



Consolidated Summary Report of Operating Results for Fiscal 2015 (Year ended December 2015) [Japan GAAP]

February 5, 2016

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: Yuji Higashi, President and COO
 Contact: Yoshihiko Nakajima, Executive Officer
 TEL: +81-3-5740-5724

Scheduled date of annual general shareholders' meeting: March 22, 2016
 Scheduled date for distribution of dividend payments: March 23, 2016

Scheduled date for filing the securities report: March 23, 2016

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

(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 2015	35,293	2.5	4,869	12.1	4,836	11.8	2,659	19.8
Fiscal 2014	34,424	14.6	4,342	29.5	4,325	25.2	2,220	9.5

(Note) Comprehensive income Fiscal 2015: 2,742 million yen (24.6%) Fiscal 2014: 2,142 million yen (1.9%)

	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 2015	59.52	59.50	17.3	21.7	13.8
Fiscal 2014	49.75	-	16.3	21.1	12.6

(Reference) Equity in (earnings) losses of affiliates Fiscal 2015: 23 million yen Fiscal 2014: (152) million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2015	22,828	16,301	70.6	360.67
Fiscal 2014	21,702	14,475	65.8	319.80

(Reference) Shareholders' equity Fiscal 2015: 16,123 million yen Fiscal 2014: 14,270 million yen

(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 2015	2,878	(749)	(941)	9,757
Fiscal 2014	3,114	(676)	(749)	8,614

2. Dividends

	Dividends per share					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 2014	-	8.00	-	11.00	19.00	847	38.2	6.2
Fiscal 2015	-	9.50	-	13.50	23.00	1,028	38.6	6.8
Fiscal 2016 (Forecast)	-	12.50	-	12.50	25.00		38.0	

(Note) 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 2016 (January 1, 2016 to December 31, 2016)

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to parent company shareholders		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months (accumulated total)	17,980	5.6	2,400	14.6	2,410	14.6	1,355	13.2	30.31
Full year	37,000	4.8	5,200	6.8	5,220	7.9	2,880	8.3	64.42

* 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: 1 company (company name) CodeCamp Inc. 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

(3) Number of outstanding shares (common stock)

- a. Total outstanding shares as of the end of the period (including treasury shares)
b. Total treasury shares as of the end of the period
c. Average number of outstanding stocks during the period under review

Fiscal 2015	47,664,000 shares	Fiscal 2014	47,664,000 shares
Fiscal 2015	2,958,800 shares	Fiscal 2014	3,040,800 shares
Fiscal 2015	44,689,236 shares	Fiscal 2014	44,623,200 shares

(Reference) Overview of non-consolidated results

1. Non-consolidated Results for Fiscal 2015 (January 1, 2015 to December 31, 2015)

(1) Non-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 2015	19,017	(3.6)	4,365	9.1	4,658	1.9	2,809	24.1
Fiscal 2014	19,727	9.5	4,001	26.7	4,571	35.8	2,264	31.8

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
Fiscal 2015	62.87	62.86
Fiscal 2014	50.75	-

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2015	19,523	15,630	80.1	349.63
Fiscal 2014	18,387	13,682	74.4	306.63

(Reference) Shareholders' equity Fiscal 2015: 15,630 million yen Fiscal 2014: 13,682 million yen

* 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.

○ Contents

1.	Analysis of Operating Results and Financial Condition	2
(1)	Analysis of operating results.....	2
(2)	Analysis of financial condition	5
(3)	Dividend policy and dividends for the current and next year	6
2.	The Future Group.....	7
3.	Management Policy	12
(1)	Basic corporate tenets and management strategies	12
(2)	Goals and objectives	13
(3)	Issues the Company faces.....	14
4.	Basic Approach to Selection of Accounting Standards.....	15
5.	Consolidated Financial Statements	16
(1)	Consolidated balance sheets	16
(2)	Consolidated statements of income and comprehensive income	18
(3)	Consolidated statements of changes in net assets	20
(4)	Consolidated statements of cash flows	22
(5)	Notes to consolidated financial statements	24
	(Notes regarding the premise of surviving company)	24
	(Significant accounting policies regarding the preparation of consolidated financial statements)	25
	(Notes to consolidated balance sheets).....	28
	(Notes to consolidated statements of income and comprehensive income).....	28
	(Notes to consolidated statements of changes in net assets).....	30
	(Segment information)	32
	(Per share data)	36
	(Significant subsequent events).....	36
6.	Non-consolidated Financial Statements	37
(1)	Balance sheets	37
(2)	Non-consolidated statements of income	39
7.	Other	41
(1)	Changes in Directors	41
(2)	Other.....	41

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 2015 are as follows:

Net sales	¥35,293 million (up 2.5% year-on-year)
Operating income	¥4,869 million (up 12.1% year-on-year)
Ordinary income	¥4,836 million (up 11.8% year-on-year)
Net income	¥2,659 million (up 19.8% year-on-year)

During the fiscal year ended December 2015, consolidated net sales, operating income, ordinary income and net income posted all-time highs for the third consecutive year.

Earnings results of each business segment are as follows.

1. IT Consulting Business

Domestic sales of the IT Consulting Business grew year-on-year despite certain existing projects coming to completion as the fourth quarter of the fiscal year under review saw increased sales due to the Group winning orders for IT system renewal/integration-related new projects by clients in the manufacturing, distribution and service industries. At the same time, the Group acquired new clients for cloud computing services for financial institutions (SKYBANK) as well as new clients in the online securities, distribution and service industries. Moreover, the profitability of each project improved as we applied to all target projects the Group's project management method. This involves the automation of the monitoring of project progress as well as the quality check of deliverables, based on databases created of all activities and deliverables in the projects.

Meanwhile, overseas sales of the IT Consulting Business declined year-on-year since, of its Southeast Asia business operations, the Group overhauled its Singapore and Thailand operations, businesses with low margins, although its Malaysia operations performed strongly.

Consequently, net sales of this segment were ¥21,589 million for the fiscal year under review, down 0.5% from a year earlier and operating income surged 15.9% year-on-year to ¥4,647 million.

2. Package & Service Business

At FutureOne, Inc. ("FutureOne"), package software introduction and applicable customization development performed strongly. However, the company revamped low-margin projects, resulting in declining sales and income year-on-year.

Micro CAD Co., Ltd. ("Micro CAD"), contributing to the consolidated earnings starting from the fiscal year under review, saw sales and operating income reach projected levels due to strong sales of its comprehensive intellectual property management system created in-house.

Consequently, net sales of this segment were ¥4,355 million for the fiscal year under review, up 8.5% from a year earlier, and operating income, which reflected the amortization of the goodwill of Micro CAD, was ¥319 million, down 6.5% year-on-year.

3. New Media & Web Service Business

eSPORTS Co., Ltd. ("eSPORTS") saw sales increase year-on-year as online sales of sports, outdoor and fitness gear remained strong throughout the fiscal year under review. Meanwhile, operating income margin fell year-on-year, affected mainly by intensified competition in customer loyalty point systems, higher use fees for platforms and a weaker yen although sales of private brand products, a product category commanding high margins, accounted for a greater proportion of total sales.

Tokyo Calendar Inc. ("Tokyo Calendar") saw the monthly page views of its website, launched in January 2015, grow to over 10 million in December 2015 while beginning to enjoy rising offline and online advertising revenues, which allowed the company to achieve operating profitability in the fourth quarter of the fiscal year under review. On a full fiscal year basis, however, operating loss was recorded by Tokyo Calendar.

As a result, net sales of this segment were ¥4,913 million, up 15.4% from a year ago, and operating loss after reflecting the amortization of goodwill of eSPORTS and other companies was ¥122 million, against an operating loss of ¥13 million a year earlier.

4. Corporate Revitalization Business

Uoei Corporation ("Uoei"), an operator of supermarkets, achieved higher gross profit margin and improved cash flows through reducing merchandise disposals and inventories, based on rigorous

efforts to use IT to ensure the management of product-by-product data on sales, purchases and inventories at individual supermarkets.

Consequently, net sales of this segment were ¥4,473 million, up 0.0% from a year earlier, and operating income was ¥10 million, against an operating loss of ¥35 million a year ago.

Note: Segment earnings figures stated above are those before adjustment for internal sales or transfers between segments. Effective from the fiscal year under review, Future Inspace, Inc. (“Future Inspace”), which mainly provides maintenance and operation services for clients of the Company, changed segments from the Package & Service Business to the IT Consulting Business, while Life Science Computing Corporation, which saw growth in its cloud computing services for the electronic medical records of clinics, changed segments from the IT Consulting Business to the Package & Service Business. Year-on-year changes were calculated by converting the previous fiscal year’s figures into those reflecting the segment changes.

(Outlook for the next fiscal year)

The Group’s earnings forecast for the fiscal year ending December 2016 is as follows:

Net sales	¥37,000 million (up 4.8% year-on-year)
Operating income	¥5,200 million (up 6.8% year-on-year)
Ordinary income	¥5,220 million (up 7.9% year-on-year)
Net income attributable to parent company shareholders	¥2,880 million (up 8.3% year-on-year)

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

1. IT Consulting Business

The Group has brought to a successful conclusion multiple large projects to scientifically analyze legacy IT systems, which had been made into black boxes with inadequate specifications and manuals, by tracing their source codes and to reconstruct the systems as the newest open systems. In so doing, the Group has not only merely presented ideas but also consistently delivered services ranging from grand design to development, based on components created in-house that enable real-time processing of data. With our track records in this area highly valued, the Company has been winning orders from many clients not only in the distribution and service industries but also in diverse industries such as the financial services and manufacturing industries.

In the fiscal year ending December 2016, the Group is expected to post higher sales from projects for which orders were won, or on which customer inquiries were received, in the fiscal year under review. Moreover, by maximally leveraging the Group’s unique project monitoring and management methods, we will endeavor to further improve project efficiency and quality, thereby achieving increased profitability while delivering greater future value to clients.

Meanwhile, Future Inspace will provide clients with post-IT system launch maintenance and operation service of high reliability through further bolstering its technological collaboration with Future Architect Inc.

2. Package & Service Business

FutureOne will strive to cater for replacement needs of existing clients while winning new clients by leveraging its continued efforts so far to overhaul the functions of package software products created in-house and streamline its development tools. Moreover, in addition to growing business partnerships and launching an office in the Nagoya area in an effort to expand sales channels, the company will introduce a greater number of non-proprietary ERP products and e-commerce-related solutions, thus aiming to increase sales and profits.

Micro CAD will expand its customer base by continuing to add to, and improve, the functions of its comprehensive intellectual property management system created in-house. Moreover, it will expand its services for manufacturers such as product lifecycle management (PLM) in collaboration with the Company.

3. New Media & Web Service Business

eSPORTS will enlarge its product portfolio by adding to its product lineup do-it-yourself (DIY) and pet products in addition to sports, outdoor and fitness products. At the same time, it will continue to make greater efforts on private brand products, initiatives to newly develop products desired by customers. Moreover, eSPORTS will introduce early a web service based on the catch phrase of “sports and health” that is now under preparation, thereby aiming to grow its earnings foundation.

Tokyo Calendar achieved in a short period of time a sharp increase in the page views of its website as a new medium to deliver information on high-quality life styles in the form of feature articles, in addition to providing information on restaurants and gourmet experiences. From now on, Tokyo Calendar aims to achieve profitability on a full fiscal year basis while broadening the range of its web services by capitalizing on the website’s publicity and accumulated knowhow.

CodeCamp Inc. (“CodeCamp”), which joined the Group in October 2015, has put in place a basic platform to provide a programming education service both online and offline. Thus, going forward, while offering enhanced personal functionality and convenience, CodeCamp will aim to deliver increased opportunities for many users to learn programming through its service.

4. Corporate Revitalization Business

Uoei aims to increase sales by providing a product lineup meeting customer preferences, based on continued efforts to analyze product-by-product data on sales, purchases and inventories by using IT systems. At the same time, Uoei strives to achieve improved profitability by minimizing disposal losses. It will also continue initiatives to stimulate consumer traffic to its supermarkets by providing its private brand products and having a robot named “Pepper” offer customer service.

(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	¥22,828 million (up 5.2% year-on-year)
Liabilities	¥6,527 million (down 9.7% year-on-year)
Net assets	¥16,301 million (up 12.6% year-on-year)

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

(1) Assets

Current assets were ¥17,696 million on a consolidated basis at the end of the fiscal year under review, up ¥1,033 million from the preceding year, and non-current assets amounted to ¥5,132 million, up ¥92 million, with total assets standing at ¥22,828 million, up ¥1,126 million. The main underlying factors were an increase in cash and deposits (an increase of ¥1,097 million from the end of the previous consolidated fiscal year) and an increase in investment securities (an increase of ¥235 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 ¥5,082 million at the end of the fiscal year under review, down ¥718 million from the preceding year, and noncurrent liabilities were ¥1,445 million, up ¥18 million, which brought total liabilities to ¥6,527 million, down ¥699 million. The main factors included a fall in accounts payable - other (a decrease of ¥307 million from the end of the previous consolidated fiscal year) and a fall in income tax payable (a decrease of ¥118 million).

(3) Net assets

Net assets were ¥16,301 million at the end of the fiscal year under review, up ¥1,825 million from the preceding year. The main factors included an increase of retained earnings (an increase of ¥1,744 million from the end of the 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 ¥2,878 million (compared to an inflow of ¥3,114 million in the previous fiscal year), mainly due to a decrease in accounts payable - other of ¥314 million and payment of income taxes paid of ¥2,063 million despite the posting of income before income taxes of ¥4,688 million.

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

Net cash from investing activities was an outflow of ¥749 million (compared to an outflow of ¥676 million in the previous fiscal year), chiefly due to purchase of property, plant and equipment of ¥183 million, purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥248 million and purchase of investment securities of ¥348 million.

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

Net cash from financing activities was an outflow of ¥941 million (compared to an outflow of ¥749 million in the previous fiscal year), mainly reflecting payments for cash dividends paid of ¥915 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 ¥9,757 million, with an increase of ¥1,142 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 determines its dividend by comprehensively taking into consideration the state of its accounting period profit and loss, cash flows and treasury stock purchasing while securing a proper level of internal reserves for the organization to continue growing in a sustainable manner.

The Company has changed its dividend policy to apply going forward a dividend payout ratio standard of at least 35% of consolidated earnings, up from at least 30% of non-consolidated earnings previously applied, in a move to return profits to shareholders in an enhanced manner.

Under the above-mentioned new policy, we plan to pay a year-end dividend of surplus for the fiscal year ended December 31, 2015 of ¥13.50 yen per share, an upward revision of ¥4.00 from the previously-forecast dividend of ¥9.50 per share. The full fiscal year dividend comprising the year-end dividend and the previously-paid interim dividend is expected to be ¥23.00 per share (consolidated dividend payout ratio of 38.6%).

The Company's planned payment of dividends of surplus for the next fiscal year is ¥25.00 per share.

2. The Future Group

The Group (the parent and related companies) consists of 19 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.
Future Inspace, Inc. (subsidiary)	Consigned development, and maintenance and operation services
Brightree Solutions Sdn Bhd. (subsidiary)	Introduction, customization, and operation and maintenance of ERP in Southeast Asia

(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, and maintenance and operation services.

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
Micro CAD Co., Ltd. (subsidiary)	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
CodeCamp Inc. (subsidiary) (new)	Operation of the online programming school "CodeCamp"

(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

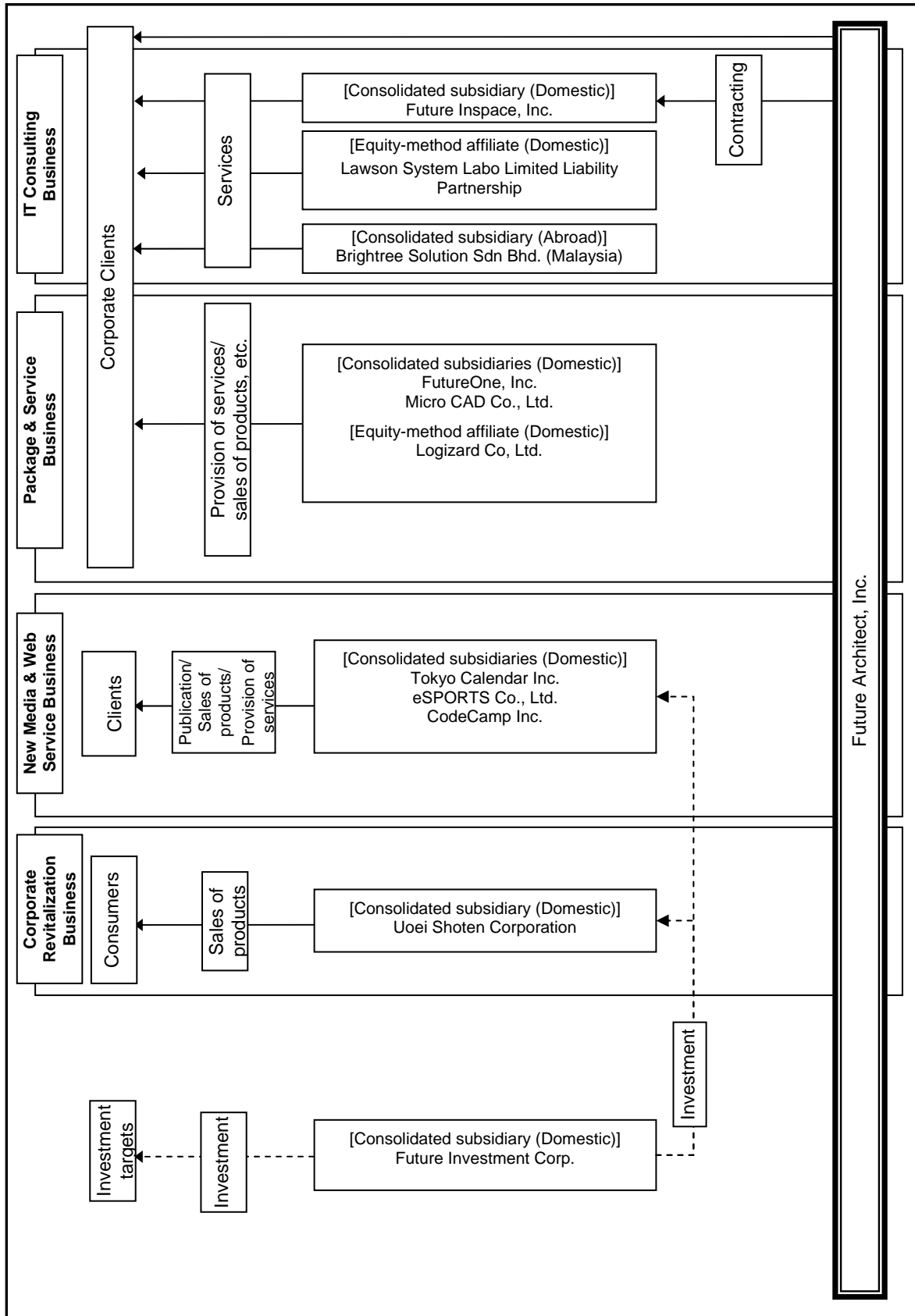
Uoei Shoten Corporation (subsidiary)

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. (subsidiary)

<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		
Future Inspace, Inc.	Shinagawa-ku, Tokyo	¥83,700 thousand	IT Consulting Business	100.0	1	2	None	Receipt of services for development
Brightree Solutions Sdn Bhd.	PETALING JAYA, MALAYSIA	1,936 thousand ringgit	IT Consulting Business	51.0 (51.0)	1	1	None	None
FutureOne, Inc.	Shinagawa-ku, Tokyo	¥200,000 thousand	Package & Service Business	100.0	1	1	None	Receipt of services for development
Micro CAD Co., Ltd.	Chuo-ku, Tokyo	¥30,000 thousand	Package & Service Business	100.0	-	3	None	None
eSPORTS Co., Ltd.	Gifu, Gifu Prefecture	¥100,000 thousand	New Media & Web Service Business	100.0 (100.0)	1	1	None	None
Tokyo Calendar Inc.	Shinagawa-ku, Tokyo	¥50,000 thousand	New Media & Web Service Business	100.0 (100.0)	1	1	Fund lending	None
CodeCamp Inc.	Shinjuku-ku, Tokyo	¥158,049 thousand	New Media & Web Service Business	62.5 (62.5)	1	3	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	¥1,896,078 thousand	Other	100.0 (100.0)	-	-	None	None
Other: two domestic companies and seven overseas companies								

- (Notes)
1. The name of the business segment is stated in “Main business activities.”
 2. FutureOne, Inc., CodeCamp 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 round brackets in “Voting right ratio” represent an indirectly owned ratio and are included in the figures above numbers.
 5. Future Investment Corp. is a managing partner of RI Partners Limited Liability Association.
 6. 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		
Lawson System Labo Limited Liability Partnership	Shinagawa-ku, Tokyo	¥38,000 thousand	IT Consulting Business	50.0	-	-	None	None
Logizard Co., Ltd.	Chuo-ku, Tokyo	¥62,324 thousand	Package & Service Business	36.1	-	-	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	48.2	-	3	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 and management strategies

The basic tenet 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. Under this basic tenet, the Company holds “to design management and IT” as a leading IT consulting service company as the core of its medium- and long-term management strategies.

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 hard 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:

[IT Consulting Business]

1) “Trinity” viewpoint

The Company aims to contribute to the customer achieving a business reform by focusing on three domains of management strategy, business reform, and system reform and using cutting-edge IT, not merely aiming at the realization of functions by IT. To this end, we are striving to deliver to the customer solutions that take into consideration not only partial but also total optimization with a view to the future as well as the present.

2) “Neutral” position

By specializing in open systems, the Group has maintained a neutral position independent of any hardware vendors or software vendors, and has been pursuing optimization without being swayed by preconceived ideas or restrictions of products. Through this approach, we seek to maximize customer profits at all times from the standpoint akin to that of an outside CIO close to the customer.

3) Provision of comprehensive services from front-end to back-end processes

We are 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.

4) Grand designs based on scientific system structure analysis along with components that enable real-time data processing

Many companies find it challenging to improve their IT systems since the existing ones have been turned into black boxes without any specifications and manuals being available. This is why such companies are unable to deal with the changing business situation, at the same time incurring persistently high operational costs to preserve the status quo. To address these circumstances, we use a method of scientifically analyzing existing large IT systems (Future Formula) to overhaul and reconstruct them. At the same time, based on components created in-house, we provide an IT system that enables the customer to process product-by-product sales and profit/loss information on a real-time basis. Thus, by delivering high-quality and timely services, we will continue to support customers in renovating their operations in future.

[Package & Service Business]

1) Expansion of business for small and mid-size companies

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. We seek to cater for such needs, growing the Package & Service Business in the process. To this end, we not only overhaul the functions of package software products created in-house and improve the quality of our implementation products further but also implement ERP and e-commerce-related solutions created by rival vendors if they can deliver the environment ideal for the customer, thereby striving to further expand sales and improve operating income margin.

2) Support for customers' intellectual property right strategies

Japanese companies need to bolster their intellectual property right strategies for the creation and utilization of patent and other intellectual property rights. In this situation, through developing and providing package software products designed to support the customer's efforts to acquire, maintain and manage intellectual property rights, we seek to assist the customer in formulating intellectual property right strategies and accumulating, sharing and using relevant knowledge.

[New Media & Web Service Business]

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 services and operations of websites that is held by Web-related companies, including EC-related and e-Learning companies, and the content creation 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.

[Corporate Revitalization Business]

The Group will strive to revitalize subject companies based on the strategic and technological experience in the distribution industry it has accumulated, with use of IT systems, 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) 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 and through promotion of training for consultants and an application to all relevant projects. Going forward, we will further promote 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 review 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 by further bolstering our quality control platform comprising architecture examination, phase-by-phase project review and ultimate operation assessment.

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, Package & Service 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) Enhancement of research & development on newest technologies [IT Consulting Business]

The Group will pursue research & development (R&D) on technologies that have been advancing markedly in recent years on a global basis, such as sensor, IoT, AI and data analysis, while simultaneously applying R&D results to actual projects, instead of merely learning such technologies by assigning departments and personnel to them.

6) Overseas development [IT Consulting Business, Package & Service Business]

In order to cope with the rapidly changing Asian markets through its overseas subsidiaries, 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.

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

As for the Package & Service Business, while working to expand sales channels in an effort to attain an improved profit margin for business for small and midsize companies, in particular, and to gain a higher market share in this market segment, the Group will continue improving functions of its proprietary packages for small and midsize companies and client support services. 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.

8) Solidifying earnings foundation and expanding services [New Media & Web Service Business]

In the New Media & Web Service Business, the Group will endeavor to grow continuously through the efforts to make each unprofitable subsidiary achieve profitability as early as possible by solidifying its earnings foundation and to make each already-profitable subsidiary expand its services.

4. Basic Approach to Selection of Accounting Standards

The Company intends to apply International Financial Reporting Standards (IFRS) appropriately in consideration of circumstances inside and outside of Japan.

5. Consolidated Financial Statements

(1) Consolidated balance sheets

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2014)	Consolidated fiscal year under review (December 31, 2015)
Assets		
Current assets		
Cash and deposits	8,552,995	9,650,136
Notes and accounts receivable - trade	5,006,460	5,020,960
Securities	103,746	108,689
Merchandise and finished goods	589,260	688,591
Work in process	* ⁴ 208,181	34,892
Deferred tax assets	272,660	216,495
Accounts receivable - other	* ³ 1,394,410	* ³ 1,415,805
Other	539,911	566,157
Allowance for doubtful accounts	(4,990)	(5,113)
Total current assets	16,662,635	17,696,614
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,317,003	3,346,284
Accumulated depreciation	* ² (2,837,256)	* ² (3,023,246)
Buildings and structures, net	479,747	323,037
Land	109,474	80,894
Other	2,063,596	2,189,531
Accumulated depreciation	* ² (1,702,187)	* ² (1,869,459)
Other, net	361,408	320,071
Total property, plant and equipment	950,630	724,003
Intangible assets		
Software	538,416	472,454
Goodwill	897,211	969,257
Other	20,687	23,175
Total intangible assets	1,456,315	1,464,887
Investments and other assets		
Investment securities	* ¹ 1,494,041	* ¹ 1,729,798
Lease and guarantee deposits	1,022,797	1,032,610
Deferred tax assets	106,489	132,819
Other	59,021	93,653
Allowance for doubtful accounts	(49,286)	(45,430)
Total investments and other assets	2,633,063	2,943,452
Total non-current assets	5,040,009	5,132,344
Total assets	21,702,644	22,828,959

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2014)	Consolidated fiscal year under review (December 31, 2015)
Liabilities		
Current liabilities		
Accounts payable - trade	1,404,017	1,303,659
Current portion of long-term loans payable	-	4,800
Accounts payable - other	1,049,765	742,063
Income taxes payable	1,361,648	1,243,548
Provision for bonuses	214,506	236,859
Provision for quality assurance	195,452	88,160
Provision for loss on projects	78,500	—
Provision for point card certificates	13,474	25,198
Other	1,483,164	1,437,814
Total current liabilities	5,800,529	5,082,101
Non-current liabilities		
Long-term loans payable	1,000,000	1,013,200
Asset retirement obligations	405,181	408,249
Other	21,192	23,921
Total non-current liabilities	1,426,373	1,445,370
Total liabilities	7,226,902	6,527,472
Net assets		
Shareholders' equity		
Capital stock	1,421,815	1,421,815
Capital surplus	2,495,772	2,507,763
Retained earnings	12,012,633	13,756,812
Treasury shares	(1,540,983)	(1,499,428)
Total shareholders' equity	14,389,237	16,186,962
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34,168	45,431
Foreign currency translation adjustment	(153,008)	(108,510)
Total accumulated other comprehensive income	(118,839)	(63,078)
Minority interests	205,344	177,602
Total net assets	14,475,742	16,301,486
Total liabilities and net assets	21,702,644	22,828,959

(2) Consolidated statements of income and comprehensive income

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2014 to December 31, 2014)	Consolidated fiscal year under review (from January 1, 2015 to December 31, 2015)
Net sales	34,424,465	35,293,422
Cost of sales	*1, *2 22,257,267	*1, *2 21,638,095
Gross profit	12,167,197	13,655,326
Selling, general and administrative expenses		
Directors' compensations	315,534	374,863
Salaries and bonuses	3,290,993	3,626,521
Other salaries	209,331	236,958
Training expenses	141,398	234,919
Research and development expenses	*3 133,774	*3 154,158
Depreciation	104,284	105,320
Recruiting expenses	295,999	275,134
Amortization of goodwill	247,402	295,998
Other	3,085,834	3,482,232
Total selling, general and administrative expenses	7,824,554	8,786,107
Operating income	4,342,643	4,869,219
Non-operating income		
Interest income	3,175	3,138
Dividend income	28,961	33,750
Share of profit of entities accounted for using equity method	-	23,137
Foreign exchange gains	98,289	-
Other	16,654	19,735
Total non-operating income	147,081	79,762
Non-operating expenses		
Interest expenses	9,135	10,145
Share of loss of entities accounted for using equity method	152,373	-
Foreign exchange losses	-	72,126
Contributions	-	30,000
Other	2,325	-
Total non-operating expenses	163,833	112,271
Ordinary income	4,325,891	4,836,710
Extraordinary income		
Gain on sales of investment securities	-	35,063
Gain on sales of shares of subsidiaries and associates	2,138	144,153
Total extraordinary income	2,138	179,216
Extraordinary losses		
Loss on sales of investment securities	34,931	-
Loss on valuation of investment securities	-	156,980
Loss on sales of share of subsidiaries and associates	9,396	-
Impairment loss	*4 13,037	*4 161,347
Loss on change in equity	-	9,343
Amortization of goodwill	9,810	-
Total extraordinary losses	67,176	327,671
Income before income taxes and minority interests	4,260,853	4,688,256

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2014 to December 31, 2014)	Consolidated fiscal year under review (from January 1, 2015 to December 31, 2015)
Income taxes - current	2,086,899	1,948,709
Income taxes - deferred	(98,340)	32,369
Total income taxes	1,988,559	1,981,078
Income before minority interests	2,272,294	2,707,177
Minority interests in income	52,209	47,444
Net income	2,220,084	2,659,733
Minority interests in income	52,209	47,444
Income before minority interests	2,272,294	2,707,177
Other comprehensive income		
Valuation difference on available-for-sale securities	(53,245)	11,519
Foreign currency translation adjustment	(71,733)	26,946
Share of other comprehensive income of entities accounted for using equity method	(5,101)	(3,560)
Total other comprehensive income	* ⁵ (130,080)	* ⁵ 34,905
Comprehensive income	2,142,213	2,742,082
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,088,769	2,715,069
Comprehensive income attributable to minority interests	53,443	27,013

(3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (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)
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)
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

Consolidated fiscal year under review (from January 1, 2015 to December 31, 2015)

(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	12,012,633	(1,540,983)	14,389,237
Changes of items during the period					
Dividends from surplus			(915,554)		(915,554)
Net income			2,659,733		2,659,733
Disposal of treasury shares		11,990		41,555	53,546
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	11,990	1,744,178	41,555	1,797,724
Balance at the end of the period	1,421,815	2,507,763	13,756,812	(1,499,428)	16,186,962

	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	34,168	(153,008)	(118,839)	205,344	14,475,742
Changes of items during the period					
Dividends from surplus					(915,554)
Net income					2,659,733
Disposal of treasury shares					53,546
Net changes of items other than shareholders' equity	11,263	44,497	55,761	(27,742)	28,019
Total changes of items during the period	11,263	44,497	55,761	(27,742)	1,825,744
Balance at the end of the period	45,431	(108,510)	(63,078)	177,602	16,301,486

(4) Consolidated statements of cash flows

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2014 to December 31, 2014)	Consolidated fiscal year under review (from January 1, 2015 to December 31, 2015)
Net cash provided by (used in) operating activities		
Income before income taxes	4,260,853	4,688,256
Depreciation	413,991	433,425
Amortization of goodwill	257,213	295,998
Increase (decrease) in allowance for doubtful accounts	(26,512)	14,042
Increase (decrease) in provision for bonuses	41,733	31,571
Increase (decrease) in provision for quality assurance	183,343	(107,292)
Increase (decrease) in provision for loss on projects	(95,100)	(78,500)
Interest and dividend income	(32,137)	(36,889)
Interest expenses	9,135	10,145
Foreign exchange losses (gains)	(99,183)	76,619
Share of (profit) loss of entities accounted for using equity method	152,373	(23,137)
Loss (gain) on change in equity	-	9,343
Loss (gain) on valuation of investment securities	-	156,980
Loss (gain) on sales of investment securities	34,931	(35,063)
Loss (gain) on sales of shares of subsidiaries and associates	7,257	(144,153)
Impairment loss	13,037	161,347
Decrease (increase) in notes and accounts receivable - trade	(606,944)	(97,007)
Decrease (increase) in inventories	(214,088)	70,521
Increase (decrease) in notes and accounts payable - trade	(265,575)	(71,709)
Increase (decrease) in accounts payable - other	222,976	(314,251)
Decrease (increase) in other assets	140,346	(95,277)
Increase (decrease) in other liabilities	471,386	(149)
Subtotal	4,869,039	4,944,820
Interest and dividend income received	32,028	36,920
Interest expenses paid	(9,155)	(10,154)
Income taxes paid	(1,777,077)	(2,063,203)
Contributions paid	-	(30,000)
Net cash provided by (used in) operating activities	3,114,834	2,878,383

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2014 to December 31, 2014)	Consolidated fiscal year under review (from January 1, 2015 to December 31, 2015)
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	-	40,325
Purchase of property, plant and equipment	(165,025)	(183,473)
Purchase of intangible assets	(40,930)	(123,031)
Payments for asset retirement obligations	-	(5,426)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(317,512)	(248,571)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	124,222
Purchase of shares of subsidiaries and associates	-	(10,255)
Proceeds from sales of shares of subsidiaries and associates	25,000	-
Payments for investments in capital of subsidiaries and associates	-	(19,000)
Purchase of investment securities	(109,939)	(348,373)
Proceeds from sales of investment securities	63,600	49,610
Payments for lease and guarantee deposits	(113,617)	(19,391)
Proceeds from collection of lease and guarantee deposits	6,290	13,258
Other	(24,859)	(19,220)
Net cash provided by (used in) investing activities	(676,994)	(749,327)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(35,000)	-
Repayments of long-term loans payable	-	(1,200)
Proceeds from sales of treasury shares	-	53,546
Cash dividends paid	(714,385)	(915,212)
Cash dividends paid to minority shareholders	-	(78,411)
Net cash provided by (used in) financing activities	(749,385)	(941,277)
Effect of exchange rate change on cash and cash equivalents	33,190	(45,372)
Net increase (decrease) in cash and cash equivalents	1,721,645	1,142,406
Cash and cash equivalents at beginning of the period	6,892,975	8,614,620
Cash and cash equivalents at end of the period	8,614,620	9,757,026

- (5) Notes to consolidated financial statements
(Notes regarding the premise of surviving company)
Not applicable.

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

1. Scope of consolidation

Number of consolidated subsidiaries: 19

Names of consolidated subsidiaries:

They are omitted here because they are included in “2. The Future Group.”

CodeCamp Inc. and one other company were included in the scope of consolidation in the current fiscal year under review because the Company acquired their shares. Also, Life Sciences Computing Corporation was excluded from the scope of consolidation because the Company sold its shares.

There are no non-consolidated subsidiaries.

2. Application of equity method

Number of affiliated companies to which equity-method is applicable: 5

Names of affiliated companies to which the equity method is applicable:

They are omitted here because they are included in “2. The Future Group.”

Lawson System Labo Limited Liability Partnership was included in the scope of application of the equity method in the fiscal year under review as a result of its establishment.

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 cost based on moving average method (amounts in the balance sheets are calculated using the method to devalue 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 devalue 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 devalue 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 providing 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 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 2014 (December 31, 2014)	Fiscal 2015 (December 31, 2015)
Investment securities (stocks)	¥321,434	¥341,923
Investment securities (capital contributions)	-	¥24,979

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

*3. Lawsuit

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.

Fiscal 2015 (December 31, 2015)

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.

*4 Inventories for contracted projects on which loss is likely to be incurred and provision for loss on projects are presented independently without offsetting the former with the latter. Of inventories for contracted projects on which loss is likely to be incurred, an amount corresponding to provision for loss on projects is as shown below.

	(in thousands of yen)	
	Fiscal 2014 (December 31, 2014)	Fiscal 2015 (December 31, 2015)
Work in process	¥78,500	-
Total	¥78,500	-

(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 2014 (from January 1, 2014 to December 31, 2014)	Fiscal 2015 (from January 1, 2015 to December 31, 2015)
	(¥95,100)	(¥78,500)

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

	(in thousands of yen)	
	Fiscal 2014 (from January 1, 2014 to December 31, 2014)	Fiscal 2015 (from January 1, 2015 to December 31, 2015)
	¥183,343	(¥107,292)

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

(in thousands of yen)

Fiscal 2014 (from January 1, 2014 to December 31, 2014)	Fiscal 2015 (from January 1, 2015 to December 31, 2015)
¥133,774	¥154,158

*4. Impairment loss

The Group reported impairment losses of the following asset groups.

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	Toshima-ku, Tokyo, etc.

(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.

(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. Recoverable amounts were valued at zero because pre-discount future cash flows were found to be negative.

Fiscal 2015 (from January 1, 2015 to December 31, 2015)

(1) Main assets on which impairment losses were recognized

Use	Type	Location
Food Retail Business	Buildings and structures, land, other	Niigata
IT Consulting Business	Buildings, other	Singapore

(2) Background of the recognition of impairment losses

(i) Food Retail Business

The Group recorded the book values of asset groups at stores of which income from operating activities continued to be negative to their recoverable values.

(ii) IT Consulting Business

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)
Buildings and structures	¥119,550
Land	¥28,579
Other	¥13,216
Total	¥161,347

(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.

(5) Calculation method of recoverable amounts

(i) Food Retail Business

The Company uses the higher of net selling price and use value as a recoverable amount. The net selling price is calculated by rationally adjusting market prices in the neighborhood, and use value by discounting expected future cash flows with 3% of capital cost.

(ii) IT Consulting Business

The Company measures recoverable amounts based on use value. Recoverable amounts were valued at zero because use value was found to be negative.

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

	(in thousands of yen)	
	Fiscal 2014 (from January 1, 2014 to December 31, 2014)	Fiscal 2015 (from January 1, 2015 to December 31, 2015)
Valuation difference on available-for-sale securities:		
Amount accrued	(¥82,731)	(¥7,519)
Reclassification adjustment	-	¥22,764
Before tax	(¥82,731)	¥15,244
Tax effects	¥29,485	(¥3,724)
Valuation difference on available-for-sale securities	(¥53,245)	¥11,519
Foreign currency translation adjustment:		
Amount accrued	(¥71,733)	¥26,946
Share of other comprehensive income of associates accounted for using equity method		
Amount accrued	(¥5,101)	(¥3,560)
Total other comprehensive income	(¥130,080)	¥34,905

(Notes to consolidated statements of changes in net assets)

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	8.00	December 31, 2013	March 26, 2014
Meeting of Board of Directors held on July 29, 2014	Common stock	356,985	8.00	June 30, 2014	September 19, 2014

(2) Among dividends for which the record date falls within this fiscal year, the dividend for which the effective date of payment falls in the following 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	11.00	December 31, 2014	March 26, 2015

Fiscal 2015 (from January 1, 2015 to December 31, 2015)

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	-	82,000	2,958,800
Total	3,040,800	-	82,000	2,958,800

(Note) The decrease of 82,000 shares in the number of treasury shares among common stock shares occurred due to exercise of stock options.

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, 2015	Common stock	490,855	11.00	December 31, 2014	March 26, 2015
Meeting of Board of Directors held on July 29, 2015	Common stock	424,699	9.50	June 30, 2015	September 18, 2015

(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 following 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 22, 2016	Common stock	603,520	Retained earnings	13.50	December 31, 2015	March 23, 2016

(Segment information)

a. 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 services 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 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	21,688,601	4,012,729	4,254,648	4,468,485	34,424,465	-	34,424,465	-	34,424,465
Inter-segment sales or transfer	4,665	1,485	3,405	4,005	13,562	-	13,562	(13,562)	-
Total	21,693,266	4,014,214	4,258,054	4,472,491	34,438,027	-	34,438,027	(13,562)	34,424,465
Segment income (loss)	4,011,368	341,994	(13,969)	(35,110)	4,304,282	(750)	4,303,532	39,111	4,342,643
Segment assets	14,740,668	2,846,310	1,716,237	771,197	20,074,414	1,709,383	21,783,797	(81,152)	21,702,644
Other items									
Depreciation	330,518	54,183	12,629	33,939	431,271	-	431,271	(17,279)	413,991
Amortization of goodwill	46,170	49,054	161,989	-	257,213	-	257,213	-	257,213
Increase in property, plant and equipment and intangible assets	142,705	102,901	4,758	63,567	313,932	-	313,932	(56,552)	257,380

- (Notes) 1. "Other," a segment not included in the reportable segments, includes securities investment, holding, and management activities.
2. "Adjustment" to segment income (loss) of ¥39,111 thousand and "adjustment" to segment assets of (¥81,152) thousand are adjustments to inter-segment transactions.
3. Segment income (loss) is adjusted with operating income in consolidated financial statements.

Fiscal 2015 (from January 1, 2015 to December 31, 2015)

(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	21,576,588	4,336,735	4,912,353	4,467,744	35,293,422	-	35,293,422	-	35,293,422
Inter-segment sales or transfer	12,805	18,926	832	6,115	38,679	-	38,679	(38,679)	-
Total	21,589,393	4,355,662	4,913,185	4,473,860	35,332,102	-	35,332,102	(38,679)	35,293,422
Segment income (loss)	4,647,727	319,721	(122,680)	10,841	4,855,609	(38,705)	4,816,904	52,315	4,869,219
Segment assets	15,334,548	2,671,988	2,319,933	568,231	20,894,701	1,942,379	22,837,081	(8,121)	22,828,959
Other items									
Depreciation	350,842	59,262	6,797	37,225	454,128	-	454,128	(20,703)	433,425
Amortization of goodwill	-	107,328	188,630	38	295,998	-	295,998	-	295,998
Increase in property, plant and equipment and intangible assets	189,536	100,285	17,716	16,513	324,052	-	324,052	-	324,052

- (Notes) 1. "Other," a segment not included in the reportable segments, includes securities investment, holding, and management activities.
2. "Adjustment" to segment income (loss) of ¥52,315 thousand and "adjustment" to segment assets of (¥8,121) thousand are adjustments to inter-segment transactions.
3. Segment income (loss) is adjusted with operating income in consolidated financial statements.

4. Matters related to changes in reportable segments

(Changes in reportable segments)

The business of Future Inspace, Inc., which was included in “Package and Service Business” in the previous consolidated fiscal year, is included in “IT Consulting Business” effective from the consolidated fiscal year under review, because operation and maintenance services for the Company’s clients became the main business of the company from the first quarter of the consolidated fiscal year under review.

Besides, the business of Life Science Computing Corporation, which was included in “IT Consulting Business” in the previous consolidated fiscal year, is included in “Package and Service Business” effective from the consolidated fiscal year under review, because cloud computing services of electronic medical records for clinics increased.

Segment information for the previous consolidated fiscal year was stated based on the new classification of reportable segments.

b. Related information

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

1. Information by product and service

Presentation is omitted since comparable information is disclosed in segment information.

2. Information by region

(1) Net sales

Presentation is omitted because sales to external customers in Japan accounted for over 90% of net sales shown in consolidated statements of income.

(2) Property, plant and equipment

Presentation is omitted because the value of property, plant and equipment in Japan accounted for over 90% of that of property, plant and equipment shown in consolidated balance sheets.

3. Information by principal customer

Presentation is omitted because no external customer of the Company accounted for 10% or more of net sales shown in consolidated statements of income.

Fiscal 2015 (from January 1, 2015 to December 31, 2015)

1. Information by product and service

Presentation is omitted since comparable information is disclosed in segment information.

2. Information by region

(1) Net sales

Presentation is omitted because sales to external customers in Japan accounted for over 90% of net sales shown in consolidated statements of income.

(2) Property, plant and equipment

Presentation is omitted because the value of property, plant and equipment in Japan accounted for over 90% of that of property, plant and equipment shown in consolidated balance sheets.

3. Information by principal customer

(in thousands of yen)

Customer name	Net sales	Related segment
SG Systems Co., Ltd.	3,614,314	IT Consulting Business

c. Information on noncurrent asset impairment losses by reportable segment

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

(in thousands of yen)

	Reportable segments					Other	Total	Corporate or elimination	Amount stated in financial statements
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalization Business	Total				
Impairment loss	4,335	5,891	2,810	-	13,037	-	13,037	-	13,037

Fiscal 2015 (from January 1, 2015 to December 31, 2015)

(in thousands of yen)

	Reportable segments					Other	Total	Corporate or elimination	Amount stated in financial statements
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalization Business	Total				
Impairment loss	2,368	-	-	158,978	161,347	-	161,347	-	161,347

d. Information on amortization and unamortized balance of goodwill by reportable segment

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

(Goodwill)

(in thousands of yen)

	Reportable segments					Other	Total	Corporate or elimination	Total
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalization Business	Total				
Amortization during the period	46,170	49,054	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

Fiscal 2015 (from January 1, 2015 to December 31, 2015)

(Goodwill)

(in thousands of yen)

	Reportable segments					Other	Total	Corporate or elimination	Total
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalization Business	Total				
Amortization during the period	-	107,328	188,630	38	295,998	-	295,998	-	295,998
Balance at the end of the period	-	214,657	754,175	424	969,257	-	969,257	-	969,257

e. Information on gain on bargain purchase by reportable segment

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

Not applicable.

Fiscal 2015 (from January 1, 2015 to December 31, 2015)

Not applicable.

(Per share data)

	Fiscal 2014 (from January 1, 2014 to December 31, 2014)	Fiscal 2015 (from January 1, 2015 to December 31, 2015)
Net asset value per share	¥319.80	¥360.67
Net income per share	¥49.75	¥59.52
Net income per share (fully diluted)	-	¥59.50
	Net income per share (fully diluted) 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.	-

(Note) Net income per share and net income per share (fully diluted) is calculated based on the following:

	Fiscal 2014 (from January 1, 2014 to December 31, 2014)	Fiscal 2015 (from January 1, 2015 to December 31, 2015)
Net income per share		
Net income (thousands of yen)	2,220,084	2,659,733
Amount not available for common shareholders to common shares (thousands of yen)	-	-
Net income attributable to common shares (thousands of yen)	2,220,084	2,659,733
Average outstanding shares of common stock during the period (shares)	44,623,200	44,689,236
Net income per share (fully diluted)		
Net income adjustment (thousands of yen)	-	-
Increase in the number of common stock (shares)	-	11,411
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: 556 units) Common stock: 222,400 shares	-

(Significant subsequent events)

Not applicable.

(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.

6. Non-consolidated Financial Statements

(1) Balance sheets

	(in thousands of yen)	
	Fiscal 2014 (December 31,2014)	Fiscal 2015 (December 31,2015)
Assets		
Current assets		
Cash and deposits	6,211,656	7,051,723
Notes receivable - trade	3,995	-
Accounts receivable - trade	3,417,649	3,307,571
Work in process	140,652	-
Prepaid expenses	345,383	357,535
Deferred tax assets	187,265	108,373
Accounts receivable - other	1,498,505	1,491,045
Other	44,037	12,391
Total current assets	11,849,146	12,328,640
Non-current assets		
Property, plant and equipment		
Buildings	258,196	217,865
Tools, furniture and fixtures	264,299	238,080
Land	5,430	5,430
Total property, plant and equipment	527,926	461,376
Intangible assets		
Trademark right	827	2,006
Software	496,320	377,065
Other	10,810	10,810
Total intangible assets	507,958	389,882
Investments and other assets		
Investment securities	904,206	896,025
Shares of subsidiaries and associates	1,606,601	1,530,088
Investments in capital of subsidiaries and associates	-	24,979
Long-term loans receivable from subsidiaries and associates	3,592,589	4,889,246
Deferred tax assets	298,616	123,169
Lease and guarantee deposits	890,198	892,677
Other	15,236	58,711
Allowance for doubtful accounts	(1,805,462)	(2,071,323)
Total investments and other assets	5,501,985	6,343,574
Total non-current assets	6,537,870	7,194,832
Total assets	18,387,016	19,523,473

(in thousands of yen)

	Fiscal 2014 (December 31,2014)	Fiscal 2015 (December 31,2015)
Liabilities		
Current liabilities		
Accounts payable - trade	474,362	382,020
Accounts payable - other	743,157	447,369
Accrued expenses	601	582
Income taxes payable	1,057,455	952,782
Accrued consumption taxes	432,269	321,066
Deposits received	262,461	265,503
Unearned revenue	189,065	161,334
Provision for quality assurance	189,351	85,623
Provision for loss on projects	78,500	-
Total current liabilities	3,427,224	2,616,282
Non-current liabilities		
Long-term loans payable	1,000,000	1,000,000
Asset retirement obligations	276,792	277,118
Total non-current liabilities	1,276,792	1,277,118
Total liabilities	4,704,017	3,893,401
Net assets		
Shareholders' equity		
Capital stock	1,421,815	1,421,815
Capital surplus		
Legal capital surplus	2,495,772	2,495,772
Other capital surplus	-	11,990
Total capital surplus	2,495,772	2,507,763
Retained earnings		
Legal retained earnings	27,748	27,748
Other retained earnings		
Retained earnings brought forward	11,244,825	13,138,996
Total retained earnings	11,272,573	13,166,745
Treasury shares	(1,540,983)	(1,499,428)
Total shareholders' equity	13,649,178	15,596,896
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	33,821	33,175
Total valuation and translation adjustments	33,821	33,175
Total net assets	13,682,999	15,630,071
Total liabilities and net assets	18,387,016	19,523,473

(2) Non-consolidated statements of income

(in thousands of yen)

	Fiscal 2014 (from January 1, 2014 to December 31, 2014)	Fiscal 2015 (from January 1, 2015 to December 31, 2015)
Net sales	19,727,334	19,017,880
Cost of sales	12,241,460	10,926,176
Gross profit	7,485,873	8,091,704
Selling, general and administrative expenses	3,484,687	3,725,843
Operating income	4,001,186	4,365,861
Non-operating income		
Interest income	22,998	27,566
Dividend income	398,716	282,612
Group management expense	14,176	26,278
Foreign exchange gains	142,047	-
Other	2,491	2,662
Total non-operating income	580,430	339,119
Non-operating expenses		
Interest expenses	8,516	7,698
Foreign exchange losses	-	8,461
Contributions	-	30,000
Other	1,237	172
Total non-operating expenses	9,754	46,332
Ordinary income	4,571,862	4,658,648
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	-	131,951
Gain on sales of investment securities	-	22,599
Gain on sales of non-current assets	56,552	-
Total extraordinary income	56,552	154,551
Extraordinary losses		
Provision of allowance for doubtful accounts	744,888	265,860
Loss on valuation of shares of subsidiaries and associates	168,702	15,719
Debt waiver loss from subsidiaries and associates	1,589	-
Total extraordinary losses	915,180	281,579
Income before income taxes	3,713,233	4,531,619
Income taxes - current	1,690,194	1,464,624
Income taxes - deferred	(241,570)	257,268
Total income taxes	1,448,623	1,721,893
Net income	2,264,609	2,809,726

Statement of cost of sales

(in thousands of yen)

Item	Note	Fiscal 2014 (from January 1, 2014 to December 31, 2014)		Fiscal 2015 (from January 1, 2015 to December 31, 2015)	
		Amount	Ratio (%)	Amount	Ratio (%)
Details of manufacturing cost					
I Labor expenses					
1. Salaries and bonuses		4,929,116		4,746,252	
2. Welfare expenses		660,684	5,589,800	660,528	5,406,781
II Subcontract expenses					50.6
1. Subcontract expenses		4,833,405	4,833,405	4,036,540	4,036,540
II Subcontract expenses					37.8
III Overheads					
1. Transportation expenses		421,311		394,471	
2. Depreciation		282,569		302,723	
3. Rent expenses		564,417		473,084	
4. Supplies expenses		86,322		40,998	
5. Provision (reversal) of allowance for quality assurance		189,351		(103,728)	
6. Reversal of allowance for loss on projects		(95,100)		(78,500)	
7. Other		202,946	1,651,818	205,399	1,234,450
Total manufacturing expenses in the period			12,075,024		10,677,772
Work in process at the beginning of the period			-		140,652
Total			12,075,024		10,818,424
Work in process at the end of the period			140,652		-
Transfer to other account			15,422		2,217
Cost of sales			11,918,949		10,816,207
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			321,776		109,969
Purchase of finished goods			-		-
Total			322,511		109,969
Commodities inventories at the end of the period			-		-
Product inventories at the end of the period			-		-
Cost of merchandise and finished goods			322,511		109,969
Cost of sales			12,241,460		10,926,176

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

Item	Fiscal 2014 (from January 1, 2014 to December 31, 2014)	Fiscal 2015 (from January 1, 2015 to December 31, 2015)
Transfer to selling, general and administrative expenses (thousand yen)	10,622	2,115
Other (thousand yen)	4,800	101
Total (thousand yen)	15,422	2,217

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

7. Other
- (1) Changes in Directors
Not applicable.
- (2) Other
Orders received

(in thousands of yen)

	Fiscal 2014 (from January 1, 2014 to December 31, 2014)		Fiscal 2015 (from January 1, 2015 to December 31, 2015)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting Business	20,664,389	5,919,741	22,546,589	7,134,669
Package & Service Business	4,352,610	1,393,026	4,131,303	942,666
New Media & Web Service Business	305,382	12,891	374,083	69,607
Total	25,322,382	7,325,658	27,051,975	8,146,943

- (Notes) 1. Business segments were changed in the consolidated fiscal year under review, and the amounts for the previous consolidated fiscal year were stated based on the new classification of reportable segments.
2. Orders received include adjustments for exchange rate fluctuations.