Consolidated Summary Report of Operating Results for Fiscal 2013 (Year ended December 2013) [Japan GAAP]

February 6, 2014

Company name:	Future Architect, Inc.
Shares listed on:	First Section of Tokyo Stock Exchange
Security code number:	4722 Website: http://www.future.co.jp
Representative:	Yasufumi Kanemaru, President & CEO
Contact:	Yoshihiko Nakajima, Executive OfficerTEL: +81-3-5740-5724

Scheduled date of annual general shareholders' meeting: March 25, 2014 Scheduled date for distribution of dividend payments: March 26, 2014

Scheduled date for filing the securities report: March 26, 2014

Creation of supplemental material on financial results: Yes • No

Holding of financial results briefing: Yes • No (For institutional investors and analysts)

(Amount rounded off to million yen)

1. Consolidated Results for Fiscal 2013 (January 1, 2013 to December 31, 2013)

(1) Consolidated operating results (Percentage figures reflect year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2013	30,049	28.7	3,352	73.3	3,454	67.9	2,027	73.7
Fiscal 2012	23,353	0.3	1,935	(34.0)	2,057	(32.6)	1,167	(31.9)

(Note) Comprehensive income Fiscal 2013: 2,101 million yen (82.5%) Fiscal 2012: 1,151 million yen (-29.4%)

	Net income per share	Net income per share (fully diluted)	Return on equity	Ratio of ordinary income to total assets	Operating income ratio
	Yen	Yen	%	%	%
Fiscal 2013	45.39	-	16.5	20.3	11.2
Fiscal 2012	25.88	-	10.1	14.1	8.3

(Reference) Equity in (earnings) losses of affiliates Fiscal 2013: (58) million yen Fiscal 2012: 8 million yen

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Net income per share was calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2013	19,225	13,047	67.1	288.99
Fiscal 2012	14,830	11,766	78.5	258.65

(Reference) Shareholders' equity Fiscal 2013: 12,895 million yen Fiscal 2012: 11,645 million yen

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Net assets per share was calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(3) Consolidated cash flow position

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at the end of the period
	Million yen	Million yen	Million yen	Million yen
Fiscal 2013	3,427	(888)	139	6,892
Fiscal 2012	727	(1,157)	(919)	4,184

2. Dividends

	Dividends per share (yen)					Annual dividends (Total)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter	Second quarter	Third Quarter	Year-end dividend	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal 2012	-	750.00	-	750.00	1,500.00	675	58.0	5.9
Fiscal 2013	-	750.00	-	8.00	-	691	34.1	5.7
Fiscal 2014 (Forecast)	-	8.00	-	9.00	17.00		33.3	

(Note)
1. Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Year-end dividend for fiscal 2013 reflects the said stock split.
2. The year-end dividend of ¥9.00 for the fiscal year ending December 2014 (forecast) comprises an ordinary dividend of ¥8.00 and a 25th anniversary commemorative dividend of ¥1.00.

3. Projected Consolidated Results for Fiscal 2014 (January 1, 2014 to December 31, 2014)

(Percentage figures reflect year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months (accumulated total)	16,200	19.6	1,790	140.0	1,820	7.2	1,060	2.1	23.75
Full year	33,400	11.1	4,000	19.3	4,040	17.0	2,280	12.4	51.09

* Notes

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries that involved changes in the scope of consolidation): Yes • $\boxed{\text{No}}$

New: _____ companies (company names) Excluding: _____ companies (company names)

(2) Change in accounting policies or estimates and restatements

a. Change in accounting policies in accordance with revision of accounting standards : $\boxed{\text{Yes}}$ • No

b. Change in accounting policies other than item a. above : Yes • $\boxed{\text{No}}$

c. Change in accounting estimates : $\boxed{\text{Yes}}$ • No

d. Restatements : Yes • $\boxed{\text{No}}$

(Note) For details, please refer to “Change in accounting policies” on page 28 of the Consolidated Summary Report of Operating Results (Attachment).

(3) Number of outstanding shares (common stock)

a. Total outstanding shares as of the end of the period (including treasury stocks)	Fiscal 2013	47,664,000 shares	Fiscal 2012	47,664,000 shares
b. Total treasury stocks as of the end of the period	Fiscal 2013	3,040,800 shares	Fiscal 2012	2,640,800 shares
c. Average number of outstanding stocks during the quarter under review	Fiscal 2013	44,674,713 shares	Fiscal 2012	45,120,826 shares

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. The above numbers relating to shares were calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(Reference) Overview of non-consolidated results

1. Non-consolidated Results for Fiscal 2013 (January 1, 2013 to December 31, 2013)

(1) Non-consolidated operating results

(Percentage figures reflect year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2013	18,014	28.5	3,157	57.0	3,367	58.1	1,718	65.8
Fiscal 2012	14,017	(4.2)	2,011	(26.7)	2,130	(24.0)	1,036	(33.0)

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
Fiscal 2013	38.46	-
Fiscal 2012	22.97	-

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Net income per share was calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders’ equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2013	16,107	12,185	75.6	273.08
Fiscal 2012	13,113	11,201	85.4	248.78

(Reference) Shareholders’ equity Fiscal 2013: 12,185 million yen Fiscal 2012: 11,201 million yen

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Net assets per share was calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

2. Projected Non-consolidated Results for Fiscal 2014 (January 1, 2014 to December 31, 2014)

(Percentage figures reflect year-on-year change)

	Net sales		Operating income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First six months (accumulated total)	-	-	-	-	-	-	-
Full year	19,000	5.5	3,650	15.6	2,140	24.6	47.96

* Indication of audit procedure implementation status
This earnings report is exempt from audit procedures based upon the Financial Instruments and Exchange Act. At the time of this document's release, audit procedures for the financial statements under the Financial Instruments and Exchange Act had not been completed.

* Points to note about the proper use of projections, and other noteworthy events
The earnings forecast and statements concerning the future contained in these materials are based on information currently obtained by the Company and on certain premises the Company judges to be rational. The Company does not intend to guarantee their realization. Actual results may differ from forecasts due to various uncertain factors.

○ Contents

1. Analysis of Operating Results and Financial Condition

(1) Analysis of operating results

(Overview of fiscal year under review)

The Group's consolidated earnings results for fiscal 2013 are as follows:

Net sales	¥30,049 million (up 28.7 % year-on-year)
Operating income	¥3,352 million (up 73.3% year-on-year)
Ordinary income	¥3,454 million (up 67.9 % year-on-year)
Net income	¥2,027 million (up 73.7% year-on-year)

During the fiscal year ended December 2013, the Group succeeded in favorably winning orders for projects from multiple new customers the Company acquired in the previous fiscal year as well as existing clients. In addition, net sales of all subsidiaries (*) increased from the previous year. As a result, the Group posted record consolidated net sales. Consolidated operating income, ordinary income and net income also achieved record highs, as the profit margin on sales increased following the increase in net sales. (*) Excluding subsidiaries aimed at possessing shares, etc.

Earnings results of each business segment are as follows. The earnings results by business segment represent values before adjusting for internal sales or transfers among segments.

1. IT Consulting Business

In the IT Consulting Business, the grand design phases of large projects concerning the renovation and integration of IT systems accompanying operational reforms steadily progressed for multiple new clients. At the same time, we won diversified orders in terms of business types and phases, by establishing strategic relations with other new customers and existing clients. As a result, we achieved an increase in net sales.

We also made steady progress in services in new strategic fields, starting providing full services of cloud computing services for financial institutions (SKYBANK), which we are promoting as a new initiative, and achieving an increase in orders for the introduction service for global ERP.

Subsidiaries in Singapore, Malaysia and Thailand all received the certification of Gold Partner of SAP AG ("SAP") certification, and gained the ability to sell SAP products through their channels (excluding Thailand). Accordingly, total sales of the three subsidiaries doubled from the previous fiscal year to about ¥1,500 million.

As a result, net sales of this segment were ¥19,707 million, up 32.8% from a year earlier, and operating income was ¥2,959 million, up 69.6%.

2. Package & Service Business

In the Package & Service Business, Future One, Inc. ("Future One") saw an increase in net sales owing to brisk sales of in-house manufactured ERP and licenses of sales management software. In addition, its operating income significantly improved from a year earlier, as its profit margin for projects improved due to the improvement in estimate accuracy, the steady progress of projects, and enhanced quality control. Ascendia Inc. ("Ascendia") saw a year-on-year decrease in operating income due to a rise in employment and training-related expenses, as well as increased outsourcing expenses for some projects, despite an increase in net sales from the previous year, which is attributable to increased sales of maintenance services provided in cooperation with the Company, and continued receipt of orders for public projects.

Consequently, net sales of this segment were ¥4,577 million, up 4.3% from a year ago, and operating income was ¥377 million, up 33.6%

3. New Media & Web Service Business

eSPORTS Co., Ltd. ("eSPORTS"), which became a consolidated subsidiary of the Company at the end of the second quarter, maintained robust online sales of sports and outdoor gears. In particular, eSPORTS won Genre Grand Prize of the sports category in "Rakuten Ichiba", major online shopping mall in Japan, for the third straight year (2011 ~ 2013). Tokyo Calendar Inc. ("Tokyo Calendar") saw a sharp decrease in operating loss for the full fiscal year thanks to an increase in publishing and advertising revenues, and a review of costs.

As a result, net sales of this segment were ¥1,977 million, up 598.8% from a year ago, and operating income loss was ¥51 million, an improvement from the loss of ¥151 million a year earlier.

Following the conversion of eSPORTS into a consolidated subsidiary, the Company added the “ New Media & Web Service Business” as a new segment. Figures of Tokyo Calendar, which were stated in “Others” for the previous consolidated fiscal year, and those of eSPORTS were stated under the new segment. Year-on-year comparison was made by including the figures of the two companies for the previous fiscal year in the new segment.

4. Corporate Revitalization Business

Uoei Corporation (“Uoei”), which operates a grocery supermarket, saw sales rise year on year mainly due to a review of its merchandise strategies, such as the introduction of an in-store sushi kitchen and the direct purchase of fish at fishing ports, as well as the development of new products. As a result, it posted its highest sales figures since it became a consolidated subsidiary. In addition, its gross profit margin and Operating income ratio improved thanks to reduced logistics costs and proper control of advertising expenses, as well as water, fuel and light expenses. As a result, net sales of this segment were ¥4,559 million, up 2.7% from a year ago, and operating income was ¥46 million, up 57.0%.

(Outlook for the next fiscal year)

The Group's earnings forecast for the fiscal year ending December 2014 is as follows:

Net sales	¥33,400 million (up 11.1% year-on-year)
Operating income	¥4,000 million (up 19.3% year-on-year)
Ordinary income	¥4,040 million (up 17.0% year-on-year)
Net income	¥2,280 million (up 12.4% year-on-year)

Noteworthy events in each business segment for the following fiscal year are as follows:

1. IT Consulting Business

With strategic corporate reorganization and integration becoming more and more active, in order to overcome global competition, companies are urged to renovate and integrate IT systems of their respective corporate groups to integrate management information of the groups that have become enormous, and to carry out strategic management. With regard to such IT renovation and integration, the realization of speedier decision making through grasping real-time sales and profit/loss information for each product has become a challenge. We believe that real-time distributed processing technology and know-how about downsizing of systems, which the Group has focused on since its founding, can be leveraged to cope with such a challenge. We have commenced multiple large projects for clients that need to renovate and integrate their IT systems, and we expect the number of requests for such projects from new clients to increase in the future. We will ensure that we implement the large projects for which we have already received orders, providing customers with values such as operational reforms, a substantial reduction in IT costs, and an improvement in the speed of management. To this end, we will continue to focus on quality control of projects by making the maximum use of project monitoring systems and know-how about project management that we have accumulated.

In addition, we expand the service to support IT systems of clients as a professional by providing additional development and maintenance/operation not only to clients who have IT systems we have developed and delivered, but also to customers that use systems developed by other companies. Going forward, we will provide added value as a strategic and long-term IT partner with efforts to improve the technological capabilities of our employees, continuously upgrading components we have developed, and improving system monitoring/operation mechanisms.

At subsidiaries in Singapore, Malaysia and Thailand, sales are increasing through the acquisition of new customers, including major local companies and Asian subsidiaries of European companies. Hereafter, we will aim to improve profitability by strengthening cooperation with sales partners that are proficient at marketing SAP products and further enhancing cooperation among the three subsidiaries on proposals and delivery to clients. Furthermore, we will accelerate businesses in Southeast Asian nations through active expansion into neighboring countries. At the same time, we will expand IT support for Japanese corporations that have entered Southeast Asia and China

2. Package & Service Business

Future One will further increase its Operating income ratio through continual effort for strengthening profitability management and quality control of projects, in which it has obtained a certain degree of achievement. It will also aim to further expand its customer base through cooperation with companies that have expertise in regions where Future One has been understaffed and in solutions it has not offered. Ascendia will strive to enhance the maintenance and operation services for existing clients by continuing to strengthen cooperation with the Company, and will aim to obtain orders from new companies and public bodies based on the know-how it has accumulated thus far.

3. New Media & Web Service Business

In the Media and Web service area, we will aim to create original services and expand profits. To this end, we will combine the know-how about the EC business held by eSPORTS, abundant content owned by Tokyo Calendar, and IT-related knowledge of the Company.

4. Corporation Revitalization Business

Uoei will endeavor to increase Operating income ratio by differentiating its selling space from rivals' ones through further development of new purchase channels, including direct purchases of farm products from farming districts, and the unearthing of needs based on the opinions of customers who visit the stores, and by further promoting the realization of proper inventories based on an analysis of sales and profit/loss data and improving the efficiency of standard work through the use of IT systems.

(2) Analysis of financial condition

1. Assets, liabilities and net assets

The following are the status of assets, liabilities and net assets as of the end of fiscal year under review.

Assets ¥19,225 million (up 29.6% year-on-year)

Liabilities ¥6,177 million (up 101.6% year-on-year)

Net assets ¥13,047 million (up 10.9% year-on-year)

The following is the analysis of financial condition for the fiscal year under review.

(1) Assets

Current assets were ¥13,978 million on a consolidated basis at the end of the fiscal year under review, up ¥4,207 million from the preceding year, and noncurrent assets amounted to ¥5,246 million, up ¥187 million, with total assets standing at ¥19,225 million, up ¥4,394 million. The main underlying factors were an increase in cash and deposits (increase of ¥2,736 million from the end of the previous consolidated fiscal year) and notes and accounts receivable-trade (increase of ¥786 million) as earnings remained robust, and a rise in merchandise (increase of ¥327 million) following the conversion of eSPORTS Co., Ltd. into a consolidated subsidiary.

For a breakdown of the increase in cash and deposits, see "2. Analysis of cash flows."

(2) Liabilities

Current liabilities were ¥4,809 million at the end of the fiscal year under review, up ¥2,061 million from the preceding year, and noncurrent liabilities were ¥1,367 million, up ¥1,051million, which brought total liabilities to ¥6,177 million, up ¥3,093 million. Main factors included a rise in accounts payable-trade (increase of ¥919 million from the end of the previous consolidated fiscal year), income tax payable (increase of ¥488 million) and long-term loans payable (increase of ¥1,000 million).

(3) Net assets

Net assets were ¥13,047 million at the end of the fiscal year under review, up ¥1,281 million from the preceding year. The main factors included an increase of retained earnings (an increase of ¥1,355 million from the end of previous consolidated fiscal year).

2. Analysis of cash flows

The following is the analysis of the Group's consolidated cash flows for the fiscal year under review.

(1) Net cash provided by (used in) operating activities

Net cash from operating activities was inflow of ¥3,427 million (compared to an inflow of ¥727 million in the previous fiscal year), mainly due to the posting of income before income taxes of ¥3,519 and an increase in notes and accounts payable-trade of ¥707 million, despite an increase in notes and accounts receivable-trade of ¥514 million and an income taxes payment of ¥937 million.

(2) Net cash provided by (used in) investing activities

Net cash from investing activities was outflow of ¥888 million (compared to an outflow of ¥1,157 million in the previous fiscal year), chiefly due to purchases of property, plant and equipment of ¥285 million, purchases of intangible assets of ¥152 million, and a purchase of investments in subsidiaries resulting in a change in the scope of consolidation of ¥999 million, despite proceeds from the sales of investment securities of ¥451 million.

(3) Net cash provided by (used in) financing activities

Net cash from financing activities was inflow of ¥139 million (compared to an outflow of ¥919 million in the previous fiscal year), mainly reflecting proceeds from long-term loans payable of ¥1,000 million, despite purchases of treasury stock of ¥148 million and payments for a cash dividend of ¥673 million.

(4) Cash and cash equivalents at end of the period

Cash and cash equivalents outstanding at the end of the fiscal year under review were ¥6,892 million, with an increase of ¥2,708 million in cash and cash equivalents resulting from operating, investing and financing activities.

(3) Dividend policy and dividends for the current and next year

The Company seeks to maximize medium-term total returns (capital and income gains) to our shareholders. In order to achieve this goal, we will pay a dividend of surplus, targeting a dividend payout ratio on a non-consolidated basis of 30% or more of earnings, by comprehensively taking into consideration a proper balance between dividend payout and the status of period profit and loss and cash flows for the term, as well as purchases of treasury stock, after ensuring internal reserves needed for important investments, aimed at enhancing R&D activities to ensure medium-term technological superiority; attracting and training personnel; implementing measures for strengthening project management; and enhancing M&A activities and alliances.

Dividend of surplus at the end of the fiscal year under review (December 31, 2013) at the record date is planned to pay ¥8.00 per share (Note), making a full-year dividend of ¥758 per share (Note) when combined with the interim dividend (with the record date of June 30, 2013), which was paid in September 2013. As a result, the dividend payout ratio on a consolidated basis is 34.1% and that on a non-consolidated basis is 40.3%.

The Company's planned ordinary dividend payment for the next fiscal year is ¥16.00 per share in accordance with the above policy. The Company also plans to pay a commemorative dividend of ¥1.00 per share, as it will celebrate the 25th anniversary of its founding in November 2014.

Accordingly, the annual dividend for the fiscal year ending December 2014 will be ¥17.00 per share, when combined with the ordinary dividend, (interim dividend: ¥8.00; year-end dividend: ¥9.00).

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. The year-end dividend shall be ¥800 per share and the annual dividend shall be ¥1,550 per share in terms of pre-split shares.

2. The Future Group

The Group (the parent and related companies) consists of 16 consolidated subsidiaries and 7 equity-method affiliates, and operates four main businesses, the IT Consulting Business, the Package & Service Business, the New Media & Web Service Business, and the Corporate Revitalization Business. Business activities, involved major companies and relationships with business segment are as follows. The classification is the same as segmentation.

(IT Consulting Business)

In this business, the Group helps clients solve problems, by sharing management issues with them from a managerial perspective, understanding the essence of the clients' businesses and establishing information systems for them using advanced IT.

Company name	Business activities
Future Architect, Inc. (Parent company)	Using its advanced information technology, Future Architect, Inc. offers IT consulting, hardware and other procurement services from an objective and independent position. The Company also functions as corporate headquarters for the Group.
North Consulting Group Pte. Ltd. (subsidiary)	Introduction of ERP and provision of consulting services in Southeast Asia, including Singapore
Brightree Solutions Sdn Bhd. (subsidiary)	Introduction, customization, and operation and maintenance of ERP in Malaysia
North Consulting Group (Thailand) Co. LTD. (subsidiary)	Introduction, customization, and operation and maintenance of ERP in Thailand
Life Sciences Computing Corporation (subsidiary)	Provision of "OpenDolphin Cloud" electronic medical chart, and development and sales of medical image systems

(Package & Service Business)

In this business, to help clients improve their operational efficiency, the Group introduces or provides, via cloud and ASP, operating software packages dedicated to highly specialized fields, such as sales management and ERP, as well as provides consigned development and education and other IT services.

Company name	Business activities
FutureOne, Inc. (subsidiary)	Development and sales of and support for "FUTUREONE" mission-critical software centering on sales management, production management and accounting, and building of EC sites
Ascendia Inc. (subsidiary)	Maintenance and operation services, IT-field education services, and system development for local governments
Logizard Co., Ltd. (affiliate)	Cloud-based logistics and inventories management (WMS)

(New Media & Web Service Business)

To create original services that have not existed so far in the Media and Web service area.

Company name	Business activities
Tokyo Calendar Inc. (subsidiary)	Publication of the magazine "Tokyo Calendar," running of websites, and provision of EC web services
eSPORTS Co., Ltd. (subsidiary) (new)	Sales of sports and outdoor gears on the Internet
Beijing ZhongNouBoEr Information Technology Co., Ltd. (affiliate)	EC business centering on consumer electronics

(Corporate Revitalization Business)

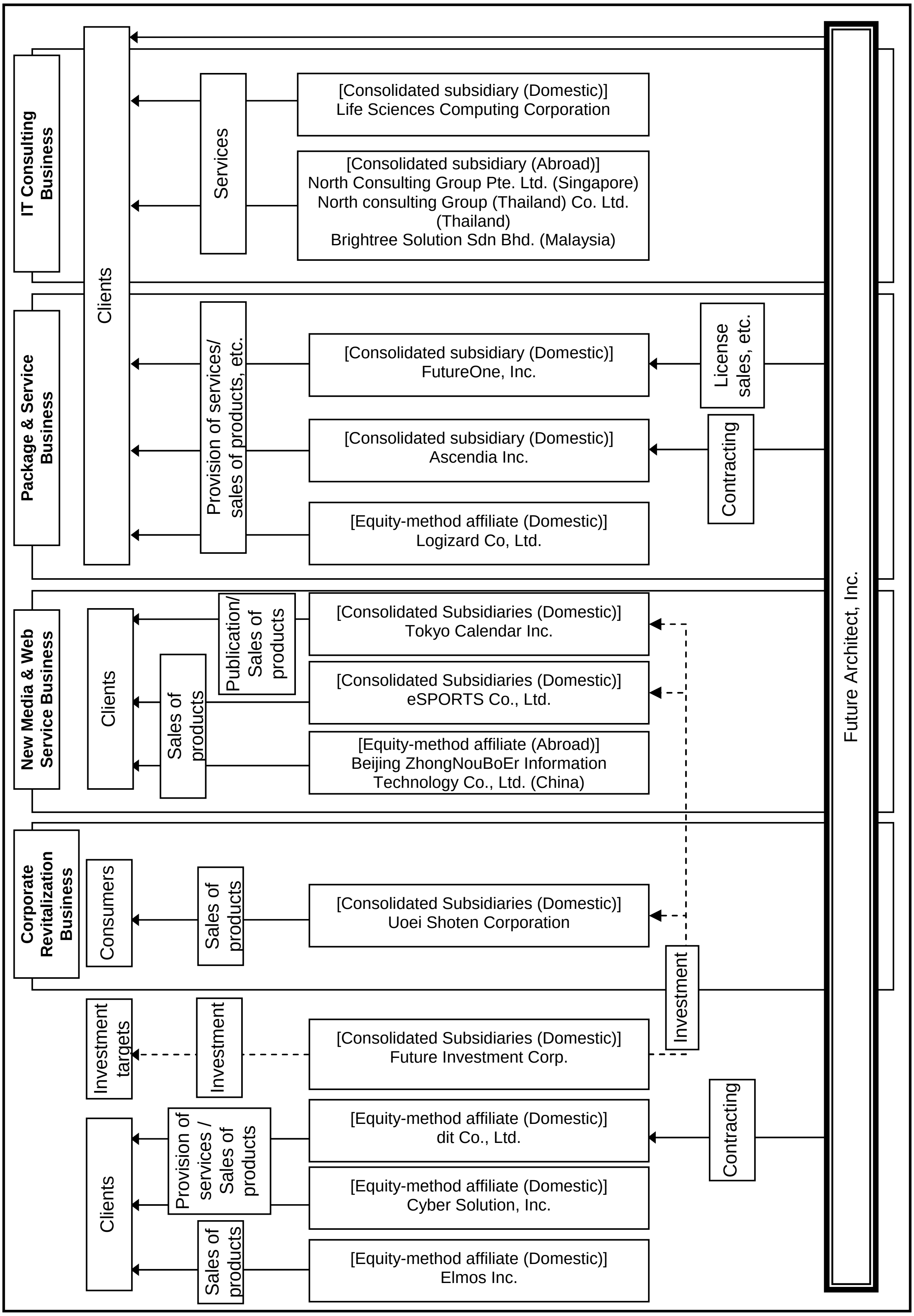
To get deeply involved in the management team of client firms, revitalize client firms through drastic reform focusing on IT, and establish success models for each industry.

Company name	Business activities
Uoei Shoten Corporation (subsidiary)	Operation of "Uoei" grocery supermarket

Among affiliated companies engaged in businesses that are not included in the four businesses mentioned above, such as investing in, as well as holding and managing securities, the main companies are as follows:

Company name	Business activities
Future Investment Corp. (subsidiary)	Securities holding, management and investment
dit Co., Ltd. (affiliate)	Development and sales of security network products and development and provision of such services
Cyber Solution, Inc. (affiliate)	Establishment of ASP service systems and corporate information system bases, and provision of operations planning and management services
Elmos Inc. (affiliate)	General printing, and sales of office fixtures, OA (office automation) supplies, OA equipment, POS systems, etc.

<Business System Diagram>



Affiliated companies

(1) Consolidated subsidiaries

Name	Location	Capital stock	Main business activities	Voting right ratio (%)	Relationship: Interlocking directors: Number of company directors	Relationship: Interlocking directors: Number of company employees	Relationship: Monetary assistance	Relationship: Business transactions
North Consulting Group Pte. Ltd.	SINGAPORE, SINGAPORE	US$ 1,250 thousand	IT Consulting Business	100.0 (100.0)	2	-	None	None
Brightree Solutions Sdn Bhd.	PETALING JAYA, MALAYSIA	1,936 thousand ringgit	IT Consulting Business	51.0 (51.0)	-	-	None	None
Siam NCG Holdings Co., LTD.	BANGKOK, THAILAND	100 thousand baht	IT Consulting Business	48.0 (48.0) [52.0]	-	-	None	None
North Consulting Group (Thailand) CO., LTD.	BANGKOK, THAILAND	10,000 thousand baht	IT Consulting Business	99.0 (99.0) [1.0]	-	-	None	None
Shanghai Beisheng Management Consulting Co., Ltd.	Shanghai, China	RMB 0 thousand	IT Consulting Business	100.0 (100.0)	-	-	None	None
Life Sciences Computing Corporation	Toshima-ku, Tokyo	¥ 134,000 thousand	IT Consulting Business	51.9	1	3	None	None
FutureOne, Inc.	Shinagawa-ku, Tokyo	¥ 200,000 thousand	Package & Service Business	100.0	2	1	None	Provision of software licenses
Ascendia Inc.	Shinagawa-ku, Tokyo	¥ 83,700 thousand	Package & Service Business	100.0	2	1	None	Receipt of services for development
Tokyo Calendar Inc.	Shinagawa-ku, Tokyo	¥ 50,000 thousand	New Media & Web Service Business	100.0 (100.0)	1	1	Fund lending	None
eSPORTS Co., Ltd.	Gifu, Gifu Prefecture	¥ 100,000 thousand	New Media & Web Service Business	100.0 (100.0)	1	2	None	None
Uoei Shoten Corporation	Minami-ku, Niigata	¥ 198,000 thousand	Corporate Revitalization Business	100.0 (100.0)	-	2	None	None
Future Investment Corp.	Shinagawa-ku, Tokyo	¥ 10,000 thousand	Other	100.0	2	2	Fund lending	None
RI Partners Limited Liability Association	Shinagawa-ku, Tokyo	¥ 1,398,000 thousand	Other	100.0 (100.0)	-	-	None	None
Future Architect,Inc.	CALIFORNIA, U.S.A.	US$ 100	Other	100.0	2	1	None	None
Future Global Pte. Ltd.	SINGAPORE, SINGAPORE	US$ 1,350 thousand	Other	100.0	2	-	Fund lending	None
FUTURE GLOBAL HONG KONG LIMITED	Hong Kong, China	HK$ 10 thousand	Other	100.0	2	-	Fund lending	None

(Notes)
1. The name of the business segment is stated in “Main business activities.”
2. FutureOne, Inc., Uoei Shoten Corporation and RI Partners Limited Liability Association are specified subsidiaries.
3. The above subsidiaries file neither securities registration statements nor securities reports.
4. Figures in square brackets in “Voting right ratio” represent the ratio of voting rights held by those who are closely related to the company or have agreed with the company on holdings, not included in the above numbers.
5. Figures in round brackets in “Voting right ratio” represent an indirectly owned ratio and are included in the figures above numbers.
6. Future Investment Corp. is a managing partner of RI Partners Limited Liability Association.
7. Only transactions directly conducted with the Company are stated in “Monetary assistance” and “Business transactions.”

(2) Affiliated companies to which equity method is applicable

Name	Location	Capital stock	Main business activities	Voting right ratio (%)	Relationship			
					Interlocking directors		Monetary assistance	Business transactions
					Number of company directors	Number of company employees		
Logizard Co., Ltd.	Chuo-ku, Tokyo	¥ 56,824 thousand	Package & Service Business	34.0	-	-	None	None
Crossflo Systems, Inc.	CALIFORNIA, U.S.A.	US$ 1,540 thousand	Other	32.9	-	-	None	None
Beijing ZhongNouBoEr Information Technology Co., Ltd.	Beijing, China	RMB 2,872 thousand	Other	30.4 (30.4)	-	2	None	None
dit Co., Ltd.	Koto-ku, Tokyo	¥ 428,745 thousand	Other	48.2	1	-	None	Receipt of services for security consulting
Cyber Solution, Inc.	Koto-ku, Tokyo	¥ 310,000 thousand	Other	48.2 (48.2)	-	-	None	None
Elmos Inc.	Chuo-ku, Osaka	¥ 10,000 thousand	Other	40.0 (40.0)	-	-	None	None
Axis Solutions Corporation	Koto-ku, Tokyo	¥ 17,000 thousand	Other	20.0 (20.0)	-	-	None	Receipt of services for development

(Notes) 1. The name of the business segment is stated in “Main business activities.”
2. Figures in round brackets in “Voting right ratio” represent an indirectly owned ratio and are included in the figures above numbers.

3. Management Policy

(1) Basic corporate tenets

The mission of the Company is to raise future value of client companies and society by providing the proper state in which business should be and an optimal mechanism to realize it by proactively taking in cutting-edge IT technologies, with a view to promising the greatest success to clients. We understand that endless pursuit of optimum and taking up the challenge of achieving optimum to realize our mission is the service we provide and the starting point of ourselves. In addition, we are striving to make all employees share and understand the basic tenets of the Company by establishing the following corporate philosophies.

(Corporate philosophies)

- ■ We love science and technology and contribute to corporate and social changes. Also, we continue to change ourselves.
- ■ We will not be fearful of or daunted by “being insufficient,” and try to change impossibility to possibility using our own ingenuity and enthusiasm.
- ■ We continue to have a desire to improve ourselves and attach importance to the enhancement of individual capability through constant hart study as well as understand the limit of power of individuals and resolve even greater challenges by organically combining power of colleagues.
- ■ We conduct warmhearted and humorous organization operation, which features courtesy and behavior according to time, place and opportunity though it is based on merits and results.
- ■ We will not be arrogant when we have a pleasant time, and we will never forget hope when we have a bad time.
- ■ We learn from history, strive to deepen mutual understanding and engage in international exchanges and cooperation.

Basic policies of each business segment are as follows:

1) IT Consulting Business

The Company believes that business reform can be realized only when we focus on three domains of management, business, and systems and use cutting-edge IT technologies, not merely aiming at the realization of functions by IT. To that end, the Group has maintained a neutral position, independent of any hardware vendors or software vendors, and has been pursuing optimization by specializing in open systems while proceeding with the establishment of a methodology which enables it to provide high-quality and high-speed services that draw out maximum performance, and various kinds of standardization, without being swayed by preconceived ideas or restrictions of products.

We are also striving to increase future value for customers by providing integrated services, which cover the consulting phase, design of systems, development of application software, selection and procurement of hardware and software products, introduction of systems and maintenance and operation phases, thereby giving a concrete form to the results of consulting as systems rather than merely presenting such as a concept, and offering them for actual use by clients to enable them to view the results as the fruit of our business.

2) Package & Service Business

We fully meet the needs of small and midsize companies, which are our major clients in the Package & Service Business, by providing IT systems that support client businesses at a lower cost and with a shorter installation period according to the needs of small and midsize companies by making the most of successful cases, know-how and IT assets the Company has accumulated through the provision of services to large client companies, as well as through customizing these software packages according to the client’s business type and market. We are also offering cutting-edge functions, such as a visualization of internal control and work, as standards.

We will also provide maintenance and operation services for systems of clients and education services concerning system building and IT of local governments, by leveraging our possession of regional bases.

3) New Media & Web Service

In the Media and Web service area, we will aim to create original services that have not existed so far. To this end, we will combine the know-how regarding operations of Web services that is held by eSPORTS Co., Ltd. and other EC-related companies, and the abundance of content owned by media companies, such as Tokyo Calendar Inc., with the IT knowledge and know-how cultivated by the Company. Also, we will offer values that have not existed so far by feeding back new knowledge, which we acquire through the provision of these original services, to client companies in the IT Consulting Business.

4) Corporate Revitalization Business

The Group will strive to revitalize subject companies by fully using strategic and technological experience in the distribution industry it has accumulated so far, with use of IT as the core, and sublimate the results obtained through operation of the business into IT systems that can be used generally in the same business category, so that they can be applied to other businesses.

(2) Goals and objectives

To differentiate ourselves from our competitors and maintain growth, the Group concentrates management resources on the fields in which it makes strategic investments, such as research and development, training, and recruiting. At the same time, however, we have set an Operating income ratio of 20% or more a year as our goal for the mainstay IT Consulting Business. We will also aim to achieve an Operating income ratio of at least 10% for the Package & Service Business and the New Media & Web Service Business, and 5% or more for the Corporate Revitalization Business.

(3) Medium to long-term management strategies

We will put designing management and IT in the center of our medium to long-term management strategies, as a leading company of IT consulting.

We will develop our accumulated know-how expertise on managerial reform, IT technological capabilities, etc., in the IT Consulting Business, and organically combine it with the Package & Service Business and the Corporate Revitalization Business, aiming to provide solutions that deliver greater customer satisfaction within the two businesses. Also, we will focus on reduction development cost through the visualization of projects, standardizing development processes and establishment of new design development methods and on significant improvement of system quality. The specific strategies for this are as follows:

1) Further growth of core business (IT Consulting Business)

In a harsh management environment, it is expected that companies in Japan will further enhance their investment requirements, leading to IT cost reduction, as well as IT system renovation and integration related to work restructurings and industrial reorganization. Against this backdrop, the Group will provide high-value-added know-how and technologies, including downsizing by open systems and real-time processing, more speedily and at higher quality than ever, in the industries where the Company has accumulated track records (logistics, distribution, finance, service, etc.).

In addition, new needs of clients, such as reduction of maintenance and operation cost, improvement of quality and turning of IT cost into variable expenses through cloud services, have become obvious. To meet such needs, the Group will drive ahead with the provision of new services. To that end, we will proceed with: high value-added operation and maintenance services to which technical consulting for platform technology is added; as well as services developed by extensively turning information systems for financial institutions into those based on cloud computing (SKYBANK); and cloud services by business category, including distribution and logistics. Furthermore, the Group will meet a wide range of customer needs by further enhancing services to introduce ERP products of SAP AG and Oracle Corporation to major corporations, particularly those expanding operations overseas, in addition to existing component-type development.

2) Expansion of business for small and mid-size companies (Package & Service Business)

Among small and midsize companies whose human and physical resources are limited, needs are great for realizing improvement of business efficiency and managerial reform through the use of package solutions and cloud computing that can be introduced at relatively low cost and in short time. The Group believes that grasping such needs will lead to growth of this business. The Group consolidated businesses related to software packages and cloud computing for small and midsize companies, which were dispersed within the Group, to FutureOne, Inc. and is proceeding with measures such as enhancement of direct marketing. The Group will aim to expand sales and raise Operating income ratio by satisfying detailed needs of clients through proposals for high-level solutions by applying IT consulting know-how and technologies for major corporations to those for small and midsize companies. Meanwhile, Ascendia Inc. will strengthen the services of system development and maintenance operation in cooperation with the Company, taking advantage of regional bases (nearshore).

3) Acceleration of global development (IT Consulting Business)

The Group considers the Asian region, where the information infrastructure is immature while economy has been growing significantly in recent years, to be a large latent market for the Group. To proactively push forward with global development, including in Asia, the Group will promote the establishment of a structure that can cover the development of the IT Consulting Business in the Southeast Asian region, centering on Singapore, Malaysia and Thailand, and mainland China, including Hong Kong, by enhancing cooperation among companies in these regions. The Group will further enhance not only IT consulting for local companies, but also IT support for Japanese companies expanding operations in Asia.

4) Provision of original services in the Media & Web Service area (New Media & Web Service Business)

With the popularization of smartphones and tablet terminals, new Web services have been initiated one after another, in addition to the acquisition of information and shopping via the Internet. In the Media and Web service area, the Group will push forward with the provision of original services by combining companies engaged in Media and Web services that were acquired by the Company through M&As or were newly established, with knowledge and technologies regarding IT that the Company has cultivated in the IT Consulting Business.

(4) Issues the Company faces

1) Stepping up our large scale project management capabilities and establishing a support infrastructure [IT Consulting Business, Package & Service Business

The Group has strengthened its project management capabilities, which it positions as an important management issues. For further refining and standardizing development technologies, we will enhance our preventive support infrastructure more than ever to respond to any issue that arises from the launch of a project until starting-up the system, including maintenance and operation after operation has begun.

2) Research and development of analysis methods for existing systems and core design and development technologies for projects [IT Consulting Business]

In recent years, as a result of corporate integration following industrial reorganization, needs for integrating and renovating IT systems are growing. In such projects, there are cases in which clients themselves do not understand the overall images of their IT systems for various reasons, including missing specifications of existing systems, and the absence of persons who were in charge when the systems were designed. Against this backdrop, the Company pushes forward with projects by making the overall image of systems clear with the use of a mechanism to scientifically analyze source codes and system definition information, and to manage analysis results in an integrated way, and then formulates a highly reliable and comprehensive transition plan. Since the need for such system integration and renovation are expected to continue in the future, we will establish this system analysis method and expand it on a company-wide basis, with a view toward providing the analysis method as a service in the future.

With regard to a number of proprietary core design/development technologies that are common to our projects, we will continue the research and development to realize an improvement in productivity and technological superiority to a greater extent than ever before, and to achieve wider sharing of knowledge within the Company.

3) Improving project quality [IT Consulting Business]

As an everlasting challenge in the IT industry, regardless of the scale of the project, we always endeavor to improve quality of projects. The Company strives to enhance project quality by establishing a project review system through engineers experienced in quality control, and a system review structure through engineers belonging to the core technology division. In addition, we obtained the ISO 9001 certification, and further strengthened the quality management system from the perspectives of the certification.

From now on, we will endeavor to further improve project quality by not only visualizing the status of projects using a proprietary project information-sharing system and a project monitoring system, and thoroughly implementing reviews for each phase, but also by integrating and organizing ideas, knowledge, etc. about the quality of each project and proactively expanding them to other projects.

4) Recruitment and training of professionals [IT Consulting Business, Package & Service Business]

The Group understands that what is most important for raising corporate value of the Group is personnel and that it is necessary to ensure and train highly qualified personnel. We continue to create an environment conducive to proactively attracting talented people by challenging the frontiers of information technology and training consultants who can grasp the essence of matters and find a direction for solution in the training and project fields.

5) Enhancement of outside alliances [IT Consulting Business]

To always provide optimal solutions to clients, the Company will maintain good relations with corporations that have particularly excellent technologies and strive to enhance alliances with them, while grasping the technological trends in the world.

6) Overseas (Asia) development [IT Consulting Business and Package & Service Business]

The Group has already started to expand operations in Asia, while fortifying bases in Singapore, Malaysia, Thailand, and Hong Kong. Subsidiaries in Singapore, Malaysia and Thailand all received the Gold Partner of SAP AG certification, and their total sales are increasing thanks to their efforts to acquire customers in cooperation with SAP. From now on, we will strive to improve profitability by raising the quality of delivery and enhancing cooperation among these bases, while driving ahead with the development of more customers. In addition, the Group will expand its local IT support business for Japanese companies in the distribution and logistics fields which are operating in Southeast Asia and China.

7) Improving profit margin and expanding market share [Package & Service Business]

As for the Package & Service Business, the profit margin improved significantly due to management reforms and the strengthening of service quality. From now on, to further increase profits, the Group will expand solution partners by emphasizing detailed functions and support capabilities of purely Japanese-made packages for small and midsize companies. Also, we will promote the establishment of a structure that can support small and midsize companies not only in the Tokyo Metropolitan and Kansai areas, but also in major cities nationwide, by adding business and capital alliances to options.

8) Sales, purchase, and inventory information management by using IT [Corporate Revitalization Business]

The Group will continue to carry out reforms using IT, covering all stages from client marketing to purchase and sales of products and management of inventories, aimed at minimizing costs for disposal and retained inventories as well as improving the satisfaction and convenience of customers by boosting product lineups that meet customer’s needs.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(in thousands of yen)

		Fiscal 2012 (December 31, 2012)		Fiscal 2013 (December 31, 2013)
Assets				
Current assets				
Cash and deposits		4,156,343		6,892,910
Notes and accounts receivable-trade		3,523,351		4,330,728
Short-term investment securities		30,129		1,865
Merchandise and finished goods		134,677		462,055
Work in process		33,597		107,765
Deferred tax assets		153,662		217,576
Accounts receivable-other	*3	1,358,569	*3	1,541,943
Other		387,026		434,919
Allowance for doubtful accounts		(6,034)		(11,388)
Total current assets		9,771,322		13,978,375
Noncurrent assets				
Property, plant and equipment				
Buildings and structures		3,110,805		3,228,480
Accumulated depreciation	*2	(2,740,590)	*2	(2,782,062)
Buildings and structures, net		370,214		446,418
Land		122,868		109,474
Other		1,840,525		1,956,834
Accumulated depreciation	*2	(1,448,329)	*2	(1,555,282)
Other, net		392,195		401,551
Total property, plant and equipment		885,279		957,444
Intangible assets				
Software		836,883		703,544
Goodwill		195,332		823,705
Other		21,817		21,480
Total intangible assets		1,054,032		1,548,729
Investments and other assets				
Investment securities	*1	1,907,516	*1	1,757,591
Lease and guarantee deposits		1,035,870		951,363
Deferred tax assets		172,157		25,518
Other		61,063		55,626
Allowance for doubtful accounts		(57,052)		(49,582)
Total investments and other assets		3,119,554		2,740,517
Total noncurrent assets		5,058,866		5,246,691
Total assets		14,830,189		19,225,067

(in thousands of yen)

	Fiscal 2012 (December 31, 2012)	Fiscal 2013 (December 31, 2013)
Liabilities		
Current liabilities		
Accounts payable-trade	739,873	1,660,351
Short-term loans payable	30,283	35,000
Accounts payable-other	516,697	774,748
Income taxes payable	535,959	1,024,280
Provision for bonuses	116,997	167,483
Provision for quality assurance	11,275	12,109
Provision for loss on projects	13,500	173,600
Provision for office transfer expenses	35,342	-
Provision for point card certificates	-	2,439
Other	747,736	959,622
Total current liabilities	2,747,663	4,809,634
Noncurrent liabilities		
Long-term loans payable	-	1,000,000
Asset retirement obligations	304,006	357,691
Other	12,269	10,239
Total noncurrent liabilities	316,276	1,367,931
Total liabilities	3,063,940	6,177,566
Net assets		
Shareholders’ equity		
Capital stock	1,421,815	1,421,815
Capital surplus	2,495,772	2,495,772
Retained earnings	9,151,020	10,506,520
Treasury stock	(1,393,328)	(1,540,983)
Total shareholders’ equity	11,675,279	12,883,124
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	612	87,158
Foreign currency translation adjustment	(30,532)	(74,683)
Total valuation and translation adjustments	(29,920)	12,475
Minority interests	120,890	151,900
Total net assets	11,766,249	13,047,500
Total liabilities and net assets	14,830,189	19,225,067

(2) Consolidated statements of income and comprehensive income

(in thousands of yen)

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)		Fiscal 2013 (from January 1, 2013 to December 31, 2013)	
Net sales		23,353,208		30,049,790
Cost of sales	*1	14,983,640	*1	19,544,921
Gross profit		8,369,568		10,504,868
Selling, general and administrative expenses				
Directors' compensations		275,497		306,892
Salaries and bonuses		3,358,593		3,125,530
Other salaries		126,805		127,352
Training expenses		109,785		148,973
Research and development expenses	*2	23,459	*2	119,811
Depreciation		116,112		113,938
Recruiting expenses		220,143		273,545
Amortization of goodwill		85,003		186,655
Other		2,119,106		2,749,275
Total selling, general and administrative expenses		6,434,509		7,151,975
Operating income		1,935,058		3,352,893
Non-operating income				
Interest income		3,868		1,704
Dividends income		23,644		27,485
Foreign exchange gains		63,786		110,730
Equity in earnings of affiliates		8,759		-
Other		27,098		27,023
Total non-operating income		127,155		166,944
Non-operating expenses				
Interest expenses		2,094		4,518
Equity in losses of affiliates		-		58,197
Commission for purchase of treasury stock		1,647		1,005
Other		717		1,950
Total non-operating expenses		4,458		65,672
Ordinary income		2,057,755		3,454,166
Extraordinary income				
Gain on sales of investment securities		-		213,773
Gain on bargain purchase		75,209		-
Gain on change in equity		-		5,822
Total extraordinary income		75,209		219,595
Extraordinary loss				
Loss on retirement of noncurrent assets		-	*3	107,154
Loss on valuation of investment securities		1,275		-
Impairment loss		-	*4	41,138
Amortization of goodwill		-		5,670
Provision of allowance for office transfer expenses		35,342		-
Litigation expenses		44,000		-
Other		4,785		-
Total extraordinary losses		85,402		153,963
Income before income taxes		2,047,562		3,519,798

(in thousands of yen)

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Income taxes-current	839,559	1,421,587
Income taxes-deferred	37,567	46,004
Total income taxes	877,127	1,467,591
Income before minority interests	1,170,435	2,052,206
Minority interests in income	2,687	24,359
Net income	1,167,747	2,027,847
Minority interests in income	2,687	24,359
Income before minority interests	1,170,435	2,052,206
Other comprehensive income		
Valuation difference on available-for-sale securities	2,190	86,260
Foreign currency translation adjustment	(24,415)	(46,440)
Share of other comprehensive income of associates accounted for using equity method	3,376	9,226
Total other comprehensive income	*5 (18,847)	*5 49,046
Comprehensive income	1,151,587	2,101,253
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,145,328	2,070,243
Comprehensive income attributable to minority interests	6,258	31,010

(3) Consolidated statements of changes in net assets

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

(in thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	1,421,815	2,495,772	8,661,248	(1,171,668)	11,407,167
Changes of items during the period					
Change of scope of consolidation			2,172		2,172
Dividends from surplus			(680,148)		(680,148)
Net income			1,167,747		1,167,747
Purchase of treasury stock				(221,659)	(221,659)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	489,771	(221,659)	268,111
Balance at the end of the period	1,421,815	2,495,772	9,151,020	(1,393,328)	11,675,279

	Valuation and translation adjustments			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance at the beginning of the period	(1,483)	(6,017)	(7,501)	11,220	11,410,885
Changes of items during the period					
Change of scope of consolidation					2,172
Dividends from surplus					(680,148)
Net income					1,167,747
Purchase of treasury stock					(221,659)
Net changes of items other than shareholders' equity	2,095	(24,514)	(22,418)	109,670	87,251
Total changes of items during the period	2,095	(24,514)	(22,418)	109,670	355,363
Balance at the end of the period	612	(30,532)	(29,920)	120,890	11,766,249

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

(in thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	1,421,815	2,495,772	9,151,020	(1,393,328)	11,675,279
Changes of items during the period					
Dividends from surplus			(672,347)		(672,347)
Net income			2,027,847		2,027,847
Purchase of treasury stock				(147,654)	(147,654)
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	-	1,355,500	(147,654)	1,207,845
Balance at the end of the period	1,421,815	2,495,772	10,506,520	(1,540,983)	12,883,124

	Valuation and translation adjustments			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance at the beginning of the period	612	(30,532)	(29,920)	120,890	11,766,249
Changes of items during the period					
Dividends from surplus					(672,347)
Net income					2,027,847
Purchase of treasury stock					(147,654)
Net changes of items other than shareholders' equity	86,546	(44,151)	42,395	31,010	73,405
Total changes of items during the period	86,546	(44,151)	42,395	31,010	1,281,251
Balance at the end of the period	87,158	(74,683)	12,475	151,900	13,047,500

(4) Consolidated statements of cash flows

(in thousands of yen)

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes	2,047,562	3,519,798
Depreciation	263,970	407,518
Amortization of goodwill	85,003	192,325
Increase (decrease) in allowance for doubtful accounts	(4,320)	(2,115)
Increase (decrease) in provision for bonuses	6,642	38,886
Increase (decrease) in provision for quality assurance	(54,084)	834
Increase (decrease) in provision for loss on projects	9,300	160,100
Increase (decrease) in provision for office transfer expenses	35,342	(35,342)
Interest and dividends income	(27,512)	(29,190)
Interest expenses	2,094	4,518
Commission for purchase of treasury stock	1,647	1,005
Foreign exchange losses (gains)	(63,025)	(112,557)
Equity in (earnings) losses of affiliates	(8,759)	58,197
Loss (gain) on change in equity	-	(5,822)
Gain on bargain purchase	(75,209)	-
Loss on retirement of noncurrent assets	-	107,154
Loss (gain) on sales of investment securities	-	(213,773)
Loss (gain) on valuation of investment securities	1,275	-
Litigation expenses	44,000	-
Impairment loss	-	41,138
Decrease (increase) in notes and accounts receivable-trade	(536,921)	(534,966)
Decrease (increase) in inventories	24,866	(161,666)
Increase (decrease) in notes and accounts payable-trade	24,175	707,148
Decrease (increase) in other assets	(74,574)	(202,981)
Increase (decrease) in other liabilities	(51,507)	399,042
Subtotal	1,649,965	4,339,252
Interest and dividends income received	27,918	29,590
Interest expenses paid	(2,176)	(4,255)
Income taxes paid	(903,891)	(937,228)
Litigation expenses paid	(44,000)	-
Net cash provided by (used in) operating activities	727,815	3,427,358

(in thousands of yen)

		Fiscal 2012 (from January 1, 2012 to December 31, 2012)		Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Net cash provided by (used in) investing activities				
Proceeds from withdrawal of time deposits		50,000		-
Purchase of short-term investment securities		(201,196)		-
Proceeds from redemption of securities		400,464		-
Purchase of property, plant and equipment		(291,874)		(285,929)
Purchase of intangible assets		(497,196)		(152,097)
Payments for asset retirement obligations		(1,211)		(12,500)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	*2	(64,435)	*2	(999,367)
Purchase of stocks of subsidiaries and affiliates		(191,811)		-
Purchase of investment securities		(180,100)		-
Proceeds from sales of investment securities		-		451,773
Payments for lease and guarantee deposits		(223,469)		(57,662)
Proceeds from collection of lease and guarantee deposits		31,849		161,420
Proceeds from transfer of business	*3	8,240		-
Other		3,150		5,642
Net cash provided by (used in) investing activities		(1,157,590)		(888,721)
Net cash provided by (used in) financing activities				
Net increase (decrease) in short-term loans payable		(2,441)		(38,700)
Proceeds from long-term loans payable		-		1,000,000
Repayments of long-term loans payable		(40,713)		-
Proceeds from stock issuance to minority shareholders		24,021		-
Purchase of treasury stock		(223,307)		(148,660)
Cash dividends paid		(677,234)		(673,274)
Net cash provided by (used in) financing activities		(919,675)		139,364
Effect of exchange rate change on cash and cash equivalents		6,454		30,301
Net increase (decrease) in cash and cash equivalents		(1,342,996)		2,708,303
Cash and cash equivalents at beginning of the period		5,526,311		4,184,672
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation		1,357		-
Cash and cash equivalents at end of the period	*1	4,184,672	*1	6,892,975

(5) Notes to consolidated financial statements

(Notes regarding the premise of surviving company)

None

(Significant accounting policies regarding the preparation of consolidated financial statements)

1. Scope of consolidation

Number of consolidated subsidiaries: 16

Names and other details of consolidated subsidiaries

Life Sciences Computing Corporation, North Consulting Group Pte. Ltd., Brightree Solutions Sdn Bhd., Siam NCG Holdings Co., Ltd., North Consulting Group (Thailand) CO., LTD., FutureOne, Inc., Ascendia Inc., eSPORTS Co., Ltd., Tokyo Calendar Inc., Uoei Shoten Corporation, Future Investment Corporation, RI Partners LLC., Future Architect, Inc., Future Global Pte. Ltd., FUTURE GLOBAL HONG KONG LIMITED, Shanghai Beisheng Management Consulting Co., Ltd.

eSPORTS Co., Ltd. was included in the scope of consolidation because the Company acquired its shares on June 14, 2013. Meanwhile, Shanghai Beisheng Management Consulting Co., Ltd. was included in the scope of consolidation because the Company was established as of August 30, 2013.

ABM Corporation is excluded from the scope of consolidation because it was absorbed into the Company as an extinct company as a result of the merger on January 1, 2013.

There are no non-consolidated subsidiaries.

2. Application of equity method

Number of affiliated companies to which equity-method is applicable: 7

Names and other details of affiliated companies to which equity-method is applicable

dit Co., Ltd., Cyber Solution Inc., Elmos Inc., Axis Solutions Corporation, Crossflo Systems, Inc., Logizard Co., Ltd., Beijing ZhongNouBoEr Information Technology Co., Ltd.

There are no non-consolidated subsidiaries and affiliates to which the equity method is not applicable.

3. Accounting period of consolidated subsidiaries

Uoei Shoten Corporation’s account settlement date is November 30. In preparing consolidated financial statements, the Group normally presents the balance sheet position of consolidated subsidiaries using figures as of the fiscal year-end date of each subsidiary. However, if there are any major transactions or events affecting the financial condition of the subsidiaries between the date of their book closing and the parent company’s fiscal year-end, the Group makes necessary adjustments to its financial statements to reflect these transactions.

4. Accounting policies

(1) Valuation standards/methods for principal assets

(a) Securities

Held-to-maturity bonds

Amortized cost method (straight-line method)

Other securities:

Marketable securities:

Stated at fair value based on the market price as of the end of the financial period (Unrealized holding gains/losses are reported as a net amount in a component of shareholders’ equity. Cost of sale is calculated based on moving average method).

Non-marketable securities

Stated at cost based on moving average method.

(b) Inventories

Merchandise and finished goods

Stated at of cost using the gross average method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability)

Uoei Shoten Corporation adopts the cost method based on the retail method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability).

Work in process

Stated at cost based on the specific cost method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability).

(2) Depreciation/ amortization of major depreciable/ amortizable assets

(a) Property, plant and equipment (Excluding lease assets)

The Group mainly applies the declining-balance method to depreciate assets, but cloud service-related assets and some assets of consolidated subsidiaries are depreciated through the application of the straight-line method. If the acquisition price of the asset to be depreciated is over ¥100,000 and less than ¥200,000, it is depreciated evenly over three (3) years. Useful life is as follows:

Buildings	3-34 years
Other	3-20 years

(b) Intangible assets (Excluding lease assets)

Software for in-house use

Software for in-house use is depreciated using the straight-line method over its useful life (5 years).

Software for sale

Software for sale is depreciated by the larger of either of the amount calculated based on projected sales volume or the amount from the straight-line method over the period for which they are expected to remain salable (3 years).

Other

Straight-line method

(c) Lease assets

Lease assets concerning finance lease transactions not accompanying the transfer of property rights

Of lease transactions other than those deemed to accompany the transfer of property rights to lessees, lease transactions that commenced before the start of the initial year of the application of the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) are accounted for in a manner similar to the accounting treatment for regular lease transactions.

(3) Accounting standards for allowances/provisions

(a) Allowance for doubtful accounts

To prepare for losses incurred through bad debts, the amount of potential loss is calculated by using the historical loss ratio in case of non-classified loans/receivables. Potential losses for classified loans/receivables are individually assessed.

(b) Provision for quality assurance

In projects related to open system consultation and system development (IT consulting services and Package & Service), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients after sales are stated in order to resolve problems that were unforeseeable at the time of the signing of the contract or as of the close of accounting period. There are instances where the Company and its consolidated subsidiaries provide such services without compensation in order to guarantee quality standards that will fully satisfy its customers in IT consulting services and Package & Service.

To prepare for additional cost of sales in IT consulting services and Package & Service that may arise after sales are stated, estimated amount of such additional cost, calculated based on past experience, is stated in the provision for quality assurance.

(c) Provision for loss on projects

In projects related to open system consultation and system development (IT consulting services and Package & Service), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients in order to resolve problems that were unforeseeable at the time of the signing of the contract.

To prepare for future loss in IT consulting services and Package & Service, estimated amount of such loss in and after the following fiscal year is stated in the provision for loss on projects, concerning ongoing projects for which loss is projected to be incurred as of the end of the fiscal year under review and for which it is possible to rationally estimate the amount of loss.

(d) Provision for bonuses

In order to set aside funds for the payment of bonuses to employees at consolidated subsidiaries, the estimated amount of expenses for bonus payments in the fiscal year under review is set aside in the reserve for bonuses account.

(e) Provision for office transfer expenses

To prepare for the payment of office transfer expenses, the amount estimated to be incurred is stated.

(f) Provision for point card certificates

To prepare for the use of point card certificates granted under a point card certificate system that is designed for sales promotion at consolidated subsidiaries, the estimated amount to be used in the future, calculated based on the past use ratio, is stated in the provision for point card certificates.

(4) Standard for translating important foreign currency-denominated assets or liabilities into Japanese currency

Monetary claims or liabilities in foreign currencies are translated into yen at spot foreign exchange rates on the consolidated settlement date, with translation differences recognized as gains or losses. Assets and liabilities of overseas subsidiaries, etc., are translated into yen at spot exchange rates on the consolidated settlement date. Revenues and expenses of overseas subsidiaries, etc., are translated into yen at the average exchange rate for the fiscal year. The resultant translation differences are included in Foreign currency translation adjustment and Minority interests under Net assets.

(5) Standards for recognizing important income and expenses

(a) The extent to which a project has advanced by the end of the fiscal year under review is calculated according to the percentage of completion method (Progress rate is estimated in proportion to cost.)

(b) Other projects

Completed contract method

(6) Amortization of goodwill

Goodwill is amortized evenly over its useful life.

If the monetary value of goodwill is not material, it is treated as a loss in the fiscal year in which it occurs.

(7) Cash and cash equivalents

“Cash (cash and cash equivalents)” included in the consolidated statements of cash flow include cash in hand, demand deposits, and short-term investments readily convertible to cash with minimum price risk.

(8) Other material information concerning the compiling of financial statements

Accounting treatment of consumption taxes, etc.

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(Changes in accounting policies)

Changes in accounting policies that are difficult to distinguish from changes in accounting estimates

(Changes in depreciation method)

In accordance with the revision of the Corporation Tax Act of Japan, the depreciation method of the Company and its domestic consolidated subsidiaries for property, plant and equipment acquired on or after January 1, 2013, has been changed to the method under the revised act from the fiscal year under review.

(Accounting standards not applied)

None

(Notes to consolidated balance sheets)

*1. Investments in affiliates

(in thousands of yen)

	Fiscal 2012 (December 31, 2012)	Fiscal 2013 (December 31, 2013)
Investment securities (stocks)	¥555,070	¥511,521

*2. Total asset impairment losses are included in accumulated depreciation.

*3. Lawsuit

Fiscal 2012 (December 31, 2012)

The Company initiated legal action in the Tokyo District Court relating to payment of contract fees, etc. (¥1,462 million) against NITTO DENKO CORPORATION as of November 30, 2009.

The Company delivered the deliverables on September 4, 2009 in accordance with an agreement with NITTO DENKO. However, NITTO DENKO did not recognize the action by the Company as delivery and refused to pay the contract fees etc. Against this backdrop, the Company initiated legal action.

Fiscal 2013 (December 31, 2013)

The Company initiated legal action in the Tokyo District Court relating to payment of contract fees, etc. (¥1,462 million) against NITTO DENKO CORPORATION as of November 30, 2009.

The Company delivered the deliverables on September 4, 2009 in accordance with an agreement with NITTO DENKO. However, NITTO DENKO did not recognize the action by the Company as delivery and refused to pay the contract fees etc. Against this backdrop, the Company initiated legal action.

(Notes to consolidated statements of income and comprehensive income)

*1. Total of provision of allowance for loss on projects

Amount of provision of allowance for loss on projects included in cost of sales

(in thousands of yen)

Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
¥9,300	¥160,100

*2. Total amount of research and development expenses

Research and development expenses included in selling, general and administrative expenses

(in thousands of yen)

Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
¥23,459	¥119,811

*3. Breakdown of loss on retirement of noncurrent assets

(in thousands of yen)

Fiscal 2012 (from January 1, 2012 to December 31, 2012)		Fiscal 2013 (from January 1, 2013 to December 31, 2013)	
Software	-	Software	¥105,190
Other	-	Other	¥1,963
Total	-	Total	¥107,154

*4. Impairment loss

The Group reported impairment losses of the following asset groups.

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

None

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

(1) Main assets on which impairment losses were recognized

Use	Type	Location
Idle asset	Land	Daisencho, Tottori Prefecture
Web business	Software	-

(2) Background of the recognition of impairment losses

(i) Land

The Group wrote down the book value of idle land in Daisencho, Tottori Prefecture, for which it has no specific plan for future use, to the recoverable amount, and recognized the difference between the book value and the recoverable value as an impairment loss.

(ii) Software

The Group reviewed business plans at subsidiaries. As a result, the Group wrote down the book values of asset groups in the Web business to their recoverable values.

(3) Amounts of impairment losses

	(in thousands of yen)
Land	¥13,394
Software	¥27,743
Total	¥41,138

(4) Asset grouping method

The Company groups assets by businesses for management accounting, which it regards as the smallest units that generate almost independent cash flows. However, with regard to idle assets that are not used directly for business, each idle asset is considered to constitute a group.

(5) Calculation method of recoverable amounts

(i) Land

The recoverable value is calculated from the net selling price. The net selling price is calculated by rationally adjusting the assessed value against those of fixed assets and market prices in the neighborhood.

(ii) Software

The Company measures recoverable amounts based on use value, and calculates the use value of such assets as an estimate of future cash flows after estimating the use value based on future cash flows.

*5. Reclassification adjustment and tax effects relating to other comprehensive income

(in thousands of yen)

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Valuation difference on available-for-sale securities:		
Amount accrued	¥3,404	¥134,028
Reclassification adjustment		
Before tax	¥3,404	¥134,028
Tax effects	(¥1,213)	(¥47,767)
Valuation difference on available-for-sale securities	¥2,190	¥86,260
Foreign currency translation adjustment:		
Amount accrued	(¥24,415)	(¥46,440)
Share of other comprehensive income of associates accounted for using equity method		
Amount accrued	¥3,376	9,226
Total other comprehensive income	(¥18,847)	49,046

(Notes to consolidated statements of changes in net assets)

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

1. Matters related to the types and numbers of outstanding stocks and treasury stocks

	Number of stocks at the beginning of this fiscal year	Number of stocks increased during this fiscal year	Number of stocks decreased during this fiscal year	Number of stocks at the end of this fiscal year
Outstanding stocks				
Common stock	476,640	-	-	476,640
Total	476,640	-	-	476,640
Treasury stock				
Common stock	20,008	6,400	-	26,408
Total	20,008	6,400	-	26,408

(Overview of reasons for change)

Purchase of treasury stock approved by the resolution of the Board of Directors meeting held on February 7, 2012: 6,400 shares

2. Matters related to dividends

(1) Dividends paid

Resolution	Stock type	Total dividend amount (in thousands of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on March 22, 2012	Common stock	342,474	750	December 31, 2011	March 23, 2012
Meeting of Board of Directors held on July 26, 2012	Common stock	337,674	750	June 30, 2012	September 21, 2012

(2) Among dividends for which the record date falls within the fiscal year under review, the dividend for which the effective date of payment falls in the next fiscal year is as follows:

Resolution	Stock type	Total dividend amount (in thousands of yen)	Source of funds for dividends	Dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on March 26, 2013	Common stock	337,674	Retained earnings	750	December 31, 2012	March 27, 2013

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

1. Matters related to the types and numbers of outstanding stocks and treasury stocks

	Number of stocks at the beginning of this fiscal year	Number of stocks increased during this fiscal year	Number of stocks decreased during this fiscal year	Number of stocks at the end of this fiscal year
Outstanding stocks				
Common stock	476,640	47,187,360	-	47,664,000
Total	476,640	47,187,360	-	47,664,000
Treasury stock				
Common stock	26,408	3,014,392	-	3,040,800
Total	26,408	3,014,392	-	3,040,800

(Overview of reasons for change)

Increase in the number of outstanding stocks due to the stock split conducted on July 1, 2013: 47,187,360 shares

Purchase of treasury stock approved by the resolution of the Board of Directors meeting held on February 7, 2013: 4,000 shares

Increase in the number of treasury stocks due to the stock split conducted on July 1, 2013: 3,010,392 shares

2. Matters related to dividends

(1) Dividends paid

Resolution	Stock type	Total dividend amount (in thousands of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on March 26, 2013	Common stock	337,674	750	December 31,2012	March 27, 2013
Meeting of Board of Directors held on July 26, 2013	Common stock	334,674	750	June 30, 2013	September 24, 2013

(2) Among dividends for which the record date falls within the fiscal year under review, the dividend for which the effective date of payment falls in the next fiscal year is as follows:

Resolution	Stock type	Total dividend amount (in thousands of yen)	Source of funds for dividends	Dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on March 25, 2014	Common stock	356,985	Retained earnings	8.00	December 31, 2012	March 26, 2013

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Dividend per share reflects the said stock split.

(Notes to consolidated statements of cash flows)

*1. Cash and cash equivalents at the end of the fiscal year and amounts stated in consolidated balance sheet

(in thousands of yen)

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Cash and deposits	¥4,156,343	¥6,892,910
Short-term investment securities	¥28,329	¥65
Cash and cash equivalents:	¥4,184,672	¥6,892,975

*2. Breakdown of assets and liabilities of the companies that have become consolidated subsidiaries through the purchase of shares

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

The breakdown of assets and liabilities upon consolidating eSPORTS Co., Ltd., which is included within the scope of consolidation through the acquisition of shares, and the relationship between the acquisition price of shares and expenditure (net value) for the acquisition of shares are as follows:

(in thousands of yen)

Current assets	183,531
Noncurrent assets	7,539
Goodwill	117,730
Current liabilities	(31,913)
Noncurrent liabilities	(1,498)
Minority interests	(79,390)
Acquisition price of shares in newly consolidated subsidiary	196,000
Balance of cash and cash equivalents of newly consolidated subsidiary	(131,564)
Expenditure for acquisition of shares in newly consolidated subsidiary	64,435

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

The breakdown of assets and liabilities upon consolidating eSPORTS Co., Ltd., which is included within the scope of consolidation through the acquisition of shares, and the relationship between the acquisition price of shares and expenditure (net value) for the acquisition of shares are as follows:

(in thousands of yen)

Current assets	544,979
Noncurrent assets	38,243
Goodwill	809,945
Current liabilities	(343,169)
Noncurrent liabilities	-
Minority interests	-
Acquisition price of shares in newly consolidated subsidiary	(1,050,000)
Balance of cash and cash equivalents of newly consolidated subsidiary	50,632
Expenditure for acquisition of shares in newly consolidated subsidiary	(999,367)

*3. Breakdown of assets and liabilities that increased as a result of business succession
Fiscal 2012 (from January 1, 2012 to December 31, 2012)

The breakdown of assets and liabilities succeeded from ACCESS CO., LTD. through the business transfer, and income earned through business succession are as follows:

	(in thousands of yen)
Current assets	182,129
Noncurrent assets	247
Current liabilities	(107,168)
Negative goodwill	(75,209)
Consideration for business succession	0
Cash and cash equivalents	8,240
Income earned through business succession	8,240

4. Important non-fund transaction

(in thousands of yen)

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Increase in asset retirement obligations	¥6,387	¥43,416

(Lease transactions)

(Lessee)

1. Finance lease transactions

Finance lease transactions not accompanying the transfer of property rights

1) Lease assets

None

2) Depreciation of lease assets

As stated in Significant Accounting Policies Regarding the Preparation of Consolidated Financial Statements ‘4. Accounting policies (2) Depreciation/amortization of major depreciable/ amortizable assets.

Of Finance lease transactions not accompanying the transfer of property rights, lease transactions that commenced before the start of the initial year of the application of the ‘Accounting Standard for Lease Transactions’ (Accounting Standard Board of Japan Statement No. 13) are accounted for in a manner similar to the accounting treatment for regular lease transactions.

(1) Acquisition cost equivalents, accumulated depreciation equivalents, accumulated impairment loss equivalents and book value equivalents of leased properties

(in thousands of yen)

	Fiscal 2012 (December 31, 2012)			
	Acquisition cost equivalents (thousands of yen)	Accumulated depreciation equivalents (thousands of yen)	Accumulated impairment loss equivalents (thousands of yen)	Book value equivalents (thousands of yen)
Property, plant and equipment	¥146,745	¥101,682	¥42,059	¥3,003
Intangible assets	¥5,294	¥5,001	¥122	¥170
Total	¥152,039	¥106,683	¥42,181	¥3,173

(in thousands of yen)

	Fiscal 2013 (December 31, 2013)			
	Acquisition cost equivalents (thousands of yen)	Accumulated depreciation equivalents (thousands of yen)	Accumulated impairment loss equivalents (thousands of yen)	Book value equivalents (thousands of yen)
Property, plant and equipment	¥3,035	¥607	-	¥2,428
Intangible assets	-	-	-	-
Total	¥3,035	¥607	-	¥2,428

(2) Future lease payments obligation and balance of lease asset impairment loss account at the end of fiscal year

(in thousands of yen)

	Fiscal 2012 (December 31, 2012)	Fiscal 2013 (December 31, 2013)
Future lease payments obligation		
Due within one year	¥8,366	¥599
Due after one year	¥297	¥1,841
Total	¥8,663	¥2,440
Balance of lease asset impairment loss account at the end of fiscal year	¥4,606	-

(3) Lease payments, reversal of lease asset impairment loss account, depreciation expense equivalents and impairment loss

(in thousands of yen)

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Lease payments	¥34,452	¥8,962
Reversal of lease asset impairment loss account	¥12,645	¥4,606
Depreciation expense equivalents	¥17,954	¥3,780
Interest expense equivalents	¥1,277	¥109

(4) Calculation method of depreciation expense equivalents
Depreciation equivalents are calculated using the straight-line method over the lease terms without residual value.

(5) Calculation method of interest expense equivalents
The difference between total lease payments and acquisition cost equivalents of leased assets is recognized as interest expense equivalents and allocated over the lease term by the interest method.

(Impairment loss)

There are no impairment losses allocated to lease assets.

(Securities)

1. Held-to-maturity bonds

   Fiscal 2012 (December 31, 2012)

   None

   Fiscal 2013 (December 31, 2013)

   None

2. Other securities:

   Fiscal 2012 (December 31, 2012)

(in thousands of yen)

	Type	Amount stated in B/S	Acquisition cost	Difference
Securities stated in B/S whose amount exceeds acquisition cost	(1) Stocks	62,509	49,657	12,852
	(2) Bonds			
	1) Central/local government bonds	-	-	-
	2) Bonds payable	-	-	-
	3) Other	-	-	-
	(3) Other	-	-	-
	Subtotal	62,509	49,657	12,852
Securities stated in B/S whose amount does not exceed acquisition cost	(1) Stocks	53,470	65,070	(11,600)
	(2) Bonds			
	1) Central/local government bonds	-	-	-
	2) Bonds payable	-	-	-
	3) Other	-	-	-
	(3) Other	28,329	28,329	-
	Subtotal	81,799	93,399	(11,600)
Total		144,308	143,056	1,252

(Note) Unlisted stocks, etc. (amount stated in B/S: ¥1,222,915 thousand) are not included in ‘Other securities’ in the table above, since there are no market prices for them and it is deemed to be extremely difficult to determine their market values.

Fiscal 2013 (December 31, 2013)

(in thousands of yen)

	Type	Amount stated in B/S	Acquisition cost	Difference
Securities stated in B/S whose amount exceeds acquisition cost	(1) Stocks	191,938	56,656	135,281
	(2) Bonds			
	1) Central/local government bonds	-	-	-
	2) Bonds payable	-	-	-
	3) Other	-	-	-
	(3) Other	-	-	-
	Subtotal	191,938	56,656	135,281
Securities stated in B/S whose amount does not exceed acquisition cost	(1) Stocks	70	70	-
	(2) Bonds			
	1) Central/local government bonds	-	-	-
	2) Bonds payable	-	-	-
	3) Other	-	-	-
	(3) Other	65	65	-
	Subtotal	135	135	-
Total		192,073	56,792	135,281

(Note) Unlisted stocks, etc. (amount stated in B/S: ¥1,040,915 thousand) are not included in 'Other securities' in the table above, since there are no market prices for them and it is deemed to be extremely difficult to determine their market values.

3. Other securities sold

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

None

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

(in thousands of yen)

Type	Profits on sale	Total profits on sale	Total losses on sale
(1) Stocks	451,773	213,773	-
(2) Bonds			
1) Central/local government bonds	-	-	-
2) Bonds payable	-	-	-
3) Other	-	-	-
(3) Other	-	-	-
Total	451,773	213,773	-

4. Securities for which impairment losses are recognized

None

(Derivative transactions)

There are no applicable items, since the Group does not utilize derivative transactions.

(Retirement benefits)

None

(Stock options)

1. Details, scale and fluctuation status of stock options

(1) Details of stock options

	Stock options of 2005	
Classification and number of grantees	Director of the Company	5
	Employee of the Company	467
	Director of subsidiary of the Company	1
	Employee of subsidiary of the Company	6
Number of stock options	Common stock:	8,000 shares
Date of grant	August 25, 2005	
Right allotment conditions	Having continued to work from the date of grant (August 25, 2005) to the date of right allotment (August 24, 2008)	
Subject service period	From August 25, 2005 to August 24, 2008	
Exercise period	From August 25, 2008 To March 23, 2015	

(2) Scale and fluctuation status of stock options

Stock options that existed in the fiscal year under review are subject. The number of stock options is converted into and presented in the number of shares.

1) Number of stock options

		Stock option of 2005
Before right allotment	(Share)	
End of the previous fiscal year		-
Grant		-
Lapse		-
Right allotment		-
Balance of stock options not allotted		-
After right allotment	(Share)	
End of the previous fiscal year		302,000
Right allotment		-
Exercise of right		-
Lapse		35,200
Balance of stock options not exercised		266,800

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. The number of stock options is converted into and presented in the number of shares after the said stock split

2) Unit price information

		Stock option of 2005
Exercise price	(Yen)	653
Average stock price at the time of exercise	(Yen)	-
Fair assessed unit price (Date of grant)	(Yen)	-

(Tax effect accounting)

1. Breakdown of major causes for deferred tax assets and liabilities

(in thousands of yen)

	Fiscal 2012 (December 31, 2012)	Fiscal 2013 (December 31, 2013)
[Current]		
Deferred tax assets		
Enterprise tax payable	42,285	81,131
Provision for quality assurance	4,316	4,602
Provision for loss on projects	5,131	65,985
Excess amount over maximum provision for bonuses	34,593	54,698
Accrued business office taxes	11,892	13,023
Losses carried forward for tax purposes	179,611	-
Provision for office transfer expenses	13,433	-
Loss on valuation of inventories	-	20,376
Other	5,357	8,868
Subtotal of deferred tax assets	296,621	248,686
Valuation allowance	(142,959)	(31,110)
Total deferred tax asset	153,662	217,576
Deferred tax liabilities		
Retirement expenses for asset retirement obligations	425	394
Others	-	1,238
Total deferred tax liabilities	425	1,632
Net deferred tax assets	153,237	215,944
[Non-current]		
Deferred tax assets		
Losses carried forward for tax purposes	868,240	855,876
Depreciation excess	356,299	267,494
Loss on valuation of investment securities	199,780	199,780
Asset retirement obligations	113,102	128,259
Other	4,033	2,395
Subtotal of deferred tax assets	1,541,455	1,453,804
Valuation allowance	(1,301,161)	(1,313,414)
Total deferred tax asset	240,294	140,391
Deferred tax liabilities		
Temporary difference of future addition in consolidated accounting	58,016	50,759
Retirement expenses for asset retirement obligations	15,629	22,922
Valuation difference on available-for-sale securities	-	46,166
Other	1,225	-
Total deferred tax liabilities	74,871	119,847
Net deferred tax assets	165,423	9,022

(Note) Net amount of deferred tax assets is included in the following items in the consolidated balance sheets.

	Fiscal 2012 (December 31, 2012)	Fiscal 2013 (December 31, 2013)
Current assets - Deferred tax assets	153,662	217,576
Noncurrent assets - Deferred tax assets	172,157	25,518
Current liabilities - Others	425	1,632
Noncurrent liabilities - Others	6,734	4,974

2. Breakdown of major reasons for significant differences between the normal effective statutory tax rate and the rate of income taxes after application of deferred tax accounting

	Fiscal 2012 (December 31, 2012)	Fiscal 2013 (December 31, 2013)
Normal effective statutory tax rate	40.7%	38.0%
(Adjustment)		
Amortization of goodwill	0.5%	2.1%
Accumulated earnings tax	-%	1.8%
Equity in (earnings) losses of affiliates	-%	0.6%
Valuation allowance	(1.2%)	(5.8%)
Inhabitant tax, flat-rate	1.3%	0.7%
Addition permanent difference	0.7%	0.3%
Effect of change in tax rate	0.3%	(0.1%)
Difference in tax rates applied to overseas subsidiaries	1.5%	4.0%
Effects of liquidation of consolidated subsidiaries	(0.9%)	-%
Other	(0.1%)	0.1%
Rate of income taxes after application of deferred accounting	42.8%	41.7%

3. Revision of amounts of deferred tax assets and liabilities due to change in normal effective statutory tax rate

(Fiscal 2012) (from January 1, 2012 to December 31, 2012)

The ‘Act on Partial Revision of the Income Tax Act, etc. to Build Tax System Conforming to Changes in the Structure of Economic Society’ (Law No. 114 of 2011) and the ‘Act on Special Measures Concerning Security of Financial Resources Necessary for Implementation of Measures for Restoration from the Great East Japan Earthquake’ (Law No. 117 of 2011) were promulgated on December 2, 2011, and the corporate tax rate will be reduced and special restoration corporate tax will be imposed from the consolidated fiscal year that starts on or after April 1, 2012. As a result, the normal effective statutory tax rate to be used to calculate deferred tax assets and liabilities will be reduced from former 40.7% to 38.0% for temporary differences that are expected to be resolved in the consolidated fiscal year that starts on January 1, 2013 to the consolidated fiscal year that starts on January 1, 2015, and to 35.6% for those that are projected to be resolved in or after the consolidated fiscal year that starts on January 1, 2016.

As a result of the change, the amount of deferred tax assets (excluding the amount of deferred tax liabilities) decreased ¥22,947 thousand, while corporate tax adjustments increased ¥22,839 thousand.

(Business combinations)

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

(Business combination through acquisition)

Succession of media service business of ACCESS CO., LTD., including publication, through a corporate split by Zakura Inc., which is a consolidated subsidiary of the Company

1. Overview of business consolidation

   (1) Name and business activities of splitting company

   Name of splitting company: ACCESS CO., LTD.

   Business activities: Media service business including publication

   (2) Main reasons for business combination

   With this business combination, we aim to provide new services in many fields, centering on a well-known publication, which transcend the distribution of content.

   (3) Date of business combination

   January 31, 2012

   (4) Legal form of business combination

   Corporate split in which ACCESS CO., LTD. is the splitting company and Zakura Inc. (the Company's consolidated subsidiary) is the succeeding company.

   (5) Name of company after business combination

   Zakura Inc. (renamed Tokyo Calendar Inc. on February 1, 2012)

2. Period of operating results of the acquired business, which is included in the consolidated financial statements

   From February 1, 2012 to December 31, 2012

3. Acquisition cost of acquired business and breakdown

Consideration for acquisition	Cash	0 Thousand Yen
Acquisition cost		0 Thousand Yen

4. Amount of gain on bargain purchase and cause

   (1) Amount of gain on bargain purchase

   75,209 Thousand Yen

   (2) Cause of occurrence

   Negative goodwill was incurred because net assets acquired through investments exceeded acquisition cost.

Converting Life Sciences Computing Corporation (hereinafter “Life Sciences Computing”) and its subsidiary DigitalGlobe, Inc. (hereinafter “DigitalGlobe“) into subsidiaries of the Company

1. Overview of business combination

    (1) Name and business activities of the acquired company

Name of the acquired company:	Life Sciences Computing Corporation DigitalGlobe, Inc.
Business activities:	Development and sales of software for the medical sector

    (2) Main reasons for business combination

    Because the Group aims to further aggressively expand operations into the healthcare field by combining Life Sciences Computing’s medical-related solutions with the Company’s technologies, expertise, and client network.

    (3) Date of business combination

    March 31, 2012

    (4) Legal form of business combination

    Acquisition of shares

    (5) Name of the company after business combination

    Life Sciences Computing Corporation

    DigitalGlobe, Inc.

    (6) Acquired voting right ratio

    51.9%

    (7) Main ground for deciding the company to be acquired

    Because the Company acquired 51.9% of the voting rights of Life Sciences Computing through the acquisition of shares in exchange for cash.

2. Period of operating results of the acquired company, which is included in the consolidated financial statements

    April 1, 2012 to December 31, 2012

3. Acquisition cost of the acquired company and its breakdown

Consideration for acquisition	Cash	196,000 Thousand Yen
Acquisition cost		196,000 Thousand Yen

4. Amount of goodwill that occurred, cause of occurrence, amortization method and amortization period

    (1) Amount of goodwill that occurred

    117,730 Thousand Yen

    (2) Cause of occurrence

    Additional profitability mainly expected from a further aggressive expansion of operations into the healthcare field by combining of Life Sciences Computing’s medical-related solutions with the Company’s technologies, expertise and client network

    (3) Amortization method and amortization period

    Equal amortization over three years

5. Amount of assets received and obligations taken over on the date of business combination and their breakdown

Current assets	183,531 Thousand Yen
Noncurrent assets	7,539
Total assets	191,071
Current liabilities	(31,913)
Noncurrent liabilities	(1,498)
Total liabilities	(33,411)

6. Estimated amounts of impact on the consolidated statements of income and comprehensive income for fiscal 2013 on the assumption that the business combination was completed on the first day of fiscal 2013, and the method of calculation:

Net sales	49,125 Thousand Yen
Operating income	(3,730 Thousand Yen)

(Calculation method of estimated amounts)

The estimated amounts of impact were calculated according to the difference between net sales and profits/losses, computed on the assumption that the business combination was completed on the day of fiscal year starting consolidated accounting, and net sales and profits/losses in the acquirer’s Consolidated statements of income and comprehensive income.

This note has not been subjected to audit certification.

(Transactions, etc. under common control)

Absorption-type merger of Life Sciences Computing, a subsidiary of the Company, and DigitalGlobe, a subsidiary of Life Sciences Computing

1. Overview of business combination
   (1) Name of subject business and its business activities

   Name of business: Development and sales of software for the medical sector

   Business activities: Customization, support, and OEM of the OpenDolphin system

   (2) Date of business combination

   December 31, 2012

   (3) Legal form of business combination

   Absorption-type merger in which Life Sciences Computing (a subsidiary of the Company) is the succeeding company of the absorption-type merger, and DigitalGlobe (a subsidiary of Life Sciences Computing), is the company absorbed by the absorption-type merger

   (4) Name of company after business combination

   Life Sciences Computing Corporation

   (5) Other matters concerning overview of transactions

   The absorption-type merger is aimed at expanding operations in the medical business by embarking on the development and sales of an electronic medical chart, a key tool for clinics, following sales of medical image systems.

2. Overview of implemented accounting treatment

   Pursuant to the ‘Accounting Standard for Business Combinations’ (ASBJ Statement No. 21, December 26, 2008) and the ‘Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures’ (ASBJ Guidance No. 10, December 26, 2008), transactions are treated as those under common control.

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

(Business combination through acquisition)

Turning eSPORTS Co., Ltd. into a subsidiary

1. Overview of business combination

   (1) Name and business activities of the acquired company

   Name of the acquired company: eSPORTS Co., Ltd.

   Business activities: Sales of sports and outdoor gear on the Internet

   (2) Main reasons for business combination

   As one of its medium-term strategies, the Group creates new services using its ideas and IT. It aims to expand businesses in the EC area by investing the intellectual property and know-how the Company has cultivated into eSPORTS Co., Ltd.

   (3) Date of business combination

   June 30, 2013

   (4) Legal form of business combination

   Acquisition of shares

   (5) Name of the company after business combination

   eSPORTS Co., Ltd.

   (6) Acquired voting right ratio

   100%

   (7) Main ground for deciding the company to be acquired

   Because RI Partners Limited Liability Association, which is owned by Future Investment Corp., a subsidiary of the Company, acquired 100% of the voting rights of eSPORTS Co., Ltd. through acquisition of shares in exchange for cash.

2. Period of operating results of the acquired company, which is included in the consolidated financial statements

   July 1, 2013 to December 31, 2013

3. Acquisition cost of the acquired company and its breakdown

Consideration for acquisition	Cash	1,050,000 Thousand Yen
Acquisition cost		1,050,000 Thousand Yen

4. Amount of goodwill that occurred, cause of occurrence, amortization method and amortization period

   (1) Amount of goodwill that occurred

   809,945 Thousand Yen

   (2) Cause of occurrence

   Future excess earning power expected from business development from now on

   (3) Amortization method and amortization period

   Equal amortization over five years

5. Amount of assets received and obligations taken over on the date of business combination and their breakdown

Current assets	544,979 Thousand Yen
Noncurrent assets	38,243
Total assets	583,223
Current liabilities	(343,169)
Noncurrent liabilities	-
Total liabilities	(343,169)

6. Estimated amounts of impact on the Consolidated statements of income and comprehensive income for fiscal 2013 on the assumption that the business combination was completed on the first day of fiscal 2013, and the method of calculation:

Net sales	2,788,085 Thousand Yen
Operating income	129,380 Thousand Yen

(Calculation method of estimated amounts)

The estimated amounts of impact were calculated according to the difference between net sales and profits/losses, computed on the assumption that the business combination was completed on the day of fiscal year starting consolidated accounting, and net sales and profits/losses in the acquirer's consolidated statements of income and comprehensive income.

This note has not been subjected to audit certification.

(Transactions, etc. under common control)

Absorption-type merger of the Company and ABM Corporation, a subsidiary of the Company

1. Overview of business combination
   (1) Name of subject business and its business activities

   Name of business: IT consulting business

   Business activities: Development, sales, and consulting regarding managerial accounting packages

   (2) Date of business combination

   January 1, 2013

   (3) Legal form of business combination

   Absorption-type merger, in which the Company is the surviving company, and ABM Corporation is absorbed by the absorption-type merger.

   (4) Name of company after business combination

   Future Architect, Inc.

   (5) Other matters concerning overview of transactions

   The Company aims at aggregating management resources, while further enhancing services for financial institutions by adding the ABC package software, which has been offered by ABM, to the service lineup of the Company, in addition to the provision of cloud services, in the Company's cloud computing services for financial institutions.

2. Overview of implemented accounting treatment

   Pursuant to the 'Accounting Standard for Business Combinations' (ASBJ Statement No. 21, December 26, 2008) and the 'Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures' (ASBJ Guidance No. 10, December 26, 2008), transactions are treated as those under common control.

(Asset retirement obligations)

Of asset retirement obligations, those stated in the consolidated balance sheets

a) Overview of the relevant asset retirement obligations

   Obligation of restoration to original condition following conclusion of real estate lease agreements on offices, including the head office, and stores

b) Calculation method of the amount of the relevant asset retirement obligations

   The amount of asset retirement obligations is calculated by estimating the usable period to be seven to 20 years from the acquisition and using discount rate of 0.726% to 1.186%.

c) Increase/decrease in total amount of the relevant asset retirement obligations

(in thousands of yen)

	Fiscal 2012 Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Balance at the beginning of the period (Note 1)	309,408	315,796
Increase due to acquisition of property, plant and equipment	3,603	52,241
Adjustment due to passage of time	2,986	3,206
Decrease due to fulfillment of asset retirement obligations	(1,700)	(12,031)
Other increase (decrease)	1,498	-
Balance at the end of the period (Note 2)	315,796	359,213

(Note) 1. "Balance at the beginning of the period" for fiscal 2012 is the balance resulting from application of the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

2. Total asset retirement obligations (current liabilities) and asset retirement obligations (noncurrent liabilities)

(Real estate, including lease)

Real estate, including lease, is omitted, since its total is of little significance in terms of monetary amounts.

(Segment information)

a. Segment information

1. Overview of reportable segments

The reportable segments of the Group are constituent units of the Company for which separate financial information can be obtained, and the Board of Directors examines such information on a regular basis to determine the allocation of management resources and evaluate business performance.

The Group defines the classification of business segments by comprehensively taking into account main services, solutions, customers and markets, and has four reportable segments: the IT Consulting Business, the Package & Service Business, the New Media & Web Service Business, and the Corporate Revitalization Business.

The business operations of the four reportable segments are as follows:

Reportable segments	Business operations
IT Consulting Business	In this business, the Group helps clients solve problems, by sharing management issues with them from a managerial perspective, understanding the essence of the clients' businesses and establishing information systems for them using advanced IT.
Package & Service Business	To introduce or provide via cloud and ASP operations software packages for highly specialized fields, such as sales management and ERP, and provide consigned development, and educational and IT services to help clients improve their operational efficiency.
New Media & Web Service Business	To create original services that have not existed so far in the Media and Web service area
Corporate Revitalization Business	To get deeply involved in the management team of client firms, revitalize client firms through drastic reform focusing on IT, and establish success models for each industry.

2. Methods of calculating net sales, income or loss, assets, liabilities, and other items by reportable segment

Accounting procedures for reportable business segments are as described in "Significant Accounting Policies Regarding the Preparation of Consolidated Financial Statements."

Income of reportable segments is based on operating income.

Inter-segment sales and transfers are based on market prices.

3. Information on amounts of net sales, income or loss, assets, and other items by reportable segment

I Fiscal 2012 (from January 1, 2012 to December 31, 2012)

(in thousands of yen)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in financial statements (Note 3)
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalization Business	Total				
Net sales									
Net sales to outside clients	14,788,300	3,844,629	282,005	4,437,983	23,352,918	290	23,353,208	-	23,353,208
Inter-segment sales or transfer	55,296	544,678	1,002	1,160	602,137	-	602,137	(602,137)	-
Total	14,843,596	4,389,307	283,007	4,439,144	23,955,055	290	23,955,346	(602,137)	23,353,208
Segment income (loss)	1,745,047	279,236	(151,275)	29,345	1,902,354	(3,837)	1,898,516	36,541	1,935,058
Segment assets	9,935,630	2,115,468	(151,275)	543,489	12,873,209	2,434,245	15,307,455	(477,265)	14,830,189
Other items									
Depreciation	191,506	42,254	819	29,390	263,970	-	263,970	-	263,970
Amortization of goodwill	85,003	-	-	-	85,003	-	85,003	-	85,003
Increase in property, plant and equipment and intangible assets	705,049	27,376	-	18,002	750,428	53,498	803,926	-	803,926

(Note) 1. "Others," a segment not included in the reportable segments, include securities investment, holding, and management activities.

2. Adjustment to segment income (loss) "¥36,541 thousand" and adjustment to segment assets "-¥477,265 thousand" are adjustments to inter-segment transactions.

3. Segment income (loss) is adjusted with operating income in consolidated financial statements.

II Fiscal 2013 (from January 1, 2013 to December 31, 2013)

(in thousands of yen)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in financial statements (Note 3)
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalization Business	Total				
Net sales									
Net sales to outside clients	19,660,032	3,855,988	1,976,419	4,577,350	30,049,790	-	30,049,790	-	30,049,790
Inter-segment sales or transfer	47,599	721,985	1,350	2,521	773,456	-	773,456	(773,456)	-
Total	19,707,631	4,577,973	1,977,769	4,559,872	30,823,247	-	30,823,247	(773,456)	30,049,790
Segment income (loss)	2,959,679	373,177	(51,843)	46,067	3,327,082	(1,182)	3,325,899	26,994	3,352,893
Segment assets	12,618,510	2,523,712	1,655,080	782,612	17,579,916	1,634,606	19,214,523	10,544	19,225,067
Other items									
Depreciation	310,838	32,537	34,130	32,706	410,212	-	410,212	-	410,212
Amortization of goodwill	111,330	-	80,944	-	192,325	-	192,325	-	192,325
Increase in property, plant and equipment and intangible assets	370,250	32,749	14,684	61,415	479,099	-	479,099	-	479,099

(Note) 1. "Others," a segment not included in the reportable segments, include securities investment, holding, and management activities.

2. Adjustment to segment income (loss) "¥26,994 thousand" and adjustment to segment assets "¥10,544 thousand" are adjustments to inter-segment transactions.

3. Segment income (loss) is adjusted with operating income in consolidated financial statements.

4. Matters related to changes in reportable segments

(Changes in reportable segments)

In the second quarter of the current consolidated fiscal year under review, the Company acquired all shares of eSPORTS to include it in the scope of consolidation. In the third quarter, as the importance of eSPORTS increased, the Company added the "New Media & Web Service Business" as a new reportable segments, and included eSPORTS' business in the new segment. The business of Tokyo Calendar, which was included in "Others" in the previous consolidated fiscal year, was accordingly changed to be included in the added segment "New Media & Web Service Business."

Segment information for the previous consolidated fiscal year was stated based on the new classification of reportable segments.

b. Related information

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

1. Information by product and service

   Information by product and service is omitted because similar information is disclosed in Segment information.

2. Geographical segment information

   (1) Net sales

   Net sales of domestic operations for external clients account for more than 90% of net sales in the consolidated statements of income. Net sales are therefore omitted.

   (2) Property, plant and equipment

   The amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of property, plant and equipment in the consolidated balance sheets. Property, plant and equipment are therefore omitted.

3. Information by major client

   Of the sales to outside clients, no clients account for 10% or more of the net sales contained in the consolidated statements of income. Therefore, information organized by major client is omitted.

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

1. Information by product and service

   Information by product and service is omitted because similar information is disclosed in Segment information.

2. Geographical segment information

   (1) Net sales

   Net sales of domestic operations for external clients account for more than 90% of net sales in the consolidated statements of income. Net sales are therefore omitted.

   (2) Property, plant and equipment

   The amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of property, plant and equipment in the consolidated balance sheets. Property, plant and equipment are therefore omitted.

3. Information by major client

   Of the sales to outside clients, no clients account for 10% or more of the net sales contained in the consolidated statements of income. Therefore, information organized by major client is omitted.

c. Information on noncurrent asset impairment losses by reportable segment

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

None

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

(in thousands of yen)

	Reportable segments					Others (Note)	Total	Corporate or elimination	Total
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalization Business	Total				
Impairment loss	-	-	27,743	-	27,743	13,394	41,138	-	41,138

d. Information on amortization and unamortized balance of goodwill by reportable segment

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

(in thousands of yen)

	Reportable segments					Others (Note)	Total	Corporate or elimination	Total
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalization Business	Total				
Amortization during the period	85,003	-	-	-	85,003	-	85,003	-	85,003
Balance at the end of the period	195,332	-	-	-	195,332	-	195,332	-	195,332

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

(in thousands of yen)

	Reportable segments					Others (Note)	Total	Corporate or elimination	Total
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalization Business	Total				
Amortization during the period	111,330	-	80,994	-	192,325	-	192,325	-	192,325
Balance at the end of the period	94,754	-	728,951	-	823,705	-	823,705	-	823,705

e. Information on gain on bargain purchase by reportable segment

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

In the “New Media & Web Service Business,” Zakura Inc. (renamed Tokyo Calendar Inc. on February 1, 2012), which is a consolidated subsidiary of the Company, succeeded the media service business of ACCESS CO., LTD., including publication, through a corporate split, with January 31, 2012, as the effective date. Following the succession, gain on bargain purchase of ¥75,209 thousand was posted in the fiscal year under review.

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

None

(Related party information)

None

(Per share data)

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Net asset value per share Net income per share	¥258.65 ¥25.88 Fully diluted net income per share is not stated because the average stock price during the period is below the exercise price of stock acquisition rights and hence net income per share is not diluted.	¥288.99 ¥45.39 Fully diluted net income per share is not stated because the average stock price during the period is below the exercise price of stock acquisition rights and hence net income per share is not diluted.

(Notes) 1. Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Net asset value per share and net income per share were calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

2. Net income per share is calculated based on the following:

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Net income per share		
Net income (thousands of yen)	1,167,747	2,027,847
Amount not available for common shareholders to common shares (thousands of yen)	-	-
Net income attributable to common shares (thousands of yen)	1,167,747	2,027,847
Average outstanding shares of common stock during the period (shares)	45,120,826	44,674,713
Latent shares that have no dilution effect and thus are not included in the calculation of diluted net income per share	Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (Stock acquisition rights: 755 units) Common stock: shares 302,000	Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (Stock acquisition rights: 667 units) Common stock: shares 266,800

(Significant subsequent events)

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

Purchase of treasury stock

At the Board of Directors meeting of the Company held on February 7, 2013, the Company decided to purchase treasury stock pursuant to Article 156, Paragraph 1 of the Companies Act, applied by the reading of terms under provisions of Article 165, Paragraph 3 of the same act.

1. Details of the resolution
   (1) Reason for purchase of treasury stock
       Treasury stock will be purchased in order to carry out flexible capital policy to cope with changes in the management environment.
   (2) Type of stock to be purchased
       Common stock
   (3) Number of shares to be purchased
       4,000 (ceiling limit)
   (4) Total amount of stock acquisition price
       160,000,000 yen (ceiling limit)
   (5) Purchase method
       Purchase in the market through a trust bank
   (6) Purchase period
       From February 8, 2013 to March 22, 2013

2. Results of purchase
   (1) Number of shares purchased
       4,000
   (2) Total amount of shares purchased
       147,654,650 yen
   (3) Purchase period
       From February 8, 2013 to February 25, 2013

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

None

(Omission of disclosure)

Notes accompanying the financial instruments are omitted, because the necessity of their disclosure in the summary report of operating results is considered to be insignificant.

5. Non-consolidated Financial Statements

(1) Balance sheets

(in thousands of yen)

		Fiscal 2012 (December 31,2012)		Fiscal 2013 (December 31,2013)
Assets				
Current assets				
Cash and deposits		2,658,509		4,859,775
Accounts receivable-trade		2,657,475		2,773,204
Merchandise		-		735
Prepaid expenses		303,670		301,460
Deferred tax assets		66,926		146,315
Short-term loans receivable from subsidiaries and affiliates		70,000		90,480
Accounts receivable-other	*3	1,451,442	*3	1,637,314
Other		16,124		20,780
Total current assets		7,224,149		9,830,067
Noncurrent assets				
Property, plant and equipment				
Buildings		603,392		730,039
Accumulated depreciation		(442,496)		(485,249)
Buildings, net		160,896		244,790
Tools, furniture and fixtures		1,348,535		1,431,209
Accumulated depreciation		(1,008,657)		(1,117,001)
Tools, furniture and fixtures, net		339,878		314,208
Land		18,825		5,430
Total property, plant and equipment		519,599		564,429
Intangible assets				
Patent right		165		-
Right of trademark		497		532
Software		744,968		640,384
Other		10,710		10,810
Total intangible assets		756,342		651,727
Investments and other assets				
Investment securities		1,090,909		986,938
Stocks of subsidiaries and affiliates		1,628,871		1,206,603
Long-term loans receivable from subsidiaries and affiliates		1,830,018		3,138,117
Deferred tax assets		196,622		68,510
Lease and guarantee deposits		941,602		788,736
Other		15,236		15,236
Allowance for doubtful accounts	*1	(667,515)	*1	(1,142,399)
Allowance for investment loss	*1	(422,166)	*1	-
Total investments and other assets		4,613,578		5,061,743
Total noncurrent assets		5,889,519		6,277,900
Total assets		13,113,668		16,107,968

(in thousands of yen)

	Fiscal 2012 (December 31,2012)	Fiscal 2013 (December 31,2013)
Liabilities		
Current liabilities		
Accounts payable-trade	289,229	515,983
Accounts payable-other	430,703	536,625
Accrued expenses	-	601
Income taxes payable	501,263	898,777
Accrued consumption taxes	20,843	180,360
Advances received	42,943	20,573
Deposits received	189,532	161,766
Unearned revenue	185,422	191,303
Provision for quality assurance	3,174	-
Provision for loss on projects	13,500	173,600
Provision for office transfer expenses	35,342	-
Asset retirement obligations	11,789	-
Total current liabilities	1,723,743	2,679,591
Noncurrent liabilities		
Long-term loans payable	-	1,000,000
Asset retirement obligations	188,878	242,770
Total noncurrent liabilities	188,878	1,242,770
Total liabilities	1,912,621	3,922,361
Net assets		
Shareholders' equity		
Capital stock	1,421,815	1,421,815
Capital surplus		
Legal capital surplus	2,495,772	2,495,772
Total capital surplus	2,495,772	2,495,772
Retained earnings		
Legal retained earnings	27,748	27,748
Other retained earnings		
Retained earnings brought forward	8,648,233	9,694,186
Total retained earnings	8,675,982	9,721,935
Treasury stock	(1,393,328)	(1,540,983)
Total shareholders' equity	11,200,241	12,098,540
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	806	87,066
Total valuation and translation adjustments	806	87,066
Total net assets	11,201,047	12,185,607
Total liabilities and net assets	13,113,668	16,107,968

(2) Non-consolidated statements of income

(in thousands of yen)

		Fiscal 2012 (from January 1, 2012 to December 31, 2012)		Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Net sales				
IT Consulting service		13,501,414		17,491,875
Procurement services related to hardware		516,237		522,235
Total net sales		14,017,651		18,014,110
Cost of sales				
IT Consulting service	*1	7,993,105	*1	10,858,210
Procurement services related to hardware		406,524		431,633
Total cost of sales		8,399,630		11,289,843
Gross profit		5,618,021		6,724,267
Selling, general and administrative expenses				
Advertising expenses		311,261		279,083
Directors' compensations		132,385		145,908
Salaries and bonuses		1,756,850		1,273,860
Other salaries		125,474		114,292
Welfare expenses		71,225		168,401
Training expenses		89,160		91,247
Research and development expenses	*2	22,205	*2	103,770
Depreciation		52,865		33,928
Rent expenses		455,653		498,453
Recruiting expenses		175,151		228,614
Other		414,162		628,985
Total selling, general and administrative expenses		3,606,396		3,566,543
Operating income		2,011,624		3,157,723

(in thousands of yen)

		Fiscal 2012 (from January 1, 2012 to December 31, 2012)		Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Non-operating income				
Interest income	*3	16,613	*3	20,746
Dividends income		21,276		23,476
Group management expense	*3	36,541	*3	23,700
Foreign exchange gains		45,191		143,530
Other		2,343		3,664
Total non-operating income		121,967		215,117
Non-operating expenses				
Interest expenses		1,598		3,914
Commission for purchase of treasury stock		1,647		1,005
Other		262		212
Total non-operating expenses		3,508		5,132
Ordinary income		2,130,082		3,367,708
Extraordinary income				
Gain on sales of investment securities		-		213,773
Gain on extinguishment of tie-in shares		-		1,843
Gain on liquidation of subsidiaries and affiliates	*7	49,739		-
Total extraordinary income		49,739		215,616
Extraordinary loss				
Loss on retirement of noncurrent assets		-	*4	105,141
Impairment loss		-	*5	13,394
Litigation expenses		44,000		-
Provision of allowance for office transfer expenses		35,342		-
Provision of allowance for doubtful accounts	*6	138,857	*6	474,883
Provision of allowance for investment loss	*9	108,377		-
Loss on valuation of subsidiaries' stocks		-		100
Debt waiver loss from subsidiaries and affiliates	*8	11,000		-
Total Extraordinary losses		337,576		593,520
Income before income taxes		1,842,245		2,989,804
Income taxes-current		799,409		1,270,549
Income taxes-deferred		6,334		954
Total income taxes		805,743		1,271,503
Net income		1,036,501		1,718,300

Statement of cost of sales

1. IT Consulting service business

(in thousands of yen)

Item	Fiscal 2012 (from January 1, 2012 to December 31, 2012) Amount		Ratio (%)	Fiscal 2013 (from January 1, 2013 to December 31, 2013) Amount		Ratio (%)
I Labor expenses						
1. Salaries and bonuses	3,468,931			4,165,254		
2. Welfare expenses	494,070	3,963,001	49.5	554,866	4,720,120	43.3
II Subcontract expenses						
1. Subcontract expenses	2,902,410	2,902,410	36.3	4,587,674	4,587,674	42.1
III Overheads						
1. Transportation expenses	448,126			424,495		
2. Depreciation	116,543			241,752		
3. Rent expenses	393,406			509,095		
4. Supplies expenses	79,031			51,390		
5. Provision (reversal) of allowance for quality assurance	(58,116)			(3,174)		
6. Provision (reversal) of allowance for loss on projects	9,300			160,100		
7. Other	149,055	1,137,346	14.2	199,094	1,582,755	14.5
Total manufacturing expenses in the period		8,002,758	100.0		10,889,921	100.0
Work in process at the beginning of the period		-			-	
Total		8,002,758			10,889,921	
Work in process at the end of the period		-			-	
Transfer to other account		9,653			31,711	
Cost of sales		7,993,105			10,858,210	

(Note) Actual job-order costing for each project is used to compute costs.

2. Procurement services related to hardware

(in thousands of yen)

Item	Fiscal 2012 (from January 1, 2012 to December 31, 2012) Amount		Ratio (%)	Fiscal 2013 (from January 1, 2013 to December 31, 2013) Amount		Ratio (%)
Commodities inventories at the beginning of the period		-			-	
Product inventories at the beginning of the period		-			-	
Cost of purchased goods		406,509			432,363	
Purchase of finished goods		15			5	
Total		406,524			432,368	
Commodities inventories at the end of the period		-			735	
Product inventories at the end of the period		-			-	
Cost of sales		406,524			431,633	

(Note) Actual job-order costing for each project is used to compute costs.

(3) Statements of changes in net assets

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

(in thousands of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
	Capital stock	Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	1,421,815	2,495,772	2,495,772	27,748	8,291,880	8,319,628	(1,171,668)	11,065,547
Changes of items during the period								
Dividends from surplus					(680,148)	(680,148)		(680,148)
Net income					1,036,501	1,036,501		1,036,501
Purchase of treasury stock							(221,659)	(221,659)
Net changes of items other than shareholders' equity								
Total changes of items during the period	-	-	-	-	356,353	356,353	(221,659)	134,693
Balance at the end of the period	1,421,815	2,495,772	2,495,772	27,748	8,648,233	8,675,982	(1,393,328)	11,200,241

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of the period	(1,384)	(1,384)	11,064,163
Changes of items during the period			
Dividends from surplus			(680,148)
Net income			1,036,501
Purchase of treasury stock			(221,659)
Net changes of items other than shareholders' equity	2,190	2,190	2,190
Total changes of items during the period	2,190	2,190	136,884
Balance at the end of the period	806	806	11,201,047

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

(in thousands of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Capital stock	Legal capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	1,421,815	2,495,772	2,495,772	27,748	8,648,233	8,675,982	(1,393,328)	11,200,241
Changes of items during the period								
Dividends from surplus					(672,347)	(672,347)		(672,347)
Net income					1,718,300	1,718,300		1,718,300
Purchase of treasury stock							(147,654)	(147,654)
Net changes of items other than shareholders' equity								
Total changes of items during the period	-	-	-	-	1,045,953	1,045,953	(147,654)	898,298
Balance at the end of the period	1,421,815	2,495,772	2,495,772	27,748	9,721,935	9,721,935	(1,540,983)	12,098,540

	Valuation and translation adjustments		
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the period	806	806	11,201,047
Changes of items during the period			
Dividends from surplus			(672,347)
Net income			1,718,300
Purchase of treasury stock			(147,654)
Net changes of items other than shareholders' equity	86,260	86,260	86,260
Total changes of items during the period	86,260	86,260	984,559
Balance at the end of the period	87,066	87,066	12,185,607

(4) Notes to non-consolidated financial statements

(Notes regarding the premise of surviving company)

None

(Significant accounting policies)

1. Valuation standards and methods for assets

(1) Valuation standards and methods for securities

(a) Held-to-maturity bonds

Amortized cost method (straight-line method)

(b) Stocks issued by subsidiaries/affiliates

Stated at cost based on moving-average method.

(c) Other securities:

Marketable securities:

Stated at fair value based on the market price as of the end of the financial period (Unrealized holding gains/losses are reported as a net amount in a component of shareholders' equity. Cost of sale is calculated based on moving average method).

Non-marketable securities:

Stated at cost based on moving-average method.

(2) Valuation standards and method for inventories

Merchandise

Stated at lower of cost or market using the gross average method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability)

2. Depreciation method of fixed assets

(1) Property, plant and equipment

The declining-balance method is primarily applied for property, plant and equipment, while the straight-line method is applied for cloud service-related assets.

If the acquisition cost of the asset to be depreciated is over ¥100,000 and less than ¥200,000, it is depreciated evenly using straight-line method over three (3) years.

Useful life is as follows:

Buildings 3-31 years

Tools, furniture and fixtures 3-20 years

(2) Intangible assets

(a) Software for in-house use

Software for in-house use is depreciated using the straight-line method over its useful life (5 years).

(b) Software for sale

Software for sale is depreciated by the larger of either of the amount calculated based on projected sales volume or the amount from the straight-line method over the period for which they are expected to remain salable (3 years).

(c) Other

Straight-line method

3. Accounting standards for allowances/ provisions

(1) Allowance for doubtful accounts

To prepare for losses incurred through bad debts, the amount of potential loss is calculated by using the historical loss ratio in case of non-classified loans/receivables. Potential losses for classified loans/receivables are individually assessed.

(2) Provision for quality assurance

In projects related to open system consultation and system development (IT consulting services and Package & Service), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients after sales are stated in order to resolve problems that were unforeseeable at the time of the signing of the contract or as of the close of accounting period. There are instances where Future Architect provides such services without compensation in order to guarantee quality standards that will fully satisfy its customers in IT consulting services and Package & Service.

To prepare for additional cost of sales in IT consulting services and Package & Service that may arise after sales are stated, estimated amount of such additional cost, calculated based on past experience, is stated in the provision for quality assurance.

(3) Provision for loss on projects

In projects related to open system consultation and system development (IT consulting services and Package & Service), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients in order to resolve problems that were unforeseeable at the time of the signing of the contract.

To prepare for future loss in IT consulting services and Package & Service, estimated amount of such loss in and after the following fiscal year is stated in the provision for loss on projects, concerning ongoing projects for which loss is projected to be incurred as of the end of the fiscal year under review and for which it is possible to rationally

(4) Allowance for investment loss

To prepare for losses on investments in affiliated companies, estimated amount of potential losses, calculated in consideration of financial conditions and other characteristics of the relevant companies, is stated in the reserve for investment losses.

(5) Provision for office transfer expenses

To prepare for the payment of office transfer expenses, the amount estimated to be incurred is stated.

4. Standard for translating of important foreign currency-denominated assets and liabilities into Japanese currency

Monetary claims and liabilities in foreign currencies are translated into the yen at spot foreign exchange rates on the settlement date, with translation differences recognized as gains or losses.

5. Recognition standards for important income and expenses

Recognition standards for sales and cost of sales for IT consulting services

(1) Project whose results concerning the part that had advanced by the end of the fiscal year under review are deemed to be certain

Percentage of completion method (Progress rate is estimated in proportion to cost.)

(2) Other projects

Completed contract method

6. Other material information concerning the compiling of financial statements

Accounting treatment of consumption taxes, etc.

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(Change in accounting policies)

Changes in accounting policies that are difficult to distinguish from changes in accounting estimates

(Changes in depreciation method)

In accordance with the revision of the Corporation Tax Act of Japan, the depreciation method of the Company for property, plant and equipment acquired on or after January 1, 2013 has been changed to the method under the revised act from the fiscal year under review.

The impact of this change on profit and loss for the fiscal year under review is immaterial.

(Notes to balance sheets)

*1. Items concerning affiliates

Assets and liabilities in relation to affiliated companies, which are not separately stated, are as follows:

(in thousands of yen)

	Fiscal 2012 (December 31, 2012)	Fiscal 2013 (December 31, 2013)
Allowance for doubtful accounts	(¥667,515)	(¥1,142,399)
Allowance for investment loss	(¥422,166)	-

The sum of assets related to affiliated companies other than the above balance exceeded 1/100 of total assets, with the amount being ¥162,541 thousand for fiscal 2012.

2. Debt guarantees

Guarantee against trade accounts payable of affiliated company

(in thousands of yen)

	Fiscal 2012 (December 31, 2012)	Fiscal 2013 (December 31, 2013)
Uoei Shoten Corporation	89,584	97,205

*3. Lawsuit

Fiscal 2012 (December 31, 2012)

The Company initiated legal action in the Tokyo District Court relating to payment of contract fees, etc. (¥1,462 million) against NITTO DENKO CORPORATION as of November 30, 2009.

The Company delivered the deliverables on September 4, 2009 in accordance with an agreement with NITTO DENKO. However, NITTO DENKO did not recognize the action by the Company as delivery and refused to pay the contract fees etc. Against this backdrop, the Company initiated legal action.

Fiscal 2013 (December 31, 2013)

The Company initiated legal action in the Tokyo District Court relating to payment of contract fees, etc. (¥1,462 million) against NITTO DENKO CORPORATION as of November 30, 2009.

The Company delivered the deliverables on September 4, 2009 in accordance with an agreement with NITTO DENKO. However, NITTO DENKO did not recognize the action by the Company as delivery and refused to pay the contract fees etc. Against this backdrop, the Company initiated legal action.

(Notes to statements of income)

*1. Total of provision of allowance for loss on projects

Amount of provision of allowance for loss on projects included in cost of sales

(in thousands of yen)

Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
9,300	160,100

*2. Total amount of research and development expenses

Research and development expenses included in selling, general and administrative expenses

(in thousands of yen)

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
	22,205	103,770

*3. Transactions with group affiliates are summarized below:

(in thousands of yen)

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Interest income	14,215	20,107
Group management expense	36,541	23,700

*4. Breakdown of loss on retirement of fixed assets

(in thousands of yen)

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Software	-	105,141

*5. Impairment loss

The Group reported impairment losses of the following asset groups.

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

None

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

(1) Main assets on which impairment losses were recognized

Use	Type	Location
Idle asset	Land	Daisencho, Tottori Prefecture

(2) Background of the recognition of impairment losses

(a) Land

The Group reduced the book value of idle land in Daisencho, Tottori Prefecture, for which it has no specific plan for future use, to its recoverable amount, and recognized the difference between the book value and the recoverable value as impairment losses.

(3) Amounts of impairment losses

(in thousands of yen)

Land	13,394
Total	13,394

(4) Asset grouping method

The Company groups assets by businesses in terms of management accounting, which it regards as the smallest units that generate almost independent cash flows. However, with regard to idle assets that are not directly used for business, each idle asset is considered to constitute a group.

(5) Calculation method of recoverable amounts

(a) Land

The recoverable value is calculated from the net selling price. The net selling price is calculated by rationally adjusting the assessed value against those of fixed assets and market prices in the neighborhood.

*6. Provision of allowance for doubtful accounts is in relation to loans to affiliated companies.

*7. Gain on liquidation of subsidiaries and affiliates

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

Gain on liquidation of subsidiaries and affiliates resulting from liquidation of Associant Technology Inc.

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

None

*8. Debt waiver loss from subsidiaries and affiliates

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

Debt waiver loss from subsidiaries and affiliates resulting from debt waiver for ABM Corporation.

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

None

*9. Provision of allowance for investment loss

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

Provision of allowance for investment loss relates to stocks of subsidiaries and affiliates.

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

None

(Notes to statements of changes in net assets)

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

Type and number of treasury stock

	Number of shares at beginning of fiscal 2012	Increase in number of shares in fiscal 2012	Decrease in number of shares in fiscal 2012	Number of shares at end of fiscal 2012
Treasury stock				
Common stock	20,008	6,400	-	26,408
Total	20,008	6,400	-	26,408

(Overview of reasons for change)

Purchase of treasury stock approved by the resolution of the Board of Directors meeting held on February 7, 2012: 6,400 shares

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

Type and number of treasury stock

	Number of shares at beginning of fiscal 2013	Increase in number of shares in fiscal 2013	Decrease in number of shares in fiscal 2013	Number of shares at end of fiscal 2013
Treasury stock				
Common stock	26,408	3,014,392	-	3,040,800
Total	26,408	3,014,392	-	3,040,800

(Overview of reasons for change)

Purchase of treasury stock approved by the resolution of the Board of Directors meeting held on February 7, 2013: 4,000 shares

Increase in the number of treasury stocks due to the stock split conducted on July 1, 2013: 3,010,392 shares

(Lease transactions)

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

Lease transactions are omitted, since they are of little significance.

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

Lease transactions are omitted, since they are of little significance.

(Securities)

Shares in subsidiaries and affiliated companies (shares in subsidiaries stated on the B/S for fiscal 2013: ¥856,270 thousand; shares in affiliates stated on the B/S for fiscal 2013: ¥350,333 thousand; shares in subsidiaries stated on the B/S for fiscal 2012: ¥1,278,537 thousand; shares in affiliates stated on the B/S for fiscal 2012: ¥350,333 thousand) are not stated, because there are no market prices for them and it is deemed to be extremely difficult to determine their market values.

(Tax effect accounting)

1. Breakdown of major causes for deferred tax assets and liabilities

(in thousands of yen)

	Fiscal 2012 (December 31, 2012)	Fiscal 2013 (December 31, 2013)
[Current]		
Deferred tax assets		
Enterprise tax payable	39,638	70,001
Provision for office transfer expenses	13,433	-
Provision for quality assurance	1,206	-
Provision for loss on projects	5,131	65,985
Accrued business office taxes	7,516	8,170
Write-down of advance payments	-	2,158
Total deferred tax asset	66,926	146,315
[Non-current]		
Deferred tax assets		
Stocks of subsidiaries and affiliates	485,226	581,172
Allowance for investment loss	150,460	-
Excess amount over the maximum allowance for doubtful accounts	169,626	353,047
Depreciation excess	95,384	10,307
Asset retirement obligations	71,800	86,523
Net unrealized gain on available-for sale securities	3,763	(46,166)
Other	416	416
Subtotal of deferred tax assets	976,678	985,300
Valuation allowance	(769,935)	(898,842)
Total deferred tax asset	206,742	86,458
Deferred tax liabilities		
Retirement expenses for asset retirement obligations	10,120	17,947
Total deferred tax liabilities	10,120	17,947
Net deferred tax assets	196,622	68,510

2. Breakdown of main causes of difference between the normal effective statutory tax rate and the rate of income taxes after application of deferred tax accounting

	Fiscal 2012 (December 31, 2012)	Fiscal 2013 (December 31, 2013)
Normal effective statutory tax rate	40.7%	38.0%
(Adjustment)		
Accumulated earnings tax	-%	2.1%
Valuation allowance	3.7%	6.5%
Earnings excluded from dividends income	(0.2%)	(0.1%)
Inhabitant tax, flat-rate	0.4%	0.3%
Added permanent difference	0.7%	0.3%
Effect of change in tax rate	0.5%	-%
Effect of merger	-%	(4.5%)
Effects of liquidating consolidated subsidiaries	(2.1%)	-%
Other	-%	(0.1%)
Rate of income taxes after application of deferred tax accounting	43.7%	42.5%

(Business combinations)

Notes are omitted, because they are stated in ‘Notes to Consolidated Financial Statements (Business combination) in the consolidated financial statements.

(Asset retirement obligations)

Of asset retirement obligations, those stated in the consolidated balance sheets

a) Overview of the relevant asset retirement obligations

Obligation for restoration to original condition following conclusion of real estate lease agreements on offices, including the head office, and stores

b) Method of calculating the amount of the relevant asset retirement obligations

Asset retirement obligations are calculated by estimating the usable period to be seven to nine years from the acquisition and using a discount rate of 0.726% to 1.042%.

c) Increase/decrease in total amount of the relevant asset retirement obligations

(in thousands of yen)

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Balance at the beginning of the period	195,380	200,668
Increase due to acquisition of property, plant and equipment	3,603	52,242
Adjustment due to passage of time	1,684	1,891
Decrease due to fulfillment of asset retirement obligations	-	(12,031)
Other increase (decrease)	-	-
Balance at the end of the period	200,668	242,770

(Per share data)

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Net asset value per share	¥248.78	¥273.08
Net income per share	¥22.97	¥38.46
	Fully diluted net income per share is not stated because the average stock price during the period is below the exercise price of stock acquisition rights and hence net income per share is not diluted.	Fully diluted net income per share is not stated because the average stock price during the period is below the exercise price of stock acquisition rights and hence net income per share is not diluted.

(Notes) 1. Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Net asset value per share and net income per share were calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

2. Net income per share is calculated based on the following:

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)	Fiscal 2013 (from January 1, 2013 to December 31, 2013)
Net income per share		
Net income (thousands of yen)	1,036,501	1,718,300
Amount not available for common shareholders to common shares (thousands of yen)	-	-
Net income attributable to common shares (thousands of yen)	1,036,501	1,718,300
Average outstanding shares of common stock during the period (shares)	45,120,826	44,674,713
Latent shares that have no dilution effect and thus are not included in the calculation of diluted net income per share	Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (Stock acquisition rights: 755 units) Common stock 302,000 shares	Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (Stock acquisition rights: 667 units) Common stock 266,800shares

(Significant subsequent events)

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

Merger with consolidated subsidiary

The Company merged with ABM Corporation (hereinafter "ABM"), a consolidated subsidiary of the Company, through absorption on January 1, 2013 in accordance with a resolution of the Board of Directors meeting held on October 25, 2012.

(1) Purpose of merger

As the first Japanese consulting firm specializing in activity-based costing (ABC), ABM introduced many managerial accounting packages mainly to financial institutions and municipalities. ABM also provided the ABC function of cloud services for financial institutions, which the Company is promoting. The Company and ABM closely cooperated in its development. Then, the Company concluded a merger agreement with ABM to aggregate management resources, while further enhancing services for financial institutions by adding the ABC package software of ABM to the service lineup of the Company, in addition to the Company's provision of software for cloud services.

(2) Outline of merger

a) Schedule of merger

Date of Board of Directors meetings to approve merger agreement (both parties)	October 25, 2012
Date of conclusion of merger agreement	October 25, 2012
Effective date of merger	January 1, 2013

(Note) The Company conducted the merger through procedures for a simplified merger stipulated in Article 796, Paragraph 3 of the Companies Act, and ABM executed the merger through procedures for a short form merger provided for in Article 784, Paragraph 1 of the Companies Act, both without holding respective general meetings of shareholders to approve the merger.

b) Method of merger

The merger was an absorption-type merger, through which ABM was dissolved.

c) Allotment related to merger

Because the merger was an absorption-type merger with the Company's wholly-owned subsidiary, there will be no allotment of shares and capital stock increase as a result of the merger.

d) Overview of accounting procedures used

The merger was processed as a transaction under common control in accordance with the accounting procedures stipulated in the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

Purchase of treasury stock

Notes to the purchase of treasury stock are omitted, because they are stated in "Notes to Consolidated Financial Statements (Significant subsequent events)" in the consolidated financial statements.

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

None

6. Other

(1) Changes in Directors

None

(2) Other

Status of orders received (outstanding contracts)

(in thousands of yen)

	Fiscal 2012 (from January 1, 2012 to December 31, 2012)		Fiscal 2013 (from January 1, 2013 to December 31, 2013)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting Business	17,805,540	6,576,393	19,912,960	6,829,321
Package & Service Business	3,631,162	971,847	4,051,918	1,167,777
New Media & Web Service Business	290,496	12,740	439,829	13,870
Total	21,727,199	7,560,980	24,404,707	8,010,970

(Notes) 1. Business segments were changed in the first nine months of the current consolidated fiscal year under review, and the amounts for the twelve months of the previous fiscal year were stated based on the new classification of reportable segments.

2. Orders received include adjustments for exchange rate fluctuations.