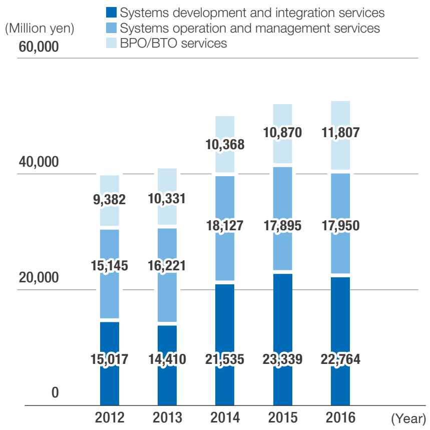
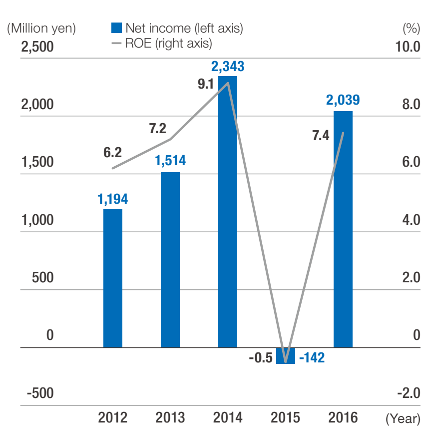
Financial highlights for the past 11 years

	41st term FY2006	42nd term FY2007	43rd term FY2008	44th term FY2009
Net sales (million yen)	37,387	40,924	43,701	39,842
Operating income (million yen)	1,944	2,512	3,260	1,733
Ordinary income (million yen)	2,185	2,846	3,491	1,884
Profit attributable to owners of parent (million yen)	1,209	1,168	1,844	929
Net assets (million yen)	18,065	18,574	18,708	19,773
Total assets (million yen)	27,225	29,516	29,713	31,004
Cash flows from operating activities (million yen)	(3,043)	3,279	2,666	687
Cash flows from investing activities (million yen)	(789)	(694)	(1,084)	(2,300)
Cash flows from financing activities (million yen)	(1,579)	(870)	(1,144)	705
Book value per share <BPS> (yen)	857.39	886.06	915.93	960.61
Earnings per share <EPS> (yen)	56.79	55.89	91.12	46.49
Return on equity <ROE> (%)	6.8	6.5	10.1	5.0
Return on assets <ROA> (%)	7.3	10.0	11.8	6.2
Equity ratio (%)	65.7	61.8	61.6	62.0
Price-to-earnings ratio <PER> (times) *Based on the closing share price at the end of each fiscal year	17.5	12.9	8.5	14.3
Amount of dividend per share (yen)	14.00	20.00	30.00	32.00
Dividend payout ratio (%)	24.7	35.8	32.9	68.8
Number of employees	1,882	1,881	1,998	2,150

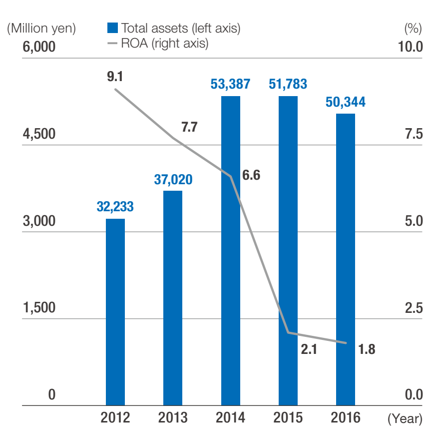
Net sales by segment



Net income/ROE

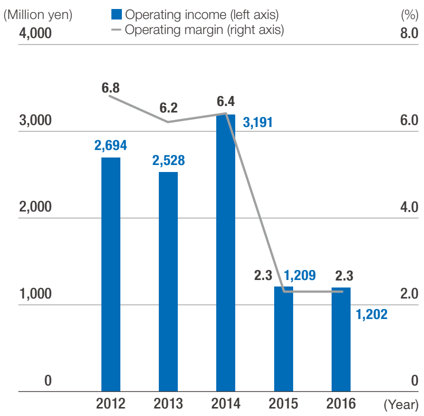


Total assets/ROA

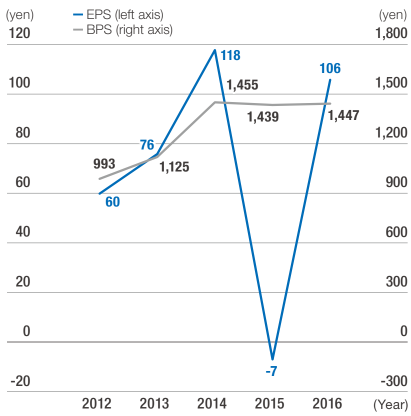


45th term FY2010	46th term FY2011	47th term FY2012	48th term FY2013	49th term FY2014	50th term FY2015	51st term FY2016
36,614	38,882	39,545	40,963	50,031	52,105	52,521
1,822	2,610	2,694	2,528	3,191	1,209	1,202
2,035	2,776	2,887	2,664	3,000	1,080	937
1,026	39	1,194	1,514	2,343	(142)	2,039
20,316	19,294	20,200	22,833	30,310	29,293	27,683
31,781	31,363	32,233	37,020	53,387	51,783	50,344
2,319	(1,509)	3,077	2,100	2,331	(770)	892
488	1,076	1,419	(2,312)	432	(2,760)	3,233
(908)	(407)	(1,248)	989	(1,388)	(796)	(1,920)
979.73	940.20	993.35	1,124.81	1,455.06	1,439.40	1,447.09
51.09	1.98	59.99	76.07	117.69	(7.21)	105.54
5.3	0.2	6.2	7.2	9.1	(0.5)	7.4
6.5	8.8	9.1	7.7	6.6	2.1	1.8
62.0	60.3	61.4	60.5	54.3	54.6	53.0
12.3	317.9	11.4	12.1	10.0	—	8.4
32.00	32.00	32.00	32.00	32.00	32.00	40.00
62.6	1,614.7	53.3	42.1	27.2	—	37.9
2,070	2,057	2,166	2,239	4,833	5,202	5,711

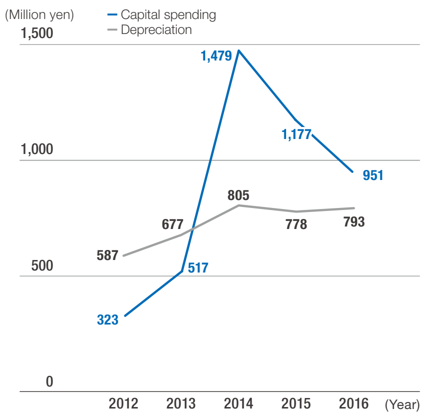
Operating income/Operating margin



EPS/BPS



Capital spending/Depreciation



CONSOLIDATED BALANCE SHEETS

CAC Holdings Corporation

	Millions of yen		Thousands of U.S. dollars
December 31	**2016**	2015	**2016**
Assets			
Current assets:			
Cash and deposits (Notes 6, 8 and 19)	**¥11,428**	¥8,983	**$98,517**
Notes and accounts receivable - trade (Notes 6 and 8)	**10,318**	12,081	**88,948**
Securities (Notes 5 and 6)	**1,101**	1,108	**9,491**
Merchandise and finished goods (Note 8)	**842**	779	**7,258**
Work in process	**762**	1,051	**6,568**
Supplies	**26**	52	**224**
Prepaid expenses	**1,098**	892	**9,465**
Deferred tax assets (Note 9)	**337**	284	**2,905**
Other (Note 8)	**680**	847	**5,862**
Allowance for doubtful accounts (Note 6)	**(128)**	(780)	**(1,103)**
Total current assets	**26,468**	25,300	**228,172**
Property and equipment:			
Land	**182**	182	**1,568**
Buildings and structures	**1,392**	1,397	**12,000**
Machinery and vehicles (Note 8)	**93**	114	**801**
Construction in progress	**0**	1	**0**
Other (Note 8)	**2,002**	2,177	**17,258**
Accumulated depreciation	**(1,940)**	(1,990)	**(16,724)**
Property and equipment, net	**1,731**	1,883	**14,922**
Intangible assets			
Software	**2,380**	2,163	**20,517**
Goodwill	**2,296**	3,064	**19,793**
Other	**58**	87	**500**
Total intangible assets	**4,736**	5,315	**40,827**
Investments and other assets:			
Investment securities (Notes 5 and 6)	**13,735**	15,777	**118,405**
Long-term prepaid expenses	**345**	162	**2,974**
Guarantee deposits (Note 8)	**782**	823	**6,741**
Deferred tax assets (Note 9)	**1,495**	1,623	**12,887**
Other (Note 8)	**1,073**	918	**9,250**
Allowance for doubtful accounts	**(24)**	(21)	**(206)**
Total investments and other assets	**17,408**	19,284	**150,068**
Total assets	**¥50,344**	¥51,783	**$434,000**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
December 31	**2016**	2015	**2016**
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable - trade (Notes 6 and 8)	**¥3,324**	¥3,907	**$28,655**
Short-term loans payable (Notes 6, 7 and 8)	**3,322**	2,705	**28,637**
Current portion of bonds payable (Notes 6 and 7)	**–**	300	**–**
Current portion of long-term loans payable (Notes 6 and 7)	**60**	2,065	**517**
Lease obligations (Note 7)	**162**	193	**1,396**
Accrued expenses	**1,795**	1,469	**15,474**
Income taxes payable	**1,368**	953	**11,793**
Consumption taxes payable	**413**	440	**3,560**
Provision for bonuses	**309**	315	**2,663**
Provision for loss on order received	**20**	81	**172**
Other	**2,442**	2,001	**21,051**
Total current liabilities	**13,218**	14,434	**113,948**
Non-current liabilities:			
Long-term loans payable (Notes 6, 7 and 8)	**2,373**	463	**20,456**
Lease obligations (Note 7)	**306**	265	**2,637**
Provision for directors' retirement benefits	**70**	32	**603**
Net defined benefit liability (Note 10)	**3,964**	3,895	**34,172**
Deferred tax liabilities (Note 9)	**2,609**	3,278	**22,491**
Other	**118**	119	**1,017**
Total non-current liabilities	**9,442**	8,055	**81,396**
Contingent liabilities (Note 11)			
Total liabilities	**22,661**	22,489	**195,353**
Net assets:			
Shareholders' equity (Note 12):			
Common stock - Authorized, 86,284,000 shares in 2016 and 2015 Issued, 21,541,400 shares in 2016 and 2015	**3,702**	3,702	**31,913**
Capital surplus	**3,725**	3,969	**32,112**
Retained earnings	**16,373**	15,306	**141,146**
Treasury shares – at cost, 3,106,143 shares in 2016 and 1,884,043 shares in 2015	**(2,909)**	(1,909)	**(25,077)**
Total shareholders' equity	**20,892**	21,069	**180,103**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**5,869**	6,861	**50,594**
Foreign currency translation adjustments	**(253)**	128	**(2,181)**
Remeasurements of defined benefit plans	**169**	236	**1,456**
Total accumulated other comprehensive income	**5,785**	7,225	**49,870**
Non-controlling interests	**1,005**	998	**8,663**
Total net assets	**27,683**	29,293	**238,646**
Total liabilities and net assets	**¥50,344**	¥51,783	**$434,000**

CONSOLIDATED STATEMENTS OF OPERATIONS

CAC Holdings Corporation

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2016**	2015	**2016**
Net sales	**¥52,521**	¥52,105	**$452,767**
Cost of sales	**42,041**	42,315	**362,422**
Gross profit	**10,479**	9,790	**90,336**
Selling, general and administrative expenses (Note 13)	**9,277**	8,581	**79,974**
Operating income	**1,202**	1,209	**10,362**
Non-operating income:			
Interest and dividend income	**234**	238	**2,017**
Share of profit of entities accounted for using equity method	**–**	2	**–**
Other	**53**	80	**456**
Non-operating income, total	**288**	321	**2,482**
Non-operating expenses:			
Interest expenses	**328**	360	**2,827**
Share of loss of entities accounted for using equity method	**7**	–	**60**
Loss on investments in partnership	**37**	–	**318**
Commitment fee	**17**	16	**146**
Foreign exchange losses	**104**	19	**896**
Other	**59**	53	**508**
Non-operating expenses, total	**553**	450	**4,767**
Ordinary income	**937**	1,080	**8,077**
Extraordinary income:			
Gain on sales of investment securities	**3,701**	1,071	**31,905**
Gain on sales of shares of subsidiaries	**–**	15	**–**
Extraordinary income, total	**3,701**	1,086	**31,905**
Extraordinary losses:			
Loss on sales of investment securities	**0**	4	**0**
Loss on valuation of investment securities	**–**	5	**–**
Impairment loss (Note 14)	**105**	653	**905**
Loss on business of subsidiary (Note 15)	**570**	736	**4,913**
Other	**17**	6	**146**
Extraordinary losses, total	**693**	1,406	**5,974**
Profit before income taxes	**3,945**	761	**34,008**
Income taxes:			
Current	**1,826**	1,401	**15,741**
Deferred	**119**	(65)	**1,025**
	1,945	1,335	**16,767**
Profit (loss)	**1,999**	(574)	**17,232**
Loss attributable to non-controlling interests	**(39)**	(431)	**(336)**
Profit (loss) attributable to owners of parent	**¥2,039**	¥(142)	**$17,577**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CAC Holdings Corporation

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2016**	2015	**2016**
Profit (loss)	**¥1,999**	¥(574)	**$17,232**
Other comprehensive income (Note 16)			
Valuation difference on available-for-sale securities	**(991)**	31	**(8,543)**
Foreign currency translation adjustments	**(456)**	(139)	**(3,931)**
Remeasurements of defined benefit plans	**(67)**	305	**(577)**
Total other comprehensive income	**(1,515)**	197	**(13,060)**
Comprehensive income	**¥483**	¥(376)	**$4,163**
Total other comprehensive income attributable to:			
Owners of parent	**¥598**	¥96	**$5,155**
Non-controlling interests	**(115)**	(473)	**(991)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

CAC Holdings Corporation

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total
Balance at January1, 2015	¥3,702	¥3,969	¥15,944	¥(1,637)	¥21,978
Cumulative effect of changes in accounting policy			138		138
Restated balance at January1, 2015	¥3,702	¥3,969	¥16,082	¥(1,637)	¥22,116
Change in ownership interest of parent due to transactions with non-controlling interests					–
Dividend from surplus			(633)		(633)
Loss attributable to owners of parent			(142)		(142)
Purchase of treasury shares				(271)	(271)
Net changes of items other than shareholders' equity	–	–	–	–	–
Balance at December 31, 2015	**¥3,702**	**¥3,969**	**¥15,306**	**¥(1,909)**	**¥21,069**
Cumulative effect of changes in accounting policy		**(239)**	**(264)**		**(504)**
Restated balance at December 31, 2015	**¥3,702**	**¥3,729**	**¥15,042**	**¥(1,909)**	**¥20,564**
Change in ownership interest of parent due to transactions with non-controlling interests		**(3)**			**(3)**
Dividend from surplus			**(707)**		**(707)**
Profit attributable to owners of parent			**2,039**		**2,039**
Purchase of treasury shares				**(999)**	**(999)**
Net changes of items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2016	**¥3,702**	**¥3,725**	**¥16,373**	**¥(2,909)**	**¥20,892**

	Millions of yen					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total	Non-controlling interests	Total net assets
Balance at January1, 2015	¥6,829	¥227	¥(69)	¥6,988	¥1,343	¥30,310
Cumulative effect of changes in accounting policy						138
Restated balance at January1, 2015	¥6,829	¥227	¥(69)	¥6,988	¥1,343	¥30,448
Change in ownership interest of parent due to transactions with non-controlling interests						–
Dividend from surplus						(633)
Loss attributable to owners of parent						(142)
Purchase of treasury shares						(271)
Net changes of items other than shareholders' equity	31	(99)	305	237	(345)	(107)
Balance at December 31, 2015	**¥6,861**	**¥128**	**¥236**	**¥7,225**	**¥998**	**¥29,293**
Cumulative effect of changes in accounting policy						**(504)**
Restated balance at December 31, 2015	**¥6,861**	**¥128**	**¥236**	**¥7,225**	**¥998**	**¥28,788**
Change in ownership interest of parent due to transactions with non-controlling interests						**(3)**
Dividend from surplus						**(707)**
Profit attributable to owners of parent						**2,039**
Purchase of treasury shares						**(999)**
Net changes of items other than shareholders' equity	**(991)**	**(381)**	**(67)**	**(1,440)**	**7**	**(1,432)**
Balance at December 31, 2016	**¥5,869**	**¥(253)**	**¥169**	**¥5,785**	**¥1,005**	**¥27,683**

See notes to consolidated financial statements.

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total
Balance at December 31, 2015	**$31,913**	**$34,215**	**$131,948**	**$(16,456)**	**$181,629**
Cumulative effect of changes in accounting policy		**(2,060)**	**(2,275)**		**(4,344)**
Restated balance at December 31, 2015	**$31,913**	**$32,146**	**$129,672**	**$(16,456)**	**$177,275**
Change in ownership interest of parent due to transactions with non-controlling interests		**(25)**			**(25)**
Dividend from surplus			**(6,094)**		**(6,094)**
Profit attributable to owners of parent			**17,577**		**17,577**
Purchase of treasury shares				**(8,612)**	**(8,612)**
Net changes of items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2016	**$31,913**	**$32,112**	**$141,146**	**$(25,077)**	**$180,103**

	Thousands of U.S. dollars					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total	Non-controlling interests	Total net assets
Balance at December 31, 2015	**$59,146**	**$1,103**	**$2,034**	**$62,284**	**$8,603**	**$252,525**
Cumulative effect of changes in accounting policy						**(4,344)**
Restated balance at December 31, 2015	**$59,146**	**$1,103**	**$2,034**	**$62,284**	**$8,603**	**$248,172**
Change in ownership interest of parent due to transactions with non-controlling interests						**(25)**
Dividend from surplus						**(6,094)**
Profit attributable to owners of parent						**17,577**
Purchase of treasury shares						**(8,612)**
Net changes of items other than shareholders' equity	**(8,543)**	**(3,284)**	**(577)**	**(12,413)**	**60**	**(12,344)**
Balance at December 31, 2016	**$50,594**	**$(2,181)**	**$1,456**	**$49,870**	**$8,663**	**$238,646**

CONSOLIDATED STATEMENTS OF CASH FLOWS

CAC Holdings Corporation

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2016**	2015	**2016**
Operating activities			
Profit before income taxes	**¥3,945**	¥761	**$34,008**
Depreciation	**793**	778	**6,836**
Amortization of goodwill	**213**	208	**1,836**
Share of (profit) loss of entities accounted for using equity method	**7**	(2)	**60**
Loss (gain) on investments in partnership	**37**	–	**318**
Loss (gain) on valuation of investment securities	**–**	5	**–**
Impairment loss	**105**	653	**905**
Loss on business of subsidiary	**570**	736	**4,913**
Increase (decrease) in net defined benefit liability	**76**	34	**655**
Increase (decrease) in provision for directors' retirement benefits	**37**	19	**318**
Increase (decrease) in provision for bonuses	**(0)**	23	**(0)**
Increase (decrease) in allowance for doubtful accounts	**(574)**	437	**(4,948)**
Interest and dividend income	**(235)**	(238)	**(2,025)**
Interest expenses	**328**	360	**2,827**
Loss (gain) on sale of investment securities	**(3,701)**	(1,067)	**(31,905)**
Loss (gain) on sale of shares of subsidiaries and associates	**–**	(15)	**–**
Decrease (increase) in notes and accounts receivable - trade	**1,532**	(1,435)	**13,206**
Decrease (increase) in inventories	**64**	(607)	**551**
Decrease (increase) in other current assets	**(333)**	219	**(2,870)**
Increase (decrease) in notes and accounts payable - trade	**(459)**	10	**(3,956)**
Increase (decrease) in accrued expenses	**308**	64	**2,655**
Increase (decrease) in other current liabilities	**24**	(211)	**206**
Decrease (increase) in other non-current assets	**(339)**	(48)	**(2,922)**
Increase (decrease) in other non-current liabilities	**1**	30	**8**
Other, net	**(83)**	(38)	**(715)**
	2,318	679	**19,982**
Interest and dividend income received	**235**	239	**2,025**
Interest expenses paid	**(347)**	(337)	**(2,991)**
Income taxes paid	**(1,424)**	(1,353)	**(12,275)**
Income taxes refund	**111**	1	**956**
Net cash provided by (used in) operating activities	**892**	(770)	**7,689**

(Continued)

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2016**	2015	**2016**
Investing activities			
Payments in time deposits	**¥(161)**	¥(311)	**$(1,387)**
Proceeds from withdrawal of time deposits	**311**	311	**2,681**
Purchase of property and equipment	**(300)**	(236)	**(2,586)**
Purchase of intangible assets	**(650)**	(941)	**(5,603)**
Decrease (increase) in securities, net	**(500)**	500	**(4,310)**
Purchase of investment securities	**(1,421)**	(1,457)	**(12,250)**
Proceeds from sale of investment securities	**5,967**	1,265	**51,439**
Payments for guarantee deposits	**(95)**	(126)	**(818)**
Proceeds from collection of guarantee deposits	**115**	0	**991**
Proceeds from sale of shares of subsidiaries and associates	**–**	41	**–**
Purchase of shares of subsidiaries and associates	**(30)**	(335)	**(258)**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**–**	(1,475)	**–**
Other, net	**(0)**	3	**(0)**
Net cash provided by (used in) investing activities	**3,233**	(2,760)	**27,870**
Financing activities			
Increase (decrease) in short-term loans payable, net	**777**	653	**6,698**
Proceeds from long-term loans payable	**2,003**	1	**17,267**
Repayments of long-term loans payable	**(2,059)**	(44)	**(17,750)**
Redemption of bonds	**(300)**	(300)	**(2,586)**
Repayments of lease obligations	**(207)**	(190)	**(1,784)**
Purchase of treasury shares	**(999)**	(271)	**(8,612)**
Cash dividends paid	**(707)**	(633)	**(6,094)**
Cash dividends paid to non-controlling interests	**(9)**	(11)	**(77)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(558)**	–	**(4,810)**
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**142**	–	**1,224**
Net cash provided by (used in) financing activities	**(1,920)**	(796)	**(16,551)**
Effect of exchange rate change on cash and cash equivalents	**(39)**	(27)	**(336)**
Net increase (decrease) in cash and cash equivalents	**2,166**	(4,355)	**18,672**
Cash and cash equivalents at beginning of year	**9,101**	13,456	**78,456**
Cash and cash equivalents at end of year (Note 19)	**¥11,268**	¥9,101	**$97,137**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CAC Holdings Corporation

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of CAC Holdings Corporation (the "Company") and consolidated subsidiaries (collectively, the "Group") are prepared on the basis of accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan (the "FIEA"). Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside of Japan.

In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

As permitted by the FIEA, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetical computation only, at the rate of ¥116=U.S.$1, the approximate rate of exchange at December 31, 2016. The translation should not be construed as a representation that Japanese yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements as of and for the year ended December 31, 2016 include the accounts of the Company and its 26 (26 in 2015) significant subsidiaries.

Under the control and influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investment in one (one in 2015) associated company (CEN Solutions Corp.) is accounted for by the equity method, Investments in the remaining two subsidiaries and three associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The fiscal periods of two consolidated subsidiaries end at the end of March. In preparing these consolidated financial statements, preliminary financial statements as of December 31 or September 30 are used to consolidate. For the preliminary financial statements as of September 30, necessary adjustments are made in the consolidation process concerning significant transactions that occurred for the period from October 1 to December 31.

All significant intercompany balances and transactions have been eliminated in consolidation.

(Change in the scope of consolidation)

Changes in the scope of consolidation for the year ended December 31, 2016 were as follows:

A subsidiary of Sierra Solutions Pte. Ltd. was newly established and included in the scope of consolidation.

clinical trust Co., Ltd. was excluded from the scope of consolidation since it was merged into CAC Croit Corporation (formerly, CAC EXICARE Corporation), a consolidated subsidiary of the Company, and dissolved.

(b) Cash equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid instruments with maturity of three months or less when purchased to be cash equivalents.

(c) Securities

All investment securities are classified as available-for-sale securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving average method.

(d) Inventories

Inventories ("Merchandise and finished goods" and "Work in process") are stated at the lower of the cost determined by specific identification method or the net selling value.

(e) Property and equipment (except for leased assets)

Property and equipment is stated at cost. For the Company and its consolidated domestic subsidiaries, depreciation is principally computed by the declining balance method. As for assets held by the consolidated overseas subsidiaries and buildings and structures (other than fixtures and structures acquired on and before March 31, 2016), depreciation is principally computed by the straight-line method.

The useful lives are as follows:

Buildings and structures	10 to 47 years
Machinery and vehicles	6 to 15 years
Others	3 to 30 years

(f) Software

Software for sale is amortized in the larger of either the amount computed based on the estimated sales volume or the straight-line method over the remaining effective life (mainly three years).

Software for internal use is amortized using the straight-line method over the estimated period of internal use (mainly five years).

(g) Leases

Leased assets under finance lease transactions which transfer ownership consist of mainly vehicles for internal use, computers and related equipment. Depreciation of these leased assets is computed using the same method as that for owned property and equipment.

Leased assets under finance lease transactions which do not transfer ownership consist of mainly office equipment for customer service and internal use. Depreciation of these leased assets is computed using the straight-line method over the lease period with no residual value.

(h) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debts with respect to normal receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers experiencing financial difficulties.

(i) Provision for bonuses

The provision for bonuses to employees is provided for the payment of employees' bonuses based on estimate of future payments attributed to the fiscal year.

(j) Provision for loss on order received

For the software development contracts, the provision for loss on order received is provided based on estimated losses that are anticipated to occur from the next fiscal year, for any contract on which a loss is likely to be incurred as of the fiscal year-end and where the amount of such loss can be reasonably estimated.

(k) Provision for directors' retirement benefits

The provision for directors' retirement benefits is provided at the amount required to be paid if all directors had voluntarily terminated their services as of the balance sheet date.

(l) Pension and severance indemnities

The benefit formula method is used as the method of attributing expected benefits to periods through the balance sheet date in calculating the projected benefit obligation.

Actuarial gain or loss and prior service cost are recognized for each defined benefit plan over a period not exceeding the expected average remaining service years of the employees participating in the plan. Actuarial gain or loss are amortized using the straight-line method over a period not exceeding 10 years following the respective fiscal years when such gains or losses are recognized. Prior service cost is amortized using the straight-line method over a period not exceeding 10 years.

Unrecognized actuarial gain and loss and unrecognized past service cost, net of tax effect, are stated in “Remeasurements of defined benefit plans” under “Accumulated other comprehensive income”.

(m) Recognition of revenues and costs of software development contracts

Revenues and costs of software development contracts of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.

(n) Translation of foreign currency transactions

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing as of the fiscal year-end, and resulting gains and losses are included in income.

The accounts of the overseas consolidated subsidiaries are translated into yen at the year-end exchange rates, except for net assets, which are translated at historical rates, and income statement items are translated into yen at average exchange rates during the year. Differences arising from the translations are stated under “Foreign currency translation adjustments” and “Non-controlling interests” in the accompanying consolidated balance sheet.

(o) Amortization of goodwill

Goodwill is amortized over a period not exceeding 20 years, determined in consideration of the source of goodwill.

(p) Transactions are recorded exclusive of consumption taxes.

3. Changes in Accounting Policies and Presentation

(a) Accounting standard for business combinations

The Company adopted the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (“ASBJ”) Statement No.21, September 13, 2013 (hereinafter, “Statement No.21”)), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, September 13, 2013 (hereinafter, “Statement No.22”)) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, September 13, 2013 (hereinafter, “Statement No.7”)) (together, the “Business Combination Accounting Standards”), from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company’s ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income, and the term “non-controlling interests” is used instead of “minority interests”. Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from financing activities” and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from operating activities”.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (3) of Statement No.21, article 44-5 (3) of Statement No.22 and article 57-4 (3) of Statement No.7. Consequently, capital surplus and retained earnings at the beginning of the current fiscal year are retroactively adjusted.

With regard to the consolidated statement of cash flows, the Company is followed the provisional treatments in article 26-4 of the Practical Guidelines on Preparation of Consolidated Statement of Cash Flows and comparative information in the prior year was not reclassified.

As a result, goodwill decreased by ¥504 million ($4,344 thousand), capital surplus by ¥239 million ($2,060 thousand) and retained earnings by ¥264 million ($2,275 thousand) as of January 1, 2016. Operating income, ordinary income and profit before income taxes increased by ¥28 million ($241 thousand) for the year ended December 31, 2016.

The impact on per share information is noted in 21. Per Share Information.

(b) Change in depreciation method

Pursuant to an amendment to the Corporation Tax Act, the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (“PITF”) No. 32, issued on June 17, 2016) effective from the year ended December 31, 2016. Thus, the depreciation method for fixtures and structures acquired on and after April 1, 2016 was changed from the declining balance method to the straight-line method.

The effects on operating income and profit were immaterial for the year ended December 31, 2016.

(c) Change in presentation

Changes in presentation in the consolidated statements of cash flows are as follows:

Effective from the year ended December 31, 2016, purchase of securities and proceeds from redemption of securities under net cash provided by (used in) investing activities are presented on a net basis as decrease (increase) in securities net, due to their short-term turnover. The consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, ¥(4,000) million of purchase of securities and ¥4,500 million of proceeds from redemption of securities under net cash provided by (used in) investing activities shown on the financial statements for the year ended December 31, 2015 are reclassified to ¥500 million of decrease (increase) in securities, net.

4. Accounting Standards Issued But Not Yet Applied

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

(Overview)

The implementation Guidance continues to apply the framework used in the Auditing Committee Report No. 66 "Audit Treatment for Judgement of Recoverability of Deferred Assets" in which companies are grouped into five categories and assess the amounts of deferred tax assets based on such categories. However, necessary reviews on the following treatments are being implemented.

(i) Treatment for the entities who do not fulfill any of the criteria for (Category 1) to (Category 5).
(ii) Criteria for (Category 2) and (Category 3).
(iii) Treatment of unscheduled deductible temporary differences for the entities in (Category 2)
(iv) Treatment for the period in which a reasonable estimate is possible for the taxable income before temporary differences for the entities in (Category 3)
(v) Treatments for the entities who satisfy (Category 4) criteria but are applicable to (Category 2) or (Category 3).

(Date of application)

The Company will apply the implementation guidance effective from the beginning of the year ending December 31, 2017.

(Effect of application)

The Company is currently evaluating the effect of application.

5. Investment Securities

At December 31, 2016 and 2015, information with respect to available-for-sale securities for which market prices were available was summarized as follows:

	Millions of yen							
	2016				2015			
	Cost	Unrealized gain	Unrealized loss	Fair value	Cost	Unrealized gain	Unrealized loss	Fair value
Equity securities	**¥2,683**	**¥8,663**	**¥44**	**¥11,301**	¥3,400	¥10,204	¥46	¥13,559
Bonds	**500**	**–**	**130**	**369**	500	–	108	391
Other	**1,311**	**1**	**22**	**1,290**	1,442	81	5	1,517
Total	**¥4,495**	**¥8,665**	**¥198**	**¥12,962**	¥5,343	¥10,285	¥161	¥15,467

	Thousands of U.S. dollars			
	2016			
	Cost	Unrealized gain	Unrealized loss	Fair value
Equity securities	**$23,129**	**$74,681**	**$379**	**$97,422**
Bonds	**4,310**	**–**	**1,120**	**3,181**
Other	**11,301**	**8**	**189**	**11,120**
	$38,750	**$74,698**	**$1,706**	**$111,741**

The tables above do not include investment securities for which market prices were not available, in the total amount of ¥995 million ($8,577 thousand) and ¥1,037 million as of December 31, 2016 and 2015, respectively. Investments in shares of nonconsolidated subsidiaries and associates were ¥878 million ($7,568 thousand) and ¥380 million as of December 31, 2016 and 2015, respectively.

Proceeds from sales of securities classified as available-for-sale securities and gains or losses on such sales were summarized below.

	Millions of yen					
	2016			2015		
	Proceeds	Gains	Losses	Proceeds	Gains	Losses
Equity securities	**¥5,753**	**¥3,645**	**¥0**	¥1,174	¥1,066	¥0
Other	**256**	**56**	**–**	97	4	3
Total	**¥6,010**	**¥3,701**	**¥0**	¥1,272	¥1,071	¥4

	Thousands of U.S. dollars		
	2016		
	Proceeds	Gains	Losses
Equity securities	**$49,594**	**$31,422**	**$0**
Other	**2,206**	**482**	**–**
Total	**$51,810**	**$31,905**	**$0**

6. Financial Instruments

(a) Policy for financial instruments

As a policy, the Group raises necessary funds through bank loans or bond issues based on its investment plan, and invests temporary surplus fund primarily in very safe financial instruments. The Group uses derivatives only for the purpose of reducing foreign exchange risk and interest rate risk, and does not enter into derivatives for speculative purposes.

(b) Types of financial instruments and related risk and risk management

The Group manages its customer credit risk in relation to notes and accounts receivable-trade by periodically reviewing creditworthiness of main customers. The Group monitors due dates and outstanding balances by individual customer to ensure early identification and mitigation of potential risks of bad debts from customers who are having financial difficulties.

Investment securities consist of mainly the shares of common stock of other companies with which the Group has business relationships. To manage the credit risk of the issuers as well as market risk of investment securities, the Group also periodically reviews their fair value and financial status of the issuers. The Group also reviews the holding status of the issuers taking its business relationship into account.

Notes and accounts payables-trade have payment due dates within one year. The Group raises funds through long-term loans payable and bonds payable for capital investment and maintaining financial strength and stability. These loans and bonds payables are exposed to interest rate fluctuation risk. The Group manages its liquidity risk by preparing cash management plan on a timely basis and maintaining liquidity on hand.

(c) Fair value of financial instruments

The fair value of financial instruments is based on their market prices, if available. Where there is no market price available, fair value is reasonably estimated.

Carrying amount on the consolidated balance sheets as of December 31, 2016 and 2015 and estimated fair value and differences of financial instruments were as follows:

	Millions of yen					
	2016			2015		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and deposits	**¥11,428**	**¥11,428**	**¥–**	¥8,983	¥8,983	¥–
(2) Notes and accounts receivable- trade	**10,318**			12,081		
Allowance for doubtful accounts*	**(117)**			(478)		
	10,200	**10,200**	**–**	11,602	11,602	–
(3) Marketable and investment securities	**12,962**	**12,962**	**–**	15,467	15,467	–
Total	**¥34,591**	**¥34,591**	**¥–**	¥36,054	¥36,054	¥–
(1) Notes and accounts payable- trade	**¥3,324**	**¥3,324**	**¥–**	¥3,907	¥3,907	¥–
(2) Short-term loans payable	**3,322**	**3,322**	**–**	2,705	2,705	–
(3) Bonds payable (including current portion)	**–**	**–**	**–**	300	300	–
(4) Long-term loans payable (including current portion)	**2,434**	**2,437**	**3**	2,529	2,536	7
Total	**¥9,081**	**¥9,084**	**¥3**	¥9,442	¥9,449	¥7

(*) The amount excludes specific reserve for notes and accounts receivable-trade.

	Thousands of U.S. dollars		
	2016		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	**$98,517**	**$98,517**	**$–**
(2) Notes and accounts receivable- trade	**88,948**		
Allowance for doubtful accounts*	**(1,008)**		
	87,931	**87,931**	**–**
(3) Marketable and investment securities	**111,741**	**111,741**	**–**
Total	**$298,198**	**$298,198**	**$–**
(1) Notes and accounts payable- trade	**$28,655**	**$28,655**	**$–**
(2) Short-term loans payable	**28,637**	**28,637**	**–**
(3) Bonds payable (including current portion)	**–**	**–**	**–**
(4) Long-term loans payable (including current portion)	**20,982**	**21,008**	**25**
Total	**$78,284**	**$78,310**	**$25**

Notes:

1. Valuation method of fair value of financial instruments and information on securities

Assets:

(1) Cash and deposits, (2) Notes and accounts receivable-trade

Since these items are settled in a short period of time, their carrying amount approximates fair value. The fair value of notes and accounts receivable-trade is determined by deducting specific reserve for each receivable, if any, since the amount of specific reserve is deemed as the amount of credit risk.

(3) Marketable and investment securities

The fair value of marketable and investment securities are measured at the quoted market price of the stock exchange for equity instruments and at the quoted price obtained from the financial institution for debt instruments. Fair value information for marketable and investment securities by holding purpose is included in Note 5.

Liabilities:

(1) Notes and accounts payable-trade, (2) Short-term loans payable

Since these items are settled in a short period of time, their carrying amount approximates fair value.

(3) Bonds payable (including current portion)

For bonds payable with floating interest rate, carrying value approximates the fair value since the floating rate reflect market interest rates in a short period of time and the Company's credit status has not been changed after the issuance of the bond. Thus, the carrying value is used as the fair value.

(4) Long-term loans payable (including current portion)

For long-term loans payable with floating interest rates, carrying value approximates the fair value since the floating rate reflect market interest rates in a short period of time. Thus, the carrying value is used as the fair value. For long-term loans payable with fixed interest rates, the fair value is based on the present value of the total of principal and interest discounted by the interest rate assumed for a similar new loan.

2. Financial instruments whose fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unlisted stock and other	**¥1,874**	¥1,417	**$16,155**

These securities are not included in (3) Marketable and investment securities in the table above, as there were no market prices available and it is extremely difficult to determine the fair value. The amount includes investments in limited partnerships.

3. Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen							
	2016				2015			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	**¥11,428**	**¥–**	**¥–**	**¥–**	¥8,983	¥–	¥–	¥–
Notes and accounts receivable- trade	**10,318**	**–**	**–**	**–**	11,512	568	–	–
Available-for-sale securities with maturities	**1,101**	**–**	**–**	**500**	1,108	–	–	500
Total	**¥22,847**	**¥–**	**¥–**	**¥500**	¥21,604	¥568	¥–	¥500

	Thousands of U.S. dollars			
	2016			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	**$98,517**	**$–**	**$–**	**$–**
Notes and accounts receivable- trade	**88,948**	**–**	**–**	**–**
Available-for-sale securities with maturities	**9,491**	**–**	**–**	**4,310**
Total	**$196,956**	**$–**	**$–**	**$4,310**

7. Short-Term Loans Payable, Long-Term Loans Payable, Bonds Payable and Lease Obligations

Short-term debts as of December 31, 2016 and 2015 are summarized below.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Short-term loans payable (7.3% in 2016 and 8.6% in 2015)	**¥3,322**	¥2,705	**$28,637**
Current portion of long-term loans payable (6.0% in 2016 and 2.0% in 2015)	**60**	2,065	**517**
Current portion of lease obligations (2.6% in 2016 and 2.7% in 2015)	**162**	193	**1,396**
Current portion of 0.25% unsecured bonds, due in 2016	**–**	300	**–**

Long-term debts as of December 31, 2016 and 2015 are summarized below.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Long-term loans payable, due through 2020 (1.8% in 2016 and 8.5% in 2015)	**¥2,373**	¥463	**$20,456**
Lease obligations, due through 2024, (2.6% in 2016 and 2.7% in 2015)	**306**	265	**2,637**

In the tables above, the weighted average interest rates applicable to respective debt outstanding at December 31, 2016 and 2015 were stated.

The Company enters into a loan commitment line agreement with financial institutions as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Commitment line agreement	**¥6,000**	¥6,000	**$51,724**
Balance executed as loans	**–**	–	**–**
Unused line of credit	**¥6,000**	¥6,000	**$51,724**

The annual maturities of long-term loans payable subsequent to December 31, 2016 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
2017	**¥60**	**$517**
2018	**83**	**715**
2019	**272**	**2,344**
2020	**2,017**	**17,387**
2021	**–**	**–**
2022 and thereafter	**–**	**–**
	¥2,433	**$20,974**

The annual maturities of lease obligations subsequent to December 31, 2016 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
2017	**¥162**	**$1,396**
2018	**111**	**956**
2019	**86**	**741**
2020	**61**	**525**
2021	**32**	**275**
2022 and thereafter	**14**	**120**
	¥468	**$4,034**

8. Pledged Assets

Assets pledged as collateral for notes and accounts payable-trade of ¥499 million ($4,301 thousand) and ¥545 million, short-term loans payable of ¥1,166 million ($10,051 thousand) and ¥2,354 million, long-term loans payable of ¥31 million ($267 thousand) and ¥35 million at December 31, 2016 and 2015, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Cash and deposits	**¥–**	¥79	**$–**
Notes and accounts receivable - trade	**1,891**	1,079	**16,301**
Merchandise and finished goods	**838**	651	**7,224**
Other current assets	**122**	105	**1,051**
Machinery and vehicles	**9**	15	**77**
Other property and equipment	**117**	309	**1,008**
Guarantee deposits	**33**	31	**284**
Other investments and other assets	**768**	484	**6,620**
Total	**¥3,781**	¥2,757	**$32,594**

9. Income Taxes

(a) Major components of deferred tax assets and deferred tax liabilities as of December 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Net defined benefit liability	**¥1,194**	¥1,343	**$10,293**
Provision for bonuses	**85**	85	**732**
Accrued enterprise taxes	**97**	58	**836**
Provision for loss on order received	**7**	28	**60**
Provision for directors' retirement benefits	**24**	24	**206**
Depreciation	**126**	105	**1,086**
Net operating loss	**78**	257	**672**
Other	**158**	203	**1,362**
Deferred tax assets, subtotal	**1,772**	2,105	**15,275**
Valuation allowance	**(14)**	(293)	**(120)**
Deferred tax assets, net	**¥1,757**	¥1,812	**$15,146**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**¥(2,534)**	¥(3,184)	**$(21,844)**
Deferred tax liabilities, subtotal	**(2,534)**	(3,184)	**(21,844)**
Net deferred tax liabilities	**¥(777)**	¥(1,371)	**$(6,698)**

(b) Reconciliation between the statutory tax rate and effective tax rate reflected in the consolidated statement of income for the current fiscal year for the year ended December 31, 2016 and 2015 were as follows:

	%	
	2016	2015
Statutory tax rate:	**33.1**	35.6
(Adjustments)		
Permanent difference – nontaxable	**(0.4)**	(4.9)
Permanent difference – nondeductible	**10.0**	9.2
Donation	**1.0**	8.2
Amortization of goodwill	**1.8**	9.7
Inhabitant tax on per capita basis	**0.3**	1.6
Increase in valuation allowance	**1.6**	37.7
Impairment loss on subsidiaries	**–**	58.7
Adjustment due to change in tax rate	**3.4**	22.4
Other	**(1.5)**	(2.8)
Effective tax rate	**49.3**	175.4

The "Act on Partial Revision of the Income Tax Act" (Act No. 15 of 2016) and the "Act on Partial Revision of Local Tax Act" (Act No. 13 of 2016) were enacted in the Diet session on March 29, 2016 and income tax rates will be reduced effective from years beginning on or after April 1, 2016. Accordingly, the normal effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 32.26% to 30.86% for the temporary differences expected to be realized or settled from January 1, 2017 to December 31, 2018 and to 30.62% for those to be realized or settled on or after January 1, 2019. As a result, deferred tax liabilities, net of deferred tax assets, as of December 31, 2016 decreased by ¥56 million ($482 thousand) and income taxes-deferred and accumulated other comprehensive income increased by ¥85 million ($732 thousand) and ¥142 million ($1,224 thousand), respectively, as of and for the year ended December 31, 2016.

10. Pension and Severance Indemnities

The Company and its consolidated subsidiaries have several retirement benefit plans as summarized below.

- Defined benefit corporate pension plan and Lump-sum payment plan (two consolidated subsidiaries)
- Lump-sum payment plans (six consolidated subsidiaries)
- Defined contribution corporate pension plan (one consolidated subsidiary)
- Multiemployer plan such as Japan Computer Information Service Employees' Pension Fund (three consolidated subsidiaries)
- Plan under Smaller Enterprise Retirement Allowance Mutual Aid Scheme (three consolidated subsidiaries)

Consolidated subsidiaries with the multiemployer plan (Japan Computer Information Service Employee's Pension Fund) recognize the required contribution amount as retirement benefit expenses. Certain consolidated subsidiaries apply the simplified method in computing net defined benefit liability and retirement benefit expenses for lump-sum payment plans or the plan under Smaller Enterprise Retirement Allowance

Mutual Aid Scheme.

Defined benefit plan

(a) The changes in projected benefit obligations, excluding those under the simplified method, for the years ended December 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of year	**¥5,978**	¥6,411	**$51,534**
Cumulative effects of changes in accounting policies	**–**	(214)	**–**
Restated balance at beginning of the year	**¥5,978**	¥6,197	**$51,534**
Service cost	**434**	465	**3,741**
Interest cost	**61**	62	**525**
Actuarial loss (gain)	**28**	(471)	**241**
Retirement benefits paid	**(291)**	(266)	**(2,508)**
Other	**(36)**	(8)	**(310)**
Balance at end of year	**¥6,175**	¥5,978	**$53,232**

(b) The changes in plan assets, excluding those under the simplified method, for the years ended December 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of year	**¥2,589**	¥2,363	**$22,318**
Expected return on plan assets	**65**	59	**560**
Actuarial gain (loss)	**(35)**	18	**(301)**
Contributions from the employer	**327**	322	**2,818**
Retirement benefits paid	**(178)**	(149)	**(1,534)**
Other	**(0)**	(24)	**(0)**
Balance at end of year	**¥2,766**	¥2,589	**$23,844**

(c) The changes in net defied benefit liability under the simplified method for the years ended December 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of year	**¥506**	¥488	**$4,362**
Retirement benefit expenses	**83**	74	**715**
Retirement benefits paid	**(33)**	(54)	**(284)**
Other	**–**	(1)	**–**
Balance at end of year	**¥555**	¥506	**$4,784**

(d) The reconciliation between the balances of projected benefit obligations and plan assets and net defied benefit liability recorded on the consolidated balance sheets as of December 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Funded projected benefit obligation	**¥3,847**	¥3,686	**$33,163**
Plan assets at fair market value	**(2,766)**	(2,589)	**(23,844)**
	1,081	1,097	**9,318**
Unfunded retirement benefit liabilities	**2,883**	2,798	**24,853**
Net liability recorded on the consolidated balance sheet	**¥3,964**	¥3,895	**$34,172**
Net defined benefit liability	**¥3,964**	¥3,895	**$34,172**
Net defined benefit asset	**–**	–	**–**
Net liability recorded on the consolidated balance sheet	**¥3,964**	¥3,895	**$34,172**

(Note) The table includes the amount of plans under the simplified method.

(e) The components of retirement benefit expenses for the years ended December 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	**¥434**	¥465	**$3,741**
Interest cost	**61**	62	**525**
Expected return on plan assets	**(65)**	(59)	**(560)**
Amortization of actuarial loss	**(55)**	(4)	**(474)**
Amortization of prior service cost	**–**	(1)	**–**
Retirement benefit expenses under the simplified method	**83**	74	**715**
Total retirement benefit expenses	**¥459**	¥536	**$3,956**

(f) The components of remeasurements of defined benefit plans (before applicable tax effects) in other comprehensive income for the years ended December 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Actuarial gain (loss)	**¥(105)**	¥456	**$(905)**
Total	**¥(105)**	¥456	**$(905)**

(g) The components of remeasurements of defined benefit plans (before applicable tax effects) in accumulated other comprehensive income as of December 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net unrecognized actuarial gain	**¥243**	¥348	**$2,094**
Total	**¥243**	¥348	**$2,094**

(h) Components of plan assets as of December 31, 2016 and 2015 were as follows:

	2016	2015
Debt securities	**47%**	43%
Equity securities	**50%**	53%
Other	**3%**	4%
	100%	100%

The expected long-term rate of return on plan assets is determined considering current and expected distribution of plan assets and the long-term rate of return derived from various components of the plan assets.

(i) The major assumptions used for the actuarial calculation for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Discount rates	**1.1%**	1.1%
Expected long-term rate of return on plan assets	**2.5%**	2.5%

Defined contribution benefit plan

The required contribution amount to the defined contribution benefit plan was ¥19 million ($163 thousand) and ¥19 million for the years ended December 31, 2016 and 2015.

Multiemployer plan

The required contribution amount to the multiemployer plan (Employee's Pension Fund) was ¥147 million ($1,267 thousand) and ¥190 million for the years ended December 31, 2016 and 2015. The following summarizes the plan assets of multiemployer plan.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Plan assets	**¥727,403**	¥735,622	**$6,270,715**
Total of actuarial liability and minimum actuarial reserve	**706,662**	729,355	**6,091,913**
Net	**¥20,740**	¥6,266	**$178,793**

This net difference indicates that the plan was over-funded in 2016 and 2015.

The ratio of the Company's contribution to the plan as a whole was 1.38% and 0.99% for the years ended December 31, 2016 and 2015. The share does not agree with the actual Group's share of the funding status.

11. Contingent liabilities

The right to claim for returning of guarantee deposits, in the amount of ¥778 million ($6,706 thousand) and ¥755 million for the years ended December 31, 2016 and 2015, was transferred and deducted from the balance on the balance sheets. If any event that creates problems in returning the deposits from the property owners occurs, the Company may obligate to re-acquire the right to claim for returning of the guarantee deposits.

12. Net assets

Japanese companies are subject to the Companies Act of Japan (the "Act"). The significant provisions in the Act that affect financial and accounting matters are summarized below.

(a) Dividends

Under the Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as: (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the Company has prescribed so in its articles of incorporation. The Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation.

The Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury shares and treasury shares acquisition rights

The Act also provides for companies to purchase treasury shares and dispose of such treasury shares by resolution of the Board of Directors. The amount of treasury shares purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Act also provides that companies can purchase both treasury shares acquisition rights and treasury shares. Such treasury shares acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

(d) Number of shares

	Number of shares	
	2016	2015
Common stocks outstanding:		
At the beginning of the year	**21,541,400**	21,541,400
Changes during the year	**–**	–
At the end of the year	**21,541,400**	21,541,400
Treasury shares:		
At the beginning of the year	**1,884,043**	1,634,043
Purchase of treasury shares	**1,222,100**	250,000
At the end of the year	**3,106,143**	1,884,043

13. Selling, General and Administrative Expenses

The following summarizes the major items included in selling, general and administrative expenses for the years ended December 31, 2016 and 2015.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Directors' remuneration	**¥556**	¥524	**$4,793**
Salaries and wages	**3,115**	2,555	**26,853**
Provision for bonus	**54**	74	**465**
Retirement benefit expenses	**165**	152	**1,422**
Provision for directors' retirement benefits	**3**	2	**25**
Provision for bad debts	**206**	467	**1,775**
Depreciation	**76**	66	**655**

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended December 31, 2016 and 2015 totaled ¥174 million ($1,500 thousand) and ¥267 million, respectively.

14. Impairment Loss

For the purpose of assessing impairment, assets are grouped, mainly based on its business segment, at the smallest units independently generating cash flows.

For the year ended December 31, 2016, the Company reviewed its business plan regarding internal software development with the intention of earning future revenues. With respect to four pieces of internally developed software, the investment recovery, net realizable value and value in use were expected to be zero. Thus, the Company recognized an impairment loss on the four pieces of software in the total amount of ¥105 million ($905 thousand).

For the year ended December 31, 2015, the Accel Frontline Limited (the "AFL"), the Company's consolidated subsidiary in India, faced to critical financial conditions. After careful reviews of its results of operations and financial status, the Company recognized an impairment loss on goodwill for the AFL in the amount of ¥653 million.

15. Loss on Business of Subsidiary

For the year ended December 31, 2016, loss on business of subsidiary presented loss incurred from disposal and revaluation of inventories held by the AFL, and it presented the amount of uncollectible accounts receivable of the AFL for the year ended December 31, 2015.

16. Comprehensive Income

The components of other comprehensive income for the years ended December 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Valuation difference on available-for-sale securities:			
Amount arising during the year	**¥2,032**	¥585	**$17,517**
Reclassification adjustments	**(3,701)**	(1,068)	**(31,905)**
Amount before tax effects	**(1,668)**	(482)	**(14,379)**
Tax effects	**677**	514	**5,836**
Valuation difference on available-for-sale securities	**(991)**	31	**(8,543)**
Foreign currency translation adjustments:			
Amount arising during the year	**(456)**	(110)	**(3,931)**
Reclassification adjustments	**–**	(28)	**–**
Amount before tax effects	**(456)**	(139)	**(3,931)**
Tax effects	**–**	–	**–**
Foreign currency translation adjustments	**(456)**	(139)	**(3,931)**
Remeasurements of defined benefit plans:			
Amount arising during the year	**(64)**	489	**(551)**
Reclassification adjustments	**(40)**	(33)	**(344)**
Amount before tax effects	**(105)**	456	**(905)**
Tax effects	**37**	(150)	**318**
Remeasurements of defined benefit plans	**(67)**	305	**(577)**
Total other comprehensive income	**¥(1,515)**	¥197	**$(13,060)**

17. Business Combinations

Transactions under common control

As resolved at the Board of Directors' meeting held on January 19, 2016, the Company's two consolidated subsidiaries, CAC EXICARE Corporation ("CAC EXICARE") and clinical trust, Co., Ltd.("clinical trust"), merged and changed its business name to CAC Croit Corporation ("CAC Croit") effective April 1, 2016.

(1) Name and description of business

Name of business: Drug development support

Business description: Drug development support services including the following:

(i) Drug discovery/non-clinical, clinical development, pharmaceutical application, post-marketing product surveillance, safety information management and other

(ii) CRO business to support clinical development

(2) Date of business combination

April 1, 2016

(3) Legal form of business combination

Absorption-type merger with CAC EXICAREn as the surviving company.

(4) Company name after business combination

CAC Croit Corporation (consolidated subsidiary of the Company)

(5) Background of transactions

The Group provides a systems development and integration service and systems operation and management service in the field of IT services, and CRO (Contract Research Organization) services to pharmaceuticals in a form of pharmaceutical BPO/BTO.

Although CRO service market is moderately expanding in need of efficiency improvement for new drug development by pharmaceutical companies, its service providers are requested to provide services globally and extensively due to an increase in global clinical trials, diversification of trials and a need for improvement in safety measures.

Addressing market environmental changes, it was decided to merge CAC EXICARE with clinical trust, both of which engaged in pharmaceutical BPO/BTO services. CAC EXICARE provides strong IT supports for various drug development processes including non-clinical, post-marketing surveillance and pharmacovigilance, while clinical trust has highly advanced skills in monitoring operations. Integrating the advantages of two companies, the Group will enhance our services to meet diversified customer needs as a one-stop-service provider. In addition, the Group will enhance our cultivation of human resources as well as IT technology to improve quality, efficiency and safety of our services.

Through this merger, the Company will expand BPO service as planned in our on-going mid-term business strategy.

(6) Overview of accounting treatment

This transaction will be accounted for as a transaction under common control in accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No.21, issued on September 13, 2013) and the “Guidance on Accounting Standard for business combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, issued on September 13, 2013).

18. Segment Information

(a) Overview of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The Group's reportable segments consist of the following three segments by service: "Systems development and integration services," "Systems operation and management services" and "BPO/BTO services."

(b) Method of calculating net sales, income, assets, liabilities and other items by reportable segment

Accounting policies of the reportable segments are consistent to those described in Note 2. "Summary of Significant Accounting Policies."

(c) Net sales, income, assets, liabilities and other items by reportable segment

	Millions of yen					
	2016					
	Reportable segment					
	Systems develop-ment and integration	Systems operation and management	BPO/BTO	Total	Adjustments	Consolidated
Net sales						
Sales to third parties	¥22,764	¥17,950	¥ 11,807	¥ 52,521	¥–	¥ 52,521
Intersegment sales or transfers	–	–	–	–	–	–
Total	¥22,764	¥17,950	¥ 11,807	¥ 52,521	¥–	¥ 52,521
Segment income	¥545	¥279	¥377	¥1,202	¥–	¥1,202
Segment assets	¥14,037	¥8,133	¥5,258	¥27,429	¥22,914	¥50,344
Other item:						
Depreciation	¥342	¥347	¥102	¥793	¥–	¥793
Increase (decrease) in property and equipment and intangible assets	686	200	37	924	26	951

	Millions of yen					
	2015					
	Reportable segment					
	Systems development and integration	Systems operation and management	BPO/BTO	Total	Adjustments	Consolidated
Net sales						
Sales to third parties	¥23,339	¥17,895	¥10,870	¥52,105	¥–	¥52,105
Intersegment sales or transfers	–	–	–	–	–	–
Total	¥23,339	¥17,895	¥10,870	¥52,105	¥–	¥52,105
Segment income (loss)	¥1,001	¥(187)	¥395	¥1,209	¥–	¥1,209
Segment assets	¥14,207	¥8,318	¥6,279	¥28,805	¥22,977	¥51,783
Other item:						
Depreciation	¥312	¥334	¥132	¥778	¥–	¥778
Increase (decrease) in property and equipment and intangible assets	720	219	237	1,177	–	1,177

	Thousands of U.S. dollars					
	2016					
	Reportable segment					
	Systems development and integration	Systems operation and management	BPO/BTO	Total	Adjustments	Consolidated
Net sales						
Sales to third parties	**$196,241**	**$154,741**	**$101,784**	**$452,767**	**$–**	**$452,767**
Intersegment sales or transfers	**–**	**–**	**–**	**–**	**–**	**–**
Total	**$196,241**	**$154,741**	**$101,784**	**$452,767**	**$–**	**$452,767**
Segment income	**$4,698**	**$2,405**	**$3,250**	**$10,362**	**$–**	**$10,362**
Segment assets	**$121,008**	**$70,112**	**$45,327**	**$236,456**	**$197,534**	**$434,000**
Other item:						
Depreciation	**$2,948**	**$2,991**	**$879**	**$6,836**	**$–**	**$6,836**
Increase (decrease) in property and equipment and intangible assets	**5,913**	**1,724**	**318**	**7,965**	**224**	**8,198**

Notes: 1. Adjustments for segment assets include corporate assets not allocated to each reportable segment and the Company's excess funds such as cash and deposits.

2. Adjustments for increase (decrease) in property and equipment and intangible assets are capital investments not allocated to each reportable segment.

3. Total of segment income agrees with operating income in the accompanying consolidated statements of operations.

(d) Information by geographical area

1) Net sales

Millions of yen							
2016				2015			
Japan	Asia	Other	Total	Japan	Asia	Other	Total
¥41,363	**¥9,203**	**¥1,954**	**¥52,521**	¥41,561	¥8,721	¥1,822	¥52,105

Thousands of U.S. dollars			
2016			
Japan	Asia	Other	Total
$356,577	**$79,336**	**$16,844**	**$452,767**

2) Property and equipment

Millions of yen							
2016				2015			
Japan	Asia	Other	Total	Japan	Asia	Other	Total
¥968	**¥741**	**¥21**	**¥1,731**	¥960	¥907	¥15	¥1,883

Thousands of U.S. dollars			
2016			
Japan	Asia	Other	Total
$8,344	**$6,387**	**$181**	**$14,922**

(e) Information about major customers

		Millions of yen		Thousands of U.S. dollars
	Related segment	**2016**	2015	**2016**
Astellas Pharma Inc.	Systems development and integration Systems operation and management BPO/BTO	**¥5,930**	¥5,897	**$51,120**

(f) Information on impairment loss by reportable segment

	Millions of yen					
	2016					
	Reportable segment					
	Systems develop-ment and integration	Systems operation and management	BPO/BTO	Total	Adjustments	Consolidated
Impairment loss	**¥76**	**¥–**	**¥28**	**¥105**	**¥–**	**¥105**

	Millions of yen					
	2015					
	Reportable segment					
	Systems develop-ment and integration	Systems operation and management	BPO/BTO	Total	Adjustments	Consolidated
Impairment loss	¥–	¥–	¥–	¥–	¥653	¥653

The amount was in related to Accel Frontline Limited.

	Thousands of U.S. dollars					
	2016					
	Reportable segment					
	Systems development and integration	Systems operation and management	BPO/BTO	Total	Adjustments	Consolidated
Impairment loss	**$655**	**$–**	**$241**	**$905**	**$–**	**$905**

(g) Information on amortization and unamortized balance of goodwill by reportable segment

	Millions of yen					
	2016					
	Reportable segment					
	Systems development and integration	Systems operation and management	BPO/BTO	Total	Adjustments	Consolidated
Amortization	**¥72**	**¥65**	**¥75**	**¥213**	**¥–**	**¥213**
Unamortized balance	**1,144**	**266**	**886**	**2,296**	**–**	**2,296**

	Millions of yen					
	2015					
	Reportable segment					
	Systems development and integration	Systems operation and management	BPO/BTO	Total	Adjustments	Consolidated
Amortization	¥32	¥81	¥94	¥208	¥–	¥208
Unamortized balance	1,485	326	1,251	3,064	–	3,064

	Thousands of U.S. dollars					
	2016					
	Reportable segment					
	Systems development and integration	Systems operation and management	BPO/BTO	Total	Adjustments	Consolidated
Amortization	**$620**	**$560**	**$646**	**$1,836**	**$–**	**$1,836**
Unamortized balance	**9,862**	**2,293**	**7,637**	**19,793**	**–**	**19,793**

19. Supplemental Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows were reconciled to cash and deposits reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Cash and deposits	**¥11,428**	¥8,983	**$98,517**
Time deposits with maturities of more than three months	**(161)**	(390)	**(1,387)**
Marketable securities included in cash and cash equivalents	**1**	508	**8**
Cash and cash equivalents	**¥11,268**	¥9,101	**$97,137**

The acquisition cost and net payments for assets and liabilities of Sierra Solutions Pte. Ltd. and its two subsidiaries acquired through a stock purchase for the year ended December 31, 2015 were as follows:

	Millions of yen
	2015
Current assets	¥500
Noncurrent assets	99
Goodwill	1,423
Current liabilities	(163)
Noncurrent liabilities	(1)
Minority interest	(130)
Acquisition cost	1,728
Amount of payable included in acquisition cost	(22)
Cash and cash equivalents	(230)
Payment for acquisition	¥1,475

20. Related Party Transactions

A transaction with its non-consolidated subsidiary which engages in investment in venture companies was as follows:

For the year ended December 2016:

Classification	Name of the company	Location	Stated capital (Thousands of U.S. dollars)	Type of business	% of voting rights (owned)	Business relationship	Type of transaction	Transaction amount (Millions of yen) / (Thousands of U.S. dollars)	Account	Balance at the end of the period (Millions of yen) / (Thousands of U.S. dollars)
Subsidiary	CAC Venture Capital Manage-ment, Inc.	Nevada, U.S.	10	Investment in venture capital	100% (Direct)	Payment of capital	Capital contribution (Note 1)	¥486 ($4,189)	–	–

Note: 1. Additional contribution was made to provide funds for new investments.

For the year ended December 2015:

Classification	Name of the company	Location	Stated capital (Thousands of U.S. dollars)	Type of business	% of voting rights (owned)	Business relationship	Type of transaction	Transaction amount (Millions of yen) / (Thousands of U.S. dollars)	Account	Balance at the end of the period (Millions of yen) / (Thousands of U.S. dollars)
Subsidiary	CAC Venture Capital Manage-ment, Inc.	Nevada, U.S.	10	Investment in venture capital	100% (Direct)	Payment of capital	Capital contribution (Note 1)	¥327	–	–

Note: 1. Capital contribution was made in connection with the establishment of the non-consolidated subsidiary.

A transaction with a company, which the Company's director and her relatives held a majority of its voting rights, was as follows:

For the year ended December 2016:

None.

For the year ended December 2015:

Classification	Name of the company	Location	Stated capital (Millions of yen)	Type of business	% of voting rights (owned)	Business relationship	Type of transaction	Transaction amount (Millions of yen) / (Thousands of U.S. dollars)	Account	Balance at the end of the period (Millions of yen) / (Thousands of U.S. dollars)
Director	People Focus Consulting Co., Ltd. (Note 1)	Shibuya, Tokyo	10	Consulting	–	Interlocking directorate	Outsourcing of internal training (Note 2)	¥22	Accrued expenses	¥2

Notes: 1. Yukiko Kuroda, a director of the Company, and her close relatives own a majority of the voting rights.

2. Terms and conditions are determined based on arm's-length transactions.

3. Consumption taxes are not included in the above transaction amount, but included in the balance at the end of the period.

21. Per Share Information

Per share information was as follows:

	Yen		U.S. dollars
	2016	2015	**2016**
Amounts per share:			
Net assets	**¥1,447.09**	¥1,439.40	**$12.47**
Profit (loss)	**105.54**	(7.21)	**0.90**
Cash dividends	**40.00**	32.00	**0.34**

Notes: 1. Diluted profit per share for the previous fiscal year was not presented since the Company reported net loss and had no outstanding residual shares. Diluted profit per share for the current fiscal year was not presented since the Company had no outstanding residual shares.

2. Cash dividends per share include a total of ¥8 ($0.06) commemorative dividends for the 50th anniversary of the Company's establishment.

3. The basis for calculating profit (loss) per share was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Profit (loss) attributable to owners of parent	**¥2,039**	¥(142)	**$17,577**
Amount not attributable to common shareholders	**–**	–	**–**
Profit (loss) attributable to common stock owners of parent	**2,039**	(142)	**17,577**
Average number of common shares outstanding (share)	**19,317,964**	19,757,425	

4. As stated in Note 3. "Changes in Accounting Policies and Presentation, (a) Accounting standard for business combinations", the Company adopted the Business Combination Accounting Standards. Accordingly, net assets per share decreased by ¥24.42 ($0.21) and profit per share increased by ¥1.49 ($0.01) for the current fiscal year.

22. Subsequent Event

(a) Appropriation of retained earnings

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended December 31, 2016, were approved at the shareholders' meeting held on March 23, 2017.

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Cash dividends ¥20 ($0.17) per share	**¥368**	**$3,172**

Note: Cash dividends per share include ¥4 ($0.03) commemorative dividend for the 50th anniversary of the Company's establishment.

(b) Business combination

Sale of shares of an indirectly owned subsidiary

1. Outline of business combination

On May 26, 2017, Accel Frontline Limited ("AFL"), the Company's consolidated subsidiary in India, concluded a contract to sell 51.0% of outstanding shares of Accel Systems & Technologies Pte. Ltd. ("ASTL"), the AFL's consolidated subsidiary in Singapore, to StarHub Ltd. After the sale of shares, ASTL will be no longer a consolidated subsidiary of the Company.

(1) Name of a subsidiary to be sold and description of its business

Name :	Accel Systems & Technologies Pte. Ltd.
Business description:	To develop cyber security system and provide services with related to the security system

(2) Reason for sale of shares

AFL decided to select business field and focus on their strength for the future expansion of their business.

(3) Date of sale of shares

July 10, 2017

(4) Number of holding shares before sale, number of shares to be sold, sales proceeds, and number of holding shares after sale

Number of holding shares before sale:	11,730,000 shares (51.0% of outstanding shares)
Number of shares to be sold:	11,730,000 shares (51.0% of outstanding shares)
Sales proceeds:	Approximately ¥1,560 million ($13,448 thousand)
Number of holding shares after sale:	None

2. Accounting treatment to be applied

The excess amount of sales proceeds over the net book value of holding shares at the time of sale will be recognized as gain on sales of shares of subsidiaries.

3. Reportable segment in which the subsidiary was classified

Systems development and integration segment

4. Amount of income and expenses included in the consolidated financial statements of operations for the year ended December 31, 2016

Net sales	¥1,550 million
Operating income	¥531 million

Grant Thornton

Grant Thornton Taiyo LLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of CAC Holdings Corporation

We have audited the accompanying consolidated financial statements of CAC Holdings Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at December 31, 2016, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CAC Holdings Corporation and its consolidated subsidiaries as at December 31, 2016, and their consolidated financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2016 are presented solely for the convenience. Our audit also included the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Grant Thornton Taiyo LLC

July 14, 2017

Tokyo, Japan