SIOS

FY 2015 Financial Results〔Japanese Standards〕(Consolidated)

February 2, 2016

Name of listed company SIOS Technology, Inc. Listing exchange Tokyo Stock Exchange

Code number 3744 URL http://www.sios.com/

Representative (Title) Representative Director and President (Name) Nobuo Kita
Contact (Title) Managing Executive Officer (Name) Tokutato Kobayashi (TEL) 03-6401-5111

Scheduled date of annual shareholders meeting:March 29, 2016 Scheduled date of commencing dividend payment: ―
Scheduled date of submission of securities reports: March 30, 2016

Supplemental materials prepared for account settlement : Yes

Account settlement briefing : Yes (For institutional investors and analysts)

(Any fraction less than one million yen is rounded off)

1. Consolidated results (From January 1, 2015 through December 31, 2015)

(1) Consolidated financial results (% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2015	9,362	27.1	(111	―	(127	―	(179	―
FY 2014	7,367	11.2	65	(73.4	81	(69.3	39	(64.5

(Note) Comprehensive income FY 2015 -173million yen(―%) FY 2014 115million yen(-50.0%)

	Net income per share-Basic	Net income per share-Diluted	Return on equity	Ratio of ordinary income to total assets	Operating income ratio
	Yen	Yen	%	%	%
FY 2015	(20.82	―	(11.1	(2.7	(1.2
FY 2014	4.48	3.37	2.3	2.4	0.9

(Reference)Equity in earnings FY 2015 -46million yen FY 2014 ―million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2015	5,642	1,539	26.6	174.66
FY 2014	3,651	1,733	47.1	200.26

(Reference)Equity FY 2015 1,502million yen FY 2014 1,720million yen

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents - ending
	Million yen	Million yen	Million yen	Million yen
FY 2015	168	(996	988	2,045
FY 2014	401	(223	(145	1,882

2. Cash dividends

	Annual dividend					Total of dividend (annual)	Payout ratio (consolidated)	Net assets dividend ratio (consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2014	―	0.00	―	5.00	5.00	42	111.6	2.5
FY 2015	―	0.00	―	0.00	0.00	―	―	―
FY 2016 (expected)	―	0.00	―	0.00	0.00		―	

3. Forecast of consolidated results for FY 2016 (From January 1, 2016 through December 31, 2016)

(% of change from previous year)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY 2016	10,500	12.1	140	―	100	―	50	―	5.82

* Notes

(1) Material changes in subsidiaries during the period (Changes in specified subsidiaries resulting in the scope of consolidation) : Yes

New 2companies (Company name) Keyport Solutions, Inc., Profit Cube Inc. Elimination —company (Company name)

(Note) For more details, please see "(5) Notes to consolidated financial statements (Significant matters related to the basis for preparation of the consolidated financial statements)" at the page 18 of the attached documents.

(2) Changes in accounting policies and accounting estimates and retrospective restatement

(i) Changes in accounting policies based on revisions of accounting standards : No

(ii) Changes in accounting policies other than the above (i) : None

(iii) Changes in accounting estimates : None

(iv) Retrospective restatement : None

(3) Number of issued and outstanding shares (common stock)

(i) Number of issued and outstanding shares at the end of the period (including treasury stock)	FY 2015	8,874,400shares	FY 2014	8,874,400shares
(ii) Number of treasury stock at the end of the period	FY 2015	274,241shares	FY 2014	281,641shares
(iii) Average number of shares during the period	FY 2015	8,598,621shares	FY 2014	8,773,147shares

(Reference) Summary of unconsolidated results

1. Unconsolidated results for FY 2015 (From January 1, 2015 through December 31, 2015)

(1) Unconsolidated financial results (% of change from previous year)

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2015	6,990	11.7	(63	—	(52	—	(102	—
FY 2014	6,256	15.0	156	(0.3	298	14.8	150	—

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY 2015	(11.96	—
FY 2014	17.10	17.08

(2) Unconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2015	4,756	1,901	39.9	220.68
FY 2014	3,553	2,045	57.4	237.53

(Reference) Equity FY 2015 1,897million yen FY 2014 2,041million yen

* Audit procedures

・The financial results are not subject to the audit procedures based on the Financial Instruments and Exchange Law. As of the release of the financial results, the audit procedures have not been completed for financial statements according to the Financial Instruments and Exchange Law

* Proper use of earnings forecasts and other important matters

・Forward-looking statements, such as earnings forecasts included in this document, are based on currently available information or certain assumptions that we thinks reasonable, and actual results may significantly differ due to various factors. For assumptions used as the basis for earnings forecast and notes to use of earnings forecasts, please see "(1) Analysis of Business Results" at the page 2 of the attached document

・We will hold the account settlement briefing for institutional investors and analysts on February 3, 2016. Materials for the account settlement briefing to be used on the day will be posted on our homepage immediately.

○Table of Contents of the Attached Document

1. Analysis of Business Results and Financial Positions

(1) Analysis of Business Results

＜Overview of the current consolidated fiscal year＞

Our group is engaged in continuing R&D investment, new business creation (including M&A), and strengthening competitiveness of core businesses to lead rapid changes in the market environment of the IT industry to achieve additional growth as indicated in the medium-term management strategy.

In the current consolidated fiscal year, the Group focused on development of machine learning technology(*1) as continuing R&D investment.

As the first fruit of the development, IT operations analysis(*2) software SIOS iQ(*3) was launched in the United States and Japan in July 2015.

With regard to new business creation (including M&A), we made Keyport Solutions, Inc. (hereinafter "KPS"), a developer of applications mainly for financial institutions, a subsidiary April 2015. We also made Profit Cube Inc. (hereinafter "PCI"), which develops, sells, and maintains the ALM system(*4) for financial institutions, a subsidiary in October 2015. These helped us to build the system for launching new products and services in the potential high growth area Fintech.(*5)

With regard to strengthening competitiveness of core businesses, we focused on the support of the cloud(*7) through a major upgrade of LifeKeeper(*6)and feature expansion of software(*8) products for MFP.

Business results for segments are as follows:

(Open system infra segment)

As a result of sales promotions, LifeKeeper, one of our core products, sales grew in all the areas of Japan, United States, Europe, and Asia/Oceania, and the Red Hat, Inc., products, including Red Hat Enterprise Linux(*9), also recorded a steady increase in sales due to expansion of sales and marketing activities. Open source software(*10) (hereinafter "OSS") support service and OSS-related products achieved solid sales growth. As a result, sales amounted to 5,541 million yen (up 10.7% yoy).

In terms of profit and loss, the segment recorded a loss of 165 million yen (a loss of 37 million yen for the previous fiscal year) due to active R&D investment with the aim of future contributions to revenues, including development of the IT operations analysis software SIOS iQ.

(Web application segment)

The segment sharply increased sales due to the addition of KPS to the Web application segment in April 2015. A steady increase in sales from software products for MFP sharply increased sales to 3,820 million yen (up 61.9% yoy). The SaaS (*11) Gluegent series (*12)linked to Google Apps showed a steady sales increase.

In terms of profit and loss, the sales growth pushed up the profit margin, but active R&D investment in functional enhancement of software products for MFP and the Gluegent series increased selling, general and administrative expenses. As a result, the segment recorded income of 53 million yen (down 48.4% yoy).

As a result of the above, net sales sharply increased to 9,362 million yen, up 27.1% yoy for the current consolidated fiscal year.

Selling, general, and administrative expenses amounted to 3,463 million yen (up 23.1% yoy) as R&D expenses were 648 million yen (up 29.1%) due to active investment in R&D. Consequently, we recorded an operating loss of 111 million yen (operating income of 65 million yen for the previous consolidated fiscal year), ordinary loss of 127 million yen (ordinary income of 81 million yen), and net loss of 179 million yen (net income of 39 million yen). The group's key management indicator EBITDA (operating income + depreciation + amortization of goodwill) stood at -45 million yen (125 million yen).

(*1) Machine learning technology

The technology to give the computer the same learning ability as a human being and to explore beneficial information from a variety of data.

(*2) IT operations analysis

IT operations analysis to analyze the data from IT operations and convert the data into practical and clear information.

(*3) SIOS iQ

The product to comprehensively supervise, analyze, and optimize operations of applications in the virtual and cloud environments and seek to improve performance and efficiency and secure credibility for resolving complex issues.

(*4) ALM system
The system to manage the risks of assets and liabilities of financial institutions.

(*5) Fintech
The new technology developed by mixing finance with technology.

(*6) LifeKeeper
The software to play a role of reserving another backup server in the same environment as a server in operation and automatically making the backup server take over services in the event of an unusual failure.

(*7) Cloud
The service to provide data and software, which users had conventionally used on the computer available, online.

(*8) Software for MFP
MFP (abbreviation for multi-function peripheral) represents the equipment with multiple functions of a printer, scanner, copier, and facsimile. We develop, sell, and maintain Quick Scan and Speedoc, the document management software running on MFP.

(*9) Red Hat Enterprise Linux
Linux OS developed by the open solution provider Red Hat, Inc.

(*10) Open source software
Software where the source code, the design of the software, is freely available and can be used, updated, and redistributed.

(*11) SaaS
The service to provide software online and enable users to use what they need as needed.

(*12) Gluegent series
The service to support companies' optimization of businesses with the cloud using Gluegent Flow, which enables the companies to execute internal workflows in the cloud, and Gluegent Apps Group Scheduler, a Google Calendar app with the function to manage the schedule of team members.

＜Outlook for the Following Period＞

Also for the following period (FY 2016), our group will be continuously engaged in continuing R&D investment and strengthening the competitiveness of core businesses. It will also aim at new business creation in new areas including Fintech, using KPS and PCI, which were made a subsidiary in the current period (FY 2015). Following the current fiscal year, it will be actively engaged in M&A.

For R&D, we will continue to actively invest in machine learning technology with the aim of expanding the functions of SIOS iQ released July 2015 and starting to offer new products and services in new areas including Fintech. We will also continuously invest in strengthening the functions of our core product LifeKeeper, a software product for the MFP Gluegent series, and PCI's software products for financial institutions.

For the following period, the planned R&D expenses are 880 million yen in total (up 35.8% from the current consolidated fiscal year)

Given the above, for consolidated business results for the following period, we expected sales of 10,500 million yen (up 12.1% from the current consolidated fiscal year), sales growth for sixth consecutive period.

For items stated after operating profit or loss, because of the promotion of rationalization resulting from the tighter cooperation within the group and an increase in the composition ratio of higher-margin in-house products despite continuously estimated increase in R&D expenses, we expect to turn into the black with operating income of 140 million yen (operating loss of 111 million yen for the current consolidated fiscal year), ordinary income of 100 million yen (ordinary loss of 127 million yen) and net income attributable to the owners of the parent of 50 million yen (net loss of 179 million yen). EBITDA is estimated to be 300 million yen (-45 million yen).

(2) Analysis of Financial Positions

＜Assets, liabilities and net assets＞

(i) Assets

Current assets amounted to 3,901 million yen (up 20.0% from the end of the previous consolidated fiscal year) due to an increase in cash and deposits, notes and accounts receivable-trade, work in progress, and advance payment of 224 million yen, 418 million yen, and 92 million yen, respectively, and a decrease in the advance payment of 54 million yen.

Fixed assets amounted to 1,741 million yen (up 334.4%) due to an increase in goodwill and investment securities of 831 million yen and 190 million yen respectively.

As a result of the above, total assets amounted to 5,642 million yen (up 54.5%).

(ii) Liabilities

Current liabilities amounted to 2,872 million yen (up 61.0% from the end of the previous consolidated fiscal year) due to an increase in accounts payable-trade, short-term loans payable, the current portion of long-term loans payable and advance received of 193 million yen, 240 million yen, 152 million yen and 271 million yen, respectively.

Fixed liabilities amounted to 1,230 million yen (up 815.0%) due to an increase in long-term loans payable and deferred tax liabilities of 971 million yen and 68 million yen, respectively.

As a result of the above, total liabilities amounted to 4,102 million yen (up 113.9%).

(iii) Net assets

Total net assets amounted to 1,539 million yen (down 11.2% from the end of the previous consolidated fiscal year) due to dividends paid of 42 million yen and net loss of 179 million yen.

＜Cash flow＞

For the current consolidated fiscal year, the balance of cash and cash equivalents (hereinafter “cash”) increased to 2,045 million yen, up 163 million yen from the end of the previous consolidated fiscal year.

For the current consolidated fiscal year, by section, cash flow is as follows:

(Cash flow from operating activities)

Net cash provided by operating activities amounted to 168 million yen (gain of 401 million yen for the previous period) due to net loss before income taxes of 145 million yen, depreciation of 59 million yen, loss on equity method investment of 46 million yen, an increase in notes and accounts payable-trade and advances received of 99 million yen and 77 million yen, respectively, a decline in advance payment of 54 million yen, an increase in accounts payable-other of 43 million yen and income taxes paid of 154 million yen.

(Cash flow from investing activities)

Net cash used in investing activities amounted to 996 million yen (use of 223 million yen for the previous period) due to proceeds from the withdrawal of time deposits of 100 million yen, purchase of shares of a subsidiary resulting in changes in the scope of consolidation, and the acquisition of investment securities of 924 million yen and 670 million yen, respectively and revenues from the sale of investment securities of 573 million yen.

(Cash flow from financing activities)

Cash provided by financing activities amounted to 988 million yen (use of 145 million yen for the previous period) due to cash dividends paid of 42 million yen, proceeds from long-term loans payable of 1,060 million yen, and expenditures for payment of long-term loans payable of 33 million yen.

(Reference) Trends of cash flow-related indices

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Equity ratio (%)	51.1	50.2	54.7	47.1	26.6
Equity ratio on a market value basis (%)	50.4	86.2	196.3	120.3	79.7
Ratio of interest-bearing debts to cash flow (%)	0.1	0.1	0.1	0.0	8.1
Interest coverage ratio (multiple)	150.8	742.2	188.6	1,652.8	100.6

Equity ratio: Equity capital/total assets
Equity ratio on a market value basis: Market capitalization/total assets
Ratio of interest-bearing debts to cash flow: Interest-bearing debts/cash flow
Interest coverage ratio: Cash flow/interest payments
(Note 1) All indices are based on consolidated financial figures.
(Note 2) Market capitalization is based on the number of outstanding shares issued excluding treasury shares.
(Note 3) Interest-bearing debts include all debts with their interests being paid among those recorded on the consolidated balance sheet.

(3) Basic Policy for Profit Allocation and Dividends for the Current and Following Periods

The Company has the basic policy for maintaining payments of dividends according to business results with ensuing required internal reserves in light of business results, financial positions, and future business deployment.

For the current period (FY 2015), as announced on February 2, 2015, we made no dividends and prioritized R&D activities to seek achievement of the medium-term management plan. For the following period (FY 2016), we will record net income attributable to owners of the parent, but we intend to make no dividends but prioritize investment in R&D toward further growth in future.

(4) Operational Risks

The following describes the main matters we think have a significant effect on decisions of investors in respect of the risk of business deployment of our group. Also for matters not applicable to such risk factors, those we think significant in investment decisions and the understanding of our group's business activities are described from the viewpoint of aggressive information disclosure to investors.

Our group will strive to avoid these risks and deal with these risks if occurring after recognizing the potential occurrence of these risks. We think it necessary to make decisions on investment in our shares after carefully examining the matters stated in this item and matters other than this item stated herein. Please note that those stated below do not comprehensively cover all risks related to investment in shares of the Company.

(i) Intellectual property of software

Some companies insist that the free software open for public consumption and OSS violate intellectual property, including copyrights and patents.

Our group closely watches the activities of the companies conducting these litigation acts. If these arguments were accepted, our group would be forced to review its OSS-related business. This could affect the business results of our group. The group has not yet experienced a claim for damages or an injunction involving property rights including copyrights, but it is difficult to completely understand the current state of intellectual property rights in our group's business areas, and so there is the possibility that other companies have patents beyond our group's knowledge. It is possible that a third party's patents will be newly established in the business areas of our group and a claim for loss or an injunction on use is filed against the group. This could affect the business results of our group.

(ii) Competition

The IT industry is experiencing severe competition as large- and small-sized system integrators, computer manufacturers, and software vendors[*13] operate business in their specialized business areas and technology areas and in their experienced and proven industries.

Our group will strive to further strengthen the systems for development and sales, but competition with existing competitors and entry of new competitive companies weaken our advantage and could affect the business results of our group.

(*13) Software vendors

It means companies providing application software with no special relationship to specific hardware manufacturers or OS (operating system) developers.

(iii) New businesses

Our group operates business in the global IT industry where new technologies are developed every day. To maintain businesses under such an environment, the group needs to create businesses corresponding to the new needs of the market, establish subsidiaries and affiliates, and actively develop new products and services. In a case where changes in the internal and external business environment prevent an advance as planned, the group may review the plan (including changes in development and marketing plans). They may be suspended when we determine them unprofitable in light of business plans.

To create new businesses and develop new products and services, our group may make a prior investment. If funds were not raised for the prior investment, they could not be conducted as planned. This could have an effect on the financial positions and business results of our group.

(iv) Fluctuations in exchange rates

Our group sells and purchases some products in the US dollar and converts revenues and assets of overseas subsidiaries into the yen on the consolidated financial statements. Fluctuations in exchange rates may have an effect on the profit and loss and the financial positions of our group. We take effective measures to avoid such risks, but larger-than-expected fluctuations in exchange rates could have an effect on the business results of our group when we cannot avoid such risks.

(v) Business system of our group

1) Securing human resources

For further growth in the future, our group needs to develop new technologies toward the next generation in an open system infra business and application business and consider securing and developing superior human resources as a significant task. Our group had given top priority to securing human resources and strived to keep an optimal personnel composition.

If our group failed to hire and develop human resources as planned, our business system would be weakened. This could have a negative effect on the business strategy and the business results of our group.

2) Dependency on specific persons

The businesses of our group are driven by the Representative Director and President Nobuo Kita. He plays a significant role in determining management policy and general management strategy of our group, and then it is considered that the group significantly depends on him.

Our group promotes delegation of authority within the management system, increases members of the management system to strengthen the management organization following the expansion of business scale while it strives to increase organizational strength by recruiting experts and experienced persons in various areas according to the expansion of business areas. In respect of the execution of daily operations, the “executive board” and the “management council”, which consist of executive officers, were established. The group establishes the system not excessively depending on the individual competence of the President Kita by granting the deliberation function for daily operations to these systems. Those with rich experience in the IT sector were externally brought on to the Board of Directors to get sound advice.

We will continue to secure superior human resources to build a management system not excessively depending on the president and focus on an improvement in the quality of officers and employees. If it was difficult for the president to be engaged in the management of our group for any reason before achieving construction of the system and improvement in human resources as planned, the business strategy and the business results of our group could be negatively affected.

(vi) Subsidiaries

Our group makes capital subscription and acquires corporations to lead changes in the market environment of the IT sector. The Company will continue to seek further growth in business results by developing new products and services through a combination of management resources of investees and subsidiaries, including technology, sales capacity, and management know-how. Weak business results of investees and subsidiaries may have an effect on the business results of our group. If changes in the business environment and competition surrounding investees and subsidiaries bring about obstacles to implement business plans as planned, impairment loss will arise in goodwill. This may have an effect on the business results of our group.

(vii) Corporate buyout and strategic alliance

Our group, in the course of business expansion, may invest in other companies through corporate buyouts or strategic alliances. In making such decisions, the group does detailed due diligence on business activities, contracts, and financial composition of potential acquisitions and examines them in order to avoid risks, but the occurrence of contingent/unrecognized liabilities, unexpected weak business results, and disappointing results of measures after corporate buyouts or strategic alliances could have an effect on the financial positions and business results of our group.

(viii) Stock options

To improve officers’ and employees’ willingness to contribute to our businesses and their awareness of participating in business management, the Company adopts the stock option plan using equity warrants. Specifically, there is the stock option plan in the company based on a resolution approved by the Board of Directors as of May 13、2014 and May 20, 2015.

The exercise of stock options would dilute the value of shares of our group per share. The balance of supply and demand may fluctuate for the short term depending on the equity price of our group, and this has an effect on stock prices.

Our group may grant stock options as an incentive plan in future to motivate officers and employees and secure superior human resources. Additional grants of stock options could dilute the value of shares.

(ix) Relationship to Otsuka Corporation

Otsuka Corporation (hereinafter "Otsuka") is the largest shareholder with 18.53% of voting rights of the Company as of December 31, 2015, and falls into the category of Other Affiliate. The Company has a tight business relationship with Otsuka, but there is no restriction on fundraising and business management. Decisions are made under the responsibility of our group ensuring the independence of management. The Company will seek to increase transactions with Otsuka, but if there was any problem in cooperation with Otsuka for any reason or if Otsuka changed its cooperative system with the Company due to changes in its management policy, this could have an effect on the business results of our group.

(x) Managerially significant contracts

Our group considers the following contract in its businesses a managerially significant contract. If the contract were not renewed, this would have significant effect on the business results of the group.

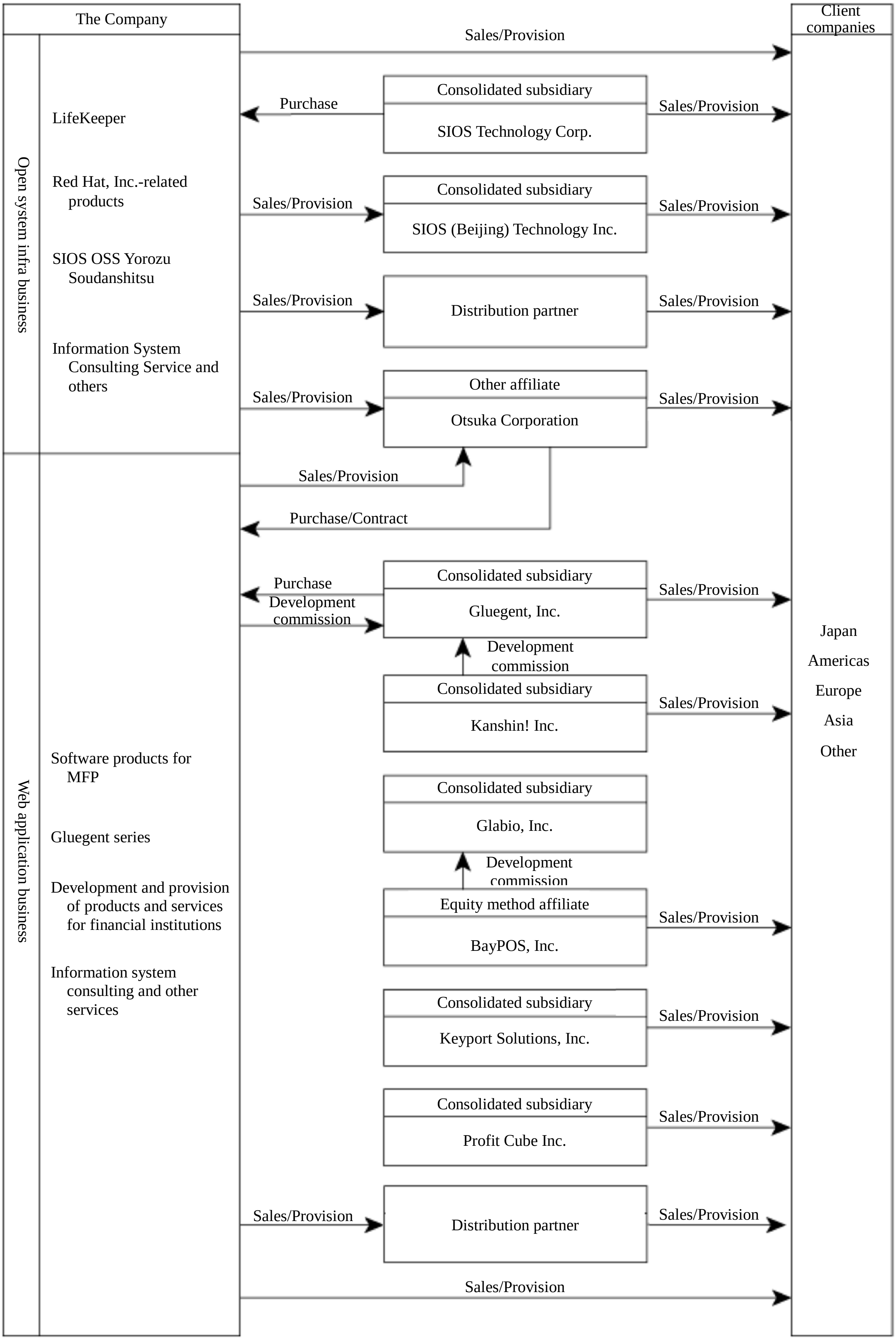
Name of contracting company: SIOS Technology, Inc.

Name of counterparty: Red Hat K.K. (subsidiary of Red Hat, Inc.)

Term of contract: One year from July 1, 2010 (after then, automatically renewed every year)

Details of contract: Contract to sell products of Red Hat K.K. ("Distribution contract")

2. Corporate Group



3. Management Policy

(1) Basic Policy of Corporate Management

Our group seeks further growth by setting the following items as the basic policy of the medium-term management strategy.

(i) Continuing R&D investment
(ii) Strengthening competitiveness of core businesses
(iii) New business creation in new areas including Fintech

(2) Target Management Indices

Our group aims at achieving mid- and long-term development to grow into an entity reliable to society under a daily changing business environment. The group seeks further growth and strengthening of the business base by setting the two indices (i) sales and (ii) EBITDA as its significant management index.

(3) Mid- and Long-term Corporate Management Strategy

Our group will continue to make investment for achieving mid- and long-term growth based on the basic policy for corporate management. Specifically, the group will do R&D in new areas, including machine learning technology and Fintech, while it will promote continuing R&D investment in core businesses of OSS-related products, LifeKeeper, software products for MFP, Google Apps linked- SaaS Gluegent series, software products of PCI, and strengthening of marketing and sales capabilities.

The group sets the target to achieve sales of 10.5 billion yen, 12.0 billion yen and 14.0 billion yen and EBITDA of 0.3 billion yen, 0.5 billion yen and 0.7 billion yen for FY 2016, FY 2017 and FY 2018, respectively, because of these measures.

(4) Corporate Issues to Be Dealt

Our group thinks as main issues (i) globally securing human resources, (ii) strengthening group management, (iii) promotion of global business expansion, and (iv) strengthening compliance management. Specifically, the group will deal with the following items.

(i) Globally securing human resources

Our group globally operates businesses in Japan, as well as the Americas, Europe, and the Asia/Oceania region. To achieve further growth in each area, it is essential to secure superior human resources. Therefore, the group will secure diverse human resources without regional restrictions.

(ii) Strengthening group management

Our group provides optimal products and services according to the issues and needs of business and operations of client companies and seeks to maximize synergy on a group-wide basis by sharing and using advanced know-how and expertise of the group companies. The group also strives to reduce cost increases by standardizing and consolidating common operations and systems scattered within the group. It will continuously seek to maximize its value including costs.

(iii) Promotion of global business expansion

Our group will increase global competitiveness by expanding the sales channel in the United States, Europe, and Asia and strengthen R&D in the United States.

(iv) Strengthening compliance management

In addition to the strong promotion of the above-mentioned items (i)-(iii), our group will strive to promote fair and transparent business management by further strengthening compliance management.

4. Basic View on Selection of Accounting Standards

Our group will prepare consolidated financial statements based on Japanese accounting standards at the moment, taking account the comparability of consolidated financial statements over periods and companies. The group will appropriately implement application of IFRS given situations on the application in Japan and overseas.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	FY 2014 (as of December 31, 2014)	FY 2015 (as of December 31, 2015)
Assets		
Current assets		
Cash and deposits	1,982,108	*3 2,206,352
Notes and accounts receivable-trade	927,978	1,346,277
Merchandise	8,786	-
Work in progress	22,221	*1 114,680
Advance payment	161,063	106,473
Other	149,064	127,536
Allowance for doubtful accounts	(200)	(200)
Total current liabilities	3,251,022	3,901,120
Fixed assets		
Tangible fixed assets		
Buildings	95,075	168,445
Accumulated depreciation	(32,726)	(75,604)
Buildings (net)	62,349	92,841
Tool, furniture and fixtures	209,952	374,528
Accumulated depreciation	(169,421)	(308,406)
Tool, furniture and fixtures (net)	40,530	66,121
Lease assets	-	6,089
Accumulated depreciation	-	(247)
Lease assets (net)	-	5,842
Construction in progress	2,505	-
Total tangible fixed assets	105,386	164,805
Intangible fixed assets		
Goodwill	6,970	838,787
Software in progress	47,423	11,425
Other	19,276	237,046
Total intangible fixed assets	73,669	1,087,259
Investment and other assets		
Investment securities	54,773	*2 244,983
Net defined retirement assets	-	26,249
Guarantee deposits	166,657	216,140
Other	449	7,193
Allowance for doubtful accounts	-	(5,071)
Investment and other assets	221,880	489,494
Total fixed assets	400,936	1,741,559
Total assets	3,651,958	5,642,680

(Unit: thousand yen)

	FY 2014 (as of December 31, 2014)	FY 2015 (as of December 31, 2015)
Liabilities		
Current liabilities		
Accounts payable-trade	350,106	543,741
Short-term loans payable	-	*3 240,000
Current portion of long-term loans payable	3,108	155,442
Lease obligations	-	1,244
Income taxes payable	107,227	28,450
Advance received	1,068,860	1,339,886
Reserve for bonuses	-	26,678
Reserve for loss on orders received	2,763	*1 2,515
Other	251,687	534,409
Total current liabilities	1,783,753	2,872,367
Fixed liabilities		
Long-term loans payable	3,040	974,765
Deferred tax liabilities	204	68,814
Net defined benefit liabilities	115,400	158,985
Lease obligations	-	5,132
Other	15,814	22,653
Total fixed liabilities	134,459	1,230,351
Total liabilities	1,918,213	4,102,719
Net assets		
Shareholders' equity		
Capital stock	1,481,520	1,481,520
Capital surplus	476,233	474,415
Retained earnings	26,358	(195,609)
Treasury stock	(119,329)	(116,194)
Total shareholders' equity	1,864,782	1,644,131
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	368	1,420
Foreign currency translation adjustment	(144,398)	(143,423)
Total accumulated other comprehensive income	(144,029)	(142,002)
Equity warrants	12,992	22,281
Minority interests	-	15,551
Total net assets	1,733,745	1,539,961
Total liabilities and net assets	3,651,958	5,642,680

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Unit: thousand yen)

	FY 2014 (From January 1, 2014 through December 31, 2014)	FY 2015 (From January 1, 2015 through December 31, 2015)
Sales	7,367,860	9,362,562
Cost of sales	*1 4,489,276	*1 6,011,232
Gross margin	2,878,583	3,351,330
Selling, general and administrative expenses	*2,*3 2,813,204	*2,*3 3,463,132
Operating income (loss)	65,379	(111,802)
Non-operating revenues		
Interest income	1,964	1,833
Dividends income	155	120
Exchange gain	12,911	21,838
Compensation received	-	10,000
Other	2,759	3,624
Total non-operating revenues	17,791	37,416
Non-operating expenses		
Interest expenses	240	1,680
Loss on investment of investment partnership	1,368	3,864
Investment loss on the equity method	-	46,461
Other	111	824
Total non-operating expenses	1,720	52,831
Ordinary income (loss)	81,450	(127,217)
Extraordinary income		
Gain on sale of investment securities	88,776	8,169
Gain from negative goodwill	-	14,372
Gain on reversal of equity warrants	100	1,330
Gain on changes in equity	-	3,000
Gain on sale of fixed assets	-	10
Total extraordinary gain	88,877	26,882
Extraordinary loss		
Loss on sale of shares of subsidiaries and affiliates	432	-
Loss on sale of fixed assets	*4 180	-
Loss on retirement of fixed assets	*5 13	*5 678
Loss on valuation of golf club membership	-	2,358
Loss on withdrawal from employees' pension fund	-	*6 12,968
Settlement money	-	*7 29,108
Total extraordinary loss	625	45,113
Net income (loss) before income taxes	169,702	(145,448)
Income taxes-current	104,785	30,559
Income taxes-deferred	26,356	—
Total income taxes	131,141	30,559
Net income (loss) before minority interests	38,560	(176,007)
Minority interests in income (loss)	(743)	2,996
Net income (loss)	39,304	(179,003)

Consolidated Statements of Comprehensive Income

(Unit: thousand yen)

	FY 2014 (From January 1, 2014 through December 31, 2014)	FY 2015 (From January 1, 2015 through December 31, 2015)
Net income (loss) before minority interests	38,560	(176,007)
Other comprehensive income		
Valuation difference on available-for-sale securities	368	1,051
Foreign currency translation adjustment	76,404	975
Total other comprehensive income	* 76,772	* 2,027
Comprehensive income	115,333	(173,980)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	116,076	(176,950)
Comprehensive income attributable to minority shareholders	(743)	2,969

(3) Consolidated Statements of Changes in Shareholders' Equity

FY 2014 (From January 1, 2014 through December 31, 2014)

(Unit: thousand yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	1,481,520	476,557	30,997	(20,582)	1,968,492
Changes during period					
Dividend of surplus			(43,943)		(43,943)
Net income (loss)			39,304		39,304
Purchase of treasury stock				(99,995)	(99,995)
Disposal of treasury stock		(323)		1,248	925
Changes in items other than shareholders equity during period (net)					-
Total changes during period	-	(323)	(4,639)	(98,747)	(103,710)
Balance at end of period	1,481,520	476,233	26,358	(119,329)	1,864,782

	Accumulated other comprehensive income			Equity warrants	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	-	(220,802)	(220,802)	2,502	1,755	1,751,948
Changes during period						
Dividend from surplus			-			(43,943)
Net income (loss)			-			39,304
Purchase of treasury stock			-			(99,995)
Disposal of treasury stock			-			925
Changes in items other than shareholders equity during period (net)	368	76,404	76,772	10,490	(1,755)	85,507
Total changes during period	368	76,404	76,772	10,490	(1,755)	(18,202)
Balance at end of period	368	(144,398)	(144,029)	12,992	-	1,733,745

FY 2015 (From January 1, 2015 through December 31, 2015)

(Unit: thousand yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	1,481,520	476,233	26,358	(119,329)	1,864,782
Changes during period					
Dividend from surplus			(42,963)		(42,963)
Net income (loss)			(179,003)		(179,003)
Purchase of treasury stock					-
Disposal of treasury stock		(1,818)		3,135	1,316
Changes in items other than shareholders equity during period (net)					-
Total changes during period	-	(1,818)	(221,967)	3,135	(220,651)
Balance at end of period	1,481,520	474,415	(195,609)	(116,194)	1,644,131

	Accumulated other comprehensive income			Equity warrants	Minority interest	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	368	(144,398)	(144,029)	12,992	-	1,733,745
Changes during period						
Dividend of surplus			-			(42,963)
Net income (loss)			-			(179,003)
Purchase of treasury stock			-			-
Disposal of treasury stock			-			1,316
Changes in items other than shareholders equity during period (net)	1,051	975	2,027	9,288	15,551	26,866
Total changes during period	1,051	975	2,027	9,288	15,551	(193,784)
Balance at end of period	1,420	(143,423)	(142,002)	22,281	15,551	1,539,961

(4) Consolidated Statements of Cash Flows

(Unit: thousand yen)

	FY 2014 (From January 1, 2014 through December 31, 2014)	FY 2015 (From January 1, 2015 through December 31, 2015)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	169,702	(145,448)
Depreciation and amortization	56,942	59,687
Amortization of premiums	222	118
Amortization of goodwill	2,861	6,192
Increase (decrease) in allowance for doubtful accounts	(290)	-
Increase (decrease) in reserve for loss on orders received	(4,137)	(6,863)
Interest and dividends income	(2,119)	(1,953)
Compensation received	-	(10,000)
Interest expenses	240	1,680
Exchange loss (gain)	(1,795)	(1,792)
Loss (gain) on investment of investment partnership	1,368	3,864
Investment loss (gain) on the equity method	-	46,461
Gain from negative goodwill	-	(14,372)
Gain on reversal of equity warrants	(100)	(1,330)
Loss (gain) on changes in equity	-	(3,000)
Loss (gain) on sale of shares of subsidiaries and affiliates	432	-
Loss (gain) on sale of investment securities	(88,776)	(8,169)
Loss on retirement of fixed assets	13	678
Loss (gain) on sale of fixed assets	180	(10)
Loss on valuation of golf club membership	-	2,358
Settlement money	-	29,108
Decrease (increase) in notes and accounts receivable-trade	(77,939)	(40,372)
Decrease (increase) in inventories	(7,451)	(4,954)
Increase (decrease) in notes and accounts payable-trade	118,573	99,561
Increase (decrease) in net defined benefit liabilities	2,869	20,522
Increase (decrease) in advance received	152,522	77,308
Decrease (increase) in advance payment	(39,609)	54,583
Increase (decrease) in notes and accounts payable-other	16,850	43,045
Decrease (increase) in notes and accounts receivable-other	15,467	(405)
Increase (decrease) in consumption taxes payable	(11,206)	79,729
Other	49,659	58,647
Sub-total	354,481	344,875
Interest and dividends income	2,122	1,955
Interest expenses paid	(242)	(1,680)
Compensation money paid	-	7,000
Settlement money paid	-	(29,108)
Income taxes refund	47,115	-
Income taxes paid	(2,244)	(154,090)
Net cash provided (used in) operating activities	401,231	168,952

(Unit: thousand yen)

	FY 2014 (From January 1, 2014 through December 31, 2014)	FY 2015 (From January 1, 2015 through December 31, 2015)
Net cash provided by (used in) investing activities		
Payment into time deposits	(100,000)	-
Proceeds from withdrawal of time deposits	-	100,000
Purchase of tangible fixed assets	(21,910)	(14,773)
Purchase of intangible fixed assets	(45,061)	(29,784)
Placement of guarantee deposits pledged	(368)	(3,200)
Proceeds from collection of guarantee deposits pledged	170	2,916
Purchase of golf club membership	-	(3,958)
Proceeds from business transfers	3,585	-
Sale of shares of subsidiaries resulting in changes in the scope of consolidation	(6,084)	-
Purchase of shares of subsidiaries resulting in changes in the scope of consolidation	-	(924,270)
Purchase of shares of subsidiaries and affiliates	-	(27,552)
Purchase of investment securities	(55,690)	(670,255)
Proceeds from sales of investment securities	-	573,940
Other	1,856	394
Net cash used in investing activities	(223,504)	(996,543)
Net cash provided by (used in) financing activities		
Cash dividends paid	(43,175)	(42,846)
Purchase of treasury stock	(99,995)	-
Payment from minority shareholders	-	3,000
Proceeds from long-term loans payable	-	1,060,000
Repayment of long-term loans payable	(5,308)	(33,888)
Repayment of lease obligations	(954)	-
Proceeds from exercise of stock option	204	1,258
Proceeds from issuance of equity warrants	3,890	921
Net cash provided by (used in) financing activities	(145,339)	988,444
Effect of exchange change rate on cash and cash equivalents	116,709	1,678
Increase (decrease) in cash and cash equivalents	149,097	162,531
Cash and cash equivalents at beginning of period	1,733,011	1,882,108
Increase in cash and cash equivalents resulting from mergers	-	712
Cash and cash equivalents at end of period	*1 1,882,108	*1,*2 2,045,352

(5) Notes to Consolidated Financial Statements

(Notes to going concern assumption)

Not applicable

(Significant matters related to the basis for preparation of the consolidated financial statements)

1 Matters related to the scope of consolidation

(1) Number of consolidated subsidiaries: 8 companies

SIOS Technology Corp.
Gluegent, Inc.
SIOS (Beijing) Technology Inc.
Kanshin!, Inc.
Glabio, Inc.
Keyport Solutions, Inc.
Agrion Creative Office Co., Ltd.
Profit Cube Inc.

For the current consolidated fiscal year, Keyport Solutions, Inc., and its subsidiary Agrion Creative Office Co., Ltd., were included in the scope of consolidation as a result of the purchase of shares of Keyport Solutions.

In addition, ARS Holding Co., Ltd. (hereinafter "ARSHD") and its subsidiary Profit Cube Inc. (hereinafter "PCI") were added to the scope of consolidation due to the purchase of shares of ARSHD. ARSHD was excluded from the scope of consolidation because the company was dissolved due to the absorption-type merger with the Company being a surviving company on December 31, 2015.

For PCI, only consolidated balance sheets were consolidated for the current period because the company sets the deemed date of acquisition as the end of the current consolidated fiscal year.

(2) Names of unconsolidated subsidiaries

Not applicable

2 Maters related with application of equity method

(1) Unconsolidated subsidiaries applying equity method

Not applicable

(2) Number of affiliates applying equity method: 2 companies

BayPOS, Inc.
K-ZONE Corp.

For the current consolidated fiscal year, BayPOS, Inc., was included into the scope of application of the equity method as a result of a joint venture established with Plenus Company Limited in the United States. K-ZONE Corp., the affiliate of Keyport Solutions, Inc., was included into the scope of application of the equity method as a result of the acquisition of Keyport Solutions. K-ZONE Corp. was remained from Fanet Corp. on October 1, 2015.

(3) Unconsolidated subsidiaries and affiliates not applying equity method

Not applicable

3 Matters related to accounting period of consolidated subsidiaries

The settlement date of consolidated subsidiaries is the same as the consolidated settlement date.

4 Matters related to accounting standards

(1) Basis and method of valuation for significant assets

(i) Securities

a. Shares of subsidiaries and affiliates

Stated at cost based on the moving average method

b. Other securities

Those without market value

Stated at cost based on the moving average method

Investment in limited partnerships for investment and similar partnerships (those deemed as securities according to the Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) is valued by the method of calculating an amount equal to the equity on net based on the latest financial statements available according to the settlement report date as stipulated in the partnership contracts.

(ii) Inventories

Inventories held for sale

Stated at cost (The balance sheet amount is adjusted by writing down the book value where the profitability declines)

a. Merchandise

Mainly stated at cost based on the moving average method, but stated at cost based on the specific identification method for some consolidated subsidiaries.

b. Work in progress

Stated at cost based on the specific identification method.

(2) Depreciation method for significant depreciable assets

(i) Tangible fixed assets (excluding lease assets)

The Company and its domestic consolidated subsidiaries apply the declining balance method while overseas consolidated subsidiaries apply the straight-line method based on the provisions of the local accounting standards.

The major useful lives are as follows:

Building	3-18 years
Tool furniture and fixtures	3-15 years

The assets acquired on or before March 31, 2007 are equally depreciated over five years from the year following the completion of depreciation to the allowed depreciation limit.

(ii) Intangible fixed assets (excluding lease assets)

a. Software for sale

The method is applied of comparing the depreciation amount based on sales volume estimated for the estimated selling period (three years or less) with the amount equally allocated based on the residual period available for sale to record the greater amount.

b. Software for own use

The straight-line method is applied over internally usable period (5 years or less)

(iii) Lease assets

Lease assets in finance leases that do not transfer ownership to the lease

Lease assets are depreciated using the straight-line method over the corresponding lease term as useful lives with their residential values to be zero.

(iv) Long-term prepaid expenses

The straight-line method is applied.

(3) Accounting for significant allowance and reserves

(i) Allowance for doubtful accounts

To prepare for loss on bad debts, the allowance for general accounts is provided using the rate of past bad debt experience and the allowance for specific accounts, such as doubtful accounts receivable, is provided for an estimated amount considered uncollectable after reviewing the individual collectability of the accounts.

(ii) Reserve for bonuses

For payment of bonuses to employees, the reserve for bonus is provided for an amount payable for the current fiscal year, based on estimated amount of payment.

(iii) Reserve for loss on orders received

To prepare for future loss on orders received, the reserve for loss on orders received is provided for the estimated loss for contracts in a case that future loss is expected at the end of the current consolidated fiscal year and such loss can be reasonably estimated.

(4) Accounting methods of retirement benefits

For calculation of net defined benefit liabilities and retirement benefit expenses, the Company and some consolidated subsidiaries apply the simplified method that retirement benefits to voluntary retirees required to be paid at the end of year are deemed as retirement benefit obligations. Some domestic consolidated subsidiaries apply to corporate pension plan the simplified method that actuarial obligations in the latest pension financing calculation are deemed as retirement benefit obligations.

(Additional information)

The Company and some consolidated subsidiaries decided to transfer the amount funded to the existing defined benefit corporate pension plan after October 1, 2015, to the defined contribution pension plan in the current consolidated fiscal year.

Loss on the transfer of 12,968,000 yen was recorded in extraordinary loss.

(5) Recognition standards for significant revenues and expenses

(i) Recognition methods for sales and cost of sales of software developed on a contract basis

a. Contracts that the outcome is considered sure for the portion completed by the end of the current consolidated fiscal year.

Percentage of completion method (The progression rate is estimated based on the cost proportion method.)

b. Other contracts

Completed contract method

(6) Significant hedge accounting methods

(i) Hedge accounting methods

When the requirements for the designated hedge accounting are satisfied, the designated hedge accounting is applied to the hedge against currency risk. Exchange contracts for hedging transactions corresponding to planned transactions at the end of the current consolidated fiscal year are accounted for using the designated hedge accounting.

(ii) Hedging instruments and hedged items

The following shows the hedging instruments and hedged items accounted for by hedge accounting for the current consolidated fiscal year.

Hedging instrument: Forward exchange contract

Hedged items: Notes and accounts payable in foreign currencies arising from import of merchandise and raw materials

(iii) Hedging policy

Hedge is used to avoid the risk exposure to fluctuations in foreign currency exchange rates for foreign currency denominated liabilities and improve net financial revenue.

(iv) Method for assessment of hedge effectiveness

Hedge effectiveness is determined by comparing accumulated fluctuations in hedging instruments with those in hedged items.

(7) Method and term of amortization of goodwill

Goodwill is equally amortized over the estimated period that it becomes effective.

(8) Scope of cash in the consolidated statements of cash flow

Cash includes cash on hand, deposits withdrawable at any time, and short-term investment with only limited risk exposure to changes in value and due within three months from the acquisition date.

(9) Other significant matters for preparation of the consolidated financial statements

Consumption taxes are accounted for based on the tax-exclusion method.

(Notes to consolidated balance sheet)

*1. For contracts received with estimated losses, inventories and reserve for loss on orders received are not offset but stated on a gross basis.

Amount of the inventories corresponding to the reserve for loss on orders received

	FY 2014 (as of December 31, 2014)	FY 2015 (as of December 31, 2015)
Work in progress	―thousand yen	6,278 thousand yen

*2. Investment securities of unconsolidated subsidiaries and affiliates are:

	FY 2014 (as of December 31, 2014)	FY 2015 (as of December 31, 2015)
Investment securities (stock)	—thousand yen	119,991 thousand yen

*3. Secure assets and secured debts

The assets pledged as collateral are:

	FY 2014 (as of December 31, 2014)	FY 2015 (as of December 31, 2015)
Time deposits	—thousand yen	160,000 thousand yen
Total	—thousand yen	160,000 thousand yen

The debts corresponding to the above are:

	FY 2014 (as of December 31, 2014)	FY 2015 (as of December 31, 2015)
Short-term loans payable	—thousand yen	40,000 thousand yen
Total	—thousand yen	40,000 thousand yen

(Notes to consolidated statements of income)

*1. Provision of the reserve for loss on orders received included in cost of sales is:

FY 2014 (From January 1, 2014 through December 31, 2014)	FY 2015 (From January 1, 2015 through December 31, 2015)
2,763thousand yen	(6,863thousand yen)

*2. Major items of selling, general and administrative expenses and their amounts are:

	FY 2014 (From January 1, 2014 through December 31, 2014)	FY 2015 (From January 1, 2015 through December 31, 2015)
Salaries and allowances	965,827 thousand yen	1,100,302 thousand yen
Sales support expense	149,731 thousand yen	125,753 thousand yen
Amortization of goodwill	2,861 thousand yen	6,192 thousand yen
Rent	73,340 thousand yen	106,411 thousand yen
Bonuses	159,195 thousand yen	191,297 thousand yen
Provision of the reserve for bonuses	— thousand yen	9,090 thousand yen
Retirement benefit expenses	31,289 thousand yen	22,447 thousand yen

*3. Total amount of R&D expenses included in general and administrative expenses is:

FY 2014 (From January 1, 2014 through December 31, 2014)	FY 2015 (From January 1, 2015 through December 31, 2015)
502,066 thousand yen	648,160 thousand yen

*4. Details of loss on sales of fixed assets are:

	FY 2014 (From January 1, 2014 through December 31, 2014)	FY 2015 (From January 1, 2015 through December 31, 2015)
Tool, furniture and fixtures	180 thousand yen	—thousand yen

*5. Details of loss on retirement of fixed assets are:

	FY 2014 (From January 1, 2014 through December 31, 2014)	FY 2015 (From January 1, 2015 through December 31, 2015)
Tool, furniture and fixtures	13 thousand yen	678 thousand yen

*6. Details of loss on withdrawal from the employees' pension fund are:

Loss on withdrawal from the employees' pension fund represents a loss arising from withdrawal from the Kanto IT Software Pension Fund.

*7. Details of settlement money are:

With regard to the objection on investment contract, which was entered into before the Company's investment, against our consolidated subsidiary Keyport Solutions, Inc., (hereinafter "KPS") made by the contracting party shareholders of KPS, the reconciliation was reached. Following this, the settlement money was paid to shareholders of KPS.

(Notes to consolidated statements of comprehensive income)

* Adjustments of reclassification and tax effect related with other comprehensive income

	FY 2014 (From January 1, 2014 through December 31, 2014)	FY 2015 (From January 1, 2015 through December 31, 2015)
Valuation difference on available-for-sale securities		
Current amount	572 thousand yen	1,675 thousand yen
Adjustments to reclassification	—thousand yen	—thousand yen
before tax effect	—thousand yen	—thousand yen
Tax effect	(204 thousand yen)	(623 thousand yen)
Valuation difference on available for sale securities	368 thousand yen	1,051 thousand yen
Foreign currency translation adjustment		
Amount occurred during period	76,404 thousand yen	975 thousand yen
Total other comprehensive income	76,772 thousand yen	2,027 thousand yen

(Notes to consolidated statements of changes in shareholders' equity)

FY 2014 (From January 1, 2014 through December 31, 2014)

1 Class and number of issued shares and treasury stock

	Number of shares at beginning of the consolidated fiscal year (shares)	Increase in shares during the consolidated fiscal year (shares)	Decrease in shares during the consolidated fiscal year (shares)	Number of shares at end of consolidated fiscal year (shares)
Issued shares				
Common stock	8,874,400	—	—	8,874,400
Total	8,874,400	—	—	8,874,400
Treasury stock				
Common stock	85,700	201,141	5,200	281,641
Total	85,700	201,141	5,200	281,641

(Note) 1.201,141 increase in treasury common stock was due to an acquisition of 201,100 treasury shares upon the resolution of the Board of Directors and a purchase of 41 shares less than the share unit number.

2. 5,200 decrease in treasury common stock was due to exercise of stock option.

2 Equity warrants and treasury equity warrants

Division	Details of equity warrants	Class of shares subject to equity warrants	Number of shares subject to equity warrants (share)				Balance at end of the consolidate fiscal year (thousand yen)
			Beginning at the consolidate fiscal year	Increase during the consolidate fiscal year	Decrease during the consolidate fiscal year	End of the consolidate fiscal year	
Submitting company	Equity warrant granted as stock option	—	—	—	—	—	4,028
Consolidated subsidiaries	—	—	—	—	—	—	8,964
Total		—	—	—	—	—	12,992

3 Cash dividends

(1) Cash dividends paid

Resolution	Class of shares	Total cash dividends (million yen)	Cash dividend per share (yen)	Record date	Effective date
March 28, 2014 Annual shareholders meeting	Common stock	43	5.00	December 31, 2013	March 31, 2014

(2) Among the dividends whose record date is within the current consolidated fiscal year, those having effective in the following consolidated fiscal year

As stated below, the resolution will be adopted at the annual shareholders meeting held on March 25, 2015.

Resolution	Class of shares	Dividend resource	Total cash dividends (million yen)	Cash dividend per share (yen)	Record date	Effective date
March 25, 2015 Annual shareholders meeting	Common stock	Retained earnings	42	5.00	December 31, 2014	March 26, 2015

FY 2015 (From January 1, 2015 through December 31, 2015)

1 Class and number of issued shares and treasury stock

	Number of shares at beginning of consolidated fiscal year (shares)	Increase in shares during the consolidated fiscal year (shares)	Decrease in shares during the consolidated fiscal year (shares)	Number of shares at end of consolidated fiscal year (shares)
Issued shares				
Common stock	8,874,400	—	—	8,874,400
Total	8,874,400	—	—	8,874,400
Treasury stock				
Common stock	281,641	—	7,400	274,241
Total	281,641	—	7,400	274,241

(Note) The 7,400 decrease in treasury common shares is attributable to exercise of stock options.

2 Equity warrants and treasury equity warrants

Division	Details of equity warrants	Class of shares subject to equity warrants	Number of shares subject to equity warrants (share)				Balance at end of the consolidate fiscal year (thousand yen)
			Beginning at the consolidate fiscal year	Increase during the consolidate fiscal year	Decrease during the consolidate fiscal year	End at the consolidate fiscal year	
Submitting company	Equity warrants granted as stock option	—	—	—	—	—	3,559
Consolidated subsidiaries	—	—	—	—	—	—	18,721
Total		—	—	—	—	—	22,281

3 Cash dividends

(1) Cash dividends paid

Resolution	Class of shares	Total cash dividends (million yen)	Cash dividend per share (yen)	Record date	Effective date
March 25, 2015 Annual shareholders meeting	Common stock	42	5.00	December 31, 2014	March 26, 2015

(2) Among the dividends whose record date is within the current consolidated fiscal year, those having effective in the following consolidated fiscal year

Not applicable

(Notes to consolidated statements of cash flow)

*1. Relationship between cash and cash equivalents at end of period and amounts of the accounts stated on the consolidated balance sheet

	FY 2014 (From January 1, 2014 through December 31, 2014)	FY 2015 (From January 1, 2015 through December 31, 2015)
Cash and deposits	1,982,108 thousand yen	2,206,352 thousand yen
Time deposits with their term exceeding three months	(100,000 thousand yen)	(161,000 thousand yen)
Cash and cash equivalents	1,882,108 thousand yen	2,045,352 thousand yen

*2. Major items of assets and liabilities of the comparing becoming a consolidated subsidiary due to acquisition of shares

FY 2014 (From January 1, 2014 through December 31, 2014)

Not applicable

FY 2015 (From January 1, 2015 through December 31, 2015)

The following shows details of assets and liabilities at the start of the consolidation associated with consolidation of Keyport Solutions, Inc., and Agrion Creative Office Co., Ltd., due to acquisition of shares and relationship between acquisition value of the shares and acquisition cost (net).

Current assets	527,396 thousand yen
Fixed assets	59,344 thousand yen
Goodwill	4,200 thousand yen
Current liabilities	(134,113 thousand yen)
Minority interests	(43,119 thousand yen)
Gain from negative goodwill	(11,386 thousand yen
Acquisition value of shares	402,322 thousand yen
Cash and cash equivalents	(294,907 thousand yen)
Deduction: Purchase of shares of subsidiaries resulting in the change in the scope of consolidation	107,414 thousand yen

The following shows details of assets and liabilities at the start of the consolidation associated with consolidation of Profit Cube Inc. due to acquisition of shares and relationship between acquisition value of the shares and acquisition cost (net).

Current assets	651,735 thousand yen
Fixed assets	327,946 thousand yen
Goodwill	833,808 thousand yen
Current liabilities	(579,264 thousand yen)
Fixed liabilities	(170,574 thousand yen)
Acquisition value of shares	1,063,651 thousand yen
Cash and cash equivalents	(246,794 thousand yen)
Deduction: Purchase of shares of subsidiaries resulting in change in the scope of consolidation	816,856 thousand yen

(Notes to business combination)

Business combination through acquisition

1. Acquisition of shares of Keyport Solutions, Inc.

(1) Summary of business combination

(i) Name and businesses activities of the acquired company

Name of acquired company	Keyport Solutions, Inc. (hereinafter “KPS”) and its subsidiary Agrion Creative Office Co., Ltd.
Businesses activities	System consulting and development of Internet and object-oriented technology in particular

(ii) Main reasons for business combination

Mainly in the financial industry, including the securities industry, KPS develops system applications based on object technology with the advantage in multi-processing and scalability and offers consistent IT services from design, development, and operation through maintenance to healthcare and real estate industries. Our group made the judgement that the combination of its fostering development capability in open source software and cloud computing-related leading-edge technology and KPS’s development capability and past results of application software in the financial industry would strengthen development and consulting services for new and existing products and lead to the expansion of services to clients of both companies and the acquisition of new clients.

(iii) Date of business combination
April 17, 2015

(iv) Legal form of business combination
Acquisition of shares for cash

(v) Name of company after the business combination
Company name remains unchanged after business combination

(vi) Ratio of voting rights acquired
90.52%

(vii) Main reason for determining acquisition of the acquired company
This is because the Company acquired shares of KPS for cash.

(2) Period of business results of the acquired company included in the consolidated financial statements
From April 1, 2015 to December 31, 2015

(3) Acquisition cost of the acquired company and its details

Compensation for acquisition	Cash	400,000	thousand yen
Expenses directly necessary for the acquisition	Advisory fee paid, etc.	322	thousand yen
Acquisition cost		400,322	thousand yen

(4) Gain from negative goodwill and cause of the occurrence
(i) Gain from negative goodwill
11,386 thousand yen
(ii) Cause of the occurrence
The fair value of net assets as of business combination exceeds acquisition cost, and the difference is recorded as a gain from negative goodwill.

(5) Assets received and liabilities assumed on the date of business combination and their main details

Current assets	527,396 thousand yen
Fixed assets	59,344 thousand yen
Total assets	586,740 thousand yen
Current liabilities	134,113 thousand yen
Total liabilities	134,113 thousand yen

(6) Approximated amounts of the effect of the business combination on the consolidated statements of income for the current consolidated fiscal year in the assumption that the business combination was completed on the start date of the consolidated fiscal year.

Sales	364,127 thousand yen
Operating income	13,574 thousand yen
Ordinary income	14,345 thousand yen
Net income before income taxes	6,614 thousand yen
Net income	4,625 thousand yen

(Calculation method for approximated amounts)
A difference is deemed as an approximated amount of the effect between sales and profit and loss information calculated in the assumption that the business combination was completed on the start date of the consolidated fiscal year and sales and profit and loss information on the consolidated statements of income of the acquiring company. The notes are not subject to audit certification.

2. Acquisition of shares of ARS Holding Co., Ltd.

(1) Summary of business combination

(i) Name and business activities of acquired company

Name of acquired company	ARS Holding Co., Ltd. (hereinafter "ARSHD")
Business activities	Holding and investment of securities

(ii) Main reasons for business combination

ARSHD is a holding company of Profit Cube Inc. (hereinafter "PCI"), which is mainly engaged in the development, sale, and maintenance of the ALM system implementing risk management of assets and liabilities for financial institutions. PCI is a substantial target of the acquisition of shares. But the Company set the direct target of acquiring shares of ARSHD due to capital composition where PCI is the wholly owned subsidiary of ARSHD. As a result, two companies ARSHD and PCI become a consolidated subsidiary.

Since the first release of the ALM system in Japan, PCI sophisticated the system as the leading ALM solution vendor in Japan by recently forming an aggregate of solutions covering risk and earnings management and marketing based on the ALM3.0® concept beyond the conventional framework. It also adopted the advanced design concept early, backed by financial engineering and big data processing technology developed for a long period, has the technology to meet requests from financial institutions that are largely changing, and demands high quality and reaches a level possible to support the cloud. In addition to the provision of the only solution, engineers engaged in the upstream process of the system and consultants to support operations to financial institutions implement advanced operation support and consulting. Our group made the judgement that the participation of PCI into the Company group would strengthen advanced technology and expertise for financial institutions and lead to business expansion in the finance IT sector and would further accelerate R&D in the Fintech sector to generate the core service of the Company group as a new earnings source.

(iii) Date of business combination

October 19, 2015 (deemed date of acquisition: December 31, 2015)

(iv) Legal form of business combination

Acquisition of shares for cash

(v) Name of company after the business combination

Name of the company remains unchanged after business combination. The absorption-type merger was done on December 31, 2015 with the Company being a surviving company and ARSHD being a dissolving company.

(vi) Ratio of voting rights acquired

100.00%

(vii) Main reason for determining acquisition of the acquired company

This is because the Company acquired shares of ARSHD for cash.

(2) Period of business results of the acquired company included in the consolidated financial statements

Business results of the acquired company are not reflected in the consolidated financial statements because the closing date of the current consolidated fiscal year is set as the deemed date of acquisition.

(3) Acquisition cost of the acquired company and its details

Compensation for acquisition	Cash	922,000	thousand yen
Expenses directly necessary for the acquisition	Advisory fee paid, etc.	2,098	thousand yen
Acquisition cost		924,098	thousand yen

(4) Gain from occurrence of goodwill, cause of the occurrence, and amortization method and period

(i) Goodwill

833,808 yen

(ii) Cause of the occurrence

The goodwill occurs due to future excess earning power expected from future business deployment

(iii) Amortization method and period

Equally apostatized over 10 years

(5) Assets received and liabilities assumed on the date of business combination and their main details

Current assets	651,735 thousand yen
Fixed assets	327,946 thousand yen
Total assets	979,681 thousand yen
Current liabilities	579,264 thousand yen
Fixed liabilities	170,574 thousand yen
Total liabilities	749,838 thousand yen

(6) Detail and amount and amortization period of assets allocated to intangible fixed assets other than goodwill

Type	Amount	Amortization period
Client-related assets	167,000 thousand yen	10 years

(7) Approximated amounts of the effect of the business combination on the consolidated statements of income for the current consolidated fiscal year in the assumption that the business combination was completed on the start date of the consolidated fiscal year.

Net sales	1,223,983 thousand yen
Operating income	425 thousand yen
Ordinary loss	6,289 thousand yen
Net loss before income taxes	4,139 thousand yen
Net loss	14,924 thousand yen

(Calculation method for approximated amounts)

The difference is deemed an approximated amount of the effect between sales and profit and loss information calculated on the assumption that the business combination was completed on the start date of the consolidated fiscal year and sales and profit and loss information presented in the consolidated statements of income of the acquiring company. In calculating the amount of the effect, the amortization of goodwill is included from the start date of the current consolidated fiscal year.

The notes are not subject to audit certification.

Transactions under joint control

1. Additional acquisition of shares of subsidiaries

(1) Summary of transactions

(i) Name and businesses of the combined company

Name of combined company	Keyport Solutions, Inc. (hereinafter “KPS”)
Business activities	System consulting and development of Internet and object-oriented technology in particular

(ii) Date of business combination

December 31, 2015

(iii) Legal form of business combination

Acquisition of shares from minority shareholders

(iv) Name of the company after business combination

The company name remains unchanged after business combination.

(v) Other summary of the transaction

For additionally acquired shares, the ratio of voting rights is 6.23%. This transaction increased the ownership ratio of KPS held by the Company to 96.75%. The additional acquisition is proposed to further stabilize management of the Company group and make agile and flexible decision making possible and seek to further strengthen the cooperation.

(2) Summary of accounting treatments

Transactions under joint control are accounted for as a transaction with a minority shareholder, based on the “Accounting Standard on Business Combination” (ASBJ Statement No. 21 published on December 26, 2008) and “Guidance on the Accounting Standard for Business Combination and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 published on December 26, 2008).

(3) Purchase of shares of subsidiary

(i) Acquisition cost and its details

Compensation for acquisition	Cash	27,552 thousand yen
Acquisition cost		27,552 thousand yen

(ii) Amount of gain from negative goodwill and the cause for occurrence

a. Amount of gain from negative goodwill

2,985 thousand yen

b. Cause of the occurrence

This is because the consolidated acquisition cost of additionally purchased shares of the subsidiary is below the amount of a decline in minority interests resulting from the additional acquisition.

2. Absorption-type merger of consolidated subsidiary

(1) Summary of the transaction

(i) Name and businesses activities of the merged company

Name of the merged company: ARS Holding Co., Ltd. (hereinafter “ARSHD”)

Business activities: Holding and investment of securities

(ii) Date of business combination

December 31, 2015

(iii) Legal form of business combination

Absorption-type merger with the Company being a surviving company and ARSHD being dissolved

(iv) Name of combined company

SIOS Technology, Inc.

(v) Other summary of the transaction

ARSHD is a holding company of Profit Cube Inc. (hereinafter “PCI”), which is mainly engaged in the development, sale, and maintenance of the ALM system implementing risk management of assets and liabilities for financial institutions. The Company decided to absorb and merge ARSHD to directly own PCI for the purpose of efficient execution of Company group management.

(2) Summary of accounting treatment

The transaction is accounted for as a transaction under joint control, based on the “Accounting Standard on Business Combination” (ASBJ Statement No. 21 published on December 26, 2008) and “Guidance on the Accounting Standard for Business Combination and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 published on December 26, 2008).

(Segment Information, etc.)

(Segment information)

1 Summary of reportable segments

Reportable segments of our group are those which financial information is available for the components of the Company and which are periodically examined by the Board of Directors to determine the allocation of management resources and evaluate business results. The Company establishes departments and subsidiaries according to markets/clients and technology areas and provides a variety of products and services in open system infra area including OS and middleware and web applications area including business applications. Therefore, our group set the open system infra business and the web application business as a reportable segment.

Business activities of the segments are as follows:

- Open system infra business

  The business offers the business continuity solution using LifeKeeper, the software possible to avoid system downtime in the event of the failure of the IT system, OSS-related products including Red Hat, Inc., products, OSS-related solutions, including SIOS OSS Yorozu Soudanshitsu, in response to various inquiries related with OSS and consulting services for various information systems.
- Web application business

  The business develops software products for MFP, cloud solutions including the Google Apps-linked SaaS Gluegent series, big data solutions for analyzing huge volume data in a short period and corporate information system on a contract basis and offers consulting services for a variety of information systems.

* The existing Web application business will be renamed to Application business on January 1, 2016,
The change is related to the name of the segment and has no effect on segment information.

2 Methods for calculating sales, income or loss, assets, liabilities and other items of the reportable segments

The accounting methods for reportable business segments are the same as provided in the significant matters related to the basis for preparation of the consolidated financial statements. In reportable segments, income is on an operating income and loss basis. Internal sales and transfers among segments are based on the current market price.

The Company allocates no assets to reportable segments.

3 Information on sales, income or loss, assets, liabilities and other items for each reputable segment

FY 2014 (From January 1, 2014 through December 31, 2014)

(Unit: thousand yen)

	Reportable segment			Adjustments	Amount on the consolidated financial statements (Note)
	Open system infra business	Web application business	Total		
Net sales					
Net sales to external customers	5,007,555	2,360,304	7,367,860	—	7,367,860
Internal sales or transfer among segments	279	708	987	(987)	—
Total	5,007,834	2,361,013	7,368,848	(987)	7,367,860
Segment income (loss)	(37,880)	103,259	65,379	—	65,379
Other items					
Depreciation	36,771	20,393	57,165	—	57,165
Amortization of goodwill	475	2,386	2,861	—	2,861

(Note) Segment income (loss) is equal to operating income stated on the consolidated statements of income.

FY 2015 (From January 1, 2015 through December 31, 2015)

(Unit: thousand yen)

	Reportable segment			Adjustments	Amount on the consolidated financial statements (Note)
	Open system infra business	Web application business	Total		
Net sales					
Net sales to external customers	5,541,881	3,820,681	9,362,562	—	9,362,562
Internal sales or transfer among segments	569	175	744	(744)	—
Total	5,542,450	3,820,856	9,363,307	(744)	9,362,562
Segment income (loss)	(165,055)	53,253	(111,802)	—	(111,802)
Other items					
Depreciation	25,908	33,897	59,806	—	59,806
Amortization of goodwill	—	6,192	6,192	—	6,192

(Note) Segment income (loss) is equal to operating loss stated on the consolidated statements of income.

【Related information】

FY 2014 (From January 1, 2014 through December 31, 2014)

1 Information by product and service

The information is omitted because the same information is disclosed in the segment information.

2 Information by region

(1) Net sales

(Unit: thousand yen)

Japan	Americas	Europe	Other regions	Total
6,916,905	252,205	103,970	94,778	7,367,860

(Note) Sales are classified by state or region, based on the location of customers.

(2) Tangible fixed assets

(Unit: thousand yen)

Japan	Americas	Other regions	Total
100,980	4,068	337	105,386

3 Information by key customer

(Unit: thousand yen)

Company or individual name of customers	Net sales	Name of related segment
Otsuka CORPORATION	2,311,833	Open system infra and web application businesses
Networld Corporation	794,752	Open system infra and web application businesses

FY 2015 (From January 1, 2015 through December 31, 2015)

1 Information by product and service

The information is omitted because the same information is disclosed in the segment information.

2 Information by region

(1) Net sales

(Unit: thousand yen)

Japan	Americas	Europe	Other regions	Total
8,709,759	425,667	118,176	108,959	9,362,562

(Note) Sales are classified by state or region, based on the location of customers.

(2) Tangible fixed assets

(Unit: thousand yen)

Japan	Americas	Other regions	Total
156,388	8,416	—	164,805

3　Information by key customer

(Unit: thousand yen)

Company or individual name of customers	Net sales	Name of related segment
Otsuka CORPORATION	2,604,182	Open system infra and web application businesses

【Information on impairment loss of fixed assets by reportable segment】

Not applicable

【Information on amortization and unamortized balance of goodwill by reporting segment】

FY 2014 (From January 1, 2014 through December 31, 2014)

(Unit: thousand yen)

	Reportable segment			Other	Whole company or elimination	Total
	Open system infra business	Web application business	Total			
Balance at end of period	—	6,970	6,970	—	—	6,970

(Note) Amortization of goodwill is omitted because the same information is disclosed in the segment information.

FY 2015 (From January 1, 2015 through December 31, 2015)

(Unit: thousand yen)

	Reportable segment			Other	Whole company or elimination	Total
	Open system infra business	Web application business	Total			
Balance at end of period	—	838,787	838,787	—	—	838,787

(Note) Amortization of goodwill is omitted because the same information is disclosed in the segment information.

【Information on gain from negative goodwill by reportable segment】

FY 2014 (From January 1, 2014 through December 31, 2014)

Not applicable

FY 2015 (From January 1, 2015 through December 31, 2015)

Gain from negative goodwill of 14,372,000 yen was recorded in the Web application business segment because the shares of Keyport Solutions, Inc., were acquired to make the company a subsidiary.

(Per-share information)

	FY 2014 (From January 1, 2014 through December 31, 2014)	FY 2015 (From January 1, 2015 through December 31, 2015)
Net assets per share	200.26 yen	174.66 yen
Net income (loss) per share	4.48 yen	(20.82 yen)
Net income per share-Diluted	3.37 yen	—

(Note) 1. Net income per share-diluted is not described for the current consolidated fiscal year because we recorded net loss despite dilutive shares.
2. The following shows the basis for the calculation of net income (loss) per share and net income per shares-Diluted

Items	FY 2014 (From January 1, 2014 through December 31, 2014)	FY 2015 (From January 1, 2015 through December 31, 2015)
Net income (loss) per share		
Net income (loss) (thousand yen)	39,304	(179,003)
Amount not attributable to common shareholders (thousand yen)	—	—
Net income (loss) available to common stock (thousand yen)	39,304	(179,003)
Average number of common stock during the period (shares)	8,773,147	8,598,621
Net income per share-Diluted		
Adjustments to net income (thousand yen)	(9,665)	—
(Among this, loss on changes in equity) (thousand yen)	(10,973)	—
Increase in common stock (shares)	10,629	—
(among this, equity warrants) (shares)	(10,629)	—
Summary of dilutive shares not included in calculating net income per share-diluted due to no dilutive effect	—	—

(Significant subsequent events)

Not applicable

6. Unconsolidated Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	FY 2014 (as of December 31, 2014)	FY 2015 (as of December 31, 2015)
Assets		
Current assets		
Cash and deposits	951,556	457,033
Accounts receivable-trade	845,538	881,506
Merchandise	8,786	-
Work in progress	19,863	16,892
Advance payment	205,992	259,601
Prepaid expenses	38,357	38,781
Accounts receivable-other	86,015	3,297
Refunded income taxes receivable	-	38,155
Other	549	5,745
Allowance for doubtful accounts	-	(5,854)
Total current liabilities	2,156,658	1,695,159
Fixed assets		
Tangible fixed assets		
Buildings	59,340	52,680
Tool, furniture and fixtures	37,299	27,694
Construction in progress	2,505	-
Total tangible fixed assets	99,146	80,375
Intangible fixed assets		
Trademark	3,228	2,399
Software	10,020	52,480
Software in progress	47,423	11,425
Other	1,028	1,028
Total intangible fixed assets	61,700	67,333
Investment and other assets		
Investment securities	54,773	242,946
Shares of subsidiaries and affiliates	1,014,741	2,506,267
Long-term loans receivable to affiliates	63,000	63,000
Long-term prepaid expenses	151	-
Guarantee deposits	162,200	158,867
Other	208	1,600
Allowance for doubtful accounts	(59,541)	(59,541)
Investment and other assets	1,235,533	2,913,140
Total fixed assets	1,396,380	3,060,848
Total assets	3,553,038	4,756,008

(Unit: thousand yen)

	FY 2014 (as of December 31, 2014)	FY 2015 (as of December 31, 2015)
Liabilities		
Current liabilities		
Accounts payable-trade	366,862	429,351
Short-term loans payable from affiliates	-	118,119
Current portion of long-term loans payable	-	123,120
Accounts payable-trade	83,908	122,598
Accrued expenses	44,177	51,870
Income taxes payable	97,127	265
Consumption taxes payable	14,135	118,462
Advance received	731,229	786,276
Deposits payable	26,880	30,738
Reserve for loss on orders received	2,763	-
Other	1,243	1,376
Total current liabilities	1,368,329	1,782,180
Fixed liabilities		
Long-term loans payable	-	906,100
Deferred tax liabilities	204	827
Reserve for retirement benefits	115,400	135,922
Reserve for loss on business of affiliates	8,232	13,275
Long-term deposits payable	15,814	16,294
Total fixed liabilities	139,651	1,072,420
Total liabilities	1,507,980	2,854,600
Net assets		
Shareholders' equity		
Capital stock	1,481,520	1,481,520
Capital surplus		
Capital reserve	361,305	-
Other capital surplus	114,928	474,415
Total capital surplus	476,233	474,415
Retained earnings		
Other retained earnings		
Retained earnings carried forward	202,236	56,434
Total retained earnings	202,236	56,434
Treasury stock	(119,329)	(116,194)
Total shareholders' equity	2,040,660	1,896,174
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	368	1,672
Total Valuation and translation adjustments	368	1,672
Equity warrants	4,028	3,559
Total net assets	2,045,057	1,901,407
Total liabilities and net assets	3,553,038	4,756,008

(2) Statements of Income

(Unit: thousand yen)

	FY 2014 (From January 1, 2014 through December 31, 2014)	FY 2015 (From January 1, 2015 through December 31, 2015)
Sales	6,256,061	6,990,010
Cost of sales	4,340,725	5,051,903
Gross margin	1,915,336	1,938,107
Selling, general and administrative expenses	1,759,242	2,001,442
Operating income (loss)	156,093	(63,334)
Non-operating revenues		
Interest income	775	943
Dividends income	134,900	-
Exchange gain	897	46
Outsourcing fee	-	5,993
Compensation received	-	10,000
Other	7,315	250
Total non-operating revenues	143,889	17,234
Non-operating expenses		
Interest expenses	10	2,125
Loss on investment of investment partnership	1,368	3,864
Other	99	310
Total non-operating expenses	1,479	6,300
Ordinary income (loss)	298,504	(52,401)
Extraordinary gain		
Gain on sale of investment securities	88,776	8,169
Gain on reversal of equity warrants	100	1,330
Total extraordinary income	88,877	9,499
Extraordinary gain		
Loss on retirement of fixed assets	13	678
Loss on sale of shares of subsidiaries and affiliates	6,216	-
Loss on valuation of shares of subsidiaries and affiliates	53,663	30,000
Provision of the reserve for loss on businesses of subsidiaries and affiliates	8,232	5,042
Provision of the allowance for doubtful accounts of subsidiaries and affiliates	59,541	-
Loss on withdrawal from employees' pension fund	-	11,566
Loss on valuation of golf club membership	-	2,358
Total extraordinary loss	127,667	49,646
Net income (loss) before income taxes	259,714	(92,547)
Income taxes-current	101,639	10,290
Income taxes-deferred	8,013	-
Total income taxes	109,652	10,290
Net income (loss)	150,061	(102,838)

(3) Statements of Changes in Net Assets

FY 2014 (From January 1, 2014 through December 31, 2014)

(Unit: thousand yen)

	Shareholder's equity					
	Capital stock	Capital surplus			Retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings carried forward	Total retained earnings
Balance at beginning of period	1,481,520	361,305	115,252	476,557	96,118	96,118
Changes during period						
Dividends from surplus				-	(43,943)	(43,943)
Net income (loss)				-	150,061	150,061
Purchase of treasury stock				-		-
Disposal of treasury stock			(323)	(323)		-
Transfer from reserve to surplus				-		-
Changes in items other than shareholders equity during period (net)						
Total changes during period	-	-	(323)	(323)	106,117	106,117
Balance at end of period	1,481,520	361,305	114,928	476,233	202,236	202,236

	Shareholder's equity		Valuation and translation adjustments		Equity warrants	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(20,582)	2,033,613	-	-	158	2,033,771
Changes during period						
Dividends from surplus		(43,943)				(43,943)
Net income (loss)		150,061				150,061
Purchase of treasury stock	(99,995)	(99,995)				(99,995)
Disposal of treasury stock	1,248	925				925
Transfer from reserve to surplus		-				-
Changes in items other than shareholders equity during period (net)		-	368	368	3,869	4,238
Total changes during period	(98,747)	7,046	368	368	3,869	11,285
Balance at end of period	(119,329)	2,040,660	368	368	4,028	2,045,057

FY 2015 (From January 1, 2015 through December 31, 2015)

(Unit: thousand yen)

	Shareholder's equity					
		Capital surplus			Retained earnings	
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings carried forward	Total retained earnings
Balance at beginning of period	1,481,520	361,305	114,928	476,233	202,236	202,236
Changes during period						
Dividends from surplus				-	(42,963)	(42,963)
Net income (loss)				-	(102,838)	(102,838)
Purchase of treasury stock				-		-
Disposal of treasury stock			(1,818)	(1,818)		-
Transfer from reserve to surplus		(361,305)	361,305	-		-
Changes in items other than shareholders equity during period (net)						
Total changes during period	-	(361,305)	359,486	(1,818)	(145,802)	(145,802)
Balance at end of period	1,481,520	-	474,415	474,415	56,434	56,434

	Shareholder's equity		Valuation and translation adjustment		Equity warrants	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(119,329)	2,040,660	368	368	4,028	2,045,057
Changes during period						
Dividends from surplus		(42,963)				(42,963)
Net income (loss)		(102,838)				(102,838)
Purchase of treasury stock		-				-
Disposal of treasury stock	3,135	1,316				1,316
Transfer from reserve to surplus		-				-
Changes in items other than shareholders equity during period (net)		-	1,304	1,304	(468)	835
Total changes during period	3,135	(144,485)	1,304	1,304	(468)	(143,649)
Balance at end of period	(116,194)	1,896,174	1,672	1,672	3,559	1,901,407

(4) Notes to Unconsolidated Financial Statements

(Notes to going concern assumption)

Not applicable

7. Other

(1) Changes in Directors

They will be disclosed at the time when details of disclosure are determined.