

# TRANSLATION

(Company Code: 2158)

June 14, 2016

To Our shareholders

2-12-23, Kounan, Minato-ku, Tokyo

UBIC, Inc.

Masahiro Morimoto, Chief Executive Officer

## CONVOCAATION NOTICE OF THE 13<sup>th</sup> GENERAL MEETING OF SHAREHOLDERS

UBIC, Inc. (the “Company”) would like to extend our deepest appreciation for the support of our shareholders.

You are cordially invited to attend the 13<sup>th</sup> General Meeting of Shareholders of UBIC, Inc.

If you are unable to attend the meeting, you may exercise your voting rights through either of the following methods; in which case, we ask that you exercise your voting rights by 6:00 p.m. on Tuesday, June 28, 2016 (Japan Time), after examining the attached Reference Documents for the Ordinary General Meetings of Shareholders.

### Voting by mail

When you exercise your voting rights by mail, please indicate your approval or disapproval on each of the proposals in the enclosed Voting Form and return it to the Company by mail no later than the above voting deadline.

### Voting via the Internet

When you exercise your voting rights via the Internet, please access the website designated by the Company (<http://www.evotc.jp/>) and use the “login ID” and “temporary password” stated on the enclosed Voting Form, and enter your approval or disapproval on each of the proposals following instructions on the site.

~~~~~  
When you attend the meeting, please submit the enclosed Voting Form at the reception desk on arrival at the meeting.

If the Reference Documents for the Ordinary General Meeting of Shareholders, and Business Report, Nonconsolidated Financial Statements, and Consolidated Financial Statements, are revised, the revision shall be posted on the Company’s website (<http://www.ubic.co.jp/>).

1. **Date/Time** June 29, 2016 (Wednesday), at 10:00 a.m.
2. **Venue** Hotel JAL City Tamachi Tokyo, B1 Floor, *Houou*  
3-16-18, Shibaura, Minato-ku, Tokyo  
(The venue has been changed from the last time. Please refer to the map and directions at the end of the document.)

3. **Meeting agenda**

**Items to be reported:**

1. Details of Business Report, Consolidated Financial Statements, and Audit Reports by the Independent Auditor and Audit and Supervisory Board on the audit results of the Consolidated Financial Statements for the fiscal year ended March 31, 2016.
2. Details of the Nonconsolidated Financial Statements for the fiscal year ended March 31, 2016.

**Items to be resolved:**

- |                                |                                                                   |
|--------------------------------|-------------------------------------------------------------------|
| <b>1<sup>st</sup> Proposal</b> | Appropriation of Retained Earnings                                |
| <b>2<sup>nd</sup> Proposal</b> | Partial Amendments to the Articles of Incorporation               |
| <b>3<sup>rd</sup> Proposal</b> | Election of Five (5) Directors                                    |
| <b>4<sup>th</sup> Proposal</b> | Election of One (1) Audit and Supervisory Board Member            |
| <b>5<sup>th</sup> Proposal</b> | Election of One (1) Substitute Audit and Supervisory Board Member |
| <b>6<sup>th</sup> Proposal</b> | Issuance of Subscription Rights to Shares as Stock Options        |

4. **Matters prescribed for convocation**

- (1) If neither approval nor disapproval of each proposal is indicated on the Voting Form, the Company will deem that you indicated your approval of the proposal.
- (2) If you have exercised your voting rights more than once via the Internet, the last vote shall prevail.
- (3) If you have exercised your voting rights both by mail and via the Internet, the vote via the Internet shall prevail.

(Documents submitted)

## **Business Report**

( From April 1, 2015  
to March 31, 2016 )

### **I. Current Condition of Corporate Group**

#### **(1) Business conditions during the fiscal year ended March 31, 2016**

##### **1) Progress and results of operations**

In the year ended March 31, 2016, UBIC Group (the “Group”) made efforts to expand existing businesses (eDiscovery and Legal businesses) through M&A transactions and develop businesses in new fields with its independently developed artificial intelligence technology as a core product.

In the eDiscovery business, in addition to acquiring TechLaw Solutions, Inc. (“TechLaw Solutions”) in August 2014, the Group acquired Evolve Discovery Inc. (“EvD, Inc.”) in July 2015, both of which operate in the United States, a major market for the Group. The synergies generated by these acquisitions led to the Group acquiring new customers in the United States, which resulted in sales in the United States accounting for approximately 60% of total sales across the entire Group, and the Group recording its highest net sales to date in the year ended March 31, 2016. Further, in addition to consolidating and disposing of data centers and offices of each of its three U.S. subsidiaries in order to improve investment efficiency, the Group set up new review centers in Washington, D.C. and New York with the aim of strengthening and expanding the review business in the future. This organizational restructuring and strengthening allowed the Group to acquire large-scale projects and provide stable support to customers.

In the area of new businesses utilizing artificial intelligence technology, the Group rolled out solutions utilizing an independently developed artificial intelligence engine—KIBIT\* in the fields of digital marketing, healthcare, and business intelligence. In the field of digital marketing, the Group established Rappa, Inc. and developed *Kibiro*, a robot equipped with KIBIT, in addition to establishing *KenkoJiman.com*, the Group’s first community website geared toward general consumers. In the field of healthcare, the Group established UBIC MEDICAL, which was selected as an outsourcing contractor for public work by the Japan Agency for Medical Research and Development (AMED) for which the Group participated in a research and development project, and made efforts in its big data analysis business, which utilizes artificial intelligence, in the medical field by, for example, developing a system to prevent hospital patients from turning over and falling out of their beds. Additionally, in the field of business intelligence, in order to support companies in their business strategy endeavors, the Group began to provide and sell the intellectual property strategy support system for analyzing large patent-related information “Lit i View PATENT EXPLORER,” as well as the business data analysis system “Lit i View AI Sukedachi Samurai,” both of which are being utilized by globally expanding Japanese corporations, such as financial institutions, manufacturers, retailers, and others.

\*KIBIT is an artificial intelligence engine independently developed by the Company. It is equipped with a vast knowledge collected and systemized through the Company’s unique artificial intelligence-related technology, the Company calls it “Landscaping,” which performs learning and evaluation functions, and through its experience in data analysis, and analyzes text data in various formats. With only a small amount of teaching data, the KIBIT AI engine can understand subtle elements of human behavior and personality (tacit knowledge, judgment, and sensations that vary on an individual level).

Amid these conditions, in its consolidated operating results for the year ended March 31, 2016, the Group recorded net sales of 10,553,007 thousand yen (a 68.2% increase year-on-year), operating income of 69,123 thousand yen (a 74.0% decrease year-on-year), ordinary income of 23,210 thousand yen (a 94.7% decrease year-on-year), and net loss attributable to owners of the parent of 196,752 thousand yen (net income attributable to owners of the parent of 260,310 thousand yen was recorded in the previous year).

The above was a result of the increase in costs exceeding the increase in net sales. This is because that the Group incurred costs related to acquisitions of 254,884 thousand yen and amortization of goodwill and customer-related assets of 182,995 thousand yen despite a significant increase in revenue from the acquisition of EvD, Inc., and that the Group recorded new business-related costs of 840,593 thousand yen on development of artificial intelligence technology and establishment of a marketing framework. In addition, the Group recorded foreign exchange losses of 35,818 thousand yen resulting from the sharp increase in the yen's value, and net sales from high profit margin processes were delayed to the next period, while review net sales with a low profit margin increased significantly in the year ended March 31, 2016.

The following table shows net sales by each segment.

| Segment                                    |                                        | Net sales<br>(Thousand yen) | Net sales<br>(%) |
|--------------------------------------------|----------------------------------------|-----------------------------|------------------|
| eDiscovery                                 | eDiscovery service                     | 4,699,547                   | 44.5             |
|                                            | eDiscovery solution                    | 5,297,203                   | 50.2             |
| Legal and compliance professional services | Forensic service                       | 283,957                     | 2.7              |
|                                            | Forensic tool distribution and support | 41,793                      | 0.4              |
|                                            | Software sales                         | 159,968                     | 1.5              |
|                                            | Forensic training service              | 9,989                       | 0.1              |
|                                            | Compliance support                     | 453                         | 0.0              |
| Other                                      |                                        | 60,091                      | 0.6              |
| Total                                      |                                        | 10,553,007                  | 100.0            |

Looking at the new businesses of digital marketing, healthcare, and business intelligence, which are utilizing the artificial intelligence technology included in the legal and compliance professional services in addition to the business segments described above, net sales in this area were 103,418 thousand yen and operating loss was 737,174 thousand yen. These new businesses are still in the upfront investment phase, which includes research and development. On the other hand, net sales from the existing legal-related businesses were 10,449,588 thousand yen and operating income was 806,297 thousand yen, which provide stable profits.

2) Capital expenditure

Capital expenditure for the fiscal year ended March 31, 2016, mainly consists of the following:

| Name of company         | Details                     | Investment amount<br>(Thousand yen) | Launching month |
|-------------------------|-----------------------------|-------------------------------------|-----------------|
| UBIC, Inc.              | Lit i View version 7.6      | 49,508                              | July 2015       |
| UBIC, Inc.              | Lit i View version 7.7      | 33,349                              | October 2015    |
| UBIC, Inc.              | Lit i View version 7.8      | 77,121                              | January 2016    |
| UBIC, Inc.              | Lit i View version 7.9      | 45,449                              | April 2016      |
| UBIC, Inc.              | EMAIL AUDITOR Version 2.0   | 34,744                              | July 2015       |
| UBIC, Inc.              | EMAIL AUDITOR Version 2.1   | 20,315                              | October 2015    |
| UBIC, Inc.              | EMAIL AUDITOR Version 2.2   | 14,053                              | January 2016    |
| UBIC, Inc.              | EMAIL AUDITOR Version 2.3   | 8,929                               | April 2016      |
| UBIC, Inc.              | E-Discovery Litigation Hold | 12,005                              | October 2015    |
| TechLaw Solutions, Inc. | Data center facility        | 79,094                              | July 2015       |
| TechLaw Solutions, Inc. | Review center facility      | 70,209                              | September 2015  |
| TechLaw Solutions, Inc. | Review center facility      | 254,461                             | February 2016   |

3) Financing

UBIC, Inc. (the “Company”) borrowed 1,800,000 thousand yen on July 27, 2015, to finance the acquisition of shares of EvD, Inc., which was later refinanced by a US dollar-denominated loan of 20,440,000 dollars and a yen-denominated loan of 1,706,000 thousand yen on December 24, 2015, by utilizing the JBIC Loan Facility Enhancing Global Business Development.

4) Significant corporate reorganization

As of October 1, 2015, the Company merged with UBIC Patent Partners, Inc., with the Company as the surviving company and UBIC Patent Partners, Inc. as the absorbed company.

The Company acquired all shares in EvD, Inc. and converted it and its three subsidiaries into consolidated subsidiaries as of July 31, 2015.

## (2) Assets and profit

### 1) Assets and profit (loss) of the Corporate Group

|                                                                          | 10 <sup>th</sup> Term          | 11 <sup>th</sup> Term          | 12 <sup>th</sup> Term          | 13 <sup>th</sup> Term          |
|--------------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                                                                          | (Year ended<br>March 31, 2013) | (Year ended<br>March 31, 2014) | (Year ended<br>March 31, 2015) | (Year ended<br>March 31, 2016) |
| Net sales (Thousand yen)                                                 | 4,679,630                      | 4,171,617                      | 6,274,460                      | 10,553,007                     |
| Net income (loss) (Thousand yen)<br>attributable to owners of the parent | 500,448                        | (604,357)                      | 260,310                        | (196,752)                      |
| Net income (loss) per share (in yen)                                     | 15.84                          | (17.74)                        | 7.45                           | (5.53)                         |
| Total assets (Thousand yen)                                              | 4,755,970                      | 4,888,680                      | 7,641,666                      | 12,918,790                     |
| Net assets (Thousand yen)                                                | 3,195,005                      | 3,533,169                      | 5,220,772                      | 4,655,957                      |
| Net assets per share (in yen)                                            | 96.35                          | 96.34                          | 140.78                         | 122.06                         |

(Note) The Company effected a ten-for-one split of its shares of common stock as of April 1, 2014. For the purpose of calculating net income (loss) per share and net assets per share, the stock split is assumed to have occurred at the beginning of the 10<sup>th</sup> term.

### 2) Assets and profit (loss) of the Company

|                                      | 10 <sup>th</sup> Term          | 11 <sup>th</sup> Term          | 12 <sup>th</sup> Term          | 13 <sup>th</sup> Term          |
|--------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                                      | (Year ended<br>March 31, 2013) | (Year ended<br>March 31, 2014) | (Year ended<br>March 31, 2015) | (Year ended<br>March 31, 2016) |
| Net sales (Thousand yen)             | 3,642,205                      | 2,665,496                      | 3,718,931                      | 4,560,299                      |
| Net income (loss) (Thousand yen)     | 484,001                        | (603,333)                      | 316,933                        | 74,432                         |
| Net income (loss) per share (in yen) | 15.32                          | (17.71)                        | 9.07                           | 2.09                           |
| Total assets (Thousand yen)          | 4,522,453                      | 4,756,257                      | 7,377,724                      | 11,896,038                     |
| Net assets (Thousand yen)            | 3,100,525                      | 3,419,213                      | 5,032,824                      | 5,187,455                      |
| Net assets per share (in yen)        | 93.91                          | 93.65                          | 135.86                         | 137.47                         |

(Note) The Company effected a ten-for-one split of its shares of common stock as of April 1, 2014. For the purpose of calculating net income (loss) per share and net assets per share, the stock split is assumed to have occurred at the beginning of the 10<sup>th</sup> term.

**(3) Significant parent company and subsidiaries**

1) Parent company

Not applicable.

2) Subsidiary

| Name of company              | Location | Capital stock                     | Percentage of ownership | Main business                                |
|------------------------------|----------|-----------------------------------|-------------------------|----------------------------------------------|
| UBIC North America, Inc.     | USA      | 500,000 US dollar                 | 100.00%                 | eDiscovery-related services                  |
| Payment Card Forensics, Inc. | Japan    | 10,000 thousand yen               | 60.00%                  | Card forensics investigation services        |
| UBIC Korea, Inc.             | Korea    | 700,000 thousand South Korean won | 100.00%                 | eDiscovery-related services                  |
| UBIC Taiwan, Inc.            | Taiwan   | 19,000 thousand Taiwan dollar     | 100.00%                 | eDiscovery-related services                  |
| TechLaw Solutions, Inc.      | USA      | —                                 | 100.00%                 | eDiscovery-related services                  |
| UBIC MEDICAL, Inc.           | Japan    | 10,000                            | 100.00%                 | Medical field information analyzing services |
| Rappa, Inc.                  | Japan    | 10,000                            | 100.00%                 | Digital marketing services                   |
| EvD, Inc.                    | USA      | 500 US dollar                     | 100.00%                 | eDiscovery-related services                  |

(Notes) 1. In July 2015, the Company acquired all outstanding shares of EvD, Inc. and converted it into a consolidated subsidiary.

2. The Company merged with UBIC Patent Partners, Inc. in October 2015.

3. UBIC MEDICAL, Inc. was established on April 16, 2015.

4. Rappa, Inc. was established on September 1, 2015.

3) The status of a specified wholly-owned subsidiary as of the end of the fiscal year

| Name of company | Address                                                         | Book value of stock    | Total assets of the Company |
|-----------------|-----------------------------------------------------------------|------------------------|-----------------------------|
| EvD, Inc.       | 611 Mission Street,<br>4thFl. San Francisco,<br>CA 94105,U.S.A. | 4,851,515 thousand yen | 11,896,038 thousand yen     |

**(4) Tasks to be undertaken by the management**

Over the last years, the Group has made steady progress in its growth and expansion. The acquisition of two companies in the United States, which is the major market of discovery (electronic discovery), enabled the Group to take a strategic approach in the United States to enter into large-scale projects with Asian companies. The Group is now poised to achieve sustained growth. The Group advocates a new concept called “Behavior Informatics” based on its prior experience, with which cutting-edge technologies are developed, including the artificial intelligence technique “KIBIT.” By leveraging these technologies, the Group can take a further step toward new fields, such as the big data analysis business, in addition to the Group’s existing services, including litigation support and fraud investigation support. At the same time, the Group will continue to review and enhance its operational and management structure.

1) Strengthening the Group’s operational structure for further growth and expansion in the information analysis business

To proceed to a new stage going forward, the Group must rapidly monetize the information analysis business in the fields of healthcare, digital marketing, and business intelligence that the Group is currently focusing on. To establish a stronger structure for that purpose, the Group will strive to recruit talented personnel that can help realize the Group’s philosophies.

2) Integration of three U.S. subsidiaries

The Group will maximize synergies generated from the integration of the eDiscovery legal business and organizations of its three U.S. subsidiaries for streamlined legal operations and strengthened service performance.

3) Enhancing management structure

The Group strives to establish and strengthen its management structure that directly contributes to the Group’s performance growth by further enhancing the internal control structure to the level that is expected for companies listed both in Japan and U.S. markets, as well as by improving management efficiency and optimizing the Group’s resource.



**(5) Major businesses (As of March 31, 2016)**

The Group is composed of the Company and 11 consolidated subsidiaries, and it engages in legal technology and other businesses.

| Business                                           | Major products or services                                                                                                                                                                                                                                              |
|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| eDiscovery business                                | Discovery (evidence discovery) support service<br>Special audit support service/software<br>UBIC Legal Cloud service<br>Evidence discovery support software “Lit i View”                                                                                                |
| Legal and compliance professional service business | Compliance support<br>Support for building compliance systems<br>Investigation service<br>Hardware for electronic evidence retention<br>Analysis software<br>Sales of self-developed software<br>Maintenance of forensic tools<br>Forensic investigator training course |
| Other businesses                                   | Various types of consulting services<br>Patent management services<br>Information analysis support in the field of digital marketing, healthcare, and business intelligence                                                                                             |

**(6) Principal offices (As of March 31, 2016)**

1) The Company

|               |                          |
|---------------|--------------------------|
| Headquarters  | Minato-ku, Tokyo         |
| Nagoya Branch | Atsuta-ku, Nagoya, Aichi |
| Osaka Office  | Nishi-ku, Osaka          |

2) Major Subsidiaries

Please refer to “(3) Significant parent company and subsidiaries” for major subsidiaries and their locations.

**(7) Employees (As of March 31, 2016)**

1) Employees of the Corporate Group

| Number of employees | Change from the end of the previous fiscal year |
|---------------------|-------------------------------------------------|
| 423 (3)             | Increased by 232 ( - )                          |

(Note) The number of full-time employees. The yearly average number of part-time and non-regular staff (excluding temp staff) is shown in the parentheses.

2) Employees of the Company

| Number of employees | Change from the end of the previous fiscal year | Average age | Average years of service |
|---------------------|-------------------------------------------------|-------------|--------------------------|
| 122 ( 2 )           | Increased by 24 ( increased by 1 )              | 35.9        | 2.6                      |

(Note) The number of full-time employees. The yearly average number of part-time and non-regular staff (excluding temp staff) is shown in the parentheses.

**(8) Major borrowings (As of March 31, 2016)**

(Thousands of yen)

| Financial institutions                 | Balance of borrowings |
|----------------------------------------|-----------------------|
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 2,269,711             |
| Sumitomo Mitsui Banking Corporation    | 2,251,109             |
| The Bank of Yokohama, Ltd.             | 25,000                |
| Nippon Life Insurance Company          | 25,300                |
| Resona Bank, Ltd.                      | 12,500                |

**(9) Other significant matters concerning the Corporate Group**

Not applicable.

## 2. Company information

### (1) Stock information (As of March 31, 2016)

- 1) Total number of authorized shares: 72,000,000
- 2) Number of issued shares: 35,751,360
- 3) Number of shareholders: 16,219
- 4) Major shareholders (Top 10)

| Names of shareholders                                                    | Number of shares | Percentage of shares (%) |
|--------------------------------------------------------------------------|------------------|--------------------------|
| Masahiro Morimoto                                                        | 6,920,400        | 19.36                    |
| Focus Systems Corporation                                                | 2,984,720        | 8.34                     |
| Naritomo Ikeue                                                           | 2,730,800        | 7.63                     |
| Japan Trustee Services Bank, Ltd.<br>(Trust Account)                     | 2,093,400        | 5.85                     |
| The Master Trust Bank of Japan, Ltd.<br>(Trust Account)                  | 1,330,400        | 3.72                     |
| Junichi Hayashi                                                          | 547,300          | 1.53                     |
| Trust & Custody Services Bank, Ltd. (Three<br>securities trust accounts) | 545,900          | 1.52                     |
| Tadahiro Kanbayashi                                                      | 429,800          | 1.20                     |
| Yasushi Hara                                                             | 199,500          | 0.55                     |
| Matsui Securities Co., Ltd.                                              | 187,700          | 0.52                     |

(Note) Percentage of shares is calculated excluding treasury stock (630 shares).

(2) **Subscription rights to shares**

- 1) Subscription rights to shares issued to the Company's executives as remuneration for performance of their duties (As of March 31, 2016)

| Name of subscription rights                                                  |                                     | The sixth subscription rights to shares                                                   |
|------------------------------------------------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------|
| Resolution date for issuance                                                 |                                     | June 1, 2012                                                                              |
| Number of subscription rights                                                |                                     | 400                                                                                       |
| Class and number of shares for subscription rights                           |                                     | Common stock of the Company 40,000<br>(100 shares for every subscription right to shares) |
| Issue price of subscription rights                                           |                                     | Issued without consideration                                                              |
| Value of property to be contributed upon exercise of each subscription right |                                     | Value per subscription right to shares 80,960 yen<br>(Value per share 810 yen)            |
| Exercise period                                                              |                                     | From June 22, 2015 to June 21, 2018                                                       |
| Conditions for exercise                                                      |                                     | (Note 1)                                                                                  |
| Subscription rights held by executives (Note 2)                              | Outside directors                   | Number of subscription rights 200                                                         |
|                                                                              |                                     | Number of shares for subscription rights 20,000                                           |
|                                                                              |                                     | Number of holders 2                                                                       |
|                                                                              | Audit and Supervisory Board Members | Number of subscription rights 200                                                         |
|                                                                              |                                     | Number of shares for subscription rights 20,000                                           |
|                                                                              |                                     | Number of holders 2                                                                       |

- (Notes) 1. 1) A person to whom the subscription rights to shares have been allotted (hereinafter referred to as "holder") must be a director, Audit and Supervisory Board Member, corporate officer, or employee of the Company or its subsidiaries (including collaborators for the Sixth subscription rights to shares) when exercising the rights unless the holder is no longer in such a position because he or she has retired at the end of his or her term or reached retirement age, received notification of compulsory redundancy, or for some other valid reason.
- 2) Inheritance of subscription rights to shares is not permitted.
- 3) Partial exercise of subscription rights to shares is not permitted.
- 4) Other conditions are defined in "Allotment of Share Subscription Rights Agreement" concluded between the Company and the holder in accordance with the Board of Directors' resolution.
2. There is no applicable information for directors, excluding outside directors.

- 2) Issuance of subscription rights to shares to the Company's employees and the subsidiaries' executives and employees as remuneration for performance of their duties for the year ended March 31, 2016 (As of March 31, 2016)

| Name of subscription rights                                                  |                                              | The 11th subscription rights to shares                                                     |         |
|------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------------------------------------------------------------|---------|
| Resolution date for issuance                                                 |                                              | May 28, 2015                                                                               |         |
| Number of subscription rights                                                |                                              | 1,705                                                                                      |         |
| Class and number of shares for subscription rights                           |                                              | Common stock of the Company 170,500<br>(100 shares for every subscription right to shares) |         |
| Issue price of subscription rights                                           |                                              | Issued without consideration                                                               |         |
| Value of property to be contributed upon exercise of each subscription right |                                              | Value per subscription right to shares 102,900 yen<br>(Value per share 1,029 yen)          |         |
| Exercise period                                                              |                                              | From May 29, 2018 to May 28, 2021                                                          |         |
| Conditions for exercise                                                      |                                              | (Note 1)                                                                                   |         |
| Subscription rights held by executives and employees                         | Employees of the Company                     | Number of subscription rights                                                              | 1,170   |
|                                                                              |                                              | Number of shares for subscription rights                                                   | 117,000 |
|                                                                              |                                              | Number of holders                                                                          | 30      |
|                                                                              | Executives and employees of the subsidiaries | Number of subscription rights                                                              | 535     |
|                                                                              |                                              | Number of shares for subscription rights                                                   | 53,500  |
|                                                                              |                                              | Number of holders                                                                          | 10      |

| Name of subscription rights                                                  |                               | The 12th subscription rights to shares                                                    |        |
|------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------------|--------|
| Resolution date for issuance                                                 |                               | August 1, 2015                                                                            |        |
| Number of subscription rights                                                |                               | 600                                                                                       |        |
| Class and number of shares for subscription rights                           |                               | Common stock of the Company 60,000<br>(100 shares for every subscription right to shares) |        |
| Issue price of subscription rights                                           |                               | Issued without consideration                                                              |        |
| Value of property to be contributed upon exercise of each subscription right |                               | Value per subscription right to shares 93,000 yen<br>(Value per share 930 yen)            |        |
| Exercise period                                                              |                               | From August 2, 2018 to August 1, 2021                                                     |        |
| Conditions for exercise                                                      |                               | (Note 1)                                                                                  |        |
| Subscription rights held by executives and employees                         | Employees of the subsidiaries | Number of subscription rights                                                             | 600    |
|                                                                              |                               | Number of shares for subscription rights                                                  | 60,000 |
|                                                                              |                               | Number of holders                                                                         | 12     |

(Notes) 1. 1) A person to whom the subscription rights to shares have been allotted (hereinafter referred to as "holder") must be a director, Audit and Supervisory Board Member, corporate officer, or employee of the Company when exercising the rights unless the holder is no longer in such a position because he or she has retired at the end of his or her term or reached retirement age, received notification of compulsory redundancy, or for some other valid reason.

2) Inheritance of subscription rights to shares is not permitted.

3) Exercise of less than one subscription right to shares is not permitted.

4) Other conditions are defined in "Allotment of Share Subscription Rights Agreement" concluded between the Company and the holder in accordance with the Board of Directors' resolution.

- 3) Other significant matters related to subscription rights to shares  
No applicable information.

**(3) Company executives**

1) Directors and Audit and Supervisory Board Members of the Company (As of March 31, 2016)

| Position                                                      | Name              | Concurrent positions                                                                                                                                                                                                               |
|---------------------------------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chief Executive Officer and Chairman of the Board             | Masahiro Morimoto | Chairman of UBIC North America, Inc.<br>Director of UBIC MEDICAL, Inc.<br>Director of EvD, Inc.<br>Director of Rappa, Inc.                                                                                                         |
| Executive Vice-President Chief Operating Officer and Director | Naritomo Ikeue    | Director of UBIC North America, Inc.<br>Chief Executive Officer of UBIC MEDICAL, Inc.<br>Director of EvD, Inc.<br>Director of Rappa, Inc.                                                                                          |
| Director                                                      | Makoto Funahashi  | Chief Executive Officer of The Institute of Security Technology<br>Director of Japan Image Analysis Association<br>Director of Medical IT Security Forum                                                                           |
| Director                                                      | Hirooki Kirisawa  | Chairman of KIRISAWA Tax Accountants Corporation<br>Chief Executive Officer of Management Farm K.K.                                                                                                                                |
| Audit and Supervisory Board Member (Full-time)                | Kunihiro Sudo     | N/A                                                                                                                                                                                                                                |
| Audit and Supervisory Board Member                            | Takaharu Yasumoto | President of Yasumoto CPA Office<br>Audit and Supervisory Board Member of FAST RETAILING CO., LTD.<br>Audit and Supervisory Board Member of LINK THEORY JAPAN CO., LTD.<br>Audit and Supervisory Board Member of ASKUL Corporation |
| Audit and Supervisory Board Member                            | Kenzo Takai       | Representative of Takai Law Offices<br>Outside Audit and Supervisory Board Member of LAC Co., Ltd.                                                                                                                                 |

- (Notes) 1. The following are registered with the Tokyo Stock Exchange as independent directors: Mr. Hirooki Kirisawa, Mr. Kunihiro Sudo, Mr. Takaharu Yasumoto, and Mr. Kenzo Takai.
2. Mr. Makoto Funahashi and Mr. Hirooki Kirisawa are outside directors.
3. Mr. Kunihiro Sudo, Mr. Takaharu Yasumoto, and Mr. Kenzo Takai are outside Audit and Supervisory Board Members.
4. Mr. Kunihiro Sudo has extensive knowledge in accounting and corporate management, and the Company believes that he has comprehensive knowledge in the areas of finance and accounting.
5. Mr. Takaharu Yasumoto is a certified public accountant and the Company believes that he has comprehensive knowledge in the areas of finance and accounting.
6. Mr. Kenzo Takai is a registered attorney, and the Company believes that he has comprehensive knowledge in the area of law.

2) Outline of a limited liability contract

The Company has entered into agreements, in accordance with the provision of Article 427, Paragraph 1 of the Companies Act, with all the outside directors and the Audit and Supervisory Board Members to limit their liabilities to compensate damages under Article 423, Paragraph 1 of the Companies Act. These agreements limit the amount of their liability to compensate damages to the minimum liability amount stipulated by laws and regulations.

3) Compensation to Directors and Audit and Supervisory Board Members

| Position                           | Number of people | Total compensation<br>(thousands of yen) |
|------------------------------------|------------------|------------------------------------------|
| Director                           | 4                | 108,000                                  |
| Audit and Supervisory Board Member | 3                | 22,000                                   |
| Total                              | 7                | 130,000                                  |

- (Notes) 1. The compensation for directors was authorized, by resolution of the ninth general ordinary meeting of shareholders on June 22, 2014, as within the annual amount of 350,000 thousand yen (excluding the amount of compensation as employees).
2. Total compensation to directors includes 12,000 thousand yen paid to two outside directors.
3. The compensation for Audit and Supervisory Board Members was authorized, by resolution of the special general meeting of shareholders on February 6, 2007, as within the annual amount of 80,000 thousand yen.
4. Total compensation to Audit and Supervisory Board Members includes 22,000 thousand yen paid to three outside Audit and Supervisory Board Members.

4) Outside Executives

I. Important positions held concurrently and relationships between the Company and respective organizations

| Position                                   | Name              | Concurrent positions                                                                                                                                                                                                                |
|--------------------------------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outside Director                           | Makoto Funahashi  | Chief Executive Officer of The Institute of Security Technology<br>Director of Japan Image Analysis Association<br>Director of Medical IT Security Forum                                                                            |
| Outside Director                           | Hirooki Kirisawa  | Chairman of KIRISAWA Tax Accountants Corporation<br>Chief Executive Officer of Management Farm KK                                                                                                                                   |
| Outside Audit and Supervisory Board Member | Takaharu Yasumoto | President of Yasumoto CPA Office<br>Audit and Supervisory Board Member of FAST RETAILING CO., LTD.<br>Audit and Supervisory Board Member of, LINK THEORY JAPAN CO., LTD.<br>Audit and Supervisory Board Member of ASKUL Corporation |
| Outside Audit and Supervisory Board Member | Kenzo Takai       | Representative of Takai Law Offices<br>Outside Audit and Supervisory Board Member of LAC Co., Ltd.                                                                                                                                  |

(Note) The Company does not have significant transactions with the organizations where the outside directors have concurrent positions.

## II. Activities during the fiscal year ended March 31, 2016

### • Meeting attendance

|                                                              | Board of Directors' meeting<br>(held 15 times) |                 | Audit and Supervisory Board<br>Members' meeting (held 13<br>times) |                  |
|--------------------------------------------------------------|------------------------------------------------|-----------------|--------------------------------------------------------------------|------------------|
|                                                              | Number of<br>meetings attended                 | Attendance rate | Total number of<br>meetings attended                               | Attendance rates |
| Makoto Funahashi<br>(Director)                               | 15                                             | 100%            | —                                                                  | —                |
| Hirooki Kirisawa<br>(Director)                               | 14                                             | 93.3%           | —                                                                  | —                |
| Kunihiro Sudo<br>(Audit and Supervisory<br>Board Member)     | 15                                             | 100%            | 13                                                                 | 100%             |
| Takaharu Yasumoto<br>(Audit and Supervisory<br>Board Member) | 15                                             | 100%            | 12                                                                 | 92.3%            |
| Kenzo Takai<br>(Audit and Supervisory<br>Board Member)       | 14                                             | 93.3%           | 13                                                                 | 100%             |

(Note) The following are registered with the Tokyo Stock Exchange as independent executives: Mr. Hirooki Kirisawa; Mr. Kunihiro Sudo, Mr. Takaharu Yasumoto, and Mr. Kenzo Takai.

- Mr. Makoto Funahashi (Director) offers advice and recommendations based on his executive experience and knowledge as an ex-Deputy Director General of National Policy Agency.
- Mr. Hirooki Kirisawa (Director) is a certified public tax accountant and provides advice based on technical expertise and experience.
- Mr. Kunihiro Sudo (Audit and Supervisory Board Member) has extensive knowledge in accounting and corporate management and provides advice based on his years of experience and wide knowledge.
- Mr. Takaharu Yasumoto (Audit and Supervisory Board Member) is a certified public accountant and provides advice based on technical expertise and experience.
- Mr. Kenzo Takai (Audit and Supervisory Board Member) is a registered attorney and provides advice based on technical expertise and experience.



**(4) Independent auditors**

1) Name: Ernst & Young ShinNihon LLC

2) Fees for professional services rendered during the fiscal year ended March 31, 2016:

|                                                                                                   | Fees paid<br>(thousands of yen) |
|---------------------------------------------------------------------------------------------------|---------------------------------|
| Audit fees                                                                                        | 153,000                         |
| Total amount of money and other financial benefits to be paid by the Company and the subsidiaries | 153,000                         |

(Note) The audit agreement between the Company and the independent auditors does not clearly distinguish nor allow segregating the amount of audit fees based on the Companies Act from those based on the Financial Instruments and Exchange Act and the PCAOB Audit Standards. Therefore, the total amount shows the aggregate audit fees for the fiscal year.  
The audit fees include fees for audits for UBIC North America, Inc., TechLaw Solutions, and EvD. Inc., the Company's consolidated subsidiaries, conducted by Ernst & Young LLC, a member firm of the Company's independent auditors.

3) Non-audit services

Not applicable.

4) Reason that the Audit and Supervisory Board agreed on the remuneration of independent auditors

The Audit and Supervisory Board has agreed on the remuneration of independent auditors as stipulated in Paragraph 1, Article 399 of the Companies Act as a result of reviewing the independent auditors' audit plan, execution of duties in previous fiscal years, and calculation grounds of the estimated remuneration by obtaining necessary materials from and through interviews with the Board of Directors, related internal departments, and the independent auditors.

The increase in the remuneration of independent auditors for the fiscal year ended March 31, 2016, is due to the audit work performed in the fiscal year in association with EvD, Inc., which was converted into a consolidated subsidiary of the Company.

5) Policy on decision to dismiss or not to reappoint independent auditors

The Audit and Supervisory Board shall determine, when it is necessary to raise a proposal to present at a shareholders' meeting, the dismissal or non-reappointment of independent auditors (for example, when it is deemed difficult for an auditor to conduct an audit appropriately).

In the event the independent auditors fall under any of the situations stipulated in the clauses of the first paragraph of Article 340 of the Companies Act, the Audit and Supervisory Board shall dismiss the independent auditors, subject to the consent of all of the Audit and Supervisory Board Members. In such case, the Audit and Supervisory Board Member elected by the Audit and Supervisory Board shall report such fact and the reason for the dismissal at the first shareholders' meeting convened after the dismissal.

6) Outline of a limited liability contract

Although there is no separate limited liability contract with the independent auditors, the Company's Articles of Incorporation in accordance with the provisions of first paragraph of Article 426 of the Companies Act stipulate that the independent auditors' liability to the Company may be exempted within the statutory limitations upon resolution by the Board of Directors.

- 7) Matter related to a disciplinary action in which the independent auditors received a business suspension order during the past two years

Outline of the action announced by the Financial Services Agency as of December 22, 2015

I. Party subject to the action

Ernst & Young ShinNihon LLC

II. Description of the action

- i) Suspension order on accepting new engagements for three months

(From January 1, 2016 to March 31, 2016)

- ii) Operational improvement order (Improvement of operational management system)

III. Reason for the action

- False attestation by partners of the firm in negligence of due care
- Significantly inappropriate operation of the firm

**(5) Systems for ensuring the propriety of operations and operation of the systems**

The following is an outline of decisions on the systems ensuring that directors and employees execute their duties in compliance with the laws and regulations and the Articles of Incorporation, and other systems necessary to ensure the propriety of operations of the Company, and operation of such systems:

- 1) Systems for ensuring that directors and employees execute their duties in compliance with the laws and regulations and the articles of incorporation
  - I. A compliance manual is established and defined as the code of conduct for the directors and employees.
  - II. The directors report the execution status of their duties to the Board of Directors, and mutually monitor and supervise the execution status of the duties of other directors.
  - III. The Audit and Supervisory Board Members audit the execution status of duties by the directors based on the “Audit and Supervisory Board Regulations.”
  - IV. The internal audit group audits the status of the compliance.
  - V. A direct reporting framework for compliance violations by the directors and employees is established.
- 2) Systems for archiving and managing information on the execution of duties by the directors
  - I. Information about the execution of duties by the directors, including the minutes of the Board of Directors, is recorded either in writing or electronically, and archived and managed in conformity with the “Document Management Rules.”
  - II. The directors and the Audit and Supervisory Board Members may, at any time, inspect the record or electronic records of the information about the execution of the duties by the directors.
- 3) Systems and rules for managing the risks of loss
  - I. Each responsible division manages risks attributable to its administrative operations.
  - II. The risk management committee monitors cross-divisional risks and addresses them on a Company-wide basis.
  - III. The Board of Directors promptly addresses new risks.
- 4) Systems for ensuring the effectiveness of the execution of duties by the directors
  - I. In addition to the regular board meetings held once a month, extraordinary board meetings are

convened as needed.

- II. Management meetings are set to exchange opinions between directors and corporate officers to allow for prompt and accurate management decisions.
  - III. The directors accomplish their duties toward the achievement of the management plan. Meanwhile, the performance and operations of each division are promptly reported to, and deliberated by, the Board of Directors.
- 5) Systems for ensuring the propriety of operations in the business group
- I. Rules and structures are also arranged and established for our Group companies to comply with laws and regulations, and operate in an appropriate and efficient manner.
  - II. When a subsidiary initiates an intergroup transaction that potentially has a material impact on the Group's operations, the subsidiary shall consult with the Company in advance regarding the appropriateness and legality of such transaction in accordance with the Company's fundamental policy for intergroup transactions before submitting a resolution or notification at the shareholders' meeting. Furthermore, when the Company or a subsidiary conducts an intergroup transaction, it shall ensure the necessity of the transaction and that the terms of the transaction are not significantly different from those that would be outlined in arm's-length transactions to protect the interests of noncontrolling shareholders. The directors instruct Group companies regarding appropriate and efficient management according to their job specifications.
  - III. The directors instruct Group companies regarding appropriate and efficient management according to their job specifications.
  - IV. The internal audit group also conducts internal audit on general operations within the Group companies.
  - V. The Audit and Supervisory Board Members also monitor and audit the operations within the Group companies.
- 6) Matters relating to the Audit and Supervisory Board Members' request to have employees assist with their duties
- The Company does not assign employees to assist with the Audit and Supervisory Board Members' duties; however, the Board of Directors may appoint and assign such employees after discussion with the Audit and Supervisory Board Members, if necessary.
- 7) Matters relating to the independence of the employees in the preceding paragraph from the directors
- When the employees concerned are put in place, their appointment, transfer, evaluation, and castigation are decided in accordance with the opinion of the Audit and Supervisory Board Members, and the independence of the employees from the directors is secured.
- 8) Systems for directors and employees to report to Audit and Supervisory Board Members
- In addition to the matters prescribed in applicable laws and regulations, directors and employees must report the following to Audit and Supervisory Board Members without any delay:
- I. Matters that may have a significant operational impact on the Company;
  - II. Results of internal audits conducted by the internal audit group;
  - III. Results of internal control assessments conducted by the internal audit group.
  - IV. The status of reports under the whistleblower system.
- 9) Other systems for ensuring the effectiveness of audit activities conducted by Audit and Supervisory Board

#### Members

- I. More than half of the Audit and Supervisory Board consists of outside Audit and Supervisory Board Members to ensure transparency of management.
- II. Audit and Supervisory Board Members hold regular meetings with directors to exchange information and opinions on significant audit issues.
- III. Audit and Supervisory Board Members hold regular meetings with the internal audit group and independent auditors, and ensure effectiveness of the audit activities through close coordination.
- IV. Audit and Supervisory Board Members may request the internal audit group to perform an internal investigation as necessary.

#### 10) Systems for ensuring the appropriateness and reliability of financial reporting

To ensure the appropriateness and reliability of the Group's financial reporting, the Company makes rigorous efforts to improve relevant policies such as "Accounting Rules" and established a "Basic Policy for Internal Control over Financial Reporting" under which the Company designs and operates internal controls on an ongoing basis and performs periodic assessments of the effectiveness of such controls.

#### 11) Systems for elimination of anti-social forces

The Company never has any relationships with, and stands firmly against, anti-social forces that threaten the social order and safety of people. The Company declares this as the basic principle of the compliance manual and ensures full compliance with the basic principle.

#### 12) Status of operation of the systems for ensuring the propriety of operations

##### I. Execution of duties by directors

Internal rules, such as board regulations, are in place to ensure that directors act in accordance with the applicable laws and regulations, the Articles of Incorporation, and company rules. At board of directors meetings, which are held once or twice a month, the effectiveness of decision-making and monitoring is maintained through an active exchange of opinions on each agenda item and monitoring of the execution of duties by directors. In addition, management meetings are held eight times a year to maintain the adequacy of the execution of duties by directors through an exchange of opinions between directors, corporate officers, and section heads.

##### II. Execution of duties by Audit and Supervisory Board Members

Meetings of the Audit and Supervisory Board are held at least once a month and Audit and Supervisory Board Members perform audits in accordance with audit plans decided upon at such meetings. Further, the Audit and Supervisory Board Members audit the execution of duties by directors and review the design and implementation of the internal control system by, for example, attending meetings of the board of directors and regularly exchanging information with the Chief Executive Officer of the Company, independent auditors, and the internal audit group.

##### III. Ensuring the propriety of operations of subsidiaries

In regard to subsidiaries, a system is in place by which monitoring is performed to ensure adequate management whereby, for example, items related to certain criteria are approved in advance at important meetings such as meetings of the board of directors, and the status of implementation of such items is required to be reported to the board of directors.

##### IV. Compliance and risk management

A whistleblowing system was established, as part of which a 24-hour hotline and an external reporting hotline were set up to allow personnel with knowledge of compliance violations or possible

violations to report such violations at any time, and the existence of these hotlines was communicated throughout the Company. Additionally, disaster drills for major earthquakes are carried out, and the safety of personnel and provision of supplies for personnel with difficulty returning home in the case of such disasters are continually maintained.

V. Elimination of anti-social forces

Provisions related to the elimination of anti-social forces are stipulated in contracts and information is regularly gathered about all clients to ensure that they are not involved with anti-social forces.

## Consolidated Balance Sheet

(as of March 31, 2016)

(Thousands of yen)

| Assets                                |                   | Liabilities                                           |                   |
|---------------------------------------|-------------------|-------------------------------------------------------|-------------------|
| <b>Current Assets</b>                 | <b>5,411,770</b>  | <b>Current liabilities</b>                            | <b>3,504,621</b>  |
| Cash and deposits                     | 1,798,723         | Accounts payable - trade                              | 362,610           |
| Notes and accounts receivable - trade | 2,873,366         | Short-term loans payable                              | 52,000            |
| Merchandise                           | 2,169             | Current portion of long-term loans payable            | 719,546           |
| Supplies                              | 6,833             | Accounts payable - other                              | 1,265,794         |
| Deferred tax assets                   | 164,593           | Income taxes payable                                  | 137,651           |
| Other                                 | 641,354           | Provision for bonuses                                 | 115,905           |
| Allowance for doubtful accounts       | (75,268)          | Other                                                 | 851,114           |
| <b>Noncurrent assets</b>              | <b>7,507,020</b>  |                                                       |                   |
| <b>Property, plant, and equipment</b> | <b>1,105,304</b>  | <b>Noncurrent liabilities</b>                         | <b>4,758,211</b>  |
| Buildings                             | 598,403           | Long-term loans payable                               | 3,812,075         |
| Accumulated depreciation              | (101,335)         | Deferred tax liabilities                              | 841,499           |
| Buildings, net                        | 497,067           | Liabilities for retirement benefits                   | 30,105            |
| Tools, furniture, and fixtures        | 1,518,215         | Asset retirement obligations                          | 44,251            |
| Accumulated depreciation              | (922,576)         | Other                                                 | 30,279            |
| Tools, furniture, and fixtures, net   | 595,639           | <b>Total liabilities</b>                              | <b>8,262,832</b>  |
| Vehicles                              | 3,969             | <b>Net Assets</b>                                     |                   |
| Accumulated depreciation              | (293)             | <b>Shareholders' equity</b>                           | <b>4,352,146</b>  |
| Vehicles, net                         | 3,675             | <b>Capital stock</b>                                  | <b>1,705,931</b>  |
| Leased assets                         | 11,977            | <b>Capital surplus</b>                                | <b>1,493,391</b>  |
| Accumulated depreciation              | (8,967)           | <b>Retained earnings</b>                              | <b>1,152,850</b>  |
| Leased assets, net                    | 3,009             | <b>Treasury stock</b>                                 | <b>(26)</b>       |
| Other                                 | 5,912             | <b>Accumulated other comprehensive income</b>         | <b>11,692</b>     |
| <b>Intangible assets</b>              | <b>5,360,541</b>  | Valuation difference on available-for-sale securities | 298,327           |
| Software                              | 888,283           | Deferred gains (losses) on hedges                     | (3,942)           |
| Goodwill                              | 2,220,744         | Foreign currency translation adjustment               | (282,692)         |
| Customer-related assets               | 1,954,414         | <b>Subscription rights to shares</b>                  | <b>272,920</b>    |
| Other                                 | 297,099           | <b>Noncontrolling interests</b>                       | <b>19,197</b>     |
| <b>Investments and other assets</b>   | <b>1,041,173</b>  |                                                       |                   |
| Investment securities                 | 639,934           |                                                       |                   |
| Guarantee deposits                    | 141,070           |                                                       |                   |
| Long-term time deposits               | 225,360           |                                                       |                   |
| Deferred tax assets                   | 674               |                                                       |                   |
| Other                                 | 34,133            | <b>Total net assets</b>                               | <b>4,655,957</b>  |
| <b>Total assets</b>                   | <b>12,918,790</b> | <b>Total liabilities and net assets</b>               | <b>12,918,790</b> |

(Note) Amounts are rounded down to the nearest thousand yen.

## Consolidated Statement of Operations

(from April 1, 2015 to March 31, 2016)

(Thousands of yen)

| Accounts                                                       | Amounts  |                   |
|----------------------------------------------------------------|----------|-------------------|
| <b>Net sales</b>                                               |          | <b>10,553,007</b> |
| <b>Cost of sales</b>                                           |          | <b>5,850,430</b>  |
| <b>Gross profit</b>                                            |          | <b>4,702,576</b>  |
| <b>Selling, general, and administrative expenses</b>           |          | <b>4,633,453</b>  |
| <b>Operating income</b>                                        |          | <b>69,123</b>     |
| <b>Non-operating income</b>                                    |          |                   |
| Interest income                                                | 1,672    |                   |
| Dividend income                                                | 11,250   |                   |
| Other                                                          | 16,182   | <b>29,105</b>     |
| <b>Non-operating expenses</b>                                  |          |                   |
| Interest expenses                                              | 16,260   |                   |
| Syndicated loan fees                                           | 10,481   |                   |
| Foreign exchange losses                                        | 35,818   |                   |
| Other                                                          | 12,457   | <b>75,018</b>     |
| <b>Ordinary income</b>                                         |          | <b>23,210</b>     |
| <b>Extraordinary income</b>                                    |          |                   |
| Gains on sales of noncurrent assets                            | 1,231    | <b>1,231</b>      |
| <b>Extraordinary losses</b>                                    |          |                   |
| Losses on retirement of noncurrent assets                      | 28,211   |                   |
| Impairment loss                                                | 5,143    | <b>33,355</b>     |
| <b>Income before income taxes and noncontrolling interests</b> |          | <b>8,913</b>      |
| Income taxes - current                                         | 213,314  |                   |
| Income taxes - deferred                                        | (31,233) | 182,081           |
| <b>Net loss</b>                                                |          | <b>190,995</b>    |
| <b>Net income attributable to noncontrolling interests</b>     |          | <b>5,756</b>      |
| <b>Net loss attributable to owners of the parent</b>           |          | <b>196,752</b>    |

(Note) Amounts are rounded down to the nearest thousand yen.



### **Consolidated Statement of Changes in Net Assets**

(from April 1, 2015 to March 31, 2016)

(Thousands of yen)

|                                                      | Shareholders' equity |                 |                   |                |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                      | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the current period       | 1,688,433            | 1,475,893       | 1,420,973         | (26)           | 4,585,274                  |
| Changes in items during the period                   |                      |                 |                   |                |                            |
| Issuance of new shares                               | 17,497               | 17,497          |                   |                | 34,995                     |
| Dividends from retained earnings                     |                      |                 | (106,472)         |                | (106,472)                  |
| Net loss attributable to owners of the parent        |                      |                 | (196,752)         |                | (196,752)                  |
| Other                                                |                      |                 | 35,101            |                | 35,101                     |
| Net changes in items other than shareholders' equity |                      |                 |                   |                | –                          |
| Total changes in items during the period             | 17,497               | 17,497          | (268,123)         | –              | (233,127)                  |
| Balance at the end of the current period             | 1,705,931            | 1,493,391       | 1,152,850         | (26)           | 4,352,126                  |

(Thousands of yen)

|                                                        | Accumulated other comprehensive income                |                                   |                                         |                                              | Subscription rights to shares | Noncontrolling interests | Total net assets |
|--------------------------------------------------------|-------------------------------------------------------|-----------------------------------|-----------------------------------------|----------------------------------------------|-------------------------------|--------------------------|------------------|
|                                                        | Valuation difference on available-for-sale securities | Deferred gains (losses) on hedges | Foreign currency translation adjustment | Total accumulated other comprehensive income |                               |                          |                  |
| Balance at the beginning of the current period         | 239,649                                               | –                                 | 171,323                                 | 410,972                                      | 211,082                       | 13,443                   | 5,220,772        |
| Changes in items during the period                     |                                                       |                                   |                                         |                                              |                               |                          |                  |
| Issuance of new shares                                 |                                                       |                                   |                                         |                                              |                               |                          | 34,995           |
| Dividends from retained earnings                       |                                                       |                                   |                                         |                                              |                               |                          | (106,472)        |
| Net income (loss) attributable to owners of the parent |                                                       |                                   |                                         |                                              |                               |                          | (196,752)        |
| Other                                                  |                                                       |                                   |                                         |                                              |                               |                          | 35,101           |
| Net changes in items other than shareholders' equity   | 58,678                                                | (3,942)                           | (454,015)                               | (399,280)                                    | 61,838                        | 5,754                    | (331,687)        |
| Total changes in items during the period               | 58,678                                                | (3,942)                           | (454,015)                               | (399,280)                                    | 61,838                        | 5,754                    | (564,814)        |
| Balance at the end of the current period               | 298,327                                               | (3,942)                           | (282,692)                               | 11,692                                       | 272,920                       | 19,197                   | 4,655,957        |

(Note) Amounts are rounded down to the nearest thousand yen.

## Nonconsolidated Balance Sheet

(as of March 31, 2016)

(Thousands of yen)

| Assets                                                    |                   | Liabilities                                           |                   |
|-----------------------------------------------------------|-------------------|-------------------------------------------------------|-------------------|
| <b>Current Assets</b>                                     | <b>3,542,432</b>  | <b>Current liabilities</b>                            | <b>2,715,026</b>  |
| Cash and deposits                                         | 1,180,913         | Accounts payable - trade                              | 169,222           |
| Accounts receivable - trade                               | 1,606,162         | Short-term loans payable                              | 52,000            |
| Merchandise                                               | 2,169             | Current portion of long-term loans payable            | 719,546           |
| Supplies                                                  | 5,810             | Accounts payable - other                              | 1,432,980         |
| Prepaid expenses                                          | 81,842            | Accrued expenses                                      | 82,626            |
| Short-term loans to subsidiaries and associated companies | 273,944           | Income taxes payable                                  | 81,370            |
| Advances paid to subsidiaries and associated companies    | 465,854           | Accrued consumption taxes                             | 41,545            |
| Deferred tax assets                                       | 42,592            | Advances received                                     | 17,431            |
| Other                                                     | 204,126           | Deposits received                                     | 22,369            |
| Allowance for doubtful accounts                           | (320,983)         | Provision for bonuses                                 | 93,340            |
| <b>Noncurrent assets</b>                                  | <b>8,353,605</b>  | Other                                                 | 2,592             |
| <b>Property, plant, and equipment</b>                     | <b>410,069</b>    | <b>Noncurrent liabilities</b>                         | <b>3,993,555</b>  |
| Buildings                                                 | 212,233           | Long-term loans payable                               | 3,812,075         |
| Accumulated depreciation                                  | (72,703)          | Provision for retirement benefits                     | 25,271            |
| Buildings, net                                            | 139,529           | Asset retirement obligations                          | 44,251            |
| Tools, furniture, and fixtures                            | 754,281           | Deferred tax liabilities                              | 105,796           |
| Accumulated depreciation                                  | (486,751)         | Other                                                 | 6,161             |
| Tools, furniture, and fixtures, net                       | 267,530           | <b>Total liabilities</b>                              | <b>6,708,582</b>  |
| Leased assets                                             | 11,977            | <b>Net Assets</b>                                     |                   |
| Accumulated depreciation                                  | (8,967)           | <b>Shareholders' equity</b>                           | <b>4,620,150</b>  |
| Leased assets, net                                        | 3,009             | <b>Capital stock</b>                                  | <b>1,705,931</b>  |
| <b>Intangible assets</b>                                  | <b>953,896</b>    | <b>Capital surplus</b>                                | <b>1,493,391</b>  |
| Software                                                  | 838,891           | Legal capital surplus                                 | 1,437,681         |
| Software in progress                                      | 59,895            | Other capital surplus                                 | 55,709            |
| Other                                                     | 55,109            | <b>Retained earnings</b>                              | <b>1,420,853</b>  |
| <b>Investments and other assets</b>                       | <b>6,989,638</b>  | Other retained earnings                               | 1,420,853         |
| Investment securities                                     | 639,934           | Retained earnings brought forward                     | 1,420,853         |
| Shares of subsidiaries and associated companies           | 5,940,120         | <b>Treasury stock</b>                                 | <b>(26)</b>       |
| Long-term time deposits                                   | 225,360           | <b>Valuation and translation adjustments</b>          | <b>294,384</b>    |
| Investments in capital                                    | 10                | Valuation difference on available-for-sale securities | 298,327           |
| Long-term prepaid expenses                                | 20,484            | Deferred gains (losses) on hedges                     | (3,942)           |
| Long-term loans to subsidiaries and associated companies  | 84,511            | <b>Subscription rights to shares</b>                  | <b>272,920</b>    |
| Guarantee deposits                                        | 79,218            | <b>Total net assets</b>                               | <b>5,187,455</b>  |
| <b>Total assets</b>                                       | <b>11,896,038</b> | <b>Total liabilities and net assets</b>               | <b>11,896,038</b> |

(Note) Amounts are rounded down to the nearest thousand yen.

# **Nonconsolidated Statement of Income**

(from April 1, 2015 to March 31, 2016)

(Thousands of yen)

| Accounts                                             | Amounts |                  |
|------------------------------------------------------|---------|------------------|
| <b>Net sales</b>                                     |         | <b>4,560,299</b> |
| <b>Cost of sales</b>                                 |         | <b>2,601,167</b> |
| <b>Gross profit</b>                                  |         | <b>1,959,132</b> |
| <b>Selling, general, and administrative expenses</b> |         | <b>1,641,152</b> |
| <b>Operating income</b>                              |         | <b>317,979</b>   |
| <b>Non-operating income</b>                          |         |                  |
| Interest income                                      | 6,469   |                  |
| Dividend income                                      | 11,250  |                  |
| Fiduciary obligation fee                             | 3,160   |                  |
| Other                                                | 2,750   | 23,629           |
| <b>Non-operating expenses</b>                        |         |                  |
| Interest expenses                                    | 15,374  |                  |
| Foreign exchange losses                              | 55,775  |                  |
| Provision of allowance for doubtful accounts         | 65,812  |                  |
| Syndicated loan fees                                 | 10,481  |                  |
| Other                                                | 4,966   | 152,410          |
| <b>Ordinary income</b>                               |         | <b>189,198</b>   |
| <b>Extraordinary income</b>                          |         |                  |
| Gains on sale of noncurrent assets                   | 1,231   | 1,231            |
| <b>Extraordinary losses</b>                          |         |                  |
| Loss on extinguishment of tie-in shares              | 9,033   | 9,033            |
| <b>Income before income taxes</b>                    |         | <b>181,396</b>   |
| Income taxes - current                               | 112,284 |                  |
| Income taxes - deferred                              | (5,321) | 106,693          |
| <b>Net income</b>                                    |         | <b>74,432</b>    |

(Note) Amounts are rounded down to the nearest thousand yen.

# **Nonconsolidated Statement of Changes in Net Assets**

(from April 1, 2015 to March 31, 2016)

(Thousands of yen)

|                                                      | Shareholders' equity |                       |                       |                       |                                   |                         |
|------------------------------------------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------------------|-------------------------|
|                                                      | Capital stock        | Capital surplus       |                       |                       | Retained earnings                 |                         |
|                                                      |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings           | Total retained earnings |
|                                                      |                      |                       |                       |                       | Retained earnings brought forward |                         |
| Balance at the beginning of the current period       | 1,688,433            | 1,420,183             | 55,709                | 1,475,893             | 1,417,791                         | 1,417,791               |
| Changes in items during the period                   |                      |                       |                       |                       |                                   |                         |
| Issuance of new shares                               | 17,497               | 17,497                |                       | 17,497                |                                   |                         |
| Dividends from retained earnings                     |                      |                       |                       |                       | (106,472)                         | (106,472)               |
| Net income                                           |                      |                       |                       |                       | 74,432                            | 74,432                  |
| Other                                                |                      |                       |                       |                       | 35,101                            | 35,101                  |
| Net changes in items other than shareholders' equity |                      |                       |                       |                       |                                   |                         |
| Total changes in items during the period             | 17,497               | 17,497                | —                     | 17,497                | 3,061                             | 3,061                   |
| Balance at the end of the current period             | 1,705,931            | 1,437,681             | 55,709                | 1,493,391             | 1,420,853                         | 1,420,853               |

(Thousands of yen)

|                                                      | Shareholders' equity |                            | Valuation and translation adjustments                 |                                   |                                             | Subscription rights to shares | Total net assets |
|------------------------------------------------------|----------------------|----------------------------|-------------------------------------------------------|-----------------------------------|---------------------------------------------|-------------------------------|------------------|
|                                                      | Treasury stock       | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains (losses) on hedges | Total valuation and translation adjustments |                               |                  |
| Balance at the beginning of the current period       | (26)                 | 4,582,092                  | 239,649                                               | –                                 | 239,649                                     | 211,082                       | 5,032,824        |
| Changes in items during the period                   |                      |                            |                                                       |                                   |                                             |                               |                  |
| Issuance of new shares                               |                      | 34,995                     |                                                       |                                   |                                             |                               | 34,995           |
| Dividends from retained earnings                     |                      | (106,472)                  |                                                       |                                   |                                             |                               | (106,472)        |
| Net income                                           |                      | 74,432                     |                                                       |                                   |                                             |                               | 74,432           |
| Other                                                |                      | 35,101                     |                                                       |                                   |                                             |                               | 35,101           |
| Net changes in items other than shareholders' equity |                      |                            | 58,678                                                | (3,942)                           | 54,735                                      | 61,838                        | 116,573          |
| Total changes in items during the period             | –                    | 38,057                     | 58,678                                                | (3,942)                           | 54,735                                      | 61,838                        | 154,631          |
| Balance at the end of the current period             | (26)                 | 4,620,150                  | 298,327                                               | (3,942)                           | 294,384                                     | 272,920                       | 5,187,455        |

(Note) Amounts are rounded down to the nearest thousand yen.

**Audit Report on the Consolidated Financial Statements**

(TRANSLATION)

**INDEPENDENT AUDITOR’S REPORT**

June 10, 2016

To the Board of Directors of UBIC, Inc.:

Ernst & Young ShinNihon LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Ryo Kayama

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Takuya Tanaka

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2016 of UBIC, Inc. (the “Company”) and its consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from April 1, 2015, to March 31, 2016, and the related notes.

**Management’s Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UBIC, Inc. and its consolidated subsidiaries as of March 31, 2016, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

#### Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.



**Audit Report on the Nonconsolidated Financial Statements**

(TRANSLATION)

**INDEPENDENT AUDITOR'S REPORT**

June 10, 2016

To the Board of Directors of UBIC, Inc.:

Ernst & Young ShinNihon LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Ryo Kayama

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Takuya Tanaka

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely the balance sheet as of March 31, 2016, of UBIC, Inc. (the "Company"), and the related statements of income and changes in net assets for the 13<sup>th</sup> fiscal year from April 1, 2015, to March 31, 2016, and the related notes and the accompanying supplemental schedules.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of UBIC, Inc., as of March 31, 2016, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

#### Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

## Audit Report of Audit and Supervisory Board

(TRANSLATION)

### AUDIT REPORT

With respect to the directors' performance of their duties during the 13th business year from April 1, 2015, to March 31, 2016, the Audit and Supervisory Board has prepared this audit report after deliberations, as unanimous opinion of all Audit and Supervisory Board Members, based on the audit reports prepared by each Audit and Supervisory Board Member, and hereby report as follows:

1. Method and Contents of Audit by the Audit and Supervisory Board Members and Audit and Supervisory Board

- (1) The Audit and Supervisory Board has established the audit policies in this fiscal year, audit plan, etc., and received a report from each Audit and Supervisory Board Member regarding the status of implementation of their audits and results thereof. In addition, the Audit and Supervisory Board has received reports from the directors, etc., and the accounting auditor regarding the status of performance of their duties, and requested explanations as necessary.
- (2) In conformity with the auditing standards of the Audit and Supervisory Board Members established by the Audit and Supervisory Board, and in accordance with the audit policies in this fiscal year and audit plan, etc., each Audit and Supervisory Board Member endeavored to facilitate a mutual understanding with the directors, the internal audit group, and other employees, etc.; endeavored to collect information and maintain and improve the audit environment; and performed the audit by the methods below:
  - 1) Each Audit and Supervisory Board Member has attended the meetings of the board of directors and other important meetings; received reports on the status of performance of duties from the directors and internal audit group and requested explanations as necessary; examined important approval/decision documents; inspected the status of the corporate affairs and assets at the head office and major subsidiaries; communicated and exchanged information with the directors and the Audit and Supervisory Board Members of subsidiaries; and received reports from subsidiaries, as necessary.
  - 2) Each Audit and Supervisory Board Member monitored and inspected the status of (i) the contents of the board of directors' resolutions regarding the development and maintenance of the system to ensure that the directors' performance of their duties stated in the business report complied with all laws, regulations, and the articles of incorporation of the company and other systems that are set forth in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as being necessary for ensuring the appropriateness of the corporate affairs of a joint stock company (kabushiki kaisha) and the corporate group consisting of its subsidiaries, and (ii) the systems (internal control systems) based on such resolutions.
  - 3) Each Audit and Supervisory Board Member monitored and verified whether the accounting auditor maintained its independence and properly conducted its audit, received a report from the accounting auditor on the status of its performance of duties, and requested explanations as necessary. Each Audit and Supervisory Board Member was notified by the accounting auditor that it had established a "system to ensure that the performance of the duties of the accounting auditor was properly conducted" (the matters listed in the items of Article 131 of the Company Accounting Regulations) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council on October 28, 2005), and requested explanations as necessary.
  - 4) Regarding the operational improvement order that the independent auditors received from the Financial Services Agency as of December 22, 2015, the Audit and Supervisory Board Members were reported by the independent auditors that they had submitted a business improvement plan to the Financial Services Agency

as of January 29, 2016, and requested for explanation, as necessary. In addition, the Audit and Supervisory Board Members were reported about the “Voluntary Inspections in Response to the Operational Improvement Order” and requested for explanation, as necessary.

Based on the above-described methods, each Audit and Supervisory Board Member examined the business report and the annexed specifications thereto, accounting documents (balance sheet, profit and loss statement, shareholders’ equity variation statement, and schedule of individual notes) and the annexed specifications thereto, as well as the consolidated accounting documents (consolidated balance sheet, consolidated profit and loss statement, consolidated shareholders’ equity variation statement, and schedule of consolidated notes), for the business year under consideration.

## 2. Results of Audit

### (1) Results of Audit of Business Report, etc.

- 1) We acknowledge that the business report and the annexed specifications thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the company.
- 2) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the articles of incorporation of the company was found with respect to the directors’ performance of their duties.
- 3) We acknowledge that the board of directors’ resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the directors’ performance of their duties concerning the internal control systems.

### (2) Results of Audit of Accounting Documents and their Annexed Specifications

We acknowledge that the methods and results of audit performed by the accounting auditor, Ernst & Young ShinNihon LLC, are appropriate.

### (3) Results of Audit of Consolidated Accounting Documents

We acknowledge that the methods and results of audit performed by the accounting auditor, Ernst & Young ShinNihon LLC, are appropriate.

May 26, 2016

Audit and Supervisory Board Members of UBIC, Inc.

Standing Audit and Supervisory Board Member

(Outside Audit and Supervisory Board Member): Kunihiro Sudo (seal)

Audit and Supervisory Board Member

(Outside Audit and Supervisory Board Member): Takaharu Yasumoto (seal)

Audit and Supervisory Board Member

(Outside Audit and Supervisory Board Member): Kenzo Takai (seal)

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

## **Reference Documents for the Ordinary General Meeting for Shareholders**

Agenda of the meeting and reference matters:

### **Item 1 Appropriation of Surplus**

Giving general consideration to matters such as the financial status and the business results for the full fiscal year, we hereby propose the year-end dividend for the fiscal year ended March 31, 2016, as follows:

Matters related to the year-end dividend

1) Type of dividend property

Cash

2) Allocation of dividend property and its total amount

Dividend per share in common stock of the Company: 3 yen

Total amount of dividend: 107,252,190 yen

3) Effective date of dividends from surplus

June 30, 2016

### **Item 2 Partial Amendments to the Articles of Incorporation**

1. Reason for amendment

In order to change the Company's trade name to "FRONTEO, Inc." as of July 1, 2016, it is proposed to amend Article 1 of the current Articles of Incorporation.

The Company, soon after its establishment, has developed its business focusing on the eDiscovery business as "UBIC, Inc." However, the Company has made significant innovation during the fiscal year ended March 31, 2016 such as 1) commercialization of its efforts in the field other than litigation support (health care, business intelligence and marketing) based on developmental use of its original technology acquired through the business until present days, 2) development of humanoid robot "Kibiro" with AI-based search engine "KIBIT," 3) second corporate acquisition in the United States, which is a principal market for eDiscovery business.

This change of trade name is aimed at making clear definition of the Company's intention as a company with value which creates "future of people and society," and at stating the Group's strong intention, which is to further promote brand value improvement and

innovation in global base by the entire Group, in its trade name. “FRONTEO” consists of “FRONT,” meaning cutting-edge in English, and “EO,” meaning to move forward in Latin. It is also an abbreviation of “Frontier Technology Organizations,” meaning “progressive and leading value creators group.”

The change shall come into effect as of July 1, 2016, and the Company proposes the establishment of supplementary provisions stating to that effect. These supplementary provisions will be deleted as of the date when the change comes into effect.

## 2. Details of amendments

The proposed amendments are as follows:

(Underlining denotes change)

| Current Articles of Incorporation                                                                                                                                                            | Proposed amendments                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Article 1 (Trade Name)<br>The name of the Company shall be “ <u>Kabushiki Kaisha UBI</u> C” and in English it shall be “ <u>UBIC, Inc.</u> ”<br>(Supplementary Provisions)<br>( <u>New</u> ) | Article 1 (Trade Name)<br>The name of the Company shall be “ <u>Kabushiki Kaisha FRONTEO</u> ” and in English it shall be “ <u>FRONTEO, Inc.</u> ”<br>(Supplementary Provisions)<br><u>Article 1</u><br><u>The change of Article 1 shall come into effect as of July 1, 2016, and these supplementary provisions shall be deleted as of such effective date.</u> |

### Item 3 Election of Five (5) Directors

The terms of office of all four (4) Directors will expire at the conclusion of this year's Ordinary General Meeting of Shareholders. In order to strengthen our management framework, we would like to increase one (1) Director. Accordingly, the election of five (5) Directors is proposed.

The candidates for the position of Director are as follows:

| Candidate Number | Name<br>(Date of Birth)                            | Career summary and position in the Company<br>(important concurrent positions at other organizations)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Number of the Company's<br>shares held by candidate<br><br>(As of March, 31, 2016) |
|------------------|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| 1                | Masahiro<br>Morimoto<br>(Born on April 6,<br>1966) | <div>March 1989 Japan Maritime Self-Defense Official</div> <div>April 1995 Joined Applied Materials Japan, Inc.</div> <div>August 2003 Established the Company</div> <div>Representative Director and Chief<br/>Executive Officer, the Company<br/>(current)</div> <div>December 2007 Representative Director and Chief<br/>Executive Officer, UBIC North<br/>America, Inc.</div> <div>April 2015 Representative Director and Chairman,<br/>UBIC North America, Inc. (current)</div> <div>Director, UBIC MEDICAL, Inc.<br/>(current)</div> <div>July 2015 Director, EvD, Inc. (current)</div> <div>September 2015 Director, Rappa, Inc. (current)</div> | 6,920,400                                                                          |

(Notes) 1 There is no special interest between the candidate for Director and the Company.

2 Reasons for nomination as a candidate for Director

Mr. Masahiro Morimoto, the Company's founder, has been engaged in management as Chief Executive Officer and Chairman of the Board for a long term since the foundation of the Company. He has played the primary role for global business expansion and growth in business results and fulfilled his duties as a Director. In line with the Company's aim of sustainable increase in

corporate value and achieving business plans in the future, he is considered to be suitable for business executions and thus is selected again as a candidate for Director.

| Candidate Number | Name<br>(Date of Birth)                     | Career summary and position in the Company<br>(important concurrent positions at other organizations)                                                                                                                                                                                                                                                                                                                                                                             | Number of the Company's<br>shares held by candidate<br><br>(As of March, 31, 2016) |
|------------------|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| 2                | Naritomo Ikeue<br>(Born on June 4,<br>1972) | <p>April 1996      Joined Applied Materials Japan, Inc.</p> <p>December 2003      Director, the Company</p> <p>November 2007      Director and Executive Vice President,<br/>the Company (current)</p> <p>December 2007      Director, UBIC North America, Inc.<br/>(current)</p> <p>April 2015      Chief Executive Officer, UBIC<br/>MEDICAL, Inc. (current)</p> <p>July 2015      Director, EvD, Inc. (current)</p> <p>September 2015      Director, Rappa, Inc. (current)</p> | 2,730,800                                                                          |

(Notes) 1 There is no special interest between the candidate for Director and the Company.

2 Reasons for nomination as a candidate for Director

Mr. Naritomo Ikeue, a founding member since the foundation of the Company with strong leadership, has various achievements such as contributions to develop global businesses and to improve profitability and has fulfilled his duties as a Director. In line with the aim of sustainable increase in corporate value and achieving business plans of the Company, he is considered to be suitable for business executions and thus is selected again as a candidate for Director.

| Candidate Number | Name<br>(Date of Birth)          | Career summary and position in the Company<br>(important concurrent positions at other organizations)   | Number of the Company's<br>shares held by candidate<br><br>(As of March, 31, 2016) |
|------------------|----------------------------------|---------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| 3                | Hideki Takeda<br>(Born on August | <p>May 1996      Joined Mitsue-Links Co., Ltd.</p> <p>October 1999      Joined SoftVision Co., Ltd.</p> | 2,351                                                                              |



|  |          |                |                                                                   |  |
|--|----------|----------------|-------------------------------------------------------------------|--|
|  | 1, 1973) | July 2002      | Joined Important Properties Bank Japan Co., Ltd.                  |  |
|  |          | July 2009      | Joined the Company                                                |  |
|  |          | December 2012  | Corporate Officer ( <i>Shikko Yakuin</i> ), the Company (current) |  |
|  |          | July 2014      | Director, Behavior Informatics Laboratories (current)             |  |
|  |          | April 2015     | Director, UBIC MEDICAL, Inc. (current)                            |  |
|  |          | September 2015 | Director, Rappa, Inc. (current)                                   |  |

(Notes) 1 There is no special interest between the candidate for Director and the Company.

2 Mr. Hideki Takeda is a new candidate for Director.

3 Number of the Company's shares held by candidates for Directors are the status as of March 31, 2016. The Company's shares held by Mr. Hideki Takeda, a candidate for Director, are the shares owned through Employee Stock Ownership Association of UBIC. When this proposal is approved and Mr. Takeda assumes the office of Director, process upon exit from the Association such as withdrawal of his shares will be taken in accordance with the provisions of Employee Stock Ownership Association of UBIC.

4 Reasons for nomination as a candidate for Director

Mr. Hideki Takeda, as the Director of Behavior Informatics Laboratories of the Company, has played the central role for the Company's technology research and product development. His knowledge of AI-related technology and leadership to lead the research and development department are indispensable for the Company's aim of sustainable increase in corporate value and achieving business plans. He is considered to be suitable for management participation and business executions and thus is selected as a candidate for Director.

| Candidate Number | Name<br>(Date of Birth)                                      | Career summary and position in the Company<br>(important concurrent positions at other organizations)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Number of the Company's<br>shares held by candidate<br><br>(As of March, 31, 2016) |
|------------------|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| 4                | Makoto<br>Funahashi<br><br>(Born on<br>December 28,<br>1945) | <p>April 1968      Joined the National Police Agency of Japan</p> <p>March 1999      Deputy Minister for police technology, the National Police Agency of Japan</p> <p>March 2001      Special Advisor, USE, Inc.</p> <p>April 2003      Joined NTT Data Creation Corporation (currently NTT Data i Corporation) (“NTT Data i”)</p> <p>June 2003      Director, NTT Data i</p> <p>June 2007      Director and Senior Vice President (<i>Shikko Yakuin</i>), NTT Data i</p> <p>June 2008      Senior Advisor, NTT Data i</p> <p>June 2008      Director, the Company (current)</p> <p>June 2011      Director, The Institute of Security Technology (current)</p> <p>October 2013    Director, Japan Image Analysis Association (current)</p> <p>August 2015    Director, Medical IT Security Forum: (current)</p> | 3,900                                                                              |

(Notes) 1 There is no special interest between the candidate for Director and the Company.

2 Mr. Makoto Funahashi is a candidate for Outside Director.

3 Eight (8) years will have passed at the conclusion of this meeting of shareholders since Mr. Makoto Funahashi, Outside Director of the Company at present, was appointed as such position.

4 In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Mr. Makoto Funahashi which restricts his liability for compensation of damages under Article 423, Paragraph 1 of the Companies Act when requirements provided for by laws and ordinances are met. The limit amount of liability under such agreement shall be

the minimum amount of liability provided for by laws and ordinances if he has performed his duties in good faith and without gross negligence.

When the election of Director is approved, the Company intends to continue such agreement.

- 5 There are no transactions between the companies in which Mr. Makoto Funahashi holds concurrent positions and the Company, and it has been concluded that there are no conflicts of interest between general shareholders and him. Upon his election, the Company intends to register him as an independent director stipulated by Tokyo Stock Exchange, Inc.

- 6 Reasons for nomination as a candidate for Outside Director

Mr. Makoto Funahashi has abundant experience and a high level of insight as an assistant vice-minister for engineering affairs at the National Police Agency. He has given appropriate proposals and advices at the Board of Directors of the Company from an objective perspective independent from business executions, and thus it has been concluded that he will contribute greatly to the Company's corporate governance such as strengthening risk management. He is considered to be suitable for promoting sustainable business management and increasing corporate value of the Company, and thus his re-election is proposed.

| Candidate Number | Name<br>(Date of Birth)                           | Career summary and position in the Company<br>(important concurrent positions at other organizations)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Number of the Company's<br>shares held by candidate<br><br>(As of March, 31, 2016) |
|------------------|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| 5                | Hirooki<br>Kirisawa<br>(Born on July 31,<br>1966) | <p>April 1991      Joined Kabushiki Kaisha Fukui Jisho</p> <p>August 1996      Joined Jozo Toda Tax Accountant Office</p> <p>April 2000      Joined Animo Limited</p> <p>February 2004      Established Hirooki Kirisawa Tax<br/>Accountant Office (currently<br/>KIRISAWA Tax Accountants<br/>Corporation)</p> <p>August 2005      Director</p> <p>October 2008      Statutory Auditor, the Company</p> <p>June 2010      Representative Director, Kabushiki<br/>Kaisha Management Firm (current)</p> <p>August 2012      Director, the Company (current)</p> <p>Representative Partner, KIRISAWA Tax<br/>Accountants Corporation (current)</p> | 93,800                                                                             |

(Notes) 1 There is no special interest between the candidate for Director and the Company.

2 Mr. Hirooki Kirisawa is a candidate for Outside Director.

3 Six (6) years will have passed at the conclusion of this meeting of shareholders since Mr. Hirooki Kirisawa, Outside Director of the Company at present, was appointed as such position.

4 In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Mr. Hirooki Kirisawa which restricts his liability for compensation of damages under Article 423, Paragraph 1 of the Companies Act when requirements provided for by laws and ordinances are met. The limit amount of liability under such agreement shall be the minimum amount of liability provided for by laws and ordinances if he has performed his duties in good faith and without gross negligence.

When the election of Director is approved, the Company intends to continue such agreement.

5 There are no transactions between the companies in which Mr. Hirooki

Kirisawa holds concurrent positions and the Company, and it has been concluded that there are no conflicts of interest between general shareholders and him. The Company has registered him as an independent director stipulated by Tokyo Stock Exchange, Inc. Upon his re-election, the Company intends to continue to designate him as independent director.

6 Reasons for nomination as a candidate for Outside Director

Mr. Hirooki Kirisawa has not only abundant experience as a business manager but also a license of tax accountant, and based on his extensive knowledge, he has supervised business executions and played other appropriate roles to fulfill his duties as an Outside Director of the Company. He is considered to be suitable for promoting sustainable business management and increasing corporate value of the Company, and thus his re-election is proposed.

#### Item 4 Election of One (1) Statutory Auditor

The terms of office for Mr. Takai Kenzo, Statutory Auditor, will expire at the conclusion of this meeting of shareholders. Accordingly, this proposal recommends election of one (1) Statutory Auditor.

The consent of Board of Statutory Auditors has been given to this proposal.

The candidate for the position of Statutory Auditor is as follows:

| Name<br>(Date of Birth)                     | Career summary and position in the Company<br>(important concurrent positions at other organizations)                                          | Number of the Company's<br>shares held by candidate<br>(As of March, 31, 2016) |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Kei Okubo<br>(Born on February<br>17, 1976) | April 2000 Registered as lawyer<br>Joined Nagashima Ohno & Tsunematsu<br>January 2008 Partner, Joined Nagashima Ohno &<br>Tsunematsu (current) | 0                                                                              |

(Notes) 1 There is no special interest between the candidate for Statutory Auditor and the Company.

2 Mr. Kei Okubo is a new candidate for Statutory Auditor.

3 Mr. Kei Okubo is a candidate for Outside Statutory Auditor.

4 Agreement to limit liabilities between the Company and Statutory Auditor candidate

Upon approval of this proposed item, if Mr. Kei Okubo has performed his duties in good faith and without gross negligence, the Company intends to enter into an agreement with Mr. Kei Okubo which restricts his liability for compensation of damages under Article 423, Paragraph 1 of the Companies Act, in accordance with the provisions of Article 427, Paragraph 1 of the same Act. The limit amount of liability for compensation of damages under such agreement to limit liabilities shall be limited by the amount of liability provided for by laws and ordinances.

5 Reasons for nomination as a candidate for Outside Statutory Auditor

Mr. Kei Okubo has expert knowledge of legal matters in general as a lawyer. Although he does not have experience of being engaged in corporate management, in line with the aim of promoting sustainable business management and increasing corporate value of the Company, he is considered to be capable of auditing the Directors' execution of their duties from an objective

and fair perspective, and thus his election as Outside Statutory Auditor is proposed.

**Item 5 Election of One (1) Substitute Statutory Auditor**

The appointment of Mr. Akira Suzuki as a substitute Statutory Auditor, which was resolved at the 12th Ordinary General Meeting of Shareholders held on June 23, 2015, will become invalid at the commencement of this meeting of shareholders, and accordingly, this proposal recommends election of one (1) substitute Statutory Auditor in preparation for the shortage of the number of Statutory Auditors stipulated in laws and ordinances.

The consent of Board of Statutory Auditors has been given to this proposal.

The candidate for the position of substitute Statutory Auditor is as follows:

| Name<br>(Date of Birth)                       | Career summary and position in the Company<br>(important concurrent positions at other organizations)                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Number of the Company's<br>shares held by candidate<br><br>(As of March, 31, 2016) |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Akira Suzuki<br>(Born on January<br>27, 1937) | April 1962      Joined Victor Company of Japan, Limited<br>(currently JVC KENWOOD Corporation)<br><br>January 1986      Assistant Head of Corporate Planning Office,<br>Victor Company of Japan, Limited<br><br>October 1990      Assistant Head of Information Systems<br>Development Office, Victor Company of Japan,<br>Limited<br><br>September 2000      Joined International Information Science<br>Laboratory, Inc. as Head of General Affairs<br><br>February 2007      Full-time Statutory Auditor, the Company<br><br>April 2011      Advisor, the Company (current) | 0                                                                                  |

(Notes) 1 There is no special interest between the candidate for substitute Statutory Auditor and the Company.

2 Reasons for nomination as a candidate for substitute Statutory Auditor

Mr. Akira Suzuki has a wealth of knowledge about general affairs, accounting, and business management and considerable expertise in finance and accounting. In line with the aim of promoting sustainable business management and increasing corporate value of the Company, he is expected to apply his experience over long years and extensive knowledge to auditing of the Company and thus his election is proposed.



## **Item 6 Issuance of Subscription Rights to Shares as Stock Options**

This is a proposal to approve delegating, in accordance with Articles 236, 238 and 239 of the Companies Act of Japan, the determination of the subscription requirements of subscription rights to shares to be issued as stock options to Directors, Statutory Auditors, Corporate Officers (*Shikko Yakuin*), and employees of the Company, and Directors and employees of the Company's subsidiaries.

In addition, since the gratis issuance of subscription rights to shares to Directors or Statutory Auditors of the Company falls under their remunerations, etc. that are not monetary, and the amount of which is not fixed, it is also a proposal to approve the specific method for calculating the amount and their specific contents.

As for the amount of remunerations for Directors and Statutory Auditors of the Company, the 9th Ordinary General Meeting of Shareholders held on June 22, 2012 approved that Directors' annual remuneration amount shall be not more than JPY 350,000,000 (excluding salaries received as employees), and the Extraordinary General Meeting of Shareholders held on February 6, 2007 approved that Statutory Auditors' annual remuneration amount shall be not more than JPY 80,000,000, however, this proposal recommends approval for a separate category of remunerations for Directors and Statutory Auditors.

### **Notes**

1. Reasons for issuance of subscription rights to shares with particularly favorable conditions

The purpose is to further motivate the right holders' motivation or morale to contribute to the Company's performance on a consolidated basis, further promote business aiming to increase stock value and thereby make contribution to improvement of the Company's performance, and raise Statutory Auditors' awareness of appropriate audit.

2. Details of issuance of subscription rights to shares (the "Share Options")

- (1) Persons entitled to the allotment of the Share Options

Directors, Statutory Auditors, Corporate Officers (*Shikko Yakuin*), and employees of the Company, and Directors and employees of the Company's subsidiaries

- (2) Class and number of shares covered by the Share Options

Up to 260,000 common shares of the Company.

Out of such number, up to 130,000 common shares for Directors of the Company (including 39,000 for Outside Directors), and up to 39,000 common shares for Statutory Auditors of the Company.

In case of adjustment set forth below, the above number shall be revised to the number of granted shares after adjustment multiplied by the total number of Share Options.

Number of shares covered by one (1) Share Option (the “Number of Granted Shares”) shall be 100 common shares. In the event of a stock split (including a gratis allotment of common stock and this being applicable hereinafter, as well) or a reverse split by the Company after the day when the Share Options are allotted (the “Date of Allotment”), the following formula shall be used to adjust the Number of Granted Shares covered by the Share Options that have not been exercised at the time of adjustment. Fractional shares resulting from adjustment shall be discarded.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment  $\times$  ratio of split or reverse split

Any adjustment of the Number of Granted Shares which may be required in other situations shall be made to a reasonable extent.

(3) Total number of Share Options

Up to 2,600.

Out of such number, up to 1,300 Share Options for Directors of the Company (including 390 for Outside Directors), and up to 390 Share Options for Statutory Auditors of the Company.

(4) Amount payable in exchange of the Share Options

No payment is required in exchange of the Share Options

(5) Manner of calculating the value of assets contributed in exercising the Share Options

Value of assets contributed in exercising one (1) Share Option shall be obtained by

multiplying the amount paid per share for the shares delivered upon exercise of the Share Option (the “Exercise Price”) by the Number of Granted Shares.

The Exercise Price shall be as follows:

The Exercise Price is the amount obtained by multiplying by 1.05 the average of the closing prices of the Company’s common share on the Tokyo Stock Exchange on all trading days (excluding days where no trades were made) of the month preceding the month in which the Date of Allotment falls, and fractional yen resulting from said calculation shall be rounded up to the nearest yen; provided, however, that if that amount is less than the closing price of the Company’s common share on the Tokyo Stock Exchange on the Date of Allotment (or on the most recent day a trade was made if no trade was made on the Date of Allotment), then said closing price shall be the Exercise Price. If any of the following events occurs on or after the Date of Allotment, the Exercise Price shall be adjusted as follows.

- (i) For the share split or reverse split by the Company, the Exercise Price shall be adjusted in accordance with the formula stated below and fractional yen resulting from the adjustment shall be rounded up to the nearest yen.

$$\begin{array}{c} \text{Exercise Price after} \\ \text{adjustment} \end{array} = \begin{array}{c} \text{Exercise Price before} \\ \text{adjustment} \end{array} \times \frac{1}{\text{ratio of share split or reverse split}}$$

- (ii) If the Company issues new shares at a price below the market price or dispose of the treasury stock, the Exercise Price shall be adjusted in accordance with the formula stated below and fractional yen resulting from the adjustment shall be rounded up to the nearest yen.

$$\begin{array}{c} \text{Exercise} \\ \text{Price after} \\ \text{adjustment} \end{array} = \begin{array}{c} \text{Exercise} \\ \text{Price before} \\ \text{adjustment} \end{array} \times \frac{\begin{array}{c} \text{number of} \\ \text{issued} \\ \text{shares} \end{array} + \frac{\begin{array}{c} \text{number of newly issued shares} \times \text{amount paid} \\ \text{per share} \\ \text{market price} \end{array}}{\begin{array}{c} \text{number of issued shares} + \text{number of newly issued shares} \end{array}}$$

In the above formula, the “number of issued shares” means the total number of shares issued by the Company less the number of treasury stock in the possession of the Company. In case of the disposition of treasury stock, the “number of newly issued shares” shall read “number of treasury stock disposed of.”

- (iii) In case of merger or company split of the Company or other inevitable situations which require the adjustment of the Exercise Price, the adjustment shall be made to a reasonable extent taking into account the conditions of merger or company split, etc.

(6) Period during which the Share Options can be exercised

Three (3) years from the date on which three (3) years have elapsed from the date following the Date of Allotment.

(7) Conditions to exercise the Share Options

- (i) To exercise the Share Options, the person to whom they are allotted (the “Share Option Holder”) must meet the following requirements: (i) the person has continuously been either a Director (including Officer in the U.S.), Statutory Auditor, Corporate Officer (Shikko Yakuin) or employee (including those who became temporary employees by re-employment rules) of the Company or its subsidiaries for at least three (3) years before the time of exercising the option, and at the same time, (ii) the person is either a Director (including Officer in the U.S.), Statutory Auditor, Corporate Officer (Shikko Yakuin) or employee (including those who became temporary employees by re-employment rules) of the Company or its subsidiaries at the time of exercising the option. However, if such person does not meet requirement (ii) at the time of exercising the option because of resignation due to expiry of term of office, retirement by age limit or other reasons that are justified by the board of directors, within 90 days after losing such positions, the person can exercise the option by meeting requirement (i) only.
- (ii) No Share Option shall be inherited.
- (iii) No Share Option shall be partially exercised.
- (iv) All other conditions shall be as set forth in the “Agreement for Share Options Allotment” to be entered into between the Company and the Share Option Holder pursuant to the relevant resolution of the board meeting.

(8) Reason and conditions for acquisition of the Share Options

In the event that a proposal to approve a merger agreement where the Company is to be extinguished is approved at the shareholders’ meeting of the Company or that a proposal to approve a stock swap agreement where the Company is to be wholly owned or a proposal to approve a stock transfer plan is approved at the shareholders’ meeting of the Company (or, if a resolution of the shareholders’ meeting is not required, is resolved by the board meeting of the Company), the Company may acquire the Share Options at free on the day separately designated by the board of directors.

(9) Restriction on acquisition of the Share Options by assignment

Acquisition of the Share Options by assignment shall require an approval of the board of directors of the Company.

(10) Conditions for the capital and capital reserve increase by issuance of shares upon exercise of the Share Options

- (i) Amount of capital increase when the shares are issued upon exercise of the Share Options shall be one half of the maximum capital increase calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Company Accounting and fractional yen resulting from the calculation shall be rounded up to the nearest yen.
- (ii) Amount of capital reserve increase when the shares are issued upon exercise of the Share Options shall be the maximum capital increase referred to in the item (i) above less the amount of capital increase obtained under the item (i) above.

(11) Handling of the Share Options in case of corporate reorganization

In the event of a merger (limited to the cases where the Company is to be extinguished due to such merger), absorption-type company split or incorporation-type company split (limited to the cases where the Company is to be split in the both types of company split), or stock swap or stock transfer (limited to the cases where the Company is to be a wholly-owned subsidiary in the stock swap or stock transfer) (collectively, the “Corporate Reorganization”), the Company shall deliver the share options of a stock company prescribed in Article 236, Paragraph 1, Item 8, (a) to (e) of the Companies Act of Japan (the “Reorganized Company”), in each case, to the Share Option Holder who has the Share Options remaining (the “Remaining Share Options”) immediately prior to the day when the Corporate Reorganization comes into effect (that is, for an absorption-type merger, the day when the absorption-type merger comes into effect; for a consolidation-type merger, the day when a stock company is incorporated through the consolidation-type merger; for an absorption-type company split, the day when the absorption-type company split comes into effect; for an incorporation-type company split, the day when a stock company is incorporated through the incorporation-type company split; for a stock swap, the day when the stock swap comes into effect; and for a stock transfer, the day when a wholly owning parent company is incorporated through stock transfer, and these being applicable hereinafter, as well). In this case, the Remaining Share Options shall be extinguished and the Reorganized Company shall newly issue the Share Options, provided that the absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, stock swap agreement or stock transfer plan shall contain the statement that the

Reorganized Company will deliver the Share Options in accordance with the provisions of following items.

(i) Number of Share Options of the Reorganized Company to be delivered

The same number as the Remaining Share Options in the possession of the Share Option Holder shall be delivered in each case.

(ii) Class of shares of the Reorganized Company covered by the Share Options

Common shares of the Reorganized Company

(iii) Number of shares of the Reorganized Company covered by the Share Options

They shall be determined in accordance with the above “(2) Class and number of shares covered by the Share Options” taking into account the conditions, etc. of the Corporate Reorganization.

(iv) Manner of calculating the value of assets contributed in exercising the Share Options

Value of assets contributed in exercising each Share Option to be delivered shall be obtained by multiplying the Exercise Price after adjustment prescribed in the item (5) (iii) above by the number of shares of the Reorganized Company covered by such Share Option, which shall be determined under the item (iii) above.

(v) Period during which the Share Options can be exercised

From the day when the above “(6) Period during which the Share Options can be exercised” commences or the day when the Corporate Reorganization comes into effect, whichever is the later, to the day when the above “(6) Period during which the Share Options can be exercised” expires.

(vi) Conditions for the capital and capital reserve increase by issuance of shares upon exercise of the Share Options

They shall be determined in accordance with the above “(10) Conditions for the capital and capital reserve increase by issuance of shares upon exercise of the Share Options.”

(vii) Restriction on acquisition of the Share Options by assignment

Acquisition of the Share Options by assignment shall require an approval of the board of directors of the Reorganized Company.

(viii) Reason and conditions for acquisition of the Share Options

They shall be determined in accordance with the above “(8) Reason and conditions for acquisition of the Share Options.”

(12) Handling of fractional shares in the shares delivered upon exercise of the Share Options

Fractional shares in the shares delivered upon exercise of the Share Options shall be discarded.

3. The specific method for calculating the amount of remunerations, etc. for Directors and Statutory Auditors

The amount for remunerations, etc. for Directors and Statutory Auditors of the Company with respect to the Share Options shall be determined by multiplying the fair value of one (1) Share Option, calculated on the Date of Allotment, by the total number of the Share Options allotted to Directors and Statutory Auditors incumbent on the Date of Allotment (up to 1,300 for Directors (including 390 for Outside Directors), and up to 390 for Statutory Auditors). The fair value of one (1) Share Option shall be calculated using the Black-Scholes model based on various conditions on the Date of Allotment including stock price of the Company and the Exercise Price. At present, the Company has four (4) Directors (including two (2) Outside Directors) and three (3) Statutory Auditors. In the event the proposals in Item 3 and Item 4 are approved, the Company will have five (5) Directors (including two (2) Outside Directors) and three (3) Statutory Auditors.

End