

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2014 [J-GAAP]

May 8, 2014

NIPPON KANZAI Co., Ltd.

Listed Exchanges: Tokyo Stock Exchange, First Section
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 Date of annual general meeting of shareholders: June 27, 2014
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 Date to start dividends distribution: June 30, 2014
 Supplementary materials for results: None
 Results briefing meeting held: None

*Amounts under one million yen have been rounded down.

1. Consolidated results for the fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(1) Consolidated business results

(Percentage figures indicate the rate of change from the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2014	85,413	13.8	5,138	28.0	5,577	27.4	3,225	34.8
Fiscal year ended March 31, 2013	75,065	1.1	4,014	1.8	4,379	3.1	2,392	10.2

(Note) Comprehensive income: Fiscal year ended March 31, 2014: ¥ 3,943 million (32.9%); Fiscal year ended March 31, 2013: ¥ 2,967 million (21.7%)

	Net Income per Share	Diluted Net Income per Share	Return on Shareholders' Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2014	191.28	—	11.4	11.5	6.0
Fiscal year ended March 31, 2013	141.97	—	9.3	10.3	5.3

(Reference) Equity in earnings (losses) of affiliates: Fiscal year ended March 31, 2014: ¥ 222 million; Fiscal year ended March 31, 2013: ¥ 35 million

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2014	51,448	31,634	58.0	1,761.91
As of March 31, 2013	45,330	28,313	58.8	1,586.72

(Reference) Shareholders' equity: As of March 31, 2014: ¥ 29,862 million; As of March 31, 2013: ¥ 26,671 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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2014	5,149	(754)	(3,235)	15,631
Fiscal year ended March 31, 2013	3,205	(5,108)	3,192	14,472

2. Dividends

	Annual Dividends					Total Dividends Paid (annual)	Dividend Payout Ratio (consolidated)	Dividends to Net Assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2013	—	20.00	—	20.00	40.00	671	28.2	2.6
Fiscal year ended March 31, 2014	—	20.00	—	22.00	42.00	715	22.0	2.5
Fiscal year ending March 31, 2015 (forecast)	—	21.00	—	21.00	42.00		20.2	

3. Consolidated business forecasts for the fiscal year ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(Percentage figures indicate the rate of change from the same period in the previous fiscal year.)

	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
First half	42,800	6.8	2,600	10.5	2,800	9.4	1,700	13.5	100.81
Full year	87,000	1.9	5,400	5.1	6,000	7.6	3,500	8.5	207.54

Notes

(1) Changes of significant subsidiaries during the term (Changes in specific subsidiaries associated with changes in scope of consolidation): None

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

1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatement of revisions: None

(3) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding (including treasury stock)

2) Number of treasury stock

3) Average number of shares issued and outstanding

1)	As of March 31, 2014	20,590,153 shares	As of March 31, 2013	20,590,153 shares
2)	As of March 31, 2014	3,641,383 shares	As of March 31, 2013	3,780,794 shares
3)	Fiscal year ended March 31, 2014	16,863,848 shares	Fiscal year ended March 31, 2013	16,855,142 shares

(Reference) Summary of non-consolidated financial results

1. Non-consolidated results for the fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(1) Non-consolidated business results

(Percentage figures indicate the rate of change from the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2014	51,584	3.2	2,369	21.1	3,628	34.2	2,501	54.5
Fiscal year ended March 31, 2013	50,006	1.3	1,956	2.3	2,702	4.6	1,618	2.2

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Fiscal year ended March 31, 2014	148.31	—
Fiscal year ended March 31, 2013	96.04	—

(2) Non-consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2014	35,172	19,029	54.1	1,122.76
As of March 31, 2013	29,739	16,216	54.5	964.72

(Reference) Shareholders' equity: As of March 31, 2014: ¥ 19,029 million; As of March 31, 2013: ¥ 16,216 million

2. Non-consolidated business forecasts for the fiscal year ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(Percentage figures indicate the rate of change from the same period in the previous fiscal year.)

	Net Sales		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	25,700	3.2	2,030	(1.2)	1,500	(1.9)	88.95
Full year	53,000	2.7	3,700	1.8	2,600	4.0	154.18

* Presentation of implementation status for audit procedures

This financial report is not covered by the Financial Instruments and Exchange Act and the financial statements audit procedures called for by the Financial Instruments and Exchange Act have not been completed as of the release of this financial report.

* Explanation regarding the appropriate use of business forecasts and other notes

The business forecasts reported herein were prepared based on information NIPPON KANZAI had in its possession as of the time this report was prepared and on certain assumptions judged to be reasonable. Actual results may differ significantly from forecasts due to various factors. Please refer to the disclaimers, provided under “(1) Analysis of business results” of “1. Analyses of business results and financial position” on page 2 of the Attached Document of this financial report, regarding assumptions upon which forecasts are based and the use of forecasts.

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1. Analyses of business results and financial position

(1) Analysis of business results

1) Business results for the fiscal year ended March 31, 2014

During the fiscal year ended March 31, 2014, the Japanese economy remained uncertain due to negative factors such as concerns over sluggish consumer spending triggered by the consumption tax hike implemented in April 2014, despite some improvements in corporate earnings and consumer spending supported by the government's financial and economic policies which resulted in a modest economic recovery.

In the real estate service industry, severe business conditions continue as clients remain highly cost-conscious and contracted buildings have been closed or decreased their services, although a slight improvement is seen in the office and commercial buildings vacancy rate in some areas.

In such business environment, NIPPON KANZAI Group (hereinafter "the Group") continued to work on expanding its area of businesses around the building maintenance business. The Group also made efforts in proactive business development by enhancing its property management business, private finance initiatives (PFI), and energy-saving business and making the best of the Group companies' strengths.

Consolidated net sales for the current fiscal year rose by 13.8% year on year to 85,413 million yen supported by steady receipt of new contracts and construction-related orders, in addition to the contribution of the results of NJK Holding K.K. (including its three subsidiaries), which became a new consolidated subsidiary of the Company.

Although there were negative factors such as sluggish growth in contract prices and increased administrative costs incurred in strengthening organizational structure, we continued to make efforts to improve profitability by re-examining procurement costs and practicing thorough time management. As a result, the Group recorded operating income of 5,138 million yen, up 28.0% year on year, ordinary income of 5,577 million yen, up 27.4%, and net income of 3,225 million yen, up 34.8%, respectively, achieving significant increases from the previous fiscal year.

2) Business by segment

The following are earnings by segment.

Segment income (loss) has been adjusted to operating income described in consolidated statements of income.

[Building Management and Operation Business]

In our core Building Management and Operation Business, which includes building management and security services, we enjoyed steady receipt of new contracts for real estate services in addition to the contribution of the results of the new consolidated subsidiary mentioned above. As a result, net sales for the current fiscal year increased by 13.2% year on year to 73,289 million yen.

Segment income was 7,542 million yen, up 16.4% year on year, due to tighter cost management overcoming a sluggish growth in price per contract and other factors.

[Environmental Facility Management Business]

In the Environmental Facility Management Business, which mainly comprises the management of water treatment, sewage disposal and other public facilities, we secured an overall firm number of new contracts, particularly for the management of incinerators and recycling facilities. In addition, certain operation management contracts were changed to comprehensive contracts for the operation management of the entire facility, which resulted in an increase in the contractual amount. As a result, net sales for the segment amounted to 8,976 million yen, up 14.3% compared to the previous fiscal year.

Although local governments – the main customers for this segment – continued to be on a tight budget, the Group worked to rigorously manage costs, focusing on efforts to rein in start-up costs for newly contracted facilities, re-examine procurement costs, and realign personnel assignments to better match actual needs. As a result, segment income was 800 million yen, up 13.6% year on year.

[Real Estate Fund Management Business]

In the Real Estate Fund Management Business, which mainly comprises asset management business (i.e. composition and asset management of real estate funds) and handling investments in silent partnership, a stable asset management income and gains on sales of assets were recorded. As a result, net sales for the segment were 1,548 million yen, up 82.9% compared to the previous fiscal year.

While expenses related to sales of assets increased, with the help of our efforts in expense reductions and improvements in operational efficiency, segment income was 168 million yen, up 55.5 % year on year.

[Other Businesses]

Other Businesses, which consist mainly of event planning and management, printing and design, saw a decrease in orders for temporary event operations due to a downsizing of events, and impacts from cost-cutting measures by clients.

For the current fiscal year, therefore, net sales decreased by 1.9% year on year, to 1,599 million yen, and segment loss was 43 million yen, a decrease of 28 million yen compared to the previous fiscal year.

3) Outlook for the next fiscal year

On the front of the outlook for the next fiscal year, although the business performance of Japanese companies is on an upward trend due to the weaker yen and higher stock prices, the precise picture of the Japan's real economy is not yet seen and thus the uncertainty is expected to remain for the time being.

In the real estate service industry, although there have been improvements in office rentals and vacancy rates, severe business conditions continue as clients remain highly conscious of management cost reduction and competition with other companies is intense.

Under such environment, the Group will continue proactive marketing mainly by presenting project proposals in the areas of designated administrator for public facilities and PFI Projects. At the same time, the Group will proactively cultivate energy-saving business, as well as parking management and operation and event planning and management. In addition, through the capital participation in PICA (*), an Australian company, the Group will take a beachhead towards expanding its operations abroad, thus capturing new markets and enhancing its services.

The Group will make efforts to raise profitability by enhancing quality control based on ISO standard to provide even better service and to raise customer satisfaction level, by expanding business areas and by further tighten thorough cost control.

For the fiscal year ending March 31, 2015, we estimate that consolidated net sales will total 87 billion yen, an increase of 1.9% year on year. Consolidated operating income is expected to reach 5.4 billion yen, up 5.1% year on year, consolidated ordinary income to amount to 6.0 billion yen, an increase of 7.6% year on year and consolidated net income to come in at 3.5 billion yen, 8.5% higher than the fiscal year ended March 31, 2014.

*PICA: Prudential Investment Company of Australia Pty Ltd., a strata management company whose head office is located in Sydney, Australia.

(2) Analysis of financial position

[Analysis of financial position]

Total assets at the end of the current fiscal year increased by 6,117 million yen (up 13.5%) year on year to 51,448 million yen.

Current assets increased by 1,679 million yen (up 6.3%) year on year to 28,502 million yen, and non-current assets increased by 4,438 million yen (up 24.0%) year on year to 22,945 million yen.

The main reasons for these rises were an increase in cash and deposits (1,259 million yen increase year on year) attributable to the stable collection of trading receivables; an increase in accounts receivable (1,032 million yen increase year on year) due to the strong growth in net sales; an increase in goodwill (2,280 million yen increase year on year) due to the consolidation of new subsidiaries; and an increase in property, plant, and equipment (1,621 million yen increase year on year).

Total liabilities at the end of the current fiscal year increased by 2,796 million yen (up 16.4%) year on year to 19,813 million yen.

The main reasons for these rises were increases in accounts payable (924 million yen increase year on year) and in income taxes payable (693 million yen increase year on year).

Net assets at the end of the current fiscal year increased by 3,320 million yen (up 11.7%) year on year to 31,634 million yen.

The main reasons for these rises were increases in valuation difference on available-for-sale securities (762 million yen increase year on year) and in retained earnings (2,556 million yen increase year on year).

As a result, equity ratio at the end of the current fiscal year decreased by 0.8 percentage points to 58.0% from the end of the previous fiscal year's 58.8%.

The Group's financial principle is to secure the necessary liquidity and to maintain a sound balance sheet.

[Conditions of cash flows]

Cash and cash equivalents (hereinafter "cash") at the end of the current fiscal year on a consolidated basis increased by 1,159 million yen (up 8.0%) from the previous fiscal year to 15,631 million yen.

The conditions and main factors of cash flows for the fiscal year ended March 31, 2014 were as follows:

(Cash flows from operating activities)

Net cash provided by operating activities for the current fiscal year was 5,149 million yen, increased by 1,943 million yen from the previous fiscal year.

This resulted mainly from an increase in income before income taxes and minority interests (1,198 million yen increase year on year) and an increase in notes and accounts payable – trade (1,273 million yen decrease year on year).

(Cash flows from investing activities)

Net cash used in investing activities for the current fiscal year was 754 million yen, decreased by 4,353 million yen from

the previous fiscal year.

This resulted mainly from a decrease due to purchase of investment securities (4,858 million yen decrease year on year).

(Cash flows from financing activities)

Net cash used in financing activities for the current fiscal year was 3,235 million yen, increased by 6,427 million yen from the previous fiscal year.

This resulted mainly from a decrease in short- and long-term loans and other loans (6,926 million yen decrease year on year).

(Reference) Changes of the indexes relating to cash flows (%)

Years ended March 31,	2010	2011	2012	2013	2014
Equity ratio	61.0	62.3	62.2	58.8	58.0
Equity ratio based on the current values	71.0	65.2	63.9	55.6	68.3
Debt to cash flows ratio	0.7	0.8	0.5	2.0	1.3
Interest coverage ratio	242.0	90.8	104.5	99.2	39.1

Equity ratio: shareholders' equity / total assets

Equity ratio based on the current values: market capitalization / total assets

Debt to cash flows ratio: interest-bearing debt / operating cash flows

Interest coverage ratio: operating cash flows / interest payment

* Each index was calculated using consolidated financial figures.

* Market capitalization was calculated using the closing stock price at the end of fiscal year × the number of shares issued after deducting treasury stock.

* The interest-bearing debt covered all liabilities bearing interest to pay among ones recorded on the balance sheet.

* Cash flows from operating activities and interest expenses paid on the consolidated statements of cash flows were used as operating cash flows and interest payment, respectively.

(3) Basic policy regarding distribution of earnings and dividends for the fiscal year ended March 31, 2014 and the fiscal year ending March 31, 2015

As for the distribution of earnings, our basic policy is to continue to provide stable dividends through a strengthened management base from short-term and medium to long-term view points, aiming at increasing the dividend payout ratio and working at raising shareholder value in the future.

For the dividends for the fiscal year ended March 31, 2014, as announced today in its "Notice Regarding Dividends of Surplus (Dividend Increase)", the Company plans to pay year-end ordinary dividends of 22 yen per share, which is 2 yen higher than its original projection. Together with interim dividends of 20 yen per share, the Company is projecting annual dividends of 42 yen per share.

For the fiscal year ending March 31, 2015, the Company is again forecasting the payment of annual dividends of 42 yen per share comprising interim dividends of 21 yen per share and year-end dividends of 21 yen per share.

(4) Business and other risks

With regard to business and other risks of the Group, major factors, which may significantly influence on the judgment of investors, are described below.

Matters which are not necessarily the factors of business risks for us are also described from view point of active disclosures to our investors.

Recognizing that these risks may realize, we make efforts to avoid them and to respond them in conducting business activities.

Future possibilities included in this section were judged as of the date of submission.

1) Regulations of the law

The security business of the Group is regulated by the applicable laws and regulations such as the Security Services Act (Act No. 117 of 1972) and the Ordinance for Enforcement of Security Services Act (1983 General Administrative Agency of the Cabinet regulation No. 1).

These acts define the necessary regulations about the security business and aim to ensure proper practice of security business. Permission by the Prefectural Public Safety Commission, which has the jurisdiction over the main office, is required to operate the security business. There is a possibility to have the operations temporarily suspended or to receive

administrative punishment, including a revocation of the approval, if there is any violation of these applicable laws and regulations.

2) Personal information management

In order to perform the condominium management and other businesses, the Group handles with personal information and makes efforts to comply with the applicable laws and to execute proper management.

However, there is a possibility of influencing the reputation and the business results of the Group if, by any chance, an accident concerning personal information occurs.

3) Investments in silent partnership

To engage in the Real Estate Fund Management Business, the Group invested in silent partnership. This investment amounts to 288 million yen as of March 31, 2014.

There is a possibility of influencing the business results and financial position of the Group if the principal investment is partially impaired or the yield rate of the investment is lowered by factors of the real estate market and others.

4) Transaction with the related parties

The Company has transacted with the related parties, such as Nippon Service Master Ltd., a controlling company and the main corporate shareholder, for paying casualty insurance premiums, etc. However, the transaction amount is very small and there is no influence on the Company's business.

5) Contract for management and operation service

As the types of contracts diversify, some of the contracts include operation of facilities in addition to conventional work of building maintenance and management.

Although the internal management risk consideration committee considers all possible risks prior to the conclusion of contracts, contracts for management and operation services may have an impact on the business results of the Group due to rising prices and changes in business circumstances.

6) Matters regarding determination of scope of consolidation

In the real estate fund industry, to which part of the Group belongs, we recognize that the accounting practice to determine the scope of consolidation is not yet conclusive.

As "Practical Solution on the Application of Control Criteria and Influence Criteria to Investment Associations" (ASBJ PITF No. 20) was announced on September 8, 2006, the Group adopts such practice handling report. We currently determine the scope of consolidation of subsidiaries and affiliates by considering the separate presence or absence of control and influence for each fund and SPC.

There is a possibility that the Group's business results and financial position may be significantly influenced if future changes in accounting standards or practical guidance result in establishing a materially different new accounting practice of determining a scope of consolidation of funds, etc.

2. Consolidated financial statements**(1) Consolidated balance sheets**

	(Thousands of yen)	
	Fiscal year ended March 31, 2013 (As of March 31, 2013)	Fiscal year ended March 31, 2014 (As of March 31, 2014)
ASSETS		
Current assets		
Cash and deposits	14,787,733	16,046,897
Notes and accounts receivable – trade	8,864,470	9,896,868
Investments in silent partnership for business purposes	301,440	288,029
Supplies	79,076	87,351
Real estate for sale	1,582,211	715,898
Income taxes receivable	1,719	2,367
Deferred tax assets	362,963	464,877
Other	856,627	1,016,014
Allowance for doubtful accounts	(12,783)	(15,756)
Total current assets	26,823,456	28,502,545
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,327,279	5,982,800
Accumulated depreciation	(2,484,047)	(3,174,960)
Buildings and structures, net	1,843,232	2,807,840
Machinery, equipment and vehicles	107,237	140,836
Accumulated depreciation	(61,502)	(92,475)
Machinery, equipment and vehicles, net	45,735	48,361
Tools, furniture and fixtures	778,659	1,028,458
Accumulated depreciation	(524,434)	(650,488)
Tools, furniture and fixtures, net	254,225	377,970
Land	1,086,763	1,798,571
Lease assets	1,082,204	1,297,270
Accumulated depreciation	(528,675)	(739,409)
Lease assets, net	553,529	557,861
Construction in progress	267,266	81,285
Total property, plant and equipment	4,050,750	5,671,888
Intangible assets		
Telephone subscription right	34,790	45,467
Software	310,202	143,074
Goodwill	16,490	2,296,596
Lease assets	28,753	26,855
Other	–	13,809
Total intangible assets	390,235	2,525,801
Investments and other assets		
Investment securities	10,714,843	11,654,748
Long-term loans receivable	530,108	538,721
Long-term prepaid expenses	10,052	8,545
Lease and guarantee deposits	1,462,445	1,467,119
Membership	410,108	413,965
Net defined benefit asset	–	44,828
Deferred tax assets	183,193	272,583
Other	886,967	520,279
Allowance for doubtful accounts	(131,237)	(172,915)
Total investments and other assets	14,066,479	14,747,873
Total non-current assets	18,507,464	22,945,562
TOTAL ASSETS	45,330,920	51,448,107

	(Thousands of yen)	
	Fiscal year ended March 31, 2013 (As of March 31, 2013)	Fiscal year ended March 31, 2014 (As of March 31, 2014)
LIABILITIES		
Current liabilities		
Notes and accounts payable – trade	4,630,458	5,554,935
Short-term loans payable	–	1,100,000
Current portion of long-term loans payable	167,904	741,000
Current portion of long-term non-recourse loans payable	855,600	–
Lease obligations	199,519	222,499
Accrued expenses	2,054,411	2,210,788
Income taxes payable	665,746	1,359,010
Accrued consumption taxes	326,478	376,611
Deposits received	468,042	431,307
Advances received	48,440	45,709
Provision for bonuses	595,336	675,040
Provision for directors' bonuses	75,795	75,093
Asset retirement obligations	–	5,290
Other	81,828	41,772
Total current liabilities	10,169,557	12,839,054
Non-current liabilities		
Long-term loans payable	4,946,500	4,408,870
Lease obligations	392,973	380,415
Deferred tax liabilities	50,850	368,653
Provision for retirement benefits	324,346	–
Provision for directors' retirement benefits	481,849	564,855
Net defined benefit liability	–	593,475
Long-term guarantee deposited	372,162	368,394
Asset retirement obligations	225,570	214,321
Liabilities from application of equity method	30,992	50,821
Other	22,336	24,550
Total non-current liabilities	6,847,578	6,974,354
TOTAL LIABILITIES	17,017,135	19,813,408
NET ASSETS		
Shareholders' equity		
Capital stock	3,000,000	3,000,000
Capital surplus	498,800	617,972
Retained earnings	27,960,384	30,516,725
Treasury stock	(5,515,802)	(5,390,831)
Total shareholders' equity	25,943,382	28,743,866
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	728,296	1,490,447
Foreign currency translation adjustment	–	(233,942)
Remeasurements of defined benefit plans	–	(138,106)
Total accumulated other comprehensive income	728,296	1,118,399
Minority interests	1,642,107	1,772,434
TOTAL NET ASSETS	28,313,785	31,634,699
TOTAL LIABILITIES AND NET ASSETS	45,330,920	51,448,107

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

	(Thousands of yen)	
	Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)
Net sales	75,065,523	85,413,163
Cost of sales	60,997,194	68,993,051
Gross profit	14,068,329	16,420,112
Selling, general and administrative expenses		
Selling expenses	166,493	197,546
Personnel expenses	5,686,733	6,418,979
Provision for bonuses	245,441	301,033
Provision for directors' bonuses	76,845	76,143
Provision for directors' retirement benefits	59,627	71,512
Retirement benefits expenses	170,114	179,253
Transportation and communication expenses	827,617	903,772
Supplies expenses	321,474	420,542
Rent expenses	744,358	719,992
Insurance expenses	200,012	258,951
Depreciation	434,634	475,441
Taxes and dues	76,843	71,665
Enterprise tax	79,511	86,250
Provision of allowance for doubtful accounts	5,943	(1,869)
Amortization of goodwill	22,254	105,968
Other	935,550	996,626
Total selling, general and administrative expenses	10,053,449	11,281,804
Operating income	4,014,880	5,138,308
Non-operating income		
Interest and dividends income	148,581	169,370
Gain on sales of investment securities	137,699	-
Rent income	40,459	39,243
Share of profit of entities accounted for using equity method	35,855	222,804
Dividends income of insurance	34,359	30,169
Foreign exchange gains	-	74,250
Other	152,195	190,771
Total non-operating income	549,148	726,607
Non-operating expenses		
Interest expenses	32,329	131,805
Loss on sales of investment securities	-	20,169
Rent expenses	42,354	43,419
Loss on sales and retirement of non-current assets	27,962	37,833
Financing expenses	48,000	-
Other	34,339	53,933
Total non-operating expenses	184,984	287,159
Ordinary income	4,379,044	5,577,756
Extraordinary loss		
Loss on valuation of investment securities	37,369	-
Loss on valuation of shares of subsidiaries	-	35,969
Loss on valuation of membership	-	1,640
Provision of allowance for doubtful accounts	500	454
Total extraordinary loss	37,869	38,063
Income before income taxes and minority interests	4,341,175	5,539,693
Income taxes – current	1,550,432	2,228,764
Income taxes – deferred	295,935	(103,647)
Total income taxes	1,846,367	2,125,117
Income before minority interests	2,494,808	3,414,576
Minority interests in income	101,919	188,781
Net income	2,392,889	3,225,795

Consolidated statements of comprehensive income

	(Thousands of yen)	
	Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)
Income before minority interests	2,494,808	3,414,576
Other comprehensive income		
Valuation difference on available-for-sale securities	473,047	763,052
Share of other comprehensive income of entities accounted for using equity method	-	(233,942)
Total other comprehensive income	473,047	529,110
Comprehensive income	2,967,855	3,943,686
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,863,947	3,754,003
Comprehensive income attributable to minority interests	103,908	189,683

(3) Consolidated statements of changes in net assets

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,000,000	498,800	26,238,534	(5,226,262)	24,511,072
Changes of items during period					
Dividends of surplus (year-end)			(339,991)		(339,991)
Dividends of surplus (interim)			(335,051)		(335,051)
Net income			2,392,889		2,392,889
Purchase of treasury shares				(441,527)	(441,527)
Disposal of treasury shares			4,003	151,987	155,990
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,721,850	(289,540)	1,432,310
Balance at the end of current period	3,000,000	498,800	27,960,384	(5,515,802)	25,943,382

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	257,239	-	-	257,239	1,588,199	26,356,510
Changes of items during period						
Dividends of surplus (year-end)						(339,991)
Dividends of surplus (interim)						(335,051)
Net income						2,392,889
Purchase of treasury shares						(441,527)
Disposal of treasury shares						155,990
Net changes of items other than shareholders' equity	471,057	-	-	471,057	53,908	524,965
Total changes of items during period	471,057	-	-	471,057	53,908	1,957,275
Balance at the end of current period	728,296	-	-	728,296	1,642,107	28,313,785

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,000,000	498,800	27,960,384	(5,515,802)	25,943,382
Changes of items during period					
Dividends of surplus (year-end)			(336,055)		(336,055)
Dividends of surplus (interim)			(337,080)		(337,080)
Net income			3,225,795		3,225,795
Purchase of treasury shares				(89,915)	(89,915)
Disposal of treasury shares		119,172	3,681	214,886	337,739
Net changes of items other than shareholders' equity					
Total changes of items during period	-	119,172	2,556,341	124,971	2,800,484
Balance at the end of current period	3,000,000	617,972	30,516,725	(5,390,831)	28,743,866

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	728,296	-	-	728,296	1,642,107	28,313,785
Changes of items during period						
Dividends of surplus (year-end)						(336,055)
Dividends of surplus (interim)						(337,080)
Net income						3,225,795
Purchase of treasury shares						(89,915)
Disposal of treasury shares						337,739
Net changes of items other than shareholders' equity	762,151	(233,942)	(138,106)	390,103	130,327	520,430
Total changes of items during period	762,151	(233,942)	(138,106)	390,103	130,327	3,320,914
Balance at the end of current period	1,490,447	(233,942)	(138,106)	1,118,399	1,772,434	31,634,699

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)
Cash flows from operating activities		
Income before income taxes	4,341,175	5,539,693
Depreciation	629,486	710,264
Amortization of goodwill	22,254	105,968
Increase (decrease) in provision for bonuses	(1,547)	25,875
Increase (decrease) in provision for directors' bonuses	(2,684)	(3,352)
Increase (decrease) in provision for retirement benefits	124,144	(378,440)
Increase (decrease) in defined benefit liability	–	316,436
Increase (decrease) in provision for directors' retirement benefits	49,277	14,276
Increase (decrease) in allowance for doubtful accounts	(9,062)	(17,861)
Shares of (profit) loss of entities accounted for using equity method	(35,855)	(222,804)
Interest and dividends income	(148,581)	(169,370)
Interest expenses	32,329	131,805
Foreign exchange losses (gains)	–	(74,250)
Loss (gain) on sales and retirement of non-current assets	27,962	35,259
Loss (gain) on sales of short-term and long-term investment securities	(137,699)	20,169
Loss (gain) on valuation of investment securities	37,369	–
Decrease (increase) in notes and accounts receivable – trade	44,565	(756,964)
Decrease (increase) in investments in silent partnership for business purposes	(103,131)	11,229
Decrease (increase) in inventories	382,388	870,327
Decrease (increase) in other assets	170,705	296,941
Increase (decrease) in notes and accounts payable – trade	(338,180)	935,179
Increase (decrease) in accrued consumption taxes	24,753	16,785
Increase (decrease) in other liabilities	(10,622)	(839,992)
Loss on valuation of membership	–	1,640
Other, net	(61,519)	112,754
Subtotal	5,037,527	6,681,567
Interest and dividends income received	147,649	168,245
Interest expenses paid	(32,329)	(131,805)
Income taxes paid	(1,947,109)	(1,568,849)
Net cash provided by operating activities	3,205,738	5,149,158

	(Thousands of yen)	
	Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)
Cash flows from investing activities		
Payments into time deposits	(315,000)	(315,000)
Proceeds from withdrawal of time deposits	315,000	615,000
Purchase of property, plant and equipment and intangible assets	(535,494)	(609,640)
Proceeds from sales of property, plant and equipment and intangible assets	607,701	54,868
Purchase of investment securities	(5,127,012)	(268,390)
Proceeds from sales of investment securities	333,349	261,709
Proceeds from redemption of investment securities	-	100,000
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(307,922)
Payments of loans receivable	(63,003)	(310,400)
Collection of loans receivable	46,890	40,603
Decrease (increase) in lease and guarantee deposits of leasehold estate	8,869	24,234
Increase (decrease) in guarantee deposits received	(389,942)	(25,926)
Other, net	10,631	(13,538)
Net cash used in investing activities	(5,108,011)	(754,402)
Cash flows from financing activities		
Increase in short-term loans payable	600,000	1,600,000
Decrease in short-term loans payable	(600,000)	(1,080,000)
Proceeds from long-term loans payable	7,421,000	3,849,870
Repayment of long-term loans payable	(2,626,500)	(6,045,822)
Repayments of long-term non-recourse loans payable	(399,200)	(855,600)
Repayments of lease obligations	(191,974)	(228,781)
Proceeds from disposal of treasury stock	155,990	248,287
Purchase of treasury stock	(441,527)	(462)
Cash dividends paid	(675,683)	(673,084)
Cash dividends paid to minority shareholders	(50,000)	(50,000)
Net cash provided by (used in) financing activities	3,192,106	(3,235,592)
Net increase (decrease) in cash and cash equivalents	1,289,833	1,159,164
Cash and cash equivalents at the beginning of current period	13,182,900	14,472,733
Cash and cash equivalents at the end of current period	14,472,733	15,631,897

(5) Notes to consolidated financial statements

[Notes on a going concern assumption]

Not applicable.

[Segment information, etc.]

(Segment information)

1. Overview of reportable segments

The Company's reportable segments are organizational units for which separate financial information can be gathered. These reportable segments are subject to the Board of Directors' periodical review to make decisions of business resource allocation and to evaluate performance.

We have created four reportable segments – Building Management and Operation Business, Environmental Facility Management Business, Real Estate Fund Management Business, and Other Businesses – based on the characteristics and similarities of the services provided by the Group companies.

Building Management and Operation Business includes building management and security services. Environmental Facility Management Business mainly comprises the management of water treatment, sewage disposal, and other public facilities. Real Estate Fund Management Business mainly comprises composition and asset management of real estate funds and investments in silent partnership. Other Businesses include mainly event planning and management, printing, and design.

2. Calculation methods of sales, income or losses, assets, liabilities, and other items for each reportable segment

The accounting methods used for reportable segments are basically the same as those used for consolidated financial statements.

3. Information about sales, income or losses, assets, liabilities, and other items for each reportable segment

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

(Thousands of yen)

	Reportable segment					Adjustments (note)	Amount recorded on consolidated statements of income
	Building Management and Operation Business	Environmental Facility Management Business	Real Estate Fund Management Business	Other Businesses	Total		
Net sales							
Net sales to external customers	64,736,360	7,853,132	846,396	1,629,635	75,065,523	–	75,065,523
Inter-segment net sales and transfer	–	–	–	–	–	–	–
Total	64,736,360	7,853,132	846,396	1,629,635	75,065,523	–	75,065,523
Segment income (loss)	6,479,675	705,336	108,602	(15,775)	7,277,838	(3,262,958)	4,014,880
Segment assets	26,913,784	2,290,150	2,498,184	630,624	32,332,742	12,998,178	45,330,920
Other items							
Depreciation and amortization	283,634	13,745	44,871	3,463	345,713	323,293	669,006
Investment for equity method affiliates	5,405,574	12,854	205,157	–	5,623,585	–	5,623,585
Increase in property, plant and equipment and intangible assets	279,172	3,874	1,160	–	284,206	446,277	730,483

Notes: 1. Adjustments are as follows:

- (1) Adjustments to segment income (loss) consist of (3,262,958) thousand yen in unallocated general administrative expenses.
 - (2) Adjustments of 12,998,178 thousand yen for the segment assets are corporate assets not allocated to any of the reportable segments and consist mainly of cash, time deposits, investment securities and the assets of the administration departments of the Company.
 - (3) Adjustments of 446,277 thousand yen as the increased amount for property, plant and equipment and intangible assets represent acquisition of training facilities.
2. Segment income (loss) has been adjusted to operating income described in consolidated statements of income.

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(Thousands of yen)

	Reportable segment					Adjustments (note)	Amount recorded on consolidated statements of income
	Building Management and Operation Business	Environmental Facility Management Business	Real Estate Fund Management Business	Other Businesses	Total		
Net sales							
Net sales to external customers	73,289,125	8,976,586	1,548,247	1,599,205	85,413,163	—	85,413,163
Inter-segment net sales and transfer	—	—	—	—	—	—	—
Total	73,289,125	8,976,586	1,548,247	1,599,205	85,413,163	—	85,413,163
Segment income (loss)	7,542,565	800,933	168,826	(43,814)	8,468,510	(3,330,202)	5,138,308
Segment assets	32,342,731	2,312,678	2,014,653	634,937	37,304,999	14,143,108	51,448,107
Other items							
Depreciation and amortization	345,132	13,760	30,940	4,065	393,897	342,452	736,349
Investment for equity method affiliates	5,260,889	44,814	203,048	—	5,508,751	—	5,508,751
Increase in property, plant and equipment and intangible assets	317,085	24,633	—	—	341,718	581,796	923,514

Notes: 1. Adjustments are as follows:

- (1) Adjustments to segment income (loss) consist of (3,330,202) thousand yen in unallocated general administrative expenses.
 - (2) Adjustments of 14,143,108 thousand yen for the segment assets are corporate assets not allocated to any of the reportable segments and consist mainly of cash, time deposits, investment securities and the assets of the administration departments of the Company.
 - (3) Adjustments of 581,796 thousand yen of the increased amount in property, plant and equipment and intangible assets were due to capital investments associated with the office relocation and renovations of training facilities.
2. Segment income (loss) has been adjusted to operating income described in consolidated statements of income.

(Related information)

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

1. Information related to product and service

Please refer to "Segment information."

2. Information related to geographic region

(1) Net sales

Not applicable since the Group does not have external customers outside of Japan.

(2) Property, plant and equipment

Not applicable since there is no property, plant and equipment outside of Japan.

3. Information related to major customer

There is nothing to report since there is no external customer accounting for 10% or more of net sales reported in the consolidated statements of income.

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

1. Information related to product and service

Please refer to "Segment information."

2. Information related to geographic region

(1) Net sales

Not applicable since the Group does not have external customers outside of Japan.

(2) Property, plant and equipment

Not applicable since there is no property, plant and equipment outside of Japan.

3. Information related to major customer

There is nothing to report since there is no external customer accounting for 10% or more of net sales reported in the consolidated statements of income.

(Impairment losses on non-current assets by reportable segment)

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

Not applicable.

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Not applicable.

(Amortization of goodwill and unamortized outstanding balance of goodwill by reportable segment)

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

(Thousands of yen)

	Reportable segment					Elimination or Total (unallocated)	Total
	Building Management and Operation Business	Environmental Facility Management Business	Real Estate Fund Management Business	Other Businesses	Subtotal		
Amortization for the current year	22,254	—	—	—	22,254	—	22,254
Unamortized outstanding balance at the end of the current year	16,490	—	—	—	16,490	—	16,490

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(Thousands of yen)

	Reportable segment					Elimination or Total (unallocated)	Total
	Building Management and Operation Business	Environmental Facility Management Business	Real Estate Fund Management Business	Other Businesses	Subtotal		
Amortization for the current year	105,968	—	—	—	105,968	—	105,968
Unamortized outstanding balance at the end of the current year	2,296,596	—	—	—	2,296,596	—	2,296,596

(Gain on negative goodwill by reportable segment)

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

Not applicable.

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Not applicable.

[Per share information]

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)		Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)	
Net assets per share	1,586.72 yen	Net assets per share	1,761.91 yen
Net income per share	141.97 yen	Net income per share	191.28 yen
No diluted net income per share is presented for the fiscal year because there are no potentially dilutive securities.		No diluted net income per share is presented for the fiscal year because there are no potentially dilutive securities.	

(Note) Basis of calculations

1. Net assets per share

	Fiscal year ended March 31, 2013 (As of March 31, 2013)	Fiscal year ended March 31, 2014 (As of March 31, 2014)
Total net assets, as stated on the consolidated balance sheets (thousands of yen)	28,313,785	31,634,699
Net assets associated with common stock (thousands of yen)	26,671,678	29,862,265
Major components of the difference (thousands of yen): Minority interests	1,642,107	1,772,434
Number of shares of common stock issued and outstanding (shares)	20,590,153	20,590,153
Number of shares of common stock as treasury stock (shares)	3,780,794	3,641,383
Number of shares of common stock used in the calculation of net assets per share (shares)	16,809,359	16,948,770

2. Net income per share

	Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)
Net income (thousands of yen)	2,392,889	3,225,795
Amounts not attributable to owners of common stock (thousands of yen)	—	—
Net income associated with common stock (thousands of yen)	2,392,889	3,225,795
Average number of shares of common stock during the year (shares)	16,855,142	16,863,848

3. The Company's shares that remain in the ESOP trust accounts, which were recorded as treasury stock under shareholders' equity, were included in the treasury stock to be excluded from the scope of the average number of shares of common stock when calculating net income per share for the term, and to be excluded from the scope of the number of shares issued and outstanding at the end of the term when calculating net assets per share.

The average number of shares of the excluded treasury stock was 158,904 for the previous fiscal year, and 129,112 for the current fiscal year when calculating net income per share for the term. The number of shares of the excluded treasury stock at the end of the term was 104,300 for the previous fiscal year, and 246,000 for the current fiscal year.

4. As mentioned in "Changes in accounting policies", the Company adopted the Accounting Standard for Retirement Benefits, etc. and records in accordance with the transitional process stipulated in Article 37 of the standard.

As a result, net assets per share decreased by 8.15 yen for the current fiscal year.

[Important subsequent events]

Not applicable.

3. Non-consolidated financial statements**(1) Non-consolidated balance sheets**

	(Thousands of yen)	
	Fiscal year ended March 31, 2013 (As of March 31, 2013)	Fiscal year ended March 31, 2014 (As of March 31, 2014)
ASSETS		
Current assets		
Cash and deposits	4,471,682	4,472,823
Notes receivable – trade	32,743	48,145
Accounts receivable – trade	6,089,406	6,445,622
Supplies	14,368	11,680
Prepaid expenses	295,021	248,598
Accounts receivable – other	18,970	189,886
Short-term loans receivable	539,684	3,345,293
Short-term loans receivable from employees	49	–
Advances paid	142,118	91,865
Deferred tax assets	133,515	165,416
Other	18,950	25,284
Allowance for doubtful accounts	(3,770)	(4,360)
Total current assets	11,752,741	15,040,256
Non-current assets		
Property, plant and equipment		
Buildings	3,825,968	4,344,583
Accumulated depreciation	(2,197,126)	(2,280,432)
Buildings, net	1,628,841	2,064,151
Structures	77,730	76,559
Accumulated depreciation	(50,618)	(44,729)
Structures, net	27,112	31,830
Machinery and equipment	6,235	6,235
Accumulated depreciation	(6,233)	(6,234)
Machinery and equipment, net	1	0
Vehicles	32,221	52,313
Accumulated depreciation	(19,698)	(29,457)
Vehicles, net	12,522	22,856
Tools, furniture and fixtures	538,466	626,421
Accumulated depreciation	(367,133)	(368,883)
Tools, furniture and fixtures, net	171,332	257,538
Land	996,526	988,496
Lease assets	497,061	554,912
Accumulated depreciation	(245,316)	(340,044)
Lease assets, net	251,745	214,867
Construction in progress	267,266	81,285
Total property, plant and equipment	3,355,349	3,661,024
Intangible assets		
Telephone subscription right	15,288	15,330
Software	261,723	91,205
Lease assets	27,891	26,805
Goodwill	160	–
Total intangible assets	305,064	133,341

	(Thousands of yen)	
	Fiscal year ended March 31, 2013 (As of March 31, 2013)	Fiscal year ended March 31, 2014 (As of March 31, 2014)
Investments and other assets		
Investment securities	4,562,083	5,534,469
Stocks of subsidiaries and affiliates	7,586,535	8,821,201
Long-term loans receivable	23,417	22,486
Long-term loans receivable from subsidiaries and affiliates	523,323	471,056
Long-term prepaid expenses	497	388
Lease and guarantee deposits	738,315	758,509
Membership	364,851	370,182
Insurance funds	14,400	14,400
Claims provable in bankruptcy, claims provable in rehabilitation and other	24,677	22,937
Building for rent	107,470	107,470
Accumulated depreciation	(33,284)	(35,328)
Building for rent, net	74,185	72,142
Land for rent	53,739	53,739
Long-term time deposits	400,000	200,000
Other	51,031	84,985
Allowance for doubtful accounts	(90,676)	(88,936)
Total investments and other assets	14,326,382	16,337,562
Total non-current assets	17,986,796	20,131,929
TOTAL ASSETS	29,739,538	35,172,185

	(Thousands of yen)	
	Fiscal year ended March 31, 2013 (As of March 31, 2013)	Fiscal year ended March 31, 2014 (As of March 31, 2014)
LIABILITIES		
Current liabilities		
Notes payable – trade	23,751	18,928
Accounts payable – trade	3,986,965	4,625,590
Short-term loans payable	–	1,100,000
Current portion of long-term loans payable	167,904	741,000
Lease obligations	103,641	98,107
Accounts payable – other	241,379	132,117
Income taxes payable	249,372	737,650
Accrued consumption taxes	145,808	162,649
Accrued salaries	447,656	456,439
Accrued social insurance	300,356	173,213
Deposits received	270,358	114,624
Deposits received from subsidiaries and affiliates	1,200,000	1,600,000
Advances received	14,965	15,048
Provision for bonuses	234,662	246,364
Provision for directors' bonuses	70,000	70,000
Other	32,225	23,483
Total current liabilities	7,489,048	10,315,217
Non-current liabilities		
Long-term loans payable	4,946,500	4,408,870
Lease obligations	180,987	148,417
Deferred tax liabilities	28,246	330,645
Provision for retirement benefits	19,803	43,494
Provision for directors' retirement benefits	471,280	509,970
Long-term guarantee deposited	264,727	266,265
Asset retirement obligations	113,063	107,722
Other	9,476	12,100
Total non-current liabilities	6,034,085	5,827,485
TOTAL LIABILITIES	13,523,133	16,142,703
NET ASSETS		
Shareholders' equity		
Capital stock	3,000,000	3,000,000
Capital surplus		
Legal capital surplus	498,800	498,800
Other capital surplus	–	119,172
Total capital surplus	498,800	617,972
Retained earnings		
Legal retained earnings	251,200	251,200
Other retained earnings		
General reserve	12,310,000	12,310,000
Retained earnings brought forward	4,951,313	6,782,986
Total retained earnings	17,512,513	19,344,186
Treasury stock	(5,515,802)	(5,390,831)
Total shareholders' equity	15,495,510	17,571,327
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	720,894	1,458,154
Total valuation and translation adjustments	720,894	1,458,154
TOTAL NET ASSETS	16,216,404	19,029,482
TOTAL LIABILITIES AND NET ASSETS	29,739,538	35,172,185

(2) Non-consolidated statements of income

	(Thousands of yen)	
	Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)
Net sales		
Service revenue	49,629,862	51,199,329
Net sales of goods	377,075	385,268
Total net sales	50,006,937	51,584,598
Cost of sales		
Cost of service sales	42,076,435	43,192,975
Cost of goods sold	291,453	301,794
Total cost of sales	42,367,889	43,494,769
Gross profit	7,639,048	8,089,829
Selling, general and administrative expenses		
Promotion expenses	13,475	14,284
Advertising expenses	135,969	175,672
Directors' compensations	211,519	210,269
Salaries and allowances	2,052,844	1,966,289
Bonuses	271,326	302,709
Provision for bonuses	98,892	112,946
Provision for directors' bonuses	70,000	70,000
Directors' retirement benefits	500	-
Provision for directors' retirement benefits	57,400	61,690
Retirement benefit expenses	79,051	74,120
Legal welfare expenses	387,620	380,513
Welfare expenses	20,005	20,493
Training expenses	9,238	8,873
Offering expenses	11,458	15,385
Conference expenses	4,476	4,117
Entertainment expenses	86,521	108,301
Traveling and transportation expenses	286,733	271,594
Vehicle expenses	79,791	84,204
Communication expenses	98,397	95,231
Utilities expenses	37,629	43,299
Supplies expenses	21,773	23,253
Stationery expenses	205,170	211,704
Taxes and dues	63,671	49,527
Enterprise tax	60,062	66,922
Depreciation	359,562	362,654
Repair expenses	9,025	2,784
Insurance expenses	165,396	206,176
Rent expenses	383,616	355,277
Book expenses	7,246	7,125
Membership fee	15,933	16,440
Commission fee	211,352	229,162
Contribution	13,491	19,760
Provision of allowance for doubtful accounts	2,937	(885)
Miscellaneous expenses	150,383	150,192
Total selling, general and administrative expenses	5,682,477	5,720,093
Operating income	1,956,570	2,369,735

	(Thousands of yen)	
	Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)
Non-operating income		
Interest income	37,257	59,958
Dividends income	547,331	1,124,506
Gain on sales of investment securities	137,699	-
Rent income	40,459	39,243
Dividends income of insurance	25,057	21,707
Consulting fee income	36,000	36,000
Miscellaneous income	63,186	145,730
Total non-operating income	886,991	1,427,145
Non-operating expenses		
Interest expenses	29,900	79,158
Rent expenses	42,353	43,419
Loss on sales and retirement of non-current assets	8,094	29,334
Financing expenses	48,000	-
Miscellaneous loss	12,350	16,563
Total non-operating expenses	140,699	168,475
Ordinary income	2,702,862	3,628,405
Extraordinary loss		
Loss on valuation of investment securities	37,369	-
Loss on valuation of subsidiaries' stocks	-	35,969
Total extraordinary loss	37,369	35,969
Income before income taxes	2,665,492	3,592,436
Income taxes – current	717,844	1,168,015
Income taxes – deferred	328,843	(76,705)
Total income taxes	1,046,688	1,091,309
Net income	1,618,804	2,501,127

(3) Non-consolidated statements of changes in net assets

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings		
					General reserve	Retained earnings brought forward	
Balance at the beginning of current period	3,000,000	498,800	498,800	251,200	12,310,000	4,003,547	16,564,747
Changes of items during the period							
Dividends from surplus (year-end)						(339,991)	(339,991)
Dividends from surplus (interim)						(335,051)	(335,051)
Net income						1,618,804	1,618,804
Purchase of treasury stock							
Disposal of treasury stock						4,003	4,003
Net changes of items other than shareholders' equity							
Total changes of items during the period	-	-	-	-	-	947,765	947,765
Balance at the end of current period	3,000,000	498,800	498,800	251,200	12,310,000	4,951,313	17,512,513

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(5,226,262)	14,837,285	266,092	266,092	15,103,378
Changes of items during the period					
Dividends from surplus (year-end)		(339,991)			(339,991)
Dividends from surplus (interim)		(335,051)			(335,051)
Net income		1,618,804			1,618,804
Purchase of treasury stock	(441,527)	(441,527)			(441,527)
Disposal of treasury stock	151,987	155,990			155,990
Net changes of items other than shareholders' equity			454,801	454,801	454,801
Total changes of items during the period	(289,540)	658,224	454,801	454,801	1,113,026
Balance at the end of current period	(5,515,802)	15,495,510	720,894	720,894	16,216,404

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at the beginning of current period	3,000,000	498,800	–	498,800	251,200	12,310,000	4,951,313	17,512,513
Changes of items during the period								
Dividends from surplus (year-end)							(336,055)	(336,055)
Dividends from surplus (interim)							(337,080)	(337,080)
Net income							2,501,127	2,501,127
Purchase of treasury stock								
Disposal of treasury stock			119,172	119,172			3,681	3,681
Net changes of items other than shareholders' equity								
Total changes of items during the period	–	–	119,172	119,172	–	–	1,831,673	1,831,673
Balance at the end of current period	3,000,000	498,800	119,172	617,972	251,200	12,310,000	6,782,986	19,344,186

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(5,515,802)	15,495,510	720,894	720,894	16,216,404
Changes of items during the period					
Dividends from surplus (year-end)		(336,055)			(336,055)
Dividends from surplus (interim)		(337,080)			(337,080)
Net income		2,501,127			2,501,127
Purchase of treasury stock	(89,915)	(89,915)			(89,915)
Disposal of treasury stock	214,886	337,740			337,740
Net changes of items other than shareholders' equity			737,260	737,260	737,260
Total changes of items during the period	124,971	2,075,816	737,260	737,260	2,813,077
Balance at the end of current period	(5,390,831)	17,571,327	1,458,154	1,458,154	19,029,482