March 10, 2014

Consolidated Financial Results for the Fiscal Year Ended January 31, 2014
(Japanese Accounting Standards)

Name of the Listed Company: **Poletowin Pitcrew Holdings, Inc.**
Listing: First Section of Tokyo Stock Exchange
Stock code: 3657
URL: http://www.poletowin-pitcrew-holdings.co.jp
Representative: Naoto Konishi, President
Contact Person: Joji Yamauchi, Chief Financial Officer
Tel: +81-3-5909-7911
Scheduled date of General Shareholders' Meeting: April 24, 2014
Scheduled date to file Securities Report: April 25, 2014
Scheduled date to commence dividend payments: April 25, 2014
Supplementary explanatory materials prepared: Yes
Explanatory meeting: Yes (For analysts and institutional investors)

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

1. Consolidated financial results for the fiscal year ended January 31, 2014 (from February 1, 2013 to January 31, 2014)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2014	13,879	27.7	2,144	16.8	2,290	21.5	1,205	29.4
January 31, 2013	10,866	29.9	1,835	43.9	1,885	47.2	932	43.0

(Note) Comprehensive income
For the year ended January 31, 2014: ¥1,613 million (73.5%)
For the year ended January 31, 2013: ¥930 million (42.7%)

	Net income per share	Diluted net income per share	Return on equity (ROE)	Ordinary income/ total assets	Operating income ratio
Fiscal year ended	Yen	Yen	%	%	%
January 31, 2014	63.55	61.82	17.7	26.8	15.5
January 31, 2013	53.35	51.86	17.7	28.4	16.9

(Reference) Equity in earnings of affiliates
For the year ended January 31, 2014: ¥− million
For the year ended January 31, 2013: ¥− million

(Note) The Company conducted stock splits on January 9, 2013, and on January 9, 2014, at a ratio of two shares of common stock per share of common stock. However, the figures for net income per share and diluted net income per share have been calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
January 31, 2014	9,228	7,494	81.2	394.28
January 31, 2013	7,866	6,154	78.2	324.85

(Reference) Equity
As of January 31, 2014: ¥7,494 million
As of January 31, 2013: ¥6,154 million

(Note) The Company conducted stock splits on January 9, 2013, and on January 9, 2014, at a ratio of two shares of common stock per share of common stock. However, the figures for net assets per share have been calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
January 31, 2014	1,239	(256)	(274)	4,959
January 31, 2013	1,199	(1,561)	848	4,199

2. Cash dividends

	Cash dividends per share					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividends on net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended January 31, 2013	–	0.00	–	30.00	30.00	284	28.1	5.2
Fiscal year ended January 31, 2014	–	0.00	–	16.00	16.00	304	25.2	4.4
Fiscal year ending January 31, 2015 (Forecasts)	–	0.00	–	16.00	16.00		25.1	

Notes:1. Although it conducted stock splits on January 9, 2013, and on January 9, 2014, at a ratio of two shares of common stock per share of common stock, the Company has not retroactively adjusted dividends, and has presented actual and forecast amounts.

2. Dividends for the year ended January 31, 2013 were ordinary dividends of ¥27 per share and a commemorative dividend of ¥3 per share to celebrate a stock listing on the First Section of TSE.

3. Consolidated financial forecasts for the fiscal year ending January 31, 2015 (from February 1, 2014 to January 31, 2015)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending July 31, 2014	7,162	3.8	974	(13.5)	977	(20.5)	490	(29.2)	25.82
Fiscal year ending January 31, 2015	14,961	7.8	2,183	1.8	2,186	(4.5)	1,211	0.5	63.74

Notes:

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

New: 1 (Pole To Win Europe Limited)

Excluded: 1 (Pole To Win America Hunt Valley, Inc.)

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

a. Changes in accounting standards due to revisions to accounting standards and other guidelines: Yes

b. Changes in accounting policies due to reasons other than a. above: No

c. Changes in accounting estimates: Yes

d. Restatement of revisions: No

(Note) For details, see the appended Consolidated Financial Statements (5): Notes to Consolidated Financial Statements (Changes in Accounting Policy) on page 19.

(3) Number of common shares issued

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

As of January 31, 2014 19,007,200 shares

As of January 31, 2013 18,947,200 shares

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

As of January 31, 2014 — shares

As of January 31, 2013 — shares

c. Average number of shares

For the year ended January 31, 2014 18,974,404 shares

For the year ended January 31, 2013 17,472,552shares

(Note) The Company conducted stock splits on January 9, 2013, and on January 9, 2014, at a ratio of two shares of common stock per share of common stock. However, the figures for the number of shares issued have been calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year.

(Reference) Summary of non-consolidated operating results

Non-consolidated financial results for the fiscal year ended January 31, 2014 (from February 1, 2013 to January 31, 2014)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2014	753	16.9	379	68.4	397	86.0	219	11.4
January 31, 2013	644	28.6	225	19.3	213	19.7	197	46.9

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
January 31, 2014	11.58	11.27
January 31, 2013	11.29	10.97

(Note) The Company conducted stock splits on January 9, 2013, and on January 9, 2014, at a ratio of two shares of common stock per share of common stock. However, the figures for net income per share and diluted net income per share have been calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
January 31, 2014	4,099	4,063	99.1	213.81
January 31, 2013	4,136	4,119	99.6	217.40

(Reference) Equity

As of January 31, 2014: ¥4,063 million

As of January 31, 2013: ¥4,119 million

(Note) The Company conducted stock splits on January 9, 2013, and on January 9, 2014, at a ratio of two shares of common stock per share of common stock. However, the figures for net assets per share have been calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year.

* Disclosure of status of audit procedures

This report falls outside the scope of audit procedures as laid out in the Financial Instruments and Exchange Act. As of the time of the release of this report, the audit procedures of the consolidated financial statements outlined in the Act had not been concluded.

* Proper use of earnings forecasts, and other special matters

(Disclaimer to forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors. For details on the conditions assumed and the cautionary notes and items in the financial forecasts, please refer to "(1) Analysis of Operating Results (ii) Earnings forecasts for the year ending January 31, 2015" under "Analysis of Operating Results and Financial Position" on page 6 of the Attachment Materials to this report.

(How to obtain Supplementary Information to the Financial Results and details of the earnings results briefing)

The Company discloses the Supplementary Information to the Financial Results on the TDnet on the same day. The Company plans to hold an earnings results briefing for institutional investors and analysts on Tuesday, March 11, 2014. Along with the earnings presentation materials, streaming video of the briefing session and content are scheduled to be promptly posted on the Company's website following the briefing.

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

(i) Operating Results in Year under Review

During the year under review, the Japanese economy showed signs of a gradual recovery amid the new government’s economic policies and financial measures and a turnaround in personal consumption. Nonetheless, there remain risks of downward pressure on the economy because of concerns that a consumption tax hike will dampen consumption and because of slowdowns in economies overseas.

Under those economic circumstances, the Poletowin Pitcrew Holdings Group saw rapid growth in the market for Web browser-based social games, native applications and other mobile game content undergirding its Testing/Verification & Evaluation Business, in step with the rising popularity of smartphones and tablet PCs. Furthermore, this application content is expected to grow progressively richer and more sophisticated, and the march of globalization should continue apace. These factors are anticipated to drive continued market expansion going forward. Frequent events and updates are essential after social games and native applications are launched. As a result, the importance of ongoing services in detecting defects (finding bugs) should rise. At the same time, in the consumer electronic game market sales have been favorable of new next-generation consoles launched around the world, confirming underlying demand for these dedicated machines. Looking ahead, the launch of new content for each platform is expected to expand globally as game platforms diversify, as exemplified by the distribution of games using game consoles, smartphones and tablet PCs, as well as via the cloud.

In online markets related to the Group’s Internet Monitoring Business, online shopping, video, e-book, and other forms of e-commerce are catching on against the backdrop of the growing popularity of smartphones and tablet PCs. This, in turn, is pushing up demand for monitoring postings and other types of user support services to make safe and reliable Internet access ubiquitous. In the e-commerce market, there is growing demand for handling merchandise checks, the review of Internet advertising based on the Pharmaceutical Affairs Act, the Act against Unjustifiable Premiums and Misleading Representations, and other laws and regulations, and for handling the rights infringement investigations and end-user inquiries and so forth. The recent focus in Japan on the issue of cyber-bullying has also prompted municipal boards of education to put efforts into monitoring youth Internet usage and providing Internet literacy education for students, parents and guardians.

The Group provides checking, testing, monitoring and inspection services that require human input on a contractual basis to corporate clients. The demand for such services has been growing as these clients have diversified and expanded overseas, and as business processes have become more advanced and sophisticated. In the year under review, the Company developed business units and increased the number of administrators in anticipation of future business expansion. Following the opening of the Shinjuku Studio in July 2013, Pole To Win Co., Ltd., relocated and increased the floor space of its Kyoto Studio in September and opened the Shinagawa Studio and the Meieki Studio in Nagoya in November 2013. In January 2014, Pole to Win Networks Co., Ltd., relocated its headquarters from Ota Ward, Tokyo, to a location in Minato Ward, Tokyo, that is more conveniently accessible and offers better office space efficiency. In December 2013, the Group established Pole to Win Korea Co., Ltd., in Gwangju, Korea, to pave the way for its development in Asia. In addition, PITCREW CO., LTD., increased the floor space of its Chubu Support Center in Nagoya in May 2013 and its Kitakyushu Support Center in July 2013. PITCREW COREOPS CO., LTD., opened the Okinawa BCP Center in October 2013. As a result, the Group's business units in Japan grew to 23 locations. Along with nine business units in six countries (the United States, the United Kingdom, China, Singapore, India, and Korea), this will serve to enhance worldwide collaboration among Group companies as we strive to provide a one-stop, full service platform in such areas as defect detection (finding bugs), localization, Internet monitoring, and user support. The Group is actively referred domestic and overseas clients to one another, providing clients with mutual introductions around the world, in order to deepen its transactions with each corporate client and expand business.

As a result, consolidated net sales for the year ended January 31, 2014, were ¥13,879,714 thousand (up 27.7% year on year), operating income was ¥2,144,980 thousand (up 16.8%), ordinary income was ¥2,290,580 thousand (up 21.5%) and net income was ¥1,205,800 thousand (up 29.4%).

Results by segment were as follows.

Testing/Verification & Evaluation Business

In the Testing/Verification & Evaluation Business, the growing popularity of smartphones has resulted in a sharp increase in the social games that users download directly as native applications, in addition to social games accessed using conventional Web browsers. Moreover, the higher level of functionality of smartphones relative to traditional handsets has made the game content of native applications more complex. Combined with growth in the scope of defect detection work for finding bugs per title, and in the numbers of titles, these trends led to the Group securing more orders for mobile content defect detection (finding bugs) services. The Group received defect detection orders for game software for consumer electronic game consoles centered on titles for the Nintendo 3DS. In defect detection work for finding bugs in amusement (pachinko and pachislot) equipment, growth was driven firmly by existing clients who were eagerly developing new models with enhanced entertainment features to win the support of end users, and by achievements in cultivating business with new clients. On top of that, an overseas subsidiary acquired in October 2012 fully contributed to performance in the year under review, helping overseas sales to exceed ¥1.9 billion as part of a steady expansion of foreign operations. In one example during the term, Group subsidiaries in Japan, the United States, the United Kingdom, China, and Singapore together received orders to handle inquiries from end-users of consumer electronic game console titles that a client launched globally. As a result, Testing/Verification & Evaluation Business sales increased 29.0% year on year, to ¥10,772,250 thousand. Operating income rose 12.7% to ¥1,973,260 thousand, a key factor being an increase in goodwill amortization owing to business relocation, establishment, and floor space costs, and foreign exchange fluctuations.

Internet Monitoring Business

In the Internet Monitoring Business, the Group received increased orders from Internet companies, reflecting their vigorous efforts to develop business in the e-commerce market. The orders were for merchandise check services for Internet shopping and auction sites and for reviews of advertisements based on the Pharmaceutical Affairs Act, the Act against Unjustifiable Premiums and Misleading Representations, and other laws and regulations, and also reflected increased demand for handling charges and product arrival inquiries from end-users. Demand grew for running legal and compliance checks of the proper operation of the broker websites of insurance companies in light of laws and regulations. Through a proposal-based bidding process, the Group has received steady orders for the online patrol of youth Internet usage, which it is providing to various municipal boards of education and private schools on a contract basis. In year under review, the Group received orders from 20 municipal governments and 15 private schools. At the same time, following on from fiscal 2012, the Ministry of Economy, Trade and Industry commissioned the Group to conduct the “Fiscal 2013 Research on Infrastructure Development in Japan’s Information-based Economy Society” program. By pressing ahead with vigorous planning- and proposal-driven sales activities, the Group captured orders from clients that switched from competitors. As a result of these and other factors, the Internet Monitoring Business saw net sales increase 21.3% year on year to ¥3,046,944 thousand, with operating income rising 187.5% to ¥182,619 thousand.

Others

In this segment, Palabra Inc. instituted a subtitle training curriculum to prepare for the advent of barrier-free motion pictures, and started producing barrier-free subtitles for television program and video production firms on contract. IMAid Inc. launched medical staffing services. Net sales for Others were ¥60,520 thousand (compared with ¥4,582 thousand in the same period the previous year), an operating loss of ¥104,157 thousand (compared to a ¥27,013 thousand loss a year earlier).

(ii) Earnings forecasts for the fiscal year ending January 31, 2015

Testing/verification and evaluation operations used to be performed before software launches. Now, various companies offer ongoing services in online sales, e-books, social games, and other areas. This has given rise to the need for both pre-launch and ongoing operational testing/verification and evaluation of such services. The need to support clients with both defect detection and Internet monitoring is also on the rise, as those online businesses also require monitoring against improper usage, Internet advertising reviews and other compliance checks, response to end-user inquiries and other support once they are in operation.

The Group’s domestic and overseas companies collaborate to comprehensively and globally supply Testing/Verification & Evaluation and Internet Monitoring in specializing in development and services for our client companies.

Segment projections for the year ending January 31, 2015 are as follows.

Testing/Verification & Evaluation Business

In Japan, we aim to increase our market share testing applications and social games for smartphones, amusement equipment, and consumer electronic game software. We will therefore reinforce our sales competitiveness in the market, deploy human resources initiatives to build close ties with clients and enhance our services, maintain testing equipment for new next-generation consoles, and continue to consistently deliver high-quality services.

Overseas, we will strengthen collaboration between nine business units in six countries and with domestic business units to assist with the global business expansions of overseas and Japanese companies. We will take advantage of prospects for further globalization in games and Internet services by expanding orders for testing/verification, localization, and user support services by local staffers. To that end, we will allocate more overseas business officers in Japan and reinforce sales collaboration between Group subsidiaries domestically and abroad.

Internet Monitoring Business

The number of users of Internet shopping and auction, e-book, and other e-commerce services has increased with the spread of smartphones and tablet PCs. In 2012, e-commerce markets represented just 3% of sales in Japan and 7% of sales in the United States, and have significant upside potential. Given that the future of the e-commerce business depends on the security and convenience of site operations, the Group seeks to expand orders for merchandise checks, advertising representation reviews, and end-user inquiries. The Group will leverage collaboration with the overseas units of the Test/Verification & Evaluation Business to cultivate the international deployment of the Internet Monitoring Business. The Group will therefore cultivate and hire people who can plan and deliver high-quality, value-added services and set up business sites.

Others

In its Cinematheque Movie Classes, Palabra Inc. is training subtitle creators to prepare for the advent of barrier-free motion pictures, and has started producing barrier-free subtitles for television program and video production firms under contract. IMAid Inc. is offering medical staffing services. We will explore and cultivate new businesses in the medical field.

As a result of these factors, for the year ending January 31, 2015, the Group projects consolidated net sales of ¥14,961 million (up 7.8%), operating income of ¥2,183 million (up 1.8%), ordinary income of ¥2,186 million (down 4.5%), and net income of ¥1,211 million (up 0.5%).

The Three-Year Plan presented in the Supplementary Information to the Financial Results for the Six Months Ended July 31, 2012, issued on September 7, 2012, targeted net sales of ¥14,451 million, operating income of ¥2,577 million, and net income of ¥1,607 million. At this juncture, management expects sales to exceed plan levels, with earnings lagging. That is because business has continued to expand beyond the scope anticipated when formulating that three-year initiative, while the establishment of a Korean subsidiary, higher personnel costs, and overheated competition have affected profits. The Group aims to reinforce its market competitiveness and maintain enhanced performance by boosting its sales clout and service quality, increasing personnel quality and numbers, beef up its business units and equipment, and supply high-quality, high-added services.

The earnings forecasts are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors.

(2) Analysis of Financial Position

(i) Assets, liabilities and net assets

Total Assets

Current assets rose ¥1,117,740 thousand or 18.9% from January 31, 2013, to ¥7,036,356 thousand. This was mainly attributable to a ¥760,131 thousand increase in cash and deposits and a ¥380,511 thousand increase in notes and accounts receivable-trade.

Noncurrent assets stood at ¥2,191,851 thousand, ¥244,089 thousand or 12.5% higher than at January 31, 2013. Key factors were a ¥142,976 thousand increase in goodwill owing to foreign exchange fluctuations and a ¥73,628 thousand rise in property, plant and equipment owing to new investments.

As a result, total assets increased by ¥1,361,830 thousand or 17.3% year on year to ¥9,228,208 thousand.

Liabilities

Current liabilities stood at ¥1,680,326 thousand at January 31, 2014, ¥90,572 thousand or 5.7% higher than at January 31, 2013. This was mainly attributable to a ¥132,774 thousand increase in accounts payable-other.

Noncurrent liabilities decreased ¥67,892 thousand or 55.8% to ¥53,815 thousand. This was mainly due to a ¥69,597 thousand decrease in long-term accounts payable-other.

As a result, total liabilities increased ¥22,679 thousand or 1.3% year on year to ¥1,734,142 thousand.

Net assets

Net assets increased ¥1,339,150 thousand or 21.8% to ¥7,494,065 thousand. This was mainly attributable to increases of ¥921,592 thousand in retained earnings and ¥404,905 thousand in foreign currency translation adjustments.

(ii) Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) as of January 31, 2014 were ¥4,959,929 thousand, up ¥760,131 thousand from January 31, 2013.

Cash flows for each activity and the reasons behind them are as follows.

Cash flows from operating activities

Operating activities provided net cash of ¥1,239,631 thousand compared to ¥1,199,512, thousand provided in the previous fiscal year. The main contributors to cash were ¥2,190,558 thousand in income before income taxes and minority interests, partly offset by ¥1,091,872 thousand in income taxes paid.

Cash flows from investing activities

Investing activities used net cash of ¥256,510 thousand compared to ¥1,561,898 million used in the previous fiscal year. The main uses of cash were ¥176,012 thousand in purchase of property, plant and equipment and ¥78,459 thousand in payments for lease and guarantee deposits.

Cash flows from financing activities

Financing activities used net cash of ¥274,817 thousand compared to ¥848,843 thousand provided in the previous fiscal year. This was partly offset by ¥284,208 thousand in cash dividends paid.

(Reference)

Trends in cash flow indicators are as shown below:

	Fiscal year ended January 31, 2010	Fiscal year ended January 31, 2011	Fiscal year ended January 31, 2012	Fiscal year ended January 31, 2013	Fiscal year ended January 31, 2014
Equity ratio (%)	71.5	70.1	80.4	78.2	81.2
Market value equity ratio (%)	—	—	195.6	196.7	347.3
Interest-bearing debt to cash flow ratio (Years)	1.0	0.3	0.0	—	—
Interest coverage ratio (Times)	53.7	194.0	430.7	1082.4	—

Equity ratio: equity / total assets
Market value equity ratio: market capitalization / total assets
Interest-bearing debt to cash flow ratio: interest-bearing debt / cash flow
Interest coverage ratio: cash flow / paid interest

Notes:
1. All indicators are calculated using consolidated financial figures.
2. Market capitalization is calculated based on the number of issued shares, less treasury stock, as of the end of the fiscal year. Equity ratios for the years ended January 31, 2010 and January 31, 2011 were omitted from this report, as the Company was not listed at the time.
3. The figure used for cash flow is "net cash provided by operating activities" in the consolidated statements of cash flows.
4. Interest-bearing debt includes all liabilities recorded in the consolidated balance sheets on which interest was paid.
5. The figure used for interest paid is "interest expenses paid" recorded in the consolidated statements of cash flows.

(iii) Basic Policy on Earnings Distribution for the Year Ended January 2014 and the Year Ending January 2015

The Company considers shareholder returns an important management issue. Management is taking into account the Group's overall financial position, including by factoring in the internal reserves needed to cultivate its businesses to maintain growth in the years ahead, in maintaining a basic policy of targeting a consolidated payout ratio of 25% on net income for the payment of one yearly dividend at the end of the year.

Management aims to allocate retained earnings for investment in ICT systems for responding to intensifying competition, and in increasing the employee headcount and otherwise driving future business development.

The Articles of Incorporation stipulate that the company may issue an interim dividend in accordance with Article 454-5 of the Companies Act of Japan. The Board of Directors determines interim dividends, while year-end dividends are determined by the General Meeting of Shareholders.

Subject to a resolution at the General Meeting of Shareholders scheduled for April 2014, the basic policy for the year ended January 31, 2014 is to pay a year-end dividend of ¥16 per share. The planned year-end dividend for the year ending January 31, 2015 is also ¥16 per share.

2. Management Policies

(1) Basic Management Policies of the Company

The Group has two core segments. One is the Testing/Verification & Evaluation Business, which detects defects to support software and hardware quality enhancement. The other is the Internet Monitoring Business, which supports sound growth of the Internet by detecting illegal and harmful information in various Web content, and improper use of the Web. With client companies relying more on information technology to manage their business processes and as the use of systems progresses, the Group provides services in business areas that ultimately require human input to check, test, monitor, and review. The Group's businesses currently focus on the video game and Internet sectors.

Based on its corporate philosophy "Create Customer Value," the Group's mission is to integrate the "things only people can do" with the "higher quality systems," and be an outstanding partner in providing client companies with user-friendly support services.

(2) Target Management Indicators

The Group prioritizes maintaining a certain business scale and profitability so it can consistently continue to provide support for enhancing corporate value as an outstanding partner of client companies. The Group thus positions net sales and return on sales as key management indicators.

(3) Medium- to Long-term Management Strategies and Issues Facing the Company

The video game business has globalized in recent years, expanding demand for localizing games and defect detection (finding bugs) by local staffers. The development of video games across multiple hardware platforms and simultaneous worldwide releases has broadened the scope of localization to various hardware and languages. Sophisticated project management is necessary to ensure that these tasks proceed at the same time. The Group expects demand for localization to not only European languages but also Asian ones to increase.

The popularization of smartphones and tablets has led to the creation of more convenient user environments for online services and content, notably in terms of the mass media, games, bulletin boards, social networking services, and e-commerce. At the same time, improper conduct on the Internet and the distribution of illegal and harmful information online has become a social issue. Incidents and mishaps stemming from problems online have occurred, and there is a growing interest in ensuring Internet safety and security.

Testing/verification and evaluation operations used to be before software launches. Now, various companies offer ongoing services in online sales, e-books, social games, and other areas. This has given rise to the need for both pre-launch and ongoing, operational testing/verification and evaluation of such services. The need to support clients with both defect detection and Internet monitoring is also on the rise, as those online businesses also require monitoring against improper usage, review of Internet advertising, response to inquiries and other support once they are operational.

The Group built businesses out of software and hardware testing/verification and evaluation and Internet monitoring to fulfill its corporate mission, which is that, "Ultimately, only people can conduct checks no matter how far systems advance." As a pioneer in testing/verification and evaluation and Internet monitoring services, the Group will strive to further increase its market share and deploy globally to broaden its geographical reach while creating new services to expand business with companies in other industries. At the same time, the Group recognizes the importance of enhancing our management and administrative structure, and will undertake management activities that reflect the following considerations in particular.

(i) Reinforce competitiveness in domestic market to maintain enhanced performance

As Japan's first specialist in the testing/verification and evaluation, and Internet monitoring fields, the Group created outsourcing markets. These markets for these fields are well established, and competition is overheating. With labor costs climbing, the Group aims to enhance its business competitiveness by deploying new personnel initiatives, reinforcing its sales clout, and cultivating high-quality, high-value-added services, thereby maintaining its enhanced performance in the domestic market.

(ii) Accelerate global business deployments to increase overseas sales

Management expects the sales and distribution of games to globalize even more in the game market in the years ahead through cloud-based game distribution for diversifying platforms, notably consoles, smartphones, and tablet PCs. In the Testing/Verification and Evaluation Business, the Group led the competition in establishing its first full-fledged overseas business unit, Pole to Win America, Inc., in May 2009. The Group now has nine business units (three in the United States, two in the United Kingdom, and one each in China, Singapore, India, and Korea) in six countries. The Group has allocated overseas business officers in Japan to reinforce collaboration between Group companies domestically and abroad and increase overseas sales.

(iii) Expand e-commerce support services

The number of users of Internet shopping and auction, e-book, and other e-commerce services has increased with the spread of smartphones and tablet PCs. In 2012, e-commerce markets represented just 3% of sales in Japan and 7% of sales in the United States, and have significant upside potential. In the Internet Monitoring Business, the Group seeks to expand orders for merchandise checks, advertising representation reviews, and end-user inquiries while leveraging collaboration with the overseas units of the Test/Verification & Evaluation Business to offer support services that accommodate the globalization of the e-commerce market.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2013 (As of January 31, 2013)	Fiscal 2014 (As of January 31, 2014)
Assets		
Current assets		
Cash and deposits	4,199,797	4,959,929
Notes and accounts receivable-trade	1,317,571	1,698,083
Deferred tax assets	72,509	76,413
Other	332,310	301,956
Allowance for doubtful accounts	(3,573)	(26)
Total current assets	5,918,616	7,036,356
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	150,083	239,429
Accumulated depreciation	(59,487)	(82,729)
Buildings and structures, net	90,596	156,699
Machinery, equipment and vehicles	2,438	2,785
Accumulated depreciation	(1,959)	(2,591)
Machinery, equipment and vehicles, net	479	194
Tools, furniture and fixtures	393,891	497,030
Accumulated depreciation	(263,087)	(358,416)
Tools, furniture and fixtures, net	130,804	138,614
Total property, plant and equipment	221,880	295,508
Intangible assets		
Goodwill	1,282,155	1,425,132
Software	36,014	28,861
Other	2,126	2,014
Total intangible assets	1,320,296	1,456,008
Investments and other assets		
Investment securities	45,528	50,808
Lease and guarantee deposits	255,296	314,833
Deferred tax assets	32,762	68,314
Other	71,997	16,843
Allowance for doubtful accounts	—	(10,465)
Total investments and other assets	405,584	440,333
Total noncurrent assets	1,947,761	2,191,851
Total assets	7,866,378	9,228,208

(Thousands of yen)

	Fiscal 2013 (As of January 31, 2013)	Fiscal 2014 (As of January 31, 2014)
Liabilities		
Current liabilities		
Accounts payable-other	732,361	865,136
Accrued expenses	36,078	44,680
Income taxes payable	604,629	527,893
Provision for bonuses	11,029	11,516
Other	205,655	231,100
Total current liabilities	1,589,754	1,680,326
Noncurrent liabilities		
Provision for retirement benefits	42,011	44,809
Long-term accounts payable-other	69,597	—
Deferred tax liabilities	—	7,180
Other	10,100	1,826
Total noncurrent liabilities	121,708	53,815
Total liabilities	1,711,463	1,734,142
Net Assets		
Shareholders' equity		
Capital stock	1,228,802	1,233,497
Capital surplus	1,275,257	1,279,952
Retained earnings	3,657,737	4,579,330
Total shareholders’ equity	6,161,797	7,092,780
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,239	11,501
Foreign currency translation adjustments	(15,121)	389,783
Total accumulated other comprehensive income	(6,882)	401,285
Total net assets	6,154,914	7,494,065
Total liabilities and net assets	7,866,378	9,228,208

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

(Thousands of yen)

	Fiscal 2013 (From February 1, 2012 to January 31, 2013)	Fiscal 2014 (From February 1, 2013 to January 31, 2014)
Net sales	10,866,038	13,879,714
Cost of sales	6,946,996	9,112,381
Gross profit	3,919,041	4,767,333
Selling, general and administrative expenses	2,083,085	2,622,352
Operating income	1,835,956	2,144,980
Non-operating income		
Interest income	1,115	1,032
Dividends income	10	92
Foreign exchange gains	39,496	120,699
Consumption tax adjustment	2,625	1,072
Insurance premiums refunded cancellation	732	5,855
Subsidy income	22,244	1,329
Insurance proceeds	—	3,778
Other	5,966	11,739
Total non-operating income	72,191	145,599
Non-operating expenses		
Interest expenses	1,109	—
Stock issuance cost	21,234	—
Other	6	—
Total non-operating expenses	22,350	—
Ordinary income	1,885,796	2,290,580
Extraordinary losses		
Loss on retirement of noncurrent assets	11,414	531
Loss on valuation of investment securities	2,128	—
Loss on valuation of investments in capital	31,499	—
Office transfer expenses	5,657	8,628
Loss on cancellation of development	—	36,228
Impairment loss	—	46,000
Other	3,199	8,633
Total extraordinary losses	53,899	100,022
Income before income taxes and minority interests	1,831,896	2,190,558
Income taxes-current	908,161	1,016,227
Income taxes-deferred	(8,361)	(31,469)
Total income taxes	899,799	984,757
Income before minority interests	932,097	1,205,800
Net income	932,097	1,205,800

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal 2013 (From February 1, 2012 to January 31, 2013)	Fiscal 2014 (From February 1, 2013 to January 31, 2014)
Income before minority interests	932,097	1,205,800
Other comprehensive income		
Valuation difference on available-for-sale securities	4,570	3,262
Foreign currency translation adjustments	(6,169)	404,905
Total other comprehensive income	(1,598)	408,167
Total comprehensive income	930,499	1,613,968
Comprehensive income attributable to:		
Owners of the parent	930,499	1,613,968

(3) Consolidated Statements of Changes in Net Assets
Fiscal 2013 (From February 1, 2012 to January 31, 2013)

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of current period	712,400	758,854	2,887,367	4,358,622
Changes of items during the period				
Issuance of new shares	516,402	516,402		1,032,805
Dividends from surplus			(161,728)	(161,728)
Net income			932,097	932,097
Net changes of items other than shareholders' equity				
Total changes of items during the period	516,402	516,402	770,369	1,803,174
Balance at the end of current period	1,228,802	1,275,257	3,657,737	6,161,797

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at the beginning of current period	3,668	(8,952)	(5,283)	4,353,338
Changes of items during the period				
Issuance of new shares				1,032,805
Dividends from surplus				(161,728)
Net income				932,097
Net changes of items other than shareholders' equity	4,570	(6,169)	(1,598)	(1,598)
Total changes of items during the period	4,570	(6,169)	(1,598)	1,801,576
Balance at the end of current period	8,239	(15,121)	(6,882)	6,154,914

Fiscal 2014 (From February 1, 2013 to January 31, 2014)

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of current period	1,228,802	1,275,257	3,657,737	6,161,797
Changes of items during the period				
Issuance of new shares	4,695	4,695		9,390
Dividends from surplus			(284,208)	(284,208)
Net income			1,205,800	1,205,800
Net changes of items other than shareholders' equity				
Total changes of items during the period	4,695	4,695	921,592	930,983
Balance at the end of current period	1,233,497	1,279,952	4,579,330	7,092,780

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at the beginning of current period	8,239	(15,121)	(6,882)	6,154,914
Changes of items during the period				
Issuance of new shares				9,390
Dividends from surplus				(284,208)
Net income				1,205,800
Net changes of items other than shareholders' equity	3,262	404,905	408,167	408,167
Total changes of items during the period	3,262	404,905	408,167	1,339,150
Balance at the end of current period	11,501	389,783	401,285	7,494,065

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal 2013 (From February 1, 2012 to January 31, 2013)	Fiscal 2014 (From February 1, 2013 to January 31, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	1,831,896	2,190,558
Depreciation and amortization	72,400	145,669
Amortization of goodwill	60,280	195,831
Impairment loss	—	46,000
Increase in allowance for doubtful accounts	793	6,233
Increase in provision for bonuses	1,647	486
Increase in provision for retirement benefits	8,948	2,798
Interest and dividends income	(1,126)	(1,124)
Interest expenses	1,109	—
Stock issuance cost	21,234	—
Foreign exchange (gains) losses	(17,686)	(68,752)
Loss on retirement of noncurrent assets	11,414	531
Loss on valuation of investment securities	2,128	—
Loss on valuation of investments in capital	31,499	—
Increase in notes and accounts receivable-trade	(64,045)	(334,915)
Increase in accounts receivable-other	(10,843)	(8,502)
Increase (decrease) in accounts payable-other	(96,651)	56,462
Increase in accrued expenses	15,972	7,553
Increase in deposits received	2,671	773
Other, net	31,084	90,776
Subtotal	1,902,731	2,330,378
Interest and dividends income received	1,126	1,124
Interest paid	(1,108)	—
Income taxes paid	(703,236)	(1,091,872)
Net cash provided by operating activities	1,199,512	1,239,631
Cash flows from investing activities		
Decrease in time deposits	20,813	—
Purchase of property, plant and equipment	(111,831)	(176,012)
Purchase of intangible assets	(8,366)	(13,179)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,403,482)	—
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	5,688	—
Purchase of investment securities	(3,528)	△92
Payments for transfer of business	(60,000)	—
Payments of loans receivable	(2,108)	(1,616)
Collection of loans receivable	522	1,702
Payments for lease and guarantee deposits	(42,781)	(78,459)
Proceeds from collection of lease and guarantee deposits	43,177	11,147
Net cash used in investing activities	(1,561,898)	(256,510)
Cash flows from financing activities		
Repayment of long-term loans payable	(1,000)	—
Proceeds from issuance of common stock	1,011,571	9,390
Cash dividends paid	(161,728)	(284,208)
Net cash provided by (used in) financing activities	848,843	(274,817)
Effect of exchange rate change on cash and cash equivalents	597	51,828
Net increase in cash and cash equivalents	487,055	760,131
Cash and cash equivalents at beginning of period	3,712,742	4,199,797
Cash and cash equivalents at end of period	4,199,797	4,959,929

(5) Notes to Consolidated Financial Statements

（Notes on Going Concern Assumption）

Not applicable

Changes in Accounting Policy

(Change in depreciation method)

Upon revision of the Corporation Tax Act of Japan, from the year under review the depreciation method based on the revised Act was applied to the property, plant and equipment acquired on or after February 1, 2013 by the Company and its domestic consolidated subsidiaries.

The effect of this change on operating income, ordinary income and income before income taxes and minority interests was immaterial for the year under review.

Segment Information

a. Segment Information

1. Overview of reporting segments

The Company's reporting segments are the compositional units of the Company for which separate financial information is available. They are periodically examined by the Board of Directors for the purpose of deciding on allocation of management resources and evaluating business results.

The Company consists of two main businesses: A Testing/Verification & Evaluation Business that carries out defect detection (finding bugs) in support of improvement in product quality of software and hardware, and an Internet Monitoring Business that detects illegal or harmful information in Web content, and improper use of the Web, in order to support sound Internet growth.

As a result, the Company is composed of two reporting segments with separate organizations and service characteristics: the Testing/Verification & Evaluation Business, and the Internet Monitoring Business.

In the Testing/Verification & Evaluation Business, the Company provides defect detecting (finding bugs), verification and evaluation, and translation services. In Internet Monitoring Business, the Company provides Internet monitoring and user support services.

2. Calculation methods for net sales, income and loss, assets and liabilities and other items by reporting segment

The accounting methods used for the reported business segments are the same as the accounting methods the Company applies for consolidated financial reporting purposes.

Segment income (loss) for reporting segments represents operating income (loss). Intersegment sales and transactions are based on prevailing market prices.

3. Net sales, income (loss), assets and other items by reporting segment
Fiscal year ended January 31, 2013 (From February 1, 2012 to January 31, 2013)

(Thousands of yen)

	Reporting segment			Others [*1]	Total	Adjustments [*2, 3, 4]	Amounts in the consolidated financial statements [*5]
	Testing/ Verification & Evaluation Business	Internet Monitoring Business	Total				
Net sales							
Sales to third parties	8,348,907	2,512,547	10,861,455	4,582	10,866,038	―	10,866,038
Inter-segment sales and transfers	7,102	6,207	13,309	17,280	30,589	(30,589)	―
Total	8,356,010	2,518,754	10,874,765	21,862	10,896,628	(30,589)	10,866,038
Segment income (loss)	1,751,595	63,516	1,815,111	(27,013)	1,788,098	47,857	1,835,956
Segment assets	6,333,533	784,578	7,118,112	150,778	7,268,890	597,487	7,866,378
Other items							
Depreciation and amortization	43,355	25,321	68,676	21	68,697	3,702	72,400
Increase in property, plant and equipment and intangible assets	172,545	14,847	187,392	1,938	189,331	2,186	191,518

*Notes:
1. Others covers operations not included in reporting segments, and mainly encompasses the market research, publishing, and media businesses.
2. Adjustment for segment income of ¥47,857 thousand comprises elimination of intersegment transactions of ¥447,371 thousand and unallocated corporate expenses of ¥399,513 thousand. Unallocated corporate expenses are mainly general administrative expenses.
3. Adjustment for segment assets of ¥597,487 thousand comprises elimination of intersegment transactions of -¥161,543 thousand and unallocated corporate assets of ¥759,031 thousand. Major components of the unallocated corporate assets are surplus operating funds (cash and deposits), long-term investment funds (investment securities) and assets pertaining to administrative divisions.
4. Adjustment for increase in property, plant and equipment and intangible assets of ¥2,186 thousand is unallocated corporate capital expenditures.
5. Segment income (loss) is adjusted against the operating income recorded in the consolidated income statement.

Fiscal year ended January 31, 2014 (From February 1, 2013 to January 31, 2014)

(Thousands of yen)

	Reporting segment			Others *1	Total	Adjustments *2, 3, 4	Amounts in the consolidated financial statements*5
	Testing/ Verification & Evaluation Business	Internet Monitoring Business	Total				
Net sales							
Sales to third parties	10,772,250	3,046,944	13,819,194	60,520	13,879,714	—	13,879,714
Inter-segment sales and transfers	17,319	7,969	25,289	2,880	28,169	(28,169)	—
Total	10,789,570	3,054,913	13,844,484	63,400	13,907,884	(28,169)	13,879,714
Segment income (loss)	1,973,260	182,619	2,155,880	(104,157)	2,051,722	93,257	2,144,980
Segment assets	6,045,870	982,842	7,028,713	119,686	7,148,399	2,079,808	9,228,208
Other items							
Depreciation and amortization	119,510	22,894	142,404	255	142,659	3,004	145,664
Increase in property, plant and equipment and intangible assets	157,794	20,373	178,168	—	178,168	—	178,168

*Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing, and media businesses.
2. Adjustment for segment income of ¥93,257 thousand comprises elimination of intersegment transactions of ¥462,037 thousand and unallocated corporate expenses of ¥368,779 thousand. Unallocated corporate expenses are mainly general administrative expenses.
3. Adjustment for segment assets of ¥2,079,808 thousand comprises elimination of intersegment transactions of -¥63 thousand and unallocated corporate assets of ¥2,079,871 thousand. Major components of the unallocated corporate assets are surplus operating funds (cash and deposits), long-term investment funds (investment securities) and assets pertaining to administrative divisions.
4. Adjustment for depreciation and amortization of ¥3,004 thousand is unallocated corporate capital expenditures.
5. Segment income (loss) is adjusted against the operating income recorded in the consolidated income statement.

b. Related information

Fiscal year ended January 31, 2013 (From February 1, 2012 to January 31, 2013)

1. Product- and services-specific information

Not presented, as information similar to segment information is already presented.

2. Geographical information

(1) Net Sales

Not presented, as sales to external customers in Japan account for more than 90% of sales in the Consolidated Statements of Income.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Asia	United States	Europe	Total
114,087	11,354	48,643	47,795	221,880

Note: From the year under review, Asia includes China and other Asian countries.

3. Key customer-specific information

Not presented, as no customer accounts for more than 10% of sales in the Consolidated Statements of Income.

Fiscal year ended January 31, 2014 (From February 1, 2013 to January 31, 2014)

1. Product- and services-specific information

Not presented, as information similar to segment information is already presented.

2. Geographical information

(1) Net Sales

(Thousands of yen)

Japan	Asia	United States	Europe	Total
11,952,542	35,887	918,440	972,844	13,879,714

Note: Sales are categorized by country or region based on customer locations.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Asia	United States	Europe	Total
133,403	33,182	49,839	79,083	295,508

3. Key customer-specific information

Not presented, as no customer accounts for more than 10% of sales in the Consolidated Statements of Income.

c. Information about impairment losses on property, plant and equipment by reporting segment

Fiscal year ended January 31, 2013 (From February 1, 2012 to January 31, 2013)

Not applicable

Fiscal year ended January 31, 2014 (From February 1, 2013 to January 31, 2013)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Monitoring Business	Others *	Corporate and Eliminations	Total
Impairment loss	—	—	46,000	—	46,000

*Note: Others covers operations not included in reporting segments, and mainly encompasses the publishing, and media businesses.

d. Information about amortization of goodwill and amortized balance by reporting segment

Fiscal year ended January 31, 2013 (From February 1, 2012 to January 31, 2013)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Monitoring Business	Others *	Corporate and Eliminations	Total
Amortization of goodwill	58,280	—	2,000	—	60,280
Amortized balance	1,224,155	—	58,000	—	1,282,155

*Notes: Others covers operations not included in reporting segments, and mainly encompasses the market research, publishing, and media businesses.

Fiscal year ended January 31, 2014 (From February 1, 2013 to January 31, 2014)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Monitoring Business	Others *	Corporate and Eliminations	Total
Amortization of goodwill	183,831	—	12,000	—	195,831
Amortized balance	1,425,132	—	—	—	1,425,132

*Notes: Others covers operations not included in reporting segments, and mainly encompasses the publishing, and media businesses.

e. Information about negative goodwill gains by reporting segment

Fiscal year ended January 31, 2013 (From February 1, 2012 to January 31, 2013)

Not applicable

Fiscal year ended January 31, 2014 (From February 1, 2013 to January 31, 2014)

Not applicable

(Per share information)

	Fiscal 2013 (From February 1, 2012 to January 31, 2013)	Fiscal 2014 (From February 1, 2013 to January 31, 2014)
Net assets per share	¥324.85	¥394.28
Net income per share	¥53.35	¥63.55
Diluted net income per share	¥51.86	¥61.82

Notes

1. The Company conducted stock splits on January 9, 2013, and on January 9, 2014, at a ratio of two shares of common stock per share of common stock. However, the figures for net assets per share, net income per share and diluted net income per share have been calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year.
2. The basis for calculating net income per share and diluted net income per share is as follows.

	Fiscal 2013 (From February 1, 2012 to January 31, 2013)	Fiscal 2014 (From February 1, 2013 to January 31, 2014)
Net income per share		
Net income (thousands of yen)	932,097	1,205,800
Amount not attributable to common stockholders (thousands of yen)	—	—
Net income per share of common stock (thousands of yen)	932,097	1,205,800
Average number of shares outstanding during period	17,472,552	18,974,404
Diluted net income per share		
Net income adjustment (thousands of yen)	—	—
Increase in number of shares of common stock	500,448	531,470
(Subscription rights to shares)	(500,448)	(531,470)
Because there was no dilutive effect, net income per share was not included in the calculation of diluted net income per share	—	—

(Significant Subsequent Events)

Not applicable