

Summary of Consolidated Financial Results for the Fiscal Year ended December 31, 2017 (Japanese Accounting Standards)



February 15, 2018

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Scheduled date of Annual General Meeting of Shareholders: March 16, 2018
 Scheduled date of dividend payment: March 19, 2018
 Scheduled date to submit the Quarterly Securities Report (*Yukashoken Hokokusho*): March 19, 2018
 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, 2017 (January 1, 2017 – December 31, 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	%
Year ended 12/17	180,773	10.1	9,707	10.3	10,260	11.9	5,797	15.0
Year ended 12/16	164,218	6.9	8,798	4.5	9,166	0.8	5,042	2.4

(Note) Comprehensive income (million yen) Year ended 12/17: 9,791 (90.6%) Year ended 12/16: 5,138 (8.9%)

	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 12/17	185.33	185.10	5.8	6.1	5.4
Year ended 12/16	161.63	161.57	5.3	5.8	5.4

Reference: Equity in earnings of affiliates (million yen): Year ended 12/17: 246 Year ended 12/16: -10

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended 12/17	174,568	118,411	59.9	3,340.35
Year ended 12/16	163,863	109,001	59.0	3,092.18

Reference: Shareholders' equity (million yen) Year ended 12/17: 104,535 Year ended 12/16: 96,603

(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 12/17	9,244	-3,862	-4,462	22,819
Year ended 12/16	9,530	-4,337	1,076	21,790

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			
Year ended 12/16	—	14.00	—	15.00	29.00	905	17.9	1.0
Year ended 12/17	—	15.00	—	18.00	33.00	1,032	17.8	1.0
Year ending 12/18 (forecast)	—	18.00	—	18.00	36.00		19.1	

3. Forecast for Consolidated Business Results for the Fiscal Year Ending December 31, 2018

(Jan. 1, 2018 – Dec. 31, 2018)

(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)	92,500	2.7	4,190	0.1	4,410	0.1	2,560	0.1	81.80
Full year	187,000	3.4	10,000	3.0	10,300	0.4	5,900	1.8	188.53

* Notes

- (1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None
 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.: Yes
 (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 12/17: 33,700,000 shares Year ended 12/16: 33,700,000 shares
 (ii) Number of treasury shares at the end of period:
 Year ended 12/17: 2,405,296 shares Year ended 12/16: 2,458,914 shares
 (iii) Average number of shares during the period:
 Year ended 12/17: 31,282,333 shares Year ended 12/16: 31,198,792 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Business Results for the Fiscal Year Ended December 31, 2017 (January 1, 2017 – December 31, 2017)

(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 12/17	112,371	11.4	5,802	4.2	6,533	0.3	5,214	8.3
Year ended 12/16	100,878	8.9	5,568	3.9	6,513	7.2	4,815	8.6

	Net income per share	Net income per share/diluted
	Yen	Yen
Year ended 12/17	166.70	166.65
Year ended 12/16	154.35	154.29

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended 12/17	133,068	92,015	69.1	2,940.22
Year ended 12/16	129,188	85,551	66.2	2,737.80

(Reference) Shareholders' equity (million yen): Year ended 12/17: 92,015 Year ended 12/16: 85,533

* Summaries of consolidated financial results are not subject to audit.

* 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, 2017

During the fiscal year under review (from January 1, 2017 to December 31, 2017), the Japanese economy remained on a moderate recovery track driven by improving corporate earnings and employment and income conditions against the backdrop of recovering overseas economies, mainly in Europe and 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, etc.. 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 development of in-vehicle control software continued to perform well in auto-related projects, with demand for development related to automated driving and electronic operation growing rapidly. The Group also began preselling Julinar SPF (*3), an in-vehicle software platform based on AUTOSAR (*4) specifications that was jointly developed with APTJ Co., Ltd. (*5). In factory automation for machine control systems, development demand continued to be robust, and the development of control software remained strong. The Group also promoted the supply of technical support services for product development in cooperation with industrial equipment manufacturers. In operation system development, orders remained strong in the financial industry as a result of our initiatives in new technical fields such as Fintech, in addition to our response to needs such as system renovation. In the development of software for the ever-expanding e-commerce field and in the distribution, services and education fields that use state-of-the-art ICT technologies, the Group proposed highly competitive products. The Group also sought to realize a safe and reliable system infrastructure enduring against global attacks that occur every day by providing security references using the public cloud service for government entities. It also actively challenged new technical fields by studying advanced technologies, such as AI and the IoT, through business-academia collaboration. The Group also worked on the cultivation of human resources (Registered Information Security Specialist (RISS) and the Japan Deep Learning Association, JDLA Deep Learning for GENERAL) to create new businesses.

In the Product and Service sector, sales remained strong in the license business that collaborates with global vendors such as VMware, Inc., Amazon.com, Inc., and Microsoft Corporation and CAE solution services (*6) for the MCAE field. With widespread needs in the mobile device market as a backdrop, the Group began providing +F MDM (*7), a service for collectively managing mobile routers remotely, and actively proposed moreReception (*8), an unmanned reception system that won a 2017 Good Design Award, as well as moreNOTE, a paperless system that will enable flexible work styles while improving operating efficiency, and SYNCNEL (*9). In addition, the Group supplied technology related to the communication robot PALRO, which mobilizes the AI and robotics technology of the Company, to the ATOM Project (*10) launched by Kodansha Ltd. The Group expanded its business activities in this area by participating in this project, "Japan's first real character-based communication robot" that can speak and walk on two legs and learn by cloud, and by supplying PALRO as a customer service support in operations for financial institutions.

In the tissue engineering business, the clinical indication of corporate clinical trials that evaluate the efficacy and safety of implant-type tissue-engineered cartilage using autologous cells, which the Group commenced in 2005, ended in 2017, and the Group proceeded steadily with its commercialization, including a plan to provide regenerated cartilage in 2018.

In overseas operations and global development, the Group has been expanding its business base by establishing a new base in South Korea, using offshore operations in China and the ASEAN region, supporting verification by Japanese companies on site in the United States, supporting the systemization of Japanese companies in the United States, and working on the development of embedded technologies in cooperation with American companies.

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 (*11) and its commitment to regional revitalization through the creation of local industry and local employment. FUJISOFT KIKAKU Ltd., a special subsidiary, has also worked on labor transition support activities at vocational schools, etc. as well as new agriculture based on IT technology for disabled persons to expand their employment. The Group has also been promoting activities to expand the chance to recognize the joy of making things through robot sumo and improve robot technology by holding the All Japan Robot-Sumo Tournament, Japan's largest robot competition that has been organized by the Group since 1990, and the International Robot-Sumo Tournament 2017.

As a result of these initiatives, in the fiscal year under review, net sales stood at 180,773 million yen, up 10.1% year on year, thanks to the strong performance of the System Integration business. SG&A expenses came to 32,359 million yen, up 10.1%. Operating income rose 10.3% from a year earlier, to 9,707 million yen. Ordinary income climbed 11.9%, to 10,260 million yen, mainly due to an increase in equity in the earnings of securities-oriented affiliates from a year earlier. Profit attributable to owners of parent was 5,797 million yen, up 15.0% year on year.

*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 & AutoMotive)

Technical field which the Group positions as a priority technology

*3: Julinar SPF (Joint development program by Users, Licensors, and Integrators for AUTOSAR-based software platforms)

The collective name for AUTOSAR specifications-based SPF and services developed by APTJ. Pre-sales were launched to consider the introduction of Julinar SRF before the release of the official version in fall 2018. 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.

- *4: 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.
- *5: 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.
- *6: 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.
- *7: +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.
- *8: moreReception
A reception system whose concept is to improve efficiency in welcoming visitors and other operations at reception using ICT. The system simplifies the inconvenient procedure and reduces the time and effort involved in dealing with visitors and waiting time.
- *9: moreNOTE, SYNCNEL
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
- *10: 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).
- *11: 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 and auto-related projects and firm sales of social infrastructure projects. However, income declined due to prior investment in the improvement of the production and sales structures and the expansion of the production base, etc. Sales of and income from operation software rose, exceeding the year-ago level in a range of fields, particularly in the financial, distribution and services sectors. In Products and Services, both sales and income increased mainly due to license sales and the robot development business. In the outsourcing business, both sales and income decreased, following a decline in transactions with the distribution sector as well as an increase in expenses for data center renovations.

As a result, net sales stood at 167,376 million yen, up 9.5% year on year. Operating income amounted to 8,049 million yen, up 7.1%.

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

	Net sales	YoY change (%)	Operating income	YoY change (%)
SI business total	167,376	109.5	8,048	107.1
System construction	101,617	112.2	5,416	105.4
Embedded/control software	53,065	112.1	3,249	96.4
Operation software	48,552	112.3	2,167	122.4
Products and services	65,759	105.6	2,632	110.7
Products and services	50,716	111.0	1,945	141.1
Outsourcing	15,043	90.8	686	68.8

(Note) Operating income includes the elimination of intersegment transactions of - ¥118 thousand.

(ii) Facility business

Net sales stood at 2,696 million yen, down 0.5% year on year, and operating income grew 8.3% year on year, to 1,112 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 10,699 million yen, up 23.2% year on year, and operating income grew 114.4%, to 546 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 174,568 million yen at the end of the consolidated fiscal year under review, up 10,704

million yen from the end of the preceding consolidated fiscal year. Current assets were 72,457 million yen (up 5,107 million yen from the end of the previous fiscal year), and non-current assets were 102,110 million yen (up 5,597 million yen).

Primary factors the change in current assets included an increase in notes and accounts receivable-trade to 40,288 million yen, up 3,560 million yen from the end of the previous fiscal year.

The main factors for the change in non-current assets included an increase in investment securities to 20,325 million yen, up 3,076 million yen, mainly due to a change in the market value of shares held.

(Liabilities)

At the end of the fiscal year under review, total liabilities amounted to 56,156 million yen, up 1,294 million yen from the end of the previous fiscal year. Current liabilities were 39,197 million yen (rising 1,736 million yen from the end of the previous fiscal year), and non-current liabilities were 16,959 million yen (declining 441 million yen).

Primary factors for the change in current liabilities included an increase in notes and accounts payable-trade to 9,977 million yen, up 532 million yen, and a rise in provision for bonuses to 3,914 million yen, increasing 820 million yen.

The main factors for the change in non-current liabilities included a 2,541 million yen decrease in long-term loans payable to 4,182 million yen and a 1,413 million yen increase in deferred tax liabilities to 4,332 million yen.

(Net assets)

Net assets rose 9,409 million yen from the end of the preceding fiscal year, to 118,411 million yen at the end of the consolidated fiscal year under review.

As a result, the equity ratio rose to 59.9% from 59.0% 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 22,819 million yen, an increase of 1,028 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities stood at 9,244 million yen.

The principal factors included an increase in cash due to income before income taxes of 10,023 million yen, depreciation of 5,003 million yen, and impairment loss of 640 million yen, as well as a decrease in cash due to an increase in notes and accounts receivable-trade of 3,682 million yen and income taxes paid of 3,554 million yen.

(Cash flows from investment activities)

Net cash used in investing activities came to 3,862 million yen.

The principal factors were a decrease in cash due to payments of 5,382 million yen for the property, plant and equipment and intangible assets, and an increase in cash due to proceeds from sales of investment securities of 1,200 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 4,462 million yen.

Principal factors included scheduled repayments of loans.

(Reference) Cash flow-related indicators

	Year ended 12/13	Year ended 12/14	Year ended 12/15	Year ended 12/16	Year ended 12/17
Equity ratio (%)	54.9	56.8	60.3	59.0	59.9
Equity ratio based on market value (%)	48.7	48.6	53.9	52.8	64.9
The ratio of interest-bearing debt to operating cash flow (years)	4.6	1.5	2.0	1.7	1.4
Interest coverage ratio (times)	29.8	97.4	117.2	133.4	108.2

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 187.0 billion yen, operating income will

amount to 10.0 billion yen, ordinary income will come to 10.3 billion yen, and profit attributable to owners of parent will be 5.9 billion yen, given business expansion and improvements in the management efficiency of Group companies. The Group plans to pay a dividend of 36.00 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)

	FY2016 (As of December 31, 2016)	FY2017 (As of December 31, 2017)
Assets		
Current assets		
Cash and deposits	19,134,369	18,851,274
Notes and accounts receivable - trade	36,727,703	40,288,285
Short-term investment securities	4,500,000	5,200,000
Merchandise	613,984	806,810
Work in process	1,932,495	2,407,425
Raw materials and supplies	30,717	33,974
Deferred tax assets	2,254,949	2,435,948
Other	2,214,643	2,478,437
Allowance for doubtful accounts	-58,129	-44,242
Total current assets	67,350,733	72,457,914
Non-current assets		
Property, plant and equipment		
Buildings and structures	57,904,450	57,774,786
Accumulated depreciation	-25,768,766	-26,375,330
Buildings and structures, net	32,135,683	31,399,455
Land	30,415,744	30,332,356
Construction in progress	119,370	344,841
Other	15,303,788	15,021,663
Accumulated depreciation	-12,177,768	-11,878,298
Other, net	3,126,019	3,143,365
Total property, plant and equipment	65,796,819	65,220,019
Intangible assets		
Goodwill	2,150,891	2,203,635
Software	3,557,797	4,385,862
Other	241,191	232,417
Total intangible assets	5,949,880	6,821,915
Investments and other assets		
Investment securities	17,249,259	20,325,812
Net defined benefit asset	4,481,130	6,279,744
Deferred tax assets	1,528,825	1,710,975
Other	1,532,055	1,761,389
Allowance for doubtful accounts	-24,818	-9,002
Total investments and other assets	24,766,451	30,068,919
Total non-current assets	96,513,152	102,110,854
Total assets	163,863,886	174,568,768

(Thousand yen)

	FY2016 (As of December 31, 2016)	FY2017 (As of December 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,444,963	9,977,104
Short-term loans payable	3,850,000	4,326,574
Commercial paper	—	1,500,000
Current portion of long-term loans payable	5,560,360	2,638,280
Accrued expenses	3,731,997	3,836,148
Income taxes payable	2,153,573	2,102,993
Deferred tax liabilities	10,960	—
Provision for bonuses	3,094,223	3,914,985
Provision for directors' bonuses	169,301	188,431
Provision for loss on construction contracts	267,915	173,069
Other	9,178,135	10,540,209
Total current liabilities	37,461,430	39,197,796
Non-current liabilities		
Long-term loans payable	6,723,996	4,182,408
Deferred tax liabilities	2,919,073	4,332,340
Provision for directors' retirement benefits	386,591	453,343
Net defined benefit liability	5,459,667	5,838,871
Other	1,911,185	2,152,128
Total non-current liabilities	17,400,514	16,959,091
Total liabilities	54,861,945	56,156,888
Net assets		
Shareholders' equity		
Capital stock	26,200,289	26,200,289
Capital surplus	28,876,632	28,941,843
Retained earnings	51,738,722	56,035,115
Treasury shares	-4,971,430	-4,863,528
Total shareholders' equity	101,844,214	106,313,720
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,022,748	6,172,724
Revaluation reserve for land	-8,797,660	-8,228,200
Foreign currency translation adjustment	87,276	194,526
Remeasurements of defined benefit plans	-553,440	82,613
Total accumulated other comprehensive income	-5,241,076	-1,778,336
Subscription rights to shares	30,676	53,397
Non-controlling interests	12,368,126	13,823,098
Total net assets	109,001,940	118,411,880
Total liabilities and net assets	163,863,886	174,568,768

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

Consolidated income statement

(Thousand yen)

	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Net sales	164,218,505	180,773,090
Cost of sales	126,024,740	138,706,108
Gross profit	38,193,765	42,066,982
Selling, general and administrative expenses		
Advertising expenses	424,037	439,685
Directors' compensations	756,337	781,775
Employees' salaries	13,293,330	14,311,038
Provision for bonuses	934,317	1,069,729
Retirement benefit expenses	533,186	618,391
Legal welfare expenses	2,217,790	2,419,591
Provision for directors' retirement benefits	67,509	77,406
Provision for directors' bonuses	169,301	188,431
Welfare expenses	664,757	790,916
Recruiting and training expenses	744,195	938,728
Traveling and transportation expenses	883,419	997,617
Stationery expenses	420,608	616,138
Commission fee	509,721	535,461
Rents	811,335	788,844
Taxes and dues	1,052,882	1,445,202
Provision of allowance for doubtful accounts	78,848	-27,793
Depreciation	607,712	597,218
Research study expenses	726,285	772,948
Operations consignment expenses	1,752,369	2,161,197
Amortization of goodwill	395,070	395,045
Other	2,351,777	2,441,919
Total selling, general and administrative expenses	29,394,796	32,359,494
Operating income	8,798,968	9,707,487
Non-operating income		
Interest income	29,479	41,833
Dividends income	171,876	173,870
Equity in earnings of affiliates	—	246,885
Foreign exchange gains	47,370	—
Subsidy income	122,867	156,757
Other	187,005	176,490
Total non-operating income	558,599	795,836
Non-operating expenses		
Interest expenses	71,427	85,482
Share of loss of entities accounted for using equity method	10,035	—
Foreign exchange losses	—	34,989
Loss on retirement of non-current assets	37,618	76,135
Expenses for dealing with system failure	55,826	14,751

(Thousand yen)

	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Other	15,684	31,673
Total non-operating expenses	190,591	243,032
Ordinary income	9,166,976	10,260,291
extraordinary income		
Gain on sales of investment securities	154,081	685,468
Gain on sales of subsidiaries and affiliates' stocks	14,722	—
Total extraordinary income	168,804	685,468
Extraordinary loss		
Impairment loss	74,067	640,619
Loss on valuation of investment securities	149,999	77,549
Loss on retirement of non-current assets	—	64,700
Loss on sales of shares of subsidiaries and associates	60,463	—
Office transfer expenses	36,454	139,010
Loss on disaster	6,925	—
Total extraordinary loss	327,911	921,880
Income before income taxes	9,007,869	10,023,879
Income taxes - current	3,253,668	3,214,186
Income taxes - deferred	-63,211	-148,062
Total income taxes	3,190,457	3,066,123
Net income	5,817,411	6,957,755
Profit attributable to non-controlling interests	774,796	1,160,133
Profit attributable to owners of parent	5,042,615	5,797,621

Consolidated statements of comprehensive income

	(Thousand yen)	
	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Net income	5,817,411	6,957,755
Other comprehensive income		
Valuation difference on available-for-sale securities	-139,467	2,068,900
Deferred gains or losses on hedges	15,802	-
Revaluation reserve for land	253,459	-
Foreign currency translation adjustment	-172,038	194,631
Remeasurements of defined benefit plans, net of tax	-535,681	469,116
Share of other comprehensive income of entities accounted for using equity method	-101,365	101,459
Total other comprehensive income	-679,291	2,834,108
Comprehensive income	5,138,120	9,791,864
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,377,261	8,691,573
Comprehensive income attributable to non-controlling interests	760,859	1,100,290

(3) Consolidated statements of changes in net assets
FY2016 (From January 1, 2016 to December 31, 2016)

(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	Deferred gains or losses on hedges
Balance at the beginning of current period	26,200,289	28,521,268	47,666,063	-5,101,298	97,286,322	4,185,128	-8,523
Changes of items during the period							
Dividends from surplus			-873,174		-873,174		
Profit attributable to owners of parent			5,042,615		5,042,615		
Purchase of treasury shares				-1,496	-1,496		
Disposal of treasury shares		25,350		131,365	156,715		
Change of scope of consolidation			-96,781		-96,781		
Change in ownership interest of parent due to transactions with non-controlling interests		330,013			330,013		
Net changes of items other than shareholders' equity						-162,380	8,523
Total changes of items during the period	-	355,363	4,072,659	129,868	4,557,891	-162,380	8,523
Balance at the end of current period	26,200,289	28,876,632	51,738,722	-4,971,430	101,844,214	4,022,748	-

	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	-9,051,120	305,390	97,491	-4,471,634	37,285	11,226,919	104,078,892
Changes of items during the period							
Dividends from surplus							-873,174
Profit attributable to owners of parent							5,042,615
Purchase of treasury shares							-1,496
Disposal of treasury shares							156,715
Change of scope of consolidation							-96,781
Change in ownership interest of parent due to transactions with non-controlling interests							330,013
Net changes of items other than shareholders' equity	253,459	-218,113	-650,931	-769,442	-6,608	1,141,207	365,156
Total changes of items during the period	253,459	-218,113	-650,931	-769,442	-6,608	1,141,207	4,923,048
Balance at the end of current period	-8,797,660	87,276	-553,440	-5,241,076	30,676	12,368,126	109,001,940

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

(4) Consolidated cash flow statement

(Thousand yen)

	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Net cash from operating activities		
Income before income taxes	9,007,869	10,023,879
Depreciation	4,628,050	5,003,561
Impairment loss	74,067	640,619
Loss (gain) on valuation of investment securities	149,999	77,549
Loss on retirement of non-current assets	—	64,700
Amortization of goodwill	395,070	395,045
Increase (decrease) in provision for loss on construction contracts	160,722	-94,845
Increase (decrease) in net defined benefit liability	-4,158	256,792
Decrease (increase) in net defined benefit asset	-445,029	-703,248
Equity in (earnings) losses of affiliates	10,035	-246,885
Interest expenses	71,427	85,482
Foreign exchange losses (gains)	-222,925	16,758
Loss (gain) on sales of investment securities	-154,081	-685,468
Office transfer expenses	36,454	139,010
Decrease (increase) in notes and accounts receivable-trade	-5,163,534	-3,682,416
Decrease (increase) in inventories	-256,131	-641,686
Increase (decrease) in notes and accounts payable - trade	1,862,462	501,795
Increase (decrease) in accounts payable - labor cost	624,271	918,961
Increase (decrease) in accrued consumption taxes	28,958	318,648
Increase (decrease) in accounts payable-other	129,240	439,921
Decrease (increase) in long-term prepaid expenses	877	-82,050
Other	588,174	-82,656
Subtotal	11,521,822	12,663,471
Interest and dividends income received	204,789	215,786
Interest expenses paid	-77,097	-79,871
Income taxes paid	-2,119,206	-3,554,683
Net cash provided by (used in) operating activities	9,530,307	9,244,703
Net cash from investing activities		
Payments into time deposits	-1,860,100	-1,435,550
Proceeds from withdrawal of time deposits	454,423	2,002,437
Proceeds from sales of securities	800,000	—
Purchase of property, plant and equipment	-1,154,038	-1,958,575
Purchase of intangible assets	-2,470,840	-3,423,698
Purchase of investment securities	-669,525	-324,430
Proceeds from sales of investment securities	586,476	1,200,441

(Thousand yen)

	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	-242,205
Other	-23,933	319,397
Net cash provided by (used in) investing activities	-4,337,536	-3,862,184

(Thousand yen)

	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Net cash from financing activities		
Increase in short-term loans payable	4,100,000	5,767,000
Decrease in short-term loans payable	-2,900,000	-5,290,426
Proceeds from long-term loans payable	1,255,528	43,772
Repayment of long-term loans payable	-1,415,440	-5,575,480
Net increase (decrease) in commercial papers	–	1,500,000
Proceeds from exercise of stock option	137,280	114,259
Proceeds from share issuance to non-controlling shareholders	288,217	5,405
Cash dividends paid	-873,174	-939,366
Dividends paid to non-controlling interests	-367,939	-372,766
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	-56,916	-64,741
Net cash provided by (used in) financing activities	1,076,691	-4,462,908
Effect of exchange rate change on cash and cash equivalents	-167,014	49,352
Net increase (decrease) in cash and cash equivalents	6,102,448	968,962
Cash and cash equivalents at beginning of period	15,688,258	21,790,707
Increase in cash and cash equivalents resulting from merger	–	59,776
Cash and cash equivalents at end of period	21,790,707	22,819,446

(5) Notes to consolidated financial statements

(Note on going concern assumptions)

Not applicable.

(Changes in accounting principles)

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has applied the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26; March 28, 2016; hereinafter the “Implementation Guidance on Recoverability”) from the consolidated fiscal year under review and revised some of the accounting methods for the recoverability of deferred tax assets.

With regard to the application of the Implementation Guidance on Recoverability, the Company follows the provisional treatments stipulated in Article 49 (4) of the Implementation Guidance on Recoverability and has added differences between the amounts of deferred tax assets and deferred tax liabilities if the applicable provisions from (i) to (iii) in Article 49 (3) of the Implementation Guidance on Recoverability are applied at the beginning of the consolidated fiscal year under review and the amounts of deferred tax assets and deferred tax liabilities at the end of the previous consolidated fiscal year are applied to retained earnings and accumulated other comprehensive income at the beginning of the consolidated fiscal year under review.

The impact on the consolidated financial statements at the beginning of the consolidated fiscal year under review is minor.

(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 21, 2017).

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

FY2016 (From January 1, 2016 to December 31, 2016)

(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	152,824,983	2,708,734	155,533,717	8,684,788	164,218,505	–	164,218,505
Inter-segment sales or transfers	102,394	649,194	751,589	898,245	1,649,835	-1,649,835	–
Total	152,927,377	3,357,929	156,285,306	9,583,034	165,868,340	-1,649,835	164,218,505
Segment profit	7,517,982	1,026,479	8,544,461	254,839	8,799,301	-332	8,798,968
Segment assets	158,634,071	315,634	158,949,705	4,914,180	163,863,886	–	163,863,886
Other items							
Depreciation and amortization	4,298,756	37,857	4,336,613	291,437	4,628,050	–	4,628,050
Amortization of goodwill	395,070	–	395,070	–	395,070	–	395,070
Increase in property, plant and equipment and intangible assets	1,900,495	78,290	1,978,785	191,553	2,170,339	–	2,170,339

(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 -332 thousand yen includes an elimination of inter-segment transactions of -332 thousand yen.

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

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	2,696,262	170,073,153	10,699,937	180,773,090	—	180,773,090
Inter-segment sales or transfers	91,986	614,191	706,178	849,227	1,555,406	-1,555,406	—
Total	167,468,877	3,310,453	170,779,331	11,549,165	182,328,497	-1,555,406	180,773,090
Segment profit	8,049,013	1,112,091	9,161,105	546,500	9,707,605	-118	9,707,487
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.

(Per-share information)

(Yen)

	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Net assets per share	3,092.18	3,340.35
Net income per share	161.63	185.33
Fully diluted net income per share	161.57	185.10

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

Item	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
(1) Net income per share		
Profit attributable to owners of parent (thousand yen)	5,042,615	5,797,621
Amounts which do not belong to ordinary shareholders (thousand yen)	—	—
Profit attributable to owners of parent on common shares (thousand yen)	5,042,615	5,797,621
Average number of common shares during the fiscal year (thousand shares)	31,198	31,282
(2) Fully diluted net income per share		
Adjustment of profit attributable to owners of parent (thousand yen)	—	-6,450
Increase in common shares (shares)	10,468	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	FY2016 (As of December 31, 2016)	FY2017 (As of December 31, 2017)
Total net assets (thousand yen)	109,001,940	118,411,880
Amount to be subtracted from total net assets (thousand yen)	12,398,803	13,876,495
Stock acquisition rights (thousand yen)	30,676	53,397
Non-controlling interests (thousand yen)	12,368,126	13,823,098
Net assets pertaining to common shares at the year end (thousand yen)	96,603,137	104,535,384
Number of common shares at the year end used in calculation of net assets per share (thousand shares)	31,241	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	127,686,099	109.6
Facility business	1,523,714	95.6
Other	9,496,295	119.5
Total	138,706,108	110.1

- (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	172,494,877	109.8	40,094,656	114.6
Facility business	2,694,038	98.9	1,035,584	99.8
Other	11,166,013	132.3	1,906,367	132.4
Total	186,354,930	110.7	43,036,607	114.9

- (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	167,376,891	109.5
Facility business	2,696,262	99.5
Other	10,699,937	123.2
Total	180,773,090	110.1

- (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%.