DISCLOSURES OF CONVOCATION NOTICE OF THE 13TH GENERAL MEETING OF SHAREHOLDERS VIA THE INTERNET

Notes to the Consolidated Financial Statements
Notes to the Nonconsolidated Financial Statements

(April 1, 2015 to March 31, 2016)

UBIC, Inc.

Notes to Consolidated Financial Statements and Nonconsolidated Financial Statements are posted on UBIC, Inc.'s (the "Company's") website (http://www.ubic.co.jp/) in accordance with laws and regulations and the provision of Article 15 of the Articles of Incorporation.

Notes to the Consolidated Financial Statements

1. Significant matters for the preparation of consolidated financial statements

(1) Scope of consolidation

Consolidated subsidiaries

1) Number of consolidated subsidiaries: 11 companies

Refer to section 1. (3) 2) Subsidiary of the Business Report for the names of significant consolidated subsidiaries. EvD, Inc., a wholly owned subsidiary of the Company, and its three subsidiaries have been included in the scope of the consolidation starting from the fiscal year ended March 31, 2016. Further, UBIC MEDICAL, Inc. and Rappa, Inc., subsidiaries newly established by the Company, have been included in the scope of the consolidation, and UBIC Patent Partners, Inc. has been excluded from the scope of the consolidation as a result of an absorption-type merger with the Company starting from the fiscal year ended March 31, 2016.

2) Name of nonconsolidated subsidiaries and the reason for excluding them from the scope of consolidation: Not applicable.

(2) Application of the equity method of accounting

・ Nonconsolidated subsidiaries and affiliates accounted for under the equity method: None.

(3) Account closing date of consolidated subsidiaries

The account closing dates of TechLaw Solutions and EvD, Inc., as well as its three subsidiaries, all of which are consolidated subsidiaries, are September 30 and December 31, respectively. Their provisionally prepared financial statements as of the consolidated account closing date are used in preparation of the consolidated financial statements.

The account closing dates of other consolidated subsidiaries are the same as the consolidated account closing date.

(4) Matters concerning accounting policies

1) Valuation standard and methods for significant assets

I. Securities

Available-for-sale securities

・Securities for which quoted market prices are available:	Stated at fair value at the end of the year. (Unrealized gains or losses are directly included in net assets. Cost of securities sold is determined by the moving average method.)
・Securities for which quoted market prices are not available:	Stated at cost determined by the moving average method.
II. Derivatives	Stated at fair value.
III. Inventories	
・Merchandise	Stated at cost determined by the specific identification method. (In the event the net selling value at the end of the period declines below the acquisition cost, the carrying value is written down to the net selling value to reflect the decreased profitability.)
・Supplies	Stated at cost determined by the first-in, first-out method. (In the event the net selling value at the end of the period declines below the acquisition cost, the carrying value is written down to the net selling value to reflect the decreased profitability.)

2) Depreciation and amortization of significant depreciable or amortizable assets

I. Property, plant, and equipment (excluding leased assets)	Property, plant, and equipment are depreciated by the straight-line method. Useful lives of principal property, plant, and equipment are as follows: Buildings: 6-15 years Tools, furniture, and fixtures: 4-20 years
II. Intangible assets (excluding leased assets)	Intangible assets are amortized by the straight-line method. Software for internal use is amortized over an expected useful life of five years or less by the straight-line method. Software for sale is amortized at the larger of the amortizable amount based on the estimated sales volume during the estimated effective period of three years or less and the amount periodically distributed over the effective remaining sales period by the straight-line method. Customer-related assets and other intangible assets are amortized by the straight-line method over the following effective periods: Customer-related assets: 15 years Other intangible assets: 2-10 years
III. Leased assets	Leased assets are depreciated or amortized over the lease term by the straight-line method with no residual value.

3) Recognition of significant allowances

I. Allowance for doubtful accounts	To provide for a loss on doubtful accounts, general allowances are provided using the rate determined by past experience with bad debts. Specific allowances are provided for the estimated amount considered to be uncollectible after reviewing the individual collectability of certain doubtful accounts.
II. Provision for bonuses	To provide for employees' bonuses, the Group provides accrued bonuses based on the projected amount for the consolidated year.

4) Significant methods of hedge accounting

I. Method of hedge accounting	In principle, deferred hedge accounting is applied. Interest rate and currency swap transactions that qualify for both special hedge accounting and designated hedge accounting are accounted for accordingly in their entirety.
II. Hedging instruments and hedged items	Hedging instruments: Interest rate and currency swap contracts Hedged items: Foreign currency denominated long-term borrowings (including forecast transactions)
III. Hedging policy	Interest rate and currency swap contracts are used for the purpose of reducing exposure to risks associated with fluctuations of currency exchange rates and interest rates on borrowings and are used only to the extent necessary for the Group's ordinary business. Hedged items are identified on a contract-by-contract basis.
IV. Method of evaluating hedging effectiveness	Evaluation of hedging effectiveness is omitted for interest rate and currency swap transactions as important conditions of hedging instruments and hedged items are the same.

5) Accounting for retirement benefits

Liabilities for retirement benefits and retirement benefit expenses are calculated by applying the compendium method, under which the amount to be paid for retirement benefits for voluntary termination at the year-end is assumed to be retirement benefit obligations.

6) Amortization method and amortization period for goodwill

Goodwill is systematically amortized by the straight-line method over its effective period of fifteen years or less.

7) Other significant accounting policies for preparation of the consolidated financial statements

Accounting for consumption taxes	All accounting transactions are booked exclusive of any national or local consumption taxes.

2. Notes to the consolidated balance sheet

(1) Accumulated impairment losses on property, plant, and equipment

The amount of accumulated depreciation includes accumulated impairment losses of 38,598 thousand yen.

(2) Assets pledged as collateral and secured obligations

Assets pledged as collateral

Shares of subsidiaries and associated companies 4,851,515 thousand yen

Shares of subsidiaries and associated companies are eliminated in the consolidated financial statements.

Secured obligations

Current portion of long-term loans payable	188,660 thousand yen
Long-term loans payable	1,697,948 thousand yen

(3) Financial covenants

Of the loans payable, a syndicate loan agreement concluded on September 30, 2011 and a long-term loan arrangement concluded on December 24, 2015 include the following financial covenants.

1) Syndicate loan agreement concluded on September 30, 2011

Current portion of long-term loans payable 87,500 thousand yen

I. The borrower shall maintain the amount of total net assets on its nonconsolidated and consolidated balance sheets at the end of each fiscal year of at least 75% of the larger of the corresponding amounts as of the end of the preceding fiscal year or as of March 31, 2011.

II. The borrower shall not record ordinary losses on its nonconsolidated and consolidated statements of income for each fiscal year for two consecutive fiscal years.

2) Long-term loan arrangement concluded on December 24, 2015

Current portion of long-term loans payable	187,493 thousand yen
Long-term loans payable	1,687,442 thousand yen

I. The borrower shall maintain an amount of total net assets on its nonconsolidated and consolidated balance sheets at the end of each fiscal year of at least 75% of the larger of the corresponding amounts as of the end of the preceding fiscal year or as of March 31, 2015.

II. The borrower shall not record ordinary losses on its nonconsolidated and consolidated statements of income for each fiscal year for two consecutive fiscal years.

3) Long-term loan arrangement concluded on December 24, 2015

Current portion of long-term loans payable	188,660	thousand yen
Long-term loans payable	1,697,948	thousand yen

I. The borrower shall maintain an amount of total net assets on its nonconsolidated and consolidated balance sheets at the end of each fiscal year effective from the fiscal year ended March 31, 2016, of at least 75% of the larger of the corresponding amounts as of March 31, 2015, or as of the end of the preceding fiscal year.

II. The borrower shall not record ordinary losses on its nonconsolidated and consolidated statements of income for each fiscal year for two consecutive fiscal years.

3. Notes to the consolidated statement of changes in net assets

(1) Number of issued shares of common stock

Class of shares	Number of shares as of the beginning of the year	Increase during the year	Decrease during the year	Number of shares as of the end of the year
Common stock	35,491,360	260,000	—	35,751,360

(2) Number of treasury stock

Class of shares	Number of shares as of the beginning of the year	Increase during the year	Decrease during the year	Number of shares as of the end of the year
Common stock	630	—	—	630

(3) Dividends

1) Dividend payments

I.	Total dividends	106,472 thousand yen
II.	Dividend per share	3.00 yen
III.	Record date	March 31, 2015
IV.	Effective date	June 24, 2015

2) Dividends with a record date in this year but an effective date in the following year

I.	Total dividends	107,252 thousand yen
II.	Dividend per share	3.00 yen
III.	Record date	March 31, 2016
IV.	Effective date	June 30, 2016

(4) Items related to subscription rights to shares as of the end of the year

Class and number of shares to which subscription rights are related (excluding those for which the first day of the exercise period has not yet arrived) as of the end of year.

Common stock 759,000 shares

4. Notes to financial instruments

(1) Financial instruments

The policy of the Group is to manage temporary cash surplus through investments in low-risk financial assets and to raise its funding through borrowings from financial institutions, including banks.

The Group mitigates credit risk from customers related to accounts receivable-trade in accordance with its receivable management rules. Investment securities consist mainly of equity securities, and fair values for listed shares are monitored on a quarterly basis. The Group mitigates the liquidity risk that it cannot meet obligations arising from accounts payables-trade and accounts payable-other by preparing cash-flow schedules on a timely basis.

Borrowings are used for the purpose of working capital (mainly short-term borrowings), and capital investments and acquisition of shares of EvD, Inc. (long-term debt). Interest rate and currency swap contracts are used for the purpose of reducing exposure to risks associated with fluctuations of currency exchange rates and interest rates on borrowings. Speculative derivative transactions are not conducted in accordance with the policy of the Group.

(2) Fair value of financial instruments

Carrying amount, fair value, and the difference between these amounts as of March 31, 2016, are presented in the following table.

(Unit: thousands of yen)

	Carrying amount on the consolidated balance sheet (*1)	Fair value (*)	Difference
(1) Cash and deposits	1,798,723	1,798,723	–
(2) Notes and accounts receivable-trade	2,873,366	2,873,366	–
(Allowance for doubtful accounts (*2))	(75,268)	(75,256)	–
	2,798,097	2,798,097	–
(3) Investment securities	639,920	639,920	–
(4) Accounts payable-trade	(362,610)	(362,610)	–
(5) Short-term loans payable	(52,000)	(52,000)	–
(6) Accounts payable-other	(1,265,794)	(1,265,794)	–
(7) Long-term loans payable (*3)	(4,531,621)	(4,499,577)	(32,044)
(8) Derivatives (*4) (*5)	(3,942)	(3,942)	

(*1) Items recorded as liabilities are presented in parentheses.

(*2) Notes and accounts receivable-trade are presented net of allowance for doubtful accounts.

(*3) Current portion of long-term loans payable is included. Interest rate and currency swaps are accounted for in combination with the long-term loans payable designated as the hedged item, and accordingly, the fair values of such swaps are included in the fair value of long-term loans payable.

(*4) Deferred hedge accounting is applied to interest rate and currency swaps under which forecast transactions are designated as hedged items.

(*5) Receivables and payables arising from derivative transactions are presented in net, and net payables are shown in parentheses.

(Notes) 1. Method of determining fair values of financial instruments and other matters related to securities and derivatives transactions

(1) Cash and deposits and (2) Notes and accounts receivable-trade

The carrying amounts of these instruments approximate fair value because of their short maturities.

(3) Investment securities

The fair value of equity securities is determined using quoted prices on the stock exchange, and that of debt securities is determined using prices provided by financial trading institutions

(4) Accounts payable-trade, (5) Short-term loans payable, and (6) Account payable-other

The carrying amounts of these instruments approximate fair value because of their short maturities.

(7) Long-term loans payable

The fair value of these instruments is stated at present value which is determined by discounting the aggregate value of principal and interest using an interest rate on similar new loans. The fair value of long-term loans payable is presented inclusive of the current portion of long-term loans payable.

(8) Derivative transactions

The fair values of derivatives are stated at the prices presented by the relevant financial institutions.

2. Unlisted shares (with a carrying amount of 14 thousand yen on the consolidated balance sheet) are not included since it is extremely difficult to measure their fair values because there is no quoted market price for the instruments and future cash flows are not estimable.

5. Notes to per share information

(1)	Net assets per share	122.06 yen
(2)	Net loss per share	(5.53) yen

6. Significant subsequent events

Not applicable.

Notes to the Nonconsolidated Financial Statements

1. Significant accounting policies

(1) Valuation standard and methods for assets

1) Securities

I. Equity investments in subsidiaries	Stated at cost determined by the moving average method.
II. Available-for-sale securities	
・Securities for which quoted market prices are available:	Stated at fair value at the end of the year. (Unrealized gains or losses are directly included in net assets. Cost of securities sold is determined by the moving average method.)
・Securities for which quoted market prices are not available:	Stated at cost determined by the moving average method.
2) Derivatives	Stated at fair value.
3) Inventories	
・Merchandise	Stated at cost determined by the specific identification method. (In the event the net selling value at the end of the period declines below the acquisition cost, the carrying value is written down to the net selling value to reflect the decreased profitability.)
・Supplies	Stated at cost determined by the first-in, first-out method. (In the event the net selling value at the end of the period declines below the acquisition cost, the carrying value is written down to the net selling value to reflect the decreased profitability.)

(2) Depreciation and amortization of noncurrent assets

1) Property, plant, and equipment (excluding leased assets)	Property, plant, and equipment are depreciated by the straight-line method. Useful lives of principal property, plant, and equipment are as follows: Buildings: 6-15 years Tools, furniture, and fixtures: 4-20 years
2) Intangible assets (excluding leased assets)	Intangible assets are amortized by the straight-line method. Software for internal use is amortized over an expected useful life of five years or less by the straight-line method. Software for sale is amortized at the larger of the amortizable amount based on the estimated sales volume during the estimated effective period of three years or less and the amount periodically distributed over the effective remaining sales period by the straight-line method.
3) Leased assets	Leased assets are depreciated or amortized over the lease term by the straight-line method with no residual value.

(3) Recognition of allowances

1) Allowance for doubtful accounts	To provide for a loss on doubtful accounts, general allowances are provided using the rate determined by past experience with bad debts. Specific allowances are provided for the estimated amount considered to be uncollectible after reviewing the individual collectability of certain doubtful accounts.
2) Provision for bonuses	To provide for employees' bonuses, the Company provides accrued bonuses based on the projected amount for the year.
3) Provision for retirement benefits	To prepare for payments of employees' retirement benefits, the Company provides accrued retirement benefits in the amount which would be payable assuming that all employees retired at the end of the current year as a compendium method.

(4) Significant methods of hedge accounting

1) Method of hedge accounting	In principle, deferred hedge accounting is applied. Interest rate and currency swap transactions that qualify for both special hedge accounting and designated hedge accounting are accounted for accordingly in their entirety.
2) Hedging instruments and hedged items	Hedging instruments: Interest rate and currency swap contracts Hedged items: Foreign currency denominated long-term borrowings (including forecast transactions)
3) Hedging policy	Interest rate and currency swap contracts are used for the purpose of reducing exposure to risks associated with fluctuations of currency exchange rates and interest rates on borrowings and are used only to the extent necessary for the Group's ordinary business. Hedged items are identified on a contract-by-contract basis.
4) Method of evaluating hedging effectiveness	Evaluation of hedging effectiveness is omitted for interest rate and currency swap transactions as important conditions of hedging instruments and hedged items are the same.

(5) Other matters for the preparation of financial statements

Accounting for consumption taxes	All accounting transactions are booked exclusive of any national or local consumption taxes.

2. Notes on changes in presentation methods

(Statement of Income)

"Fiduciary obligation fee" that was included in "Other" under "Non-operating income" in the previous fiscal year is separately presented from the current fiscal year due to its increased materiality.

3. Notes to the nonconsolidated balance sheet

(3) Short-term receivables from and payables to subsidiaries and associated companies:

Short-term receivables from and payables to subsidiaries and associated companies, other than those separately presented, that are included in other accounts are as follows:

Short-term receivables	1,102,813 thousand yen
Short-term payables	434,249 thousand yen

(4) Assets pledged as collateral and secured obligations

Assets pledged as collateral

Shares of subsidiaries and associated companies	4,851,515 thousand yen

Secured obligations

Current portion of long-term loans payable	188,660 thousand yen
Long-term loans payable	1,697,948 thousand yen

(5) Financial covenants

Of the loans payable, a syndicate loan agreement concluded on September 30, 2011 and a long-term loan arrangement concluded on December 24, 2015 include the following financial covenants.

1) Syndicate loan agreement concluded on September 30, 2011

Current portion of long-term loans payable	87,500 thousand yen

I. The borrower shall maintain the amount of total net assets on its nonconsolidated and consolidated balance sheets at the end of each fiscal year of at least 75% of the larger of the corresponding amounts as of the end of the preceding fiscal year or as of March 31, 2011.

II. The borrower shall not record ordinary losses on its nonconsolidated and consolidated statement of income for each fiscal year for two consecutive fiscal years.

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Current portion of long-term loans payable	187,493 thousand yen
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II. The borrower shall not record ordinary losses on its nonconsolidated and consolidated statement of income for each fiscal year for two consecutive fiscal years.

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Current portion of long-term loans payable	188,660 thousand yen
Long-term loans payable	1,697,948 thousand yen

I. The borrower shall maintain an amount of total net assets on its consolidated balance sheet at the end of each fiscal year of at least 75% of the larger of the corresponding amounts as of March 31, 2015 or as of the end of the preceding fiscal year.

II. The borrower shall not record ordinary losses on its nonconsolidated and consolidated statement of income for each fiscal year for two consecutive fiscal years.

4. Notes to the nonconsolidated statement of income

Transactions with subsidiaries and associated companies

Net sales	844,434 thousand yen
Purchase	98,939 thousand yen
Selling, general, and administrative expenses	2,019 thousand yen
Non-operating transactions	8,329 thousand yen

5. Notes to the nonconsolidated statement of changes in net assets

Number of treasury stock

Class of shares	Number of shares as of the beginning of the year	Increase during the year	Decrease during the year	Number of shares as of the end of the year
Common stock	630	—	—	630

6. Notes to deferred income taxes

(1) The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities

(Deferred tax assets)	(Unit: thousands of yen)
1) Current assets	
Provision for bonuses	28,804
Provision for bonuses-social insurance	4,431
Allowance for doubtful accounts	98,285
Enterprise tax payable	7,751
Other	1,605
Subtotal	140,877
Valuation allowance	(98,285)
Total deferred tax assets	42,592
2) Noncurrent assets	
Provision for retirement benefits	7,738
Excess depreciation	7,187
Valuation difference on equity investments in subsidiaries and associated companies	29,607
Asset retirement obligations	13,549
Lump-sum depreciable assets	3,080
Subscription rights to shares	4,070
Other	1,207
Subtotal	66,440
Valuation allowance	(63,635)
Total deferred tax assets	2,804
Offset against deferred tax liabilities (noncurrent)	2,804
Net deferred tax assets	—
(Deferred tax liabilities)	
Valuation difference on available-for-sale securities	(98,409)
Asset retirement obligations	(10,191)
Total deferred tax liabilities	(108,600)
Offset against deferred tax assets (noncurrent)	2,804
Net deferred tax liabilities	(105,796)

(2) Adjustment to the amounts of deferred tax assets and liabilities due to changes in income taxes

Pursuant to the "Act for Partial Amendment of Income Tax Act" and "Act for Partial Amendment of Local Tax Act" passed by the Diet on March 29, 2016, the effective statutory tax rate for calculating deferred tax assets and deferred tax liabilities as of the fiscal year ended March 31, 2016 (to the extent that those temporary differences are expected to be reversed on or after April 1, 2016) has been changed from the previous fiscal year's rate of 33.1% to 30.9% for items expected to be settled or realized in the period from April 1, 2016 to March 31, 2018, and to 30.6% for those expected to be settled or realized on or after April 1, 2018.

As a result, the amount of deferred tax assets (current) decreased by 2,042 thousand yen, the amount of deferred tax liabilities (noncurrent), net of deferred tax assets (noncurrent), decreased by 5,948 thousand yen, income taxes-deferred recorded in the current fiscal year decreased by 1,622 thousand yen, and valuation difference on available-for-sale securities increased by 5,527 thousand yen.

7. Notes to related-party transactions

Subsidiaries

Type	Company name	Share of voting rights holding (or held)	Relationship		Type of transaction	Transaction amount (thousands of yen)	Account	Year-end balance (thousands of yen)
			Executives	Business relationship				
Subsidiary	UBIC North America, Inc.	Holding 100%	2 Executives	Provision of services Concurrent position Financial support Guarantees for real estate rentals (Note 4)	Receipt of royalties (Note 1)	455,244	Accounts receivable-trade	322,678
					Acceptance of services (Note 1)	82,435	Accounts payable-trade	20,195
					Advancing funds	166,635	Advances paid to subsidiaries and associated companies	166,899
					Collection of loan of funds (Note 2)	93,738	Short-term loans to subsidiaries and associated companies	—
Subsidiary	UBIC Korea, Inc.	Holding 100%	1 Executive	Provision of services Concurrent position Financial support	Receipt of royalties (Note 1)	135,808	Accounts receivable-trade	375,456
					Advancing funds	37,705	Advances paid to subsidiaries and associated companies	130,524
					Advancing payments of accounts payable for other subsidiaries and associated companies	102,347	Accounts payable-other	323,377
					Collection of loan of funds (Note 2)	99,107	Short-term loans to subsidiaries and associated companies	—

Type	Company name	Share of voting rights holding (or held)	Relationship		Type of transaction	Transaction amount (thousands of yen)	Account	Year-end balance (thousands of yen)
			Executives	Business relationship				
Subsidiary	UBIC Taiwan, Inc.	Holding 100%	2 Executives	Provision of services Concurrent position Financial support	Advancing funds	23,888	Advances paid to subsidiaries and associated companies (Note 3	154,515
					Loan of funds (Note 2)	9,408	Short-term loans to subsidiaries and associated companies (Note 3)	133,096
Subsidiary	TechLaw Solutions, Inc.	Holding 100%	2 Executives	Provision of services Concurrent position Financial support Guarantees for real estate rentals (Note 4)	Receipt of royalties (Note 1)	67,061	Accounts receivable-trade	62,890
					Loan of funds (Note 2)	105,190	Short-term loans to subsidiaries and associated companies	140,848
							Long-term loans to subsidiaries and associated companies	84,511
Subsidiary	EvD, Inc.	Holding 100%	2 Executives	Provision of services Financial support Concurrent position	Receipt of royalties (Note 1)	175,443	Accounts receivable-trade	165,918
					Loan of funds (Note 2)	236,750	Short-term loans to subsidiaries and associated companies	—
					Collection of loan of funds (Note 2)	236,750		

(Notes) Conditions of transactions and policies for determining the conditions of transactions

1. Receipt of royalties is determined reasonably based on relevant contracts.
2. Interest rates on loans are determined reasonably based on market rates as well as interest rates on borrowings of the Company.
3. Allowance for doubtful accounts of 320,983 thousand yen is recorded for accounts such as advances paid and loans to subsidiaries. The Company recorded 65,812 thousand yen of allowance for doubtful accounts for the fiscal year ended March 31, 2016.
4. Debt guarantees have been provided for real estate rentals of UBIC North America, Inc. and TechLaw Solutions.
5. The amounts presented above exclude consumption taxes.
6. The amounts presented above include foreign exchange gains and losses.

Officers and major individual shareholders

Attribution	Name of company or individual	Share of voting rights holding (or held)	Relationship with related party	Type of transaction	Transaction amount (thousands of yen)	Account	Year-end balance (thousands of yen)
Officer	Masahiro Morimoto	Held 19.36%	Chief Executive Officer and President	Exercise of stock options (Note 2)	8,000	—	—

(Notes) Conditions of transactions and policies for determining the conditions of transactions

1. The amounts presented above exclude consumption taxes.
2. Exercised stock options were those issued by the resolutions at the general meetings of shareholders held on June 23, 2009, in accordance with Articles 236, 238, and 239 of the Companies Act.

8. Notes to per share information

(1) Net assets per share 137.47 yen

(2) Net income per share 2.09 yen

9. Significant subsequent events

Not applicable.