Summary of Consolidated Financial Results for the Fiscal Year ended December 31, 2016 (Japanese Accounting Standards)

February 14, 2017

Listed Company Name: FUJI SOFT INCORPORATED — Listing Exchanges: Tokyo Stock Exchange
Securities Code: 9749 URL http://www.fsi.co.jp/
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Scheduled date of Annual General Meeting of Shareholders: March 17, 2017
Scheduled date of dividend payment: March 21, 2017
Scheduled date to submit the Quarterly Securities Report (*Yukashoken Hokokusho*): March 21, 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 Fiscal Year ended December 31, 2016 (January 1, 2016 – December 31, 2016)

(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 12/16	164,218	6.9	8,798	4.5	9,166	0.8	5,042	2.4
Year ended 12/15	153,661	3.5	8,418	1.4	9,093	-1.9	4,922	1.0

(Note) Comprehensive income (million yen) Year ended 12/16: 5,138 (8.9%) Year ended 12/15: 4,719 (-25.7%)

	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 12/16	161.63	161.57	5.3	5.8	5.4
Year ended 12/15	158.06	157.97	5.4	5.8	5.5

Reference: Equity in earnings of affiliates (million yen): Year ended 12/16: -10 Year ended 12/15: 415

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended 12/16	163,863	109,001	59.0	3,092.18
Year ended 12/15	153,833	104,078	60.3	2,977.06

Reference: Shareholders' equity (million yen) Year ended 12/16: 96,603 Year ended 12/15: 92,814

(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 12/16	9,530	-4,337	1,076	21,790
Year ended 12/15	7,595	-549	-7,414	15,688

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 12/15	–	14.00	–	14.00	28.00	872	17.7	1.0
Year ended 12/16	–	14.00	–	15.00	29.00	905	17.9	1.0
Year ending 12/17 (forecast)	–	15.00	–	15.00	30.00		18.4	

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
Second consolidated quarter (cumulative)	83,800	2.4	3,800	-6.1	3,900	-4.4	2,100	-0.3	67.22
Full year	168,000	2.3	9,000	2.3	9,300	1.5	5,100	1.1	163.25

* 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 12/16: 33,700,000 shares Year ended 12/15: 33,700,000 shares
- (ii) Number of treasury shares at the end of period:
  Year ended 12/16: 2,458,914 shares Year ended 12/15: 2,523,336 shares
- (iii) Average number of shares during the period:
  Year ended 12/16: 31,198,792 shares Year ended 12/15: 31,142,570 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Business Results for the Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)

(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 12/16	100,878	8.9	5,568	3.9	6,513	7.2	4,815	8.6
Year ended 12/15	92,651	5.3	5,357	2.8	6,073	3.5	4,434	16.6

	Net income per share	Net income per share/diluted
	Yen	Yen
Year ended 12/16	154.35	154.29
Year ended 12/15	142.38	142.31

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended 12/16	129,188	85,551	66.2	2,737.80
Year ended 12/15	123,002	81,356	66.1	2,608.26

(Reference) Shareholders' equity (million yen): Year ended 12/16: 85,533 Year ended 12/15: 81,318

* Disclosure regarding audit procedures

This summary of consolidated financial results does not constitute the audited financial statements under the Financial Instruments and Exchange Act. As of the date of disclosure of this summary of consolidated financial results, an audit of the financial statements had not been carried out in accordance with the Financial Instruments and Exchange Act.

* Cautionary statement with respect to forward-looking statements

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

Accompanying Materials – Contents

1. Analysis of Operating Results and Financial Condition

(1) Analysis of operating results

1) Overview of the consolidated fiscal year under review

During the fiscal year under review (from January 1, 2016 to December 31, 2016), employment and income conditions improved mainly due to the government's fiscal policy and the Bank of Japan's monetary easing, but the outlook for the Japanese economy remained uncertain, given Brexit, a slowdown in emerging economies, and the effects of changes in policies in the United States in association with the inauguration of the new administration.

In June, the Japanese Cabinet approved the Japan Revitalization Strategy 2016 with the goal of achieving the "fourth industrial revolution" using the IoT, big data, robots, and AI (artificial intelligence). In the IT industry, demand for investment in innovative information technologies was strong. Meanwhile, a shortage of IT engineers became the norm, and hiring and training human resources was a major issue.

In this business environment, the FUJISOFT Group actively sought to win orders, especially in areas involving the latest technologies and in system development, where the Company has extensive experience and can draw on its expertise in a range of technologies accumulated through past involvement in research and development projects. The Group responded to increasing demand in each field by improving labor productivity through the enhancement of its structures by means such as hiring more human resources, training engineers to meet short-term needs and stepping up its cooperation with its business partners.

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 due to the increasing sophistication and complexity of electronic control. Particularly in the automotive sector, with demand for the development of in-vehicle embedded software growing against a backdrop of the rapid development of automated driving and electric operation, the Group expanded its business by enhancing and training engineers and expanding development bases. The Group sought to develop the sensing technology necessary for automated driving and vehicle driving data monitoring technology in collaboration with cloud computing. In addition, the Group worked on the development of a domestically produced in-vehicle software platform compliant with the AUTOSAR (*1) in collaboration with APTJ (*2) as an investment in a core technology. It also conducted aggressive marketing activities in relation to the sophistication of broadcast services (including 4K and 8K broadcasting) and digital home appliances in the video distribution field, the upgrading of systems in the aerospace field, and investment related to the separation of power generation and power transmission associated with the revision of the Electricity Business Act. In operation system development, orders were strong in the financial industry, principally from life and non-life companies, on the back of the revision in the Insurance Business Act, which contributed to improvements in operating efficiency and the expansion of new policy channels. The Group also took steps to expand business by making proposals mainly for efficiency improvement using financial technology, for services that enable working from home and other new work styles through the use of ICT, and for solutions to prevent information leaks and other security risks.

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. The Group took steps to strengthen existing products and started to sell +F FS030W (*4), a new, more user-friendly mobile router. Orders for the humanoid communication robot PALRO were trending higher, partly backed by government policy, as can be seen by the fact that PALRO earned very high marks among candidates for use in the verification survey conducted by the Japan Agency for Medical Research and Development (AMED) for introducing robots in nursing care activities. In addition to the field of nursing care, PALRO is now being used at financial institutions for finance education and over-the-counter services. The Group has sought to develop services that combine PALRO's front-end AI, cloud-type AI service, and BOT (*5) service, the latest technology, in order to achieve more sophisticated communication. The Group positively sought to introduce the smart document service SYNCNEL by moreNOTE, (*6), which boasts the top share in the mobile content management market, in different fields.

The Group aimed to expand its business in the field of tissue engineering. Harnessing its experience and expertise in research into implant-type tissue-engineered cartilage using autologous cells, the Group began supplying the Tissue Engineering Academia Model, a one-stop service for both non-clinical testing and clinical testing that is helping commercialize research into tissue engineering at universities. The Group also pursued joint research with research institutions.

In overseas operations and global development, the Group continued to actively use its bases in China and the ASEAN region to expand its offshore operations and business base in these markets.

Corporate social responsibility (CSR) activities incorporated human support, including volunteer activities, and support using ICT, such as providing moreNOTE, PALRO and Mirai School Station (*7) without charge in areas affected by the Kumamoto earthquakes. FUJISOFT KIKAKU Ltd., a special subsidiary, builds job assistance programs for disabled persons and conducts support activities for expanding employment opportunities for the disabled, including making vocational schools available as part of its labor transition support business. FUJISOFT KIKAKU Ltd. has recently entered the agricultural field using a new cultivation method based on IT technology. The All Japan Robot-Sumo Tournament, Japan's largest robot competition which has been organized by the Group since 1990 to provide participants with the chance of recognizing the joy of making things, was held for the 28th time. The International Robot-Sumo Tournament 2016, the Group's third international competition, was also held simultaneously.

Cyber Com Co., Ltd., a consolidated subsidiary, was transferred to the First Section of the Tokyo Stock Exchange, and VINX CORP., a consolidated subsidiary, was transferred to the Second Section of the Tokyo Stock Exchange. FUJI SOFT SERVICE BUREAU INCORPORATED, a consolidated subsidiary, was listed on TSE JASDAQ.

Through these activities, the Group sought to enhance added value, aiming to become an innovative corporate group that links ICT development to greater value for customers, which is shown in its medium-term policy. In the fiscal year under review, net sales stood at 164,218 million yen, up 6.9% year on year. SG&A expenses came to 29,394 million yen, up 6.2% year on year, reflecting an increase in upfront investment for improving human resources and aggressive marketing, and operating income was 8,798 million yen, up 4.5% year on year. Despite the effect of a reactionary fall in equity in earnings of the securities-oriented affiliate from a year earlier, ordinary income and profit attributable to owners of parent stood at 9,166 million yen, up 0.8% year on year, and 5,042 million yen, up 2.4% year on year.

*1: AUTOSAR (AUTomotive Open System ARchitecture)
The name of an organization established in Europe in 2003 for the standardization of in-vehicle software and the name of the standard specification created by the organization

*2: APTJ (Automotive Platform Technology Japan)
APTJ was founded in 2015 as a venture company created in Nagoya University. It developed Julinar, an in-vehicle software platform compliant with AUTOSAR.

*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 3G/LTE data communication terminal for the consumer market and IoT/M2M market in the mobile communication market

*5: BOT
BOT is an abbreviation for robot and is a program which automatically conducts processes that human did on computers.

*6: moreNOTE, SYNCNEL
Services for sharing, viewing, and editing documents, videos and images easily using tablets, smartphones, and personal computers

*7: Mirai School Station
An ICT education solution using unique information and communication technology (ICT) to improve educational environments

Results by business segment were as follows:

(SI Business)

In the SI business, sales of embedded/control software were strong as in the previous year, reflecting continued brisk sales of machine control systems, including auto-related and factory automation projects, and of social infrastructure systems in the aerospace, defense and electric power-related industries. Sales of operation software rose, reflecting strong sales in the financial sector. In Products and Services, sales increased due to strong sales in the licensing business of software vendors overseas. In the outsourcing business, sales fell mainly because of a decline in transactions in the distribution sector.

As a result, net sales stood at 152,824 million yen, up 7.0% year on year. Operating income amounted to 7,517 million yen, up 3.2%, despite an increase in SG&A expenses due to upfront investment for hiring and education.

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

(Million yen)

	Net sales	YoY change (%)
SI business total	152,824	107.0
System construction	90,566	106.8
Embedded/control software	47,329	113.2
Operation software	43,237	100.6
Products and services	62,258	107.3
Products and services	45,692	111.9
Outsourcing	16,565	96.4

(Facility business)

Net sales stood at 2,708 million yen, up 9.3% year on year, reflecting rental income from office buildings owned by the Company and certain consolidated subsidiaries. Operating income grew 13.3% year on year, to 1,026 million yen.

(Other businesses)

Net sales from other business rose 3.4% year on year, to 8,684 million yen, mainly attributable to the strong performance of the data entry business and the contact center business. Operating income stood at 254 million yen, up 14.3% year on year.

2) Forecast for the next consolidated fiscal year

For the next consolidated fiscal year, the Group forecasts that net sales will stand at 168.0 billion yen, operating income will amount to 9.0 billion yen, ordinary income will come to 9.3 billion yen, and profit attributable to owners of parent will be 5.1 billion yen, given business expansion and improvements in the management efficiency of Group companies. The Group plans to pay a dividend of 30.00 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) Analysis of financial condition

1) Asset, liabilities and net assets

(Total assets)

Total assets stood at 163,863 million yen at the end of the consolidated fiscal year under review, up 10,030 million yen from the end of the preceding consolidated fiscal year. Current assets were 67,350 million yen (up 12,317 million yen from the end of the previous fiscal year), and non-current assets were 96,513 million yen (down 2,286 million yen).

Important factors in the change of current assets included an increase in cash and deposits of 6,350 million yen from the end of the previous fiscal year, to 19,134 million yen, and a rise in notes and accounts receivable - trade of 5,242 million yen from the end of the previous fiscal year, to 36,727 million yen.

The main factors for the change in non-current assets were a decrease in goodwill of 538 million yen from the end of the previous fiscal year, to 2,150 million yen , and a decline in investment securities of 490 million yen from the end of the previous fiscal year, to 17,249 million yen, mainly due to changes in the market values of shares held.

(Liabilities)

At the end of the fiscal year under review, total liabilities amounted to 54,861 million yen, up 5,107 million yen from the end of the previous fiscal year. Current liabilities were 37,461 million yen (rising 9,905 million yen from the end of the previous fiscal year), and non-current liabilities were 17,400 million yen (declining 4,797 million yen).

Primary factors in the change of current liabilities included an increase in notes and accounts payable-trade of 1,819 million yen from the end of the previous fiscal year, to 9,444 million yen, and a rise in short-term loans payable of 5,442 million yen from the end of the previous fiscal year, to 9,410 million yen.

The main factors for the change in non-current liabilities included a decrease in long-term loans payable of 4,518 million yen from the end of the previous fiscal year, to 6,723 million yen.

(Net assets)

Net assets rose 4,923 million yen from the end of the preceding fiscal year, to 109,001 million yen at the end of the consolidated fiscal year under review.

As a result, the equity ratio fell to 59.0%, down from 60.3% at the end of the previous fiscal year.

2) Cash flows

Consolidated cash and cash equivalents (“cash”) at the end of the fiscal year under review were 21,790 million yen, an increase of 6,102 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities stood at 9,530 million yen.

The principal factors included income before income taxes of 9,007 million yen, depreciation of 4,628 million yen, an increase in notes and accounts receivable-trade of 5,163 million yen, an increase in in notes and accounts payable-trade of 1,862 million yen, and income taxes paid of 2,119 million yen.

(Cash flows from investment activities)

Net cash used in investing activities came to 4,337 million yen.

The principal factors were payments of 3,624 million yen for the property, plant and equipment and intangible assets, and the purchase of investment securities of 669 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities was 1,076 million yen.

Principal factors included proceeds of 4,100 million yen from short-term loans, repayments of 2,900 million yen for short-term loans, proceeds of 1,255 million yen from long-term loans, and repayments of 1,415 million yen for long-term loans.

(Reference) Cash flow-related indicators

	Year ended 3/13	Year ended 12/13	Year ended 12/14	Year ended 12/15	Year ended 12/16
Equity ratio (%)	51.5	54.9	56.8	60.3	59.0
Equity ratio based on market value (%)	45.9	48.7	48.6	53.9	52.8
The ratio of interest-bearing debt to operating cash flow (years)	2.5	4.6	1.5	2.0	1.7
Interest coverage ratio (times)	30.1	29.8	97.4	117.2	133.4

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.

(3) Basic profit allocation policy, and dividends for the current and new fiscal year

We pay dividends based on our basic policy of consistently returning profits to shareholders, while securing sufficient internal reserves in preparation for active business development and potential risks.

Under this policy, we have decided to pay a year-end dividend of 15 yen per share for the consolidated fiscal year under review, bringing dividend payments on an annual basis to 29 yen per share.

For the consolidated fiscal year ending December 31, 2017, we plan to pay a dividend of 30 yen per share on an annual basis.

(4) Business risks

Below we discuss risks we believe could have an important influence on the investment decisions of investors.

Forward-looking statements are based on the judgment of management as of the release of this fiscal report (February 14, 2017).

1) Contracted software development

Our group designs, develops, manufactures, and maintains software on contracted from clients and in line with their needs. We are thorough in controlling the quality of our products, we guarantee the quality of our products, and we constantly work to improve customer satisfaction.

We acquired ISO 9001 certification in June 1995, and have established a quality manual and targets to ensure thorough quality control.

Regarding systems development, we are thorough in managing projects from the inquiry, estimate, and order-receipt stages, and we continue to work to strengthen our project management ability in order to prevent the occurrence of unprofitable projects.

However, quality problems may arise in the services that the Group provides, and if quality problems did arise, it may face additional costs, and perhaps a damages suit. This could affect the Group's operations and financial position.

2) Product development

When providing products, the Group works our investment and sales plans, considering market needs. If our products become obsolete due to changes in market needs, rapid innovation, and other factors, and if the products do not sell as expected, additional depreciation and amortization and impairment losses would be caused by the products.

We are thorough in quality control when providing products. However, if bugs occur, the Group may be liable for damages. If its products are embedded in other companies' products, the Group may face claims for larger amounts of compensation than expected.

The Group acquires and protects intellectual property rights, being careful not to infringe on the intellectual property rights of others. However, if it does infringe on intellectual property rights of others that the Group is not aware of, it may face claims for damages and claims for the costs of the intellectual property rights, and this could affect its operations and financial position.

3) Outsourcing operations

The Group provides outsourcing services, including the building of mission-critical systems and the development, maintenance, and operation of network environments using data centers. To provide stable outsourcing services, it is essential to take appropriate precautions and responses to system instability and trouble. The Group therefore continues to work to improve data center facilities, build systems for stable operation, and develop an organizational framework that is responsive to sudden system trouble.

However, if it fails to provide a certain level of stable operation due to human error, such as failure to follow operational procedures, and equipment failure, the Group's operations and financial position could be adversely affected.

4) Global risks

The Group provides goods and services overseas and has developed operations in foreign countries, especially in countries in Asia. Unexpected problems in foreign countries and territories, including different business practices and legal regulations, changes in political systems, violent fluctuations in exchange rates, terrorist acts, and infectious diseases, could impact the Group's result of operations and financial position.

5) Management of classified information

We understand that our group, which handles corporate client information and personal information, has the social responsibility to appropriately manage this classified information and ensure its safety.

Our group has implemented a variety of measures to prevent information leaks, including formulating and observing internal information protection standards such as computer virus countermeasures and network management, introducing building access security systems, ensuring thorough training of employees regarding information management, and concluding nondisclosure agreements with vendors.

The occurrence of an information leak, despite these preventative measures, could lead to damages suits and disrupt our ability to continue commissioned software development activities, thereby impacting our group's result of operations and financial position.

6) Risks related to the application of impairment accounting for fixed assets

Our group owns fixed assets including land and buildings for business purposes. We adopted accounting standards for the impairment of fixed assets starting in the fiscal year ended March 31, 2006, and the necessity to recognize impairment losses due to changes in the market value of assets, and changes in future profit forecasts, could impact our group's result of operations and financial position.

7) Risks related to investment activities

To strengthen our operating base, we invest in corporate acquisitions, the establishment of subsidiaries, and venture companies for starting new businesses and boosting results. Before making investments, we examine profitability and returns on the investments. However, if the businesses that we invest in do not produce results as planned due to changes in the business environment and other factors, we could lose part or all of the investments or need to make additional investments, and our operating results and financial position could be adversely affected.

2. Outline of the Corporate Group

Our corporate Group, which consists of FUJI SOFT INCORPORATED ("the Company"), 26 consolidated subsidiaries, three equity method non-consolidated subsidiary, and two equity method affiliates, is principally engaged in the System Integration (SI) business and the Facility business.

Each company in the Group is responsible for its own sales strategy, but they also cooperate with one another.

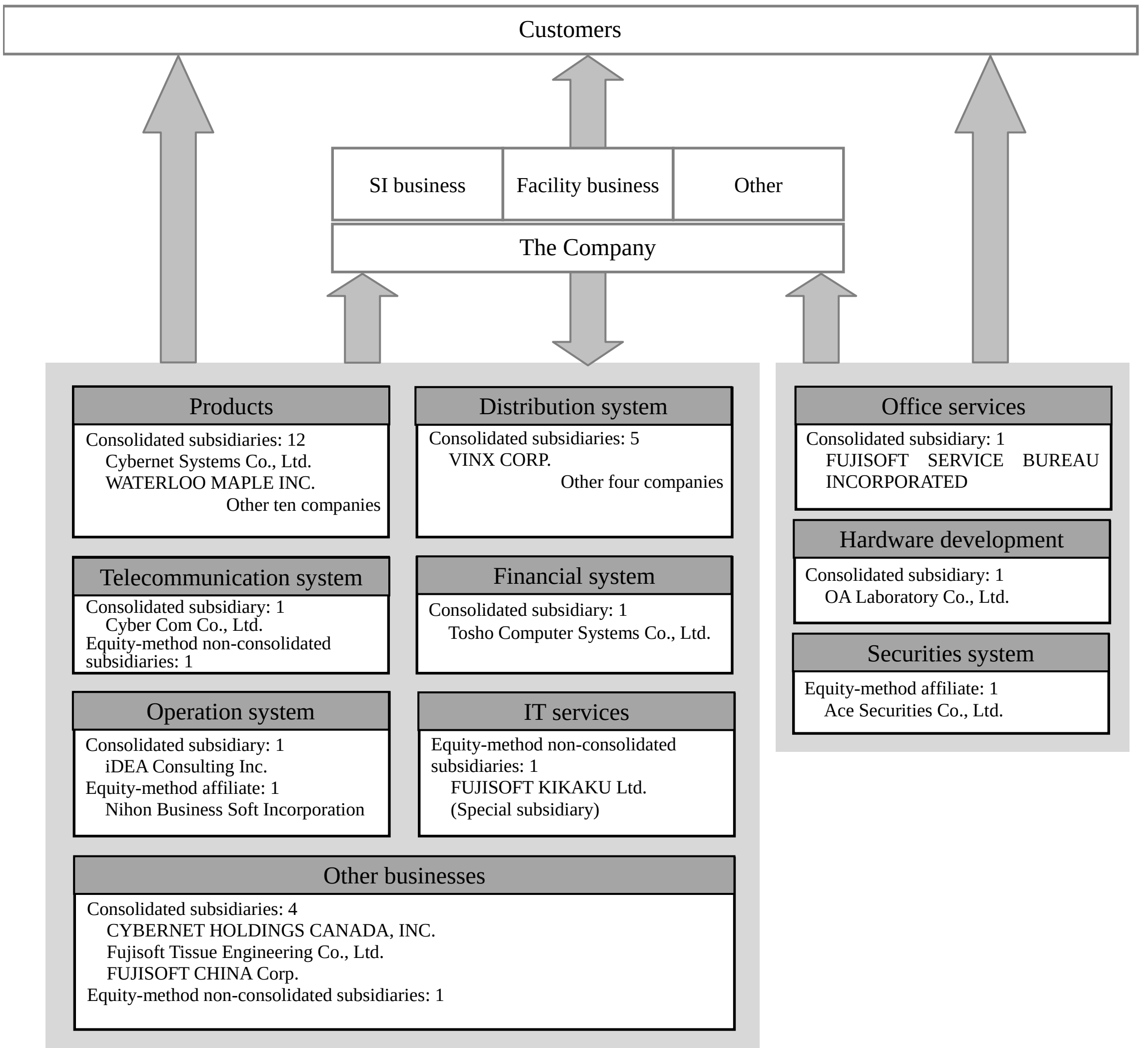
The positioning of each company in the group is shown in the diagram below.

With respect to the positioning of Group companies in the SI business, the Company handles all systems development, while Group companies deal mostly with software development.

Category	Business description
System Integration (SI) business	Contract software development of telecommunication control systems, machine control systems, operating systems and operation applications used in different industries, quality evaluation and control support, consulting, product development and sales, and design, manufacture, sales and other activities of personal computer related devices, overall system maintenance and operation services
Facility business	Leasing of office buildings
Other businesses	Data entry business, contact center business, tissue engineering business, etc.

The operational diagram is as follows:

(As of December 31, 2016)
Consolidated subsidiaries (26 companies) / Equity-method non-consolidated subsidiaries (3 company) /
Equity-method affiliates (2 companies)



* Other group companies (Two non-consolidated subsidiaries)

3. Management Policies

(1) Basic management policies

The FUJISOFT Group will realize the enhancement of added value aiming to become an "innovative corporate group linking ICT development to greater value for customers."

(2) Management target

We consider consistent improvements in sales and profits and consistent and stable dividends to be important management targets.

(3) Medium and long-term management strategies

With rapid innovation in the business environment, the Group will enhance its existing businesses, provide customers with the best services and aim to continuously increase sales and added value by carrying out the following strategies.

1) Strengthening and expanding prime businesses

We will establish systems to use management resources effectively and aim to increase direct transactions by strengthening the ability to make proposals to customers and enhancing added value, productivity, as well as our price competitiveness.

2) Promoting our product business

We will aim to expand market share and earnings by actively promoting existing products and planning new products with a focus on the fields of cloud services and robot and mobile technologies, which are the strengths of the Company.

3) Promoting global business

We will expand offshore business in Asia, particularly China, providing support to Japanese companies and services to local companies, and thus promoting global business.

4) Bolstering Group synergies

We will provide customers with the best services by further enhancing cooperation among Group companies for sales of products, development base, as well as know-how. We will improve business efficiency across the entire Group through the Group's joint purchasing and administrative services.

5) Curbing administrative expenses continuously

We will strive to continuously curb administrative expenses primarily by improving business efficiency.

(4) Future challenges

In the future, the Japanese economy is expected to remain on a modest recovery path, partly due to government stimulus, amid continued improvement in the employment and income situation. There is, however, increased uncertainty over the outlook for the economy, given Brexit, a slowdown in emerging economies, and the effect of changes in policies in the United States in association with the start of the new administration.

In the IT industry, IT investments increased against a backdrop of a recovery in corporate earnings. In addition, demand in the field of advanced ICT technologies continued to rise, as companies reformed their business models using innovative technologies, including AI and the IoT. Meanwhile, a shortage of IT engineers has become the norm, and hiring and training human resources is a major issue.

To respond to this business environment, we believe it is important to contribute to enhancing value for customers while putting in place systems to strengthen our technological, business and development capabilities. We have been accumulating advanced expertise in technologies for mobile telecommunications, cloud computing, and robotics in addition to the technical expertise and readiness we have been cultivating primarily in operation and embedded software development. Based on our expertise and capabilities, we have developed our AIS-CRM (**AI**, **I**oT, **S**ecurity, **C**loud, **R**obot, **M**obile & Auto**M**otive) business strategy. Under this business strategy, we will create new products and businesses and will provide new value to society. As we have extensive business experience and a strong customer base across a broad array of industries, we will create new businesses, increase added value, and respond to our customers' diversified needs by expanding these strengths individually and connecting them with each other organically.

While continuing to add value in existing business areas, we will establish a hiring system from a long-term perspective. Through offshore and near shore development, we will develop our production power. Taking advantage of the numerous areas of know-how in ICT that the Company possesses, we will meet the needs of society and will both improve added value and achieve sustainable growth with the aim of becoming an "innovative corporate group linking ICT development to greater value for customers."

4. 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.

5. Consolidated Financial Statements

(1) Consolidated balance sheet

(Thousand yen)

		FY2015 (As of December 31, 2015)		FY2016 (As of December 31, 2016)
Assets				
Current assets				
Cash and deposits		12,784,328		19,134,369
Notes and accounts receivable – trade	*3	31,485,501	*3	36,727,703
Short-term investment securities		3,800,041		4,500,000
Merchandise		260,121		613,984
Work in process	*4	2,034,854	*4	1,932,495
Raw materials and supplies		31,173		30,717
Deferred tax assets		1,953,717		2,254,949
Other		2,691,412		2,214,643
Allowance for doubtful accounts		-8,158		-58,129
Total current assets		55,032,993		67,350,733
Non-current assets				
Property, plant and equipment				
Buildings and structures		57,674,741		57,904,450
Accumulated depreciation		-24,318,034		-25,768,766
Buildings and structures, net		33,356,706		32,135,683
Land	*2	30,415,744	*2	30,415,744
Construction in progress		17,916		119,370
Other		15,737,278		15,303,788
Accumulated depreciation		-12,514,411		-12,177,768
Other, net		3,222,866		3,126,019
Total property, plant and equipment		67,013,234		65,796,819
Intangible assets				
Goodwill		2,689,471		2,150,891
Software		3,395,276		3,557,797
Other		188,363		241,191
Total intangible assets		6,273,111		5,949,880
Investments and other assets				
Investment securities	*1	17,739,548	*1	17,249,259
Net defined benefit asset		4,662,182		4,481,130
Deferred tax assets		1,540,625		1,528,825
Other		1,577,129		1,532,055
Allowance for doubtful accounts		-5,797		-24,818
Total investments and other assets		25,513,688		24,766,451
Total non-current assets		98,800,034		96,513,152
Total assets		153,833,028		163,863,886

(Thousand yen)

		FY2015 (As of December 31, 2015)		FY2016 (As of December 31, 2016)
Liabilities				
Current liabilities				
Notes and accounts payable - trade		7,625,523		9,444,963
Short-term loans payable		2,650,000		3,850,000
Current portion of long-term loans payable		1,317,800		5,560,360
Accrued expenses		3,225,264		3,731,997
Income taxes payable		1,210,345		2,153,573
Deferred tax liabilities		14,993		10,960
Provision for bonuses		2,594,988		3,094,223
Provision for directors' bonuses		155,944		169,301
Provision for loss on construction contracts	*4	107,192	*4	267,915
Other		8,654,097		9,178,135
Total current liabilities		27,556,148		37,461,430
Non-current liabilities				
Long-term loans payable		11,242,708		6,723,996
Deferred tax liabilities		3,343,974		2,919,073
Provision for directors' retirement benefits		372,009		386,591
Net defined benefit liability		5,438,613		5,459,667
Other		1,800,681		1,911,185
Total non-current liabilities		22,197,987		17,400,514
Total liabilities		49,754,135		54,861,945
Net assets				
Shareholders' equity				
Capital stock		26,200,289		26,200,289
Capital surplus		28,521,268		28,876,632
Retained earnings		47,666,063		51,738,722
Treasury shares		-5,101,298		-4,971,430
Total shareholders' equity		97,286,322		101,844,214
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		4,185,128		4,022,748
Deferred gains or losses on hedges		-8,523		–
Revaluation reserve for land	*2	-9,051,120	*2	-8,797,660
Foreign currency translation adjustment		305,390		87,276
Remeasurements of defined benefit plans		97,491		-553,440
Total accumulated other comprehensive income		-4,471,634		-5,241,076
Subscription rights to shares		37,285		30,676
Non-controlling interests		11,226,919		12,368,126
Total net assets		104,078,892		109,001,940
Total liabilities and net assets		153,833,028		163,863,886

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

Consolidated income statement

(Thousand yen)

		FY2015 (From January 1, 2015 to December 31, 2015)		FY2016 (From January 1, 2016 to December 31, 2016)
Net sales		153,661,999		164,218,505
Cost of sales	*1	117,552,516	*1	126,024,740
Gross profit		36,109,483		38,193,765
Selling, general and administrative expenses				
Advertising expenses		498,171		424,037
Directors' compensations		763,203		756,337
Employees' salaries		12,857,651		13,293,330
Provision for bonuses		740,346		934,317
Retirement benefit expenses		450,946		533,186
Legal welfare expenses		2,099,684		2,217,790
Provision for directors' retirement benefits		63,836		67,509
Provision for directors' bonuses		155,944		169,301
Welfare expenses		641,709		664,757
Recruiting and training expenses		786,857		744,195
Traveling and transportation expenses		826,589		883,419
Stationery expenses		312,765		420,608
Rent expenses		44,860		44,300
Rents		807,078		811,335
Taxes and dues		781,281		1,052,882
Provision of allowance for doubtful accounts		2,965		78,848
Depreciation		592,005		607,712
Research study expenses		585,638		726,285
Operations consignment expenses		1,515,179		1,752,369
Amortization of goodwill		481,159		395,070
Other		2,683,320		2,817,198
Total selling, general and administrative expenses		27,691,195		29,394,796
Operating income		8,418,287		8,798,968
Non-operating income				
Interest income		33,626		29,479
Dividends income		155,666		171,876
Equity in earnings of affiliates		415,385		–
Foreign exchange gains		–		47,370
Subsidy income		136,500		122,867
Other		164,241		187,005
Total non-operating income		905,420		558,599
Non-operating expenses				
Interest expenses		64,813		71,427
Share of loss of entities accounted for using equity method		–		10,035
Foreign exchange losses		38,509		–
Loss on retirement of non-current assets		37,303		37,618
Expenses for dealing with system failure		16,256		55,826
Other		73,511		15,684
Total non-operating expenses		230,395		190,591
Ordinary income		9,093,312		9,166,976

(Thousand yen)

		FY2015 (From January 1, 2015 to December 31, 2015)		FY2016 (From January 1, 2016 to December 31, 2016)
Extraordinary income				
Gain on sales of investment securities		65,125		154,081
Gain on sales of subsidiaries and affiliates' stocks		7,542		14,722
Gain on change in equity		9,558		–
Total extraordinary income		82,226		168,804
Extraordinary loss				
Impairment loss	*3	16,350	*3	74,067
Loss on valuation of investment securities		–		149,999
Loss on sales of shares of subsidiaries and associates		357,533		60,463
Office transfer expenses		30,177		36,454
Loss on agency contract cancellation		3,941		–
Loss on employees' pension fund withdrawal		12,526		–
Loss on disaster		–		6,925
Total extraordinary loss		420,529		327,911
Income before income taxes		8,755,009		9,007,869
Income taxes – current		2,762,609		3,253,668
Income taxes – deferred		306,702		-63,211
Total income taxes		3,069,311		3,190,457
Net income		5,685,697		5,817,411
Profit attributable to non-controlling interests		763,334		774,796
Profit attributable to owners of parent		4,922,362		5,042,615

Consolidated statements of comprehensive income

(Thousand yen)

	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Net income	5,685,697	5,817,411
Other comprehensive income		
Valuation difference on available-for-sale securities	-314,155	-139,467
Deferred gains or losses on hedges	-15,802	15,802
Revaluation reserve for land	–	253,459
Foreign currency translation adjustment	-492,386	-172,038
Remeasurements of defined benefit plans, net of tax	-50,310	-535,681
Share of other comprehensive income of entities accounted for using equity method	-93,304	-101,365
Total other comprehensive income	-965,959	-679,291
Comprehensive income	4,719,737	5,138,120
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,188,246	4,377,261
Comprehensive income attributable to non-controlling interests	531,491	760,859

(3) Consolidated statements of changes in net assets

FY2015 (From January 1, 2015 to December 31, 2015)

(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	28,505,941	43,646,746	-5,178,604	93,174,372	4,685,283	–
Cumulative effects of changes in accounting policies			-27,456		-27,456		
Restated balance	26,200,289	28,505,941	43,619,289	-5,178,604	93,146,915	4,685,283	–
Changes of items during the period							
Dividends from surplus			-871,888		-871,888		
Profit attributable to owners of parent			4,922,362		4,922,362		
Purchase of treasury shares				-2,119	-2,119		
Disposal of treasury shares		15,327		79,425	94,752		
Change of scope of consolidation			-3,699		-3,699		
Net changes of items other than shareholders' equity						-500,154	-8,523
Total changes of items during the period		15,327	4,046,773	77,305	4,139,406	-500,154	-8,523
Balance at the end of current period	26,200,289	28,521,268	47,666,063	-5,101,298	97,286,322	4,185,128	-8,523

(Thousand yen)

	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	-9,051,088	568,391	97,758	-3,699,655	41,338	11,010,478	100,526,533
Cumulative effects of changes in accounting policies							-27,456
Restated balance	-9,051,088	568,391	97,758	-3,699,655	41,338	11,010,478	100,499,076
Changes of items during the period							
Dividends from surplus							-871,888
Profit attributable to owners of parent							4,922,362
Purchase of treasury shares							-2,119
Disposal of treasury shares							94,752
Change of scope of consolidation							-3,699
Net changes of items other than shareholders' equity	-31	-263,001	-266	-771,978	-4,053	216,441	-559,590
Total changes of items during the period	-31	-263,001	-266	-771,978	-4,053	216,441	3,579,815
Balance at the end of current period	-9,051,120	305,390	97,491	-4,471,634	37,285	11,226,919	104,078,892

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		
Net changes of items other than shareholders’ equity		330,013			330,013	-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	–

(Thousand yen)

	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
Net changes of items other than shareholders’ equity	253,459	-218,113	-650,931	-769,442	-6,608	1,141,207	695,170
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

(4) Consolidated cash flow statement

(Thousand yen)

	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Net cash from operating activities		
Income before income taxes	8,755,009	9,007,869
Depreciation	4,859,902	4,628,050
Impairment loss	16,350	74,067
Loss on agency contract cancellation	3,941	–
Loss on employees' pension fund withdrawal	12,526	–
Amortization of goodwill	481,159	395,070
Increase (decrease) in net defined benefit liability	28,840	-4,158
Decrease (increase) in net defined benefit asset	-653,129	-445,029
Interest expenses	64,813	71,427
Equity in (earnings) losses of affiliates	-415,385	10,035
Loss (gain) on sales of investment securities	-65,125	-154,081
Loss (gain) on valuation of investment securities	–	149,999
Loss (gain) on sales of stocks of subsidiaries and affiliates	349,991	45,740
Decrease (increase) in notes and accounts receivable-trade	-1,441,655	-5,163,534
Decrease (increase) in inventories	-355,643	-256,131
Increase (decrease) in notes and accounts payable-trade	157,156	1,862,462
Increase (decrease) in accounts payable-labor cost	-227,131	624,271
Increase (decrease) in accrued consumption taxes	-277,436	28,958
Increase (decrease) in accounts payable-other	472,388	129,240
Decrease (increase) in long-term prepaid expenses	-49,840	877
Increase (decrease) in provision for loss on construction contracts	-33,132	160,722
Foreign exchange losses (gains)	-3,803	-222,925
Loss (gain) on change in equity	-9,558	–
Other	-216,709	578,888
Subtotal	11,453,526	11,521,822
Interest and dividends income received	355,554	204,789
Interest expenses paid	-74,649	-77,097
Income taxes paid	-4,135,691	-2,119,206
Payment due to agency contract cancellation	-3,275	–
Net cash provided by (used in) operating activities	7,595,465	9,530,307
Net cash from investing activities		
Purchase of property, plant and equipment	-2,009,499	-1,154,038
Purchase of intangible assets	-1,597,998	-2,470,840
Purchase of investment securities	-180,000	-669,525
Proceeds from sales of investment securities	1,239,378	586,476
Purchase of investments in subsidiaries	-25,300	–
Proceeds from sales of shares of subsidiaries	95,800	–
Proceeds from sales of securities	2,000,000	800,000
Payments into time deposits	-482,308	-1,860,100
Proceeds from withdrawal of time deposits	336,622	454,423
Other	73,692	-23,933
Net cash provided by (used in) investing activities	-549,613	-4,337,536

(Thousand yen)

	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Net cash from financing activities		
Increase in short-term loans payable	2,530,000	4,100,000
Decrease in short-term loans payable	-1,890,000	-2,900,000
Proceeds from long-term loans payable	4,348,764	1,255,528
Repayment of long-term loans payable	-5,991,775	-1,415,440
Net increase (decrease) in commercial papers	-5,000,000	–
Purchase of treasury stock	-2,119	-1,496
Cash dividends paid	-872,182	-873,174
Proceeds from share issuance to non-controlling shareholders	–	288,217
Dividends paid to non-controlling interests	-334,616	-367,939
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	-8,866
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	918,002
Repayments of lease obligations	-351,359	-55,419
Proceeds from exercise of stock option	110,595	137,280
Other	37,998	–
Net cash provided by (used in) financing activities	-7,414,694	1,076,691
Effect of exchange rate change on cash and cash equivalents	-16,717	-167,014
Net increase (decrease) in cash and cash equivalents	-385,560	6,102,448
Cash and cash equivalents at beginning of period	16,135,626	15,688,258
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-61,807	–
Cash and cash equivalents at end of period	*1 15,688,258	*1 21,790,707

(5) Notes to consolidated financial statements

(Note on going concern assumptions)

Not applicable.

(Basis of presenting consolidated financial statements)

1. Scope of consolidation

(1) Number and name of consolidated subsidiaries

26 consolidated subsidiaries (25 consolidated subsidiaries in the previous fiscal year):

iDEA Consulting Inc.
VINX CORP.
OA Laboratory Co., Ltd.
Cyber Com Co., Ltd.
Cybernet Systems Co., Ltd.
CYBERNET HOLDINGS CANADA, INC.
WATERLOO MAPLE INC.
Tosho Computer Systems Co., Ltd.
FUJISOFT SERVICE BUREAU INCORPORATED
FUJISOFT Tissue Engineering Co., Ltd.
FUJISOFT CHINA Corp.
Other 15 companies

Of 15 other companies, one company has been established recently by Cybernet Systems Co., Ltd., a consolidated subsidiary of the Company, and is included in the scope of consolidation.

(2) Number and name of non-consolidated subsidiaries

Three non-consolidated subsidiaries (three non-consolidated subsidiaries in the previous fiscal year):

FUJISOFT KIKAKU, Ltd.
Other two companies

(3) The reason for exclusion from the scope of consolidation

The reason for exclusion from consolidation is that non-consolidated companies are small in size, and their total assets, sales, net income or loss (amounts corresponding to an equity held), and retained earnings (amounts corresponding to an equity held) for the fiscal year under review do not have any material effect on the consolidated financial statements.

2. Application of equity method

Five companies to which the equity method is applied (five companies in the previous fiscal year):

(1) Number and name of non-consolidated subsidiaries to which the equity method is applied

Three non-consolidated subsidiary to which the equity method is applied (one company in the previous fiscal year):

FUJISOFT KIKAKU, Ltd.
Other two companies

The other two companies are included in the scope of application of the equity method from this fiscal year due to an increase in their materiality.

(2) Of the equity method affiliates, for those having a settlement date different from the consolidated settlement date, their financial statements for their own fiscal year are used.

(3) Number and name of affiliates to which the equity method is applied

Two affiliates to which the equity method is applied (four companies in the previous fiscal year):

Ace Securities Co., Ltd.
Nihon Business Soft Incoporation

Two affiliates to which the equity method was applied in the previous fiscal year are excluded from the scope of application of the equity method because all of the investment equity of VINX CORP., a consolidated subsidiary of the Company, in them has been transferred.

(4) Non-consolidated subsidiaries and affiliated companies to which the equity method is not applied.
There are no major non-consolidated subsidiaries and affiliated companies to be specially noted.

(5) The reason for exclusion from the scope of application of equity method
Non-consolidated subsidiaries and affiliated companies to which the equity method is not applied were excluded from the scope of application of the equity method, because their impact on net income/loss (an amount commensurate with equity) and retained earnings (an amount commensurate with equity), etc., was negligible.

(6) For equity method affiliates whose settlement date is different from the consolidated settlement date, financial statements based on a provisional settlement of accounts as of the consolidated settlement date are used.

3. Fiscal year of consolidated subsidiaries
Of the consolidated subsidiaries, the fiscal year end of VINX CORP., Cyber Com Co., Ltd., FUJI SOFT SERVICE BUREAU INCORPORATED, and other two companies is March 31. The fiscal year end of the other 21 consolidated subsidiaries is December 31.
The financial statements of the companies whose settlement date is different from the consolidated settlement date used in the consolidated financial statements are based on their provisional settlements of accounts as of the consolidated settlement date.

4. Significant accounting policies
(1) Valuation of major assets
(i) Securities
a. Bonds held to maturity
Stated at amortized cost. (Straight-line method)
b. Available-for-sale securities
(For those with market value)
Stated at market value based on market prices, etc., as of the period-end. (Unrealized valuation gains or losses are reported in the shareholders’ equity, and sales costs are determined by the moving average method.)
(For those without market value)
Stated at cost as determined by the moving average method.
(ii) Derivatives
Stated at market value.
(iii) Inventories
Valuation standards are based on the cost method (the method of writing down the book value based on a fall in profitability).
a. Merchandise:
Stated at cost as determined with the moving average method.
b. Work in process:
Stated at cost on a specific identification method.
c. Raw materials:
Stated at cost as determined with the moving average method.
d. Supplies:
Stated at cost on a specific identification method.

(2) Depreciation of major depreciable assets
(i) Property, plant and equipment (except leased assets)
Property, plant and equipment are depreciated on the straight-line method.
The useful life of major assets is as follows:

Building and structures:	2 to 50 years
Machinery, equipment and vehicles:	2 to 17 years
Tools, furniture and fixtures:	2 to 20 years

(ii) Intangible assets (except leased assets)
a. Software for sale:
Stated at the larger amount of either an amortizable amount based on the estimated sales volume during the valid sales period (less than 3 years) or an amortizable amount based on a straight-line method over the remaining valid sales period.

b. Software for the Company’s own use:

Amortized on a straight-line method over an estimated useful life (5 years) in the Company.

c. Other:

Amortized on a straight-line method.

(iii) Leased assets

Lease assets associated with finance leases other than those for which the ownership rights of the leased property are deemed to transfer to the lessee are amortized using the straight line method, with the lease period being the useful life and the residual value being zero.

(iv) Investments and other assets (Long-term prepaid expenses)

Computed with a straight-line method.

(3) Standards for major allowances

(i) Allowance for doubtful accounts

To provide for possible bad debt losses on accounts receivable as at the end of the consolidated fiscal year, the Company records an allowance based on historical percentage for ordinary receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

(ii) Provision for bonuses

To provide for payments of bonuses to employees, an allowance is recorded in the amount recognized to have accrued at the end of the consolidated fiscal year based on estimated amounts of payment at the end of the fiscal year.

(iii) Provision for directors' bonuses

To provide for payments of bonuses to directors and corporate auditors, an allowance is recorded in the amount recognized to have accrued at the end of the consolidated fiscal year based on estimated amounts of payment at the end of the fiscal year.

(iv) Provision for loss on construction contracts

To provide for possible losses associated with made-to-order software development, the Company recorded estimated losses as at the end of the consolidated fiscal year under review from contracts for made-to-order software development, in which losses were expected and the amount of the losses could be estimated in an appropriate manner.

(v) Provision for directors' retirement benefits

The company that submits consolidated financial statements and some of its consolidated subsidiaries record amounts that they are required to pay upon the retirement of directors and corporate auditors at the end of the fiscal year, based on internal policies.

(4) Accounting for retirement benefits

(i) Method of recording expected retirement benefits in proper terms

In calculating the expected retirement benefits, the Company basically employs a standard for recording a fixed amount for each term up to the end of the consolidated fiscal year under review.

(ii) Accounting for a difference at the time of the change of accounting standards, actuarial difference and past service costs

A difference (595,000 thousand yen) at the time of the change of accounting standards is primarily expensed equally over 15 years.

An actuarial difference is primarily expensed equally from the fiscal year following its accrual over a certain period within the average remaining service period of employees at the time of the accrual each consolidated fiscal year.

Prior service costs are expensed for a certain period within the average remaining service period of employees at the time of the accrual using the straight-line method.

(5) Standards for recording important revenues and costs

Standards for recording revenues and costs relating to made-to-order software development

The Company applied the percentage-of-completion method (the construction-cost-percentage method for estimating the degree of completion of software development) for contracts whose outcome at the end of the consolidate fiscal year under review was deemed certain. The Company applied the completed contract method to contracts other than the above.

(6) Hedge accounting

(i) Hedge accounting

Deferral hedge accounting is, in principle, adopted. Appropriation accounting is applied to forward foreign exchange contracts and currency option transactions that meet the requirements for appropriation accounting, and special accounting is applied to the interest-rate swap transactions that meet the requirements for special accounting.

(ii) Hedging instruments and hedged items
Hedging instruments:
Interest-rate swaps, forward foreign exchange contracts and currency options
Hedged items:
Borrowings, and claims and liabilities denominated in foreign currencies

(iii) Hedging policy
Forward foreign exchange contracts and currency options transactions are entered to deter risks involved in transactions denominated in foreign currencies from the fluctuations in the foreign exchange market. Interest-rate swap transactions are entered to deter risks involved in borrowings from the fluctuations of interest rates. These transactions will never be entered for speculative purpose.

(iv) Assessment of hedge effectiveness
The Company assesses the effectiveness of hedging based on the extent of the fluctuations of hedged items and hedging instruments by comparing the fluctuations of the market of hedged items or the fluctuations of accumulative cash flows with the fluctuations in the market of hedging instruments or the fluctuations of accumulative cash flows.

(7) Amortization of goodwill
Goodwill is amortized evenly over a valid period (5 to 15 years) reasonably estimated, except minor goodwill which is expensed as incurred.

(8) Cash and cash equivalents in the consolidated cash flow statement
In preparing the consolidated cash flow statements, cash on hand, readily available deposits, and short-term liquid investments with maturities not exceeding three months at the time of purchase and with little risk of changing value are considered to be cash and cash equivalents.

(9) Other important matters for the preparation of consolidated financial statements
Consumption tax
Amounts reflected are stated exclusive of consumption tax.

(Changes in accounting principles)

(Application of the Revised Accounting Standard for Business Combinations, etc.)

Starting from the consolidated fiscal year under review, the Company is applying the Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan Statement No. 21 of September 13, 2013), the Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013), and the Revised Accounting Standard for Business Divestures (ASBJ Statement No. 7 of September 13, 2013). The Company has changed its accounting policies to post in capital surplus the difference arising from the changes in the Company’s ownership interest of subsidiaries that the Company continues to control and to record acquisition costs as expenses in the fiscal year in which the costs are incurred. For business combinations that take place after the beginning of the fiscal year under review, the Company has changed its accounting policies to reflect the review of the allocation of acquisition costs after confirming the accounting settlement from the provisional accounting on the consolidated financial statement for the fiscal year in which the business combination takes place. In addition, the Company has changed the titles of net income and other items and the title of minority interests to non-controlling interests. To reflect these changes, the consolidated financial statements for the previous fiscal year have been replaced.

With regard to the application of the Revised Accounting Standard for Business Combinations and other accounting standards, the Company follows the provisional treatments in Article 58-2 (4) of the Revised Accounting Standard for Business Combinations, Article 44-5 (4) of the Revised Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Revised Accounting Standard for Business Divestitures, and is applying these standards from the beginning of the fiscal year under review onwards.

In the consolidated cash flow statement for the fiscal year under review, cash flows related to the purchase or sale of shares of subsidiaries that do not result in change in scope of consolidation are included in cash flows from financing activities, and cash flows related to expenses associated with the purchase of shares of subsidiaries resulting in change in scope of consolidation and expenses caused by the purchase or sale of shares of subsidiaries that do not result in change in scope of consolidation are included in cash flows from operating activities.

As a result, income before income taxes in the fiscal year under review declined 457,830 thousand yen, and capital surplus at the end of the fiscal year under review rose 330,013 thousand yen.

The impact of the application of the accounting standards on per-share information is described in the per-share information section.

(Accounting standards etc. yet to be applied)

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26; March 28, 2016)

(1) Overview

The framework for the treatments for recoverability of deferred tax assets prescribed within the Auditing Guidance No. 66, Auditing Treatment for Judgment of Recoverability of Deferred Assets, which stipulates that companies shall be classified into five categories and the amount of deferred tax assets to be posted shall be estimated in accordance with the classification, is fundamentally adhered to, and the following treatments and requirements are revised as needed:

(i) Treatment of companies that do not meet the requirements for any of the five categories
(ii) The requirements for Category 2 and for Category 3
(iii) Treatment of unscheduled deductible temporary difference at companies falling under Category 2
(iv) Treatment of the period when the reasonable estimate of taxable income before addition and subtraction of deductible temporary difference at companies falling under Category 3 is possible
(v) Treatment of cases where companies meeting the requirements for Category 4 fall under Category 2 or Category 3

(2) Scheduled date of application

The Company expects to apply these accounting standards and guidance from the beginning of the fiscal year ending December 31, 2017.

(3) Effect of the application of the accounting standard etc.

The Company has been assessing the effect since it created these consolidated financial statements.

(Change in presentation)

(Consolidated cash flow statement)

Cancellation income for system services under non-operating income, which was stated separately for the previous fiscal year, is included in other from this fiscal year due to a decrease in materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been replaced.

As a result, cancellation income for system services of 12,219 thousand yen and other of 152,021 thousand yen under non-operating income in the consolidated income statement for the previous fiscal year have been replaced by other of 164,241 thousand yen.

Expenses for dealing with system failure, which was included in other under non-operating expenses for the previous fiscal year, is stated separately from this fiscal year because the item accounts for more than 10% of non-operating expenses. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been replaced.

As a result, other of 89,768 thousand yen under non-operating expenses in the consolidated income statement for the previous fiscal year has been replaced by expenses for dealing with system failure of 16,256 thousand yen and other of 73,511 thousand yen.

(Consolidated cash flow statement)

Foreign exchange losses (gains), which was included in other under net cash from operating activities for the previous fiscal year, is stated separately from this year due to an increase in materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been replaced.

As a result, other of -220,512 thousand yen under net cash provided by operating activities in the consolidated cash flow statement for the previous fiscal year has been replaced by foreign exchange losses (gains) of -3,803 thousand yen and other of -216,709 thousand yen.

Payments into time deposits and proceeds from withdrawal of time deposits, which were included in other under net cash from investing activities for the previous fiscal year, are stated separately from this year due to an increase in materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been replaced.

As a result, other of -71,993 thousand yen under net cash used in investing activities in the consolidated cash flow statement for the previous fiscal year has been replaced by payments into time deposits of -482,308 thousand yen, proceeds from withdrawal of time deposits of 336,622 thousand yen, and other of 73,692 thousand yen.

(Consolidated balance sheet)

*1 Shares of non-consolidated subsidiaries and affiliates (Thousand yen)

	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
Investment securities (stocks)	6,283,456	6,094,300

*2 In accordance with the Law Concerning Revaluation of Land (Law No. 34 enacted on March 31, 1998, and revised on March 31, 2001), the Company revaluated its business-use land on March 31, 2002. In accordance with the Law Partially Revising the Law Concerning Revaluation of Land (Law No. 24 enacted on March 31, 1999), the Company booked the amount equivalent to the tax on the revaluation difference in Net assets as “Land revaluation difference.”

Method of revaluation:
The Company computed by making reasonable adjustments to the obtained with the method decided and announced by the Commissioner of the National Tax Administration Agency for calculation of the land price as the basis of the taxable price for the land tax specified by Article 16 of the Land Tax Law (Law No. 69, 1991) defined by Article 2-4 of the Enforcement Order (Ordinance No. 119 issued on March 31, 1998) of the Law Concerning Revaluation of Land.
<Date of revaluation: March 31, 2002> (Thousand yen)

	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
Difference between the market price of the land at the end of the fiscal year when revaluation is made, and the book value after revaluation	-1,278,674	-772,179

*3 Notes matured on the year end date are settled on clearing date.
As the last day of the fiscal year under review was a non-business day of financial institutions, the following notes maturing on the year-end date are included in the year-end balance. (Thousand yen)

	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
Notes receivable	28,447	19,527

*4 Inventories relating to made-to-order software development that is likely to incur losses and provision for loss on construction contracts are separately presented, without being set off.
Of inventories relating to made-to-order software development that is likely to incur losses, the amount corresponding to the provision for loss on construction contracts is as follows: (Thousand yen)

	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
Work in process	49,968	161,576

(Consolidated income statement)

*1 Provision for loss on construction contracts that is included in cost of sales is as follows: (Thousand yen)

	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Provision for loss on construction contracts	-33,818	152,888

*2 Research and development expenses that are included in selling, general, and administrative expenses are as follows:
(Thousand yen)

	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Research and development expenses	725,685	866,644

*3 Impairment loss
FY2015 (from January 1, 2015 to December 31, 2015)
The details are omitted, because the amount of impairment loss is not significant.

FY2016 (from January 1, 2016 to December 31, 2016)
The FUJISOFT GROUP posted impairment losses of the following assets in the consolidated fiscal year under review.

Location	Intended purpose	Category	Impairment loss
Sumida-ku, Tokyo	Solution business	Goodwill	67,734 thousand yen
Chiyoda-ku, Tokyo	Business assets	Software	6,333 thousand yen

We group the assets mainly based on the division on management accounting in which revenue and expenditure are grasped.
With respect to the business assets in Sumida-ku, Tokyo above, the business environment for the department distribution system department deteriorated significantly. In this environment, we reduced the book value of the asset group to a recoverable amount and posted the reduction as an impairment loss under extraordinary losses.
We measure the recoverable amount of the asset group using its use value, discounting the future cash flow 3.7%.

(Consolidated statements of changes in net assets)

FY2015 (From January 1, 2015 to December 31, 2015)

1. Outstanding shares

Category	As of January 1, 2015	Increase	Decrease	As of December 31, 2015
Common stock (shares)	33,700,000	–	–	33,700,000

2. Treasury shares

Category	As of January 1, 2015	Increase	Decrease	As of December 31, 2015
Common stock (shares)	2,561,793	843	39,300	2,523,336

Note:
Main component of increase or decrease is as follows:
Increase from the purchase of odd-lot shares: 845 shares
Decrease from the exercise of stock options: 39,300 shares

3. Subscription rights to shares

Company name	Item	Category of shares to be issued upon exercise	Number of shares to be issued upon exercise				Balance at the end of the consolidated fiscal year under review (Thousand yen)
			As of January 1, 2015	Increase	Decrease	As of December 31, 2015	
The Company	Subscription rights to shares	–	–	–	–	–	37,285
Total		–	–	–	–	–	37,285

4. Dividends
(1) Dividend payments

Resolution	Category	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Dividend record date	Effective date
Board of directors meeting held on February 13, 2015	Common stock	435,946	14	December 31, 2014	March 23, 2015
Board of directors meeting held on August 6, 2015	Common stock	435,942	14	June 30, 2015	September 10, 2015

(2) Dividends with a record date in the fiscal year 2014 but an effective date in the following fiscal year

Resolution	Category	Funds for dividend	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Dividend record date	Effective date
Board of directors meeting held on February 10, 2016	Common stock	Retained earnings	436,484	14	December 31, 2015	March 22, 2016

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

1. Outstanding shares

Category	As of January 1, 2015	Increase	Decrease	As of December 31, 2015
Common stock (shares)	33,700,000	–	–	33,700,000

2. Treasury stock

Category	As of January 1, 2015	Increase	Decrease	As of December 31, 2015
Common stock (shares)	2,523,336	578	65,000	2,458,914

Note:

Main component of increase or decrease is as follows:

Increase from the purchase of odd-lot shares: 578 shares

Decrease from the exercise of stock options: 65,000 shares

3. Subscription rights to shares

Company name	Item	Category of shares to be issued upon exercise	Number of shares to be issued upon exercise				Balance at the end of the consolidated fiscal year under review (Thousand yen)
			As of January 1, 2016	Increase	Decrease	As of December 31, 2016	
The Company	Subscription rights to shares	–	–	–	–	–	17,850
Consolidated subsidiaries	Subscription rights to shares	–	–	–	–	–	12,826
Total		–	–	–	–	–	30,676

4. Dividends

(1) Dividend payments

Resolution	Category	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Dividend record date	Effective date
Board of directors meeting held on February 10, 2016	Common stock	436,484	14	December 31, 2015	March 22, 2016
Board of directors meeting held on August 9, 2016	Common stock	436,689	14	June 30, 2016	September 9, 2016

(2) Dividends with a record date in the fiscal year 2016 but an effective date in the following fiscal year

Resolution	Category	Funds for dividend	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Dividend record date	Effective date
Board of directors meeting held on February 14, 2017	Common stock	Retained earnings	468,628	15	December 31, 2016	March 21, 2017

(Consolidated cash flow statement)

*1 The relationship between the ending balance of cash and cash equivalents and the accounts and their amounts on the consolidated balance sheet is as follows:

(Thousand yen)

	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Cash and time deposits	12,784,328	19,134,369
Securities	3,800,041	4,500,000
Time deposits with maturity of more than 3 months	-96,069	-1,843,662
Securities other than MMF	-800,041	–
Cash and cash equivalents	15,688,258	21,790,707

(Rental properties)

The Company and certain of its consolidated subsidiaries own rental office buildings in Tokyo and other areas. Because certain rental office buildings in Japan are used by the Company and its consolidated subsidiaries, they are classified as real estate that includes properties used as rental properties.

The amount of real estate that includes properties used as rental properties presented in the consolidated balance sheets, changes during the fiscal year under review, and its fair value are as follows:

(Thousand yen)

			FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Real estate that includes properties that are used as rental properties	Amount presented in the consolidated balance sheets	Beginning balance	41,838,546	41,212,133
		Changes during the period	-626,413	-803,552
		Ending balance	41,212,133	40,408,580
	Market value at the year end		48,121,658	49,368,273

(Notes) 1. The amount presented in the consolidated balance sheets is the amount calculated by deducting accumulated depreciation and the accumulated impairment loss from the acquisition costs.

2. Changes in rental properties during the period are declines mainly attributable to the depreciation of Akihabara Building.

3. The fair value as of December 31, 2015 and December 31, 2016 was determined mainly based on the amount that reflects the value appraised by real-estate appraisers, and other amounts based on indicators that are considered to appropriately reflect the market value.

Earnings from real estate that includes properties that are used as rental properties are as follows:

(Thousand yen)

		FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Real estate that includes properties that are used as rental properties	Rent income	1,903,758	2,110,053
	Rent expenses	983,608	977,712
	Difference	920,150	1,132,340
	Others (Loss (gain) from sales)	–	–

(Note) 1. Because real estate that includes properties used as rental properties also includes the supply of services and properties used by certain consolidated subsidiaries, it is not included in the above rent income. Expenses associated with the above real estate (such as depreciation, repair expenses, and taxes and dues) are included in the rent expenses.

(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 contract software development of telecommunication control systems, machine control systems, and operating systems, contract software development of business applications used in different industries, quality evaluation and control support, consulting, development and sale of products, design, production, and sale of personal computer-related devices, and systems 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 of the reported business segments is generally the same as the details stated in the "Important basic matters for the preparation of consolidated financial statements."

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

FY2015 (From January 1, 2015 to December 31, 2015) (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	142,782,362	2,478,681	145,261,043	8,400,955	153,661,999	–	153,661,999
Inter-segment sales or transfers	129,191	670,760	799,951	1,006,228	1,806,179	-1,806,179	–
Total	142,911,553	3,149,442	146,060,995	9,407,183	155,468,179	-1,806,179	153,661,999
Segment profit	7,283,875	905,944	8,189,819	222,902	8,412,722	5,564	8,418,287
Segment assets	149,524,018	287,298	149,811,317	4,021,710	153,833,028	–	153,833,028
Other items							
Depreciation and amortization	4,582,177	25,654	4,607,831	252,071	4,859,902	–	4,859,902
Amortization of goodwill	481,159	–	481,159	–	481,159	–	481,159
Increase in property, plant and equipment and intangible assets	3,152,133	–	3,152,133	693,106	3,845,239	–	3,845,239

(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 5,564 thousand yen includes an elimination of inter-segment transactions of 5,564 thousand yen.
3. The segment profit has been adjusted to the operating income stated in the consolidated income statement.

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.

[Related information]

FY2015 (From April 1, 2015 to December 31, 2015)

1. Information about each product and service

The details have been omitted, because the FUJISOFT Group provides reports based on the management approach by product and service.

2. Information about each region

(1) Net sales

The details of net sales were omitted, because net sales that were classified as those for external customers in Japan exceeded 90% of net sales stated in the consolidated statements of income.

(2) Property, plant and equipment

The details of property, plant and equipment were omitted, because property, plant and equipment in Japan exceeded 90% of those stated in the consolidated balance sheets.

3. Information about each major customer

The details of major customers were omitted, because there were no customers who account for 10% of net sales for external customers stated in the consolidated statements of income.

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

1. Information about each product and service

The details have been omitted, because the FUJISOFT Group provides reports based on the management approach by product and service.

2. Information about each region

(1) Net sales

The details of net sales were omitted, because net sales that were classified as those for external customers in Japan exceeded 90% of net sales stated in the consolidated statements of income.

(2) Property, plant and equipment

The details of property, plant and equipment were omitted, because property, plant and equipment in Japan exceeded 90% of those stated in the consolidated balance sheets.

3. Information about each major customer

The details of major customers were omitted, because there were no customers who account for 10% of net sales for external customers stated in the consolidated statements of income.

[Information on the impairment loss of non-current assets by reported segment]

FY2015 (From January 1, 2015 to December 31, 2015) (Thousand yen)

	Reported segments			Others	Total	Adjustment	Amounts recorded in the consolidated financial statements
	SI business	Facility business	Total				
Impairment loss	16,350	–	16,350	–	16,350	–	16,350

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

	Reported segments			Others	Total	Adjustment	Amounts recorded in the consolidated financial statements
	SI business	Facility business	Total				
Impairment loss	74,067	–	74,067	–	74,067	–	74,067

[Information on the amortization of goodwill and the unamortized amount by reported segment]

FY2015 (From January 1, 2015 to December 31, 2015) (Thousand yen)

	Reported segments			Others	Total	Adjustment	Amounts recorded in the consolidated financial statements
	SI business	Facility business	Total				
Amortization during the fiscal year under review	481,159	–	481,159	–	481,159	–	481,159
Outstanding balance as at the end of the fiscal year under review	2,689,471	–	2,689,471	–	2,689,471	–	2,689,471

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

	Reported segments			Others	Total	Adjustment	Amounts recorded in the consolidated financial statements
	SI business	Facility business	Total				
Amortization during the fiscal year under review	395,070	–	395,070	–	395,070	–	395,070
Outstanding balance as at the end of the fiscal year under review	2,150,891	–	2,150,891	–	2,150,891	–	2,150,891

[Information on gains of negative goodwill by reported segment]

Not applicable.

(Per-share information)

(Yen)

	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Net assets per share	2,977.06	3,092.18
Net income per share	158.06	161.63
Fully diluted net income per share	157.97	161.57

(Note) 1. As described in the changes in accounting principles section, the Accounting Standard for Business Combinations, etc. are applied. As a result, net income per share and fully diluted net income per share in the fiscal year under review declined 10.58 yen and 10.57 yen, respectively. The impact on net assets per share is minor.

2. The calculation basis of net income per share and fully diluted net income per share are as follows:

Item	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
(1) Net income per share		
Profit attributable to owners of parent (thousand yen)	4,922,362	5,042,615
Amounts which do not belong to ordinary shareholders (thousand yen)	–	–
Profit attributable to owners of parent on common shares (thousand yen)	4,922,362	5,042,615
Average number of common shares during the fiscal year (thousand shares)	31,142	31,198
(2) Fully diluted net income per share		
Adjustment of profit attributable to owners of parent (thousand yen)	–	–
Increase in common shares (shares)	16,854	10,468
Outlines of potential shares not included in the computation of fully diluted net income per share because of the absence of diluting effect	–	–

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

Item	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
Total net assets (thousand yen)	104,078,892	109,001,940
Amount to be subtracted from total net assets (thousand yen)	11,264,204	12,398,803
Stock acquisition rights (thousand yen)	37,285	30,676
Non-controlling interests (thousand yen)	11,226,919	12,368,126
Net assets pertaining to common shares at the year end (thousand yen)	92,814,688	96,603,137
Number of common shares at the year end used in calculation of net assets per share (thousand shares)	31,176	31,241

(Post-balance sheet events)

Not applicable.

6. 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	116,480,772	107.7
Facility business	1,594,545	109.2
Other	7,949,422	100.7
Total	126,024,740	107.2

(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	157,113,088	108.6	34,976,669	114.0
Facility business	2,724,874	92.1	1,037,807	101.6
Other	8,443,093	96.8	1,440,291	85.6
Total	168,281,056	107.6	37,454,768	112.2

(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	152,824,983	107.0
Facility business	2,708,734	109.3
Other	8,684,788	103.4
Total	164,218,505	106.9

(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%.