 FY2016 (From January 1, 2016 to June 30, 2016)	H1 FY2017 (From January 1, 2017 to June 30, 2017)
Net income	2,502,997	3,161,413
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,261,581	515,139
Deferred gains or losses on hedges	-57,104	-
Foreign currency translation adjustment	-470,406	36,123
Remeasurements of defined benefit plans, net of tax	33,101	-295,926
Share of other comprehensive income of entities accounted for using equity method	-112,007	69,693
Total other comprehensive income	-1,867,999	325,029
Comprehensive income	634,998	3,486,443
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	412,750	3,000,067
Comprehensive income attributable to non-controlling interests	222,248	486,375

## (3) Consolidated cash flow statement

(Thousand yen)

	H1 FY2016 (From January 1, 2016 to June 30, 2016)	H1 FY2017 (From January 1, 2017 to June 30, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes	3,952,546	4,603,511
Depreciation	2,466,488	2,376,917
Impairment loss	48,454	11,419
Amortization of goodwill	208,659	177,508
Increase (decrease) in provision for loss on construction contracts	-37,683	-166,304
Increase (decrease) in net defined benefit liability	-85,649	208,759
Decrease (increase) in net defined benefit asset	-343,455	-326,530
Equity in (earnings) losses of affiliates	-41,392	-157,299
Interest expenses	25,548	48,841
Foreign exchange losses (gains)	-6,009	74,057
Loss (gain) on sales of investment securities	—	-313,963
Loss (gain) on sales of shares of subsidiaries and associates	45,740	—
Office transfer expenses	27,890	103,213
Decrease (increase) in notes and accounts receivable-trade	597,742	1,274,714
Decrease (increase) in inventories	-309,038	-91,201
Increase (decrease) in notes and accounts payable-trade	1,020,374	776,640
Increase (decrease) in accounts payable-labor cost	1,236,401	1,285,125
Increase (decrease) in accrued consumption taxes	-898,140	-746,648
Increase (decrease) in accounts payable-other	144,486	127,459
Decrease (increase) in long-term prepaid expenses	-39,002	-26,298
Other	37,747	-828,329
Subtotal	8,051,709	8,411,593
Interest and dividends income received	100,079	98,766
Interest expenses paid	-31,109	-40,012
Income taxes paid	-1,209,099	-2,269,582
Net cash provided by (used in) operating activities	6,911,579	6,200,765

(Thousand yen)

	H1 FY2016 (From January 1, 2016 to June 30, 2016)	H1 FY2017 (From January 1, 2017 to June 30, 2017)
Net cash provided by (used in) investing activities		
Payments into time deposits	-341,851	-300,279
Proceeds from withdrawal of time deposits	384,327	255,403
Proceeds from sales of short-term investment securities	300,000	—
Purchase of property, plant and equipment	-1,038,511	-1,178,950
Purchase of intangible assets	-999,343	-1,576,858
Purchase of investment securities	-578,524	-114,202
Proceeds from sales of investment securities	79,451	698,696
Other	-55,442	-41,401
Net cash provided by (used in) investing activities	-2,249,893	-2,257,591
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	2,420,000	2,100,000
Decrease in short-term loans payable	-1,220,000	-2,671,664
Proceeds from long-term loans payable	1,066,592	32,905
Repayment of long-term loans payable	-706,900	-546,300
Purchase of treasury stock	-606	-821
Proceeds from exercise of stock option	31,468	114,259
Proceeds from share issuance to non-controlling shareholders	288,217	—
Cash dividends paid	-436,779	-468,623
Dividends paid to non-controlling interests	-225,622	-234,991
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-8,866	-5,504
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	918,002	354,939
Other	-13,565	-30,906
Net cash provided by (used in) financing activities	2,111,942	-1,356,707
Effect of exchange rate change on cash and cash equivalents	-257,451	27,594
Net increase (decrease) in cash and cash equivalents	6,516,176	2,614,061
Cash and cash equivalents at beginning of period	15,688,258	21,790,707
Cash and cash equivalents at end of period	22,204,435	24,404,768

(4) Notes to consolidated financial statements

(Note on going concern assumptions)

Not applicable.

(Note when there is a considerable change in the amount of shareholders' equity)

Not applicable.

(Important changes in subsidiaries during the first half under review)

Not applicable.

(Application of specific accounting treatment to the preparation of quarterly consolidated financial statements)

(Calculation of tax expense)

Certain consolidated subsidiaries make a reasonable estimate of the effective tax rate after the application of tax effect accounting to income before income taxes for the current fiscal year and multiply quarterly income before income taxes by the estimated effective tax rate.

(Changes in accounting principles and changes or restatement of accounting estimates)

(Changes in accounting principles)

Starting from the first quarter of this consolidated fiscal year, the Company is applying the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26; March 28, 2016; hereinafter Guidance on Recoverability of Deferred Tax Assets). Accordingly, certain accounting practices related to the recoverability of deferred tax assets have been revised.

With respect to the adoption of the Guidance on Recoverability of Deferred Tax Assets, the Company has applied a transitional treatment pursuant to Article 49 (4) of the guidance. As a result, the difference between the deferred tax assets and deferred tax liabilities that would have been recorded on January 1, 2017, if the provisions in items 1. to 3. under Article 49 (3) of the guidance were applied at that time and the amount of deferred tax assets and deferred tax liabilities recorded on December 31, 2016, was added to retained earnings and accumulated other comprehensive income on January 1, 2017.

The impact of this change on the quarterly financial statements as of January 1, 2017 is insignificant.

(Segment information)

[Segment information]

I. H1 FY2016 (From January 1, 2016 to June 30, 2016)

## 1. Information on Sales and Profit and Loss by Reported Segment

(Thousand yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount on first-half consolidated statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Sales to outside customers	76,238,291	1,359,405	77,597,697	4,251,972	81,849,669	–	81,849,669
Inter-segment sales or transfers	45,960	323,434	369,395	448,442	817,838	-817,838	–
Total	76,284,252	1,682,840	77,967,092	4,700,415	82,667,508	-817,838	81,849,669
Segment profit	3,476,310	483,105	3,959,415	86,181	4,045,597	956	4,046,553

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 956 thousand yen includes an elimination of inter-segment transactions of 956 thousand yen.
3. The segment profit has been adjusted to the operating income stated in the consolidated income statement.

## 2. Information on Impairment Loss in Non-current Assets and Goodwill by Reported Segment

The presentation of information has been omitted due to its lack of material significance.

II. H1 FY2017 (From January 1, 2017 to June 30, 2017)

## 1. Information on Sales and Profit and Loss by Reported Segment

(Thousand yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount on first-half consolidated statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Sales to outside customers	83,334,112	1,364,320	84,698,432	5,413,532	90,111,965	–	90,111,965
Inter-segment sales or transfers	46,653	308,749	355,403	395,792	751,196	-751,196	–
Total	83,380,766	1,673,069	85,053,836	5,809,325	90,863,161	-751,196	90,111,965
Segment profit	3,346,033	550,570	3,896,604	288,929	4,185,533	671	4,186,204

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 671 thousand yen includes an elimination of inter-segment transactions of 671 thousand yen.
3. The segment profit has been adjusted to the operating income stated in the consolidated income statement.

## 2. Information on Impairment Loss in Non-current Assets and Goodwill by Reported Segment

The presentation of information has been omitted due to its lack of material significance.