February 13, 2015

# Consolidated Financial Results for the Fiscal Year Ended December 31, 2014

(Japanese Accounting Standards)

Name of listed company: **FISCO Ltd.**
Listing: Tokyo Stock Exchange, JASDAQ Growth
Stock code: 3807
URL: http://www.fisco.co.jp/
Representative: Hitoshi Kano, President and CEO
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Tel: +81-3-5774-2440
Scheduled date of General Shareholders' Meeting: March 26, 2015
Scheduled date to file Securities Report: March 27, 2015
Scheduled date to commence dividend payments: March 27, 2015
Supplementary explanatory materials prepared: None
Explanatory meeting: None

(Millions of yen with fractional amounts discarded, unless otherwise noted.)

## 1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2014 (From January 1, 2014 to December 31, 2014)

### (1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| Fiscal year ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| December 31, 2014 | 8,430 | 26.2 | 323 | (8.6) | 903 | 55.7 | 730 | 30.8 |
| December 31, 2013 | 6,681 | 65.3 | 354 | 98.9 | 580 | 171.3 | 558 | 31.4 |

Reference: Comprehensive income
For the year ended December 31, 2014: ¥1,017 million (28.8%)
For the year ended December 31, 2013: ¥790 million (65.4%)

| | Net income per share | Diluted net income per share | Return on equity (ROE) | Ordinary income/ Total assets | Operating margin |
|---|---|---|---|---|---|
| Fiscal year ended | Yen | Yen | % | % | % |
| December 31, 2014 | 20.55 | 19.21 | 25.8 | 10.8 | 3.8 |
| December 31, 2013 | 16.06 | 15.25 | 26.0 | 11.2 | 5.3 |

Reference: Equity in earnings of affiliates
For the year ended December 31, 2014: ¥— million
For the year ended December 31, 2013: ¥— million

Note: The Company conducted a 5-for-1 stock split of common shares on July 1, 2014. Net income per share is calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

### (2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| As of | Millions of yen | Millions of yen | % | Yen |
| December 31, 2014 | 10,615 | 4,890 | 30.0 | 87.82 |
| December 31, 2013 | 6,124 | 3,741 | 40.2 | 70.40 |

Reference: Equity
As of December 31, 2014: ¥3,189 million
As of December 31, 2013: ¥2,463 million

Note: The Company conducted a 5-for-1 stock split of common shares on July 1, 2014. Net assets per share are calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

### (3) Consolidated Cash Flows

| | Net cash provided by (used in) operating activities | Net cash (used in) provided by investing activities | Net cash provided by financing activities | Cash and cash equivalents at end of the fiscal year |
|---|---|---|---|---|
| Fiscal year ended | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| December 31, 2014 | 1,852 | (1,013) | 1,590 | 4,717 |
| December 31, 2013 | (447) | 772 | 1,106 | 2,283 |

## 2. Cash Dividends

| | Annual dividends per share | | | | | Total amount of dividends (annual) | Payout ratio (consolidated) | Dividends on net assets (consolidated) |
|---|---|---|---|---|---|---|---|---|
| | First quarter | Second quarter | Third quarter | Fiscal year-end | Annual | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| Fiscal year ended December 31, 2013 | — | 0.00 | — | 17.00 | 17.00 | 118 | 21.2 | 5.5 |
| Fiscal year ended December 31, 2014 | — | 0.00 | — | 3.00 | 3.00 | 108 | 14.6 | 3.8 |
| Fiscal year ending December 31, 2015 (forecasts) | — | 0.00 | — | 3.00 | 3.00 | | 11.4 | |

Note: The Company conducted a 5-for-1 stock split of common shares on July 1, 2014. Accordingly, the annual dividend for the fiscal year ended December 31, 2014 represents the annual dividend forecast before the stock split of 15.00 yen per share divided by 5.

## 3. Consolidated Financial Forecasts for the Fiscal Year Ending December 31, 2015 (From January 1, 2015 to December 31, 2015)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Six months ending June 30, 2015 | 5,546 | 18.7 | 312 | 10.5 | 292 | 15.2 | 188 | 41.7 | 5.18 |
| Fiscal year ending December 31, 2015 | 15,188 | 44.5 | 1,729 | 433.9 | 1,683 | 86.4 | 952 | 30.5 | 20.55 |

Notes:

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

New: 1 (Name of the company) Chanty Co., Ltd.

Excluded: None

(2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

a. Changes in accounting policies due to revisions to accounting standards and other guidelines: None

b. Changes in accounting policies due to reasons other than a. above: None

c. Changes in accounting estimates: None

d. Restatement of revisions: None

(3) Number of common shares issued

a. Total number of issued shares at the end of the period (including treasury stock)

As of December 31, 2014 36,847,500 shares

As of December 31, 2013 36,826,000 shares

b. Number of shares of treasury stock at the end of the period

As of December 31, 2014 532,000 shares

As of December 31, 2013 1,838,000 shares

c. Average number of shares

For the year ended December 31, 2014 35,533,155 shares

For the year ended December 31, 2013 34,755,795 shares

Note: The Company conducted a 5-for-1 stock split of common shares on July 1, 2014. The number of shares is calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

**(Reference) Summary of Non-consolidated Operating Results**

**Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2014**
**(From January 1, 2014 to December 31, 2014)**

**(1) Non-consolidated Operating Results**

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| Fiscal year ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| December 31, 2014 | 716 | (7.4) | 61 | 10.6 | 24 | (48.9) | 82 | 36.4 |
| December 31, 2013 | 774 | (9.3) | 55 | (65.7) | 47 | (90.4) | 60 | (87.8) |

| | Net income per share | Diluted net income per share |
|---|---|---|
| Fiscal year ended | Yen | Yen |
| December 31, 2014 | 2.31 | 2.28 |
| December 31, 2013 | 1.73 | 1.64 |

Note: The Company conducted a 5-for-1 stock split of common shares on July 1, 2014. Net income per share is calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

**(2) Non-consolidated Financial Position**

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| As of | Millions of yen | Millions of yen | % | Yen |
| December 31, 2014 | 3,893 | 2,019 | 50.5 | 54.17 |
| December 31, 2013 | 3,239 | 1,962 | 58.7 | 54.35 |

Reference: Equity
As of December 31, 2014: ¥1,967 million
As of December 31, 2013: ¥1,901 million

Note: The Company conducted a 5-for-1 stock split of common shares on July 1, 2014. Net assets per share are calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

* Disclosure of status of audit procedures

This report is not subject to audit procedures stipulated by the Financial Instruments and Exchange Act of Japan. As of the time of disclosure of this report, the audits of the consolidated and non-consolidated financial statements stipulated by the Act had not been concluded.

* Proper use of financial forecasts, and other special matters

The financial forecasts in this report reflect projections based on management's future assumptions, expectations, and plans as of the issue date of this report. Actual financial results could differ materially from the predicted values due to risks associated with future changes in economic conditions and markets, etc., and other uncertain factors. For information about the conditions, assumptions and other factors underlying the financial forecasts, please see "1. Analysis of Operating Results and Financial Condition (1) Analysis of Operating Results" beginning on page 2 of this report.

# Attachment Contents

## 1. Analysis of Operating Results and Financial Position

### (1) Analysis of Operating Results

During fiscal 2014 (January 1 to December 31, 2014), the Japanese economy showed improvement in corporate earnings and capital investment against a backdrop of aggressive economic growth policies by the Japanese government together with quantitative and qualitative monetary easing by the Bank of Japan. Nonetheless, the economy was impacted by a decline in demand following the consumption tax hike in April 2014 and rising prices, primarily for raw materials, due to the yen's depreciation. Overall, however, Japan's economy remained on a modest recovery path.

Meanwhile, the global economy remained shrouded in uncertainty, mainly due to cautious attitudes about trends in U.S. monetary policy and the outlook for the Russian economy and emerging markets.

Looking at stock market conditions in Japan, the Nikkei Stock Average closed the year at 17,450.77, up 1,159 from the end of 2013. In the foreign exchange market, the Japanese currency continued to weaken sharply, with the yen trading at more than ¥120 to the U.S. dollar at one point.

Faced with these conditions, the FISCO Group formulated the New FY2014-2016 Medium-Term Management Plan, a three-year plan starting in fiscal 2014. Under the plan, the Group has defined its medium- to long-term goal as becoming Japan's largest platform-creator in providing financial information services. To reach this goal, the Group steadily worked to expand its network of publicly listed companies by developing its corporate analysis report business in tandem with strengthening cross-selling of products and services offered by its subsidiaries, such as corporate IR support services and PR services. The Group strove to build a portfolio of peripheral businesses and lay the groundwork for growth in each business by proactively transferring its core strategic assets to each operating company. These mainly included its branding power developed through financial information distribution business and the analytic, editorial, and distribution capabilities needed to provide timely and accurate information.

In the information services business, the Group converted General Solutions, Inc., a producer of annual reports and other corporate publications, into a consolidated subsidiary in June 2014 through a share acquisition.

In August 2014, the Group began distributing the FISCO smartphone app to provide investment information on publicly listed companies in Japan free of charge. This app provides corporate information and analysis functions that reflect analysts' corporate analysis expertise and stock picking techniques. It provides a one-stop source of information where users can easily gather and view corporate data spread out widely over the Internet.

By providing this smartphone app free of charge, FISCO will use it as a means to gauge and respond to investor demand, as well as a tool to secure new sources of earnings through the effective use of big data.

NCXX Solutions Inc., the developer and operator of the FISCO smartphone app, has simultaneously initiated a cloud service business to provide this app as a white label (OEM) solution. NCXX Solutions Inc. intends to provide higher value-added services by selecting and adopting optimal solutions from among a variety of development methods, in line with customer needs and market trends, to fulfill customer needs at a sophisticated level.

As a future business expansion initiative, NCXX Solutions Inc. will build a business model that offers prospects for generating stable revenue from monthly usage fees by providing this app as an OEM solution to companies outside the FISCO Group.

Furthermore, in December 2014, the Group merged General Solutions, Inc. and D & JOIN INC. via an absorption-type merger with General Solutions, Inc. as the surviving company and D & JOIN INC. as the dissolving company. The purpose of this merger is to enhance management efficiency and to provide full-line production of integrated reports, along with annual reports, CSR reports, business reports, shareholder newsletters and other publications.

In conjunction with the merger, the surviving company was renamed as FISCO IR Ltd. in an effort to strengthen its framework for contributing significantly to the corporate IR activities of publicly listed companies and other enterprises as the corporate IR industry's largest player. Looking ahead, FISCO IR Ltd. will fulfill an even more prominent role as a leading provider of corporate IR support services.

In the device business, as part of an additional growth strategy initiative, the Group conducted a corporate split in January 2014 in which NCXX Solutions Inc., a subsidiary of NCXX Inc., succeeded to certain rights and obligations held by SJI Inc. with respect to the system development business conducted by SJI Inc.'s Chubu, Kansai, and Kyushu Business Divisions.

Eyeing future expansion in the device business, NCXX Inc. issued new shares and convertible bonds with subscription rights through a third-party placement in order to meet funding demand for machine-to-machine (M2M)-related product development and the bulk purchasing of certain products in the device business. As a result, NCXX Inc. has obtained highly versatile funds that can be used flexibly in response to changes in the business environment.

In the advertising agency business, the Group is emphasizing a corporate IR and PR strategy, with efforts focused on making integrated proposals spanning IR and PR. In December, the Group acquired the shares of Chanty Co., Ltd., which produces sales promotion merchandise for the campaign initiatives of client companies such as major beer companies and major advertising agencies. With this move, the Group is now able to make full-line proposals encompassing all aspects from advertising planning to the production of sales promotion merchandise and corporate IR. By conducting cross-selling targeting the customers using each type of service, the Group intends to increase the number of customers and provide even more sophisticated corporate IR and PR services.

As a result of these efforts, consolidated net sales for fiscal 2014 were ¥8,430 million, up 26.2% year on year. Cost of sales was ¥6,299 million, up 31.3% year on year, and selling, general and administrative expenses were ¥1,807 million, up 18.1% year on year.

Consequently, operating income was ¥323 million, down 8.6% year on year. Ordinary income rose sharply by 55.7% year on year to ¥903 million.

Operating income and ordinary income were both below the forecasts announced on February 28, 2014, mainly due to the impact of the postponement of certain product deliveries by NCXX Inc. to the next fiscal year. Nonetheless, the Group achieved a net income result that was largely in line with its forecast.

Operating income declined due to the impact of surging purchasing costs for certain products of NCXX Inc. due to exchange rate fluctuations. However, the Group booked a foreign exchange gain of ¥634 million upon exiting a foreign exchange margin trading position entered into as a means of hedging the risk of the yen's depreciation. This helped to push ordinary income up dramatically. In fiscal 2015 and beyond, the Group plans to enter into foreign exchange forward contracts and other arrangements as a means of hedging the risk of foreign exchange fluctuations.

The Group posted extraordinary income of ¥200 million, which was partly offset by extraordinary losses of ¥22 million. As a result, net income increased sharply by 30.8% year on year to ¥730 million.

Business performance by segment in the fiscal year under review was as follows:

**1) Information Services Business**

(i) Information for individuals

Looking at services for individual investors, the Group sells investment information via its CLUB FISCO e-commerce website. These information services include Market Outlook, IPO Navigator, FX Daily & Weekly Strategy, FISCO Japan Equities Analysis, and FISCO MARKET MASTERS. The Group also provides investment advisory services via its LaQoo+ automatic stock price prediction service.

In fiscal 2014, stock market conditions were buoyant due to a surge in initial public offerings (IPOs), including a string of several large IPOs, along with continuing positive investment sentiment among individual investors. This investment sentiment partly reflected the first year of the Nippon (Japan) Individual Savings Account (NISA) program, which is Japan's new tax exemption scheme for individual investors. However, the benefits of this strong stock market did not ripple out to FISCO to any significant extent. Consequently, net sales from services to individual investors were ¥51 million, down 6.4% year on year.

In portal services, net sales decreased 1.6% year on year to ¥59 million, despite a continuing strong performance in terms of FISCO's number of page views on the Yahoo! Japan Finance website.

(ii) Information for companies

In the corporate IR support services field, the corporate analysis report service is crucial to achieving FISCO's goal of becoming Japan's largest platform-creator in providing financial information services. Accordingly, FISCO worked intensively to win new customers among publicly listed companies. As a result, the corporate analysis report service expanded sharply, with net sales increasing by a substantial 50.2% year on year to ¥136 million.

In the real-time information distribution service for companies, the Group is working to enhance profitability, while shifting resources to other services. This was due partly to the fact that market growth can no longer be anticipated for these services. Net sales from the real-time information distribution service for companies decreased 12.2% year on year to ¥201 million, even as the high profitability of these services was maintained.

In outsourcing services, the Group was impacted by the expiry of contracts with certain financial institutions and information vendors. Consequently, net sales from outsourcing services were 240 million, down 23.2% year on year.

In addition, FISCO IR Ltd., a producer of annual reports and other corporate publications (renamed following the merger of General Solutions, Inc. and D & JOIN INC. in December 2014), posted net sales of ¥749 million. (Net sales of FISCO IR Ltd. represent the sum of the individual results of the two merged companies prior to the merger.) Year-on-year comparisons are not disclosed for FISCO IR Ltd. because the merger took place in fiscal 2014.

As a result, in the information services business, net sales were ¥1,474 million, up 73.2% year on year, and segment income was ¥353 million, up 57.7% year on year.

**2) Device Business**

In the device business, the Group launched USB data communication devices which are compatible with quad-band LTE. As the Group's core products in the M2M field, these products are in use across a wide range of applications, such as game consoles and mobile computing. The Group began designing and providing a handheld IP radio system for business use, and is striving to develop high-performance communication devices that are able to run multiple applications. Featuring a large, easy-to-use touch panel display and water- and dust-resistance performance, these models are developed for use in the strenuous worksite environments of the construction and transportation, security services, and other businesses.

Sales of one existing product model with an extensive track record of implementation were suspended in view of its exposure to the risk of foreign exchange rate fluctuations and other factors, against a backdrop of calls for price reductions. In addition, certain sales in the device business were postponed to fiscal 2015. The main reason was that the start of sales of certain new products and original design manufacturer products rolled out in fiscal 2014 was postponed to modify specifications and make other changes at the request of customers.

As a concrete initiative to capture synergies within the Group, NCXX Solutions Inc. started developing a data logger with communications functions for motorcycles in July 2014. In this project, NCXX Inc. has been developing the communication module, while NCXX Solutions Inc. has been developing the tracking app that will gather and analyze a variety of data. To test the prototype and facilitate continuous development, the Team WINNER Z-TECH & NCXX Group was formed to enter a major motorcycle racing event called the Suzuka 8Hours Endurance Road Race. The prototype was operated under grueling conditions, with temperatures exceeding 35°C and a road surface temperature of over 60°C, coupled with sudden torrential rains. However, the data logger produced solid results through to the end, completing the race without any malfunctions or communication disruptions. Looking ahead, the Company will continue to push ahead with development of the data logger by enhancing its usability. This will be done by modifying product specifications in line with various usage environments and supplying applications according to the usage environment, based on the prototype. The goal is to supply an outstanding data logger product to corporate users, general motorcycle enthusiasts, and amateur motorcycle riders.

Additionally, the nursing care and robotics industries offer strong future growth prospects as a business domain that is poised to expand the horizons of the M2M field. To enter these industries, the Company commenced joint development in April 2014 of a nursing care robot with VStone Co., Ltd., a robotics-related product manufacturer. The trial users of the prototype have been decided from among medical corporations, social welfare corporations, municipalities, and others, and preparations are under way to develop a commercial product.

As a result, in the device business, the Group posted overall sales in the M2M field of ¥2,545 million, including automotive products such as car navigation systems and taxi radio systems. This was mainly due to strong sales of two new product models. NCXX Solutions Inc., which succeeded to part of the systems business of SJI Inc. through an absorption-type corporate split, posted sales of ¥1,707 million.

Consequently, in the device business, net sales were ¥4,583 million, up 45.5% year on year, while segment income was ¥75 million, down 70.7% year on year. The main reason for the decrease in segment income was amortization of goodwill, as well as lower gross profit owing to a sharp increase in cost of sales due to foreign exchange impacts.

**3) Internet Travel Business**

In the Internet travel business, "travel concierges" (travel consultants) take the lead in planning *Kodawaru Hito No Tabi* ("Journeys for the Discerning Traveler") travel itineraries, as part of which, new *Kodawari No Tabi* travel packages are announced every month. In September, the "*Agriturismo* Take in the Italian Countryside" travel package was unveiled, followed by the "Christmas Market: Experience the Wonders of Europe in Winter" travel package in October and the "*Brocante* (Flea Market) in France: A Treasure Hunt" travel package in November.

Net sales in the Internet travel business were ¥1,759 million, down 1.9% year on year. These sales comprised overseas travel business sales of ¥1,633 million centered on honeymoon packages to Italy, Spain, and France, and domestic travel business sales of ¥125 million. Despite a tendency among customers to temporarily suspend overseas travel plans due to the outbreak of Ebola virus disease and the yen's sharp depreciation, the Group expects travel demand to recover in fiscal 2015 based on lower fuel surcharges. Supported by the success of continuing cost-cutting initiatives, segment income more than doubled from fiscal 2013, increasing 122.8% year on year to ¥37 million.

**4) Advertising Agency Business**

In the advertising agency business, following on from fiscal 2013, the Group pursued new product and service initiatives and cross-selling to Group customers, eyeing the development of a new platform. Efforts were also made to bolster services to existing customers. With emerging demand for video and other visual content and media, the Group is responding with initiatives that incorporate a visual identity (VI) perspective, which is one of the Group's strengths.

In the free advertising quote website business, operated in partnership with regional advertising-related companies, the Group now has 42 partners and is expanding the scope of services to regional corporations and the public sector.

In the advertising agency business, net sales decreased 40.8% to ¥484 million, heavily impacted by the expiry of contracts with major customers. Although the Group concentrated on projects with high operating margins and reduced selling, general and administrative expenses, this did not make up for the decline in net sales. Consequently, segment income was ¥47 million, down 47.1% year on year.

In December, Diamond Agency, Inc. acquired the shares of Chanty Co., Ltd., which produces sales promotion merchandise and novelty items. Through this acquisition, the Group has put a framework in place to provide a full line of services ranging from advertising planning to the production of sales promotion merchandise. Accordingly, in fiscal 2015, the Group will implement initiatives to increase its specialization in the sales promotion field as it works to expand its business volume.

**5) Consulting Business**

In the consulting business, Versatile Inc. provided consulting services primarily to streamline operations within the FISCO Group. Overseas, FISCO International Limited provided consulting services to overseas subsidiaries of Japanese companies. As a result, net sales in the consulting business were ¥129 million, up 91.7% year on year. Segment income rose 114.5% year on year to ¥78 million.

(Outlook for Fiscal 2015)

Following on from fiscal 2013, the FISCO Group continued to implement M&As via stock acquisitions in fiscal 2014, bringing in companies that offer prospects for capturing synergies with each of its businesses.

In the information services business, the Group acquired the shares of General Solutions, Inc., a producer of annual reports and other corporate publications. Furthermore, in December 2014, the Group merged General Solutions, Inc. with D & JOIN INC. and renamed the company FISCO IR Ltd. Through these measures, the Group laid the groundwork for expanding business in the field of corporate IR support services.

In the device business, NCXX Solutions Inc. succeeded to part of SJI Inc.'s systems development business through an absorption-type corporate split agreement with SJI Inc.

In the advertising agency business, the Group acquired the shares of Chanty Co., Ltd., which produces sales promotion merchandise and novelty items.

With these moves, the Group is now able to make full-line proposals encompassing all aspects from advertising planning to the production of sales promotion merchandise and corporate IR. By conducting cross-selling targeting the customers using each type of service, the Group intends to increase the number of customers and provide even more sophisticated corporate IR and PR services.

In fiscal 2015, the Group will work to spur the growth of companies that have become new consolidated subsidiaries, and to capture synergies between its Group companies. At the same time, the Group will seek to drive further business expansion through M&As.

The outlook for each segment is as follows:

In the information services business, the Group plans to transfer the primary business organization for the corporate analysis report service to FISCO IR Ltd., from the standpoint of increasing the number of customers among publicly listed companies. Through this measure, the Group will centralize production operations for integrated reports, annual reports, shareholder newsletters, corporate analysis reports, and other publications within FISCO IR Ltd. This, in turn, will allow FISCO IR Ltd. to undertake a full line of corporate IR and PR services. Looking ahead, FISCO IR Ltd. will provide multi-faceted, comprehensive services to fulfill the wide range of corporate IR and PR needs of its client companies.

In the device business, the Group will expand its horizons based on successful activities in fiscal 2014. New business initiatives will also be undertaken by integrating different business sectors and communication devices through the effective use of development assets that the Group has cultivated to date. Specifically, the device business will continue to focus on the M2M market and supply a wide range of solutions. These will include solutions to enhance convenience by embedding communication functions into industrial fields that have not needed them before, and solutions to reduce personnel costs by refining remote control technologies for equipment and facilities. Moreover, in automotive products, a specialty of the device business, the Group aims to provide completely new services. These services will include vehicle status monitoring and the acquisition of a variety of vehicle data, which will be made possible by integrating outstanding automotive telematic technologies with NCXX Inc.'s technology assets. To realize these new services, NCXX Solutions Inc. will develop servers to accumulate data gathered from driving information, along with applications which will make effective use of this data.

Furthermore, the Group will accelerate its entry into the M2M market by pushing ahead with the vertical integration of its value chain targeting this market. This will be done by going beyond merely supplying device product hardware by incorporating software and application development by NCXX Solutions Inc. In parallel, in the consumer market, the Group will strive to efficiently develop new products by incorporating the expertise obtained from M2M product development into consumer product lineups. By harnessing Group synergies, the Group will take steps to rapidly analyze diversifying demand trends and launch products that conform to those trends.

In the agricultural ICT business, the Group will continue aiming to win more orders by increasing software usability in an effort to popularize the adoption of ICT, which can streamline and enhance the profitability of existing agriculture. The Group will promote initiatives to support regional vitalization not only in agriculture but also in tourism, along with efforts to boost public interest in these regions. In addition, in fiscal 2014, the Group initiated collaboration with VStone Co., Ltd. on the development of nursing care robots. The Group will utilize NCXX Inc.'s assets in communication technologies to promote the rapid development and commercialization of optimal nursing care robots for the front lines of nursing care. These robots can be controlled remotely to perform tasks such as status monitoring, watching over elderly people, voice and image data transmission, and software updates.

In the Internet travel business, the Group will work to upgrade and expand services by recruiting new travel concierges and enhancing their skills through training courses. In addition, the Group will strive to provide high-quality, customized travel services that embody the spirit of hospitality by recommending *Kodawari No Tabi* travel packages. Moreover, the Internet travel business will initiate inbound travel services targeting overseas visitors to Japan, whose numbers are increasing against the backdrop of the yen's depreciation, with a view to proactively capturing earnings opportunities.

Furthermore, the Group has been promoting a crowd sourcing* business focused on the travel business. Going forward, the Group will expand the crowd sourcing business to fields other than travel, with the aim of expanding its business as a comprehensive creator of crowd sourcing platforms that are able to perform a variety of services not only for individuals but also for companies.

*** Crowd sourcing means sourcing services from a group of unidentified people (a "crowd"), as opposed to outsourcing work to specific individuals. According to estimates by Yano Research Institute Ltd., the crowd sourcing services market is projected to grow to ¥182 billion in fiscal 2018 from ¥10 billion in fiscal 2012. As such, it is a growing market that is projected to increase approximately 18-fold over the 6-year period from fiscal 2012 to 2018.**

In the consulting business, the Group will continue to promote efforts led by Versatile Inc. to develop new financial solutions and fund-related businesses worldwide and to cultivate the recruitment field by making use of corporate analysis reports in the job hunting activities of university students. Through fund management and other related activities, the Group will also provide services such as financing to meet the wide-ranging funding needs of client companies in connection with industry realignment, business spin-offs, and so forth.

In the advertising agency business, in fiscal 2014, Diamond Agency, Inc. acquired the shares of Chanty Co., Ltd., which produces sales promotion merchandise and novelty items. Working together with Chanty Co., Ltd., the Group will endeavor to proactively cultivate new client companies by comprehensively leveraging its existing customer base and content distribution media, centered on the Internet.

Based on the aforementioned factors, the Group is forecasting net sales of ¥15,188 million, operating income of ¥1,729 million, ordinary income of ¥1,683 million, and net income of ¥952 million for fiscal 2015.

### (2) Analysis of Financial Position

#### 1) Assets, Liabilities, and Net Assets

Total assets were ¥10,615 million as of December 31, 2014, an increase of ¥4,491 million from the previous fiscal year-end.

Total current assets rose ¥3,248 million from a year ago. The main contributing factors were increases of ¥2,793 million in cash and deposits and ¥310 million in notes and accounts receivable-trade.

Total noncurrent assets increased ¥1,242 million from a year earlier. The main contributing factors were an increase of ¥484 million in goodwill due to an increase in the number of consolidated subsidiaries, along with increases of ¥326 million in land and ¥175 million in investment securities.

Total liabilities were ¥5,725 million, an increase of ¥3,342 million from ¥2,383 million a year earlier. The main contributing factors were an increase of ¥615 million in convertible bonds with subscription rights to shares, which were issued by NCXX Inc., and an increase of ¥336 million in bonds, reflecting bonds issued by Chanty Co., Ltd., which became a consolidated subsidiary in fiscal 2014. Another main contributing factor was an increase of ¥1,064 million in long-term loans payable to meet the funding needs of various Group companies.

Total net assets were ¥4,890 million, an increase of ¥1,148 million from a year earlier. The main contributing factors were an increase of ¥730 million in retained earnings due to the recording of net income and an increase of ¥431 million in minority interests.

#### 2) Cash Flows

Cash and cash equivalents ("cash") at December 31, 2014 were ¥4,717 million, an increase of ¥2,434 million from the previous fiscal year-end.

Cash flows during the fiscal year under review and analysis of the main components are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥1,852 million, compared with net cash used in operating activities of ¥447 million in the previous fiscal year. The main components were income before income taxes and minority interests of ¥1,081 million, a decrease in advance payments of ¥256 million, and a decrease in derivatives of ¥411 million.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥1,013 million, compared with net cash provided by investing activities of ¥772 million in the previous fiscal year. The main uses of cash were ¥444 million for purchase of stocks of subsidiaries and affiliates, ¥362 million for payments for transfer of business, and ¥163 million for purchase of investments in subsidiaries resulting in change in scope of consolidation.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥1,590 million, an increase of 44.7% from the previous fiscal year. This was mainly due to proceeds from long-term loans payable of ¥1,852 million, proceeds from issuance of bonds with subscription rights to shares of ¥609 million, and proceeds from stock issuance to minority shareholders of ¥281 million.

These cash inflows were partly offset by decrease in short-term loans payable of ¥756 million and repayment of long-term loans payable of ¥626 million.

Trends in the Group's cash flow indicators were as follows:
(Reference) Trends in Cash Flow Indicators

| | Fiscal 2012 | Fiscal 2013 | Fiscal 2014 |
|---|---|---|---|
| Equity ratio (%) | 43.2 | 40.2 | 30.0 |
| Market-value equity ratio (%) | 49.6 | 111.4 | 117.3 |
| Interest-bearing debt to cash flow ratio (Years) | 75.4 | — | 200.7 |
| Interest coverage ratio (Times) | 154.8 | — | 41.6 |

Equity ratio: total net assets – (minority interests + subscription rights to shares) / total assets
Market-value equity ratio: market capitalization / total assets
Interest-bearing debt to cash flow ratio: interest-bearing debt / operating cash flow
Interest coverage ratio: operating cash flow / interest payments

Notes:
1. All of the aforementioned indicators are calculated from consolidated financial figures.
2. Market capitalization is calculated based on the number of issued shares excluding treasury stock.
3. The figures used for cash flow and interest payments represent net cash provided by operating activities and interest paid, respectively, recorded on the consolidated statements of cash flows.
4. Interest-bearing debt represents all liabilities recorded on the consolidated balance sheets for which interest is paid.
5. Interest-bearing debt to cash flow ratio and interest coverage ratio for fiscal 2013 are not disclosed because operating activities used net cash in that fiscal year.

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

The FISCO Group considers it a top priority to consistently return stable profits to shareholders. To do so, the Group will strive to enhance its profitability by establishing a flexible and robust management base that adapts to market conditions, while using internal reserves to fund initiatives to enter growth fields and working to upgrade and enhance existing businesses.

For fiscal 2014, the Group plans to a pay a year-end dividend of ¥3 per share. For fiscal 2015, the Group also plans to pay a year-end dividend of ¥3 per share.

## 2. Status of the Corporate Group

The FISCO Group comprises FISCO Ltd. (the Company) and 13 consolidated subsidiaries. The Group's operations are broadly divided into five segments: the information services business, the consulting business, the Internet travel business, the device business, and the advertising agency business.

The following is a description of the businesses of the Group and the relationships between FISCO Ltd. and its related companies with respect to each business.

<table>
<tr><th>Segment</th><th colspan="2">Description of business</th><th>Companies</th></tr>
<tr><td rowspan="9">Information services business</td><td colspan="2">Provision of information to corporate and individual customers<br>(Main content distribution media and primary information users)</td><td rowspan="9">FISCO Ltd.<br>FISCO IR Ltd.<br>FISCO International Limited<br>FISCO Fujian Ltd.</td></tr>
<tr><td>Real-time information distribution</td><td>Financial institutions</td></tr>
<tr><td>Internet</td><td>Online securities companies<br>Online foreign exchange businesses<br>Financial and other portal sites</td></tr>
<tr><td>Outsourcing</td><td>Financial services firms</td></tr>
<tr><td>Corporate analysis reports</td><td>General investors</td></tr>
<tr><td>Annual reports and other IR publications</td><td>General investors</td></tr>
<tr><td>CLUB FISCO, LaQoo+ and FISCO MARKET MASTERS</td><td>General investors</td></tr>
<tr><td>Mobile devices<br>FISCO smartphone app</td><td>General investors</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td>Consulting business</td><td colspan="2">Various consulting services including IR support, capital management policy, financial strategy, business strategy, and recruitment support services<br>Fund arrangement and management services</td><td>FISCO Ltd.<br>FISCO Capital Ltd.<br>Versatile Inc.<br>FISCO International Limited<br>FISCO Fujian Ltd.</td></tr>
<tr><td>Internet travel business</td><td colspan="2">Operation of an e-marketplace for travel-related products<br>Travel agency services for corporate and individual customers<br>Travel Estimate Services<br>Travel Concierge Services</td><td>e-tabinet.com<br>Web travel Co., Ltd.</td></tr>
<tr><td>Device business</td><td colspan="2">Development and sale of communication devices applying various wireless systems<br>Development and sale of PLC modems<br>Provision of systems solutions and maintenance services incidental to the above<br>Systems development<br>Cloud services<br>ASP services for nursing care centers<br>Purchase and sale of mobile communication-related products in China</td><td>NCXX Inc.<br>NCXX Solutions Inc.<br>Care Online Limited *1<br>星際富通（福建）網絡科技有限公司</td></tr>
<tr><td>Advertising agency business</td><td colspan="2">Advertising agency services<br>Planning, editing, production and issue of advertising publications<br>Production and sale of sales promotion merchandise and novelty items</td><td>Diamond Agency, Inc. *2<br>Chanty Co., Ltd.</td></tr>
</table>

Notes: 1. Care Online Limited was renamed as Care Dynamics Limited on January 19, 2015.
2. Diamond Agency, Inc. was renamed as FISCO DIAMOND AGENCY, Inc. on February 12, 2015.

## 3. Management Policies

### (1) Basic Management Policies of the Company

FISCO Ltd. has adopted the following three basic management policies:

1) Strive to be a leading company in the financial services sector
2) Commit to a position of fairness and impartial thinking
3) Respect the value of individuals and emphasize the spirit of harmony

FISCO Ltd. will provide the findings of its market research, analyses, and predictions related to finance and investment under all manner of conditions as information (content) and advisory services, with a view to realizing the optimal allocation of social assets, and thereby play a part in Japan's maturing society in the future. To this end, besides honing its specialization, FISCO Ltd. will adopt a position that commits to fair and impartial thinking in order to completely eliminate any conflicts of interest, and maintain an internal culture that demonstrates the outstanding talent of individuals.

### (2) Key Performance Indicators

The FISCO Group aims to be a highly profitable corporate group driven by the creation of high added value. To this end, the Group has embraced the operating margin and net margin as its key performance indicators. For the medium to long term, the Group is targeting an operating margin of 15% and a net margin of 10%. Moreover, the Group will promote management focused on capital efficiency to hone the competitiveness it will need to achieve sustained growth.

Furthermore, the Group strives to ensure well-balanced M&As and other investments by enforcing effective governance. This entails clarifying the Group-wide strategic significance of investments and their mode of recovery, as well as the recovery time frame.

### (3) Medium- to Long-Term Management Strategies of the Company

Since its founding, FISCO Ltd. has always conducted its financial information distribution business based on the principles of fairness and impartiality, primarily targeting financial institutions. Today, FISCO Ltd. provides financial information not only to financial institutions, Internet-based financial instruments business operators, and institutional investors, but also to individual investors by distributing information via Yahoo! Japan and other portal websites and the FISCO smartphone app. The FISCO Group boasts unparalleled brand name recognition as a financial information distributor on the Internet.

The Company positions corporate IR support services and the FISCO smartphone app as its core new business drivers in the information services business.

In corporate IR support services, the Group plans to transfer the primary business organization for the corporate analysis report service to FISCO IR Ltd. from the standpoint of expanding the customer base. Through this measure, the Group will centralize production operations for integrated reports, annual reports, shareholder newsletters, corporate analysis reports, and other publications at FISCO IR Ltd. This, in turn, will allow FISCO IR Ltd. to undertake a full line of corporate IR and PR services. At the same time, the Group will be able to put an even stronger "ethical wall" (information barrier) in place by having FISCO Ltd. focus exclusively on information distribution services. Looking ahead, the FISCO Group will provide multi-faceted, comprehensive services to fulfill the diversifying range of corporate IR and PR needs of its customers.

Meanwhile, the FISCO smartphone app provides investors with corporate information and analysis functions that reflect analysts' corporate analysis expertise and stock picking techniques. It provides a one-stop source of information where users can easily gather and view corporate data spread out widely over the Internet. By providing this smartphone app free of charge, FISCO will use it as a means to gauge and respond to investor demand, as well as a tool to secure new sources of earnings through the effective use of big data.

FISCO will promote these businesses to become an unrivalled content distributor that seamlessly links investors and corporations, leveraging the outstanding recognition of the FISCO brand on the Internet. This initiative will enable the Group to create an enormous network encompassing not only corporations but also investors and consumers, providing a platform for many different types of communication, not just the exchange of financial information. Therefore, it harbors opportunities for a variety of services and businesses well beyond the scope of IR and content distribution. As a whole, the Group has successfully built a portfolio of businesses that are highly competitive in their respective industries. This has been achieved by generating earnings from its strategic assets, which are centered on its brand power and analysis, editing, and distribution capabilities for providing timely and accurate information, both of which have been developed in the financial information distribution business. The Group has been generating earnings from those strategic assets by actively transferring them to various operating companies, along with building a portfolio of peripheral businesses in order to absorb the expertise held by each business. The synergies captured between these portfolio companies and FISCO Ltd.'s evolving businesses will sharpen one another and generate high profitability. Looking ahead, the FISCO Group aims to constantly pursue a path of creativity and change in order to provide the optimal intelligence needed for people to make effective decisions in their investment and other economic activities. As for medium- to long-term targets, the Group aims to achieve net sales of over ¥30.0 billion, operating income of over ¥4.5 billion, and net income of over ¥3.0 billion, as well as a market capitalization between ¥45.0 billion and ¥80.0 billion. In terms of businesses, the Group seeks to become a leading provider of IR services for publicly listed companies and a leader in the financial information distribution business, reinventing itself as a provider of management solutions for publicly listed companies. To improve sales, the Group plans to vigorously promote M&As in addition to driving organic growth. With M&A activities, the Group will continue to acquire companies that have a low price-to-book ratio and generate strong cash flows, with the aim of dramatically increasing corporate value. The Group recognizes that it will need to drive the growth of FISCO Ltd. and its portfolio companies in order to achieve the targets of the New FY2014-2016 Medium-Term Management Plan. Furthermore, in conjunction with accomplishing the objectives of the plan, the Group seeks to have FISCO Ltd. and NCXX Inc. assigned to the First Section of the Tokyo Stock Exchange.

**(4) Key Priorities Ahead**

In the course of implementing the aforementioned management policies and strategies, the Group recognizes that it must fortify its sound financial position and drive sustainable growth and expansion if it is to answer the expectations of investors and maintain good relationships with them. To this end, the Group has identified the following key priorities and is working to address each of them.

**1) Develop and Strengthen the Content Production Framework and Bolster the Quality Assurance System**

The Group is pushing ahead with operational optimization for the purpose of enhancing the quality of content in the information services business, its core existing business.

The Group is building a framework that will facilitate integrated management of all aspects of content-related work, from content production to information distribution. This is being done by promoting resource allocation in pursuit of high added value, while ensuring the timeliness and accuracy of content and increasing work time devoted to maximizing individual talent. At the same time, the Group is standardizing content production work according to the nature of content by strategically analyzing all content-related work. Looking ahead, the Group will continue to implement further operational optimization and develop multiple content production channels. Moreover, to develop even more specialized and diverse products, the Group will work to provide continuous training of analysts and to enhance the knowledge and skills of individual staff members.

**2) Develop and Strengthen the Sales and Marketing Framework**

The Group conducts sales and marketing activities centered on the Sales and New Business Development Section, which is primarily responsible for sales targeting financial institutions, and the Corporate Research Report Section, whose goal is to provide services to business corporations. The goal is to develop and provide services and create high added value, so as to rapidly address the wide-ranging needs of individual investors, institutional investors, financial services firms, business corporations, and others. The Group will strive to enhance customer service so that it can provide services that fulfill the diversifying needs of market players, centered on the increasingly dynamic stock and foreign exchange markets.

**3) Upgrade and Expand Websites and Smartphone Apps**

The Group provides a broad spectrum of qualitative and quantitative information via the free-of-charge FISCO smartphone app and the fee-based CLUB FISCO website. In particular, the Group will continuously and systematically allocate management resources to creating a database of individual stocks, upgrading interfaces, improving data processing speeds, responding to system disruptions, and other related tasks.

**4) Strengthen Systems and Upgrade and Expand Backup Systems**

The Group is working to strengthen its systems, including internal infrastructure, and to enhance its backup systems in perparation for natural disasters and other contingencies. These efforts are being driven by increasingly diverse content distribution channels, an increase in the number of individual customers and other recipients of content, the growing complexity of internal information networks, and compliance-related demands that have become more crucial than ever in recent times. Considering the need to maintain stringent controls over these sorts of internal and external structures, the Group will continue to make intensive capital investments in these areas going forward.

**5) Appropriately Evaluate Cutting-Edge Technologies in the Content Distribution Field**

Systems development and maintenance are vital to the Group's content sales. However, technological advancement has the potential to trigger obsolescence and impair competitiveness in unexpected ways. The Group first takes a synoptic view of trends in technology, rather than pursuing the latest technologies for their own sake. The Group believes that capital investment plans should be formulated and executed only after conducting a timely and appropriate evaluation of cutting-edge technologies.

**6) Expand New Businesses in China and the ASEAN Region**

The Group is developing new businesses in China via the overseas subsidiaries of FISCO Ltd. and NCXX Inc. Going forward, the Group will strive to expand businesses in other Asian countries, primarily in the information services business and the device business.

**7) Capture Synergies with Consolidated Subsidiaries**

The Group believes that one of its crucial priorities is to promote Group-wide optimization by leveraging the characteristics and strengths of each of its businesses. Going forward, the Group will endeavor to capture Group-wide synergies to enable the provision of even more high-value-added services to customers with a view to increasing its corporate value.

**8) Provide Services among Group Companies**

As the provision of services among Group companies in Japan and overseas expands, it has become necessary to set prices on a more objective basis. For this reason, the Group will present a rational basis for cost calculations by calculating costs in more detail, along with obtaining third-party pricing information and other data. In so doing, the Group will promote inter-Group transactions based on strict approval procedures.

**9) Strengthen and Expand the "Ethical Wall" within the Group**

In conjunction with the establishment of overseas subsidiaries and an increase in the number of material consolidated subsidiaries, the Group must strengthen and expand its "ethical wall" based on a systematic internal auditing framework. This is being done to prepare for the risk of contingencies that could trigger front running and conflicts of interest. To this end, the Group will enhance the internal auditing framework not only at FISCO Ltd., but also at its consolidated subsidiaries.

**10) Manage Financial Information at Related Companies in a Timely and Appropriate Manner**

The Group must prepare timely and appropriate accounting records and implement budget management at its subsidiaries, including those overseas, for the purpose of preparing the consolidated financial statements. These activities have become a crucial priority for the Group. Accordingly, FISCO Ltd. and its subsidiaries will strengthen cooperation in order to more precisely manage periodic financial information based on monthly reporting.

**11) Company-Wide Priorities**

In regard to the management and evaluation of internal controls, the Group has continuously maintained an effective management system by performing periodic internal audits and checks by external specialists according to a fixed schedule, in addition to verification by directors. In terms of recent priorities, eyeing the introduction of International Financial Reporting Standards (IFRS), the Group will establish Company-wide controls, controls over accounting and financial reporting processes, and controls over all aspects of IT.

### (5) Other Matters Important to the Management of the Company

None

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousands of yen)

| | Fiscal 2013 (As of December 31, 2013) | Fiscal 2014 (As of December 31, 2014) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,379,555 | 5,173,461 |
| Notes and accounts receivable-trade | 658,308 | 968,587 |
| Securities | 374 | — |
| Merchandise and finished goods | 13,423 | 43,006 |
| Work in process | 404,155 | 501,944 |
| Raw materials | — | 3,086 |
| Accounts receivable-other | 10,385 | 81,916 |
| Advance payments-trade | 509,622 | 631,338 |
| Derivatives | 411,137 | — |
| Short-term loans receivable | 40,999 | 192,319 |
| Deferred tax assets | 22,896 | 73,921 |
| Other | 43,890 | 73,523 |
| Allowance for doubtful accounts | (2,298) | (1,739) |
| Total current assets | 4,492,453 | 7,741,367 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 264,368 | 491,179 |
| Accumulated depreciation | (217,910) | (327,140) |
| Accumulated impairment loss | — | (6,276) |
| Buildings and structures, net | 46,457 | 157,762 |
| Tools, furniture and fixtures | 452,710 | 575,393 |
| Accumulated depreciation | (417,088) | (456,407) |
| Accumulated impairment loss | (3,535) | (3,535) |
| Tools, furniture and fixtures, net | 32,086 | 115,449 |
| Land | 152,646 | 478,909 |
| Lease assets | 3,288 | 14,763 |
| Accumulated depreciation | (2,192) | (6,581) |
| Lease assets, net | 1,096 | 8,181 |
| Other | 92,798 | 100,205 |
| Accumulated depreciation | (41,103) | (52,298) |
| Other, net | 51,695 | 47,906 |
| Total property, plant and equipment | 283,982 | 808,209 |
| Intangible assets | | |
| Software | 73,421 | 60,513 |
| Software in progress | 34,651 | — |
| Goodwill | 941,750 | 1,426,585 |
| Other | 5,939 | 11,045 |
| Total intangible assets | 1,055,763 | 1,498,145 |
| Investments and other assets | | |
| Investment securities | 121,645 | 297,229 |
| Guarantee deposits | 115,275 | 236,283 |
| Insurance funds | 8,979 | 5,019 |
| Deferred tax assets | — | 6,511 |
| Other | 61,552 | 38,245 |
| Allowance for doubtful accounts | (15,603) | (15,625) |
| Total investments and other assets | 291,850 | 567,664 |
| Total noncurrent assets | 1,631,596 | 2,874,019 |
| Total assets | 6,124,049 | 10,615,386 |

(Thousands of yen)

| | Fiscal 2013<br>(As of December 31, 2013) | Fiscal 2014<br>(As of December 31, 2014) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 306,357 | 195,997 |
| Current portion of bonds | 200,000 | 216,000 |
| Short-term loans payable | 200,000 | 169,371 |
| Current portion of long-term loans payable | 214,162 | 660,280 |
| Advances received | 338,360 | 817,772 |
| Income taxes payable | 103,843 | 68,979 |
| Deposits received | 23,929 | 157,451 |
| Asset retirement obligations | — | 18,981 |
| Deferred tax liabilities | — | 1,750 |
| Provision for product warranties | 42,000 | 90,000 |
| Provision for bonuses | 3,185 | 24,206 |
| Provision for directors' retirement benefits | — | 29,000 |
| Other | 228,901 | 402,132 |
| Total current liabilities | 1,660,739 | 2,851,922 |
| Noncurrent liabilities | | |
| Long-term loans payable | 668,055 | 1,733,020 |
| Long-term guarantees deposited | 14,370 | 15,440 |
| Bonds payable | — | 320,000 |
| Convertible bonds with subscription rights to shares | — | 615,000 |
| Provision for retirement benefits | 8,181 | — |
| Net defined benefit liability | — | 57,071 |
| Deferred tax liabilities | — | 57,909 |
| Other | 31,660 | 74,989 |
| Total noncurrent liabilities | 722,267 | 2,873,431 |
| Total liabilities | 2,383,007 | 5,725,353 |
| Net Assets | | |
| Shareholders' equity | | |
| Capital stock | 1,208,429 | 1,210,579 |
| Capital surplus | 855,341 | 746,821 |
| Retained earnings | 493,953 | 1,224,097 |
| Treasury stock | (126,708) | (36,675) |
| Total shareholders' equity | 2,431,015 | 3,144,823 |
| Accumulated other comprehensive income | | |
| Valuation difference on other available-for-sale securities | 16,912 | 12,287 |
| Foreign currency translation adjustments | 15,279 | 31,980 |
| Total accumulated other comprehensive income | 32,191 | 44,267 |
| Subscription rights to shares | 61,408 | 53,170 |
| Minority interests | 1,216,427 | 1,647,772 |
| Total net assets | 3,741,042 | 4,890,033 |
| Total liabilities and net assets | 6,124,049 | 10,615,386 |

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

### Consolidated Statements of Income

(Thousands of yen)

| | Fiscal 2013 (From January 1, 2013 to December 31, 2013) | Fiscal 2014 (From January 1, 2014 to December 31, 2014) |
|---|---|---|
| Net sales | 6,681,404 | 8,430,899 |
| Cost of sales | 4,795,956 | 6,299,073 |
| Gross profit | 1,885,447 | 2,131,825 |
| Selling, general and administrative expenses | 1,531,091 | 1,807,938 |
| Operating income | 354,356 | 323,887 |
| Non-operating income | | |
| Interest income | 6,266 | 3,937 |
| Interest on securities | 11,000 | — |
| Foreign exchange gains | 217,118 | 634,295 |
| Reversal of allowance for doubtful accounts | 2,804 | — |
| Other | 18,189 | 24,656 |
| Total non-operating income | 255,379 | 662,889 |
| Non-operating expenses | | |
| Interest expenses | 18,446 | 47,150 |
| Amortization of stock issuance cost | 324 | — |
| Contribution | — | 11,500 |
| Other | 10,748 | 25,021 |
| Total non-operating expenses | 29,520 | 83,671 |
| Ordinary income | 580,215 | 903,105 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 900 | — |
| Gain on change in equity | 208,783 | 35,047 |
| Gain on prepayments | — | 20,231 |
| Gain on bargain purchase | 16,850 | 140,517 |
| Other | — | 4,470 |
| Total extraordinary income | 226,533 | 200,267 |
| Extraordinary losses | | |
| Loss on sales of noncurrent assets | — | 485 |
| Loss on retirement of property, plant and equipment | 143 | 5,845 |
| Loss on valuation of investment securities | — | 11,641 |
| Other | — | 4,280 |
| Total extraordinary losses | 143 | 22,252 |
| Income before income taxes and minority interests | 806,605 | 1,081,119 |
| Income taxes | 75,204 | 91,190 |
| Income taxes-deferred | (22,896) | (8,543) |
| Total income taxes | 52,308 | 82,647 |
| Income before minority interests | 754,297 | 998,472 |
| Minority interests in income | 195,992 | 268,328 |
| Net income | 558,305 | 730,144 |

**Consolidated Statements of Comprehensive Income**

(Thousands of yen)

| | Fiscal 2013 (From January 1, 2013 to December 31, 2013) | Fiscal 2014 (From January 1, 2014 to December 31, 2014) |
|---|---|---|
| Income before minority interests | 754,297 | 998,472 |
| Other comprehensive income | | |
| Valuation difference on other available-for-sale securities | 17,569 | (4,237) |
| Foreign currency translation adjustments | 18,298 | 23,469 |
| Total other comprehensive income | 35,867 | 19,231 |
| Total comprehensive income | 790,165 | 1,017,704 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 590,388 | 742,220 |
| Minority interests | 199,776 | 275,483 |

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

Fiscal 2013 (From January 1, 2013 to December 31, 2013)

(Thousands of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the fiscal year | 1,195,529 | 850,238 | (64,352) | (144,391) | 1,837,024 |
| Changes during the fiscal year | | | | | |
| Dividends from surplus-other capital surplus | | | | | |
| Issuance of new shares-exercise of subscription rights to shares | 12,900 | | | | 12,900 |
| Net income | | | 558,305 | | 558,305 |
| Disposal of treasury stock | | 5,102 | | 17,682 | 22,785 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes during the fiscal year | 12,900 | 5,102 | 558,305 | 17,682 | 593,990 |
| Balance at the end of the fiscal year | 1,208,429 | 855,341 | 493,953 | (126,708) | 2,431,015 |

(Thousands of yen)

| | Accumulated other comprehensive income | | | Subscription rights to shares | Minority interests | Total net assets |
|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustments | Total accumulated other comprehensive income | | | |
| Balance at the beginning of the fiscal year | - | 108 | 108 | 37,029 | 636,788 | 2,510,950 |
| Changes during the fiscal year | | | | | | |
| Dividends from surplus-other capital surplus | | | | | | |
| Issuance of new shares-exercise of subscription rights to shares | | | | | | 12,900 |
| Net income | | | | | | 558,305 |
| Disposal of treasury stock | | | | | | 22,785 |
| Net changes of items other than shareholders' equity | 16,912 | 15,171 | 32,083 | 24,379 | 579,639 | 636,101 |
| Total changes during the fiscal year | 16,912 | 15,171 | 32,083 | 24,379 | 579,639 | 1,230,092 |
| Balance at the end of the fiscal year | 16,912 | 15,279 | 32,191 | 61,408 | 1,216,427 | 3,741,042 |

Fiscal 2014 (From January 1, 2014 to December 31, 2014)

(Thousands of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the fiscal year | 1,208,429 | 855,341 | 493,953 | (126,708) | 2,431,015 |
| Changes during the fiscal year | | | | | |
| Dividends from surplus-other capital surplus | | (118,959) | | | (118,959) |
| Issuance of new shares-exercise of subscription rights to shares | 2,150 | | | | 2,150 |
| Net income | | | 730,144 | | 730,144 |
| Disposal of treasury stock | | 10,439 | | 90,033 | 100,472 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes during the fiscal year | 2,150 | (108,519) | 730,144 | 90,033 | 713,808 |
| Balance at the end of the fiscal year | 1,210,579 | 746,821 | 1,224,097 | (36,675) | 3,144,823 |

(Thousands of yen)

| | Accumulated other comprehensive income | | | Subscription rights to shares | Minority interests | Total net assets |
|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustments | Total accumulated other comprehensive income | | | |
| Balance at the beginning of the fiscal year | 16,912 | 15,279 | 32,191 | 61,408 | 1,216,427 | 3,741,042 |
| Changes during the fiscal year | | | | | | |
| Dividends from surplus-other capital surplus | | | | | | (118,959) |
| Issuance of new shares-exercise of subscription rights to shares | | | | | | 2,150 |
| Net income | | | | | | 730,144 |
| Disposal of treasury stock | | | | | | 100,472 |
| Net changes of items other than shareholders' equity | (4,625) | 16,700 | 12,075 | (8,237) | 431,344 | 435,182 |
| Total changes during the fiscal year | (4,625) | 16,700 | 12,075 | (8,237) | 431,344 | 1,148,990 |
| Balance at the end of the fiscal year | 12,287 | 31,980 | 44,267 | 53,170 | 1,647,772 | 4,890,033 |

## (4) Consolidated Statements of Cash Flows

(Thousands of yen)

| | Fiscal 2013 (From January 1, 2013 to December 31, 2013) | Fiscal 2014 (From January 1, 2014 to December 31, 2014) |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes and minority interests | 806,605 | 1,081,119 |
| Depreciation and amortization | 150,311 | 54,717 |
| Amortization of goodwill | 110,992 | 153,574 |
| Increase (decrease) in allowance for doubtful accounts | (2,887) | 3,967 |
| Interest and dividend income | (17,331) | (4,112) |
| Interest expenses | 18,446 | 47,150 |
| Gain on change in equity | (208,783) | (35,047) |
| Decrease (increase) in notes and accounts receivable-trade | (249,320) | 57,654 |
| Decrease (increase) in inventories | (143,651) | 10,638 |
| Decrease in notes and accounts payable-trade | (116,043) | (130,842) |
| Amortization of long-term prepaid expenses | 2,631 | 702 |
| Decrease (increase) in advance payments | (303,648) | 256,108 |
| (Decrease) increase in advances received | 86,663 | (82,393) |
| Increase (decrease) in provision | (541) | 17,756 |
| Increase (decrease) in deposits received | (268,174) | 32,961 |
| Decrease (increase) in derivatives | (407,688) | 411,137 |
| Share-based compensation expenses | 31,468 | 18,255 |
| Gain on prepayments | — | (20,231) |
| Amortization of stock issuance cost | 324 | — |
| Loss (gain) on sales of property, plant and equipment | (900) | 485 |
| Loss on retirement of property, plant and equipment | 143 | 5,845 |
| Decrease in other current assets | 24,672 | 159,328 |
| Increase in other current liabilities | 62,066 | 67,079 |
| Increase in accrued consumption taxes | 2,281 | 51,381 |
| (Decrease) increase in income taxes payable | 12,001 | (42,291) |
| Gain on bargain purchase | (16,850) | (140,517) |
| Other, net | 1,662 | 35,824 |
| Subtotal | (425,547) | 2,010,252 |
| Interest and dividend income received | 17,536 | 3,402 |
| Interest paid | (18,646) | (44,554) |
| Income taxes paid | (21,318) | (116,481) |
| Net cash provided by (used in) operating activities | (447,975) | 1,852,619 |

(Thousands of yen)

| | Fiscal 2013 (From January 1, 2013 to December 31, 2013) | Fiscal 2014 (From January 1, 2014 to December 31, 2014) |
|---|---|---|
| Cash flows from investing activities | | |
| Payments into time deposits | — | (30,007) |
| Proceeds from withdrawal of time deposits | — | 70,112 |
| Purchase of securities | (930,000) | — |
| Proceeds from redemption of securities | 1,499,609 | — |
| Proceeds from sales of securities | — | 476 |
| Purchase of investment securities | (10,050) | (617) |
| Proceeds from sales of investment securities | 451,640 | 13,150 |
| Proceeds from sales of stocks of subsidiaries and affiliates | 94,908 | 200 |
| Purchase of stocks of subsidiaries and affiliates | — | (444,203) |
| Purchase of property, plant and equipment | — | (141,557) |
| Purchase of intangible assets | (191,250) | (34,242) |
| Payments for guarantee deposits | (306) | (42,281) |
| Proceeds from collection of guarantee deposits | 13,733 | 20,203 |
| Collection of short-term loans receivable | 64,572 | — |
| Increase in short-term loans receivable | (50,000) | (155,223) |
| Collection of loans receivable from employees | 22,717 | 12,805 |
| Payments of loans receivable from employees | (960) | (1,860) |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | (161,747) | (163,210) |
| Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation | 5,852 | 216,647 |
| Payments for transfer of business | — | (362,247) |
| Purchase of insurance funds | (1,049) | (1,380) |
| Payments for investments in capital | (20) | — |
| Other, net | (35,416) | 29,358 |
| Net cash (used in) provided by investing activities | 772,231 | (1,013,878) |
| Cash flows from financing activities | | |
| Increase in short-term loans payable | 180,000 | 281,166 |
| Decrease in short-term loans payable | (104,000) | (756,180) |
| Proceeds from long-term loans payable | 499,000 | 1,852,314 |
| Repayment of long-term loans payable | (127,326) | (626,213) |
| Proceeds from issuance of bonds | 200,000 | 200,000 |
| Redemption of bonds | — | (200,000) |
| Proceeds from issuance of bonds with subscription rights to shares | — | 609,215 |
| Repayments of lease obligations | (672) | (3,022) |
| Proceeds from disposal of treasury stock | 17,184 | 73,980 |
| Proceeds from issuance of common stock | 331,328 | 2,150 |
| Proceeds from stock issuance to minority shareholders | 112,730 | 281,971 |
| Cash dividends paid | — | (117,929) |
| Other, net | (1,351) | (6,873) |
| Net cash provided by financing activities | 1,106,893 | 1,590,578 |
| Effect of exchange rate change on cash and cash equivalents | 6,403 | 4,684 |
| Net increase in cash and cash equivalents | 1,437,552 | 2,434,002 |
| Cash and cash equivalents at beginning of the fiscal year | 845,720 | 2,283,273 |
| Cash and cash equivalents at end of the fiscal year | 2,283,273 | 4,717,276 |

## (5) Notes to Consolidated Financial Statements

### (Note Concerning Going Concern Assumption)

None

### (Segment Information)

#### 1. Outline of Reportable Segments

The reportable segments of the Company are the components of the Company for which separate financial information is available, and that are evaluated regularly by the Board of Directors for the purpose of deciding on resource allocations and assessing business performance.

The FISCO Group formulates comprehensive domestic and overseas strategies for its products and services at the FISCO Head Office. Guided by these strategies, the Group is expanding its business activities.

The FISCO Group is made up of segments classified based on products and services. The Group has five reportable segments: the information services business, the consulting business, the Internet travel business, the device business, and the advertising agency business.

The following is a description of the Group's reportable segments:

| | |
|---|---|
| Information services business: | Provision of information to corporate and individual customers (vendors, CLUB FISCO, portal websites, LaQoo+, FISCO smartphone app, outsourcing, corporate analysis reports, annual reports, etc.) |
| Consulting business: | Consulting and fund-related businesses, etc. |
| Internet travel business: | Operation of an e-marketplace for travel-related products, travel agency services for corporate and individual customers (travel agency, Travel Estimate Services, and Travel Concierge Services) |
| Device business: | Development and sale of communication devices applying various wireless systems<br>Development and sale of PLC modems<br>Provision of systems solutions and maintenance services incidental to the above<br>Systems development, cloud services, and ASP services for nursing care centers<br>Purchase and sale of mobile communication-related products in China |
| Advertising agency business: | Advertising agency services and planning, editing, production, and issuance of advertising publications<br>Production and sale of sales promotion merchandise and novelty items |

#### 2. Calculation Method for Amounts of Net Sales, Income and Loss, Assets and Liabilities, and Other Items by Reportable Segment

The accounting policies and methods for reportable segments are the same as those shown in the notes to the consolidated financial statements.

Inventories are valued at amounts before any write-down of carrying amounts based on lower profitability.

Segment income for reportable segments is based on operating income (before amortization of goodwill).

The amounts of inter-segment sales and transfers are based on prevailing market prices.

### 3. Information on Net Sales, Income and Loss, Assets and Liabilities, and Other Items by Reportable Segment

Fiscal year ended December 31, 2013 (From January 1, 2013 to December 31, 2013)

(Thousands of yen)

| | Reportable segment | | | | | |
|---|---|---|---|---|---|---|
| | Information services business | Consulting business | Internet travel business | Device business | Advertising agency business | Total |
| Net sales | | | | | | |
| Sales to third parties | 851,175 | 67,349 | 1,793,008 | 3,150,081 | 819,488 | 6,681,103 |
| Inter-segment sales and transfers | 35,021 | 47,948 | 16,300 | － | 4,950 | 104,219 |
| Total | 886,197 | 115,297 | 1,809,308 | 3,150,081 | 824,438 | 6,785,322 |
| Segment income | 224,032 | 36,401 | 16,619 | 256,735 | 90,265 | 624,054 |
| Segment assets | 294,011 | 200,003 | 475,337 | 2,428,123 | 265,465 | 3,662,941 |
| Other items | | | | | | |
| Depreciation and amortization | 19,169 | 6,118 | 2,345 | 122,614 | 730 | 150,977 |
| Amortization of goodwill | － | 6,847 | 32,660 | 55,125 | 16,360 | 110,992 |
| Increase in property, plant and equipment and intangible assets | 3,000 | － | 596 | 187,654 | － | 191,250 |

| | Other*1 | Total | Adjustments*2 | Consolidated*3 |
|---|---|---|---|---|
| Net sales | | | | |
| Sales to third parties | 301 | 6,681,404 | － | 6,681,404 |
| Inter-segment sales and transfers | － | 104,219 | (104,219) | － |
| Total | 301 | 6,785,624 | (104,219) | 6,681,404 |
| Segment income | 86 | 624,141 | (269,784) | 354,356 |
| Segment assets | － | 3,662,941 | 2,461,108 | 6,124,049 |
| Other items | | | | |
| Depreciation and amortization | － | 150,977 | (666) | 150,311 |
| Amortization of goodwill | － | 110,992 | － | 110,992 |
| Increase in property, plant and equipment and intangible assets | － | 191,250 | － | 191,250 |

*Notes:
1. The Other segment includes business segments (such as education-related businesses) that are not included in the reportable segments.
2. The adjustment for segment income of -¥269,784 thousand comprises elimination of intersegment transactions of -¥104,219 thousand and corporate expenses of -¥165,565 thousand that are not allocated to any of the reportable segments. Corporate expenses are mainly general and administrative expenses that are not allocated to the reportable segments.
3. Segment income is adjusted to operating income in the consolidated income statement.

Fiscal year ended December 31, 2014 (From January 1, 2014 to December 31, 2014)

(Thousands of yen)

| | Reportable segment | | | | | |
|---|---|---|---|---|---|---|
| | Information services business | Consulting business | Internet travel business | Device business | Advertising agency business | Total |
| Net sales | | | | | | |
| Sales to third parties | 1,474,021 | 129,111 | 1,759,006 | 4,583,575 | 484,896 | 8,430,611 |
| Inter-segment sales and transfers | 15,969 | 50,950 | 3,045 | 29,800 | 6,600 | 106,365 |
| Total | 1,489,990 | 180,062 | 1,762,051 | 4,613,375 | 491,496 | 8,536,976 |
| Segment income | 353,202 | 78,092 | 37,035 | 75,248 | 47,765 | 591,343 |
| Segment assets | 1,579,171 | 945,210 | 746,543 | 2,694,971 | 1,051,751 | 7,017,647 |
| Other items | | | | | | |
| Depreciation and amortization | 24,458 | 2,299 | 704 | 28,657 | 1,505 | 57,626 |
| Amortization of goodwill | 8,860 | 10,271 | 28,353 | 88,201 | 17,887 | 153,574 |
| Increase in property, plant and equipment and intangible assets | 14,869 | — | — | 51,708 | — | 66,577 |

| | Other*1 | Total | Adjustments*2 | Consolidated*3 |
|---|---|---|---|---|
| Net sales | | | | |
| Sales to third parties | 288 | 8,430,899 | — | 8,430,899 |
| Inter-segment sales and transfers | — | 106,365 | (106,365) | — |
| Total | 288 | 8,537,264 | (106,365) | 8,430,899 |
| Segment income | 180 | 591,524 | (267,636) | 323,887 |
| Segment assets | — | 7,017,647 | 3,597,739 | 10,615,386 |
| Other items | | | | |
| Depreciation and amortization | — | 57,626 | (2,908) | 54,717 |
| Amortization of goodwill | — | 153,574 | — | 153,574 |
| Increase in property, plant and equipment and intangible assets | — | 66,577 | (121,640) | 188,217 |

*Notes:
1. The Other segment includes business segments (such as education-related businesses) that are not included in the reportable segments.
2. The adjustment for segment income of -¥267,636 thousand comprises elimination of intersegment transactions of -¥106,365 thousand and corporate expenses of -¥161,271 thousand that are not allocated to any of the reportable segments. Corporate expenses are mainly general and administrative expenses that are not allocated to the reportable segments.
3. Segment income is adjusted to operating income in the consolidated income statement.

**(Per Share Information)**

| Fiscal 2013<br>(From January 1, 2013 to December 31, 2013) | | Fiscal 2014<br>(From January 1, 2014 to December 31, 2014) | |
|---|---|---|---|
| Net assets per share | ¥70.40 | Net assets per share | ¥87.82 |
| Net income per share | ¥16.06 | Net income per share | ¥20.55 |
| Diluted net income per share | ¥15.25 | Diluted net income per share | ¥19.21 |

Notes:
1. The Company conducted a 5-for-1 stock split by resolution of the Board of Directors at a meeting held on May 14, 2014. Net assets per share, net income per share, and diluted net income per share are calculated as if the stock split was conducted at the beginning of the previous fiscal year.
2. The basis for calculating the amounts for net income per share and diluted net income per share is as follows:

| | Fiscal 2013<br>(From January 1, 2013<br>to December 31, 2013) | Fiscal 2014<br>(From January 1, 2014<br>to December 31, 2014) |
|---|---|---|
| Amounts for net income per share | | |
| Net income (Thousands of yen) | 558,305 | 730,144 |
| Amounts not attributable to common shareholders (Thousands of yen) | — | — |
| Net income related to common shares (Thousands of yen) | 558,305 | 730,144 |
| Average number of common shares during the period (Shares) | 34,755,795 | 35,533,155 |
| | | |
| Amounts for diluted net income per share | | |
| Adjustments to net income (Thousands of yen) | — | — |
| Increase in number of common shares (Shares) | 1,850,385 | 2,475,484 |
| (Of which, subscription rights to shares) | (1,850,385) | (2,475,484) |
| Outline of dilutive shares excluded from the calculation of diluted net income per share because of not having a dilutive effect | — | — |

**(Subsequent Events)**

**Incorporation-Type Corporate Split by Consolidated Subsidiary**

NCXX Inc. (hereinafter “NCXX”), a consolidated subsidiary of FISCO Ltd., passed a resolution at its Board of Directors meeting held on January 26, 2015 to transition to a holding company framework by conducting an incorporation-type corporate split effective on April 1, 2015. The following is an outline of the corporate split.

**(1) Purpose of Corporate Split**

NCXX has embraced a policy of continuously maintaining a stable earnings base by stepping up its entry into the M2M market, which requires systems that connect machines (objects) with other machines (objects) using all manner of communication methods, along with the necessary modes of communication. Whereas the market for smartphones and other mobile communications is already becoming saturated, the M2M market is anticipated to grow in the future. Furthermore, NCXX’s policy is to secure the funds needed to develop growth drivers and invest those funds based on a careful analysis of market conditions.

Amid significant recent volatility in the foreign exchange markets, NCXX has determined that it will be crucial to establish a competitive and efficient business structure that is able to respond swiftly to fast-changing market conditions, while adhering to the aforementioned policy. Accordingly, NCXX has decided to transition to a holding company framework by renaming NCXX as NCXX Group Inc. and by conducting a corporate split to transfer the device business (excluding the agricultural ICT business) to the newly incorporated NCXX Inc. NCXX will continue to undertake the nursing care robot business and the agriculture business, which it plans to expand further. The transition to a holding company framework will enable NCXX to focus on group management while allowing substantial executive authority to be delegated to the operating companies. Consequently, the holding company framework is expected to enable optimal group management, autonomous business management, and enhanced synergies within the NCXX Group.

Furthermore, the FISCO Group believes that the agility of the holding company framework will greatly facilitate timely and efficient M&As, which are an effective option as a growth initiative. While focusing on group management, NCXX aims to delegate substantial executive authority to the operating companies, and to achieve optimal group management, autonomous business management, and enhanced synergies within the NCXX Group.

**(2) Schedule for the Corporate Split**

| | |
|---|---|
| Board of Directors meeting to approve the plan for the incorporation-type corporate split: | January 26, 2015 |
| General meeting of shareholders to approve the plan for the incorporation-type corporate split: | February 25, 2015 (planned) |
| Corporate split date (effective date): | April 1, 2015 (planned) |

**(3) Corporate Split Method**

The corporate split will be an incorporation-type corporate split with NCXX as the splitting company and the newly incorporated company NCXX Inc. as the succeeding company. NCXX will transfer its rights and obligations in connection with the device business (excluding the agricultural ICT business) as stipulated in item (5) below, to the newly incorporated company.

**(4) Details of Allotments Related to the Corporate Split**

In conjunction with the incorporation-type corporate split, the newly incorporated company will issue 26,000 shares of common stock and allocate all of those shares to NCXX.

**(5) Succession of Rights and Obligations**

In accordance with the terms of the plan for the incorporation-type corporate split issued on January 26, 2015, NCXX will transfer the assets, employment agreements with its employees, contractual positions, and other rights and obligations related to the business to be succeeded to the newly incorporated company on the effective date, and the newly incorporated company will succeed to these rights and obligations. NCXX will not transfer any liabilities to the newly incorporated company.

**(6) Capital Stock and Reserves of the Newly Incorporated Company**

1. Capital stock: ¥310,000 thousand
2. Capital surplus: ¥150,000 thousand
3. Amounts of other capital surplus
   Amounts obtained after deducting items 1. and 2. above from changes in shareholders' equity and other items as stipulated by Article 49, Paragraph 1 of the Ordinance on Corporate Accounting.
4. Retained earnings: ¥— thousand

## 5. Non-Consolidated Financial Statements

### (1) Non-Consolidated Balance Sheets

(Thousands of yen)

| | Fiscal 2013 (As of December 31, 2013) | Fiscal 2014 (As of December 31, 2014) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 311,000 | 176,112 |
| Accounts receivable-trade | 101,064 | 101,564 |
| Short-term loans receivable from subsidiaries and affiliates | — | 65,000 |
| Deferred tax assets | — | 2,511 |
| Other | 20,852 | 98,507 |
| Allowance for doubtful accounts | (122) | (235) |
| Total current assets | 432,795 | 443,460 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings | 2,397 | 2,004 |
| Tools, furniture and fixtures | 26,034 | 24,929 |
| Total property, plant and equipment | 28,431 | 26,933 |
| Intangible assets | | |
| Software | 4,571 | 3,060 |
| Other | 1,333 | 1,333 |
| Total intangible assets | 5,905 | 4,394 |
| Investments and other assets | | |
| Stocks of subsidiaries and affiliates | 2,688,463 | 2,761,409 |
| Investment securities | — | 600,000 |
| Other | 87,672 | 61,019 |
| Allowance for doubtful accounts | (3,703) | (3,687) |
| Total investments and other assets | 2,772,432 | 3,418,741 |
| Total noncurrent assets | 2,806,769 | 3,450,068 |
| Total assets | 3,239,565 | 3,893,529 |

(Thousands of yen)

| | Fiscal 2013 (As of December 31, 2013) | Fiscal 2014 (As of December 31, 2014) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 6,914 | 4,730 |
| Short-term loans payable | — | 50,000 |
| Current portion of long-term loans payable | 85,560 | 194,153 |
| Short-term loans payable to subsidiaries and affiliates | 865,000 | 1,000,000 |
| Other | 82,708 | 120,114 |
| Total current liabilities | 1,040,182 | 1,368,997 |
| Noncurrent liabilities | | |
| Long-term loans payable | 220,324 | 490,846 |
| Long-term guarantees deposited | 16,145 | 14,094 |
| Total noncurrent liabilities | 236,469 | 504,940 |
| Total liabilities | 1,276,651 | 1,873,938 |
| Net Assets | | |
| Shareholders' equity Total liabilities | | |
| Capital stock | 1,208,429 | 1,210,579 |
| Capital surplus | | |
| Other capital surplus | 855,341 | 746,821 |
| Total capital surplus | 855,341 | 746,821 |
| Retained earnings | | |
| Other retained earnings | | |
| Retained earnings brought forward | (35,556) | 46,553 |
| Total retained earnings | (35,556) | 46,553 |
| Treasury stock | (126,708) | (36,675) |
| Total shareholders' equity | 1,901,505 | 1,967,278 |
| Subscription rights to shares | 61,408 | 52,312 |
| Total net assets | 1,962,913 | 2,019,591 |
| Total liabilities and net assets | 3,239,565 | 3,893,529 |

## (2) Non-Consolidated Statements of Income

(Thousands of yen)

| | Fiscal 2013 (From January 1, 2013 to December 31, 2013) | Fiscal 2014 (From January 1, 2014 to December 31, 2014) |
|---|---|---|
| Net sales | 774,529 | 716,903 |
| Cost of sales | | |
| Personnel expenses for production | 91,900 | 68,136 |
| Subcontracting expenses for production | 81,583 | 83,419 |
| Total cost of sales | 173,484 | 151,556 |
| Gross profit | 601,044 | 565,347 |
| Selling, general and administrative expenses | 545,483 | 503,877 |
| Operating income | 55,561 | 61,469 |
| Non-operating income | | |
| Interest income | 2,571 | 4,065 |
| Penalty income | 12,000 | — |
| Other | 4,119 | 746 |
| Total non-operating income | 18,690 | 4,812 |
| Non-operating expenses | | |
| Interest expenses | 23,493 | 40,830 |
| Amortization of stock issuance cost | 324 | — |
| Foreign exchange losses | 257 | 379 |
| Other | 2,719 | 821 |
| Total non-operating expenses | 26,795 | 42,031 |
| Ordinary income | 47,456 | 24,250 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 900 | — |
| Gain on liquidation of subsidiaries | 33,046 | — |
| Gain on prepayments | — | 20,231 |
| Gain on exchange from business combination | — | 33,317 |
| Total extraordinary income | 33,946 | 53,549 |
| Extraordinary losses | | |
| Loss on sales of stocks of subsidiaries and affiliates | — | 1,719 |
| Total extraordinary losses Income taxes | — | 1,719 |
| Income before income taxes | 81,403 | 76,079 |
| Income taxes | 21,201 | (3,518) |
| Income taxes-deferred | — | (2,511) |
| Total income taxes | 21,201 | (6,030) |
| Net income | 60,201 | 82,110 |

**(3) Non-Consolidated Statements of Changes in Net Assets**

Fiscal 2013 (From January 1, 2013 to December 31, 2013)

(Thousands of yen)

| | Shareholders' equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | Retained earnings | | | | | |
| | | | | Other retained earnings | | | | | |
| | Capital stock | Other capital surplus | Total capital surplus | Retained earnings brought forward | Total retained earnings | Treasury stock | Total shareholders' equity | Subscription rights to shares | Total net assets |
| Balance at the beginning of the fiscal year | 1,195,529 | 850,238 | 850,238 | (95,758) | (95,758) | (144,391) | 1,805,618 | 35,540 | 1,841,158 |
| Changes during the fiscal year | | | | | | | | | |
| Dividends from surplus-other capital surplus | | | | | | | | | |
| Net income | | | | 60,201 | 60,201 | | 60,201 | | 60,201 |
| Issuance of new shares-exercise of subscription rights to shares | 12,900 | | | | | | 12,900 | | 12,900 |
| Disposal of treasury stock | | 5,102 | 5,102 | | | 17,682 | 22,785 | | 22,785 |
| Net changes of items other than shareholders' equity | | | | | | | | 25,868 | 25,868 |
| Total changes during the fiscal year | 12,900 | 5,102 | 5,102 | 60,201 | 60,201 | 17,682 | 95,886 | 25,868 | 121,755 |
| Balance at the end of the fiscal year | 1,208,429 | 855,341 | 855,341 | (35,556) | (35,556) | (126,708) | 1,901,505 | 61,408 | 1,962,913 |

Fiscal 2014 (From January 1, 2014 to December 31, 2014)

(Thousands of yen)

| | Shareholders' equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | Retained earnings | | | | | |
| | | | | Other retained earnings | | | | | |
| | Capital stock | Other capital surplus | Total capital surplus | Retained earnings brought forward | Total retained earnings | Treasury stock | Total shareholders' equity | Subscription rights to shares | Total net assets |
| Balance at the beginning of the fiscal year | 1,208,429 | 855,341 | 855,341 | (35,556) | (35,556) | (126,708) | 1,901,505 | 61,408 | 1,962,913 |
| Changes during the fiscal year | | | | | | | | | |
| Dividends from surplus-other capital surplus | | (118,959) | (118,959) | | | | (118,959) | | (118,959) |
| Net income | | | | 82,110 | 82,110 | | 82,110 | | 82,110 |
| Issuance of new shares-exercise of subscription rights to shares | 2,150 | | | | | | 2,150 | | 2,150 |
| Disposal of treasury stock | | 10,439 | 10,439 | | | 90,033 | 100,472 | | 100,472 |
| Net changes of items other than shareholders' equity | | | | | | | | (9,096) | (9,096) |
| Total changes during the fiscal year | 2,150 | (108,519) | (108,519) | 82,110 | 82,110 | 90,033 | 65,773 | (9,096) | 56,677 |
| Balance at the end of the fiscal year | 1,210,579 | 746,821 | 746,821 | 46,553 | 46,553 | (36,675) | 1,967,278 | 52,312 | 2,019,591 |

## 6. Others

Changes in Officers

(1) Change in President and CEO
None

(2) Candidate for the position of corporate auditor
Tatsuo Morihana (outside corporate auditor)

(3) Corporate auditor scheduled to resign
Yoshihiko Tano
* Scheduled to resign upon the expiration of term.

(4) Candidate for the position of substitute corporate auditor
Yoshihiko Tano (current corporate auditor)

(5) Planned date of appointment
March 26, 2015