

# Financial Report

## **62nd Fiscal Year**

Start: January 1, 2015

End: December 31, 2015

ITO Corporation

2-14-1 Kyobashi, Chuo-ku, Tokyo, JAPAN  
Kanematsu Bldg., 7th Fl.

**NOTE: This English translation is for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail. We assume no responsibility for this translation or for direct, indirect or any other form of damage arising from the translation.**

# Balance Sheet

(Units: JPY)

ITO Corporation

As of December 31, 2015

Assets		Liabilities	
Item	Amount	Item	Amount
<b>Current Assets</b>		<b>Current Liabilities</b>	
Cash and Deposits		Notes Payable	4,084,435,397
Cash	1,060,850	Accounts Payable	712,085,645
Checking Account	478,584,718	Outstanding Payments	39,185,844
Savings Account	31,936,545	Advances Received	5,090,444
Fixed Savings	1,000,000	Short-term Loans Payable	246,198,318
Total Cash and Deposits	512,582,113	Current Portion of Long-term Debts	207,012,000
(Accounts Receivable)		Deposits	11,243,981
Notes Receivable	1,014,098,353	Suspense Receipts	35,000,181
Accounts Receivable	3,429,593,834	Corporate Taxes Payable	9,687,200
Total Trade Receivable	4,443,692,187	Total Current Liabilities	5,349,939,010
(Securities)		<b>Fixed Liabilities</b>	
Securities	221,837,177	Long-term Debts	433,497,000
Total Securities	221,837,177	Lease Obligations	6,431,077
(Inventory Assets)		Total Fixed Liabilities	439,928,077
Products	148,826,971	<b>Total Liabilities</b>	<b>5,789,867,087</b>
Stored Items	374,263	<b>Net Assets</b>	
Total Inventory Assets	149,201,234	<b>Capital Stock</b>	
(Other Current Assets)		Capital	70,000,000
Advance Payments	767,253	(Retained Earnings)	
Prepaid Expenses	5,526,720	Retained Earnings Reserves	17,500,000
Advances Paid	60,763,164	[Other Retained Earnings]	
Suspense Payment	9,974,452	General Reserves	285,000,000
Short-term Loans	29,360,233	Special Business Reserves	33,020,078
Accounts Due	27,598,219	Retained Earnings Carried Forward	258,455,115
Allowance for Bad Debts	(73,600,081)	Total Retained Earnings	593,975,193
Deferred Tax Assets	84,195	Treasury Stock	(6,921,000)
Accrued Claims	51,664,395	Total Capital Stock	657,054,193
Corporate Taxes Receivable	692,800	<b>Total Net Assets</b>	<b>657,054,193</b>
Consumption Taxes Receivable	2,109,400		
Total Other Current Assets	114,940,750		
Total Current Assets	5,442,253,461		
<b>Fixed Assets</b>			
(Tangible Fixed Assets)			
Buildings	19,364,874		
Fixtures	12,000,415		
Furnishings	15,284,102		
Accumulated Depreciation	(19,557,727)		
Total Tangible Fixed Assets	27,091,664		
(Intangible Fixed Assets)			
Telephone Subscription Rights	5,143,466		
Program Development Costs	3,377,589		
Leased Assets	7,913,100		
Total Intangible Fixed Assets	16,434,155		
(Investments and Other Assets)			
Investment Securities	429,401,344		
Deposits	46,442,084		
Long-term Loans	92,196,580		
Long-term Prepaid Expenses	5,984,757		
Reserve Funds for Severance Allowances	19,636,586		
Security Deposit	367,901,496		
Allowance for Bad Debts	(920,847)		
Total Investments and Other Assets	960,642,000		
Total Fixed Assets	1,004,167,819		
<b>Deferred Assets</b>			
Rent Premiums (Key Money)	500,000		
Total Deferred Assets	500,000		
<b>Total Assets</b>	<b>6,446,921,280</b>	<b>Total Liabilities and Net Assets</b>	<b>6,446,921,280</b>

## Profit and Loss Statement

(Units: JPY)

ITO Corporation

Start: January 1, 2015 End: December 31, 2015

### Sales

Sales	11,216,934,047	
Total Sales		11,216,934,047

### Cost of Sales

Initial Inventory	132,247,520	
Initial Goods & Final Goods Inventory	132,247,520	
Purchase Price	10,152,602,710	
Current Term Purchase Price of Goods	10,152,602,710	
Total	10,284,850,230	
Ending Inventory	(148,826,971)	
End of Term Goods & Manufactured Goods Inventory	(148,826,971)	
Total Cost of Sales		10,136,023,259
Gross Margin		1,080,910,788

### Selling, General and Administrative Expenses

Personnel Expenses		
Total Personnel Expenses	651,694,626	
Other Expenses		
Total Other Expenses	413,653,950	
Total Selling, General and Administrative Expenses	1,065,348,576	
Operating Income		15,562,212

### Non-operating Revenue

Interest and Dividend Revenue	12,400,266	
Miscellaneous Revenue	24,737,574	
Total Non-operating Revenue	37,137,840	

### Non-operating Expenses

Interest Expense	8,841,492	
Loss on Sale of Bills	7,831,136	
Commissions Paid	6,388,910	
Miscellaneous Losses	967,600	
Total Non-operating Expenses	24,029,138	
Ordinary Profit		28,670,914

### Extraordinary Profits

Reversal of Allowance for Doubtful Accounts	74,213,553	
Other Extraordinary Profits	25,065,272	
Total Extraordinary Profits	99,278,825	

### Extraordinary Losses

Provision of Allowance for Doubtful Accounts	74,520,928	
Other Extraordinary Losses	30,405,450	
Total Extraordinary Losses	104,926,378	
Profit (Loss) Before Tax		23,023,361
Corporate, Inhabitant, and Enterprise Taxes		6,863,445
Income Tax Adjustments		429,341
Current Term Net Profit (Loss)		15,730,575

## Selling, General and Administrative Expenses Detailed Statement

(Units: JPY)

ITO Corporation

Start: January 1, 2015 End: December 31, 2015

### Personnel Expenses

Salaries	426,680,417
Directors' Remuneration	66,565,444
Miscellaneous Pay	27,391,403
Bonuses	31,000,000
Retirement Allowance	9,209,723
Statutory Welfare Expenses	71,435,697
Welfare Expenses	19,411,942
Total Personnel Expenses	651,694,626

### Other Expenses

Communication Expenses	14,050,624
Packing and Shipping Expenses	22,913,605
Utility Expenses	3,815,349
Traveling Expenses	80,925,525
Print Advertising Expenses	9,068,949
Entertainment Expenses	8,954,859
Meeting Expenses	1,753,739
Office Supplies Expenses	4,661,666
Expendable Supply and Furniture Expenses	6,918,343
Reference and Training Expenses	8,349,266
Repair Expenses	557,969
Maintenance Service Expenses	143,962,320
Automotive Expenses	1,825,050
Insurance Premiums	5,750,974
Taxes and Duties	4,977,872
Lease Fees	5,379,498
Depreciation Expenses	9,951,784
Rental Expenses	77,892,880
Miscellaneous Expenses	1,943,678
Total Other Expenses	413,653,950
Total Selling, General and Administrative Expenses	1,065,348,576

# Statement of Shareholders' Equity

(Units: JPY)

ITO Corporation

Start: January 1, 2015 End: December 31, 2015

	Capital Stock										Valuation and Translation Adjustments	Share Options	Total Equity
	Share Capital	Deposit for Subscriptions to Shares	Capital Surplus		Earned Surplus			Treasury Stock	Deposit for Subscriptions to Treasury Stock	Total Capital Stock			
			Capital Reserves	Other Capital Surplus	Retained Earnings Reserves	Other Retained Earnings							
						Contingent Reserves	Retained Earnings Carried Forward						
Beginning Balance	70,000,000	0	0	0	17,500,000	318,020,078	242,724,540	(4,435,500)	0	643,809,118	0	0	643,809,118
Change This Term													
New Issue of Stock													
Acquisition of Treasury Stock								(2,485,500)		(2,485,500)			(2,485,500)
Disposal of Treasury Stock													
Dividends of Surplus													
Provision of General Reserves													
Reduction of Contingent Reserves													
Net Profits							15,730,575			15,730,575			15,730,575
Net Changes Other Than Capital Stock													
Total Change This Term	0	0	0	0	0	0	15,730,575	(2,485,500)	0	13,245,075	0	0	13,245,075
Final Balance	70,000,000	0	0	0	17,500,000	318,020,078	258,455,115	(6,921,000)	0	657,054,193	0	0	657,054,193

# Notes

ITO Corporation

As of December 31, 2015

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These financial statements are prepared in accordance with guidelines for the accounting of SMEs.

Notes regarding important accounting policies

(1) Asset assessment criteria and methodology

① Securities assesment criteria and methodology

Other Securities

We use the method of moving averages in our cost calculations

② Inventory assesment criteria and methodology

We use the last cost method in our cost calculations

(2) Depreciation method for fixed assets

① Tangible Fixed Assets

We use the declining-balance method or old declining-balance method based on corporation tax law.

However, the old declining-balance method is used for buildings (excluding attached facilities) acquired on or after April 1, 1998, while the declining-balance method is used for buildings (excluding attached facilities) acquired on or after April 1, 2007.

Additionally, for assets with an acquisition price of ¥100,000 or more and less than ¥200,000, the 3 year straight-line depreciation method based on corporate tax law is adopted.

Assets acquired on or after April 1, 2003 with an acquisition price less than ¥300,000 are expensed at the time of acquisition.

② Intangible fixed assets

We use the straight-line method or the old straight-line method.

However, for assets with an acquisition price of ¥100,000 or more and less than ¥200,000, the 3 year straight-line depreciation method is adopted.

Assets acquired on or after April 1, 2003 with an acquisition price less than ¥300,000 are expensed at the time of acquisition.

(3) Basis for recording reserves

Allowance for doubtful accounts: In order to prepare for credit losses on receivables, in addition to the estimated uncollectible amount calculated based on the statutory charge rate stipulated in the Corporation Tax Law for general receivables, we also evaluate the collectability of receivables on an individual basis, and we record the amount required.

(4) Other important matters that constitute the basis for preparing these financial statements

① Handling the lease transaction

Based on the provisions of Corporation Tax Law, we use the straight-line method over the lease term.

② Accounting for consumption tax, etc.

We use the tax-exclusion method

## Notes

ITO Corporation

As of December 31, 2015

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### Notes regarding the Balance Sheet

(1) Notes receivable endorsed for transfer were ¥33,009,479.

### Notes regarding the Statement of Shareholders' Equity

(1) Matters concerning the types and total number of outstanding stock and treasury stock

Outstanding Stock

140,000 common stock

Treasury Stock

13,842 common stock

### Notes on per-share information

Net asset value per share: ¥ 4,693.24

Net income per share: ¥112.36