Consolidated Summary Report of Operating Results for Fiscal 2014 (Year ended December 2014) [Japan GAAP]

February 6, 2015

Company name:	Future Architect, Inc.
Shares listed on:	First Section of Tokyo Stock Exchange
Security code number:	4722 Website: http://www.future.co.jp
Representative:	Yasufumi Kanemaru, Chairman and CEO
Contact:	Yoshihiko Nakajima, Executive Officer TEL: +81-3-5740-5724
Scheduled date of annual general shareholders' meeting:	March 25, 2015
Scheduled date for distribution of dividend payments:	March 26, 2015
Scheduled date for filing the securities report:	March 26, 2015
Creation of supplemental material on financial results:	Yes • No
Holding of financial results briefing:	Yes • No (For institutional investors and analysts)

(Amount rounded off to million yen)

1. Consolidated Results for Fiscal 2014 (January 1, 2014 to December 31, 2014)

(1) Consolidated operating results (Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2014	34,424	14.6	4,342	29.5	4,325	25.2	2,220	9.5
Fiscal 2013	30,049	28.7	3,352	73.3	3,454	67.9	2,027	73.7

(Note) Comprehensive income Fiscal 2014: 2,142 million yen (1.9%) Fiscal 2013: 2,101 million yen (82.5%)

	Net income per share	Net income per share (fully diluted)	Return on equity	Ratio of ordinary income to total assets	Operating income ratio
	Yen	Yen	%	%	%
Fiscal 2014	49.75	-	16.3	21.1	12.6
Fiscal 2013	45.39	-	16.5	20.3	11.2

(Reference) Equity in (earnings) losses of affiliates Fiscal 2014: (152) million yen Fiscal 2013: (58) million yen

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Net income per share was calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2014	21,702	14,475	65.8	319.80
Fiscal 2013	19,225	13,047	67.1	288.99

(Reference) Shareholders' equity Fiscal 2014: 14,270 million yen Fiscal 2013: 12,895 million yen

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Net assets per share were calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(3) Consolidated cash flow position

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at the end of the period
	Million yen	Million yen	Million yen	Million yen
Fiscal 2014	3,114	(676)	(749)	8,614
Fiscal 2013	3,427	(888)	139	6,892

2. Dividends

	Dividends per share (yen)					Annual dividends (Total)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter	Second quarter	Third Quarter	Year-end dividend	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal 2013	-	750.00	-	8.00	-	691	34.1	5.7
Fiscal 2014	-	8.00	-	11.00	19.00	847	38.2	6.2
Fiscal 2015 (Forecast)	-	9.50	-	9.00	19.00		30.6	

(Note) 1. Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common share. Year-end dividend for fiscal 2013 reflects the said stock split.

2. The year-end dividend of ¥11.00 for Fiscal 2014 comprises an ordinary dividend of ¥9.00 and a 25th anniversary commemorative dividend of ¥2.00.

3. Projected Consolidated Results for Fiscal 2015 (January 1, 2015 to December 31, 2015)

(Percentage figures reflect year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months (accumulated total)	17,200	5.1	1,990	6.1	2,005	6.5	1,160	12.5	26.00
Full year	35,250	2.4	4,800	10.5	4,830	11.7	2,770	24.8	62.08

* Notes

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries that involved changes in the scope of consolidation): Yes • No

New: _____ companies (company names) Exclusion: _____ companies (company names)

(2) Change in accounting policies or estimates and retrospective restatements

a. Change in accounting policies in accordance with revision of accounting standards : No

b. Change in accounting policies other than item 1) above : No

c. Change in accounting estimates : No

d. Retrospective restatements : No

(Note) For details, please refer to "Change in accounting policies" on page 28 of the Consolidated Summary Report of Operating Results (Attachment).

(3) Number of outstanding shares (common stock)

a. Total outstanding shares as of the end of the period (including treasury shares)	Fiscal 2014	47,664,000 shares	Fiscal 2012	47,664,000 shares
b. Total treasury shares as of the end of the period	Fiscal 2014	3,040,800 shares	Fiscal 2012	3,040,800 shares
c. Average number of outstanding stocks during the quarter under review	Fiscal 2014	44,623,200 shares	Fiscal 2012	44,674,713 shares

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. The above numbers relating to shares were calculated on the assumption that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

(Reference) Overview of non-consolidated results

1. Non-consolidated Results for Fiscal 2014 (January 1, 2014 to December 31, 2014)

(1) Non-consolidated operating results

(Percentage figures reflect year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2014	19,727	9.5	4,001	26.7	4,571	35.8	2,264	31.8
Fiscal 2013	18,014	28.5	3,157	57.0	3,367	58.1	1,718	65.8

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
Fiscal 2014	50.75	-
Fiscal 2013	38.46	-

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Net income per share was calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2014	18,387	13,682	74.4	306.63
Fiscal 2013	16,107	12,185	75.6	273.08

(Reference) Shareholders' equity Fiscal 2014: 13,682 million yen Fiscal 2013: 12,185 million yen

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Net assets per share were calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

* Indication of audit procedure implementation status
  This earnings report is exempt from audit procedures based upon the Financial Instruments and Exchange Act. At the time of this document’s release, audit procedures for the financial statements under the Financial Instruments and Exchange Act had not been completed.

* Points to note about the proper use of projections, and other noteworthy events
  The earnings forecast and statements concerning the future contained in these materials are based on information currently obtained by the Company and on certain premises the Company judges to be rational. The Company does not intend to guarantee their realization. Actual results may differ from forecasts due to various uncertain factors.

  The division of roles between the Company and Future Inspace, Inc. concerning maintenance and operation of systems of clients of the Company after their operations start will be reviewed and a change to the structure is planned under which Future Inspace will play the leading part in maintenance and operation of such systems after transfer of some employees of the Company to Future Inspace. However, the change is omitted in the non-consolidated earnings forecast since the scale and time of the change are not decided at this point.

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1. Analysis of Operating Results and Financial Condition

(1) Analysis of operating results

(Overview of fiscal year under review)

The Group's consolidated earnings results for fiscal 2014 are as follows:

Net sales	¥34,424 million (up 14.6 % year-on-year)
Operating income	¥4,342 million (up 29.5% year-on-year)
Ordinary income	¥4,325 million (up 25.2 % year-on-year)
Net income	¥2,220 million (up 9.5% year-on-year)

During the fiscal year ended December 2014, consolidated net sales, operating income, ordinary income and net income posted all-time highs mainly because the scale and number of projects expanded and profit margins of projects grew in the IT Consulting Business while eSPORTS Co., Ltd. ("eSPORTS"), whose consolidation contributed to earnings from the beginning of the fiscal year, overcame the impact of the increase in the consumption tax rate and performed favorably.

Earnings results of each business segment are as follows. The earnings results by business segment represent values before adjusting for internal sales or transfers among segments.

1. IT Consulting Business

   Net sales increased from the corresponding period of the previous fiscal year thanks to an increase in sales of projects, which reform and restructure existing large systems by analyzing such systems using scientific methods, and to increases in the number of clients and in contract value, mainly attributable to the acquisition of orders from financial institutions for cloud computing services for financial institutions (SKYBANK). Also, we automated the monitoring of progress in projects and quality checking of results by turning all activities and results of projects into databases. As a result of company-wide development of this scientific project management method, productivity improved and cost reduction advanced.

   With regard to business in Southeast Asia, both net sales and operating income of the subsidiary in Malaysia remained robust, and total income of the three subsidiaries in Southeast Asia improved.

   Consequently, net sales of this segment were ¥21,315 million for the first nine months, up 8.2% from a year earlier and operating income surged 31.2% year-on-year to ¥3,883 million.

2. Package & Service Business

   Future One, Inc. ("Future One") saw a year-on-year increase in both net sales and operating income mainly thanks to the start of operations of principal projects using its enterprise resource planning (ERP) products and an increase in the number of replacement projects. Future Inspace, Inc. ("Future Inspace," former Ascendia Inc.; part of its business was spun off and assumed by Future One in October 2014) performed favorably, primarily because orders for projects were received from local governments and the profit margins of projects improved.

   Consequently, net sales of this segment were ¥5,011 million for the first nine months, up 9.5% from a year earlier, and operating income was ¥469 million, up 25.8%.

3. New Media & Web Service Business

   eSPORTS saw both sales and profits remain stronger than initially expected due to addition of sales of fitness-related products, in addition to robust online sales of sports and outdoor gear throughout the year, which were realized by overcoming the impact of the increase in the consumption tax rate. Meanwhile, Tokyo Calendar Inc. ("Tokyo Calendar") saw its deficit increase temporarily from the previous fiscal year because of renewal of "Tokyo Calendar," a monthly magazine, and preparations for new online services, including a service for reserving tables at restaurants that was released in January 2015.

   As a result, net sales of this segment were ¥4,258 million, up 115.3% from a year ago, and operating loss after reflecting the amortization of goodwill of eSPORTS was ¥13 million, against the loss of ¥51 million a year earlier.

4. Corporate Revitalization Business

Uoei Corporation ("Uoei"), which operates a grocery supermarket, saw its sales decline slightly from a year earlier mainly because it could not cover the impact of the increase in the consumption tax rate, though it renovated stores to effectively use store space and carried out sales promotion measures, including a change in the point system. Its operating income decreased due to a rise in personnel expenses, a hike in power rates and a temporary increase in expenses following the change in the point system.

Consequently, net sales of this segment were ¥4,472 million, down 1.9% from a year earlier, and operating loss was ¥35 million, against the income of ¥46 million a year ago.

(Outlook for the next fiscal year)

The Group's earnings forecast for the fiscal year ending December 2015 is as follows:

Net sales	¥35,250 million (up 2.4% year-on-year)
Operating income	¥4,800 million (up 10.5% year-on-year)
Ordinary income	¥4,830 million (up 11.7% year-on-year)
Net income	¥2,770 million (up 24.8% year-on-year)

Noteworthy events in each business segment for the following fiscal year are as follows:

1. IT Consulting Business

   For companies that strategically carry out corporate integration and reorganization and aim to improve their corporate value, promoting integration and innovation of conventional IT systems that have been made into black boxes will not only prevent IT costs from increasing but also realize quick decision-making through consolidation of management information within their respective groups. To that end, the Group has innovated and reconstructed existing large-scale systems after analyzing them with the use of a scientific method (fact-based approach) as well as provided IT platforms that process sales and profit/loss information for each product in real time based on components made in-house. Since our track records in this area have been highly valued, the number of inquiries about new projects is increasing.

   Going forward, we will make efforts to continuously receive orders by certainly executing projects for which orders have been won and by continuing to contribute to management and IT of clients through deepening of our relations with clients even after operations of their systems start. We will also strive to expand new client bases by making the most of technologies and know-how on promoting large projects we have accumulated so far.

   In addition, we will endeavor to improve project quality, carry out strategic research and development activities and provide state-of-the-art technologies through the establishment of a new department that gathers experts of respective technologies ranging from grand design to software development and IT infrastructure.

   With regard to subsidiaries in Southeast Asia, the subsidiary in Malaysia is performing favorably. We will push forward with reviewing management strategies of each subsidiary and carrying out operational reforms at each subsidiary in accordance with the rapidly changing economy in Southeast Asia and circumstances of each country.

2. Package & Service Business

   Future One will aim to increase sales and profits by strengthening the product capability of its software packages and adding packages of other companies and solutions related to e-commerce to its service menu. Future One will also enhance both the scale and number of projects by making the most of the reinforcement of its development system and regional bases, which was realized by assuming part of the business of Ascendia (currently Future Inspace) through a company split.

   Future Inspace will proceed with a review of division of roles with the Company concerning maintenance and operation services in 2015, and push forward with a change to a structure under which, after transfer of some employees of the Company to it, it will play a leading part in maintenance and operation of systems of clients of the Company after their operations start.

3. New Media & Web Service Business

   eSPORTS will target growth as a web service company that can provide values to users with "health" as the keyword, without merely selling goods, while expanding business by further enhancing strategic line-ups of sports, outdoor and fitness gear and focusing on the improvement of user services.

   Tokyo Calendar released a new service in 2015 that enables users to reserve tables at restaurants using websites or smartphone applications. It will strive to develop business fully linking online and brick-and-mortar establishments through synergies with "Tokyo Calendar," a magazine.

4. Corporation Revitalization Business

   Uoei will endeavor to increase the number of customers by further pushing forward with effective use of store space and provision of attractive products through direct purchase of farm products from producing districts and development of original products. At the same time, it will strive to increase sales and profit margin by continuously improving purchases of products and planning of sales spaces through effective use of data on sales and gross profits for each store or each product.

(2) Analysis of financial condition

1. Assets, liabilities and net assets

The following are the status of assets, liabilities and net assets as of the end of fiscal year under review.

Assets ¥21,702 million (up 12.9% year-on-year)

Liabilities ¥7,226 million (up 17.0% year-on-year)

Net assets ¥14,475 million (up 10.9% year-on-year)

The following is the analysis of financial condition for the fiscal year under review.

(1) Assets

Current assets were ¥16,662 million on a consolidated basis at the end of the fiscal year under review, up ¥2,684 million from the preceding year, and non-current assets amounted to ¥5,040 million, down ¥206 million, with total assets standing at ¥21,702 million, up ¥2,477 million. The main underlying factors were an increase in cash and deposits (an increase of ¥1,660 million from the end of the previous consolidated fiscal year) and notes and accounts receivable-trade (an increase of ¥675 million) as earnings remained robust.

For a breakdown of the increase in cash and deposits, see “2. Analysis of cash flows.”

(2) Liabilities

Current liabilities were ¥5,800 million at the end of the fiscal year under review, up ¥990 million from the preceding year, and noncurrent liabilities were ¥1,426 million, up ¥58 million, which brought total liabilities to ¥7,226 million, up ¥1,049 million. The main factors included a rise in accounts payable-other (an increase of ¥275 million from the end of the previous consolidated fiscal year) and income tax payable (an increase of ¥337 million).

(3) Net assets

Net assets were ¥14,475 million at the end of the fiscal year under review, up ¥1,428 million from the preceding year. The main factors included an increase of retained earnings (an increase of ¥1,506 million from the end of previous consolidated fiscal year).

2. Analysis of cash flows

The following is the analysis of the Group’s consolidated cash flows for the fiscal year under review.

(1) Net cash provided by (used in) operating activities

Net cash from operating activities was an inflow of ¥3,114 million (compared to an inflow of ¥3,427 million in the previous fiscal year), mainly due to an increase in notes and accounts receivable-trade of ¥606 million and an income taxes payment of ¥1,777 million despite the posting of income before income taxes of ¥4,260 million.

(2) Net cash provided by (used in) investing activities

Net cash from investing activities was an outflow of ¥676 million (compared to an outflow of ¥888 million in the previous fiscal year), chiefly due to purchases of property, plant and equipment of ¥165 million, a purchase of investments in subsidiaries resulting in a change in the scope of consolidation of ¥317 million and payments for lease and guarantee deposits of ¥113 million.

(3) Net cash provided by (used in) financing activities

Net cash from financing activities was an outflow of ¥749 million (compared to an inflow of ¥139 million in the previous fiscal year), mainly reflecting payments for a cash dividend of ¥714 million.

(4) Cash and cash equivalents at end of the period

Cash and cash equivalents outstanding at the end of the fiscal year under review were ¥8,614 million, with an increase of ¥1,721 million in cash and cash equivalents resulting from operating, investing and financing activities.

(3) Dividend policy and dividends for the current and next year

The Company seeks to maximize medium-term total returns (capital and income gains) to our shareholders. In order to achieve this goal, we will pay a dividend of surplus, targeting a dividend payout ratio on a non-consolidated basis of 30% or more of earnings, by comprehensively taking into consideration a proper balance between dividend payout and the status of period profit and loss and cash flows for the term, as well as purchases of treasury shares, after ensuring internal reserves needed for important investments, aimed at enhancing R&D activities to ensure medium-term technological superiority; attracting and training personnel; implementing measures for strengthening project management; and enhancing M&A activities and alliances.

Dividends of surplus at the end of the fiscal year under review (December 31, 2014) at the record date is planned at ¥11.00 per share, comprising a 25th anniversary commemorative dividend of ¥2.00 added to a dividend of ¥9.00 per share. A full-year dividend will be of ¥19 per share when combined with the interim dividend (with the record date of June 30, 2014), which was paid in September 2014. As a result, the dividend payout ratio on a consolidated basis is 38.2% and that on a non-consolidated basis is 37.4%.

The Company’s planned ordinary dividend payment for the next fiscal year is ¥19.00 per share in accordance with the above policy.

2. The Future Group

The Group (the parent and related companies) consists of 18 consolidated subsidiaries and 5 equity-method affiliates, and operates four main businesses, the IT Consulting Business, the Package & Service Business, the New Media & Web Service Business, and the Corporate Revitalization Business. Business activities, involved major companies and relationships with business segment are as follows. The classification is the same as segmentation.

(IT Consulting Business)

In this business, the Group helps clients solve problems, by sharing management issues with them from a managerial perspective, understanding the essence of the clients' businesses and establishing information systems for them using advanced IT.

Company name	Business activities
Future Architect, Inc. (Parent company)	Using its advanced information technology, Future Architect, Inc. offers IT consulting, hardware and other procurement services from an objective and independent position. The Company also functions as corporate headquarters for the Group.
North Consulting Group Pte. Ltd. (subsidiary)	Introduction of ERP and provision of consulting services in Southeast Asia, including Singapore
Brightree Solutions Sdn Bhd. (subsidiary)	Introduction, customization, and operation and maintenance of ERP in Malaysia
North Consulting Group (Thailand) Co. LTD. (subsidiary)	Introduction, customization, and operation and maintenance of ERP in Thailand
Life Sciences Computing Corporation (subsidiary)	Provision of "OpenDolphin Cloud" electronic medical chart, and development and sales of medical image systems

(Package & Service Business)

In this business, to help clients improve their operational efficiency, the Group introduces or provides, via cloud and ASP, operating software packages dedicated to highly specialized fields, such as sales management, ERP and intellectual property management, as well as other IT services, including consigned development, maintenance and operation services and education.

Company name	Business activities
FutureOne, Inc. (subsidiary)	Development and sales of and support for "FUTUREONE" mission-critical software centering on sales management, production management and accounting, as well as consigned development and building of EC sites
Future Inspace, Inc. (subsidiary)	Consigned development, maintenance and operation services and IT-field education services
Micro CAD Co., Ltd. (subsidiary) (new)	Consigned development of design management systems for manufacturers and development, sales and maintenance of and support for patent-related software packages
Logizard Co., Ltd. (affiliate)	Development and sales of and support for cloud-based logistics and inventories management system (WMS)

(New Media & Web Service Business)

To create original services that have not existed so far in the Media and Web service area.

Company name	Business activities
eSPORTS Co., Ltd. (subsidiary)	Sales of sports, outdoor and fitness gear on the Internet
Tokyo Calendar Inc. (subsidiary)	Publication of the magazine "Tokyo Calendar," provision of information using websites and smartphone applications, and services including reservations for tables at restaurants

(Corporate Revitalization Business)

To get deeply involved in the management team of client firms, revitalize client firms through drastic reform focusing on IT, and establish success models for each industry.

Major affiliated company

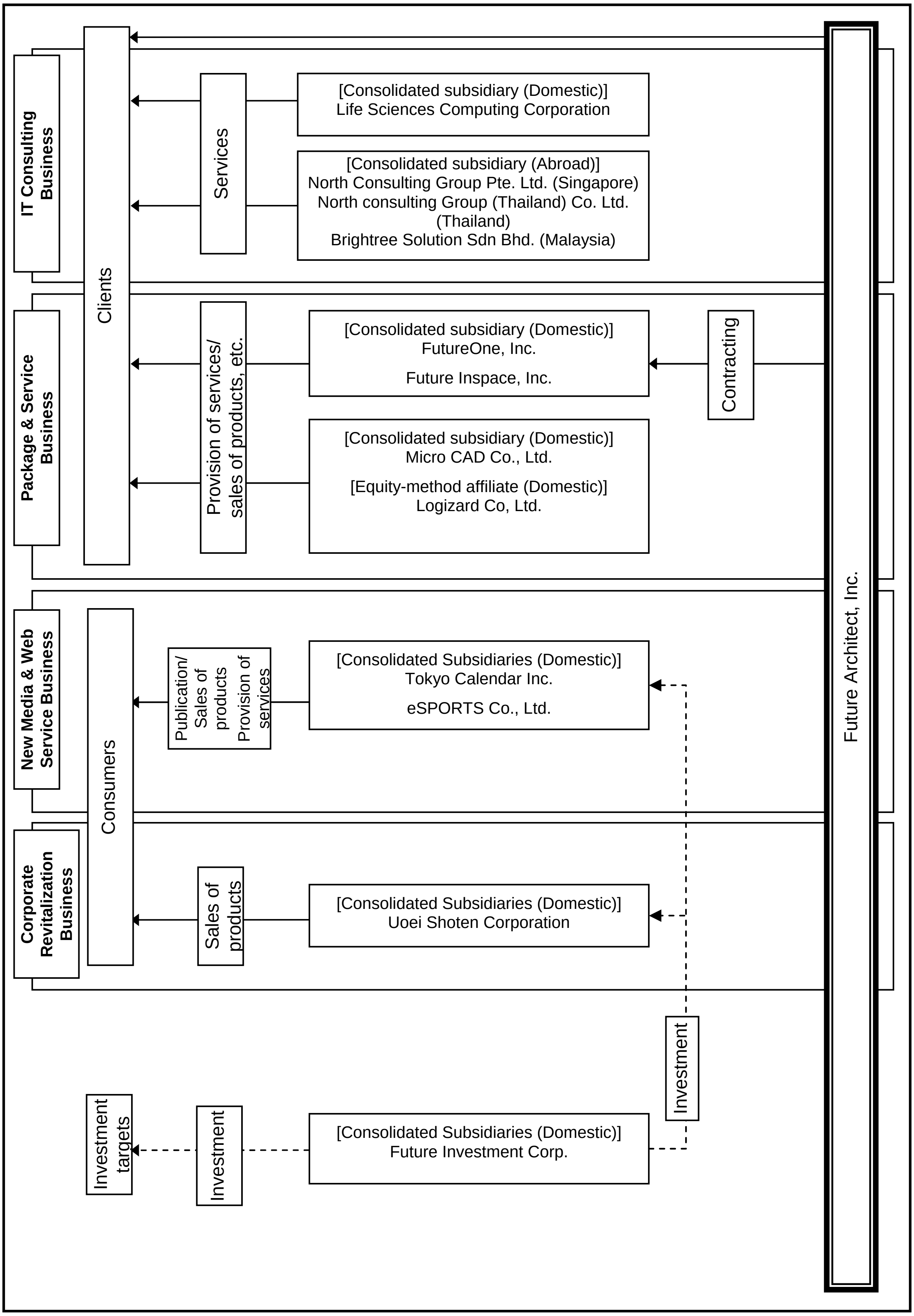
Uoei Shoten Corporation

Among affiliated companies engaged in businesses that are not included in the four businesses mentioned above, such as investing in, as well as holding and managing securities, the main companies are as follows:

Major affiliated company

Future Investment Corp.

<Business System Diagram>



Affiliated companies

(1) Consolidated subsidiaries

Name	Location	Capital stock	Main business activities	Voting right ratio (%)	Relationship			
					Interlocking directors		Monetary assistance	Business transactions
					Number of company directors	Number of company employees		
North Consulting Group Pte. Ltd.	SINGAPORE, SINGAPORE	US$ 1,250 thousand	IT Consulting Business	100.0 (100.0)	2	-	None	None
Brightree Solutions Sdn Bhd.	PETALING JAYA, MALAYSIA	1,936 thousand ringgit	IT Consulting Business	51.0 (51.0)	-	-	None	None
North Consulting Group (Thailand) CO., LTD.	BANGKOK, THAILAND	10,000 thousand baht	IT Consulting Business	99.0 (99.0) [1.0]	-	-	None	None
Life Sciences Computing Corporation	Toshima-ku, Tokyo	¥ 134,000 thousand	IT Consulting Business	51.9	1	3	None	None
FutureOne, Inc.	Shinagawa-ku, Tokyo	¥ 200,000 thousand	Package & Service Business	100.0	1	1	None	Receipt of services for development
Future Inspace, Inc.	Shinagawa-ku, Tokyo	¥ 83,700 thousand	Package & Service Business	100.0	1	2	None	Receipt of services for development
Micro CAD Co., Ltd.	Chuo-ku, Tokyo	¥ 30,000 thousand	Package & Service Business	100.0	-	3	None	None
Tokyo Calendar Inc.	Shinagawa-ku, Tokyo	¥ 50,000 thousand	New Media & Web Service Business	100.0 (100.0)	1	2	Fund lending	None
eSPORTS Co., Ltd.	Gifu, Gifu Prefecture	¥ 100,000 thousand	New Media & Web Service Business	100.0 (100.0)	1	2	None	None
Uoei Shoten Corporation	Minami-ku, Niigata	¥ 198,000 thousand	Corporate Revitalization Business	100.0 (100.0)	-	3	None	None
Future Investment Corp.	Shinagawa-ku, Tokyo	¥ 10,000 thousand	Other	100.0	2	2	Fund lending	None
RI Partners Limited Liability Association	Shinagawa-ku, Tokyo	¥ 1,398,000 thousand	Other	100.0 (100.0)	-	-	None	None
Other: One domestic company and five overseas companies								

(Notes)
1. The name of the business segment is stated in “Main business activities.”
2. FutureOne, Inc., Uoei Shoten Corporation and RI Partners Limited Liability Association are specified subsidiaries.
3. The above subsidiaries file neither securities registration statements nor securities reports.
4. Figures in square brackets in “Voting right ratio” represent the ratio of voting rights held by those who are closely related to the company or have agreed with the company on holdings, not included in the above numbers.
5. Figures in round brackets in “Voting right ratio” represent an indirectly owned ratio and are included in the figures above numbers.
6. Future Investment Corp. is a managing partner of RI Partners Limited Liability Association.
7. Only transactions directly conducted with the Company are stated in “Monetary assistance” and “Business transactions.”

(2) Affiliated companies to which equity method is applicable

Name	Location	Capital stock	Main business activities	Voting right ratio (%)	Relationship			
					Interlocking directors		Monetary assistance	Business transactions
					Number of company directors	Number of company employees		
Logizard Co., Ltd.	Chuo-ku, Tokyo	¥ 56,824 thousand	Package & Service Business	34.0	-	-	None	None
Crossflo Systems, Inc.	CALIFORNIA, U.S.A.	US$ 1,540 thousand	Other	32.9	-	-	None	None
dit Co., Ltd.	Koto-ku, Tokyo	¥ 428,745 thousand	Other	48.6	-	2	None	Receipt of services for security consulting
Other: One domestic company								

(Notes) 1. The name of the business segment is stated in “Main business activities.”

2. Figures in round brackets in “Voting right ratio” represent an indirectly owned ratio and are included in the figures above numbers.

3. Management Policy

(1) Basic corporate tenets

The mission of the Company is to raise future value of client companies and society by providing the proper state in which business should be and an optimal mechanism to realize it by proactively taking in cutting-edge IT technologies, with a view to promising the greatest success to clients. We understand that endless pursuit of optimum and taking up the challenge of achieving optimum to realize our mission is the service we provide and the starting point of ourselves. In addition, we are striving to make all employees share and understand the basic tenets of the Company by establishing the following corporate philosophies.

(Corporate philosophies)

■ We love science and technology and contribute to corporate and social changes. Also, we continue to change ourselves.

■ We will not be fearful of or daunted by “being insufficient,” and try to change impossibility to possibility using our own ingenuity and enthusiasm.

■ We continue to have a desire to improve ourselves and attach importance to the enhancement of individual capability through constant hart study as well as understand the limit of power of individuals and resolve even greater challenges by organically combining power of colleagues.

■ We conduct warmhearted and humorous organization operation, which features courtesy and behavior according to time, place and opportunity though it is based on merits and results.

■ We will not be arrogant when we have a pleasant time, and we will never forget hope when we have a bad time.

■ We learn from history, strive to deepen mutual understanding and engage in international exchanges and cooperation.

Basic policies of each business segment are as follows:

1) IT Consulting Business

The Company believes that business reform can be realized only when we focus on three domains of management, business, and systems and use cutting-edge IT, not merely aiming at the realization of functions by IT. To that end, the Group has maintained a neutral position, independent of any hardware vendors or software vendors, and has been pursuing optimization by specializing in open systems while proceeding with the establishment of a methodology which enables it to provide high-quality and high-speed services that draw out maximum performance, and various kinds of standardization, without being swayed by preconceived ideas or restrictions of products.

We are also striving to increase future value for customers by providing integrated services, which cover the consulting phase, design of systems, development of application software, selection and procurement of hardware and software products, introduction of systems and maintenance and operation phases, thereby giving a concrete form to the results of consulting as systems rather than merely presenting such as a concept, and offering them for actual use by clients to enable them to view the results as the fruit of our business.

2) Package & Service Business

We fully meet the needs of small and midsize companies, which are our major clients in the Package & Service Business, by providing IT systems that support client businesses at a lower cost and with a shorter installation period according to the needs of small and midsize companies by making the most of successful cases, know-how and IT assets the Company has accumulated through the provision of services to large client companies, as well as through customizing these software packages according to the client’s business type and market. We are also offering cutting-edge functions, such as a visualization of internal control and work, as standards.

We will also provide consigned development, maintenance and operation services for systems of clients and development, operation services and education services concerning IT for systems of corporations and local governments, by leveraging our possession of regional bases.

3) New Media & Web Service

In the Media and Web service area, we will aim to create original services that have yet to exist. To this end, we will combine the know-how regarding design and operations of websites that is held by Web service companies, including EC-related companies, and the content development capabilities owned by publishing and media companies with the IT knowledge and know-how cultivated by the Company. Also, we will offer values that have not existed so far by feeding back new knowledge, which we acquire through the provision of these original services, to client companies in the IT Consulting Business.

4) Corporate Revitalization Business

The Group will strive to revitalize subject companies by fully using strategic and technological experience in the distribution industry it has accumulated so far, with use of IT as the core, and sublimate the results obtained through operation of the business into IT systems that can be used generally in the same business category, so that they can be applied to other businesses.

(2) Goals and objectives

To differentiate ourselves from our competitors and maintain growth, the Group concentrates management resources on the fields in which it makes strategic investments, such as research and development, training, and recruiting. At the same time, however, we have set an Operating income ratio of 20% or more a year as our goal for the mainstay IT Consulting Business. We will also aim to achieve an Operating income ratio of at least 10% for the Package & Service Business and the New Media & Web Service Business, and 5% or more for the Corporate Revitalization Business.

(3) Medium to long-term management strategies

We will put designing management and IT in the center of our medium to long-term management strategies, as a leading company of IT consulting.

We will develop our accumulated know-how expertise on managerial reform, IT technological capabilities, etc., in the IT Consulting Business, and organically combine it with the Package & Service Business and the Corporate Revitalization Business, aiming to provide solutions that deliver greater customer satisfaction within the two businesses. Also, we will focus on reduction development cost through the visualization of projects, standardizing development processes and establishment of new design development methods and on significant improvement of system quality. The specific strategies for this are as follows:

1) Further growth of core business (IT Consulting Business)

In a harsh management environment, it is expected that companies in Japan will further enhance their investment requirements, leading to IT cost reduction, as well as IT system renovation and integration related to work restructurings and industrial reorganization. Against this backdrop, the Group will support operational reform of clients at higher quality and higher speed than ever before by innovating and reconstructing large-scale systems after analyzing existing systems, which have been made into black boxes and whose current status is difficult to grasp, with the use of a scientific method (fact-based approach) as well as providing IT platforms that make full use of real-time distributed processing technology.

In addition, new needs of clients, such as turning IT costs into variable expenses through the use of cloud services, have become obvious. To meet such needs, the Group will drive ahead with the provision of services developed by extensively turning information systems for financial institutions into those based on cloud computing (SKYBANK) and cloud services by business category, including distribution and logistics. Furthermore, the Group will meet a wide range of customer needs by further enhancing services to introduce ERP products of SAP AG and Oracle Corporation to major corporations, particularly those expanding operations overseas, in addition to existing component-type development.

2) Expansion of business for small and mid-size companies (Package & Service Business)

Among small and midsize companies whose human and physical resources are limited, needs are great for realizing improvement of business efficiency and managerial reform through the use of package solutions and cloud computing that can be introduced at relatively low cost and in short time. The Group integrated the development capability of Ascendia (currently Future Inspace) into Future One through a company split as of October 1, 2014 and established a structure under which we can further enhance the functions of our own ERP products and push forward with customization for satisfying the detailed needs of clients. By making the most of the effects of this integration of the two companies, we will aim to further increase sales and improve operating margin, taking into consideration the introduction of ERP products of other companies to our clients. Future Inspace will support the growth of clients by not only reinforcing system development and maintenance and operation services through the strengthening of its cooperation with the Company but also operating corporate IT systems, which are becoming more and more advanced and complicated, in strong cooperation with the information system divisions of clients.

3) Acceleration of global development (IT Consulting Business)

The Group considers the Asian region, where the information infrastructure is immature while economy has been growing significantly in recent years, to be a large latent market for the Group. To proactively push forward with global development, including in Asia, the Group will promote the establishment of a structure that can cover the development of the IT Consulting Business in the Southeast Asian region and mainland China, including Hong Kong, by enhancing cooperation among companies in these regions. The Group will further enhance not only IT consulting for local companies, but also IT support for Japanese companies expanding operations in Asia.

4) Provision of original services in the Media & Web Service area (New Media & Web Service Business)

With the popularization of smartphones and tablet terminals, new Web services have been initiated one after another, in addition to the acquisition of information and shopping via the Internet. In the Media and Web service area, the Group will push forward with the provision of original services by combining companies engaged in Media and Web services that were acquired by the Company through M&As or were newly established, with knowledge and technologies regarding IT that the Company has cultivated in the IT Consulting Business.

(4) Issues the Company faces

1) Stepping up our large scale project management capabilities and establishing a support infrastructure [IT Consulting Business]

The Group is strengthening its project management capabilities, which it positions as an important management issue. During the fiscal year under review, we proceeded with the improvement of the support system for scientific project management by enhancing our proprietary tools equipped with functions to automatically create and check source codes and documents. Going forward, we will enhance our preventive support infrastructure more than ever to respond to any issue that arises in projects by expanding the design and development techniques common to projects to all projects and by promoting more efficient and scientific project management.

2) Improving project quality [IT Consulting Business]

The Company has striven to enhance project quality by visualizing the status of projects in real time using a project information-sharing system and a project monitoring system and implementing project review at each phase by engineers experienced in quality control. From now on, we will endeavor to further improve project quality by not only improving the proprietary project information-sharing system and monitoring system mentioned above but also reinforcing the project review structure.

3) Recruitment and training of professionals [IT Consulting Business, Package & Service Business]

The Group understands that what is most important for raising corporate value of the Group is personnel and that it is necessary to ensure and train highly qualified personnel. We continue to create an environment conducive to proactively attracting talented people by challenging the frontiers of information technology and training consultants who can grasp the essence of matters and find a direction for solutions in the training and project fields as well as through research and development activities. In addition, we will train personnel through experience in corporate management and mutual exchanges by providing new opportunities for active roles in the creation of new original services in the New Media & Web Service Business.

4) Enhancement of outside alliances [IT Consulting Business]

To consistently provide optimal solutions to clients, the Company will maintain good relations with corporations that have outstanding technologies and strive to enhance alliances, including M&As, with them, while grasping the technological trends in the global IT industry.

5) Overseas development [IT Consulting Business and Package & Service Business]

The Group has already started to expand operations overseas, while fortifying bases in Southeast Asian countries. In particular, the subsidiary in Malaysia is poised to get on a growth track, with both its sales and profits increasing. Going forward, in order to cope with the rapidly changing Asian markets, the Group will endeavor to expand business with remarkably growing Asian clients through review of management strategies for each country and constant promotion of business reform as well as to expand its local IT support business for Japanese companies in the distribution and logistics fields which are operating in Southeast Asia and China.

On the other hand, we are enhancing our cooperation, as a development partner, with offshore companies that have excellent technologies in mainland China and other regions.

6) Improving profit margin and expanding market share [Package & Service Business]

As for the Package & Service Business, the profit margin improved significantly due to management reforms and the strengthening of service quality. From now on, to further raise profit margins and increase market shares, the Group will not only improve the detailed functions of its proprietary packages for small and midsize companies but also expand solution partners, with a view to effectively using the products and solutions of other companies. We will also promote the establishment of a structure that can support small and midsize companies not only in the Tokyo Metropolitan and Kansai areas, but also in other major cities nationwide.

7) Sales, purchase, and inventory information management by using IT [Corporate Revitalization Business]

The Group will continue to carry out reforms using IT, covering all stages from client marketing to purchase and sales of products and management of inventories, aimed at minimizing costs for disposal and retained inventories as well as improving the satisfaction and convenience of customers by boosting product lineups that meet customer’s needs.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(in thousands of yen)

		Previous consolidated fiscal year (December 31, 2013)		Consolidated fiscal year under review (December 31, 2014)
Assets				
Current assets				
Cash and deposits		6,892,910		8,552,995
Notes and accounts receivable - trade		4,330,728		5,006,460
Securities		1,865		103,746
Merchandise and finished goods		462,055		589,260
Work in process		107,765		208,181
Deferred tax assets		217,576		272,660
Accounts receivable - other	*3	1,541,943	*3	1,394,410
Other		434,919		539,911
Allowance for doubtful accounts		(11,388)		(4,990)
Total current assets		13,978,375		16,662,635
Non-current assets				
Property, plant and equipment				
Buildings and structures		3,228,480		3,317,003
Accumulated depreciation	*2	(2,782,062)	*2	(2,837,256)
Buildings and structures, net		446,418		479,747
Land		109,474		109,474
Other		1,956,834		2,063,596
Accumulated depreciation	*2	(1,555,282)	*2	(1,702,187)
Other, net		401,551		361,408
Total property, plant and equipment		957,444		950,630
Intangible assets				
Software		703,544		538,416
Goodwill		823,705		897,211
Other		21,480		20,687
Total intangible assets		1,548,729		1,456,315
Investments and other assets				
Investment securities	*1	1,757,591	*1	1,494,041
Lease and guarantee deposits		951,363		1,022,797
Deferred tax assets		25,518		106,489
Other		55,626		59,021
Allowance for doubtful accounts		(49,582)		(49,286)
Total investments and other assets		2,740,517		2,633,063
Total non-current assets		5,246,691		5,040,009
Total assets		19,225,067		21,702,644

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2013)	Consolidated fiscal year under review (December 31, 2014)
Liabilities		
Current liabilities		
Accounts payable - trade	1,660,351	1,404,017
Short-term loans payable	35,000	-
Accounts payable - other	774,748	1,049,765
Income taxes payable	1,024,280	1,361,648
Provision for bonuses	167,483	214,506
Provision for quality assurance	12,109	195,452
Provision for loss on projects	173,600	78,500
Provision for point card certificates	2,439	13,474
Other	959,622	1,483,164
Total current liabilities	4,809,634	5,800,529
Non-current liabilities		
Long-term loans payable	1,000,000	1,000,000
Asset retirement obligations	357,691	405,181
Other	10,239	21,192
Total non-current liabilities	1,367,931	1,426,373
Total liabilities	6,177,566	7,226,902
Net assets		
Shareholders' equity		
Capital stock	1,421,815	1,421,815
Capital surplus	2,495,772	2,495,772
Retained earnings	10,506,520	12,012,633
Treasury shares	(1,540,983)	(1,540,983)
Total shareholders' equity	12,883,124	14,389,237
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	87,158	34,168
Foreign currency translation adjustment	(74,683)	(153,008)
Total accumulated other comprehensive income	12,475	(118,839)
Minority interests	151,900	205,344
Total net assets	13,047,500	14,475,742
Total liabilities and net assets	19,225,067	21,702,644

(2) Consolidated statements of income and comprehensive income

(in thousands of yen)

		Previous consolidated fiscal year (from January 1, 2013 to December 31, 2013)		Consolidated fiscal year under review (from January 1, 2014 to December 31, 2014)
Net sales		30,049,790		34,424,465
Cost of sales	*1, *2	19,544,921	*1, *2	22,257,267
Gross profit		10,504,868		12,167,197
Selling, general and administrative expenses				
Directors' compensations		306,892		315,534
Salaries and bonuses		3,125,530		3,290,993
Other salaries		127,352		209,331
Training expenses		148,973		141,398
Research and development expenses	*3	119,811	*3	133,774
Depreciation		113,938		104,284
Recruiting expenses		273,545		295,999
Amortization of goodwill		186,655		247,402
Other		2,749,275		3,085,834
Total selling, general and administrative expenses		7,151,975		7,824,554
Operating income		3,352,893		4,342,643
Non-operating income				
Interest income		1,704		3,175
Dividend income		27,485		28,961
Foreign exchange gains		110,730		98,289
Other		27,023		16,654
Total non-operating income		166,944		147,081
Non-operating expenses				
Interest expenses		4,518		9,135
Share of loss of entities accounted for using equity method		58,197		152,373
Commission for purchase of treasury shares		1,005		-
Other		1,950		2,325
Total non-operating expenses		65,672		163,833
Ordinary income		3,454,166		4,325,891
Extraordinary income				
Gain on sales of investment securities		213,773		-
Gain on sales of shares of subsidiaries and associates		-		2,138
Gain on change in equity		5,822		-
Total extraordinary income		219,595		2,138
Extraordinary losses				
Loss on retirement of non-current assets	*4	107,154	*3	-
Loss on sales of investment securities		-		34,931
Loss on sales of share of subsidiaries and associates		-		9,396
Impairment loss	*5	41,138	*5	13,037
Amortization of goodwill		5,670		9,810
Total extraordinary losses		153,963		67,176
Income before income taxes and minority interests		3,519,798		4,260,853

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2013 to December 31, 2013)	Consolidated fiscal year under review (from January 1, 2014 to December 31, 2014)
Income taxes - current	1,421,587	2,086,899
Income taxes - deferred	46,004	(98,340)
Total income taxes	1,467,591	1,988,559
Income before minority interests	2,052,206	2,272,294
Minority interests in income	24,359	52,209
Net income	2,027,847	2,220,084
Minority interests in income	24,359	52,209
Income before minority interests	2,052,206	2,272,294
Other comprehensive income		
Valuation difference on available-for-sale securities	86,260	(53,245)
Foreign currency translation adjustment	(46,440)	(71,733)
Share of other comprehensive income of entities accounted for using equity method	9,226	(5,101)
Total other comprehensive income	*6 49,046	*6 (130,080)
Comprehensive income	2,101,253	2,142,213
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,070,243	2,088,769
Comprehensive income attributable to minority interests	31,010	53,443

(3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (from January 1, 2013 to December 31, 2013)

(in thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	1,421,815	2,495,772	9,151,020	(1,393,328)	11,675,279
Changes of items during the period					
Dividends from surplus			(672,347)		(672,347)
Purchase of treasury shares				(147,654)	(147,654)
Net income			2,027,847		2,027,847
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	-	1,355,500	(147,654)	1,207,845
Balance at the end of the period	1,421,815	2,495,772	10,506,520	(1,540,983)	12,883,124

	Valuation and translation adjustments			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance at the beginning of the period	612	(30,532)	(29,920)	120,890	11,766,249
Changes of items during the period					
Dividends from surplus					(672,347)
Purchase of treasury shares					(147,654)
Net income					2,027,847
Net changes of items other than shareholders' equity	86,546	(44,151)	42,395	31,010	73,405
Total changes of items during the period	86,546	(44,151)	42,395	31,010	1,281,251
Balance at the end of the period	87,158	(74,683)	12,475	151,900	13,047,500

Consolidated fiscal year under review (from January 1, 2014 to December 31, 2014)

(in thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	1,421,815	2,495,772	10,506,520	(1,540,983)	12,883,124
Changes of items during the period					
Dividends from surplus			(713,971)		(713,971)
Purchase of treasury shares					-
Net income			2,220,084		2,220,084
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	-	1,506,113		1,506,113
Balance at the end of the period	1,421,815	2,495,772	12,012,633	(1,540,983)	14,389,237

	Valuation and translation adjustments			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance at the beginning of the period	87,158	(74,683)	12,475	151,900	13,047,500
Changes of items during the period					
Dividends from surplus					(713,971)
Purchase of treasury shares					-
Net income					2,220,084
Net changes of items other than shareholders' equity	52,990	(78,324)	(131,314)	53,443	(77,871)
Total changes of items during the period	52,990	(78,324)	(131,314)	53,443	1,428,241
Balance at the end of the period	34,168	(153,008)	(118,839)	205,344	14,475,742

(4) Consolidated statements of cash flows

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2013 to December 31, 2013)	Consolidated fiscal year under review (from January 1, 2014 to December 31, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes	3,519,798	4,260,853
Depreciation	407,518	413,991
Amortization of goodwill	192,325	257,213
Increase (decrease) in allowance for doubtful accounts	(2,115)	(26,512)
Increase (decrease) in provision for bonuses	38,886	41,733
Increase (decrease) in provision for quality assurance	834	183,343
Increase (decrease) in provision for loss on projects	160,100	(95,100)
Increase (decrease) in provision for office transfer expenses	(35,342)	-
Interest and dividend income	(29,190)	(32,137)
Interest expenses	4,518	9,135
Commission for purchase of treasury shares	1,005	-
Foreign exchange losses (gains)	(112,557)	(99,183)
Share of (profit) loss of entities accounted for using equity method	58,197	152,373
Loss (gain) on change in equity	(5,822)	-
Loss on retirement of non-current assets	107,154	-
Loss (gain) on sales of investment securities	(213,773)	34,931
Loss (gain) on sales of shares of subsidiaries and associates	-	7,257
Impairment loss	41,138	13,037
Decrease (increase) in notes and accounts receivable - trade	(534,966)	(606,944)
Decrease (increase) in inventories	(161,666)	(214,088)
Increase (decrease) in notes and accounts payable - trade	707,148	(265,575)
Decrease (increase) in other assets	(202,981)	140,346
Increase (decrease) in other liabilities	399,042	694,362
Subtotal	4,339,252	4,869,039
Interest and dividend income received	29,590	32,028
Interest expenses paid	(4,255)	(9,155)
Income taxes paid	(937,228)	(1,777,077)
Net cash provided by (used in) operating activities	3,427,358	3,114,834

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2013 to December 31, 2013)	Consolidated fiscal year under review (from January 1, 2014 to December 31, 2014)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(285,929)	(165,025)
Purchase of intangible assets	(152,097)	(40,930)
Payments for asset retirement obligations	(12,500)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(999,367)	(317,512)
Proceeds from sales of shares of subsidiaries and associates	-	25,000
Purchase of investment securities	-	(109,939)
Proceeds from sales of investment securities	451,773	63,600
Payments for lease and guarantee deposits	(57,662)	(113,617)
Proceeds from collection of lease and guarantee deposits	161,420	6,290
Other	5,642	(24,859)
Net cash provided by (used in) investing activities	(888,721)	(676,994)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(38,700)	(35,000)
Proceeds from long-term loans payable	1,000,000	-
Purchase of treasury shares	(148,660)	-
Cash dividends paid	(673,274)	(714,385)
Net cash provided by (used in) financing activities	139,364	(749,385)
Effect of exchange rate change on cash and cash equivalents	30,301	33,190
Net increase (decrease) in cash and cash equivalents	2,708,303	1,721,645
Cash and cash equivalents at beginning of the period	4,184,672	6,892,975
Cash and cash equivalents at end of the period	6,892,975	8,614,620

(5) Notes to consolidated financial statements

(Notes regarding the premise of surviving company)

None

(Significant accounting policies regarding the preparation of consolidated financial statements)

1. Scope of consolidation

   Number of consolidated subsidiaries: 18

   Names of consolidated subsidiaries are omitted because they are included in “2. The Future Group.”

   Micro CAD, Co., Ltd. and one other company were included in the scope of consolidation in the current fiscal year under review because the Company acquired their shares.

   There are no non-consolidated subsidiaries.

2. Application of equity method

   Number of affiliated companies to which equity-method is applicable: 4

   Names of affiliated companies to which the equity method is applicable are omitted because they are included in “2. The Future Group.”

   Beijing ZhongNouBoEr Information Technology Co., Ltd. and two other companies are excluded from the scope of application of the equity method in the fiscal year under review because the Company sold their shares.

   There are no non-consolidated subsidiaries and associates to which the equity method is not applicable.

3. Accounting period of consolidated subsidiaries

   Uoei Shoten Corporation’s account settlement date is November 30. In preparing consolidated financial statements, the Group normally presents the balance sheet position of consolidated subsidiaries using figures as of the fiscal year-end date of each subsidiary. However, if there are any major transactions or events affecting the financial condition of the subsidiaries between the date of their book closing and the parent company’s fiscal year-end, the Group makes necessary adjustments to its financial statements to reflect these transactions.

4. Accounting policies

(1) Valuation standards/methods for principal assets

(a) Securities

Held-to-maturity bonds

Amortized cost method (straight-line method)

Other securities:

Marketable securities:

Stated at fair value based on the market price as of the end of the financial period (Unrealized holding gains/losses are reported as a net amount in a component of shareholders’ equity. Cost of sale is calculated based on moving average method).

Non-marketable securities

Stated at cost based on moving average method.

(b) Inventories

Merchandise and finished goods

Stated at of cost using the gross average method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability)

Uoei Shoten Corporation adopts the cost method based on the retail method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability).

Work in process

Stated at cost based on the specific cost method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability).

(2) Depreciation/ amortization of major depreciable/ amortizable assets

(a) Property, plant and equipment (Excluding lease assets)

The Group mainly applies the declining-balance method to depreciate assets, but cloud service-related assets and some assets of consolidated subsidiaries are depreciated through the application of the straight-line method. If the acquisition price of the asset to be depreciated is over ¥100,000 and less than ¥200,000, it is depreciated evenly over three (3) years. Useful life is as follows:

Buildings	3-34 years
Other	3-20 years

(b) Intangible assets (Excluding lease assets)

Software for in-house use

Software for in-house use is depreciated using the straight-line method over its useful life (five years). However, software for proving services is depreciated using the straight-line method over the period for which they are expected to make profits, which does not exceed five years.

Software for sale

Software for sale is depreciated by the larger of either of the amount calculated based on projected sales volume or the amount from the straight-line method over the period for which they are expected to remain salable (3 years).

Other

Straight-line method

(c) Lease assets

Lease assets concerning finance lease transactions not accompanying the transfer of property rights

Of lease transactions other than those deemed to accompany the transfer of property rights to lessees, lease transactions that commenced before the start of the initial year of the application of the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) are accounted for in a manner similar to the accounting treatment for regular lease transactions.

(3) Accounting standards for allowances/provisions

(a) Allowance for doubtful accounts

To prepare for losses incurred through bad debts, the amount of potential loss is calculated by using the historical loss ratio in case of non-classified loans/receivables. Potential losses for classified loans/receivables are individually assessed.

(b) Provision for quality assurance

In projects related to open system consultation and system development (IT consulting services and Package & Service), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients after sales are stated in order to resolve problems that were unforeseeable at the time of the signing of the contract or as of the close of accounting period. There are instances where the Company and its consolidated subsidiaries provide such services without compensation in order to guarantee quality standards that will fully satisfy its customers in IT consulting services and Package & Service.

To prepare for additional cost of sales in IT consulting services and Package & Service that may arise after sales are stated, estimated amount of such additional cost, calculated based on past experience, is stated in the provision for quality assurance.

(c) Provision for loss on projects

In projects related to open system consultation and system development (IT consulting services and Package & Service), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients in order to resolve problems that were unforeseeable at the time of the signing of the contract.

To prepare for future loss in IT consulting services and Package & Service, estimated amount of such loss in and after the following fiscal year is stated in the provision for loss on projects, concerning ongoing projects for which loss is projected to be incurred as of the end of the fiscal year under review and for which it is possible to rationally estimate the amount of loss.

(d) Provision for bonuses

In order to set aside funds for the payment of bonuses to employees at consolidated subsidiaries, the estimated amount of expenses for bonus payments in the fiscal year under review is set aside in the reserve for bonuses account.

(e) Provision for office transfer expenses

To prepare for the payment of office transfer expenses, the amount estimated to be incurred is stated.

(f) Provision for point card certificates

To prepare for the use of point card certificates granted under a point card certificate system that is designed for sales promotion at consolidated subsidiaries, the estimated amount to be used in the future, calculated based on the past use ratio, is stated in the provision for point card certificates.

(4) Standard for translating important foreign currency-denominated assets or liabilities into Japanese currency

Monetary claims or liabilities in foreign currencies are translated into yen at spot foreign exchange rates on the consolidated settlement date, with translation differences recognized as gains or losses. Assets and liabilities of overseas subsidiaries, etc., are translated into yen at spot exchange rates on the consolidated settlement date. Revenues and expenses of overseas subsidiaries, etc., are translated into yen at the average exchange rate for the fiscal year. The resultant translation differences are included in Foreign currency translation adjustment and Minority interests under Net assets.

(5) Standards for recognizing important income and expenses

(a) The extent to which a project has advanced by the end of the fiscal year under review is calculated according to the percentage of completion method (Progress rate is estimated in proportion to cost.)

(b) Other projects

Completed contract method

(6) Amortization of goodwill

Goodwill is amortized evenly over its useful life.

If the monetary value of goodwill is not material, it is treated as a loss in the fiscal year in which it occurs.

(7) Cash and cash equivalents

“Cash (cash and cash equivalents)” included in the consolidated statements of cash flow include cash in hand, demand deposits, and short-term investments readily convertible to cash with minimum price risk.

(8) Other material information concerning the compiling of financial statements

Accounting treatment of consumption taxes, etc.

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(Notes to consolidated balance sheets)

*1. Investments in affiliates

(in thousands of yen)

	Fiscal 2013 (December 31, 2013)	Fiscal 2014 (December 31, 2014)
Investment securities (stocks)	¥511,521	¥321,434

*2. Total asset impairment losses are included in accumulated depreciation.

*3. Lawsuit

Fiscal 2013 (December 31, 2013)

The Company initiated legal action in the Tokyo District Court relating to payment of contract fees, etc. (¥1,462 million) against NITTO DENKO CORPORATION as of November 30, 2009.

The Company delivered the deliverables on September 4, 2009 in accordance with an agreement with NITTO DENKO. However, NITTO DENKO did not recognize the action by the Company as delivery and refused to pay the contract fees etc. Against this backdrop, the Company initiated legal action.

Fiscal 2014 (December 31, 2014)

The Company initiated legal action in the Tokyo District Court relating to payment of contract fees, etc. (¥1,462 million) against NITTO DENKO CORPORATION as of November 30, 2009.

The Company delivered the deliverables on September 4, 2009 in accordance with an agreement with NITTO DENKO. However, NITTO DENKO did not recognize the action by the Company as delivery and refused to pay the contract fees etc. Against this backdrop, the Company initiated legal action.

(Notes to consolidated statements of income and comprehensive income)

*1. Amount of provision of allowance for loss on projects included in cost of sales

(in thousands of yen)

Fiscal 2013 (from January 1, 2013 to December 31, 2013)	Fiscal 2014 (from January 1, 2014 to December 31, 2014)
¥ 160,100	(¥ 95,100)

*2. Amount of provision of allowance for quality assurance included in cost of sales

(in thousands of yen)

Fiscal 2013 (from January 1, 2013 to December 31, 2013)	Fiscal 2014 (from January 1, 2014 to December 31, 2014)
¥ 834	¥ 183,343

*3. Total research and development expenses included in selling, general and administrative expenses

(in thousands of yen)

Fiscal 2013 (from January 1, 2013 to December 31, 2013)	Fiscal 2014 (from January 1, 2014 to December 31, 2014)
¥ 119,811	¥ 133,774

*4. Breakdown of loss on retirement of non-current assets

(in thousands of yen)

Fiscal 2013 (from January 1, 2013 to December 31, 2013)		Fiscal 2014 (from January 1, 2014 to December 31, 2014)	
Software	¥105,190	Software	-
Other	¥1,963	Other	-
Total	¥107,154	Total	-

*5. Impairment loss

The Group reported impairment losses of the following asset groups.

Fiscal 2013 (from January 1, 2013 to December 31, 2013)

(1) Main assets on which impairment losses were recognized

Use	Type	Location
Idle asset	Land	Daisencho, Tottori Prefecture
Web business	Software	Shinagawa-ku, Tokyo

(2) Background of the recognition of impairment losses

(i) Land

The Group wrote down the book value of idle land in Daisencho, Tottori Prefecture, for which it has no specific plan for future use, to the recoverable amount, and recognized the difference between the book value and the recoverable value as an impairment loss.

(ii) Software

The Group reviewed business plans at subsidiaries. As a result, the Group wrote down the book values of asset groups in the Web business to their recoverable values.

(3) Amounts of impairment losses

	(in thousands of yen)
Land	¥13,394
Software	¥27,743
Total	¥41,138

(4) Asset grouping method

The Company groups assets by businesses for management accounting, which it regards as the smallest units that generate almost independent cash flows. However, with regard to idle assets that are not used directly for business, each idle asset is considered to constitute a group.

(5) Calculation method of recoverable amounts

(i) Land

The recoverable value is calculated from the net selling price. The net selling price is calculated by rationally adjusting the assessed value against those of fixed assets and market prices in the neighborhood.

(ii) Software

The Company measures recoverable amounts based on use value, and calculates the use value of such assets as an estimate of future cash flows after estimating the use value based on future cash flows.

Fiscal 2014 (from January 1, 2014 to December 31, 2014)

(1) Main assets on which impairment losses were recognized

Use	Type	Location
Business assets	Software	-

(2) Background of the recognition of impairment losses

Software

The Group reviewed business plans at subsidiaries. As a result, the Group recorded the book values of asset groups held by the subsidiaries to their recoverable values because it could not expect the initially assumed income.

(3) Amounts of impairment losses

	(in thousands of yen)
Software	¥ 13,037
Total	¥ 13,037

(4) Asset grouping method

The Company groups assets by businesses for management accounting, which it regards as the smallest units that generate almost independent cash flows. However, with regard to idle assets that are not used directly for business, each idle asset is considered to constitute a group.

(5) Calculation method of recoverable amounts

The Company measures recoverable amounts based on use value, and calculates the use value of such assets as an estimate of future cash flows after estimating the use value based on future cash flows.

*6. Reclassification adjustment and tax effects relating to other comprehensive income

(in thousands of yen)

	Fiscal 2013 (from January 1, 2013 to December 31, 2013)	Fiscal 2014 (from January 1, 2014 to December 31, 2014)
Valuation difference on available-for-sale securities:		
Amount accrued	¥ 330,331	(¥82,731)
Reclassification adjustment	(¥196,302)	-
Before tax	¥134,028	(¥82,731)
Tax effects	(¥47,767)	¥29,485
Valuation difference on available-for-sale securities	¥86,260	¥53,245
Foreign currency translation adjustment:		
Amount accrued	(¥46,440)	(¥71,733)
Share of other comprehensive income of associates accounted for using equity method		
Amount accrued	¥9,226	(¥5,101)
Total other comprehensive income	¥49,046	(¥130,080)

(Notes to consolidated statements of changes in net assets)

Fiscal 2013 (from January 1, 2013 to December 31, 2013)

1. Matters related to the types and numbers of outstanding stocks and treasury shares

	Number of stocks at the beginning of this fiscal year	Number of stocks increased during this fiscal year	Number of stocks decreased during this fiscal year	Number of stocks at the end of this fiscal year
Outstanding stocks				
Common stock	476,640	47,187,360	-	47,664,000
Total	476,640	47,187,360	-	47,664,000
Treasury shares				
Common stock	26,408	3,014,392	-	3,040,800
Total	26,408	3,014,392	-	3,040,800

(Overview of reasons for change)

Increase in the number of outstanding stocks due to the stock split conducted on July 1, 2013: 47,187,360 shares

Purchase of treasury shares approved by the resolution of the Board of Directors meeting held on February 7, 2013: 4,000 shares

Increase in the number of treasury shares due to the stock split conducted on July 1, 2013: 3,010,392 shares

2. Matters related to dividends

(1) Dividends paid

Resolution	Stock type	Total dividend amount (in thousands of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on March 26, 2013	Common stock	337,674	750	December 31, 2012	March 27, 2013
Meeting of Board of Directors held on July 25, 2013	Common stock	334,674	750	June 30, 2013	September 24, 2013

(2) Among dividends for which the record date falls within the fiscal year under review, the dividend for which the effective date of payment falls in the next fiscal year is as follows:

Resolution	Stock type	Total dividend amount (in thousands of yen)	Source of funds for dividends	Dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on March 25, 2014	Common stock	356,985	Retained earnings	8	December 31, 2013	March 26, 2014

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Dividend per share reflects the said stock split.

Fiscal 2014 (from January 1, 2014 to December 31, 2014)

1. Matters related to the types and numbers of outstanding stocks and treasury shares

	Number of stocks at the beginning of this fiscal year	Number of stocks increased during this fiscal year	Number of stocks decreased during this fiscal year	Number of stocks at the end of this fiscal year
Outstanding stocks				
Common stock	47,664,000	-	-	47,664,000
Total	47,664,000	-	-	47,664,000
Treasury shares				
Common stock	3,040,800	-	-	3,040,800
Total	3,040,800	-	-	3,040,800

2. Matters related to dividends

(1) Dividends paid

Resolution	Stock type	Total dividend amount (in thousands of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on March 25, 2014	Common stock	356,985	8	December 31,2013	March 26, 2014
Meeting of Board of Directors held on July 29, 2014	Common stock	356,985	8	June 30, 2014	September 19, 2014

(2) Among dividends for which the record date falls within the fiscal year under review, the dividend for which the effective date of payment falls in the next fiscal year is as follows:

Resolution	Stock type	Total dividend amount (in thousands of yen)	Source of funds for dividends	Dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on March 25, 2015	Common stock	490,855	Retained earnings	11	December 31, 2014	March 26, 2015

(Segment information)

Segment information

1. Overview of reportable segments

   The reportable segments of the Group are constituent units of the Company for which separate financial information can be obtained, and the Board of Directors examines such information on a regular basis to determine the allocation of management resources and evaluate business performance.

   The Group defines the classification of business segments by comprehensively taking into account main services, solutions, customers and markets, and has four reportable segments: the IT Consulting Business, the Package & Service Business, the New Media & Web Service Business, and the Corporate Revitalization Business.

   The business operations of the four reportable segments are as follows:

Reportable segments	Business operations
IT Consulting Business	In this business, the Group helps clients solve problems, by sharing management issues with them from a managerial perspective, understanding the essence of the clients' businesses and establishing information systems for them using advanced IT.
Package & Service Business	To introduce or provide via cloud and ASP operations software packages for highly specialized fields, such as sales management, ERP and intellectual property management, as well as provide other IT services, including consigned development, maintenance and operation and education, to help clients improve their operational efficiency
New Media & Web Service Business	To create original services that have not existed so far in the Media and Web service area
Corporate Revitalization Business	To get deeply involved in the management team of client firms, revitalize client firms through drastic reform focusing on IT, and establish success models for each industry.

2. Methods of calculating net sales, income or loss, assets, liabilities, and other items by reportable segment

   Accounting procedures for reportable business segments are as described in "Significant Accounting Policies Regarding the Preparation of Consolidated Financial Statements."

   Income of reportable segments is based on operating income.

   Inter-segment sales and transfers are based on market prices.

3. Information on amounts of net sales, income or loss, assets, and other items by reportable segment

Fiscal 2013 (from January 1, 2013 to December 31, 2013)

(in thousands of yen)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in financial statements (Note 3)
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalization Business	Total				
Net sales									
Net sales to outside clients	19,660,032	3,855,988	1,976,419	4,557,350	30,049,790	-	30,049,790	-	30,049,790
Inter-segment sales or transfer	47,599	721,985	1,350	2,521	773,456	-	773,456	(773,456)	-
Total	19,707,631	4,577,973	1,977,769	4,559,872	30,823,247	-	30,823,247	(773,456)	30,049,790
Segment income (loss)	2,959,679	373,177	(51,843)	46,067	3,327,082	(1,182)	3,325,899	26,994	3,352,893
Segment assets	12,618,510	2,523,712	1,655,080	782,612	17,579,916	1,727,518	19,307,435	(82,367)	19,225,067
Other items									
Depreciation	310,838	32,537	31,434	32,706	407,518	-	407,518	-	407,518
Amortization of goodwill	111,330	-	80,994	-	192,325	-	192,325	-	192,325
Increase in property, plant and equipment and intangible assets	370,250	32,749	13,731	61,415	478,147	-	478,147	-	478,147

(Note) 1. “Others,” a segment not included in the reportable segments, include securities investment, holding, and management activities.

2. Adjustment to segment income (loss) “¥26,994 thousand” and adjustment to segment assets “-¥82,367 thousand” are adjustments to inter-segment transactions.

3. Segment income (loss) is adjusted with operating income in consolidated financial statements.

Fiscal 2014 (from January 1, 2014 to December 31, 2014)

(in thousands of yen)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in financial statements (Note 3)
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalization Business	Total				
Net sales									
Net sales to outside clients	21,311,912	4,389,418	4,254,648	4,468,485	34,424,465	-	34,424,465	-	34,424,465
Inter-segment sales or transfer	3,142	621,934	3,405	4,005	632,488	-	632,488	(632,488)	-
Total	21,315,054	5,011,352	4,258,054	4,472,491	35,056,953	-	35,056,953	(632,488)	34,424,465
Segment income (loss)	3,883,852	469,337	(13,969)	(35,110)	4,304,109	(750)	4,303,358	39,284	4,342,643
Segment assets	14,363,143	3,224,790	1,716,237	771,197	20,075,369	1,709,383	21,784,752	(82,107)	21,702,644
Other items									
Depreciation	337,730	46,971	12,629	33,939	431,271	-	431,271	(17,279)	413,991
Amortization of goodwill	95,224	-	161,989	-	257,213	-	257,213	-	257,213
Increase in property, plant and equipment and intangible assets	159,023	86,584	4,758	63,567	313,932	-	313,932	(56,552)	257,380

(Note) 1. “Others,” a segment not included in the reportable segments, include securities investment, holding, and management activities.

2. Adjustment to segment income (loss) “¥39,284 thousand” and adjustment to segment assets “¥82,107 thousand” are adjustments to inter-segment transactions.

3. Segment income (loss) is adjusted with operating income in consolidated financial statements.

Information on noncurrent asset impairment losses by reportable segment

Fiscal 2013 (from January 1, 2013 to December 31, 2013)

(in thousands of yen)

	Reportable segments					Others (Note)	Total	Corporate or elimination	Total
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalization Business	Total				
Impairment loss	-	-	27,743	-	27,743	13,394	41,138	-	41,138

Note: The amount in "Other" represents impairment loss on idle land.

Fiscal 2014 (from January 1, 2014 to December 31, 2014)

(in thousands of yen)

	Reportable segments					Others (Note)	Total	Corporate or elimination	Total
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalization Business	Total				
Impairment loss	10,227	-	2,810	-	13,037	-	13,037	-	13,037

Information on amortization and unamortized balance of goodwill by reportable segment

Fiscal 2013 (from January 1, 2013 to December 31, 2013)

(Goodwill)

(in thousands of yen)

	Reportable segments					Others (Note)	Total	Corporate or elimination	Total
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalization Business	Total				
Amortization during the period	111,330	-	80,994	-	192,325	-	192,325	-	192,325
Balance at the end of the period	94,754	-	728,951	-	823,705	-	823,705	-	823,705

Fiscal 2014 (from January 1, 2014 to December 31, 2014)

(Goodwill)

(in thousands of yen)

	Reportable segments					Others (Note)	Total	Corporate or elimination	Total
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalization Business	Total				
Amortization during the period	95,224	-	161,989	-	257,213	-	257,213	-	257,213
Balance at the end of the period	-	321,986	575,224	-	897,211	-	897,211	-	897,211

Information on gain on bargain purchase by reportable segment

Fiscal 2013 (from January 1, 2013 to December 31, 2013)

None

Fiscal 2014 (from January 1, 2014 to December 31, 2014)

None

(Per share data)

	Fiscal 2013 (from January 1, 2013 to December 31, 2013)	Fiscal 2014 (from January 1, 2014 to December 31, 2014)
Net asset value per share	¥ 288.99	¥ 319.80
Net income per share	¥ 45.39	¥ 49.75
	Fully diluted net income per share is not stated because the average stock price during the period is below the exercise price of stock acquisition rights and hence net income per share is not diluted.	Fully diluted net income per share is not stated because the average stock price during the period is below the exercise price of stock acquisition rights and hence net income per share is not diluted.

(Notes) 1. Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Net asset value per share and net income per share were calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

2. Net income per share is calculated based on the following:

	Fiscal 2013 (from January 1, 2013 to December 31, 2013)	Fiscal 2014 (from January 1, 2014 to December 31, 2014)
Net income per share		
Net income (thousands of yen)	2,027,847	2,220,084
Amount not available for common shareholders to common shares (thousands of yen)	-	-
Net income attributable to common shares (thousands of yen)	2,027,847	2,220,084
Average outstanding shares of common stock during the period (shares)	44,674,713	44,623,200
Latent shares that have no dilution effect and thus are not included in the calculation of diluted net income per share	Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (Stock acquisition rights: 667 units) Common stock: shares 266,800	Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (Stock acquisition rights: 556 units) Common stock: shares 222,400

(Significant subsequent events)

None

(Omission of disclosure)

Notes other than those mentioned above are omitted because the necessity of their disclosure in the summary report of operating results is considered to be insignificant.

5. Non-consolidated Financial Statements

(1) Balance sheets

(in thousands of yen)

	Fiscal 2013 (December 31,2013)	Fiscal 2014 (December 31,2014)
Assets		
Current assets		
Cash and deposits	4,859,775	6,211,656
Notes receivable - trade	-	3,995
Accounts receivable - trade	2,773,204	3,417,649
Merchandise	735	-
Work in process	-	140,652
Prepaid expenses	301,460	345,383
Deferred tax assets	146,315	187,265
Short-term loans receivable from subsidiaries and associates	90,480	-
Accounts receivable - other	1,637,314	1,498,505
Other	20,780	44,037
Total current assets	9,830,067	11,849,146
Non-current assets		
Property, plant and equipment		
Buildings	244,790	258,196
Tools, furniture and fixtures	314,208	264,299
Land	5,430	5,430
Total property, plant and equipment	564,429	527,926
Intangible assets		
Trademark right	532	827
Software	640,384	496,320
Other	10,810	10,810
Total intangible assets	651,727	507,958
Investments and other assets		
Investment securities	986,938	904,206
Shares of subsidiaries and associates	1,206,603	1,606,601
Long-term loans receivable from subsidiaries and associates	3,138,117	3,592,589
Deferred tax assets	68,510	298,616
Lease and guarantee deposits	788,736	890,198
Other	15,236	15,236
Allowance for doubtful accounts	(1,142,399)	(1,805,462)
Total investments and other assets	5,061,743	5,501,985
Total non-current assets	6,277,900	6,537,870
Total assets	16,107,968	18,387,016

(in thousands of yen)

	Fiscal 2013 (December 31,2013)	Fiscal 2014 (December 31,2014)
Liabilities		
Current liabilities		
Accounts payable - trade	515,983	474,362
Accounts payable - other	536,625	743,157
Accrued expenses	601	601
Income taxes payable	898,777	1,057,455
Accrued consumption taxes	180,360	432,269
Advances received	20,573	-
Deposits received	161,766	262,461
Unearned revenue	191,303	189,065
Provision for quality assurance	-	189,351
Provision for loss on projects	173,600	78,500
Total current liabilities	2,679,591	3,427,224
Non-current liabilities		
Long-term loans payable	1,000,000	1,000,000
Asset retirement obligations	242,770	276,792
Total non-current liabilities	1,242,770	1,276,792
Total liabilities	3,922,361	4,704,017
Net assets		
Shareholders' equity		
Capital stock	1,421,815	1,421,815
Capital surplus		
Legal capital surplus	2,495,772	2,495,772
Total capital surplus	2,495,772	2,495,772
Retained earnings		
Legal retained earnings	27,748	27,748
Other retained earnings		
Retained earnings brought forward	9,694,186	11,244,825
Total retained earnings	9,721,935	11,272,573
Treasury shares	(1,540,983)	(1,540,983)
Total shareholders' equity	12,098,540	13,649,178
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	87,066	33,821
Total valuation and translation adjustments	87,066	33,821
Total net assets	12,185,607	13,682,999
Total liabilities and net assets	16,107,968	18,387,016

(2) Non-consolidated statements of income

(in thousands of yen)

	Fiscal 2013 (from January 1, 2013 to December 31, 2013)	Fiscal 2014 (from January 1, 2014 to December 31, 2014)
Net sales	18,014,110	19,727,334
Cost of sales	11,289,843	12,241,460
Gross profit	6,724,267	7,485,873
Selling, general and administrative expenses	3,566,543	3,484,687
Operating income	3,157,723	4,001,186
Non-operating income		
Interest income	20,746	22,998
Dividend income	23,476	398,716
Group management expense	23,700	14,176
Foreign exchange gains	143,530	142,047
Other	3,664	2,491
Total non-operating income	215,117	580,430
Non-operating expenses		
Interest expenses	3,914	8,516
Commission for purchase of treasury shares	1,005	-
Other	212	1,237
Total non-operating expenses	5,132	9,754
Ordinary income	3,367,708	4,571,862
Extraordinary income		
Gain on sales of investment securities	213,773	-
Gain on extinguishment of tie-in shares	1,843	-
Gain on sales of non-current assets	-	56,552
Total extraordinary income	215,616	56,552
Extraordinary losses		
Loss on retirement of non-current assets	105,141	-
Impairment loss	13,394	-
Provision of allowance for doubtful accounts	474,883	744,888
Loss on valuation of shares of subsidiaries and associates	100	168,702
Debt waiver loss from subsidiaries and associates	-	1,589
Total extraordinary losses	593,520	915,180
Income before income taxes	2,989,804	3,713,233
Income taxes - current	1,270,549	1,690,194
Income taxes - deferred	954	(241,570)
Total income taxes	1,271,503	1,448,623
Net income	1,718,300	2,264,609

Statement of cost of sales

(in thousands of yen)

Item	Note	Fiscal 2013 (from January 1, 2013 to December 31, 2013) Amount		Ratio (%)	Fiscal 2014 (from January 1, 2014 to December 31, 2014) Amount		Ratio (%)
Details of manufacturing cost							
I Labor expenses							
1. Salaries and bonuses		4,165,254			4,929,116		
2. Welfare expenses		554,866	4,720,120	43.3	660,684	5,589,800	46.3
II Subcontract expenses							
1. Subcontract expenses		4,587,045	4,587,045	42.1	4,833,405	4,833,405	40.0
III Overheads							
1. Transportation expenses		424,495			421,311		
2. Depreciation		241,752			282,569		
3. Rent expenses		509,095			564,417		
4. Supplies expenses		51,390			86,322		
5. Provision (reversal) of allowance for quality assurance		(3,174)			189,351		
6. Provision (reversal) of allowance for loss on projects		160,100			(95,100)		
7. Other		199,094	1,582,755	14.5	202,946	1,651,818	13.7
Total manufacturing expenses in the period			10,889,921	100.0		12,075,024	100.0
Work in process at the beginning of the period			-			-	
Total			10,889,921			12,075,024	
Work in process at the end of the period			-			140,652	
Transfer to other account	*1		31,711			15,422	
Cost of sales			10,858,210			11,918,949	
Details of cost of merchandise and finished goods							
Commodities inventories at the beginning of the period			-			735	
Product inventories at the beginning of the period			-			-	
Cost of purchased goods			432,363			321,776	
Purchase of finished goods			5			-	
Total			432,368			322,511	
Commodities inventories at the end of the period			735			-	
Product inventories at the end of the period			-			-	
Cost of merchandise and finished goods			431,633			322,511	
Cost of sales			11,289,843			12,241,460	

*1. Details of transfer to other accounts are as follows.

Item	Fiscal 2013 (from January 1, 2013 to December 31, 2013)	Fiscal 2014 (from January 1, 2014 to December 31, 2014)
Transfer to selling, general and administrative expenses (thousand yen)	26,911	10,622
Other (thousand yen)	4,800	4,800
Total (thousand yen)	31,711	15,422

2. Actual job-order costing for each project is used to compute costs.

6. Other

(1) Changes in Directors

None

(2) Other

Status of orders received (outstanding contracts)

(in thousands of yen)

	Fiscal 2013 (from January 1, 2013 to December 31, 2013)		Fiscal 2014 (from January 1, 2014 to December 31, 2014)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting Business	19,912,960	6,829,321	20,386,442	5,903,851
Package & Service Business	4,051,918	1,167,777	4,630,557	1,408,916
New Media & Web Service Business	439,829	13,870	305,382	12,891
Total	24,404,707	8,010,970	25,322,382	7,325,658

(Notes) Orders received include adjustments for exchange rate fluctuations.