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(Securities Code: 4825)

July 27, 2016

To Shareholders with Voting Rights:

Chihito Kusabiraki
President and Representative Director
Weathernews Inc.
Makuhari Techno-Garden
1-3, Nakase, Mihama-ku, Chiba-city,
Chiba Prefecture, Japan

**NOTICE OF
THE 30th ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 30th Annual General Meeting of Shareholders of Weathernews Inc. (the “Company”). The meeting will be held for the purposes described below.

If you are unable to attend the meeting, you may exercise your voting rights in writing by submitting the Voting Rights Exercise Form. Please review the Reference Documents for the General Meeting of Shareholders (described hereinafter) and indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return the form so that it arrives by 5:30 p.m. on Wednesday, August 10, 2016, Japan time.

- 1. Date and Time:** Thursday, August 11, 2016, at 1:30 p.m. Japan time
- 2. Place:** Convention Hall, Makuhari Messe International Convention Complex, located at 2-1, Nakase, Mihama-ku, Chiba-city, Chiba Prefecture, Japan
- 3. Meeting Agenda:**
Matters to be reported: The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the Company’s 30th Fiscal Year (June 1, 2015–May 31, 2016), as well as the results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements

Proposals to be resolved:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Seven (7) Directors

4. Other Matters Regarding This Notice:

- (1) The following materials, which should be made available to shareholders when sending this notice of convocation, are posted on the Company's website at the following URL (<http://jp.weathernews.com/>), instead of being stated in this notice, in accordance with the provisions of the relevant laws and regulations and Article 16 of the Articles of Incorporation of the Company.
 - 1) "Basic Principles regarding the Control of the Company"
 - 2) "Notes to the Consolidated Financial Statements" of the consolidated financial statements (30th Fiscal Year)
 - 3) "Notes to the Non-Consolidated Financial Statements" of the non-consolidated financial statements (30th Fiscal Year)
- (2) Any amendments to the Reference Documents for the General Meeting of Shareholders and the Appendix will be posted on the aforementioned Company website.

Requests for Attending Shareholders

Shareholders who plan to attend the meeting in person are requested to respect the following items.

- (1) When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk on the day of the meeting for confirmation. If you wish to exercise your voting rights by proxy, designate another shareholder who is entitled to exercise your voting rights as a proxy at the meeting. Such a shareholder acting as a proxy is kindly requested to attend in person and submit your Voting Rights Exercise Form and the power of attorney at the reception desk.
- (2) Note that only shareholders of the Company may enter the venue of the meeting.
- (3) Your early arrival would be appreciated as the reception desk is expected to be crowded just before the opening of the meeting (we will open for entry at 12:30 p.m.)
- (4) Note that electricity-saving measures will be taken at the venue for lighting and the adjustment of the air-conditioning temperature. It is recommended that you dress lightly.

Internet Stream for Shareholders

The Company will stream the General Meeting of Shareholders live on the Internet so that shareholders unable to attend the meeting in person can view the meeting remotely. To protect the privacy of shareholders, the stream will only show the officers' seating area during the meeting. Also please note that shareholders viewing the stream will be unable to exercise their voting rights or ask questions via the Internet platform.

Date and streaming schedule Thursday, August 11, 2016, from 1:30 p.m. Japan time to the conclusion of the meeting

Accessing the stream Please visit the live stream website for the meeting and enter your "Shareholder ID" and "Password" from the login screen.

Live stream website for the General Meeting of Shareholders http://weathernews.jp/kabu/		
Shareholder ID	(eight digits):	Shareholder number shown on the enclosed Voting Rights Exercise Form
Password	(seven digits):	Zip code of the registered address (enter the zip code without a hyphen)

[Notes]

1. To view the live stream, you will require a broadband line and Flash Player 10.0 or higher (free of charge). If Flash Player is not installed on your computer, you can download it from the following URL (downloadable free of charge). Please install the software in advance of the meeting.

Download Flash Player (free of charge) from: <http://get.adobe.com/jp/flashplayer/>

2. Images and voices may lag or temporarily freeze during the stream, depending on your Internet environment (functions and performance), line conditions, heavy traffic from shareholders viewing the stream, and other factors. Note also that the stream may be un-viewable from some smartphone. Please be aware that technical problems of this type may occur.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

The Company desires to gain greater support from stakeholders who sympathize with the corporate dream of “To Be a Communication Platform for Seven Billion Four Hundred Million Supporters” and the projects oriented toward that dream, and intends to expand the number of shareholders in the medium to long term.

The Company distributes profits based on its management principle of “high contribution, high profits and high distribution.” The Company determines a policy for returning profits to shareholders/supporters upon comprehensive consideration of the business results for the year and the intentions to make investments in services, technologies and infrastructure that enable the creation of new value through weather forecasting and internal reserves to enhance financial standing. We recognize growth in sales from tollgate-type business from among net sales as an important management indicator and determine the amount of dividends while taking into account other factors such as business results, the payout ratio, the dividend yield and capital efficiency.

Regarding the dividends for the fiscal year ended May 31, 2016, we will pay an annual ordinary dividend of ¥100 per share, as compared to an ordinary dividend of ¥70 plus commemorative dividend of ¥30 (¥100 in total) paid a year earlier. Because we already paid an interim dividend of ¥35 per share in January for the year under review, we will provide ¥65 per share as a year-end dividend as described below.

1. Matters concerning the year-end dividends

(1) Type of property dividends	Cash
(2) Matters concerning the distribution of property dividends to shareholders and the total amount thereof	¥65 per share of common stock of the Company Total amount: ¥708,153,615
(3) Effective date of the dividends from surplus	August 12, 2016

2. Matters concerning the appropriation of surplus

In order to strengthen the management base for future business development, we propose that our internal reserves be set at the following levels.

	Account item	Amount
(1) Surplus to be increased	General reserve	¥1,000,000,000
(2) Surplus to be decreased	Retained earnings brought forward	¥1,000,000,000

Proposal No. 2: Election of Seven (7) Directors

The Company’s Articles of Incorporation provide that the term of office for Directors be one year. This is intended to clarify the Directors’ responsibility for achieving the performance targets of each fiscal year and confirm shareholders’ confidence in Directors for each fiscal year. According to the provisions of said Articles of Incorporation, the term of office of six (6) Directors of the Company will expire at the conclusion of this General Meeting of Shareholders. Accordingly, we propose the election of seven (7) Directors.

The candidates for the position of Director are as follows:

Seven (7) Candidates for Director

No.	Name (Date of birth)	Past experience, positions and responsibilities (Significant concurrent positions)	Number of shares of the Company held
1	Chihito Kusabiraki (March 18, 1965) [Reappointed]	March 1987 Graduated from Department of Physics, College of Science and Engineering, Aoyama Gakuin University April 1987 Joined the Company April 1993 General Manager, CSS Business Department, Marketing Division June 1993 General Manager, Aviation Business Department, Marketing Headquarters June 1996 General Manager, Disaster Prevention/Aviation Business Division August 1996 Director August 1997 Managing Director August 1999 Executive Vice President and Representative Director September 2006 President and Representative Director (in charge of overall management and sales (Asia, Europe, and the United States) (to present) Significant concurrent position: Director, Chiba Institute of Technology	68,077 shares
(Reason for selecting the candidate for Director) Mr. Chihito Kusabiraki was engaged in the forecasting system development, data operation, and sales departments, etc. after joining the Company. Then he was responsible for global business development as an officer in charge of overall disaster prevention/aviation business. He has promoted business and management as a President and Representative Director since 2006 by taking advantage of his deep knowledge and understanding of the Company Group as a whole. He currently serves as the chairperson of the Board of Directors. We ask for his election as a Director because we judge that he is appropriately qualified to decide upon the important business execution of the Company and supervise the performance of the duties of the Directors and Executive Officers.			

No.	Name (Date of birth)	Past experience, positions and responsibilities (Significant concurrent positions)	Number of shares of the Company held	
2	Yasushi Shiga (July 14, 1963) [Reappointed]	March 1986	Graduated from Department of Commerce, Takachiho College of Commerce	22,659 shares
		April 1986	Joined Tokyo Ricoh Co., Ltd.	
<p>(Reason for selecting the candidate for Director)</p> <p>Mr. Yasushi Shiga was responsible for the sales department as an officer in charge of overall sales in Japan after serving in the sales department for many years. He has been responsible for business operations as a Director since 2005 and further as a person in charge of overall sales in Asian markets since 2008. We ask for his election as a Director because we judge that he is appropriately qualified to decide upon the business execution in the Company's sales department and supervise the performance of the duties of the Directors and Executive Officers.</p>				
3	Masanori Yoshitake (October 14, 1972) [Reappointed]	March 1996	Graduated from Agricultural Engineering Division (Civil Engineering), Faculty of Agriculture, Kyushu University	10,754 shares
		July 1996	Joined the Company	
<p>(Reason for selecting the candidate for Director)</p> <p>Mr. Masanori Yoshitake was engaged in the sales department, the accounting, financial, and general affairs departments, etc. after joining the Company. He was then elected and assumed office as a Director in 2014, and is currently responsible for business operations as a person in charge of overall accounting, financial, and general affairs. We ask for his election as a Director because we judge that he is appropriately qualified to decide upon the business execution in the Company's accounting, financial, and general affairs departments and supervise the performance of the duties of the Directors and Executive Officers.</p>				

No.	Name (Date of birth)	Past experience, positions and responsibilities (Significant concurrent positions)	Number of shares of the Company held
4	Daisuke Abe (December 29, 1970) [Newly appointed]	<p>March 1995 Completed master's course at Graduate School of Science, Hokkaido University</p> <p>April 1995 Joined the Company</p> <p>October 2008 Group Leader, Forecasting Center</p> <p>September 2011 In charge of overall service operation</p> <p>September 2012 Director (in charge of service operation)</p> <p>August 2015 Executive Officer (in charge of service operation)</p> <p>July 2016 Executive Officer (Chief Service Officer) (to present)</p>	12,826 shares
	<p>(Reason for selecting the candidate for Director)</p> <p>Mr. Daisuke Abe was engaged in the service operation department, development department, etc. after joining the Company. He was then appointed as a person in charge of overall service operation in 2011, and is currently responsible for service operation and development as an Executive Officer. We ask for his election as a Director because we judge that he is appropriately qualified to decide upon the business execution for the Company's service operation and development and supervise the performance of the duties of the Directors and Executive Officers.</p>		
5	Jiro Miyabe (August 31, 1951) [Reappointed]	<p>March 1974 Graduated from Department of Marine Engineering, School of Marine Science and Technology, Tokai University</p> <p>April 1974 Joined Nichiro Gyogyo Kaisha Ltd.</p> <p>June 1976 Joined Ocean Routes Japan Inc.</p> <p>June 1986 Joined the Company</p> <p>June 1996 General Manager, RC Operation Business Division</p> <p>August 1996 Director</p> <p>August 1999 Managing Director</p> <p>April 2004 Managing Director (in charge of service operation and development)</p> <p>February 2008 Executive Vice President and Representative Director (in charge of overall management)</p> <p>May 2013 Executive Vice President and Representative Director (in charge of overall service operation and development) (to present)</p> <p>Significant concurrent position: Chairman, WNI WxBunka Foundation</p>	61,895 shares
	<p>(Reason for selecting the candidate for Director)</p> <p>Mr. Jiro Miyabe was responsible for the technical departments as a whole as an officer in charge of overall service operation and development after serving in the forecasting department and service department for many years. He has been responsible for the overall management and service operation and development departments as a Director since 1996 and further as an Executive Vice President and Representative Director since 2008. We ask for his election as a Director so that he may advise the Company's business development and overall management.</p>		

No.	Name (Date of birth)	Past experience, positions and responsibilities (Significant concurrent positions)	Number of shares of the Company held
6	<p>Norio Murakami (March 31, 1947)</p> <p>[Reappointed]</p>	<p>March 1970 Graduated from the Faculty of Resource Engineering, Faculty of Engineering, Kyoto University</p> <p>June 1992 Director and General Manager, Corporate Planning Division, Digital Equipment Corporation Japan</p> <p>July 1994 Executive Vice President, Informix, and President, Informix K.K.</p> <p>August 1997 President and CEO, Northern Telecom Japan Inc.</p> <p>June 1999 President and CEO, Nortel Networks Corporation</p> <p>December 2001 President, Docent Japan</p> <p>April 2003 Executive Vice President, Google Inc., and President, Google Japan Inc.</p> <p>January 2009 Honorary Chairman, Google Japan Inc.</p> <p>August 2013 Director of the Company (to present)</p> <p>Significant concurrent positions: President, Norio Murakami Office Co., Ltd. President and CEO, Eneres Co., Ltd. Outside Director, V-cube, Inc. President, Vegetable Planet Association</p>	—
<p>(Reason for selecting the candidate for Director)</p> <p>Mr. Norio Murakami has expressed opinions useful for the Company's management from a neutral and objective viewpoint as a Director (External) since he was elected and assumed office as a Director at the 27th Annual General Meeting of Shareholders held on August 11, 2013. He has taken advantage of the knowledge and experience he has cultivated over his many years as a corporate manager in global companies, and his abundant career and deep insight into BtoS business. We ask for his election so that he may continue to serve as a Director and express opinions about the Company's business development and overall management. The term of office of Mr. Norio Murakami as a Director (External) of the Company will have been three years at the conclusion of the meeting.</p>			

No.	Name (Date of birth)	Past experience, positions and responsibilities (Significant concurrent positions)	Number of shares of the Company held
7	Nobuo Seki (September 21, 1944) [Reappointed]	<p>March 1970 Completed master's course at Graduate School, Tokyo Institute of Technology</p> <p>April 1970 Joined Chiyoda Corporation</p> <p>April 1992 Executive Vice President of U.S. Chiyoda International Corporation</p> <p>June 1997 Director of Chiyoda Corporation</p> <p>June 1998 Managing Director of Chiyoda Corporation</p> <p>August 2000 Senior Managing Director of Chiyoda Corporation</p> <p>April 2001 President and Representative Director of Chiyoda Corporation</p> <p>April 2007 Chairman of Chiyoda Corporation</p> <p>April 2009 Advisor of Chiyoda Corporation</p> <p>July 2012 Counsellor of Chiyoda Corporation</p> <p>June 2013 Retired as Counsellor of Chiyoda Corporation</p> <p>August 2014 Director of the Company (to present)</p> <p>Significant concurrent positions: Outside Director, Teijin Limited Outside Director, Kameda Seika Co., Ltd. Outside Director, Yokogawa Electric Corporation Representative Director, Tangible Earth Association</p>	1,000 shares
<p>(Reason for selecting the candidate for Director)</p> <p>Mr. Nobuo Seki has expressed opinions useful for the Company's management from a neutral and objective viewpoint as a Director (External) since he was elected and assumed office as a Director at the 28th Annual General Meeting of Shareholders held on August 9, 2014. He has taken advantage of his knowledge and experience as a corporate manager, abundant career in global business development, deep insight into quality control, etc. We ask for his election so that he may continue to serve as a Director (External) and express opinions about the Company's business development and overall management. The term of office of Mr. Nobuo Seki as a Director (External) of the Company will have been two years at the conclusion of the meeting.</p>			

Notes:

1. No material conflict of interest exists between the Company and any of the above candidates.
2. Norio Murakami and Nobuo Seki are candidates for External Director. The Company has notified to Tokyo Stock Exchange, Inc. that both of them are Independent Officers pursuant to the provisions of the Exchange.
3. Eneres Co., Ltd., a company at which Norio Murakami assumed the office of Outside Director, was subject to an investigation conducted by a third-party committee after suspicion on accounting procedures were discovered in November 2014. The company corrected the accounting after the issuance of a report on the investigation. Norio Murakami assumed the office of President and CEO of Eneres Co., Ltd. in December 2014, succeeding the former President and CEO, who had taken responsibility for inappropriate accounting by resigning. He has since been working to take thorough measures to prevent the recurrence of inappropriate accounting and establish improved corporate governance. In addition, in May 2015 the Securities and Exchange Surveillance Commission (SESC) confirmed that an officer of Eneres Co., Ltd. at that time (now retired) violated the regulation on insider trading by leaking insider information to a friend in February 2014. The recipient of the information (the friend) was issued an advisory notice calling for the payment of surcharges to the SESC. Since the publication of the notice, Norio Murakami has implemented thorough employee training on compliance in an effort to prevent the recurrence of insider trading.
4. The Company has entered into limited liability agreements with Norio Murakami and Nobuo Seki, which restrict the upper limit of the liability for damages of external directors/audit & supervisory board members to an amount

specified by laws and regulations, pursuant to Article 427, Paragraph 1 of the Companies Act.

5. The number of shares held by each of the above candidates includes the number of those held thereby through the Shareholding Association of Weathernews Directors.

(Appendix)

Business Report

(From June 1, 2015, to May 31, 2016)

1. Overview of the Company Group

(1) Business Progress and Results

1) Business overview

The global weather service market is estimated at more than ¥600.0 billion and is expected to continue growing with rising interest in weather risks and the development of Internet technologies.

The Company has conducted business activities under the corporate dream “To Be a Communication Platform for Seven Billion Four Hundred Million Supporters,*” under the themes of “Growth Potential of Business” in the first growth stage (June 1986–May 1995), “Diversification of Business Models” in the second growth stage (June 1995–May 2004) and “Soundness of Management” in the third growth stage (June 2004–May 2012). In the fiscal year ended May 31, 2016, the fourth year of the fourth growth stage during which we will pursue a full-fledged global evolution under the theme of “Innovation,” we aggressively addressed the following initiatives.

*We refer to the entire world’s population as “supporters” with a keen desire that they will become potential customers who enjoy our services.

a) Market—Focusing on the strategically-focused business

▪ BtoB market (for corporations) —Transportation Weather

Voyage Planning market: Develop its Optimum Ship Routeing (OSR) service to respective markets for containers, car carriers, bulk carriers and tankers.

Sky, Road, Railway and Ocean weather services: Reinforcement of domestic services and marketing activity in Asian markets

▪ BtoS market (for individuals and *Bunshu**: S means supporters. Business supported by the supporters)—Global development of a weather reporters’ network

b) Development and evolution of an “out-of-box thinking” and innovative weather infrastructure and supporting technologies

▪ Observation of sea ice on the Arctic Ocean using our original small satellite

▪ Development of a new type of Weather Radar through collaboration with the University of Oklahoma

*A concept devised in comparison with mass (the public), meaning “differentiated consumers having diverse values.”

For the fiscal year ended May 31, 2016, consolidated net sales rose 3.2% year over year to ¥14,511 million. Net sales in the Transportation Weather segment grew 7.6% year over year due to favorable progress in Transportation Weather on land and in the sky, as well as in our mainstay voyage planning service, resulting in an increase of 7.4% to ¥8,558 million in the overall BtoB market. In the BtoS market, i.e., services for individuals, the number of users participating in our revenue-sharing business model through carriers increased whereas sales of initial-type SRS (Stage Requirement Settings) decreased due to the timing of system updates for broadcasting stations. As a result, net sales decreased 2.3% to ¥5,953 million in the overall BtoS market.

For income during the fiscal year under review, operating income increased 2.5% year over year to ¥3,387 million, partly on the impact of increased investment associated with proactive recruitment of local human resources prior to the development of our businesses in Asia and the recruitment of staff for development toward productivity improvement. Ordinary income decreased 8.5% to ¥3,208 million partly due to foreign exchange losses, and profit attributable to owners of parent decreased 2.5% to ¥2,195 million.

Net sales by market segment were as follows:

Market segment	Previous Fiscal Year ended May 31, 2015 (from June 1, 2014, to May 31, 2015)			Fiscal Year ended May 31, 2016 (from June 1, 2015, to May 31, 2016)			Rate of change
	(Millions of yen)			(Millions of yen)			(%)
	SRS	Tollgate	Total	SRS	Tollgate	Total	Total
Transportation Weather	238	5,974	6,212	268	6,416	6,684	7.6
Other weather (excluding Transportation Weather)	41	1,717	1,759	102	1,771	1,873	6.5
BtoB market	279	7,691	7,971	370	8,188	8,558	7.4
Mobile/Internet media	30	3,545	3,575	19	3,605	3,625	1.4
Other media	546	1,970	2,516	302	2,024	2,327	(7.5)
BtoS market	577	5,515	6,092	322	5,630	5,953	(2.3)
Total	856	13,207	14,064	692	13,818	14,511	3.2

Note:

Transportation Weather segment includes voyage planning, sky, road and railway weather, and maritime weather.

(Reference) Net sales by region

	Previous Fiscal Year ended May 31, 2015 (from June 1, 2014, to May 31, 2015)			Fiscal Year ended May 31, 2016 (from June 1, 2015, to May 31, 2016)			Rate of change
	(Millions of yen)			(Millions of yen)			(%)
	SRS	Tollgate	Total	SRS	Tollgate	Total	Total
Japan	782	10,136	10,919	682	10,570	11,253	3.1
Asia & Australia	69	1,121	1,191	9	1,271	1,280	7.5
Europe	4	1,605	1,609	—	1,550	1,550	(3.7)
North America	—	343	343	—	426	426	24.2
Total	856	13,207	14,064	692	13,818	14,511	3.2

The Company mainly promotes the tollgate-type business model to continuously provide content while seeking opportunities to sell temporary research and system with the potential to lead to tollgate-type sales in the future. The Company refers to these opportunities as SRS (Stage Requirement Settings).

BtoB Market (for corporations):

In the BtoB market, Transportation Weather (voyage planning, sky, road, railway, and maritime weather services), for which there is high demand among corporations as to the social infrastructure and future global growth is anticipated, is positioned as the strategically-focused business.

In the voyage planning service, which was the first service of the Company, we focus on providing the OSR service to improve efficiency with safety and good fuel consumption for containers, car carriers, bulk carriers and tankers. For the fiscal year ended May 31, 2016, sales of the voyage planning service increased thanks to our success in attracting new customers and value-creation for existing customers, in spite of sluggish sales of services for bulk carriers on the impact of the economic slowdown in China and shipping company bankruptcies caused by economic downturns in the European market.

In the sky weather service sector, more Asian carriers adopted our services. In the road weather service sector we steadily expanded the expressway management market. In the railway weather service we expanded the adoption of our “Warning Support” system for providing railway crews with information on operational regulation. In maritime weather service, we increased deployment of our movement management system for coastal vessels, expanding from harbor management.

As a result, sales in the Transportation Weather markets grew with a 7.6% year-over-year increase, and net sales of the overall BtoB market increased 7.4% year over year to ¥8,558 million.

BtoS Market (for individuals and *Bunshu*):

In the BtoS market, the increases in the number of single fee-paying members in the mobile/Internet media sector fell off to stagnant levels, while the number of users participating in our revenue-sharing business model through carriers increased. Meanwhile, sales of initial-type SRS (Stage Requirement Settings) decreased due to the timing of system updates for broadcasting stations. As a result, net sales of the overall BtoS market decreased 2.3% year over year to ¥5,953 million.

2) Capital investments

For the fiscal year ended May 31, 2016, the Company Group made capital investments (for property, plant and equipment and intangible assets) of ¥673 million (versus ¥715 million for the previous fiscal year). The main investments were for the expansion of facilities in the Global Center, the infrastructure to realize value-creation services, IT development, and renewals for business continuation.

3) Financing

The necessary funds of the Group for the fiscal year under review were furnished by its own resources.

4) Transfer of business, absorption-type company split or incorporation-type company split

Not applicable

5) Business taken over from other companies

Not applicable

6) Succession of rights and obligations with respect to business of other companies through absorption-type company merger or split

Not applicable

7) Acquisition and disposal of shares and other equity interests or subscription rights to shares of other companies

Not applicable

8) Issues to be addressed

The basic concept of the Company is to be a “Full-Service Weather Company” that encompasses and autonomously provides all content relating to weather, climate change and the environment—collection and delivery of meteorological data—without relying on government services. In addition, the Group aims to cultivate new markets and services as “Full Services,” which would enable the provision of innovative services in all fields where weather can be a significant content. In this context, the mission of the Company is summarized in the five items described below:

- a) To be the world’s largest “weather content maker,” creating and supplying the 7.4 billion people of the world with the most abundant, updated and speediest content services;
- b) To realize “value creation for supporters” and maximize corporate value while developing new markets as the global leader in the weather content market;
- c) To implement a quantum shift from conventional meteorology by putting in orbit the world’s first interactive weather information communications network, through which supporters (individuals and corporations) can participate in the Eye-servation* forecasting and delivery processes;
- d) To realize *Kotozukuri* (new value creation) together with supporters (individuals and corporations) by extending our business fields to include climate change and environmental issues based on meteorology; and
- e) To provide supporters unprecedented content by proactively developing and using revolutionary infrastructure without being fettered by in-the-box thinking.

*A coined term that literally means “observation with the participants’ own eyes.”

9) Mid-term vision

Toward the corporate dream “To Be a Communication Platform for Seven Billion Four Hundred Million Supporters,” the Company has plotted out its business development in accordance with the themes of “Growth Potential of Business” in its first growth stage (June 1986–May 1995), “Diversification of Business Models” in its second growth stage (June 1995–May 2004) and “Soundness of Profitability” in its third growth stage (June 2004–May 2012). The Company has selected “Innovation” as its theme for the

fourth growth period (June 2012–May 2022) in order to pursue a full-fledged global evolution.

Vision for the Fourth Growth Period:

<Basic strategy for the fourth growth period>

—From a Service Company to a “Service & Infrastructure Company with the Supporters”—

The Company is experienced in starting businesses centering on Transportation Weather via the systematic operation of the Risk Communication (RC) service while developing innovative infrastructures jointly with customers. Based on the experience, we intend to develop new global businesses in Asia, Europe and the United States.

a) Areas of focus (Marketing)

<Transportation Weather>

It can be said that Transportation Weather on the sea (voyage planning service) is an “authorized private market” where no government service exists. Our Company already develops voyage planning services in a global market but we still only provide the service to about 30% of the 20,000 vessels now at sea worldwide. In the fourth growth period, we intend to improve the quality of existing services and start new services to cover almost 10,000 vessels.

Next, although we already provide Transportation Weather in the sky mainly for several airline companies in Japan and Asia, we intend to extend the service area to Asia, Europe and the United States in the fourth growth period to raise our global market share.

Moreover, for Transportation Weather on land (road weather and railway weather services), we will globally expand our services, starting from Asia to other areas, for targeted expressways and high-speed railway markets by standardizing the services currently offered in Japan.

<Mobile/Internet>

We will globally evolve and extend not only observation infrastructures such as the WNI Satellite and the WITH Radar but also the Eye-servation infrastructure while involving supporters’ participation. Drawing on our trans-platform service development to provide optimum content to all of our diversified platforms, we will create interactive, network-type weather- and *Bunshu*-focused content services, in which supporters can participate, and globally reinforce our fee-based services.

Strategies by business field:

Business field	Business strategy
Voyage planning weather	<ul style="list-style-type: none"> • Globally provide the OSR service and adopt the relevant services at the target of 10,000 vessels in the fourth growth period. • Create new value-creation services such as the Arctic sailing route.
Sky weather	<ul style="list-style-type: none"> • Expand the relevant services in Asia and other regions globally.
Road weather	<ul style="list-style-type: none"> • Globally expand the relevant services in the expressway field based on our experience in Japan.
Railway weather	<ul style="list-style-type: none"> • Globally evolve the relevant services in the high-speed railway field.
Maritime weather	<ul style="list-style-type: none"> • Globally evolve new services using “out-of-box thinking” infrastructure.
Mobile/Internet	<ul style="list-style-type: none"> • Promote the trans-platform service development to provide optimum content to all of our diversified platforms. • Globally evolve supporter-participative and network-type content services.

b) Operation of services (Service Marketing and Infrastructure Marketing)

<Innovative technology and the development and operation of the “out-of-box thinking” infrastructure>

To globally evolve our weather information service, it is important to create content services with value to satisfy the needs of corporate and individual supporters. To that end, we believe that the *Kotozukuri* approach, creating content together with customers, is more effective than the conventional approach starting from capital investment. *Kotozukuri*, that is, commercialization while gaining the trust of society, is essential, which requires a process of commercialization to conceive, design, establish and operate an infrastructure together with the parties that actually require countermeasures against risks.

We collaborate with the U.S.-based Oklahoma Innovation Center and various research organizations, corporations and supporters worldwide and aggressively invest in innovative infrastructures and technologies, including the WNI Satellite and the WITH Radar. In the coming days we will accelerate the creation of content that meets needs by operating such infrastructures 24 hours a day year-round.

<Area deployment>

We will promote market cultivation and the establishment of infrastructures over 3–5 years for each region in the order of Asia, Europe and the United States.

10) Outlook for the next period

In the three years (June 2016—May 2019) starting from the fiscal year ending May 31, 2017, the period we position as the 2nd stage of the fourth growth period during which we will pursue a full-fledged global evolution of the Transportation Weather under the theme of “Innovation,” we will aggressively invest in business and infrastructure with a view to accelerating the expansion of our global businesses.

<Business development>

a) Provide the OSR service to 6,000 vessels via our Total Fleet Management system

We will continue to accelerate the OSR service towards our service target of 6,000 vessels, while developing a new OSR service that enables recommendations on total fleet optimization for each type of ship in place of our traditional service of selecting optimum sailing routes on a route-by-route basis. We will thereby establish a service system that provides full support for voyage planning.

b) Globally evolve SKY & LAND Planning

We will expand services through area marketing in Asia while launching new marketing campaigns and establishing a sales system in Europe.

c) Launch Environment Weather

Guided by global structural changes toward the use of natural energy, Weathernews has decided upon its new slogan for the fiscal year under review: “Create a Global Environment Weather Market for Natural Energy.” We will aim to establish and sell new electric power weather services in Japan and Europe through proactive collaboration with European companies that have been making advanced efforts with respect to natural energy.

d) Establish a business model according to a BtoS platform

To expand our services for individuals, we will begin to deploy trans-platform strategies for providing optimum content to diversified platforms and delivering information to the growing number of supporters who participate in our services. We will also aim to establish a new business model utilizing platforms while maintaining our traditional model of charging small amounts from fee-paying members.

<Investment plans>

To realize the above business development, we will make aggressive investments focused on the following three points.

- a) Review core infrastructure that processes big data effectively and efficiently.
- b) Streamline weather observation infrastructure that enhances value-creation services.
- c) Collaborate with others (including M&As) to accelerate business development.

At the same time, we will continuously invest in human resource procurement to effectively promote business development and investments.

As a result of the ongoing initiatives described above, the Group expects to achieve consolidated net sales of ¥15,000 million, operating income of ¥3,400 million, ordinary income of ¥3,300 million and profit attributable to owners of parent of ¥2,300 million for the fiscal year ending May 31, 2017.

(2) Trends in Assets and Income

Item	27th fiscal year ended May 31, 2013	28th fiscal year ended May 31, 2014	29th fiscal year ended May 31, 2015	30th fiscal year ended May 31, 2016
Net sales (Millions of yen)	13,007	13,306	14,064	14,511
Operating income (Millions of yen)	2,696	3,268	3,304	3,387
Ordinary income (Millions of yen)	2,760	3,293	3,504	3,208
Net income attributable to owners of parent (Millions of yen)	1,724	1,873	2,252	2,195
Net assets (Millions of yen)	8,699	10,090	11,868	12,889
Total assets (Millions of yen)	9,889	11,891	13,583	14,204
Net assets per share (Yen)	¥801.57	¥928.63	¥1,081.93	¥1,173.78
Basic net income per share (Yen)	¥159.16	¥172.56	¥207.19	¥201.57
Return on equity (%)	21.5	19.9	20.6	17.9

(3) Material Parent Company and Subsidiaries

1) Relationship with a Parent Company

There is no applicable information.

2) Material Subsidiaries

Company name	Capital	The Company's percentage of equity participation	Principal business
WEATHERNEWS AMERICA INC.	USD 81,644	100.0%	Comprehensive weather information services
WEATHERNEWS U.K. LTD.	GBP 272	100.0%	Comprehensive weather information services
Weathernews Benelux B.V.	EUR 180,000	100.0%	Comprehensive weather information services
WEATHERNEWS RUS LLC.	RUB 12,000,000	100.0%	Comprehensive weather information services
WEATHERNEWS AUSTRALIA PTY. LTD.	AUD 30,000	100.0%	Comprehensive weather information services
WEATHERNEWS HONG KONG LIMITED	HKD 1,594,000	100.0%	Comprehensive weather information services
Weathernews Korea Inc.	KRW 653,000,000	97.7%	Comprehensive weather information services
Weathernews Shanghai Co., Ltd.	USD 140,000	100.0%	Comprehensive weather information services
WEATHERNEWS TAIWAN LTD.	TWD 10,000,000	100.0%	Comprehensive weather information services
Weathernews Nepal Pvt. Ltd.	NPR 3,200,000	100.0%	Comprehensive weather information services
Weathernews India Pvt. Ltd.	INR 25,000,000	100.0%	Comprehensive weather information services
WEATHERNEWS SINGAPORE PTE. LTD.	SGD 620,002	100.0%	Comprehensive weather information services

Note: WEATHERNEWS RUS LLC. was incorporated on March 16, 2016.

3) Major Affiliates

Company name	Capital	The Company's percentage of equity participation	Principal business
SHANGHAI XINGTUAN INFORMATION TECHNOLOGY CO., LTD.	CNY 1,000,000	25.0%	Comprehensive weather information services
Symphony Creative Solutions Pte. Ltd.	SGD 7,031,500	19.9%	Automobile logistics solution services

Note:

Since the Company invested in Symphony Creative Solutions Pte. Ltd. on March 23, 2016, the above company is included in the scope of affiliates accounted for by the equity method starting from the fiscal year under review.

2. Status of the Company

(1) Matters Related to Shares of the Company

1) Total number of shares authorized to be issued: 47,000,000 shares

2) Total number of shares outstanding: 11,844,000 shares
(no change compared with the previous year)

Note: This number includes 949,329 shares of treasury shares.

3) Number of shareholders 9,437 persons
(an increase of 771 persons from the previous year)

4) Major shareholders

Shareholder name	Number of shares	Shareholding ratio (%)
WNI WxBunka Foundation	1,700,000	15.60
WNI Institute Inc.	1,700,000	15.60
Shareholding Association of Weathernews Employee Supporters	390,800	3.59
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	360,000	3.30
The Chiba Bank, Ltd.	360,000	3.30
Taeko Ishibashi	353,800	3.25
The Master Trust Bank of Japan, Ltd. (trust account for Weathernews Directors)	327,500	3.01
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	238,900	2.19
Japan Trustee Services Bank, Ltd. (trust account)	235,400	2.16
Nippon Life Insurance Company	200,000	1.84
CBNY-GOVERNMENT OF NORWAY	188,000	1.73
Sumitomo Mitsui Banking Corporation	180,000	1.65

Notes:

- The shareholding ratio represents the ratio of shares held to the total number of shares outstanding (excluding treasury shares).
- All of the shares held by The Master Trust Bank of Japan, Ltd. (trust account for Weathernews Directors), and Japan Trustee Services Bank, Ltd. (trust account), are related to the trust services.
- The number of the shares held by The Master Trust Bank of Japan, Ltd. (trust account for Weathernews Directors) includes shares held by Weathernews Directors and Executive Officers through the Shareholding Association of Weathernews Directors.
- The standing proxy for NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS is as follows.
Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch
The standing proxy for CBNY-GOVERNMENT OF NORWAY is as follows.
Standing proxy: Citibank Japan Ltd.

5. Mitsubishi UFJ Financial Group, Inc. reported the possession of a large volume of the Company's stock on April 21, 2014 and informed the Company that the Group held shares of the Company's stock as of April 14, 2014, as follows. We did not, however, include the Group among the major shareholders above because we could not confirm the number of shares substantially held in the name of the relevant companies listed below at the end of the fiscal year ended May 31, 2016.

Shareholder name	Address	Number of shares	Shareholding ratio (%)
The Bank of Toyo-Mitsubishi UFJ, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	360,000	3.30
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	133,600	1.23
kabu.com Securities Co., Ltd.	3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo	14,345	0.13
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	86,900	0.80
Total	—	594,845	5.46

5) Other important matters related to shares of the Company

There is no applicable information.

(2) Company Officers

1) Directors and Audit & Supervisory Board Members

(As of May 31, 2016)

Position	Name	Areas of responsibility	Significant concurrent positions
President and Representative Director	Chihito Kusabiraki	Overall management Sales (Asia, Europe, and the United States)	Director, Chiba Institute of Technology
Executive Vice President and Representative Director	Jiro Miyabe	Overall management Service operation and development	Chairman, WNI WxBunka Foundation
Senior Managing Director	Yasushi Shiga	Sales (Japan and emerging countries)	
Director	Masanori Yoshitake	Accounting, financial, and general affairs	
Director	Norio Murakami	Director (External)	President, Norio Murakami Office Co., Ltd. President and CEO, Eneres Co., Ltd. Outside Director, V-cube, Inc. President, Vegetable Planet Association
Director	Nobuo Seki	Director (External)	Outside Director, Teijin Limited Outside Director, Kameda Seika Co., Ltd. Outside Director, Yokogawa Electric Corporation Representative Director, Tangible Earth Association
Audit & Supervisory Board Member	Takashi Tomura		
Audit & Supervisory Board Member	Toshio Kinoshita	Audit & Supervisory Board Member (External)	Representative Director, Global Professional Partners Inc. Outside Director, ASATSU-DK INC. Outside Corporate Auditor, Cool Japan Fund Inc. Outside Corporate Auditor, Panasonic Corporation Member of the Board of Directors, Mizuho Bank, Ltd. Director, TACHI-S CO., LTD. Audit & Supervisory Board Member (Outside), Denka Company Limited Director, The Japanese Institute of Certified Public Accountants

Position	Name	Areas of responsibility	Significant concurrent positions
Audit & Supervisory Board Member	Saeko Masumi	Audit & Supervisory Board Member (External)	Attorney-at-law, Sengokuyama Law Office Guest Professor, Dokkyo Law School, Dokkyo University Trustee, Association of Remedial Teaching for People with Developmental Handicaps Representative Director, Japan Civil Liberties Union Member, the Committee for the Investigation of Broadcasting Ethics, Broadcasting Ethics & Program Improvement Organization

Notes:

1. The Company pays membership fees, etc. to the Tangible Earth Association, a general incorporated association in which Director Nobuo Seki serves as Representative Director, but the amount is minimal.
2. Audit & Supervisory Board Member Takashi Tomura has gained extensive experience and knowledge about accounting at a leading steel company, was responsible for preparations for the Company's stock listing and overall management of the accounting and financial affairs of the Company as an officer, and thereby has considerable knowledge about finance and accounting.
3. Audit & Supervisory Board Member Toshio Kinoshita is a Certified Public Accountant and has considerable knowledge about finance and accounting.
4. The Company has no special interest relationships expected to create problems or hinder the performance of the duties of Directors (External) or Audit & Supervisory Board Members (External) with any of the Directors (External), Audit & Supervisory Board Members (External), or entities in which the Directors (External) or Audit & Supervisory Board Members (External) concurrently hold positions.
5. Pursuant to the provision of Tokyo Stock Exchange, Inc., the Company has designated Directors Norio Murakami and Nobuo Seki and Audit & Supervisory Board Members Toshio Kinoshita and Saeko Masumi as Independent Officers, and has so notified the said Exchange.
6. Saeko Masumi's name on the Family Register is Saeko Saito.

2) Overview of liability limitation agreement

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with each of the Directors (External), Audit & Supervisory Board Members (External), and Audit & Supervisory Board Members to limit his/her liability for compensation to the amount provided by laws and regulations.

3) Amounts of remuneration paid to Directors and Audit & Supervisory Board Members

Category	Number of persons remunerated	Fixed remuneration	Performance-linked remuneration (Stock Options)	Total amount of remuneration
Directors	13	(Thousands of yen) 157,620	(Thousands of yen) 22,682	(Thousands of yen) 180,302
Directors (External)	2	15,600	—	15,600
Audit & Supervisory Board Members	5	30,596	—	30,596
Audit & Supervisory Board Members (External)	3	12,000	—	12,000
Total	18	188,216	22,682	210,898

Notes:

1. Remuneration paid or payable to Directors consists of fixed remuneration and stock options based on a resolution of the General Meeting of Shareholders. The yearly limit on the amount of fixed remuneration is ¥500 million (resolved at the Annual General Meeting of Shareholders held in August 2009) and the yearly limit on the amount of stock options is ¥200 million (resolved at the Annual General Meeting of Shareholders held in August 2014).
 2. The yearly limit on the amount of remuneration paid or payable to Audit & Supervisory Board Members is ¥100 million (resolved at the Annual General Meeting of Shareholders held in August 2009).
 3. The amounts of remuneration paid to the officers stated above include remunerations paid to seven Directors, one Audit & Supervisory Board Member, and one Audit & Supervisory Board Member (External), all of whom retired from office at the conclusion of the 29th Annual General Meeting of Shareholders held on August 8, 2015.
- 4) Method for determining the amounts of remuneration paid to Directors and Audit & Supervisory Board Members
- (Director)
- Remuneration paid or payable to each Director is to be determined by resolution of the Board of Directors within the limit approved by the General Meeting of Shareholders, after setting a base amount for each position in consideration of the ability required and the responsibilities to be borne by the Director and then adjusting the base amount within a certain range linked to the Company's performance on a consolidated basis.
- (Audit & Supervisory Board Member)
- Remuneration paid or payable to each Audit & Supervisory Board Member is to be determined by mutual consultation among Audit & Supervisory Board Members within the limit approved by the General Meeting of Shareholders, in consideration of the Audit & Supervisory Board Member's specific duties according to his or her full-time or part-time status.
- 5) Directors (External) and Audit & Supervisory Board Members (External)
- i) Significant concurrent positions
- Significant concurrent positions are as stated in 1) Directors and Audit & Supervisory Board Members in (2) Company Officers of 2. Status of the Company.

ii) Main activities

Category	Name	Main activities
Director	Norio Murakami	He attended 12 out of 14 meetings of the Board of Directors held during the fiscal year under review. He expressed opinions useful for the Company's management from a neutral and objective viewpoint as a Director (External) by taking advantage of the knowledge and experience he has acquired as a corporate manager and his abundant career and deep insight into the BtoS business.
Director	Nobuo Seki	He attended all 14 meetings of the Board of Directors held during the fiscal year under review. He expressed opinions useful for the Company's management from a neutral and objective viewpoint as a Director (External) by taking advantage of the knowledge and experience he has acquired as a corporate manager and his abundant career in global business development.
Audit & Supervisory Board Member	Toshio Kinoshita	He attended 13 out of 14 meetings of the Board of Directors and 12 out of 13 meeting of the Audit & Supervisory Board held during the fiscal year under review. He expressed useful opinions from a neutral and objective viewpoint as an Audit & Supervisory Board Member (External) by taking advantage of his rich experience as a Certified Public Accountant, broad knowledge about global accounting and audit practice, and deep insight into management.
Audit & Supervisory Board Member	Saeko Masumi	She attended all 12 meetings of the Board of Directors and all 10 meetings of the Audit & Supervisory Board that were held after she assumed office during the fiscal year under review. She expressed useful opinions from a neutral and objective viewpoint as an Audit & Supervisory Board Member (External) by taking advantage of the knowledge and experience she has cultivated as an attorney-at-law and her broad insight into the operation of public interest corporations.

6) Executive Officers

Name, position and area of responsibility of each Executive Officer as of July 11, 2016 are as follows.

Position	Name	Areas of responsibility
* President	Chihito Kusabiraki	Chief Executive Officer
* Senior Managing Officer	Yasushi Shiga	Chief Revenue Officer
* Managing Officer	Masanori Yoshitake	Chief Financial Officer
* Executive Officer	Daisuke Abe	Chief Service Officer
Executive Officer	Masaya Yamamoto	Chief Technology Officer
Executive Officer	Hidenori Iwasa	Sales of Voyage Planning services
Executive Officer	Tomohiro Ishibashi	BtoS service sales
Executive Officer	Thomas Skov	Sales (Europe)
Executive Officer	Tetsuo Aruga	Service operation
Executive Officer	Kiyoteru Morita	BtoS service operation

Notes:

- * indicates a person scheduled to serve concurrently as Director.
- Jiro Miyabe and Osamu Umeda retired as Executive Officers effective on July 11, 2016.
- Thomas Skov was appointed as an Executive Officer effective on December 25, 2015.
- Tetsuo Aruga was appointed as an Executive Officer effective on July 11, 2016.

(4) Accounting Auditor

1) Name

Deloitte Touche Tohmatsu LLC

2) Amount of remuneration

(Thousands of yen)

Category	Amount
Amount of remuneration for services provided in Article 2, Paragraph 1 of the Certified Public Accountants Act (Act No. 103 of 1948)	27,000
Amount of remuneration for services other than those provided in Article 2, Paragraph 1 of the Certified Public Accountants Act	—
Total	27,000

Total amount of remuneration paid or payable to the Accounting Auditor by the Company and its subsidiaries	27,000
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Note: Given that the audit engagement agreement between the Company and the Accounting Auditor does not clearly differentiate the amount of audit fees payable under the Companies Act from the amount of audit fees payable under the Financial Instruments and Exchange Act, and given that such differentiation is practically impossible, the above amount of remuneration is stated as an aggregate of both amounts.

The Audit & Supervisory Board confirmed that the amount of remuneration had been determined after sufficient consultation with the Company's Accounting Auditor on the details of the auditing plans, the performance of duties in the past, the number of days required for auditing, the number of personnel required, etc., in order to realize fair and efficient audits. The Audit & Supervisory Board thereupon approved the remuneration.

3) Audits of subsidiaries

From the viewpoint of internal control, the following consolidated subsidiaries were audited by Certified Public Accountants or audit corporations (including those who have a foreign qualification equivalent to said certificates) other than the Company's Accounting Auditor, irrespective of the existence of legal provisions in operating countries.

Statutory audits (Pursuant to the provisions of the Companies Act or the Financial Instruments and Exchange Act)	Voluntary audits, etc.
WEATHERNEWS U.K. LTD. WEATHERNEWS HONG KONG LIMITED Weathernews Shanghai Co., Ltd. Weathernews Nepal Pvt. Ltd. Weathernews India Pvt. Ltd. WEATHERNEWS SINGAPORE PTE. LTD.	WEATHERNEWS AMERICA INC. Weathernews Benelux B.V. WEATHERNEWS RUS LLC. Weathernews Korea Inc. WEATHERNEWS TAIWAN LTD.

4) Policy on decisions to appoint or dismiss the Accounting Auditor

i) Policy on decisions to appoint or reappoint the Accounting Auditor

The Company believes that the relationship between corporate accounting and accounting

audits is a relationship of co-creation in the realm of financial accounting undertaken to appropriately represent the actual status of business and secure objectivity. At the same time, the Company is to periodically review its engagement audit corporation or engagement partners for the purpose of mutually maintaining the appropriateness of operations.

When the Audit & Supervisory Board appoints an Accounting Auditor, the Audit & Supervisory Board shall confirm its qualification, its attitude toward co-creation with the Company, and other factors, and thereupon decide on the contents of its proposal for the appointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders. When the Audit & Supervisory Board reappoints the Accounting Auditor, the Audit & Supervisory Board shall, in addition to the above, confirm the appropriateness of the auditing plans, the status of audit implementation, and other factors, and thereupon conclude that there is no need to dismiss or to not reappoint the Accounting Auditor.

ii) Policy on decisions to dismiss or to not reappoint the Accounting Auditor

In addition to the dismissal of Accounting Auditor by the Audit & Supervisory Board as stipulated in Article 340 of the Companies Act, the Audit & Supervisory Board shall submit the proposal on the dismissal or non-reappointment of the Accounting Auditor to the General Meeting of Shareholders if it is deemed difficult for the Accounting Auditor to appropriately perform duties.

(3) System to ensure the appropriateness of business

1) Basic approach to corporate governance

The Company's management philosophy is to realize the Company's purpose of "value creation for supporters" through the efforts of all its employees and the exchange of information among all of its stakeholders, including shareholders, customers, officers, and employees, with a deep awareness that the Company is a presence open to the market. The Company considers it important to make efforts to maximize mid- to long-term corporate value and shareholder value, and concurrently to fulfill social responsibility and achieve sustainable growth and development.

Under its corporate commitment to "Transparency," the Company proactively discloses information far beyond the scope of statutory information disclosure, including its corporate philosophy, corporate culture, management strategies, business models, visions toward future value creation, to enunciate the fundamental approaches underlying its corporate value. Through these efforts, the Company will cultivate mutual reliance with supporters and thereby aim for mid- to long-term improvement of its corporate value through a co-creative approach.

The Company's corporate culture prescribes that the necessary information should be shared with not only shareholders and customers, but also officers and employees in house under a policy where "even the president must kneel down before the truth," that everything should be discussed openly, and that all processes of discussion should be made clear. The Company has cultivated this corporate culture as an "information democracy." To respond to the ever-changing market circumstances, we aspire to become an AAC (Aggressively Adaptable Company) in our management philosophy, reflect wisdom and deep insights from outside the Company into our management, and promote fair business activities.

Under these two policies, our implementation guideline places most importance on efforts by every officer and employee of the Company to maintain entrepreneurship. The principle of "no autonomy without independence" forms the bedrock of our management and implementation system. With a "culture of mutual trust," we aim to operate as an autonomous, decentralized integrated company. We recognize the importance of "controlling with our own eyes" without depending too much on indirect information.

Our management organization system consists of a SHOP system (service planning, operation and cultivation divisions) as a center, an SSI system (share-use infrastructure operation and development divisions), and an SMS system (direct sales divisions). Each of these divisions performs its respective functions at the highest possible level while sharing information to enlighten the other divisions, in order to realize a check-and-balance relationship.

For business implementation, we promote decision-making on management issues and the appropriate implementation, rationalization, and efficiency of management by sharing our corporate vision and

management policy among all of our officers and employees engaged in business operations and unifying their vectors through SMART (Service Menu Affirmative Review and Tollgating) month activities, AAC (Aggressively Adaptable Company) meetings, and SSM (Speed & Scope Merit) meetings. We emphasize process above procedures in order to avoid falling into formulaic thinking. We understand that corporate culture as implicit knowledge is born anew every day, value an explicit knowledge culture in which corporate culture, wisdom, and information that are known and recognized internally are shared with words, illustrations and audio visuals via channels such internal magazines and the intranet, and thereby endeavor to realize a management system in which all employees are involved and compliance with laws, regulations, and internal rules. We also grasp the implementation status and progress of our business plans in quantitative and qualitative terms by establishing a scoring committee, while mutually confirming our compliance with laws, regulations, and internal rules from the viewpoint of internal control.

To evaluate the performance of the officers and employees who bear the above system, we use an evaluation system whereby each of officer and employee determines his or her objectives, tasks, and specific challenges (small category) according to the Company's business policy (large category) from an MMCL perspective (My & My Colleague Leader: an entrepreneur who leads colleagues by example), declares them to others, and thus shares the themes. Our performance evaluations are managed and confirmed by company-wide eyes based on evaluation by the objective eyes of the market at the MME (Matrix Management Evaluation) meeting of officers and employees held every three months. This evaluation system, whereby the declaration and performance of each officer and employee are valued even if the objectives are not achieved and mere consequentialism is excluded, is thus managed with high transparency and persuasiveness supported by a commitment to "evaluate the process as well."

i) Reason for selecting the current corporate governance system

In developing a corporate governance system, the Company emphasizes "Managerial effectiveness, fairness and transparency." The Board of Directors, a body consisting of Executive Directors well versed in the Company's business and Directors (External) taking part in the management of the Company from independent standpoints, decides upon the important business execution in an appropriate and swift manner and supervises the performance of duties by Directors. The Audit & Supervisory Board Members, who are endowed with the legal right to audit, audit the performance of duties by Directors and improve supervising functions over the management from a standpoint of fairness and independence. The Company believes that the above-mentioned system is effective in ensuring managerial effectiveness, fairness, and transparency and in achieving sound and sustainable growth for the Company. Accordingly, the Company adopted a "company with an Audit & Supervisory Board" system.

ii) The Board of Directors and executive officer system

Under the "company with an Audit & Supervisory Board" system, the Company adopted an executive officer system to ensure that its Directors may perform their duties and supervise as corporate managers in an effective and efficient manner. The Directors (the Board of Directors) delegate authority over business

execution to the Executive Officers and then supervise the execution of duties by the Executive Officers. In order to better clarify the Directors' managerial responsibilities for the performance objectives for each fiscal year, the term of office of every Director is stipulated to be one year.

The Company considers it important to reflect into its management excellent wisdom and deep insight from outside parties, with a view to quickly grasping changes in social environments and business conditions and promoting socially fair corporate activities. To that end, we are further reinforcing our corporate governance through the active involvement of Directors (External) with broad management experience and knowledge and through neutral and objective audits by Audit & Supervisory Board Members (External) with excellent expertise (two Directors (External) and two Audit & Supervisory Board Members (External) out of six Directors and three Audit & Supervisory Board Members). In recognition of the managerial importance of the optimal selection of and fair remuneration for the members of management, the Board of Directors decides these issues by adopting resolutions with reference to reports from the Nominating Committee and Remuneration Committee, advisory organs of the Board of Directors that include Directors (External) and Audit & Supervisory Board Members (External).

2) Basic policy on the development of an internal control system

At the Board of Directors' meeting held on May 16, 2016, the Company once again resolved its "Basic Policy on the Development of an Internal Control System" together with the ongoing measures undertaken to enact the policy, pursuant to Article 362 of the Companies Act and Article 100 of the Ordinance for Enforcement of the Companies Act, as follows.

1. System to ensure that Directors execute their duties in compliance with relevant laws, regulations, and the Articles of Incorporation

(Article 362, Paragraph 4, Item 6 of the Companies Act)

- a. The Company shall hold a Board of Directors' meeting once a month in principle according to the "Rules of the Board of Directors."
- b. Directors shall supervise the execution of duties by other Directors through the Board of Directors' meetings.
- c. In order to ensure the execution of duties in compliance with relevant laws and regulations, etc., the Executive Directors, Executive Officers and leaders shall make preliminary reports on important information on group-wide business execution to prevent legal violations in advance at the Board of Directors' meetings, EM (Executive Meeting) meetings, SSM meetings and other important meetings of the Company. If any behavior or event likely to constitute a legal violation comes to light, they shall take necessary measures to prevent or remedy the violation.
- d. The Company has an Audit & Supervisory Board. Under the audit policy stipulated by the Audit & Supervisory Board, each Audit & Supervisory Board Member shall audit the execution of duties by Directors by attending the Board of Directors' meetings and examining business execution, etc.

- e. The Group shall establish and provide multiple “WNI Help Lines” as compliance reports and consultancy routes for its officers and employees and take necessary measures to protect whistleblowers.

2. System to retain and manage information relating to the execution of duties by Directors

(Article 100, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Companies Act)

- a. Minutes of the General Meetings of Shareholders and the Board of Directors’ meetings shall be prepared according to the relevant laws, regulations and internal rules, and appropriately retained and stored.
- b. Important information, decisions, internal notices, etc. concerning management and business execution shall be prepared by the divisions in charge and appropriately retained and managed.

3. Rules and systems related to the management of risk of loss

(Article 100, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Companies Act)

- a. Matters to be approved at the Board of Directors’ meetings, EM meetings and SSM meetings of the Company and matters to be approved at the group companies shall be stipulated according to the “WNI Approval Standard.”
- b. Executive Directors, Executive Officers and leaders shall make periodical reports on important information on group-wide business execution at the Board of Directors’ meetings, EM meetings, SSM meetings, and other important meetings of the Company.
- c. To respond to risks concerning information security, the environment, disaster prevention, hygiene and health, each division in charge shall establish rules, implement education and enlightenment activities, and conduct the necessary monitoring.
- d. The Contingency Planning Committee shall convene meetings as an organization in charge of risk management when necessary to clarify the Company’s basic policy of group-wide risk management and to develop response measures in the event of the occurrence of any significant risks that may destabilize business continuity.

4. System to ensure that Directors execute their duties efficiently

(Article 100, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Companies Act)

- a. The Board of Directors shall resolve the basic policy of management, matters concerning the execution of important business and matters stipulated by laws, regulations and the Articles of Incorporation, receive reports on the execution of important business, and supervise the same. An executive officer system shall be adopted to enable the Directors to more effectively and efficiently execute and supervise their duties as managers.
- b. Group-wide matters to be resolved by the Board of Directors shall be preliminarily discussed and important matters stipulated by the “WNI Approval Standard” shall be confirmed at EM meetings.
- c. For the decision-making by the Board of Directors, sufficient and appropriate information shall be provided to each Director.

- d. The Group holds DEViCo Week (Dream Enthusiasm Vision Concept and Communication) in May and November every year to formulate the most appropriate business plans for the whole Group.
5. System to ensure that employees conduct business in compliance with relevant laws, regulations and the Articles of Incorporation
(Article 100, Paragraph 1, Item 4 of the Ordinance for Enforcement of the Companies Act)
- a. “Makuhari Weather Town Charter,” the policy and standard of behavior for the execution of group-wide business, shall be established and made available for access by all employees through the Company’s intranet, etc., and education, enlightenment, and audit activities concerning compliance with laws, regulations and social norms shall be implemented.
- b. The Internal Audit Office, which works as an internal audit division, shall conduct audits on whether the business execution of each division complies with laws, regulations and the Articles of Incorporation.
6. System to ensure the appropriateness of business operations of the Company and the business group consisting of the Company, its parent company, and its subsidiaries
(Article 100, Paragraph 1, Item 5 of the Ordinance for Enforcement of the Companies Act)
- a. Under the SHOP system, the Group shall have the Directors and Executive Officers of the Company supervise decision-making on important group-wide matters and the business execution of subsidiaries through the Board of Directors’ meetings and EM meetings.
- b. For the management of subsidiaries, the Directors and Executive Officers of the Company who control each business and subsidiary shall make the officers and employees of the subsidiaries under their control fully aware of the Company’s business operation policies, etc. and thereby ensure the effectiveness of business execution and the appropriateness of the business of the whole Group. The President’s office shall request reports, as necessary, in order to precisely grasp the business of the subsidiaries based on the “Rules on the Management of Subsidiaries and Affiliates.”
- c. The Company holds a Board of Directors’ meeting once a month in principle and EM meetings once a week in principle, where important matters concerning group management and the status of business execution are appropriately discussed and reported based on the “WNI Approval Standard.”
7. Matters concerning employees who assist Audit & Supervisory Board Members when Audit & Supervisory Board Members request those assistant employees
(Article 100, Paragraph 3, Item 1 of the Ordinance for Enforcement of the Companies Act)
- a. An Auditors’ Office shall be established as a department to exclusively assist the duties of the Audit & Supervisory Board Members.
8. Independence of the employees described in the preceding paragraph from Directors and the assurance of the effectiveness of instructions from the Audit & Supervisory Board Members to those employees
(Article 100, Paragraph 3, Items 2 and 3 of the Ordinance for Enforcement of the Companies Act)

- a. The Audit & Supervisory Board Members shall hold the rights to supervise and instruct the employees who belong to the Auditors' Office in daily business, and such employees will not be subject to supervision or instruction by Directors.
- b. The personnel transfer and evaluation of the employees who belong to the Auditors' Office shall be subject to prior approval by the Audit & Supervisory Board Members.

9. System for Directors and employees and Directors, Audit & Supervisory Board Members and employees of subsidiaries to report to Audit & Supervisory Board Members and other matters concerning reporting to Audit & Supervisory Board Members

(Article 100, Paragraph 3, Items 4 and 5 of the Ordinance for Enforcement of the Companies Act)

- a. Matters to be reported by officers and employees of the Group to the Audit & Supervisory Board Members and the method of reporting shall be stipulated.
- b. The Audit & Supervisory Board Members may request reports from Directors and employees at any time if deemed necessary to conduct their duties.
- c. The division in charge of the "WNI Help Line" shall periodically report to the Audit & Supervisory Board Members on the situation of whistleblowing by the officers and employees of the Group.
- d. With regard to those who have reported to the Audit & Supervisory Board Members through the use of the "WNI Help Line" or other channels, necessary measures shall be taken to protect them against any disadvantage incurred as a result of such reporting.

10. Matters concerning the policy to process expenses arising from the execution of duties of Audit & Supervisory Board Members

(Article 100, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act)

- a. The Company shall promptly process the expenses, etc. arising from the execution of duties of Audit & Supervisory Board Members based on the "WNI Approval Standard," excluding any expenses considered to be unnecessary for the execution of duties by the said Audit & Supervisory Board Members.

11. Other systems to ensure that Audit & Supervisory Board Members conduct audits effectively

(Article 100, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act)

- a. Systems shall be established to enable the Audit & Supervisory Board Members to hold hearings with Directors and key employees and to exchange opinions periodically or from time to time as necessary with the Representative Director, Internal Audit Office and Accounting Auditor.
- b. In order to implement a system to audit the group effectively, the Audit & Supervisory Board Members shall periodically exchange opinions with the Directors and Audit & Supervisory Board Members of subsidiaries, and, irrespective of the existence of legal provisions in operating countries, every subsidiary shall conclude an agreement with an accounting auditor who has a global network.

12. Basic policies on exclusion of antisocial forces and the development status thereof

- a. In its management philosophy, the Company aims to “behave with a recognition of its mission to contribute to an affluent human society that coexists with nature” as a “global local entity.” In keeping with this philosophy, the Group will fulfill the social responsibility as a “global local entity” by ensuring that it has no relationships with antisocial forces.
- b. If the Company faces any coercive pressure to enter into any relationship with antisocial forces, it will take a resolute stance against antisocial forces through cooperation with the Legal Division, corporate lawyers, police forces, etc.

3) Outline of the implementation of internal control system during the 30th fiscal year

The Company has developed and implemented an internal control system based on the “Basic Policy on the Development of an Internal Control System” resolved at the Board of Directors’ meeting. Outline of the implementation of internal control system during the 30th fiscal year is as follows.

1. Internal control system in general

- a. DEViCo Week was held at the beginning and in the middle of the fiscal year, at which the strategy of the Group’s business plan for the current fiscal year was confirmed and the vectors for the management policy were unified.
- b. Ten AAC meetings were held during the year, at which the monthly progress of the business plan and changes of circumstances of each market were confirmed and the appropriate implementation of group-wide business and rational and effective performance were confirmed. Eleven Scoring Committee meetings were held during the year, at which the implementation and progress of the business plan were grasped in both quantitative and qualitative terms and the prescribed procedure for confirmation was conducted from the viewpoint of ensuring the objectives of the internal control system, namely, the “effectiveness and efficiency of operations,” “safeguarding of assets,” “reliability of financial reporting,” and “compliance with applicable laws and regulations.”
- c. The Internal Audit Office appropriately reports the status of the development and implementation of the internal control system to the Scoring Committee, EM meetings, and the Board of Directors during the year. The Internal Audit Office also reports the results of its evaluations of the effectiveness of the internal control system to the Scoring Committee, EM meetings, and the Board of Directors at the end of the year, based on the status of implementation of internal control activities, the results of internal auditing, etc.
- d. Based on the results of the aforesaid evaluation, the Company formulates measures conducive to the improved effectiveness of the internal control system and reflects them in its internal control implementation plan for the next year.

2. Implementation of a system to ensure compliance with relevant laws and regulations, etc.

- a. During the course of appropriately reviewing mottoes, the management philosophy, the Staff Charter, and the Makuhari Weather Town Charter, the Company makes its officers and employees fully aware

of the above in order to enhance their awareness of compliance and encourage them to commit to undertaking specific compliance activities. In addition, at the SSM meeting, a plenary session held every week, meeting participants share issues related with business operations and administration and multidirectionally discuss them from legal, ethical, and other viewpoints.

- b. The Company held 14 meetings of the Board of Directors and implemented 1 deemed resolution in writing during the year, whereby the Board of Directors deliberated and resolved agenda based on active opinion exchanges on matters regarding important business execution and matters stipulated by laws, regulations and the Articles of Incorporation. In addition, the Board of Directors received reports on matters provided in laws and regulations and matters regarding important business execution, and supervised the performance of duties by Directors and Executive Officers.
- c. The Scoring Committee grasped the issues of the Company Group's compliance and formulated and implemented measures therefor.
- d. The Company has established compliance reports and consultancy routes (WNI Help Lines) with contact points at the President's office, Audit & Supervisory Board Members, and Audit & Supervisory Board Members (External). The Company specifies the handling of personal information and measures to protect whistleblowers in its guideline for action and continuously makes them well known to the officers and staff of the Company Group.

3. Implementation of measures to manage the risk of loss

- a. Executive Directors and Executive Officers periodically report on the progress of the business execution of the Company Group as a whole to the Board of Directors and EM meetings.
- b. If a risk in business execution became apparent, the Company coped with the risk by establishing an appropriate system, implementing countermeasures, and duly disclosing the relevant information according to the level assigned to the risk under the Company's contingency planning regime.

4. Implementation of measures to ensure efficiency

- a. An EM meeting attended by Executive Officers (including those concurrently serving as Directors) is held once a week to deliberate in advance on matters to be discussed for the Company Group as a whole at the Board of Directors' meetings and SSM meetings.
- b. The Company strives to deliver in advance agenda items and related materials for the Board of Directors' meetings and EM meetings, and thereby strives to ensure time to review before attending the meetings.
- c. The AAC meetings are held to share information on changes in the market environment and numerical changes in performance and plans relating to the monthly progress of business plans. The Scoring Committee is held to revise development management by the methods used in an ACC meeting in response to changes in business/sales plans so that the vectors between manufacturing and sales are unified.
- d. In addition, the Company reviews the Rules on the Management of Sales, etc. relating to internal procedures to streamline business operations.

5. Implementation of the internal control system in the Group

- a. The Directors and Executive Officers in charge of sales and operation and the Directors in charge of local areas manage overseas subsidiaries in a matrix manner. Each Director and Executive Officer shared issues on the business operations and administration of subsidiaries by appropriately taking up the issues for discussion and reporting on them to the Board of Directors and EM meetings according to the division of his/her duties, and thereupon clarified procedures therefor.
- b. The Company has overseas subsidiaries directly participate in SSM meetings via a videoconferencing platform and translate parts of the Company's internal newsletter (President message at SSM meeting, etc.) into *Businglish* (materials translated into English, illustrations, etc.), and thereby makes the officers and employees of its subsidiaries fully aware of its policies on business operations and compliance issues. In addition, the Directors and Executive Officers in charge of sales and operation and the Directors in charge of local areas visit subsidiaries appropriately. Through these efforts, the Company strives to facilitate direct communications.

6. Implementation of measures to ensure the efficiency of audits by the Audit & Supervisory Board Members

- a. Each Audit & Supervisory Board Member attends the Board of Directors' meetings and each full-time Audit & Supervisory Board Member attends EM meetings, SSM meetings, the Scoring Committee and other important meetings and participates in meetings for financial analysis at the monthly closing. Through these initiatives, the Company strives to ensure the appropriateness of the development and implementation of its internal control system.
- b. Thirteen meetings of the Audit & Supervisory Board were held during the year, at which agenda at the Board of Directors' meetings and other important matters on management were shared in advance among Audit & Supervisory Board Members. Each Audit & Supervisory Board Member examined the execution of duties by the Directors and Executive Officers, audited the performance of duties by the Directors in cooperation with the Internal Audit Office and the Accounting Auditor, and put together their opinions as the opinions of the Audit & Supervisory Board each quarter to report them to the Board of Directors. The Company also appropriately held the (extensive) Audit & Supervisory Board attended by the Directors (External) so that the Directors (External) and Audit & Supervisory Board Members (External) could mutually understand and share important managerial matters. Through these efforts, the Company has improved the efficiency of the Board of Directors.
- c. The Company has established an Auditors' Office in which one staff member is assigned to assist the duties of the Audit & Supervisory Board Members. The said staff member engages in operations based on instructions from Audit & Supervisory Board Members, and any personnel transfer, evaluation, etc. of the said staff member requires the approval of the Audit & Supervisory Board Members.

Note: With regard to numerical figures stated in this business report, monetary amounts are rounded down to the nearest stated unit, and percentages, etc. are rounded off to one decimal place.

Consolidated Balance Sheet

(As of May 31, 2016)

(Thousands of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	10,391,523	Current liabilities	1,314,410
Cash and deposits	7,420,943	Accounts payable—trade	122,785
Notes receivable—trade	28,944	Lease obligations	1,509
Accounts receivable—trade	2,580,401	Accounts payable—other	204,679
Work in process	48,695	Income taxes payable	442,088
Supplies	93,714	Provision for loss on liquidation of subsidiaries and affiliates	6,259
Deferred tax assets	78,582	Other	537,087
Other	167,661		
Allowance for doubtful accounts	(27,419)		
Noncurrent assets	3,813,053	Noncurrent liabilities	399
Property, plant and equipment	2,097,298	Other	399
Buildings and structures	842,485		
Tools, furniture and fixtures	495,807		
Land	413,062		
Construction in progress	344,137		
Other	1,806		
Intangible assets	769,691		
Software	547,815		
Software in progress	195,736		
Other	26,140		
Investments and other assets	946,063		
Investment securities	205,164		
Deferred tax assets	163,738		
Other	592,792		
Allowance for doubtful accounts	(15,632)		
		Total liabilities	1,314,810
		(Net assets)	
		Shareholders' equity	12,668,031
		Capital stock	1,706,500
		Capital surplus	945,772
		Retained earnings	11,046,794
		Treasury stock	(1,031,034)
		Accumulated other comprehensive income	119,955
		Foreign currency translation adjustment	119,955
		Subscription rights to shares	101,780
		Total net assets	12,889,766
Total assets	14,204,577	Total liabilities and net assets	14,204,577

Consolidated Statement of Income

(From June 1, 2015, to May 31, 2016)

(Thousands of yen)

Item	Amount	
Net sales		14,511,097
Cost of sales		8,327,048
Gross profit		6,184,049
Selling, general and administrative expenses		2,796,651
Operating income		3,387,397
Non-operating income		
Interest income	10,081	
Dividends income	1,146	
Dividends income of insurance	7,994	
Subsidy income	15,612	
Other	5,142	39,976
Non-operating expenses		
Commitment line-related expenses	14,686	
Foreign exchange losses	194,007	
Loss on retirement of noncurrent assets	6,171	
Share of loss of entities accounted for using equity method	3,024	
Other	1,445	219,335
Ordinary income		3,208,038
Extraordinary loss		
Provision for loss on liquidation of subsidiaries and affiliates	3,000	
Loss on valuation of investments in subsidiaries and affiliates	6,205	
Cost for product warranties	20,000	29,205
Income before income taxes		3,178,832
Income taxes—current	976,225	
Income taxes—deferred	7,098	983,323
Net income		2,195,509
Net income attributable to non-controlling interests		—
Net income attributable to owners of parent		2,195,509

Consolidated Statement of Changes in Net Assets

(From June 1, 2015, to May 31, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of June 1, 2015	1,706,500	937,386	9,994,839	(1,035,904)	11,602,821
Changes of items during the fiscal year					
Dividends from surplus			(1,143,555)		(1,143,555)
Net income attributable to owners of parent			2,195,509		2,195,509
Purchase of treasury stock				(125)	(125)
Disposal of treasury stock		8,385		4,995	13,381
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	8,385	1,051,954	4,869	1,065,209
Balance as of May 31, 2016	1,706,500	945,772	11,046,794	(1,031,034)	12,668,031

	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance as of June 1, 2015	179,524	179,524	86,367	11,868,713
Changes of items during the fiscal year				
Dividends from surplus				(1,143,555)
Net income attributable to owners of parent				2,195,509
Purchase of treasury stock				(125)
Disposal of treasury stock				13,381
Net changes of items other than shareholders' equity	(59,568)	(59,568)	15,412	(44,156)
Total changes of items during the fiscal year	(59,568)	(59,568)	15,412	1,021,053
Balance as of May 31, 2016	119,955	119,955	101,780	12,889,766

<Reference>

Consolidated Statement of Cash Flows

(From June 1, 2015, to May 31, 2016)

(Thousands of yen)

Item	Amount
Net cash provided by (used in) operating activities	2,835,013
Net cash provided by (used in) investing activities	(721,674)
Net cash provided by (used in) financing activities	(1,142,673)
Effect of exchange rate change on cash and cash equivalents	(81,572)
Net increase (decrease) in cash and cash equivalents	889,093
Cash and cash equivalents at beginning of the fiscal year	6,529,878
Cash and cash equivalents at end of the fiscal year	7,418,971

Non-consolidated Balance Sheet

(As of May 31, 2016)

(Thousands of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	9,463,084	Current liabilities	1,573,020
Cash and deposits	5,718,110	Accounts payable—trade	633,820
Notes receivable—trade	28,944	Lease obligations	1,509
Accounts receivable—trade	3,349,741	Accounts payable—other	182,216
Work in process	48,695	Accrued consumption taxes	98,797
Supplies	93,714	Accrued expenses	99,866
Prepaid expenses	121,423	Income taxes payable	441,508
Deferred tax assets	91,627	Advances received	74,963
Other	66,712	Deposits received	32,847
Allowance for doubtful accounts	(55,885)	Provision for loss on liquidation of subsidiaries and affiliates	6,259
Noncurrent assets	4,469,654	Other	1,230
Property, plant and equipment	2,058,499		
Buildings	842,485	Total liabilities	1,573,020
Vehicles	505		
Tools, furniture and fixtures	458,309	(Net assets)	
Land	413,062	Shareholders' equity	12,257,938
Construction in progress	344,137	Capital stock	1,706,500
Intangible assets	769,524	Capital surplus	945,772
Software	547,815	Other capital surplus	945,772
Software in progress	195,736	Retained earnings	10,636,700
Telephone subscription right	25,634	Legal retained earnings	411,732
Right of using telecommunication facilities	338	Other retained earnings	10,224,968
General reserve		Retained earnings brought forward	7,500,000
Investments and other assets	1,641,630	Treasury stock	(1,031,034)
Investment securities	88,715	Subscription rights to shares	101,780
Shares of subsidiaries and affiliates	783,755		
Investments in capital of subsidiaries and affiliates	54,274	Total net assets	12,359,718
Claims provable in bankruptcy, claims provable in rehabilitation and other	15,632		
Long-term prepaid expenses	5,289	Total liabilities and net assets	13,932,738
Deferred tax assets	163,415		
Insurance funds	299,691		
Lease and guarantee deposits	246,488		
Allowance for doubtful accounts	(15,632)		
Total assets	13,932,738		

Non-consolidated Statement of Income

(From June 1, 2015, to May 31, 2016)

(Thousands of yen)

Item	Amount	
Net sales		14,230,191
Cost of sales		8,467,438
Gross profit		5,762,752
Selling, general and administrative expenses		2,414,087
Operating income		3,348,665
Non-operating income		
Interest income	964	
Dividends income	1,146	
Dividends income of insurance	7,994	
Subsidy income	15,612	
Other	4,041	29,759
Non-operating expenses		
Interest expenses	1,806	
Foreign exchange losses	137,717	
Commitment line-related expenses	14,686	
Loss on retirement of noncurrent assets	6,031	
Other	1,274	161,517
Ordinary income		3,216,907
Extraordinary loss		
Provision for loss on liquidation of subsidiaries and affiliates	3,000	
Loss on valuation of investments in subsidiaries and affiliates	17,505	
Cost for product warranties	20,000	40,505
Income before income taxes		3,176,401
Income taxes—current	971,700	
Income taxes—deferred	(5,632)	966,067
Net income		2,210,334

Non-consolidated Statement of Changes in Net Assets

(From June 1, 2015, to May 31, 2016)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance as of June 1, 2015	1,706,500	937,386	937,386	297,376	6,500,000	2,772,544	9,569,921
Changes of items during the fiscal year							
Provision of legal retained earnings				114,355		(114,355)	—
Dividends from surplus						(1,143,555)	(1,143,555)
Net income						2,210,334	2,210,334
Purchase of treasury stock							
Disposal of treasury stock		8,385	8,385				
Provision of general reserve					1,000,000	(1,000,000)	—
Net changes of items other than shareholders' equity							
Total changes of items during the fiscal year	—	8,385	8,385	114,355	1,000,000	(47,576)	1,066,779
Balance as of May 31, 2016	1,706,500	945,772	945,772	411,732	7,500,000	2,724,968	10,636,700

	Shareholders' equity		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity		
Balance as of June 1, 2015	(1,035,904)	11,177,903	86,367	11,264,270
Changes of items during the fiscal year				
Provision of legal retained earnings		—		—
Dividends from surplus		(1,143,555)		(1,143,555)
Net income		2,210,334		2,210,334
Purchase of treasury stock	(125)	(125)		(125)
Disposal of treasury stock	4,995	13,381		13,381
Provision of general reserve		—		—
Net changes of items other than shareholders' equity			15,412	15,412
Total changes of items during the fiscal year	4,869	1,080,035	15,412	1,095,447
Balance as of May 31, 2016	(1,031,034)	12,257,938	101,780	12,359,718

Certified Copy of Audit & Supervisory Board's Report

Audit Report

The Audit & Supervisory Board, upon deliberations based on the reports made by each Audit & Supervisory Board Member concerning the results of the audit on the execution of duties by the Directors for the 30th fiscal year from June 1, 2015 through May 31, 2016, have prepared this Audit Report and hereby submits it as follows:

1. Auditing Methods by the Audit & Supervisory Board Members and Audit & Supervisory Board and the Content thereof

- (1) The Audit & Supervisory Board established the auditing policies, division of duties, etc., received reports on the implementation status and results of the audits from each Audit & Supervisory Board Member, as well as reports regarding the status of the execution of duties from the Directors and Accounting Auditor, and requested explanations as necessary.
- (2) In accordance with the auditing standards for Audit & Supervisory Board Members determined by the Audit & Supervisory Board and the auditing policies and division of duties, etc. each Audit & Supervisory Board Member made efforts to collect information and establish an auditing environment through communication with Directors, the internal audit division, and other employees, and conducted the audits in accordance with the following procedures.
 - (i) Each Audit & Supervisory Board Member attended the Board of Directors' meeting and other important meetings to receive reports regarding the execution of duties from Directors and employees and requested explanations as necessary. Each Audit & Supervisory Board Member also inspected the approved documents and examined the status of operations and conditions of assets at its head office and principal offices. With respect to subsidiaries, each Audit & Supervisory Board Member communicated and exchanged information with the Directors and Audit & Supervisory Board Members of subsidiaries and received reports on business from the subsidiaries as necessary.
 - (ii) With respect to the resolutions adopted by the Board of Directors regarding the establishment of the system to ensure that Directors execute their duties in compliance with relevant laws, regulations, and the Articles of Incorporation of the Company as specified in the business report and the establishment of a system to ensure the appropriateness of business operations of the Company and the business group consisting of the Company, its parent company, and its subsidiaries, as set forth in Article 100, Items 1 and 3 of the Ordinance for Enforcement of the Companies Act, as well as the systems (Internal Control System) established in accordance with the resolution of the Board of Directors, each Audit & Supervisory Board Member regularly received reports from the Directors and employees on the status of the establishment and operations thereof, requested explanations as necessary, and expressed his/her opinion.
 - (iii) With respect to the basic policy set forth in Article 118, Item 3 (i) of the Ordinance for Enforcement of the Companies Act as specified in the business report and each approach set forth in Item 3 (ii) of the same article, the Audit & Supervisory Board Members reviewed the details based on discussion at the Board of Directors meeting and on other occasions.
 - (iv) Each Audit & Supervisory Board Member monitored and verified that the Accounting Auditor maintained independence and conducted the audits appropriately. Each Audit & Supervisory Board Member also received reports on the status of the execution of duties from the Accounting Auditor and requested explanation as necessary. In addition, the Audit & Supervisory Board Members were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005)), etc. by the Accounting Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, the Audit & Supervisory Board reviewed the business report and supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes

to the non-consolidated financial statements), the supplementary schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to the consolidated financial statements) for the fiscal year ended May 31, 2016.

2. Results of Audit

(1) Results of the audit of business report, etc.

- (i) The business report and supplementary schedules present fairly the financial condition of the Company in conformity with related laws, regulations, and the Articles of Incorporation of the Company;
- (ii) Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws, regulations, or the Articles of Incorporation of the Company;
- (iii) The resolutions of the Board of Directors regarding the internal control system are fair and reasonable. Regarding the content of business report descriptions on the said internal control system and the execution of duties by Directors, all efforts for development were undertaken based on the recognition that improvements are necessary in response to changes in the business environment inside and outside of the Company, and there are no matters requiring additional mention; and
- (iv) There are no matters requiring additional mention regarding the Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of the Company specified in the business report. The Audit & Supervisory Board acknowledges that the approaches set forth in Article 118, Item 3 (ii) of the Ordinance for Enforcement of the Companies Act as specified in the business report conform with the basic policy, do not harm any common interests of shareholders, and were not adopted with the intention of maintaining the positions of Directors and Audit & Supervisory Board Members.

(2) Results of the audit of the non-consolidated financial statements and supplementary schedules

The auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

(3) Results of the audit of the consolidated financial statements

The auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

July 11, 2016

The Audit & Supervisory Board of Weathernews Inc.

Takashi Tomura (Seal)

Full-time Audit & Supervisory Board Member

Toshio Kinoshita (Seal)

Audit & Supervisory Board Member

Saeko Masumi (Seal)

Audit & Supervisory Board Member

(Note) The Audit & Supervisory Board Members Mr. Toshio Kinoshita and Ms. Saeko Masumi are Audit & Supervisory Board Members (External) as stipulated in Article 2, Item 16 and Article 335, Paragraph 3 of the Companies Act.