# Consolidated Financial Results for the Fiscal Year ended March 31, 2014
(April 1, 2013 through March 31, 2014)
(Prepared pursuant to Japanese GAAP)

All financial information has been prepared in accord with accounting principles generally accepted in Japan. This is a partial English translation of the original Japanese-language document. All information pertains to consolidated results unless otherwise noted. Information on the basis of presentation of consolidated financial statements does not appear in this translation.

May 9, 2014


Company name: IT Holdings Corporation
Stock exchange listings: The First Section of the Tokyo Stock Exchange
Stock code: 3626
URL: http://www.itholdings.co.jp/e/
Representative: Norio Maenishi, President
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Scheduled dates
Annual general shareholders' meeting: June 25, 2014
Filing of statutory financial report: June 26, 2014
Commencement of dividend payments: June 26, 2014

Supplementary materials to the full-year results: Available
Full-year results presentation held: Yes (targeted at institutional investors and analysts)

Figures in millions of yen are rounded down to the nearest million

## 1. Consolidated Results for the Fiscal Year ended March 31, 2014 (FY2014) (April 1, 2013 – March 31, 2014)

(1) Consolidated Financial Results
Percentages indicate year-over-year changes

| | Net sales | | Operating income | | Recurring profit | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | millions of yen | % | millions of yen | % | millions of yen | % | millions of yen | % |
| FY2014 | 346,647 | 2.6 | 19,510 | 7.4 | 18,971 | 8.8 | 7,913 | 34.9 |
| FY2013 | 337,834 | 3.2 | 18,171 | 16.3 | 17,440 | 13.3 | 5,868 | 174.9 |

Note: Comprehensive income: FY2014: 10,586 million yen (13.3%); FY2013: 9,343 million yen (402.2%)

| | Net income per share – basic | Net income per share – diluted | Return on shareholders' equity | Ratio of recurring profit to total assets | Ratio of operating income to net sales |
|---|---|---|---|---|---|
| | yen | yen | % | % | % |
| FY2014 | 90.16 | 90.12 | 5.2 | 6.2 | 5.6 |
| FY2013 | 66.86 | 66.83 | 4.0 | 5.7 | 5.4 |

For reference:
Equity in earnings (losses) of affiliated companies: FY2014: (470) million yen; FY2013: (105) million yen

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | millions of yen | millions of yen | % | yen |
| End-FY2014 | 313,610 | 164,502 | 49.9 | 1,782.23 |
| End-FY2013 | 302,302 | 158,159 | 49.8 | 1,714.88 |

For reference: Total equity: End of FY2014: 156,452 million yen End of FY2013: 150,514 million yen
*Total equity = Shareholders' equity plus total accumulated other comprehensive income

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of the period |
|---|---|---|---|---|
| | millions of yen | millions of yen | millions of yen | millions of yen |
| FY2014 | 25,770 | (5,334) | (5,872) | 43,142 |
| FY2013 | 21,515 | (14,391) | (19,883) | 28,433 |

## 2. Cash Dividends for Shareholders of Common Stock

| Record date or period | Cash dividends per share End-Q1 | End-Q2 | End-Q3 | Year-end | Total | Total dividends paid (full year) | Payout ratio (consolidated) | Dividends paid to net assets (consolidated) |
|---|---|---|---|---|---|---|---|---|
| | yen | yen | yen | yen | yen | millions of yen | % | % |
| FY2013 | - | 7.00 | - | 14.00 | 21.00 | 1,843 | 31.4 | 1.3 |
| FY2014 | - | 8.00 | - | 17.00 | 25.00 | 2,194 | 27.7 | 1.4 |
| FY2015(forecast) | - | 10.00 | - | 20.00 | 30.00 | | 26.3 | |

## 3. Forecast of Consolidated Results for FY2015 (April 1, 2014 – March 31, 2015)

Percentages indicate year-over-year changes

| | Net sales | | Operating income | | Recurring profit | | Net income | | Net income per share – basic |
|---|---|---|---|---|---|---|---|---|---|
| | millions of yen | % | millions of yen | % | millions of yen | % | millions of yen | % | yen |
| First half of FY2015 (six months ending Sep. 30, 2014) | 165,000 | 1.0 | 9,000 | 17.6 | 9,000 | 14.5 | 4,500 | 16.7 | 51.26 |
| Full FY2015 (year ending Mar. 31, 2015) | 355,000 | 2.4 | 21,500 | 10.2 | 20,500 | 8.1 | 10,000 | 26.4 | 113.91 |

## ※Notes

(1) Material reclassifications of subsidiaries during the period: None
(Changes in specified subsidiaries resulting in change in scope of consolidation)
Additions: None: Exclusions: None

(2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
1) Changes in accordance with amendments to accounting standards, etc.: Yes
2) Changes other than noted in 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(3) Common stock issued
1) Issued shares as of period-end (including treasury stock):
End-FY2014 (March 31, 2014): 87,789,098 shares
End-FY2013 (March 31, 2013): 87,789,098 shares
2) Treasury stock as of period-end:
End-FY2014 (March 31, 2014): 4,337 shares
End-FY2013 (March 31, 2013): 19,046 shares
3) Average number of shares (during the fiscal year):
FY2014 (ended March 31, 2014): 87,774,621 shares
FY2013 (ended March 31, 2013): 87,771,318 shares

***Audit Status**

These materials are not subject to the audit procedure requirements of Japan's Financial Instruments and Exchange Act. As of this report's publication, an audit of the consolidated financial statements in accordance with the act had not been completed .

**Caution on Forward-Looking Statements and Other Important Matters**

This report contains forward-looking statements that reflect IT Holdings Corporation (ITHD)'s plans and expectations based on information available to ITHD at the time of preparation and on certain other information ITHD believes to be reasonable. These forward-looking statements are not guarantees of future performance, and actual results, performance, achievements or financial position may differ materially from those expressed or implied herein due to a range of factors.

For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, refer to "(1) Analysis of Consolidated Operating Results" on page 2 in the Accompanying Materials.

**Accompanying Materials – Contents**

## 1. Results of Operations and Analysis of Financial Condition

### (1) Analysis of Consolidated Operating Results

**Results for fiscal 2014 (ended March 31, 2014)**

In fiscal 2014, the recovery in the Japanese economy gathered pace, led by improved consumer spending and industrial production thanks to the impact of the active fiscal and financial measures by the government. In addition, the Bank of Japan's quarterly Short-term Economic Survey of Principal Enterprises in Japan (issued in March 2014) projected an 8.6% increase year on year in software investment plan (all industries including financial institutions) in the fiscal year.

In the IT services industry, to which the IT Holdings Group belongs, the business environment was on the recovery track, as the growing customer sentiment towards IT investment, which was limited to a few customers led by financial institutions in the first half, was being felt also in the industrial sector in the second half.

Under these circumstances, the IT Holdings Group's net sales rose 2.6% year on year to ¥346,647 million, operating income increased by 7.4% to ¥19,510 million, and recurring profit rose 8.8% to ¥18,971 million. The Group posted net income of ¥7,913 million, up 34.9% from the previous fiscal year.

Consolidated net sales on the whole grew strongly compared to the previous fiscal year with sales in all three segments - IT Infrastructure Services, Financial IT Services and Industrial IT Services - increasing, as the Group accurately grasped the IT investment needs of the customers. Operating income and recurring profit also exceeded the previous year's level despite the impact of higher selling expenses and unprofitable projects, as revenues increased and the Group strived to reduce costs. Net income also increased year on year thanks to smaller extraordinary losses in addition to the above factors.

Results by segment are as follows. The sales figures of each segment include inter-segment sales.

1) IT Infrastructure Services

Sales rose 2.4% year on year to ¥115,360 million and operating income increased 7.8% to ¥7,652 million. Both sales and profit levels improved in this segment compared with a year earlier, as the Data Center Business grew as a result of increased customer usage and the BPO business expanded strongly, including the tax-exempt individual savings account system-related part of the business.

2) Financial IT Services

Sales increased 5.1% from a year ago to ¥75,148 million and operating income rose 6.0% to ¥6,385 million. Sales in this segment grew year on year and profit levels improved, as major customer credit card companies, banks and insurance companies gradually expanded their IT-related investments.

3) Industrial IT Services

Sales increased 1.6% year on year to ¥158,234 million, while operating income declined 6.1% to ¥4,687 million. Sales of the segment exceeded the previous year's level, as the Group's effort to capture the overall demand growth more than offset the impact of the reversion to a large-scale system development project for a manufacturer in the previous year. Operating income declined compared with a year earlier mainly due to the impact of unprofitable projects and higher selling expenses to reinforce the sales structure.

4) Other

Sales in this segment increased 1.6% year on year to ¥16,498 million, and operating income declined 0.1% to ¥2,152 million.

With the aim of becoming an IT business that will implement reforms as a single unit, the Group in the previous fiscal year embarked on implementation of measures under the second medium-term management plan (from fiscal 2013 through fiscal 2015) under the three basic concepts of "Top-Line Emphasis," acting "as One Company" and being "Enterprising and Bold" and has been addressing the management issues.

Based on the business results from the previous fiscal year and implementation status of related measures in the current fiscal year, which is the second year of the second medium-term management plan, the Group drove forward various measures under the Group management strategy based on the management plan's basic concepts of "put the Group top-line on a 'growth track' to ensure 'earnings recovery'," "further strengthen the Group's communication base and develop an open and dynamic corporate culture" and "expand the services-oriented business and promote globalization."

As part of these efforts, the Company shifted to a new management setup in June 2013, under which the five representative directors of major Group companies simultaneously serve as part-time directors of the Company, to strengthen the structure to achieve Group total optimum. In line with this move, the Group formulated the following key measures to ensure achievement of the goals set forth by the second medium-term management plan under the new management system.

1. Strengthen the Group's communication base
2. Develop unique and clear strengths (growth engines) and collaborate on a business domain basis
3. Deepen initiatives to expand the services-oriented business and promote globalization
4. Improve efficiency of back office operations and introduce the Group-common IT system

The implementation status of the second medium-term management plan in fiscal 2014 is as follows:

In "Top-Line Emphasis," the Group, from the perspective of concentrating resources on growth fields, established a structure that enables it to further demonstrate its strengths by making clear the positions and roles of each Group company to ensure development of unique and clear strengths (growth engines) and collaboration of these strengths. The Group, in order to promote the development of a structure that would allow it to focus on the core businesses and growth fields, sold the lease assets of TIS Leasing Co., Ltd. and withdrew from the leasing business based on the overall leasing business trend and from the perspective of further improve the efficiency of the management resources.

Under the concept of "as One Company," the Group decided to unify the group brands as a result of repeated discussions based on the recognition that it is important to develop a sense of togetherness and strengthen the brand to succeed in operating the Group with a sense of unity. From the perspective of consolidating the corporate functions, the Group studied and prepared for the introduction of Group common systems, expansion of shared service utilization and consolidation of business bases of Group companies.

As for being "Enterprising and Bold," the Group, as part of efforts to globalize its operations with focus of the ASEAN region, not only established local bases in the region, but also promoted expansion of business scale and enhancement of global support systems through joint ventures and capital and business tie-ups with local companies. Also, the Group expanded the scale of its service-oriented business by enhancing the lineup of planning and proposal-type products that cater to customer needs by leveraging the expertise and technologies the Group has cultivated over years.

Cashless transactions are expected to grow as settlement methods diversify and their usage becomes widespread. Against this backdrop, the Group has been receiving a large number of inquiries regarding DebitCube+ and PrepaidCube+, new settlement methods that offer a one-stop service for issuance and operation of international brand debit cards and prepaid cards, and there has been a steady growth in related orders.

The Group developed new customer groups for F3, an integrated CRM system which has a high share among regional banks, as it began offering a cloud-based version and won orders from a number of regional banks.

Further, the Group enhanced the lineup of cloud-based services targeting assembly manufacturers in fields ranging from production control to aftermarket, and began offering a new preventive maintenance support system CareQube. The product is expected to be used in a wide range of fields such as in field tests of systems that use water meter data to monitor senior citizens.

**Forecast for fiscal 2015 (year ending March 31, 2015)**

While the business environment surrounding the IT Holding Group is expected to continue to improve thanks to the growing IT investment needs of the customers following the gradual recovery in the Japanese economy, the competition is expected to intensify and the Group needs to take measures to address the paradigm shift in the industry such as the diversification in the usage formats of IT at businesses.

Under such circumstances, the Group set forth the following group management strategy for fiscal 2015, the final year of the second medium-term management plan, based on the basic concepts of the plan. The Group will strive to promote steady implementation of the strategy and improve its corporate value.

1) Top-line emphasis

Put emphasis on the amount of profit and profit ratio and maintain a Group top-line that ensures them.

2) as One Company

Focus on operating the Group with a sense of unity based on strengthening of its communication base.

3) Enterprising and Bold

Bolster the Group's efforts to expand the services-oriented business and promote globalization.

As mentioned above, the Group decided to introduce a unified Group brand to demonstrate its commitment towards achieving Group management with a sense of unity. Starting June 2014, all IT Holdings Group companies will use the same corporate logo and take a fresh step forward, even more strongly united as a Group, under the common brand message of "Go Beyond."

The Company's consolidated earnings forecast for fiscal 2015 is as follows.

| | | |
|---|---|---|
| Net sales | ¥355,000 million | (+2.4% year on year) |
| Operating income | ¥21,500 million | (+10.2% year on year) |
| Recurring profit | ¥20,500 million | (+8.1% year on year) |
| Net income | ¥10,000 million | (+26.4% year on year) |

The Group expects both sales and profits to increase year on year in fiscal 2015, as it aims to expand business by accurately grasping the IT investment needs of customers primarily in the Financial IT Service and Industrial IT Service segments while striving to prevent unprofitable projects and improve productivity.

Note: The above performance forecast reflects IT Holdings Corporation's plans and expectations based on information available to the Company at the time of preparation and on certain other information the Company believes to be reasonable. They are not guarantees of future performance and actual results, performance, achievements or financial position may differ materially from those expressed or implied herein due to a range of factors.

**(2) Analysis of Financial Condition**

1) Assets, liabilities, and net assets

Consolidated assets totaled ¥313,610 million at the end of the fiscal year (March 31, 2014), of which, current assets accounted for ¥143,519 million and fixed assets accounted for ¥170,091 million, while liabilities totaled ¥149,107 million. Net assets were ¥164,502 million, of which minority interests accounted for ¥8,004 million.

2) Cash flow

Cash and cash equivalents ("cash") totaled ¥43,142 million as of March 31, 2014, up ¥14,708 million versus the end of the previous fiscal year (March 31, 2013).

Contributions to cash flow were as follows.

*Cash flow from operating activities*

Operating activities generated net cash of ¥25,770 million. This mainly reflects income before income taxes of ¥16,435 million and the positive cash flow effect of ¥12,454 million in depreciation. These were partly offset by a ¥1,597 million increase in notes and accounts receivable and ¥5,602 million in income tax payments.

*Cash flow from investing activities*

Investing activities used net cash of ¥5,334 million, as inflows of ¥4,920 million in proceeds from transfer of business were offset by outflows of ¥6,220 million in payments for the acquisition of property and equipment, ¥22,499 million for the acquisition of securities and ¥5,409 million for the acquisition of intangible assets.

*Cash flow from financing activities*

Financing activities used net cash of ¥5,872 million. Cash inflows of ¥30,850 million in proceeds from long-term debt were outweighed by outflows of ¥32,664 million for repayment of long-term debt and ¥1,930 million for dividends paid.

For reference: Cash flow indicators

| | Fiscal 2013 | Fiscal 2014 |
|---|---|---|
| Equity ratio (%) | 49.8 | 49.9 |
| Equity ratio based on market capitalization (%) | 36.1 | 47.4 |
| Ratio of interest-bearing debt to cash flow (years) | 2.8 | 2.3 |
| Interest-coverage ratio (times) | 26.3 | 41.1 |

Equity ratio: Total equity / Total assets
Equity ratio based on market capitalization : Market capitalization / Total assets
Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Cash flow
Interest-coverage ratio: Cash flow / Interest paid
Notes:

1. All indicators were calculated using consolidated financial statement data.
2. Market capitalization is based on the number of shares issued and outstanding (excluding treasury stock).
3. Cash flow from operating activities is used as the cash flow variable.
4. "Interest-bearing debt" is all debt on the consolidated balance sheet on which interest in payable.

**(3) Basic Policy on Profit Distribution and Dividends for Fiscal 2014 and Fiscal 2015**

The Group recognizes that long-term, comprehensive profit distribution to its shareholders is an important management issue, and accordingly will strive to continue stable dividend payment with consolidated dividend payout ratio of about 30% as a benchmark, taking into consideration the business performance, financial standing and enhancement of retained earnings for future business development.

Taking into account the need to secure sufficient internal reserves to fund continued growth, the Company plans to pay a year-end dividend of ¥17 per share.

For fiscal 2015, the Company plans to pay an annual dividend of ¥30 per share including an interim dividend of ¥10 per share.

**(4) Business and Other Risks**

Risks are inherent in each of the Company's business segments, including the emergence of unprofitable projects in the software development business and system failures in the outsourcing business. The Company takes various measures to ensure these risks do not materialize.

In the IT Infrastructure Service business, the Company operates data centers 24 hours a day, 365 days a year in Tokyo, Kanagawa Prefecture, Tochigi Prefecture, Toyama Prefecture, Aichi Prefecture, Osaka Prefecture, Tianjin, China, and other locations where its outsourcing and cloud services operations are carried out. The data centers have been built to be earthquake-proof or resistant, utilize privately operated power generators with uninterruptible power supplies, and have security equipment installed as part of the various measures taken to mitigate foreseeable risks.

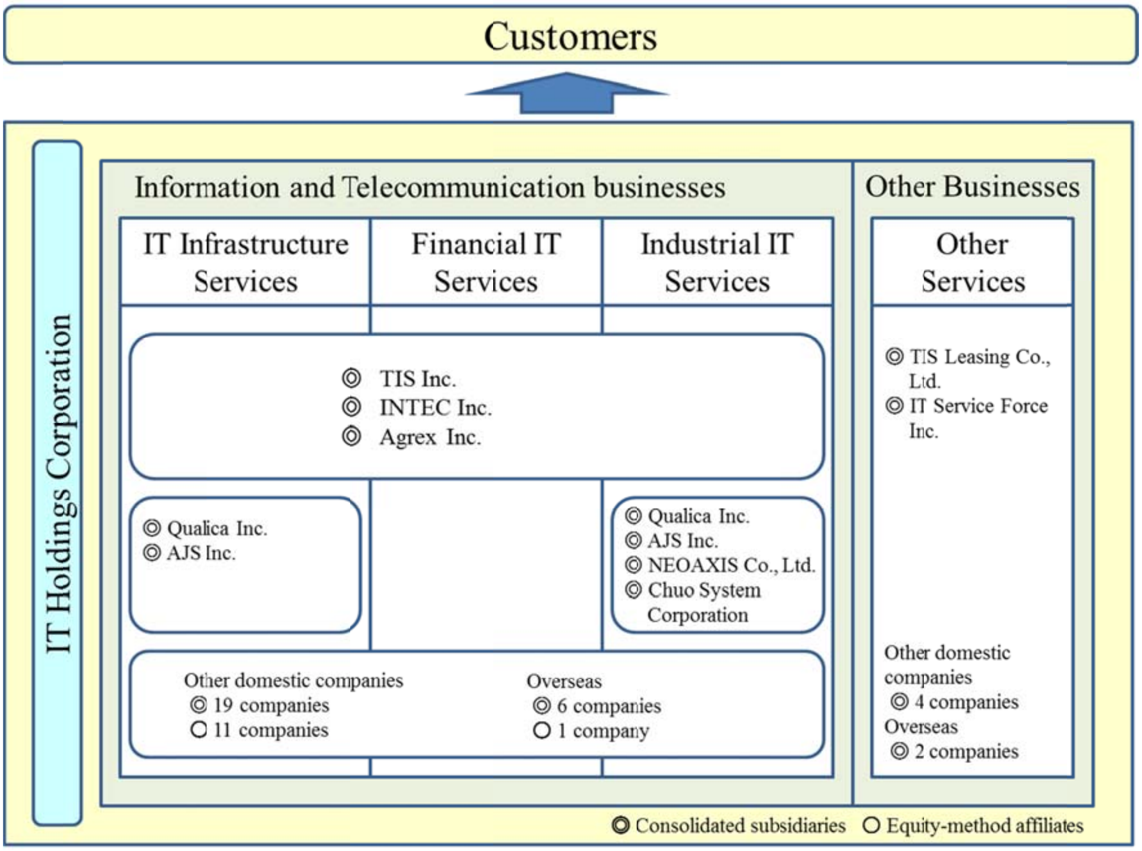
Despite these measures, a prolonged power blackout, natural disaster of unforeseeable magnitude, international conflict, act of terrorism or major crime, or other such events that impede the smooth operation of the data centers may affect the Group's business results and financial condition.

All forward-looking statements in this document are based on information available to management as of the publication date, May 9, 2014.

## 2. Status of the Group

The group consists primarily of IT Holdings Corporation (the parent company), 40 consolidated subsidiaries, and 12 affiliated companies accounted for under the equity method. The group's core activities comprise the provision of outsourcing and cloud services, software development, and solution services, and the group also engages in businesses connected with these core activities such as leasing and consulting services. The group also provides other services, such as real estate rental and management services.

As a pure holding company, IT Holdings handles business administration issues for the group and supports group companies in executing their respective business activities, which center on information and communication services. The Group's structure and business flow are shown below.



## 3. Management Policy

### (1) Basic Management Policy

IT Holdings has established, and discloses, the following management philosophy, which is the corporate cornerstone of the IT Holdings Group.

Management Philosophy

The IT Holdings Group seeks to be a corporate citizen, whose activities, namely, the provision of various services maximizing the power of information technology, match its status as a leading corporate group, and as a group, we will raise corporate value, supported in this effort by the high regard of all stakeholders, not only shareholders but also clients as well as employees and their families.

We will cultivate a vibrant corporate culture that encourages companies and individuals under the Group umbrella to work together, embracing new challenges and striving to reach higher goals, and thereby ensure continued growth as a corporate entity.

We will always provide our clients with the very best products and services, through excellent quality and technology built on the composite strengths of the Group.

We will uphold high corporate morals and fulfill our social obligations.

### (2) Key Business Indicators

Amid dramatic business environment changes, such as the trend toward more complex and larger-scale systems, the rise of service-oriented approaches, ongoing globalization, and rapidly advancing technology innovation, the IT Holdings Group, a leading IT services group, endeavors to play an integral role in creating a prosperous future for society.

### (3) Medium- to Long-term Management Strategies

Management has defined the corporate image—the vision—that the Group should strive to achieve.
Everyone under the group umbrella shares this vision. It guides each person in the execution of daily activities, which in turn, underpins attainment of the ideals to which the Group aspires and further enhances corporate value.

Group Vision

1. Play an integral role in realizing the comfortable lifestyles of tomorrow through IT
As the leading IT services group, we will design the template and develop the businesses that support several facets of tomorrow's society—where IT is the driving force of brisk activity in all industries as well as the creation of pleasant living environments where people feel safe and secure.

2. Act with initiative and a sense of enterprising spirit
We will be a group with a corporate culture that makes work enjoyable for employees. This atmosphere will encourage people to quickly pinpoint currents of change rippling across various realms, including society and technology, and resourcefully tackle emerging issues from a fresh perspective.

3. Secure the highest level of technological expertise
We will be a group that is constantly evolving, with an emphasis on new-technology R&D, production techniques and quality control, to achieve the highest level of quality and sharpen cost competitiveness.

4. Contribute to societal and industry advances
As part of the IT services industry, we will be a group that plays a pioneering role in the overall development of our industry, and as a member of society, we will be a group that faithfully carries out our social responsibility and contributes to the communities in which we share a presence. This two-fold commitment will earn us a solid reputation from all directions.

**(4) Issues Requiring a Response**

1. Boost profitability

In fiscal 2014, the Group made progress in the implementation of the various measures under the second medium-term management plan and it has finally started moving on a growth track. However, despite taking measures such as strengthening of project management, the Group ended up with multiple large-scale unprofitable projects during the fiscal year. Full control of unprofitable projects and boosting profitability by improving productivity are the most important issues, and the Group will ensure streamlining of the organization, nurturing of management personnel as well as a sweeping review of its measures to tackle unprofitable projects.

The Group also believes that it is important, from the business aspect, to have a structure that would generate profits without fail in strong market environment. Going forward, the Group, while boldly shifting its resources to the promising system development fields and highly profitable business fields, will establish a structure that would ensure orders and profits.

2. Further strengthen the Group's communication base and Group management with a sense of unity

While the Company has reached the beginning stage of its "as One Company" initiatives such as establishment of a common group logo, it is necessary for the Company to demonstrate the fruits of the "Group management with a sense of unity" by spreading group brand in the market, among customers and also within the Group. The Company will also develop unique and clear strengths (growth engines) in the business domain as well as strategic levels and promote the collaboration of those strengths.

As for head office functions, the Company will ensure further streamlining and improvement of the quality of operations through consolidation of the functions and implementation of best practices by expanding the use of shared services and by appropriate allocation of employees within the Group.

3. Promote globalization, expand service-oriented business and boost profitability

As far as globalization is concerned, the Group will strive to provide cross-group services by streamlining and improving efficiency of the business from the perspective of total optimization. The Group is accelerating the review of distribution of bases and functions to regions including the entire ASEAN region, following the rapid worsening of the profit structure caused by the increase in labor costs in the eastern region of China.

Also, in order to expand the scale of the global business, it is not only necessary to offer local support to Japanese businesses operating in foreign countries but also to further expand the business catering to local companies and the Company shall use diversified means for business development including capital alliances with local companies.

As for service-oriented business, given its relatively small size within the Group, the Company will strengthen the planning-type services that conform to the market needs.

**(5) Other Important Management Matters**

None

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

| | As of Mar. 31, 2013 | As of Mar. 31, 2014 |
|---|---|---|
| | millions of yen | millions of yen |
| **Assets** | | |
| Current assets | | |
| Cash and deposits | 28,633 | 43,248 |
| Notes and accounts receivable | 68,249 | 68,301 |
| Lease receivables and lease investment assets | 9,322 | 6,654 |
| Marketable securities | 5,401 | 226 |
| Merchandise and finished goods | 3,035 | 3,207 |
| Work in process | 7,091 | 6,757 |
| Raw materials and supplies | 200 | 229 |
| Deferred tax assets | 8,523 | 6,603 |
| Other current assets | 7,846 | 8,450 |
| Allowance for doubtful accounts | (85) | (159) |
| Total current assets | 138,219 | 143,519 |
| Fixed assets | | |
| Property and equipment | | |
| Buildings and structures, net | 58,133 | 56,565 |
| Machinery and equipment, net | 4,231 | 4,428 |
| Land | 21,135 | 20,726 |
| Leased assets, net | 3,615 | 4,738 |
| Other property and equipment, net | 6,475 | 5,153 |
| Total property and equipment | 93,592 | 91,612 |
| Intangible assets | | |
| Goodwill | 1,784 | 771 |
| Other intangible assets | 13,487 | 14,802 |
| Total intangible assets | 15,272 | 15,573 |
| Investments and other assets | | |
| Investment securities | 32,633 | 38,787 |
| Net defined benefit asset | - | 4,103 |
| Deferred tax assets | 6,823 | 6,881 |
| Other assets | 17,577 | 13,362 |
| Allowance for doubtful accounts | (1,816) | (229) |
| Total investments and other assets | 55,218 | 62,905 |
| Total fixed assets | 164,083 | 170,091 |
| Total assets | 302,302 | 313,610 |

| | As of Mar. 31, 2013 | As of Mar. 31, 2014 |
|---|---|---|
| | millions of yen | millions of yen |
| **Liabilities** | | |
| Current liabilities | | |
| Notes and accounts payable | 17,692 | 18,828 |
| Short-term borrowings | 32,881 | 14,299 |
| Income taxes payable | 3,112 | 3,495 |
| Accrued bonuses to directors and employees | 11,074 | 10,932 |
| Other allowances | 551 | 1,007 |
| Other current liabilities | 25,750 | 24,226 |
| Total current liabilities | 91,063 | 72,790 |
| Non-current liabilities | | |
| Long-term debt | 27,668 | 44,570 |
| Lease obligations | 5,501 | 6,160 |
| Deferred tax liabilities | 492 | 470 |
| Deferred tax liabilities from revaluation of land | 732 | 732 |
| Accrued retirement benefits to employees | 12,762 | - |
| Accrued retirement benefits to directors | 108 | 88 |
| Net defined benefit liability | - | 18,688 |
| Other non-current liabilities | 5,813 | 5,606 |
| Total non-current liabilities | 53,079 | 76,316 |
| Total liabilities | 144,143 | 149,107 |
| | | |
| **Net assets** | | |
| Shareholders' equity | | |
| Common stock | 10,001 | 10,001 |
| Additional paid-in capital | 86,787 | 86,786 |
| Retained earnings | 51,596 | 57,579 |
| Less treasury stock, at cost | (27) | (6) |
| Total shareholders' equity | 148,357 | 154,360 |
| Accumulated other comprehensive income | | |
| Net unrealized gains on other securities | 4,271 | 5,975 |
| Revaluation reserve for land | (1,967) | (1,967) |
| Foreign currency translation adjustments | (147) | 48 |
| Remeasurements of defined benefit plans | - | (1,964) |
| Total accumulated other comprehensive income | 2,157 | 2,092 |
| Stock acquisition rights | 42 | 45 |
| Minority interests | 7,602 | 8,004 |
| Total net assets | 158,159 | 164,502 |
| Total liabilities and net assets | 302,302 | 313,610 |

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

**Consolidated Statements of Income**

| | FY2013 | FY2014 |
|---|---|---|
| | millions of yen | millions of yen |
| Net sales | 337,834 | 346,647 |
| Cost of sales | 276,935 | 283,881 |
| Gross profit | 60,899 | 62,766 |
| Selling, general and administrative expenses | 42,727 | 43,255 |
| Operating income | 18,171 | 19,510 |
| Non-operating income | | |
| Interest income | 23 | 38 |
| Dividend income | 565 | 644 |
| Foreign exchange gains | 184 | 88 |
| Rental income from real estate | 257 | 259 |
| Other | 427 | 626 |
| Total non-operating income | 1,458 | 1,656 |
| Non-operating expense | | |
| Interest expenses | 789 | 598 |
| Equity in losses of affiliated companies | 105 | 470 |
| Financing expenses | - | 350 |
| Provision of allowance for doubtful accounts | 482 | 30 |
| Other | 813 | 745 |
| Total non-operating expenses | 2,189 | 2,195 |
| Recurring profit | 17,440 | 18,971 |
| Extraordinary income | | |
| Gain on sale of fixed assets | 44 | 1 |
| Gain on sale of investment securities | 95 | 817 |
| Other | 36 | 43 |
| Total extraordinary income | 175 | 862 |
| Extraordinary loss | | |
| Loss on disposal of fixed assets | 662 | 269 |
| Impairment loss | 1,523 | 1,073 |
| Loss on liquidation of business | - | 463 |
| Special severance pay | - | 608 |
| Structural reform-related expenses | 843 | - |
| Loss on partial termination of retirement benefit scheme | 2,609 | 148 |
| Other | 792 | 834 |
| Total extraordinary loss | 6,431 | 3,398 |
| Income before income taxes and minority interests | 11,185 | 16,435 |
| Income taxes: current | 5,224 | 5,459 |
| Income taxes: deferred | (349) | 2,353 |
| Total income taxes | 4,874 | 7,813 |
| Income before minority interests | 6,310 | 8,622 |
| Minority interests in earnings (losses) of consolidated subsidiaries | 441 | 708 |
| Net income | 5,868 | 7,913 |

**Consolidated Statements of Comprehensive Income**

| | FY2013 | FY2014 |
|---|---|---|
| | millions of yen | millions of yen |
| Income before minority interests | 6,310 | 8,622 |
| Other comprehensive income | | |
| Net unrealized gains on other securities | 3,108 | 1,689 |
| Revaluation reserve for land | (248) | - |
| Foreign currency translation adjustments | 169 | 249 |
| Share of other comprehensive income of equity-method affiliates | 4 | 24 |
| Total other comprehensive income | 3,033 | 1,963 |
| Comprehensive income | 9,343 | 10,586 |
| (Composition) | | |
| Comprehensive income attributable to owners of the parent | 8,804 | 9,813 |
| Comprehensive income attributable to minority interests | 539 | 773 |

### (3) Consolidated Statements of Changes in Net Assets

FY2013 (April 1, 2012 through March 31, 2013)

| | Shareholders' Equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock | Total shareholders' equity |
| | millions of yen | millions of yen | millions of yen | millions of yen | millions of yen |
| Balance at beginning of fiscal year | 10,001 | 86,787 | 47,673 | (25) | 144,436 |
| Changes during the fiscal year | | | | | |
| Dividends from surplus | | | (2,194) | | (2,194) |
| Net income | | | 5,868 | | 5,868 |
| Acquisition of treasury stock | | | | (2) | (2) |
| Disposal of treasury stock | | (0) | | 0 | 0 |
| Reversal of revaluation reserve for land | | | 248 | | 248 |
| Items other than changes in shareholders' equity, net | | | | | - |
| Net changes during the fiscal year | - | (0) | 3,923 | (2) | 3,920 |
| Balance at end of fiscal year | 10,001 | 86,787 | 51,596 | (27) | 148,357 |

| | Accumulated other comprehensive income | | | | | Stock acquisition rights | Minority interests | Total net assets |
|---|---|---|---|---|---|---|---|---|
| | Net unrealized gains on other securities | Revaluation reserve for land | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| | millions of yen | millions of yen | millions of yen | millions of yen | millions of yen | millions of yen | millions of yen | millions of yen |
| Balance at beginning of fiscal year | 1,210 | (1,718) | (270) | - | (778) | 38 | 7,267 | 150,965 |
| Changes during the fiscal year | | | | | | | | |
| Dividends from surplus | | | | | | | | (2,194) |
| Net income | | | | | | | | 5,868 |
| Acquisition of treasury stock | | | | | | | | (2) |
| Disposal of treasury stock | | | | | | | | 0 |
| Reversal of revaluation reserve for land | | | | | | | | 248 |
| Items other than changes in shareholders' equity, net | 3,061 | (248) | 123 | - | 2,935 | 3 | 334 | 3,273 |
| Net changes during the fiscal year | 3,061 | (248) | 123 | - | 2,935 | 3 | 334 | 7,194 |
| Balance at end of fiscal year | 4,271 | (1,967) | (147) | - | 2,157 | 42 | 7,602 | 158,159 |

FY2014 (April 1, 2013 through March 31, 2014)

| | Shareholders' Equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock | Total shareholders' equity |
| | millions of yen | millions of yen | millions of yen | millions of yen | millions of yen |
| Balance at beginning of fiscal year | 10,001 | 86,787 | 51,596 | (27) | 148,357 |
| Changes during the fiscal year | | | | | |
| Dividends from surplus | | | (1,930) | | (1,930) |
| Net income | | | 7,913 | | 7,913 |
| Acquisition of treasury stock | | | | (8) | (8) |
| Disposal of treasury stock | | (1) | | 29 | 27 |
| Reversal of revaluation reserve for land | | | | | - |
| Items other than changes in shareholders' equity, net | | | | | - |
| Net changes during the fiscal year | - | (1) | 5,982 | 21 | 6,002 |
| Balance at end of fiscal year | 10,001 | 86,786 | 57,579 | (6) | 154,360 |

| | Accumulated other comprehensive income | | | | | Stock acquisition rights | Minority interests | Total net assets |
|---|---|---|---|---|---|---|---|---|
| | Net unrealized gains on other securities | Revaluation reserve for land | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| | millions of yen | millions of yen | millions of yen | millions of yen | millions of yen | millions of yen | millions of yen | millions of yen |
| Balance at beginning of fiscal year | 4,271 | (1,967) | (147) | — | 2,157 | 42 | 7,602 | 158,159 |
| Changes during the fiscal year | | | | | | | | |
| Dividends from surplus | | | | | | | | (1,930) |
| Net income | | | | | | | | 7,913 |
| Acquisition of treasury stock | | | | | | | | (8) |
| Disposal of treasury stock | | | | | | | | 27 |
| Reversal of revaluation reserve for land | | | | | | | | - |
| Items other than changes in shareholders' equity, net | 1,703 | - | 196 | (1,964) | (64) | 3 | 402 | 341 |
| Net changes during the fiscal year | 1,703 | - | 196 | (1,964) | (64) | 3 | 402 | 6,343 |
| Balance at end of fiscal year | 5,975 | (1,967) | 48 | (1,964) | 2,092 | 45 | 8,004 | 164,502 |

(4) Consolidated Statements of Cash Flows

| Items | FY2013 | FY2014 |
|---|---|---|
| | millions of yen | millions of yen |
| Cash flows from operating activities | | |
| Income before income taxes and minority interests | 11,185 | 16,435 |
| Depreciation | 12,920 | 12,454 |
| Impairment loss | 1,523 | 1,073 |
| Loss on disposal of fixed assets | 662 | 269 |
| Amortization of goodwill | 1,670 | 1,095 |
| Increase (decrease) in accrued bonuses to directors and employees | (11) | (151) |
| Increase(decrease) in allowance for doubtful accounts | (238) | (1,513) |
| Increase (decrease) in accrued retirement benefits to employees | 413 | (12,762) |
| Increase (decrease) in net defined benefit liability | - | 13,958 |
| Interest and dividend income | (589) | (682) |
| Interest expenses | 789 | 598 |
| (Increase) decrease in notes and accounts receivable | (4,088) | (1,597) |
| (Increase) decrease in inventories | 770 | 142 |
| Increase (decrease) in notes and accounts payable | (71) | 1,138 |
| Structural reform-related expenses | (401) | - |
| Other, net | 1,402 | 843 |
| Subtotal | 25,936 | 31,304 |
| Interest and dividend income received | 578 | 695 |
| Interest expenses paid | (819) | (626) |
| Income taxes paid | (4,180) | (5,602) |
| Net cash provided by (used in) operating activities | 21,515 | 25,770 |
| Cash flows from investing activities | | |
| Purchase of marketable securities | (5,600) | (22,499) |
| Proceeds from sale and redemption of investment securities | 500 | 27,699 |
| Acquisitions of property and equipment | (7,454) | (6,220) |
| Acquisitions of intangible assets | (4,149) | (5,409) |
| Acquisitions of investment securities | (992) | (8,388) |
| Proceeds from sale and redemption of investment securities | 990 | 4,709 |
| Payment of lease and guarantee deposits | (308) | (397) |
| Collection of lease and guarantee deposits | 2,263 | 758 |
| Proceeds from transfer of business | - | 4,920 |
| Other, net | 358 | (505) |
| Net cash provided by (used in) investing activities | (14,391) | (5,334) |
| Cash flows from financing activities | | |
| Increase (decrease) in short-term borrowings, net | (4,053) | (223) |
| Proceeds from long-term debt | 12,500 | 30,850 |
| Repayments of long-term debt | (24,294) | (32,664) |
| Redemption of bonds | (100) | - |
| Dividends paid | (2,194) | (1,930) |
| Dividends paid to minority shareholders | (199) | (323) |
| Other, net | (1,540) | (1,579) |
| Net cash provided by (used in) financing activities | (19,883) | (5,872) |
| Effect of exchange rate changes on cash and cash equivalents | 109 | 140 |
| Net increase (decrease) in cash and cash equivalents | (12,649) | 14,703 |
| Cash and cash equivalents at beginning of year | 41,119 | 28,433 |
| Increase in cash and cash equivalents resulting from merger | - | 4 |
| Decrease in cash and cash equivalents due to corporate division | (36) | - |
| Cash and cash equivalents at end of year | 28,433 | 43,142 |

### (5) Notes on the Going-concern Assumption

**Not applicable**