Consolidated Summary Report of Operating Results for Fiscal 2016 (Year ended December 2016) [Japan GAAP]

February 7, 2017

Company name:	Future Architect, Inc.
Shares listed on:	First Section of Tokyo Stock Exchange
Security code number:	4722
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Scheduled date of annual general shareholders' meeting: March 28, 2017
Scheduled date for distribution of dividend payments: March 29, 2017
Scheduled date for filing the securities report: March 29, 2017
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 2016 (January 1, 2016 to December 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2016	33,653	(4.6)	3,642	(25.2)	3,589	(25.8)	2,208	(17.0)
Fiscal 2015	35,293	2.5	4,869	12.1	4,836	11.8	2,659	19.8

(Note) Comprehensive income Fiscal 2016: 2,299 million yen (-16.2%) Fiscal 2015: 2,742 million yen (24.6%)

	Profit per share	Profit per share (fully diluted)	Return on equity	Ratio of ordinary income to total assets	Operating income ratio
	Yen	Yen	%	%	%
Fiscal 2016	49.40	49.40	13.2	15.6	10.8
Fiscal 2015	59.52	59.50	17.3	21.7	13.8

(Reference) Equity in (earnings) losses of affiliates Fiscal 2016: (30) million yen Fiscal 2015: 23 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2016	23,063	17,331	75.0	387.04
Fiscal 2015	22,828	16,301	70.6	360.67

(Reference) Shareholders' equity Fiscal 2016: 17,302 million yen Fiscal 2015: 16,123 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 2016	3,268	(24)	(1,240)	11,761
Fiscal 2015	2,878	(749)	(941)	9,757

2. Dividends

	Dividends per share (yen)					Annual dividends (Total)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of the first quarter dividend	End of the second quarter dividend	End of the third quarter dividend	Year-end dividend	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal 2015	-	9.50	-	13.50	23.00	1,028	38.6	6.8
Fiscal 2016	-	12.50	-	12.50	25.00	1,117	50.6	6.7
Fiscal 2016 (Forecast)	-	12.50	-	12.50	26.00		42.5	

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3. Projected Consolidated Results for Fiscal 2017 (January 1, 2017 to December 31, 2017)

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months (accumulated total)	17,710	2.8	1,835	(5.3)	1,850	(2.6)	1,171	3.7	26.19
Full year	36,830	9.4	4,500	23.5	4,520	25.9	2,735	23.8	61.18

* 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) Future Architect, Inc. Exclusion: 1 company (company names) Uoei Corporation

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

a. Change in accounting policies in accordance with revision of accounting standards : Yes

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)	Fiscal 2016	47,664,000 shares	Fiscal 2015	47,664,000 shares
b. Total treasury shares as of the end of the period	Fiscal 2016	2,958,872 Shares	Fiscal 2015	2,958,800 shares
c. Average number of outstanding stocks during the period under review	Fiscal 2016	44,705,147 shares	Fiscal 2015	44,689,236 shares

(Reference) Overview of non-consolidated results

1. Non-consolidated Results for Fiscal 2016 (January 1, 2016 to December 31, 2016)

(1) Non-consolidated operating results

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2016	5,841	(69.3)	1,359	(68.9)	1,572	(66.2)	180	(93.6)
Fiscal 2015	19,017	(3.6)	4,365	9.1	4,658	1.9	2,809	24.1

	Profit per share	Profit per share (fully diluted)
	Yen	Yen
Fiscal 2016	4.04	-
Fiscal 2015	62.87	62.86

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2016	16,538	14,650	88.6	327.71
Fiscal 2015	19,523	15,630	80.1	349.63

(Reference) Shareholders' equity Fiscal 2016: 14,650 million yen Fiscal 2015: 15,630 million yen

(Note) The Company shifted to a holding company structure effective April 1, 2016. Therefore, non-consolidated earnings results for the period ended December 2016 do not coincide with those for the period ended December 2015.

* 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.

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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 2016 (from January 1, 2016 to December 31, 2016) are as follows:

Net Sales	¥33,653 million	(down 4.6% year-on-year)
Operating income	¥3,642 million	(down 25.2% year-on-year)
Ordinary income	¥3,589 million	(down 25.8% year-on-year)
Profit attributable to owners of parent	¥2,208 million	(down 17.0% year-on-year)

The details of the performance of each business segment are as follows.

1. IT Consulting Business

Net sales in Japan for FY2016 stayed flat year-on-year, which was due to the postponement or cancellation of projects by some financial institutions reflecting the zero-interest-rate policy and a failure to acquire an order from a prospective client, while revenue from projects related to upgrading and integrating IT systems at major customers in the distribution and service sectors increased and multiple regional banks introduced financial cloud computing services (SKYBANK). Segment sales decreased by 2.6% year-on-year due to termination and disposition of operations of subsidiaries in Southeast Asia.

Meanwhile, the quality of projects improved and operation was streamlined by utilizing the Group's unique project monitoring and management methods (FUTURE NASA and Future fraqta). However, segment operating income decreased by 626 million yen year-on-year due to an increase in expenses for personnel, training, and the hiring of more new graduates.

Consequently, net sales of this segment for FY2016 stood at 21,164 million yen, down 2.6% year-on-year, and its operating income amounted to 3,979 million yen, down 13.6% year-on-year.

2. Package & Service Business

Despite the increase in orders acquired after the third quarter and the recovery of both net sales and operating income, FutureOne Inc. ("FutureOne") posted a year-on-year decrease in both net sales and operating income for the cumulative period as sales decreased because new order intake did not advance during the first half of the year due to quality issues in some projects and the Company's reorganization of unprofitable business units.

Micro CAD Co., Ltd. ("Micro CAD") posted a year-on-year decrease in both net sales and operating income for the cumulative FY2016 due to delays until the third quarter of the official start of multiple projects, in spite of the recovery of sales and profit of its comprehensive intellectual property management system as well as system development for the manufacturing sector in the fourth quarter.

Consequently, net sales of this segment for FY2016 stood at 3,591 million, down 17.5% year-on-year, and operating loss, which reflected the amortization of goodwill, amounted to 75 million yen against operating income of 241 million yen a year earlier.

3. New Media & Web Service Business

eSPORTS Co., Ltd. ("eSPORTS") posted a year-on-year increase in net sales and operating income because sales of private brand outdoor goods, sportswear and shoes performed strongly, although the Company ceased to distribute fitness-related goods, which recorded significant sales in the previous fiscal year.

Tokyo Calendar Inc. ("Tokyo Calendar") increased revenue from advertising, including an acquisition of a large project tied to a web-linked magazine, thanks to its 30 million monthly page views in December, which represents a tripling over the past one year. Meanwhile, operating loss for the cumulative period expanded due to an expense recorded for reorganization in preparation for future business expansion.

Newly launched businesses, including an online and offline programming education service by CodeCamp Inc. ("CodeCamp"), posted higher upfront investment costs related to the preparation for the provision and marketing of the new services. Consequently, operating loss expanded while net sales increased.

As a result, net sales for the cumulative period stood at 5,658 million yen, up 15.2% year-on-year, and operating loss after reflecting the amortization of goodwill amounted to 384 million yen against an operating loss of 150 million yen a year earlier.

4. Corporate Revitalization Business

The Group excluded Uoei Corporation ("Uoei") and its subsidiaries from the scope of consolidation as of the end of the third quarter because it transferred all the shares of Uoei effective September 7, 2016. As a result, net sales and operating income of this segment until the third quarter were 3,395 million yen and 33 million yen, down 1,078 million yen and up 22 million yen against the results of the cumulative consolidated period of a year earlier, respectively.

Note: Segment business results stated in the paragraphs above are before adjusting for internal sales and transfers among segments. Effective April 1, 2016, the Company shifted to a holding company structure to realign its organizational platform. Accordingly, starting from the second quarter under review, we shifted to a method of: 1) recording, as costs under segment income adjustment, Group operation costs, which were previously included in the costs of the IT Consulting Business; and 2) recording business outsourcing service fees and group growth subsidies received from individual Future Group companies as income under segment income adjustments. Year-on-year changes were calculated for comparison upon adjusting the values for the previous consolidated fiscal year for the post-segment change categorization and measurement methods.

(Outlook for the next fiscal year)

The Group's earnings forecast for the fiscal year ending December 2017 is as follows.

Net sales	¥36,830 million	(up 9.4% year-on-year)
Operating income	¥4,500 million	(up 23.5% year-on-year)
Ordinary income	¥4,520 million	(up 25.9% year-on-year)
Profit attributable to owners of parent	¥2,735 million	(up 23.8% year-on-year)

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

1. IT Consulting Business

In the fiscal year ending December 2017, the Group will integrate "IT Consulting Business" and "Package & Service Business" into "IT Consulting & Service Business" and advance business in order to strengthen collaboration among subsidiaries and further improve synergistic effects by taking advantage of a holding company structure.

Strategies for the fiscal year ending December 2017 are as follows:

i) Provision of the Group's unique added value

The Group strives to contribute to customers' business renovations through the provision of our unique added value as follows.

- Providing consistent services from grand design to detailed design, development, maintenance and operation by using cutting-edge information technology (IT) and components made in-house, which enable data processing in real time (Future Component), while considering business innovation, operational reform, and system improvement as a three-part initiative

- Scientifically analyzing legacy IT systems which have been made into black boxes, and renovating customers' complex and multi-layered core systems using a unique method of reconstruction into the latest open system (Future Formula)

- Designing and developing high quality systems in short time by utilizing a proprietary project-monitoring and management method (FUTURE NASA and Future fraqta)

ii) Development of new technology that produces innovation

We will pursue research and development of the latest IT systems that are more sophisticated and tap into AI, IoT and big data in order to develop next-generation architecture using these new technologies, while making greater contributions to customers' business innovation such as realization of a smart factory.

iii) Expansion of application cloud service

In addition to financial cloud computing services for banks (SKYBANK), which have already been introduced by many customers, the Group will start conducting consultation for major banks and large-sized regional banks in the next fiscal year. Distribution cloud systems tailored to retail chains (SKYRETAIL) have acquired a customer and we're in the development phase toward a release in 2017.

iv) Collaboration and synergy generated among subsidiaries

Effective January 5, 2017, the Company acquired 81% of the issued shares of YDC Corporation, renowned for its experience in system consultation and development for the manufacturing sector, from Yokogawa Electric Corporation, and made it a consolidated subsidiary. Through this we will enhance collaboration among Future Architect, Micro CAD and YDC through mutual provision of their advanced knowledge, solutions, and technical/development capabilities, and enable the provision of higher added value to customers.

FutureOne aims for a recovery in sales and profit by the release of a new brand ERP package "InfiniOne" which has enhanced compatibility with cloud, multi-database, and multi-language environment as well as expanded sector-specific templates, and by expanding sales distribution channels through alliances with external business partners. It will also strengthen collaboration among subsidiaries, including Future Architect, to widen its customer base and improve solutions.

2. New Media & Web Service Business

eSPORTS will promote strategic purchases of casual sportswear and shoes according to consumer needs, planning for unique private brand products and expansion of its EC site's operations, thus growing sales and profits. It will advance development of an already launched online fitness service Pocket Gym (Pockegym) to provide not only goods but also services for potential health-conscious customers. In addition, with Tokyo Calendar, it will jointly develop an EC and distribute a developed app for PockeGym to customers.

Tokyo Calendar has obtained support from users and tripled the number of page views in a single year by providing, in a new web-based form using Future Group's information technology, its high-quality content-generating capabilities acquired through magazine media, and thus saw an increase in advertising-related income and sales. Looking ahead, the company aims to acquire more users by planning, producing and distributing its own video content. The company will also develop another subscription service on top of "TOCALE NIGHT," and an offline restaurant event that attracted a lot of participants, aiming to establish a new marketing platform based on an analysis of customer behaviors and motivations.

CodeCamp will work on expanding its profit base and turning positive for the cumulative period by offering more online programming education services to corporations and increasing sales from new services such as "TORAKAJI," a new business school focusing on UI/UX, data analysis, prototyping, and other technologies, and "CodeIncubate," an engineer cultivation program for job seekers.

(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 ¥23,063 million (up 1.0% year-on-year)

Liabilities ¥5,732 million (down 12.2% year-on-year)

Net assets ¥17,331 million (up 6.3% year-on-year)

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

(1) Assets

Current assets were ¥19,159 million on a consolidated basis at the end of the fiscal year under review, up ¥1,463 million from the preceding year, and non-current assets amounted to ¥3,904 million, down ¥1,228 million, with total assets standing at ¥23,063 million, up ¥234 million. The main underlying factors were a fall in investment securities (a decrease of ¥319 million from the end of the previous fiscal year), goodwill (a decrease of ¥618 million) and land (a decrease of ¥75 million), despite an increase in cash and deposits (an increase of ¥2,111 million from the end of the previous fiscal year) and merchandise and finished goods (an increase of ¥107 million).

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

(2) Liabilities

Current liabilities were ¥4,457 million at the end of the fiscal year under review, down ¥624 million from the preceding year, and noncurrent liabilities were ¥1,274 million, down ¥170 million, which brought total liabilities to ¥5,732 million, down ¥794 million. The main factors included a fall in accounts payable - trade (a decrease of ¥436 million from the end of the previous consolidated fiscal year) and income taxes payable (a decrease of ¥360 million).

(3) Net assets

Net assets were ¥17,331 million at the end of the fiscal year under review, up ¥1,029 million from the preceding year. The main factors included an increase of retained earnings (an increase of ¥1,045 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 ¥3,268 million (compared to an inflow of ¥2,878 million in the previous fiscal year), chiefly due to payment of income taxes paid of ¥1,747 million despite the posting of income before income taxes of ¥33.92 million and an inflow of ¥575 million due to a decrease in notes and accounts receivable - trade.

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

Net cash from investing activities was an outflow of ¥24 million (compared to an outflow of ¥749 million in the previous fiscal year), chiefly due to sale of shares of subsidiaries resulting in change in scope of consolidation of ¥243 million and sale of investment securities of ¥194 million despite the posting of an outflow due to purchase of property, plant and equipment of ¥127 million and an outflow due to reversal of lease and guarantee deposits of ¥270 million.

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

Net cash from financing activities was an outflow of ¥1,240 million (compared to an outflow of ¥941 million in the previous fiscal year), mainly reflecting payments for cash dividends paid of ¥1,160 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 ¥11,761 million, with an increase of ¥2,004 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 account the state of its accounting period profit and loss, cash flows and treasury stock purchasing while placing shareholder return as its priority management issue and securing a proper level of internal reserves for the organization to continue growing in a sustainable manner.

The Company plans to apply a dividend payout ratio standard of at least 35% of consolidated earnings.

Under the above-mentioned policy, we plan to pay a year-end dividend of surplus for the fiscal year ended December 31, 2016 of ¥12.50 per share. The full fiscal year dividend comprising the year-end dividend and the previously-paid interim dividend is expected to be ¥25.00 yen per share (consolidated dividend payout ratio of 50.6%).

The Company’s planned payment of dividends of surplus for the next fiscal year is ¥26.00 yen per share (interim dividend of ¥13.00).

2. The Future Group

The Group (the Company and its related companies) has introduced a holding company structure, and consists of 16 consolidated subsidiaries and five equity-method affiliates as of December 31, 2016.

The Company, as a holding company, establishes the Group's growth strategy, monitors management of the Group companies, and provides specialty service to these companies. Details of the business segments of the Group and how major related companies in charge are positioned in the relevant segment are as follows, accompanied with a flow chart of the segments.

(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. (subsidiary)	Using its advanced information technology, Future Architect, Inc. offers IT consulting, hardware and other procurement services from an objective and independent position.
Future Inspace, Inc. (subsidiary)	Consigned development, and maintenance and operation services

(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 EC site development
Micro CAD Co., Ltd. (subsidiary)	Development, sales and maintenance of and support for intellectual property management software packages, and consigned development of design management systems for manufacturers
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.

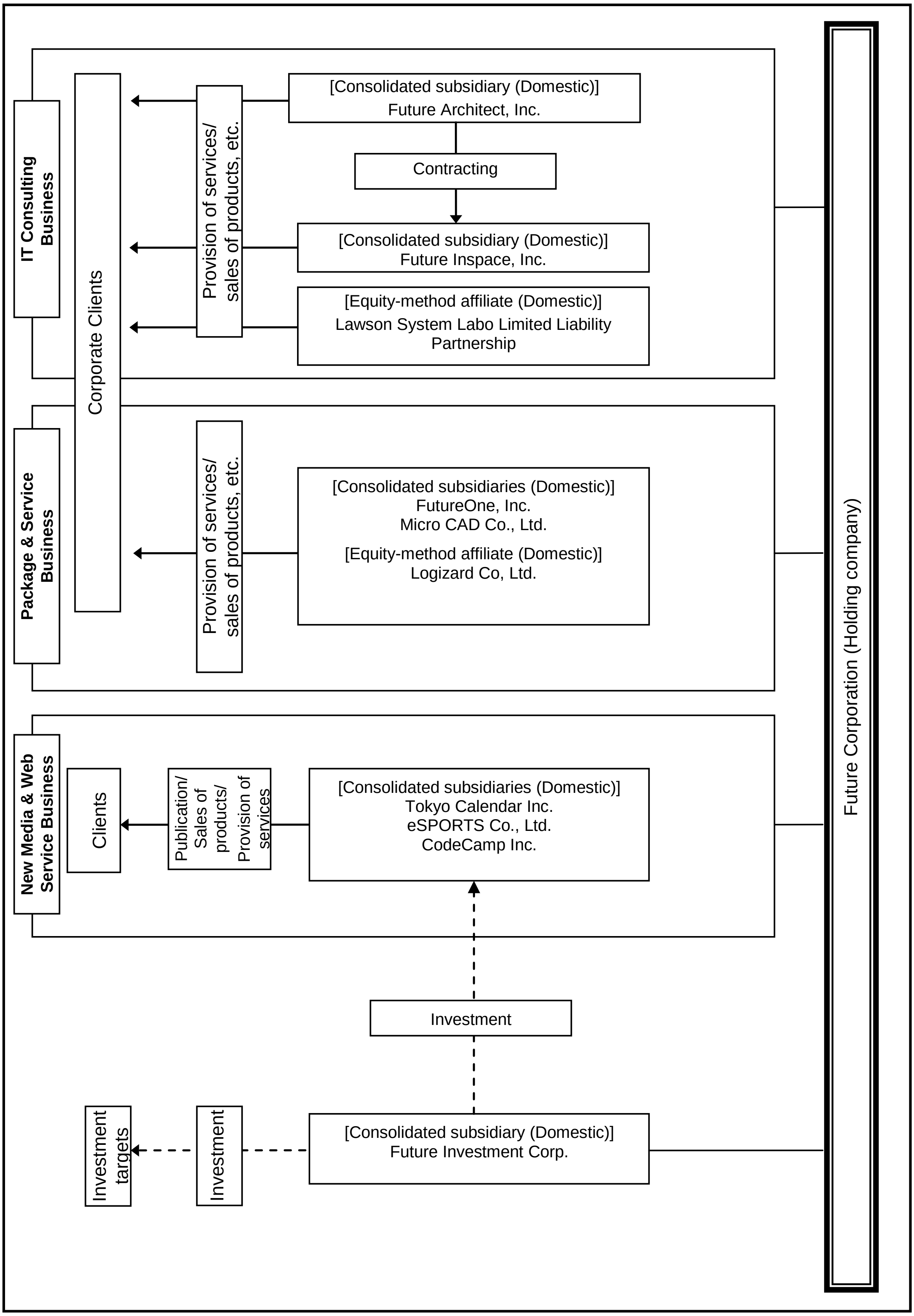
Company name	Business activities
eSPORTS Co., Ltd. (subsidiary)	Sales of sports, outdoor and fitness gear on the Internet
Tokyo Calendar Inc. (subsidiary)	Publication of the magazine "Tokyo Calendar," provision of information using websites and smartphone applications, and services including reservations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

Among affiliated companies engaged in businesses that are not included in the three 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>



3. Management Policy

(1) Basic corporate tenets and management strategies

The basic tenet of the Group 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 the core of its medium- and long-term management strategies. We also strive to expand business by providing an original service backed by the advanced IT knowledge and know-how cultivated by the Company.

In addition, we are striving to make all employees share and understand the basic tenets of the Group 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:

[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 to 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.

(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.

(3) Issues the Company faces

1) Enhancement of a support infrastructure for scientific project management [IT Consulting Business]

The Group is strengthening its project management capabilities, which it positions as an important management issue, and constantly enhances its proprietary tools that are equipped with functions to automatically create and check source codes and documents and thoroughly promotes training for consultants. Going forward, we will further promote more efficient and scientific project management.

2) Improving project quality [IT Consulting Business]

We will evolve the system of visualizing the status of projects in real time by improving the proprietary project information-sharing system and monitoring system, and 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 [All businesses in the four reportable segments]

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 in subsidiaries 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 IoT, AI and data analysis, while simultaneously applying R&D results to actual projects, instead of merely learning such technologies by establishing dedicated departments and assigning personnel to them.

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

As for the Package & Service Business, 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, while working to expand sales channels by developing partners.

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

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

4. Basic Approach to Selection of Accounting Standards

Taking into consideration the comparability of consolidated financial statements among enterprises, the Group prepares consolidated financial statements under Japanese GAAP.
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, 2015)	Consolidated fiscal year under review (December 31, 2016)
Assets		
Current assets		
Cash and deposits	9,650,136	11,761,815
Notes and accounts receivable - trade	5,020,960	4,242,997
Securities	108,689	1,800
Merchandise and finished goods	688,591	796,354
Work in process	34,892	59,435
Deferred tax assets	216,495	197,714
Accounts receivable - other	1,415,805	1,549,740
Other	566,157	554,818
Allowance for doubtful accounts	(5,113)	(5,022)
Total current assets	17,696,614	19,159,655
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,346,284	855,840
Accumulated depreciation	(3,023,246)	(674,904)
Buildings and structures, net	323,037	180,935
Land	80,894	5,430
Other	2,189,531	1,840,179
Accumulated depreciation	(1,869,459)	(1,618,314)
Other, net	320,071	221,864
Total property, plant and equipment	724,003	408,230
Intangible assets		
Goodwill	969,257	350,312
Software	472,454	333,201
Other	23,175	18,855
Total intangible assets	1,464,887	702,369
Investments and other assets		
Investment securities	1,729,798	1,409,923
Lease and guarantee deposits	1,032,610	1,168,231
Deferred tax assets	132,819	191,330
Other	93,653	89,011
Allowance for doubtful accounts	(45,430)	(64,950)
Total investments and other assets	2,943,452	2,793,545
Total non-current assets	5,132,344	3,904,145
Total assets	22,828,959	23,063,800

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2015)	Consolidated fiscal year under review (December 31, 2016)
Liabilities		
Current liabilities		
Accounts payable - trade	1,303,659	866,932
Current portion of long-term loans payable	4,800	-
Accounts payable - other	742,063	795,562
Income taxes payable	1,243,548	883,527
Provision for bonuses	236,859	197,318
Provision for quality assurance	88,160	90,593
Provision for loss on projects	-	1,863
Asset retirement obligations	-	35,763
Other	1,463,012	1,586,389
Total current liabilities	5,082,101	4,457,951
Non-current liabilities		
Long-term loans payable	1,013,200	1,000,000
Asset retirement obligations	408,249	259,509
Other	23,921	15,097
Total non-current liabilities	1,445,370	1,274,607
Total liabilities	6,527,472	5,732,558
Net assets		
Shareholders’ equity		
Capital stock	1,421,815	1,421,815
Capital surplus	2,507,763	2,507,763
Retained earnings	13,756,812	14,802,799
Treasury shares	(1,499,428)	(1,499,494)
Total shareholders’ equity	16,186,962	17,232,883
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45,431	63,691
Deferred gains or losses on hedges	-	402
Foreign currency translation adjustment	(108,510)	5,798
Total accumulated other comprehensive income	(63,078)	69,892
Non-controlling interests	177,602	28,466
Total net assets	16,301,486	17,331,242
Total liabilities and net assets	22,828,959	23,063,800

(2) Consolidated statements of income and comprehensive income

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2015 to December 31, 2015)	Consolidated fiscal year under review (from January 1, 2016 to December 31, 2016)
Net sales	35,293,422	33,653,168
Cost of sales	21,638,095	20,233,354
Gross profit	13,655,326	13,419,813
Selling, general and administrative expenses		
Directors' compensations	374,863	374,562
Salaries and bonuses	3,626,521	3,958,914
Other salaries	236,958	239,258
Training expenses	234,919	300,130
Research and development expenses	154,158	332,440
Depreciation	105,320	93,739
Recruiting expenses	275,134	256,885
Amortization of goodwill	295,998	342,903
Other	3,482,232	3,878,187
Total selling, general and administrative expenses	8,786,107	9,777,023
Operating income	4,869,219	3,642,790
Non-operating income		
Interest income	3,138	1,949
Dividend income	33,750	33,382
Share of profit of entities accounted for using equity method	23,137	-
Other	19,735	15,866
Total non-operating income	79,762	51,198
Non-operating expenses		
Interest expenses	10,145	7,912
Foreign exchange losses	72,126	65,545
Share of loss of entities accounted for using equity method	-	30,786
Contributions	30,000	-
Total non-operating expenses	112,271	104,244
Ordinary income	4,836,710	3,589,743
Extraordinary income		
Gain on sales of investment securities	35,063	11,907
Gain on sales of shares of subsidiaries and associates	144,153	294,160
Total extraordinary income	179,216	306,067
Extraordinary losses		
Loss on valuation of investment securities	156,980	150,010
Loss on sales of share of subsidiaries and associates	-	808
Impairment loss	161,347	-
Provision of allowance for doubtful accounts	-	30,000
Amortization of goodwill	-	275,686
Loss on change in equity	9,343	1,270
Litigation expenses	-	33,000
Other	-	12,463
Total extraordinary losses	327,671	503,238
Income before income taxes and minority interests	4,688,256	3,392,572

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2015 to December 31, 2015)	Consolidated fiscal year under review (from January 1, 2016 to December 31, 2016)
Income taxes - current	1,948,709	1,242,257
Income taxes - deferred	32,369	(37,773)
Total income taxes	1,981,078	1,204,484
Profit	2,707,177	2,188,088
(Profit attributable to)		
Profit attributable to owners of parent	2,659,733	2,208,321
Profit (loss) attributable to non-controlling interests	47,444	(20,232)
Other comprehensive income		
Valuation difference on available-for-sale securities	11,519	(1,848)
Deferred gains or losses on hedges	-	97
Foreign currency translation adjustment	26,946	92,330
Share of other comprehensive income of entities accounted for using equity method	(3,560)	20,399
Total other comprehensive income	34,905	110,978
Comprehensive income	2,742,082	2,299,066
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,715,069	2,324,315
Comprehensive income attributable to non-controlling interests	27,013	(25,248)

(3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (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)
Profit attributable to owners of parent			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			Non-controlling 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)
Profit attributable to owners of parent					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

Consolidated fiscal year under review (from January 1, 2016 to December 31, 2016)

(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	2,507,763	13,756,812	(1,499,428)	16,186,962
Changes of items during the period					
Dividends from surplus			(1,162,334)		(1,162,334)
Profit attributable to owners of parent			2,208,321		2,208,321
Purchase of treasury shares				(66)	(66)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	1,045,986	(66)	1,045,920
Balance at the end of the period	1,421,815	2,507,763	14,802,799	(1,499,494)	17,232,883

	Valuation and translation adjustments				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance at the beginning of the period	45,431	-	(108,510)	(63,078)	177,602	16,301,486
Changes of items during the period						
Dividends from surplus						(1,162,334)
Profit attributable to owners of parentt						2,208,321
Purchase of treasury shares						(66)
Net changes of items other than shareholders' equity	18,260	402	114,308	132,971	(149,136)	(16,164)
Total changes of items during the period	18,260	402	114,308	132,971	(149,136)	1,029,755
Balance at the end of the period	63,691	402	5,798	69,882	28,466	17,331,242

(4) Consolidated statements of cash flows

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2015 to December 31, 2015)	Consolidated fiscal year under review (from January 1, 2016 to December 31, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes	4,688,256	3,392,572
Depreciation	433,425	418,015
Amortization of goodwill	295,998	618,590
Increase (decrease) in allowance for doubtful accounts	14,042	19,429
Increase (decrease) in provision for bonuses	31,571	(15,678)
Increase (decrease) in provision for quality assurance	(107,292)	2,433
Increase (decrease) in provision for loss on projects	(78,500)	1,863
Interest and dividend income	(36,889)	(35,331)
Interest expenses	10,145	7,912
Foreign exchange losses (gains)	76,619	67,187
Share of (profit) loss of entities accounted for using equity method	(23,137)	30,786
Loss (gain) on change in equity	9,343	1,270
Loss (gain) on sales of investment securities	(35,063)	(11,907)
Loss (gain) on valuation of investment securities	156,980	150,010
Impairment loss	161,347	-
Loss (gain) on sales of shares of subsidiaries and associates	(144,153)	(293,351)
Litigation expenses	-	33,000
Decrease (increase) in notes and accounts receivable - trade	(97,007)	575,411
Decrease (increase) in inventories	70,521	(245,836)
Increase (decrease) in notes and accounts payable - trade	(71,709)	(40,640)
Increase (decrease) in accounts payable - other	(314,251)	57,637
Decrease (increase) in other assets	(95,277)	(76,182)
Increase (decrease) in other liabilities	(149)	364,610
Subtotal	4,944,820	5,021,798
Interest and dividend income received	36,920	35,227
Interest expenses paid	(10,154)	(7,883)
Income taxes paid	(2,063,203)	(1,747,176)
Contributions paid	(30,000)	-
Litigation expenses paid	-	(33,000)
Net cash provided by (used in) operating activities	2,878,383	3,268,965

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2015 to December 31, 2015)	Consolidated fiscal year under review (from January 1, 2016 to December 31, 2016)
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	40,325	-
Purchase of property, plant and equipment	(183,473)	(127,389)
Purchase of intangible assets	(123,031)	(71,313)
Payments for asset retirement obligations	(5,426)	(5,839)
Purchase of investment securities	(348,373)	(30,000)
Proceeds from sales of investment securities	49,610	194,405
Purchase of shares of subsidiaries and associates	(10,255)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(248,571)	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	124,222	243,922
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(3,770)
Payments for investments in capital of subsidiaries and associates	(19,000)	-
Payments for lease and guarantee deposits	(19,391)	(270,728)
Proceeds from collection of lease and guarantee deposits	13,258	40,663
Other	(19,220)	5,177
Net cash provided by (used in) investing activities	(749,327)	(24,873)
Net cash provided by (used in) financing activities		
Repayments of long-term loans payable	(1,200)	(18,000)
Puechase of treasury shares	-	(66)
Proceeds from sales of treasury shares	53,546	-
Cash dividends paid	(915,212)	(1,160,875)
Dividends paid to non-controlling interests	(78,411)	(61,922)
Net cash provided by (used in) financing activities	(941,277)	(1,240,863)
Effect of exchange rate change on cash and cash equivalents	(45,372)	1,560
Net increase (decrease) in cash and cash equivalents	1,142,406	2,004,788
Cash and cash equivalents at beginning of the period	8,614,620	9,757,026
Cash and cash equivalents at end of the period	9,757,026	11,761,815

(5) Notes to consolidated financial statements

(Notes regarding the premise of surviving company)

Not applicable.

(Change in accounting policies)

(Application of accounting standards for business combinations)

"Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013; hereinafter "Business Combinations Accounting Standard"), "Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter "Consolidated Accounting Standard"), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013, hereinafter "Business Divestitures Accounting Standard") and other standards became applicable from the fiscal year ending December 31, 2016. Accordingly, the Group changed the accounting method to record the difference attributable to changes in the Company's ownership interest in its controlling subsidiaries as a capital surplus and acquisition-related expenses as costs for the fiscal year in which such expenses are incurred.

Regarding business combinations taking place after the beginning of the fiscal year ending December 31, 2016, the Company will adopt a method to reflect revised allocated acquisition costs determined by the provisional accounting treatment in the consolidated financial statements of the fiscal year in which the business combination takes place. In addition, the Company changed the presentation of profit and replaced the presentation of minority interests with that of non-controlling interests. The consolidated financial statements for the previous fiscal year were replaced by those reflecting the aforementioned changes.

The Company began to apply the Accounting Standard for Business Combinations and the like from the beginning of the fiscal year ending December 31, 2016 in conformity with the transitional treatment stipulated in the Accounting Standard for Business Combinations No. 58, Paragraph 2 (4), Accounting Standard for Consolidated Financial Statements No. 44, Paragraph 5 (4) and Business Divestiture Accounting Standard No. 57, Paragraph 4 (4).

The aforementioned application did not affect the consolidated financial statements for the fiscal year under review.

(Change of depreciation method)

For the fiscal year under review, the Company applied "Practical Solution on Depreciation Method Change Relating to Fiscal 2016 Tax Regime Revision" (ASBJ Practical Solution Report No. 32, June 17, 2016) in response to a revision made to the Corporation Tax Act, and the Company's depreciation method for buildings and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

This change had only a negligible effect on the consolidated statements of income for the fiscal year under review.

(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 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

   The accounting method applied to the above-mentioned business segments is a method in accordance with the accounting policy applied to the preparation of the consolidated financial statements.

   Income of reportable segments is based on operating income.

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

3. Matters related to changes in reportable segments

   (Changes in reportable segments)

   Effective April 1, 2016, the Company shifted to a holding company structure to realign its organizational platform. Accordingly, starting from the second quarter under review, we migrated to a method of. 1) recording, as costs under segment income adjustment, Group operation costs previously included in the costs of the IT Consulting Business; 2) recording business outsourcing service fees and group growth subsidies received from individual Future Group companies as income under segment income adjustment.

   As a result, for the fiscal year under review, segment income was higher for the IT Consulting Business by ¥24,758,000 and for the Adjustment by ¥69,526,000, and was lower for the Package & Service Business by ¥62,797,000 and for the New Media & Web Service Business by ¥31,488,000, than if the previous segment accounting treatment had been applied.

   Segment information shown above for the previous fiscal year is adjusted for the revised reporting segment categorization and measurement methods.

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

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	160,077	18,926	832	6,115	185,952	-	185,952	(185,952)	-
Total	21,736,666	4,355,662	4,913,185	4,473,860	35,479,374	-	35,479,374	(185,952)	35,293,422
Segment income (loss)	4,606,020	241,163	(150,294)	10,841	4,707,731	(38,125)	4,669,606	199,613	4,869,219
Segment assets	11,699,151	2,671,988	2,319,933	568,231	17,259,304	3,674,266	20,933,570	1,895,388	22,828,959
Other items									
Depreciation	347,124	59,262	6,797	37,225	450,410	-	450,410	(16,985)	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	120,498	100,285	17,716	16,513	255,014	-	255,014	-	324,052

(Notes) 1. "Other," a segment not included in the reportable segments, includes securities investment, holding, and management activities.

2. Adjustments to segment income (loss) and segment assets represent the amount of inter-segment transactions eliminated and income, expenses and assets of the holding company.

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

Fiscal 2016 (from January 1, 2016 to December 31, 2016)

(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	21,015,112	3,590,174	5,658,120	3,389,760	33,653,168	-	33,653,168	-	33,653,168
Inter-segment sales or transfer	149,687	1,512	157	6,030	157,388	-	157,388	(157,388)	-
Total	21,164,800	3,591,687	5,658,277	3,395,791	33,810,556	-	33,810,556	(157,388)	33,653,168
Segment income (loss)	3,979,869	(75,557)	(384,418)	33,135	3,553,029	(21,323)	3,531,705	111,084	3,642,790
Segment assets	12,324,958	2,316,259	2,002,323	-	16,643,541	3,655,897	20,299,439	2,764,360	23,063,800
Other items									
Depreciation	325,420	65,666	7,532	16,370	414,989	-	414,989	3,025	418,015
Amortization of goodwill	-	107,328	511,191	69	618,590	-	618,590	-	618,590
Increase in property, plant and equipment and intangible assets	92,027	33,764	7,083	-	132,876	-	132,876	8,296	141,173

(Notes) 1. "Other," a segment not included in the reportable segments, includes securities investment, holding, and management activities.

2. Adjustments to segment income (loss) and segment assets represent the amount of inter-segment transactions eliminated and income, expenses and assets of the holding company.

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

Related information

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

Fiscal 2016 (from January 1, 2016 to December 31, 2016)

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
Lawson, Inc.	4,463,837	IT Consulting Business
SG Systems Co., Ltd.	3,380,574	IT Consulting Business

Information on noncurrent asset impairment losses by reportable segment

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

Fiscal 2016 (from January 1, 2016 to December 31, 2016)

Not applicable.

Information on amortization and unamortized balance of goodwill by reportable segment

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

Fiscal 2016 (from January 1, 2016 to December 31, 2016)

(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	511,191	69	618,590	-	618,590	-	618,590
Balance at the end of the period	-	107,328	242,983	-	350,312	-	350,312	-	350,312

Information on gain on bargain purchase by reportable segment

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

Not applicable.

Fiscal 2016 (from January 1, 2016 to December 31, 2016)

Not applicable.

(Per share data)

	Fiscal 2015 (from January 1, 2015 to December 31, 2015)	Fiscal 2016 (from January 1, 2016 to December 31, 2016)
Net asset value per share	¥360.67	¥387.04
Profit per share	¥59.52	¥49.40
Profit 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 2015 (from January 1, 2015 to December 31, 2015)	Fiscal 2016 (from January 1, 2016 to December 31, 2016)
Profit per share		
Profit attributable to owners of parent (thousands of yen)	2,659,733	2,208,321
Amount not available for common shareholders to common shares (thousands of yen)	-	-
Profit attributable to owners of parent (thousands of yen)	2,659,733	2,208,321
Average outstanding shares of common stock during the period (shares)	44,689,236	44,705,147
Profit per share (fully diluted)		
Profit adjustment attributable to owners of parent (thousands of yen)	-	-
Increase in the number of common stock (shares)	11,411	-
(Stock acquisition rights (shares))	(11,411)	
Latent shares that have no dilution effect and thus are not included in the calculation of diluted profit per share	-	-

(Significant subsequent events)

Business combination through acquisition

The Company acquired 81% of the issued shares of YDC Corporation from Yokogawa Electric Corporation on January 5, 2017 under a Share Transfer Agreement that the Company executed with Yokogawa Electric Corporation as of December 6, 2016.

(1) Summary of the business combination

(i) Name of the acquired company and its business

Name of the acquired company: YDC Corporation

Description of business: Consulting, design and development of information systems
Sales, maintenance and operation of equipment and software licenses

(ii) Main reasons for the business combination

YDC, an IT service provider of Yokogawa Group, has a wealth of experience in the IT solution business, including development of core systems for production management and accounting for the manufacturing sector, provision of infrastructure technology services such as EDI and databases, provision of “YDC SONAR,” a solution for integrating and assessing quality information, and operational consultation “KYODO SOHATSU” in the design and development fields. In addition, YDC has many good customers mainly in the manufacturing sector in the Kansai and Chubu regions.

We acquired the shares of YDC Corporation because the acquisition of shares should synchronize YDC Corporation's profound manufacturer-related operational knowledge and IT service know-how that have been cultivated within Yokogawa Group and our Group's IT-related expertise and technical/developmental capabilities, which would eventually create services with higher added value and contribute to the Group's further growth.

(iii) Date of business combination
January 5, 2017

(iv) Legal form of business combination
Acquisition of shares

(v) Name of the combined company
YDC Corporation

(vi) Ratio of voting rights acquired
81%

(vii) Grounds for determining acquiring company
The Company's cash acquisition of shares

(2) Cost of the acquisition of the acquired company and the breakdown thereof

Value/type of consideration for the acquisition	Cash	¥2,187,000,000
Acquisition cost		¥2,187,000,000

(3) Amount of accrued goodwill, cause of accrual, amortization method, amortization period
Unable to confirm at present.

(4) Amounts of assets accepted and liabilities assumed on the date of business combination and the main components thereof
Unable to confirm at present.

(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. Other

(1) Changes in Directors
Not applicable.

(2) Other
Orders received

(in thousands of yen)

	Fiscal 2015 (from January 1, 2015 to December 31, 2015)		Fiscal 2016 (from January 1, 2016 to December 31, 2016)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting Business	22,546,589	7,134,669	20,204,627	6,325,629
Package & Service Business	4,131,303	942,666	3,842,826	1,195,318
New Media & Web Service Business	374,083	69,607	714,531	127,914
Total	27,051,975	8,146,943	24,761,985	7,648,861

(Notes) 1. Orders received include adjustments for exchange rate fluctuations.