March 9, 2015

Consolidated Financial Results for the Fiscal Year Ended January 31, 2015

(Japanese Accounting Standards)

Name of 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 23, 2015
Scheduled date to file Securities Report:	April 24, 2015
Scheduled date to commence dividend payments:	April 24, 2015
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, 2015 (from February 1, 2014, to January 31, 2015)

(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, 2015	14,753	6.3	1,861	-13.2	1,879	-17.9	1,000	-17.0
January 31, 2014	13,879	27.7	2,144	16.8	2,290	21.5	1,205	29.4

(Note) Comprehensive income

For the year ended January 31, 2015: ¥1,226 million (-24.0%)

For the year ended January 31, 2014: ¥1,613 million (73.5%)

	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, 2015	52.60	51.84	12.6	19.0	12.6
January 31, 2014	63.55	61.82	17.7	26.8	15.5

(Reference) Equity in earnings of affiliates

For the year ended January 31, 2015: ¥― million

For the year ended January 31, 2014: ¥― million

(Note) The Company conducted a stock split 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, 2015	10,518	8,421	80.1	442.27
January 31, 2014	9,228	7,494	81.2	394.28

(Reference) Equity

As of January 31, 2015: ¥8,421 million

As of January 31, 2014: ¥7,494 million

(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, 2015	1,326	(686)	(298)	5,343
January 31, 2014	1,239	(256)	(274)	4,959

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, 2014	–	0.00	–	16.00	16.00	304	25.2	4.4
Fiscal year ended January 31, 2015	–	0.00	–	16.00	16.00	304	30.4	3.8
Fiscal year ending January 31, 2016 (Forecasts)	–	0.00	–	18.00	18.00		24.7	

3. Consolidated financial forecasts for the fiscal year ending January 31, 2016 (from February 1, 2015, to January 31, 2016)

(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, 2015	8,672	18.9	1,009	3.3	1,019	4.5	563	13.8	29.62
Fiscal year ending January 31, 2016	17,881	21.2	2,293	23.2	2,304	22.6	1,387	38.6	72.85

Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): No

(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: No

d. Restatement of revisions: No

(Note) For details, see the appended “Changes in Accounting Policy” under “(5) Notes to Consolidated Financial Statements” on page 20.

(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, 2015 19,041,200 shares

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

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

As of January 31, 2015 ー shares

As of January 31, 2014 ー shares

c. Average number of shares

For the year ended January 31, 2015 19,029,352 shares

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

(Note) The Company conducted a stock split 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, 2015

(from February 1, 2014, to January 31, 2015)

(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, 2015	754	0.2	327	-13.7	335	-15.5	282	28.5
January 31, 2014	753	16.9	379	68.4	397	86.0	219	11.4

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
January 31, 2015	14.83	14.62
January 31, 2014	11.58	11.27

(Note) The Company conducted a stock split 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, 2015	4,078	4,047	99.2	212.56
January 31, 2014	4,099	4,063	99.1	213.81

(Reference) Equity

As of January 31, 2015: ¥4,047 million

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

* 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, 2016,” 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 10, 2015. 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 remained somewhat weak but looked set for a mild recovery owing to an ongoing improvement in the employment and income climates and the impacts lower oil prices and government policies. At the same time, the nation faced such downward risks as weakening consumer sentiment and slowdowns in economies overseas.

It was against that backdrop the Poletowin Pitcrew Holdings Group's core Testing/Verification & Evaluation Business experienced ongoing growth in the social games market, which major developers of software for consumer electronic game consoles also entered, amid the rising popularity of smartphones and tablet PCs. To increase opportunities to steadily recoup their development expenses, social game developers increasingly deployed their offerings globally, just as has happened with consumer electronic game software. As a result, demand expanded for localization in multiple languages and for user support, augmenting services in detecting defects (bugs). At the same time, sales were favorable in the consumer electronic game market for new next-generation game consoles launched around the world. 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 markets related to the Group's Internet Monitoring Business, online shopping, flea market apps, video, e-book, and other forms of e-commerce are catching on. 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. A recent rise in the incidence of Internet usage problems among the young has prompted municipal boards of education to put efforts into monitoring youth Internet usage and providing Internet literacy education for students, parents and guardians. As a result, monitoring work has increased, as have educational activities, including through seminar lecturers.

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. During the period under review, Pole To Win Co., Ltd., relocated its Sapporo Studio to larger premises in August to accommodate order expansion. PITCREW CO., LTD., established its Sendai Support Center in April, its first site in the Tohoku region, and moved its Sapporo Support Center to a location with more floor space. PITCREW COREOPS CO., LTD, opened the Sendai BCP Center in April and relocated and increased floor space at the Okinawa BCP Center in May to secure more people outside Metropolitan Tokyo and accommodate operational growth. Overseas, Pole To Win America, Inc., moved its Hunt Valley studio to Baltimore in April, while Pole To Win India Private Limited increased floor space in December. One of the Company's business strategies is to expand overseas sales by accelerating its global deployment. Collaboration has thus stepped up between nine delivery centers in six countries and Japanese Group companies to provide a one-stop, full service platform in such areas as defect detection (finding bugs), localization (translation), Internet monitoring, and user support.

As a result of these factors, consolidated net sales for the term were ¥14,753,232 thousand (up 6.3%). Operating income was ¥1,861,819 thousand (down 13.2%), however, reflecting increased personnel spending and the establishment, relocation, and expansion of business units in Japan and abroad. Ordinary income was ¥1,879,747 thousand (down 17.9%), largely because of lower foreign exchange gains. Net income was ¥1,000,976 thousand (down 17.0%), owing to a temporary loss stemming from office relocations.

Results by segment were as follows.

Testing/Verification & Evaluation Business

Overseas revenues exceeded 20% of segment sales during the period under review, reflecting collaboration between nine delivery centers in six countries and Japanese Group companies in supporting the global deployments of domestic and foreign game makers. The Group received defect detection orders for game software for consumer electronic game consoles centered on titles for the Nintendo 3DS and PlayStation 3, and gradually secured more orders for PlayStation 4 titles. Orders were lower than anticipated during the term, however, as new software development lead times frequently stretched out.

In defect detection work for finding bugs in amusement (pachinko and pachi-slot) equipment, makers worked eagerly on new models with enhanced entertainment features to secure end user support, generating stable orders. That said, they had to accommodate modified pachi-slot model testing approaches at the designated testing institution, pushing back defect detection orders for pachi-slot equipment.

The growing popularity of smartphones has resulted in a sharp increase in the social games that users download directly as native applications. Major developers of software for consumer electronic game consoles are also creating social games. These trends led to the Group securing solid orders for mobile content defect detection (finding bugs) services.

As a result, Testing/Verification & Evaluation Business sales increased 4.7% year on year, to ¥11,278,951 thousand. Operating income was down 10.0%, to ¥1,775,115 thousand, reflecting lower contributions from highly profitable domestic operations and increased personnel expenses.

Internet Monitoring Business

In the Internet Monitoring Business, the Group received increased orders for e-commerce support services from Internet companies, reflecting their vigorous efforts to cultivate business in the e-commerce market. The orders were for merchandise check services for Internet shopping, auction sites, and free market apps 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. Also up were user support orders for major social games.

During the term, the Group received orders from 22 municipal governments and four private schools for services to monitor online bullying among the young. It also obtained a mandate from the Ministry of Economy, Trade and Industry to assist with a survey on developing a proper Internet usage environment for the young as part of information and services infrastructure for the national economy and society.

PITCREW Co., Ltd., and Pole to Win Networks CO., LTD., launched the One-Stop Debugging (Testing) and Customer Support Service as part of efforts to bolster business process outsourcing services for the video game, Internet, and e-commerce sectors.

Internet Monitoring Business sales thus rose 9.1% to ¥3,325,698 thousand. Operating income was down 33.6%, however, to ¥121,205 thousand, reflecting site openings, relocations, and floor space additions at business sites to expand and streamline operations.

Others

In this segment, Palabra Inc. instituted a subtitle training curriculum to prepare for the advent of barrier-free motion pictures, producing barrier-free subtitles audio guides for television program and video production firms on contract. IMAid Inc. offers medical staffing services.

Segment sales increased 145.5% to ¥148,582 thousand. There was an operating loss of ¥23,342 thousand, down from ¥104,157 thousand a year earlier.

(ii) Earnings forecasts for the fiscal year ending January 31, 2016

The Testing/Verification & Evaluation Business traditionally focused on the video game sector, while the Internet monitoring business centered on online services. Both businesses cover the emerging social games area, blurring that distinction. The two businesses also serve the amusement equipment and e-commerce in keeping with Group efforts to provide a one-stop, full service platform. We will go beyond the Testing/Verification & Evaluation and Internet Monitoring service frameworks to develop and provide business process outsourcing services for game development and management and e-commerce. This approach underpinned our January 2015 move to make QBIST Inc. a consolidated subsidiary. That company produces instruction manuals and playing guides. We seek to expand business process outsourcing services in existing markets, establishing strong positions for such capabilities in the video game, Internet, and e-commerce arenas.

Segment projections for the year ending January 31, 2016, are as follows.

Testing/Verification & Evaluation Business

In Japan, we seek to expand our shares in the amusement equipment, smartphone apps and social games, and consumer electronic game console markets. The pace of pachi-slot equipment development is set to pick up after slowing in the previous fiscal term owing to revised in model testing regulations, and we anticipate higher defect detection orders in the year ahead. Leading developers of software consumer electronic game consoles are working intensively on social games, so we look to boost defect detection operations for native applications. We will strive to bolster our sales capabilities in the marketplace and deploy human resources policies that enable us to build close ties with customers and enhance our services, thereby ensuring that we can sustainably and stably deliver top-quality services.

Overseas, we will strengthen collaboration between nine delivery centers in six countries and with domestic delivery centers 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. We will extend our marketing of core testing/verification and user support services beyond the games arena.

Internet Monitoring Business

The number of users of Internet shopping and auction, flea market apps, e-book, and other e-commerce services has increased with the spread of smartphones and tablet PCs. 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. While we have primarily provided inbound user support to date, we aim to boost the capabilities of our call and contact centers to accommodate the growing need to deliver active support and outbound services in response to consumer feedback through Facebook, Twitter, and other social media channels. We will cultivate and hire people who can identify customer needs and plan and deliver high-value-added services in the fast-changing Internet sector.

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, 2016, the Group projects consolidated net sales of ¥17,881 million (up 21.2%), operating income of ¥2,293 million (up 23.2%), ordinary income of ¥2,304 million (up 22.6%), and net income of ¥1,387 million (up 38.6%).

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 ¥924,379 thousand or 13.1% from January 31, 2014, to ¥7,960,736 thousand. This was mainly attributable to a ¥383,751 thousand increase in cash and deposits and a ¥430,204 thousand increase in notes and accounts receivable-trade.

Noncurrent assets stood at ¥2,557,677 thousand, ¥365,826 thousand or 16.7% higher than at January 31, 2014. Key factors were increases of ¥128,957 thousand in property, plant and equipment, ¥106,304 thousand in investment securities, and ¥80,962 thousand in goodwill.

As a result, total assets increased by ¥1,290,206 thousand or 14.0% year on year, to ¥10,518,414 thousand.

Liabilities

Current liabilities stood at ¥2,036,738 thousand at January 31, 2015, ¥356,411 thousand or 21.2% higher than at January 31, 2014. This was mainly attributable to increases of ¥250,187 thousand in accounts payable-other and ¥172,398 thousand in other (including accrued consumption taxes), which offset a ¥164,729 thousand decrease in income taxes payable.

Noncurrent liabilities increased ¥6,485 thousand or 12.1%, to ¥60,301 thousand. This was due mainly due to a ¥51,278 thousand increase in the net defined benefit liability, which exceeded a ¥44,809 thousand decrease in the provision for retirement benefits.

As a result, total liabilities increased ¥362,897 thousand or 20.9% year on year, to ¥2,097,040 thousand.

Net assets

Net assets increased ¥927,308 thousand or 12.4%, to ¥8,421,373 thousand. This was mainly attributable to increases of ¥696,861 thousand in retained earnings and ¥221,558 thousand in foreign currency translation adjustments.

(ii) Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) as of January 31, 2015, were ¥5,343,681 thousand, up ¥383,751 thousand from January 31, 2014.

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

Cash flows from operating activities

Operating activities provided net cash of ¥1,326,047 thousand compared to ¥1,239,631, thousand provided in the previous fiscal year. The main contributors to cash were ¥1,843,941 thousand in income before income taxes and minority interests, partly offset by ¥1,017,179 thousand in income taxes paid.

Cash flows from investing activities

Investing activities used net cash of ¥686,546 thousand compared to ¥256,510 million used in the previous fiscal year. The main uses of cash were ¥248,677 thousand in purchase of property, plant and equipment and a ¥262,018 thousand purchase of investments in subsidiaries.

Cash flows from financing activities

Financing activities used net cash of ¥298,777 thousand, from ¥274,817 thousand used in the previous fiscal year. The main factor in this change was ¥304,115 thousand in cash dividends paid.

(Reference)

Trends in cash flow indicators are as shown below:

	Fiscal year ended January 31, 2011	Fiscal year ended January 31, 2012	Fiscal year ended January 31, 2013	Fiscal year ended January 31, 2014	Fiscal year ended January 31, 2015
Equity ratio (%)	70.1	80.4	78.2	81.2	80.1
Market value equity ratio (%)	—	195.6	196.7	347.3	145.2
Interest-bearing debt to cash flow ratio (Years)	0.3	0.0	—	—	—
Interest coverage ratio (Times)	194.0	430.7	1,082.4	—	—

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. The equity ratios for the year ended January 31, 2011, was 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 2015 and the Year Ending January 2016

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 to invest for 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. The General Meeting of Shareholders determines year-end dividends.

Subject to a resolution at the General Meeting of Shareholders scheduled for April 2015, the basic policy for the year ended January 31, 2015, is to pay a year-end dividend of ¥16 per share. The planned year-end dividend for the year ending January 31, 2016, is ¥18 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 Group built businesses out of software and hardware testing/verification and evaluation through Pole To Win Co., Ltd., which was established in 1994, and Internet monitoring through PITCREW CO., LTD., which was created in 2000. The goal was to fulfill the corporate mission, which is that, "Ultimately, only people can conduct checks no matter how far systems advance." Over the years, the Group has built solid business ties in the video game, Internet, and e-commerce sectors, broadening its services beyond Testing/Verification & Evaluation and Internet Monitoring to encompass such areas as game development and management, localization to buttress online services, advertising reviews, and user support.

We will move beyond the Testing/Verification & Evaluation and Internet Monitoring segment frameworks to bolster business process outsourcing services, for which there is strong demand among existing customers in the video game, Internet, and e-commerce sectors, in which we have solid business ties, expanding our share of the market for such services. We recognize the importance of enhancing our management and administrative structure as we cultivate new markets and sectors for our core Testing/Verification & Evaluation and Internet Monitoring businesses, and will undertake management activities that reflect the following considerations in particular.

As a pioneer in Testing/Verification & 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 its management and administrative structure, and will undertake management activities that reflect the following considerations in particular.

(i) Bolster business process outsourcing services, for which demand is strong among existing customers, establishing a strong position in that area in the video game, Internet, and e-commerce sectors

The Group created outsourcing markets as a pioneer in the Testing/Verification & Evaluation and Internet Monitoring fields. We will leverage our robust business ties in the video game, Internet, and e-commerce sectors to shift away from a focus on specialist Testing/Verification & Evaluation and Internet Monitoring services to position ourselves as a strong business process outsourcing service provider for the video game, Internet, and e-commerce sectors.

(ii) Cultivate new markets for core Testing/Verification & Evaluation and Internet Monitoring services
There is strong demand outside existing markets for Testing/Verification & Evaluation and Internet Monitoring services that the Group has built over the years. In recent years, we have expanded services to encompass the education, appliances, publishing, life and nonlife insurance, and other sectors. The Group will continue to leverage core services in which it has the most expertise to cultivate new markets and serve more sectors while expanding its business.

(iii) Bolster business development in overseas video game market, which offers great growth potential. Although it focused initially on serving Japanese companies in deploying operations internationally, the Group has increased business with locally based companies through M&As and other means, thus steadily increasing overseas sales. Foreign video and social game software developers offer far greater scope for testing, localization and user support services than Japanese counterparts. The Group will therefore expand transactions with existing customers while reinforcing new business development.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2014 (As of January 31, 2014)	Fiscal 2015 (As of January 31, 2015)
Assets		
Current assets		
Cash and deposits	4,959,929	5,343,681
Notes and accounts receivable-trade	1,698,083	2,128,288
Deferred tax assets	76,413	63,529
Other	301,956	429,387
Allowance for doubtful accounts	(26)	(4,150)
Total current assets	7,036,356	7,960,736
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	239,429	379,283
Accumulated depreciation	(82,729)	(137,942)
Buildings and structures, net	156,699	241,340
Machinery, equipment and vehicles	2,785	3,065
Accumulated depreciation	(2,591)	(3,065)
Machinery, equipment and vehicles, net	194	0
Tools, furniture and fixtures	497,030	657,713
Accumulated depreciation	(358,416)	(474,587)
Tools, furniture and fixtures, net	138,614	183,125
Total property, plant and equipment	295,508	424,465
Intangible assets		
Goodwill	1,425,132	1,506,095
Software	28,861	33,163
Software in progress	—	12,549
Other	2,014	2,244
Total intangible assets	1,456,008	1,554,052
Investments and other assets		
Investment securities	50,808	157,112
Lease and guarantee deposits	314,833	370,924
Deferred tax assets	68,314	42,486
Other	16,843	20,596
Allowance for doubtful accounts	(10,465)	(11,961)
Total investments and other assets	440,333	579,159
Total noncurrent assets	2,191,851	2,557,677
Total assets	9,228,208	10,518,414

(Thousands of yen)

	Fiscal 2014 (As of January 31, 2014)	Fiscal 2015 (As of January 31, 2015)
Liabilities		
Current liabilities		
Accounts payable-other	865,136	1,115,323
Accrued expenses	44,680	68,918
Income taxes payable	527,893	363,164
Provision for bonuses	11,516	34,651
Other	231,100	454,681
Total current liabilities	1,680,326	2,036,738
Noncurrent liabilities		
Provision for retirement benefits	44,809	—
Net defined benefit liability	—	51,278
Deferred tax liabilities	7,180	6,894
Other	1,826	2,128
Total noncurrent liabilities	53,815	60,301
Total liabilities	1,734,142	2,097,040
Net Assets		
Shareholders' equity		
Capital stock	1,233,497	1,236,166
Capital surplus	1,279,952	1,282,621
Retained earnings	4,579,330	5,276,191
Total shareholders’ equity	7,092,780	7,794,979
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,501	15,052
Foreign currency translation adjustments	389,783	611,342
Total accumulated other comprehensive income	401,285	626,394
Total net assets	7,494,065	8,421,373
Total liabilities and net assets	9,228,208	10,518,414

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

(Thousands of yen)

	Fiscal 2014 (From February 1, 2013, to January 31, 2014)	Fiscal 2015 (From February 1, 2014, to January 31, 2015)
Net sales	13,879,714	14,753,232
Cost of sales	9,112,381	9,864,388
Gross profit	4,767,333	4,888,844
Selling, general and administrative expenses	2,622,352	3,027,024
Operating income	2,144,980	1,861,819
Non-operating income		
Interest income	1,032	1,324
Dividends income	92	658
Foreign exchange gains	120,699	1,159
Consumption tax adjustment	1,072	2,072
Insurance premiums refunded cancellation	5,855	3,625
Subsidy income	1,329	4,305
Insurance proceeds	3,778	—
Commission fees	2,905	3,918
Gain on adjustment of accounts payable	—	6,888
Other	8,834	3,227
Total non-operating income	145,599	27,179
Non-operating expenses		
Compensation expenses	—	9,136
Other	—	114
Total non-operating expenses	—	9,251
Ordinary income	2,290,580	1,879,747
Extraordinary income		
Loss on retirement of noncurrent assets	—	412
Gain on donation of non-current assets	—	4,543
Other	—	4
Total extraordinary gains	—	4,960
Extraordinary losses		
Loss on retirement of noncurrent assets	531	12,560
Office transfer expenses	8,628	27,171
Loss on cancellation of development	36,228	—
Impairment loss	46,000	—
Other	8,633	1,034
Total extraordinary losses	100,022	40,766
Income before income taxes and minority interests	2,190,558	1,843,941
Income taxes-current	1,016,227	796,248
Income taxes-deferred	(31,469)	46,716
Total income taxes	984,757	842,964
Income before minority interests	1,205,800	1,000,976
Net income	1,205,800	1,000,976

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal 2014 (From February 1, 2013, to January 31, 2014)	Fiscal 2015 (From February 1, 2014, to January 31, 2015)
Income before minority interests	1,205,800	1,000,976
Other comprehensive income		
Valuation difference on available-for-sale securities	3,262	3,550
Foreign currency translation adjustments	404,905	221,558
Total other comprehensive income	408,167	225,108
Total comprehensive income	1,613,968	1,226,085
Comprehensive income attributable to:		
Owners of the parent	1,613,968	1,226,085

(3) Consolidated Statements of Changes in Net Assets
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

Fiscal 2015 (From February 1, 2014, to January 31, 2015)

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of current period	1,233,497	1,279,952	4,579,330	7,092,780
Changes of items during the period				
Issuance of new shares	2,669	2,669		5,338
Dividends from surplus			(304,115)	(304,115)
Net income			1,000,976	1,000,976
Net changes of items other than shareholders' equity				
Total changes of items during the period	2,669	2,669	696,861	702,199
Balance at the end of current period	1,236,166	1,282,621	5,276,191	7,794,979

	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	11,501	389,783	401,285	7,494,065
Changes of items during the period				
Issuance of new shares				5,338
Dividends from surplus				(304,115)
Net income				1,000,976
Net changes of items other than shareholders' equity	3,550	221,558	225,108	225,108
Total changes of items during the period	3,550	221,558	225,108	927,308
Balance at the end of current period	15,052	611,342	626,394	8,421,373

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal 2014 (From February 1, 2013, to January 31, 2014)	Fiscal 2015 (From February 1, 2014, to January 31, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	2,190,558	1,843,941
Depreciation and amortization	145,669	177,882
Amortization of goodwill	195,831	178,186
Impairment loss	46,000	—
Increase in allowance for doubtful accounts	6,233	5,618
Increase in provision for bonuses	486	23,135
Increase in provision for retirement benefits	2,798	—
Increase in retirement benefits liability	—	6,469
Interest and dividends income	(1,124)	(1,982)
Foreign exchange (gains) losses	(68,752)	(1,521)
Loss on retirement of noncurrent assets	531	12,560
Increase in notes and accounts receivable-trade	(334,915)	(265,280)
Increase in accounts receivable-other	(8,502)	(16,461)
Increase in accounts payable-other	56,462	144,586
Increase in accrued expenses	7,553	21,205
Increase in deposits received	773	64,259
Other, net	90,776	148,643
Subtotal	2,330,378	2,341,243
Interest and dividends income received	1,124	1,982
Income taxes paid	(1,091,872)	(1,017,179)
Net cash provided by operating activities	1,239,631	1,326,047
Cash flows from investing activities		
Purchase of property, plant and equipment	(176,012)	(248,677)
Purchase of intangible assets	(13,179)	(31,443)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(262,018)
Purchase of investment securities	(92)	(100,658)
Payments of loans receivable	(1,616)	(897)
Collection of loans receivable	1,702	2,652
Payments for lease and guarantee deposits	(78,459)	(68,709)
Proceeds from collection of lease and guarantee deposits	11,147	23,204
Net cash used in investing activities	(256,510)	(686,546)
Cash flows from financing activities		
Proceeds from issuance of common stock	9,390	5,338
Cash dividends paid	(284,208)	(304,115)
Net cash provided by (used in) financing activities	(274,817)	(298,777)
Effect of exchange rate change on cash and cash equivalents	51,828	43,028
Net increase in cash and cash equivalents	760,131	383,751
Cash and cash equivalents at beginning of period	4,199,797	4,959,929
Cash and cash equivalents at end of period	4,959,929	5,343,681

(5) Notes to Consolidated Financial Statements

（Notes on Going Concern Assumption）

Not applicable

Changes in Accounting Policy

(Adoption of retirement benefit accounting standards, etc.)

From the close of the fiscal year ended January 31, 2014, the Company applied Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) (excluding paragraph 35 of Accounting Standard for Retirement Benefits and paragraph 67 of Guidance on Accounting Standard for Retirement Benefits). The Company thereby switched from recording the provision for retirement benefits to retirement benefit liabilities.

The effect of this change on net assets was immaterial because the Company used the simplified valuation method.

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, 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.

Fiscal year ended January 31, 2015 (From February 1, 2014, to January 31, 2015)

(Thousands of yen)

	Reporting segment			Others *1	Total	Adjustments *2, 3, 4, 5	Amounts in the consolidated financial statements *6
	Testing/ Verification & Evaluation Business	Internet Monitoring Business	Total				
Net sales							
Sales to third parties	11,278,951	3,325,698	14,604,650	148,582	14,753,232	—	14,753,232
Inter-segment sales and transfers	21,344	23,576	44,920	—	44,920	(44,920)	—
Total	11,300,295	3,349,275	14,649,571	148,582	14,798,153	(44,920)	14,753,232
Segment income (loss)	1,775,115	121,205	1,896,321	(23,342)	1,872,979	(11,159)	1,861,819
Segment assets	7,208,317	1,133,208	8,341,526	76,357	8,417,883	2,100,530	10,518,414
Other items							
Depreciation and amortization	143,228	31,994	175,222	249	175,472	2,409	177,882
Increase in property, plant and equipment and intangible assets	240,243	56,195	296,439	259	296,698	12,549	309,248

*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 ¥11,159 thousand comprises elimination of intersegment transactions of ¥414,239 thousand and unallocated corporate expenses of ¥425,399 thousand. Unallocated corporate expenses are mainly general administrative expenses.
3. Adjustment for segment assets of ¥2,100,530 thousand comprises elimination of intersegment transactions of -¥32 thousand and unallocated corporate assets of ¥2,100,563 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 ¥2,409 thousand is unallocated and part of corporate depreciation and amortization.
5. The increase in property, plant and equipment and intangible assets of ¥12,549 thousand is unallocated and part of corporate capital expenditures.
6. Segment income (loss) is adjusted against the operating income recorded in the consolidated income statement.

b. Related information

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

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, 2015 (From February 1, 2014, to January 31, 2015)

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	Others	Total
11,921,782	68,996	1,640,068	1,117,513	4,873	14,753,232

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
194,149	60,393	72,132	97,790	424,465

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

(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.

Fiscal year ended January 31, 2015 (From February 1, 2014, to January 31, 2015)

Not applicable

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

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

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

Fiscal year ended January 31, 2015 (From February 1, 2014, to January 31, 2015)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Monitoring Business	Others*	Corporate and Eliminations	Total
Amortization of goodwill	178,186	—	—	—	178,186
Amortized balance	1,506,095	—	—	—	1,506,095

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

e. Information about negative goodwill gains by reporting segment

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

Not applicable

Fiscal year ended January 31, 2015 (From February 1, 2014, to January 31, 2015)

Not applicable

(Per share information)

	Fiscal 2014 (From February 1, 2013, to January 31, 2014)	Fiscal 2015 (From February 1, 2014, to January 31, 2015)
Net assets per share	¥394.28	¥442.27
Net income per share	¥63.55	¥52.60
Diluted net income per share	¥61.82	¥51.84

Notes

1. The Company conducted a stock split 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 2014 (From February 1, 2013, to January 31, 2014)	Fiscal 2015 (From February 1, 2014, to January 31, 2015)
Net income per share		
Net income (thousands of yen)	1,205,800	1,000,976
Amount not attributable to common stockholders (thousands of yen)	—	—
Net income per share of common stock (thousands of yen)	1,205,800	1,000,976
Average number of shares outstanding during period	18,974,404	19,029,352
Diluted net income per share		
Net income adjustment (thousands of yen)	—	—
Increase in number of shares of common stock	531,470	280,359
(Subscription rights to shares)	(531,470)	(280,359)
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