



## Consolidated Financial Results for the Fiscal Year Ended March 31, 2015

14-May-2015

Company Name :	<b>NID Co., Ltd.</b>	Listing :	JASDAQ
Security Code :	2349	URL :	<a href="http://www.nid.co.jp/">http://www.nid.co.jp/</a>
Representative :	President Kiyoshi Suzuki	Telephone :	81-8-3-6221-6811
Contact :	Finance Manager Kazuo Shimoyama		

(All figures are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Fiscal Year 2015 (From April 1, 2014 to March 31, 2015)

#### 1) Consolidated Operating Results (% of change from previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/15	16,228	0.7	1,415	Δ1.8	1,558	3.9	791	22.3
FY3/14	16,119	3.8	1,441	42.4	1,500	37.6	646	10.4

Note: Comprehensive income: FY3/15 1,065million yen (75.0%) FY3/14 609million yen (Δ27.1%)

	Net income per share	Diluted net income per share	ROE	ROA	Operating Income Margin
	Yen	Yen	%	%	%
FY3/15	209.00	—	10.2	12.1	8.7
FY3/14	170.86	—	9.0	12.5	8.9

#### (2) Consolidated Financial Position

	Total Assets	Total Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
FY3/15	13,597	8,348	61.4	2,205.48
FY3/14	12,204	7,386	60.5	1,951.31

Note : Equity FY3/15 8,348million yen FY3/13 7,836million yen

#### (3) Consolidated Cash Flows

	Cash Flows from operating activities	Cash Flows from investment activities	Cash Flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
FY3/15	1,062	Δ645	Δ174	6,273
FY3/14	1,154	Δ320	Δ176	6,029

### 2. Dividend Information

Registry Date	Dividends Per Share					Total amount of cash dividends for the year	Dividends payout ratio (Consolidated)	Net Assets to Dividend Ratio (Consolidated)
	First quarter	Second quarter	Third quarter	Year End	Full Year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY3/14	—	—	—	45.00	45.00	170	26.3	2.4
FY3/15	—	—	—	47.00	47.00	177	22.5	2.3
FY3/16 (Forecasts)	—	—	—	47.00	47.00		19.2	

### 3. Consolidated Financial Forecasts for the Fiscal Year 2016(From April 1, 2015 to March 31, 2016)

(% of change from the same term of the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q FY3/16	7,900	1.6	690	1.8	755	6.1	425	0.5	112.27
Full Year	16,500	1.7	1,550	9.5	1,650	5.9	925	16.9	244.35

#### 4.Others

(1) Changes in the scope of our consolidation, including changes in our subsidiaries : None

Consolidated subsidiaries : 0 added, 0 removed

(2) Changes in accounting methodology, procedures, and the way our figures are displayed in the creation of our Quarter consolidated financial statements.

- ① Changes arising from revisions in accounting standards : Yes
- ② Changes arising from other reasons : None
- ③ Changes in estimation related to financial statements : Yes
- ④ Re-statement of revisions : None

(3) Shares issued (Common stock)

Shares issued as of term end (including treasury stock)	FY3/15	4,369,830	FY3/14	4,369,830
Treasury stock as of term end	FY3/15	584,279	FY3/14	584,279
Average shares issued during term	FY3/15	3,785,551	FY3/14	3,785,557

\*Regarding the appropriate use of our earnings projections and other notes.

All projections provided in this document are based on the most accurate information available at the time of this writing.

However our actual results may differ from our projections due to various unforeseen reasons.

## **1. Business Results**

### **(1) Performance Analysis**

Business results of the current term

In the current consolidated fiscal year, the Japanese economy showed gradual signs of recovery with indications of an upturn in improved corporate earnings and increased employment due to the recovery in stock prices and the correction of the strong yen supported by the government economic and financial policies. However, our future situations remain uncertain due to concerns about the delayed recovery in individual consumer consumption after the adoption of a higher sales tax as well as the downward swing of overseas economies.

In our information service industry, that our company group belongs to, IT investments by corporations have increased moderately along with the improved business sentiment.

Under these circumstances, our Group focused on continued growth and enhancement of its four core businesses including the communication systems business, information systems business, network solution business, and data entry business in order to respond flexibly to changes in the market as well as IT developments. Our Group also strove to provide services that maximize the level of customer satisfaction while working on enhancing coordination between each business division and contributing to an area that looks promising. In addition to these core businesses, we continue with open innovation in order to respond to rapid changes in the IT environment and strive to create our own products and solutions in a new manner of IT utilization and high-value services including alliance relationships with other companies.

As a result of these efforts, our sales have exceeded the previous year that was financially troubled. We accomplished this with improved orders in the communication systems business, a steady rise in orders in the network solutions business, and recovery with our orders in NID Tohoku of which sales were affected by the Great East Japan Earthquake. From a profits aspect, the operating profits fell below the previous year due to the occurrence of the partially underperforming business in NID Tohoku.

As a result, performance for the current consolidated fiscal year were as follows: Net sales posted 16,228 million yen (up 0.7% on same period of previous year); Operating income amounted to 1,415 million yen (down 1.8% on same); Ordinary income recorded 1,558 million yen (up 3.9% on same); Net income recorded 791million yen (up 22.3% on same). In addition, net sales, ordinary income and net income marked record high.

Business segment results were as follows:

#### **Communications systems business**

communications systems business saw an increase in confirmed orders relating to automotives and medical appliances. As a result, sales and operating profit posted 3,791 million (up 4.6% on prior same period) and 263 million yen (up36.1% on same) respectively.

#### **Information systems business**

Information systems business was finished with its big development project for corporate customers involved in nonlife insurance and marked 3,833 million yen in sales (down 4.4% on same) and 580 million yen in operating profits (down 0.5% on same).

#### **Network solutions business**

Network solutions business saw stable growth in orders from our main clients in the transportation, life and non-life insurance. As a result, sales and operating profit posted 4,855 million (up 3.8% on same) and 368 million yen (up 11.9% on same) respectively.

#### **NID-IS**

NID-IS business saw stable growth in systems development orders, but saw decrease in BPO (Business Process Outsourcing) orders from electric power industry . As a result, sales and operating profit posted 2,525 million (down 4.7% on same) and 216 million yen (up 0.6% on same) respectively.

#### **NID-IE**

This business marked 596 million yen (down 11.5% on same) in sales as a consequence of the government's preparation for the amendment to the Worker Dispatching Act. On the other hand, it marked 39 million yen (up 3.2% on same) in operating profits as a result of the cost saving efforts.

#### **NID Tohoku**

With respect to this business, the orders from our loyal customers involved in the electric power industry recovered from the decline caused by the Great East Japan Earthquake recuperated. As a result, its sales reached 626 million yen (up 30.1%on same). On the other hand, from the profit standpoint, its operating profit was 6 million yen (down 86.3% on same) due to the occurrence of the partially underperforming business.

#### **Forecast on Next Period**

Regardless of the concerns about delayed recovery with individual consumer consumption and the downward swing of the foreign economy, the economic future of our country forecasts an ongoing and moderate economic recovery as seen in the improvements in our corporate earnings and employment as a result of various policies created by the government.

In the information service industry that our company group belongs to, although we see a trend of moderate increase in the IT investments, we are experiencing a serious shortage of IT engineers and expect to undergo ongoing difficulties in personnel acquisition.

Under these circumstances, our Group is committed to increasing orders by clearly identifying customer trends while working on securing and strengthening IT engineers through enhancing cooperation with its partner corporations.

Based on these efforts, we expect the following consolidated financial results for the upcoming fiscal year: sales of 16,500million yen (up 1.7% on same period of previous year), 1,550 million yen in operating profit (up 9.5% on same), 1,650million yen in ordinary profit (up 5.9% on same), and 925 million yen in net profit for the period (up 16.9% on same).

## (2) Financial Conditions Analysis

### 1. Assets, Liabilities, Net assets

(Assets)

Current assets as at end of current consolidated fiscal year was 9,800 million yen, up 802 million yen on end of previous consolidated fiscal year. This was primarily due to increase in cash and deposit and notes and accounts receivable-trade, work in process.

Non- current assets were 3,797 million yen, up 590 million yen on end of previous consolidated fiscal year. This was primarily due to increase in investment securities and decrease in deferred tax assets. As a result, Total assets posted an increase of 1,392 million yen on prior consolidated fiscal year end and settled at 13,597 million yen.

(Liabilities)

Current liabilities as at end of current consolidated fiscal year was 2,554 million yen, up 418 million yen on end of previous consolidated fiscal year. This was primarily due to income taxes payable and accrued consumption taxes.

Non- current liabilities posted an increase of 12 million yen on prior consolidated fiscal year end and settled at 2,694 million yen, due to factors including a decrease of provision for retirement benefits and increase in provision for directors' retirement benefits. As a result, Total liabilities posted an increase of 430 million yen on prior consolidated fiscal year end and settled at 5,248 million yen.

(Net assets)

Current total net assets as at end of current consolidated fiscal year was 8,348 million yen, up 962 million yen on end of previous consolidated fiscal year, due to factors including an increase of retained earnings. As a result, capital adequacy ratio increased by 0.9% from 61.4% at end of prior consolidated fiscal year end to 60.5%.

### 2. Cash flows

Cash and cash equivalents (hereafter referred to as "Cash") at the end of the consolidated fiscal year under review were 6,273, up 243 million yen on the end of previous consolidate fiscal year. We provide an explanation of the main changes in our consolidated cash flows below:

(Cash Flow from Operating Activities)

Net cash provided by operating activities was 1,062 million yen (compared with net cash provided of 1,154 million yen in the same period of the previous fiscal year).

This was primarily due to the fact that expenditure factors such as income tax paid and decrease in notes and accounts receivable-trade exceeded the income factors such as income before income taxes and minority interests.

(Cash Flow from Investing Activities)

Net cash provided by investing activities was 645 million yen (compared with net cash used of 320million yen in the same period of the previous fiscal year).

This mostly concerns expenditures and such due to acquisition of investment securities payments into time deposits.

(Cash Flow from Financing Activities)

Net cash used in financing activities was 174 million yen (compared with net cash used of 176 million yen in the same period of the previous fiscal year). The result is primarily due to cash dividends paid.

Trends in indicators of cash flows for NID are as follows:

For the year ended March, 31	2012	2013	2014	2015
Equity ratio (%)	56.4	59.0	60.5	61.4
Equity ratio (market value basis) (%)	48.8	52.1	47.3	73.0

Cash flow/interest-bearing debt (years)	-	-	-	-
Interest coverage ratio (times)	550.9	470.8	789.7	715.7

Notes:

Equity ratio: Shareholders' equity/total assets

Equity ratio (market value basis): Market capitalization/total assets

Cash flow/interest bearing debt: Operating cash flow/interest-bearing debt

Interest coverage ratio: Operating cash flow/interest expenses

(Note 1) All numbers are calculated using consolidated financial data.

(Note 2) Market capitalization is calculated based on the number of stocks issued (excluding treasury stock).

(Note 3) Interest-bearing debts refer to all debts in Consolidated Balance Sheet on which we pay interest. "Interest payments" denotes interest payments as reflected in the consolidated cash flow statements.

(Note 4) The interest-bearing debt to cash flow ratio is not indicated as there is no interest-bearing debt.

### (3) Basis for payment of dividends

We consider returning profit to shareholders to be one of our most important management objectives, and therefore our basic policy is to continue issuing stable dividends while reinforcing the foundation of our management, actively expanding business operations, increasing organizational and operational efficiency, and improving our financial stability. In issuing dividends, we take into consideration the financial performance in each period, future business expansions, dividend payout ratio, and other factors.

Based on this policy, we are planning to ask the General Shareholders Meeting to approve a plan to issue at the end of the current term a dividend of 47 yen per share (as 2 yen higher than previous term). We plan to issue an annual dividend of 47 yen for the next year as well.

We plan to allocate the internal reserve for the enhancement of our management foundation and the active expansion of business in the future.

### (4) Business Risks

Below we note the important risk factors associated with our business that may be considerations when making an investment in Our Company. We also take aggressive steps to disclose information about our company which may not be considered as risk factors to our business but could influence any investment decision regarding our company by investors below. Moreover we make every effort to avoid these risks and to respond quickly to the occurrence of any of these risks. With regards to references about our outlook for the future made in this document, we have based this outlook on the best information available at the time of the release of this document (May 14, 2015).

#### 1) Risk of Unprofitable Projects

Traditionally the NID Group forms project teams for each job ordered by our customers in our core business of system development. However, risks arising from underestimation of the difficulty of the project at the time of the formation of our project team, reductions in the value of the order, occurrence of unforeseen events or accidents during the course of the project, higher than expected costs, and other factors could force the profitability of projects below our targets. Furthermore we also run the risk of receiving complaints from our customers on projects which do not live up to their expectations. Therefore our Group has established a "project risk committee" and we conduct project audit activities as a monitoring system designed to help us avoid the occurrence of various risks. But despite our best efforts and in the event that unforeseen events were to happen, we cannot overlook the potential volatility in our Group earnings or our financial position.

#### 2) Order Decline Resulting from External Factors

The bulk of our customers belong to the manufacturing, transportation, distribution, life and non-life insurance, and securities industries as well as the government and other public administrative offices. And because of the wide range of customers we serve, no single client accounts for more than 10% of our total orders. We therefore believe that risk of having an overly concentrated amount of orders in a few clients is very low. However weakening in order demand for system development arising from political and economic uncertainties, including fluctuations in the currency and natural disaster, could possibly negatively impact both Our Group's earnings and our financial position.

#### 3) Pricing Competition and Reductions in Prices

Intense competition in the Japanese information services industry continues as corporations postpone and restrain their IT related investments. Furthermore we note that hardware vendors are beginning to shift their emphasis towards software services and this in turn is raising the competitive forces within our industry. We note that orders for system development are being shifted to companies operating in overseas markets such as China which offer cheaper pricing, and a subsequent decline in prices resulting from intensified pricing competition. The NID Group seeks to insulate itself from this pricing competition by concentrating its efforts upon providing high quality services. However our earnings and financial position could be negatively impacted should demands for price reduction by our clients intensify.

#### 4) Hiring and Training Highly Qualified Staff

The future growth of our Group is highly dependent upon our ability to secure highly qualified engineers and other staff, and hiring and training staff is a key management issue. Therefore the future growth and earnings potential of Our Group could be negatively impacted in the event that we cannot hire or train an adequate number of staff. At the same time hiring of highly qualified engineers and other staff could lead to large increases in our hiring and personnel costs. Furthermore the training programs for our existing staff could also contribute to higher costs. These costs could also impact our earnings and our financial position.

#### 5) Risk of Credibility Loss Arising from Leakage of a Secret

Because we handle highly sensitive information of our clients in Our Group's various services, we place an extremely high priority upon the maintaining the confidentiality of this information. We have acquired ISO27001, an international standard on quality management systems the "privacy mark" certification and we have created various manuals and training programs for our staff to reinforce the importance of confidentiality in maintaining our credibility with clients. But in the event that a leak of client information was to occur, we may suffer the loss of trust of our clients, and our earnings and financial standing could be impacted.

#### 6) Risks of technical innovation

In the information service industry to which the NID Group belongs, the technological environment could undergo disruptive change. The NID Group studies a multiplicity of technological trends in state-of-the-art, basic, and other technologies and engages in research and development, but in the event that it delays addressing faster-than-expected progress in innovative technologies, this could impact our earnings and financial standing.

#### 7) Risks of intellectual property rights

With regard to intellectual property rights and other rights essential to the conduct of business by the NID Group, it is possible that the Group will not be granted licenses or authorization of other kinds by the owners of such rights, and in consequence will become unable provide specific technologies, products, or services. It is also possible that claims for damages will be made on the ground that business activities undertaken by the NID Group have infringed the intellectual property rights of other parties. In any such event, the NID Group's business results and financial standing could be impacted.

#### 8) Risks of major disasters

NID Group develops structures for ensuring business continuity in conformity with government guidelines and implements disaster-prevention training. Nevertheless, in the event of the occurrence of a major disaster or of a serious outbreak of a contagious disease or else, the NID Group's business results and financial standing could be impacted.

#### 9) Retirement Benefits Obligation

Our group companies' employee retirement benefits package expenses and obligations are calculated based on pre-conditions, which are set by actuarial calculations of factors including discount rate. In the event the actual result differs from the pre-conditions, or in the event the pre-conditions are changed, because the effect of them will be cumulative, and recognized in the future as a rule, these will generally have an effect on the debts recorded and expenses recognized in the future. Therefore, if the discount rate will decline in the future, the business performance and financial state of our group companies may be impacted.

## 2. Corporate Structure

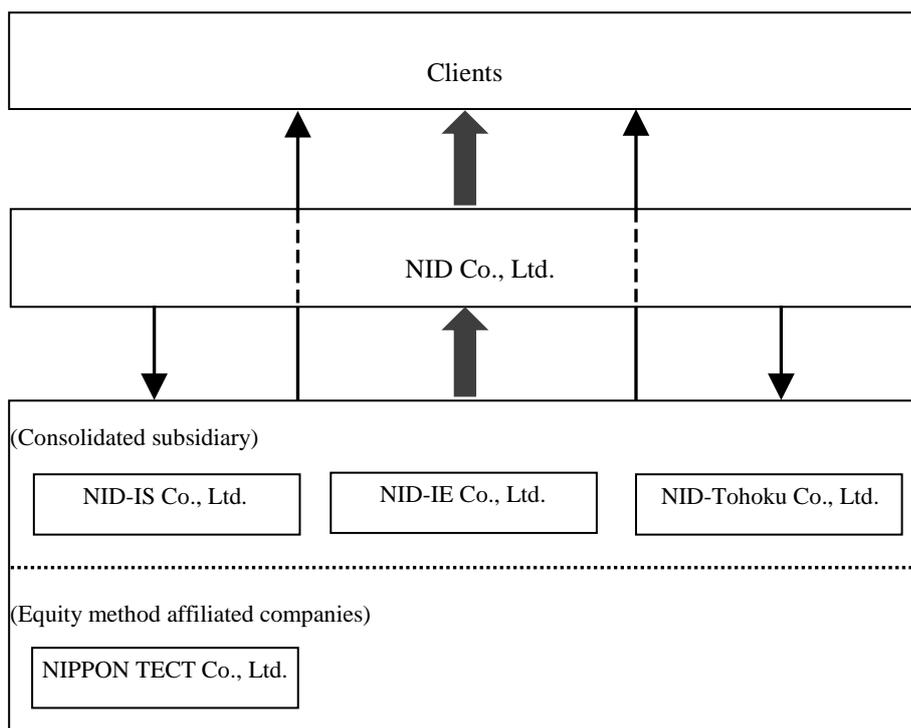
The NID Group (including the parent company and our consolidated subsidiaries) is comprised of the parent company, and our three consolidated subsidiaries, NID-IS Co., Ltd., NID-IE Co., Ltd., and NID Tohoku Co., Ltd., and our one affiliated company accounted for by the equity method, NIPPON TECT Co., Ltd. Our Group conducts primarily system development (development of software for communications systems and information systems), and information processing services (network solutions, data entry, and other services).

The details of our different businesses and business segments are provided below.

Business segments	Description of business	Principal companies
Communications Systems Business	<ul style="list-style-type: none"> <li>•Software development for communication systems</li> <li>•Product development</li> </ul>	NID Co., Ltd.
Information Systems Business	<ul style="list-style-type: none"> <li>•Software development for information systems</li> </ul>	NID Co., Ltd.
Network Solutions Business	<ul style="list-style-type: none"> <li>•Operation and management of network services and systems</li> </ul>	NID Co., Ltd.
NID-IS	<ul style="list-style-type: none"> <li>•Software development for communication systems</li> <li>•Product development</li> <li>•Software development for information systems</li> <li>•Operation and management of network services and systems</li> <li>•Data entry services</li> </ul>	NID-IS Co., Ltd.
NID-IE	<ul style="list-style-type: none"> <li>•Software development for communication systems</li> <li>•Software development for information systems</li> <li>•Operation and management of network services and systems</li> <li>•Others</li> </ul>	NID-IE Co., Ltd.
NID Tohoku	<ul style="list-style-type: none"> <li>•Software development for communication systems</li> <li>•Software development for information systems</li> </ul>	NID Tohoku Co., Ltd.

Our businesses structure is indicated below.

NID-IE Co., Ltd.



Notes: We did transference of our shares of stock of NIPPON TECT Co., Ltd.in April 2015.

### **3. Management Policy**

#### **(1) Our Basic Management Policy**

We have functioned as a completely independent and comprehensive information services company since our founding. Furthermore we have provided our customers with a wide range of services ranging from system development and creation to management services which are designed to help raise the efficiency and productivity of our customers' operations. We also uphold the corporate philosophy outlined below and seek to expand our business operations while having this philosophy reflected in all of our corporate activities.

- Vision: "We strive to be the 'ideal partner' by satisfying customers with the value of our highly specialized services."
- Corporate Value: "We coined the term "human-ware" (human oriented services) to describe our goal of efficient use of human resources."  
"We maintain the goal of keeping the interests of our customers firmly in sight, and seeking to be a system provider that places the top priority on quality."

Our Group seeks to quickly respond to rapid changes in the economic environment and technological advances in the field of IT, using our high level of comprehensive skills to increase customer trust and improve the efficiency of our customer-related operations.

#### **(2) Our Management Targets**

We recognize that maintaining a higher return on equity (ROE), by achieving higher return on investment through the efficient use of shareholders' equity and producing a steady level of profits, is crucial to ensuring a stable earnings foundation capable of paying steady dividends. In keeping with this principle, we have established the following targets.

- ROE: Over 15%
- Ordinary income to net sales ratio: Over 10%

#### **(3) Medium- and Long-term Management Strategy**

We are a comprehensive information services provider that offers communication systems development, information systems development, network solutions, and data entry. In the future we will continue our efforts to find new areas of potential business growth, while aiming to strengthen and expand the revenue foundation based on management that achieves a balance between those four business areas and the four companies.

In addition, the Company plans to continue to promote cooperative businesses, which we have identified as our fifth business, as well as striving to promote product manufacturing and marketing activities.

With the arrival of an era in which smart devices, cloud and other services became more prevalent and anyone can access the network that provide various services, we will promote a business expansion strategy that contributes to the realization of a ubiquitous information society and leverages our strengths as a specialist technology group, including our technologies of communication systems development, information systems development and network solutions development.

Our specific businesses are explained below.

##### **(Communications Systems Business)**

- We implement a business strategy designed to help realize a ubiquitous information society through the integration of information and communications technologies, including smartphones and tablets, intelligent home appliances, digital broadcasting, digital copiers, ITS, and medical equipment using network technologies, and mobile communications terminals.
- With the technologies that we learned and developed through the commissioning of projects to our outsourcing businesses as our foundation and backbone, we will develop products for systems and smartphone applications. In addition, through our proactive engagement in alliances with other companies on open innovation (discovery of revolutionary services and products by the convergence of our technologies and ideas with those of other companies), we will continue to build new businesses, including products and services with higher value-add's and more novelty.
- We are also planning to strengthen our value-added business by developing our own products, while cooperating with other companies on developing new products in the fields of platforms (system environments in which software run) and user-interface products.

##### **(Information Systems Business)**

- We provide integrated business solutions, ranging from upstream processes to software maintenance processes in the distribution and manufacturing industries as well as the governmental sector, with a main focus on finance such as life and non-life insurance.

##### **(Network Solutions Business)**

- The outsourcing services we provide, which employ our network solutions, security, and system management

technologies, contribute to network safety and the stable operations of our customers systems. In this manner we seek to take advantage of growth opportunities in the markets for our services.

(Data entry business)

- We will provide low cost, high quality services that meet customer needs, with sophisticated security and the latest entry systems, in a range of sectors such as non-life insurance, banking, education and government.

#### **(4) Key Management Issues**

ur Group will deal promptly with the rapid changes of economic climate as well as the changing needs associated with the rapid progress of IT. It will also continue to increase its earning capacity through promoting administrative streamlining to best meet the customers' expectations, and set out to enhance its corporate value for the future.

##### 1) Quickly Responding to Market Demands by Fortifying Our Technological Capabilities

In order to be able to respond to the swift changes and diversifying needs within the IT industry, we need to aggressively cultivate highly skilled engineers who are able to handle new information technologies. Consequently, we are seeking to expand our business by increasing our added value and competitive edge. In addition, by advancing the visualization of our technical prowess, we have begun to construct and utilize an engineer database.

##### 2) Strengthening Our Marketing Function

Shifting to solution proposal-based marketing, we are proceeding to develop sales that integrate the sales and operational divisions and provide the company with accurate market needs based on information gathered in a timely manner, with the aim of achieving sales-driven orders.

##### 3) Projects on quality improvement

All of our Group companies obtained ISO9001, which is an international standard on quality management systems, as part of our project on quality improvement and reinforced project management, and we are performing training for our staffs and improving and reinforcing the software development processes to be in line with progress in technology and established quality assurance systems. Specifically, we devised NID Quality Management System (NQS), and our goal from the management standpoint is to improve customer satisfaction through our providing them with value-add's, realize higher quality, and engage in the management of projects companywide.

##### 4) Reform of Personnel and Compensation Systems and Our Human Resource Development Strategy

With our goal of becoming a Group employing a team of valuable individuals with high levels of technological expertise, we maintain a human resource strategy centered on a performance-based compensation system, as part of our effort to cultivate highly skilled engineers who can help us respond to the swift changes in information technologies.

##### 5) Projects on information security

All Group companies have gained ISO27001, the standard for information security management, and Privacy mark, the standard for the protection of personal information. We will improve and maintain projects on information security as we recognize that this is a critical issue of management in order to perform our corporate social responsibility and improve customer services.

##### 6) Focusing on Environmental Preservation

We introduced an environmental management system at our head office and obtained ISO14001, which is an international environmental management standard. We will continue our efforts to devise ways of contributing to the environment in our software design and development operations, such as reducing our environmental impact through initiatives such as the promotion of energy saving and resource saving, the reduction of waste, and green procurement.

##### 7) Creation of new services in response to evolutions in IT

Smartphones, tablets, and cloud services are fast becoming commonplace, and the world of IT is changing rapidly. Topics for our Group going forward will be creation of unique solutions and products, such as services with high value-add and new methods of utilizing the more evolved IT's.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousand yen)

	FY3/14	FY3/15
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	6,090,723	6,334,240
Notes and accounts receivable - trade	2,161,064	2,493,784
Securities	1,040	101,063
Work in process	177,820	318,033
Deferred tax assets	382,838	361,853
Other	184,829	191,863
<b>Total current assets</b>	<b>8,998,317</b>	<b>9,800,839</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	201,728	239,108
Accumulated depreciation	△58,868	△76,754
Buildings and structures, net	142,860	162,353
Vehicles	43,149	42,855
Accumulated depreciation	△30,640	△20,150
Vehicles, net	12,509	22,704
Tools, furniture and fixtures	198,846	197,632
Accumulated depreciation	△123,152	△135,681
Tools, furniture and fixtures, net	75,694	61,951
Leased assets	35,056	34,335
Accumulated depreciation	△23,931	△25,285
Leased assets, net	11,125	9,049
<b>Total property, plant and equipment</b>	<b>242,189</b>	<b>256,059</b>
<b>Intangible assets</b>		
Software	126,564	98,846
Other	25,962	34,590
<b>Total intangible assets</b>	<b>152,526</b>	<b>133,437</b>
<b>Investments and other assets</b>		
Investment securities	1,660,171	2,533,289
Deferred tax assets	803,623	531,931
Guarantee deposits	257,822	248,941
Other	90,307	93,448
<b>Total investments and other assets</b>	<b>2,811,924</b>	<b>3,407,610</b>
<b>Total non-current assets</b>	<b>3,206,640</b>	<b>3,797,107</b>
<b>Total assets</b>	<b>12,204,957</b>	<b>13,597,946</b>

(Thousand yen)

	FY3/14	FY3/15
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	346,744	387,978
Accounts payable - other	366,397	315,276
Income taxes payable	253,701	411,418
Accrued consumption taxes	123,483	411,542
Deposits received	58,054	56,479
Provision for bonuses	864,191	847,619
Other	123,642	124,584
<b>Total current liabilities</b>	<b>2,136,215</b>	<b>2,554,899</b>
<b>Non-current liabilities</b>		
Net defined benefit liability	2,161,036	2,077,768
Provision for directors' retirement benefits	439,300	555,250
Asset retirement obligations	36,969	37,547
Other	44,654	23,512
<b>Total non-current liabilities</b>	<b>2,681,960</b>	<b>2,694,078</b>
<b>Total liabilities</b>	<b>4,818,176</b>	<b>5,248,978</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	653,352	653,352
Capital surplus	488,675	488,675
Retained earnings	7,295,103	7,982,725
Treasury shares	Δ1,226,430	Δ1,226,430
<b>Total shareholders' equity</b>	<b>7,210,700</b>	<b>7,898,322</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	157,703	439,397
Remeasurements of defined benefit plans	18,377	11,248
<b>Total accumulated other comprehensive income</b>	<b>176,081</b>	<b>450,646</b>
<b>Total net assets</b>	<b>7,386,781</b>	<b>8,348,968</b>
<b>Total liabilities and net assets</b>	<b>12,204,957</b>	<b>13,597,946</b>

## (2) Consolidated Statements of Income

(Thousand yen)

	FY3/14	FY3/15
Net sales	16,119,498	16,228,783
Cost of sales	12,898,825	12,944,734
<b>Gross profit</b>	<b>3,220,673</b>	<b>3,284,049</b>
Selling, general and administrative expenses	1,779,404	1,868,874
<b>Operating income</b>	<b>1,441,268</b>	<b>1,415,174</b>
<b>Non-operating income</b>		
Interest income	76	92
Dividend income	36,251	58,983
Gain on investments in partnership	28,938	23,422
Gain on sales of investment securities	—	31,846
Share of profit of entities accounted for using equity method	1,629	—
Subsidy income	7,081	25,214
Other	10,961	20,483
<b>Total non-operating income</b>	<b>84,938</b>	<b>160,043</b>
<b>Non-operating expenses</b>		
Interest expenses	1,462	1,485
investment partnership management fee	2,980	3,167
Loss on investments in capital	18,385	—
Loss on sales of investment securities	—	457
Share of loss of entities accounted for using equity method	—	4,586
Taxes and dues	2,984	6,615
Other	106	231
<b>Total non-operating expenses</b>	<b>25,919</b>	<b>16,543</b>
<b>Ordinary income</b>	<b>1,500,287</b>	<b>1,558,674</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	—	2,247
Gain on sales of investment securities	26,517	—
Gain on refund of guarantee deposits	38,679	—
<b>Total extraordinary income</b>	<b>65,196</b>	<b>2,247</b>
<b>Extraordinary losses</b>		
Loss on sales of non-current assets	16,828	—
Loss on retirement of non-current assets	5,537	1,053
Loss on valuation of investment securities	—	3,020
Retirement benefit expenses	—	847
Special retirement expenses	29,001	25,884
Loss on cancellation of contract	436,492	—
Office transfer expenses	—	11,791
Other	911	332
<b>Total extraordinary losses</b>	<b>488,771</b>	<b>42,928</b>
<b>Income before income taxes and minority interests</b>	<b>1,076,712</b>	<b>1,517,993</b>
Income taxes - current	415,165	595,509
Income taxes - deferred	14,761	131,318
<b>Total income taxes</b>	<b>429,926</b>	<b>726,828</b>
<b>Income before minority interests</b>	<b>646,785</b>	<b>791,165</b>
<b>Net income</b>	<b>646,785</b>	<b>791,165</b>
Income before minority interests	646,785	791,165

<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	Δ37,778	281,693
Remeasurements of defined benefit plans, net of tax	—	Δ7,129
Total other comprehensive income	Δ37,778	274,564
<b>Comprehensive income</b>	<b>609,007</b>	<b>1,065,729</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	609,007	1,065,729
Comprehensive income attributable to minority interests	—	—

### (3) Consolidated Statements of Changes in Shareholders' Equity

Consolidated Financial Results for the Fiscal Year 2014 (From April 1, 2013 to March 31, 2014)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	653,352	488,675	6,818,669	Δ1,226,363	6,734,333
Cumulative effects of changes in accounting policies					
Restated balance	653,352	488,675	6,818,669	Δ1,226,363	6,734,333
Changes of items during period					
Dividends of surplus			Δ170,351		Δ170,351
Net income			646,785		646,785
Purchase of treasury shares				Δ67	Δ67
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	476,434	Δ67	476,367
Balance at end of current period	653,352	488,675	7,295,103	Δ1,226,430	7,210,700

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	195,481	—	195,481	6,929,814
Cumulative effects of changes in accounting policies				—
Restated balance	195,481	—	195,481	6,929,814
Changes of items during period				
Dividends of surplus				Δ170,351
Net income				646,785
Purchase of treasury shares				Δ67

Net changes of items other than shareholders' equity	Δ37,778	18,377	Δ19,400	Δ19,400
Total changes of items during period	Δ37,778	18,377	Δ19,400	456,966
Balance at end of current period	157,703	18,377	176,081	7,386,781

Consolidated Financial Results for the Fiscal Year 2015 (From April 1, 2014 to March 31, 2015)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	653,352	488,675	7,295,103	Δ1,226,430	7,210,700
Cumulative effects of changes in accounting policies			66,806		66,806
Restated balance	653,352	488,675	7,361,910	Δ1,226,430	7,277,507
Changes of items during period					
Dividends of surplus			Δ170,349		Δ170,349
Net income			791,165		791,165
Purchase of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	620,815	—	620,815
Balance at end of current period	653,352	488,675	7,982,725	Δ1,226,430	7,898,322

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	157,703	18,377	176,081	7,386,781
Cumulative effects of changes in accounting policies				66,806
Restated balance	157,703	18,377	176,081	7,453,588

Changes of items during period				
Dividends of surplus				Δ170,349
Net income				791,165
Purchase of treasury shares				—
Net changes of items other than shareholders' equity	281,693	Δ7,129	274,564	274,564
Total changes of items during period	281,693	Δ7,129	274,564	895,380
Balance at end of current period	439,397	11,248	450,646	8,348,968

**(4) Consolidated Statements of Cash Flows**

(Thousand yen)

	FY3/14	FY3/15
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	1,076,712	1,517,993
Depreciation	160,107	116,275
Increase (decrease) in net defined benefit liability	43,198	9,997
Increase (decrease) in provision for directors' retirement benefits	30,250	115,950
Increase (decrease) in allowance for doubtful accounts	△275	—
Increase (decrease) in provision for bonuses	△3,220	△16,572
Interest and dividend income	△36,327	△59,076
Interest expenses	1,462	1,485
Share of (profit) loss of entities accounted for using equity method	△1,629	4,586
Loss (gain) on sales of investment securities	△26,517	△31,388
Loss (gain) on valuation of investment securities	—	3,020
Loss (gain) on sales of property, plant and equipment	16,828	△2,247
Loss on retirement of property, plant and equipment	276	783
Loss on retirement of intangible assets	5,261	269
Loss (gain) on investments in partnership	△22,430	△9,259
Decrease (increase) in notes and accounts receivable - trade	279,849	△336,136
Decrease (increase) in inventories	56,219	△131,891
Decrease (increase) in other current assets	△39,575	7,457
Decrease (increase) in other non-current assets	30	11,399
Increase (decrease) in notes and accounts payable - trade	△22,242	41,234
Increase (decrease) in accounts payable - other	△24,263	△82,716
Increase (decrease) in accrued consumption taxes	34,468	288,059
Increase (decrease) in other current liabilities	△90,198	4,456
Other, net	18,906	△5,832
<b>Subtotal</b>	<b>1,456,891</b>	<b>1,447,848</b>
Interest and dividend income received	36,327	59,076
Interest expenses paid	△1,462	△1,485
Income taxes paid	△336,759	△442,630
<b>Net cash provided by (used in) operating activities</b>	<b>1,154,998</b>	<b>1,062,808</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	△4	△100,003
Purchase of investment securities	△483,937	△555,126
Proceeds from sales and redemption of investment securities	74,796	73,226
Purchase of property, plant and equipment	△34,910	△65,713
Proceeds from sales of property, plant and equipment	134,553	3,243
Purchase of intangible assets	△45,991	△42,842
Proceeds from distribution of investment in partnerships	41,721	51,287
Payments for guarantee deposits	△86	△3,243
Proceeds from collection of guarantee deposits	48	156
Purchase of insurance funds	△5,787	△6,015
Other, net	△640	—
<b>Net cash provided by (used in) investing activities</b>	<b>△320,237</b>	<b>△645,032</b>

(Thousand yen)

	FY3/14	FY3/15
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	820,000	820,000
Decrease in short-term loans payable	Δ820,000	Δ820,000
Cash dividends paid	Δ171,151	Δ170,062
Purchase of treasury shares	Δ67	—
Other, net	Δ5,522	Δ4,054
Net cash provided by (used in) financing activities	Δ176,740	Δ174,117
<b>Net increase (decrease) in cash and cash equivalents</b>	658,019	243,658
<b>Cash and cash equivalents at beginning of period</b>	5,371,465	6,029,485
<b>Cash and cash equivalents at end of period</b>	6,029,485	6,273,144