***DTS CORPORATION and Consolidated Subsidiaries***

*Unaudited Consolidated Financial Statements for the Years Ended March 31, 2012 and 2011*

**DTS CORPORATION and Consolidated Subsidiaries**

**Consolidated Balance Sheets—Unaudited**
**March 31, 2012 and 2011**

| ASSETS | Millions of Yen 2012 | Millions of Yen 2011 | Thousands of U.S. Dollars (Note 1) 2012 |
|---|---|---|---|
| CURRENT ASSETS: | | | |
| Cash and cash equivalents (Note 13) | ¥ 12,841 | ¥ 11,251 | $ 156,236 |
| Marketable securities (Notes 4 and 13) | 300 | | 3,650 |
| Notes and accounts receivable (Note 13): | | | |
| Trade | 8,717 | 9,335 | 106,059 |
| Other | 156 | 122 | 1,898 |
| Allowance for doubtful receivables | (15) | (19) | (183) |
| Inventories (Note 3) | 887 | 665 | 10,792 |
| Deferred tax assets (Note 11) | 1,145 | 1,264 | 13,931 |
| Prepaid expenses and other current assets | 1,946 | 1,535 | 23,677 |
| Total current assets | 25,977 | 24,153 | 316,060 |
| PROPERTY AND EQUIPMENT: | | | |
| Land | 6,422 | 6,432 | 78,136 |
| Buildings and structures | 5,011 | 5,024 | 60,968 |
| Furniture and fixtures | 1,390 | 1,328 | 16,912 |
| Other | 33 | 43 | 402 |
| Total | 12,856 | 12,827 | 156,418 |
| Accumulated depreciation | (3,868) | (3,733) | (47,062) |
| Net property and equipment | 8,988 | 9,094 | 109,356 |
| INVESTMENTS AND OTHER ASSETS: | | | |
| Investment securities (Notes 4 and 13) | 1,265 | 1,393 | 15,391 |
| Investments in unconsolidated subsidiaries and associated companies | 249 | 204 | 3,029 |
| Software | 1,783 | 2,417 | 21,694 |
| Goodwill (Note 9) | 1,843 | 2,268 | 22,424 |
| Deferred tax assets (Note 11) | 916 | 763 | 11,145 |
| Other assets | 1,245 | 1,337 | 15,148 |
| Allowance for doubtful receivables | (200) | (182) | (2,433) |
| Total investments and other assets | 7,101 | 8,200 | 86,398 |
| TOTAL | ¥ 42,066 | ¥ 41,447 | $ 511,814 |

| LIABILITIES AND EQUITY | Millions of Yen 2012 | Millions of Yen 2011 | Thousands of U.S. Dollars (Note 1) 2012 |
|---|---|---|---|
| CURRENT LIABILITIES: | | | |
| Short-term loans payable (Notes 5 and 13) | ¥ 33 | ¥ 344 | $ 401 |
| Current portion of long-term debt (Notes 5 and 13) | 123 | 125 | 1,497 |
| Payables (Note 13): | | | |
| Trade accounts | 2,168 | 2,057 | 26,378 |
| Other | 1,537 | 1,232 | 18,701 |
| Advances received | 1,120 | 1,040 | 13,627 |
| Income taxes payable (Note 13) | 906 | 1,063 | 11,023 |
| Accrued expenses | 2,631 | 2,650 | 32,011 |
| Other current liabilities | 1,002 | 1,000 | 12,191 |
| Total current liabilities | 9,520 | 9,511 | 115,829 |
| LONG-TERM LIABILITIES: | | | |
| Long-term debt (Notes 5 and 13) | 106 | 235 | 1,290 |
| Liability for employees' retirement benefits (Note 6) | 435 | 499 | 5,293 |
| Retirement allowances for directors and corporate auditors | 98 | 85 | 1,192 |
| Other long-term liabilities | 228 | 185 | 2,774 |
| Total long-term liabilities | 867 | 1,004 | 10,549 |
| EQUITY (Notes 7 and 17): | | | |
| Common stock—authorized, 100,000,000 shares; issued, 25,222,266 shares in 2012 and 2011 | 6,113 | 6,113 | 74,376 |
| Capital surplus | 6,191 | 6,191 | 75,325 |
| Retained earnings | 19,479 | 18,755 | 237,000 |
| Treasury stock—at cost, 1,446,904 shares in 2012 and 1,446,816 shares in 2011 | (1,494) | (1,494) | (18,177) |
| Accumulated other comprehensive income: | | | |
| Unrealized loss on available-for-sale securities | (102) | (72) | (1,241) |
| Total | 30,187 | 29,493 | 367,283 |
| Minority interests | 1,492 | 1,439 | 18,153 |
| Total equity | 31,679 | 30,932 | 385,436 |
| TOTAL | ¥ 42,066 | ¥ 41,447 | $ 511,814 |

See notes to consolidated financial statements.

## DTS CORPORATION and Consolidated Subsidiaries

**Consolidated Statements of Income—Unaudited**
**Years Ended March 31, 2012 and 2011**

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| NET SALES | ¥ 57,385 | ¥ 58,504 | $ 698,199 |
| COST OF SALES (Notes 6 and 12) | 48,774 | 50,482 | 593,430 |
| Gross profit | 8,611 | 8,022 | 104,769 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 6, 9, 10 and 12) | 5,638 | 5,726 | 68,597 |
| Operating income | 2,973 | 2,296 | 36,172 |
| OTHER INCOME (EXPENSES): | | | |
| Interest and dividends income | 47 | 49 | 572 |
| Interest expense | (4) | (10) | (48) |
| Subsidy income | 25 | 78 | 304 |
| Other—net | (39) | (96) | (475) |
| Other income (expenses)—net | 29 | 21 | 353 |
| INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS | 3,002 | 2,317 | 36,525 |
| INCOME TAXES (Note 11): | | | |
| Current | 1,396 | 1,165 | 16,985 |
| Deferred | (36) | (101) | (438) |
| Total income taxes | 1,360 | 1,064 | 16,547 |
| NET INCOME BEFORE MINORITY INTERESTS | 1,642 | 1,253 | 19,978 |
| MINORITY INTERESTS IN NET INCOME | 86 | 128 | 1,046 |
| NET INCOME | ¥ 1,556 | ¥ 1,125 | $ 18,932 |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| PER SHARE OF COMMON STOCK (Notes 2.q and 16): | | | |
| Basic net income | ¥ 65.43 | ¥ 47.30 | $ 0.80 |
| Cash dividends applicable to the year | 30.00 | 35.00 | 0.37 |

See notes to consolidated financial statements.

## DTS CORPORATION and Consolidated Subsidiaries

**Consolidated Statements of Comprehensive Income—Unaudited**
**Year Ended March 31, 2012 and 2011**

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| NET INCOME BEFORE MINORITY INTERESTS | ¥ 1,642 | ¥ 1,253 | $ 19,978 |
| OTHER COMPREHENSIVE LOSS (Note 15)— | | | |
| Unrealized loss on available-for-sale securities | (29) | (20) | (353) |
| Total other comprehensive loss | (29) | (20) | (353) |
| COMPREHENSIVE INCOME (Note 15) | ¥ 1,613 | ¥ 1,233 | $ 19,625 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 15): | | | |
| Owners of the parent | ¥ 1,526 | ¥ 1,105 | $ 18,567 |
| Minority interests | 87 | 128 | 1,058 |

See notes to consolidated financial statements.

## DTS CORPORATION and Consolidated Subsidiaries

**Consolidated Statements of Changes in Equity—Unaudited**
**Years Ended March 31, 2012 and 2011**

| | | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Accumulated Other Comprehensive Income | | | |
| | Number of Shares of Common Stock Outstanding | Common Stock | Capital Surplus | Retained Earnings | Treasury Stock | Unrealized Gain (Loss) on Available-for-Sale Securities | Total | Minority Interests | Total Equity |
| BALANCE, APRIL 1, 2010 | 23,775,686 | ¥ 6,113 | ¥ 6,191 | ¥ 18,463 | ¥ (1,493) | ¥ (53) | ¥ 29,221 | ¥ 1,348 | ¥ 30,569 |
| Net income | | | | 1,125 | | | 1,125 | | 1,125 |
| Cash dividends, ¥35 per share | | | | (833) | | | (833) | | (833) |
| Repurchase of treasury stock | (236) | | | | (1) | | (1) | | (1) |
| Net change in the year | | | | | | (19) | (19) | 91 | 72 |
| BALANCE, APRIL 1, 2011 | 23,775,450 | 6,113 | 6,191 | 18,755 | (1,494) | (72) | 29,493 | 1,439 | 30,932 |
| Net income | | | | 1,556 | | | 1,556 | | 1,556 |
| Cash dividends, ¥35 per share | | | | (832) | | | (832) | | (832) |
| Repurchase of treasury stock | (88) | | | | (0) | | (0) | | (0) |
| Net change in the year | | | | | | (30) | (30) | 53 | 23 |
| BALANCE, MARCH 31, 2012 | 23,775,362 | ¥ 6,113 | ¥ 6,191 | ¥ 19,479 | ¥ (1,494) | ¥ (102) | ¥ 30,187 | ¥ 1,492 | ¥ 31,679 |

| | Thousands of U.S. Dollars (Note 1) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Accumulated Other Comprehensive Income | | | |
| | Common Stock | Capital Surplus | Retained Earnings | Treasury Stock | Unrealized Gain (Loss) on Available-for-Sale Securities | Total | Minority Interests | Total Equity |
| BALANCE, APRIL 1, 2011 | $ 74,376 | $ 75,325 | $ 228,191 | $ (18,177) | $ (876) | $ 358,839 | $ 17,508 | $ 376,347 |
| Net income | | | 18,932 | | | 18,932 | | 18,932 |
| Cash dividends, $0.42 per share | | | (10,123) | | | (10,123) | | (10,123) |
| Repurchase of treasury stock | | | | (0) | | (0) | | (0) |
| Net change in the year | | | | | (365) | (365) | 645 | 280 |
| BALANCE, MARCH 31, 2012 | $ 74,376 | $ 75,325 | $ 237,000 | $ (18,177) | $ (1,241) | $ 367,283 | $ 18,153 | $ 385,436 |

See notes to consolidated financial statements.

## DTS CORPORATION and Consolidated Subsidiaries

**Consolidated Statements of Cash Flows—Unaudited**
**Years Ended March 31, 2012 and 2011**

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| OPERATING ACTIVITIES: | | | |
| Income before income taxes and minority interests | ¥ 3,002 | ¥ 2,317 | $ 36,525 |
| Adjustments for: | | | |
| Income taxes paid | (1,568) | (507) | (19,078) |
| Depreciation and amortization | 1,839 | 1,892 | 22,375 |
| Changes in assets and liabilities: | | | |
| Decrease in trade notes and accounts receivable | 599 | 267 | 7,288 |
| (Increase) decrease in inventories | (221) | 545 | (2,689) |
| Increase in other current assets | (61) | (75) | (742) |
| Increase (decrease) in accounts payable | 396 | (512) | 4,818 |
| (Decrease) increase in accrued expenses | (19) | 283 | (231) |
| Increase in other current liabilities | 118 | 135 | 1,436 |
| Decrease in liability for employees' retirement benefits and retirement allowances for directors and corporate auditors | (51) | (145) | (621) |
| Other—net | 106 | 163 | 1,290 |
| Total adjustments | 1,138 | 2,046 | 13,846 |
| Net cash provided by operating activities | 4,140 | 4,363 | 50,371 |
| INVESTING ACTIVITIES: | | | |
| Increase in time deposits other than cash equivalents | (800) | (650) | (9,734) |
| Decrease in time deposits other than cash equivalents | 450 | 550 | 5,475 |
| Payment for purchases of property and equipment | (179) | (205) | (2,178) |
| Payment for purchases of investment securities | (301) | (1) | (3,662) |
| Payment for purchases of software | (497) | (633) | (6,047) |
| Proceeds from redemption of investment securities | 100 | 100 | 1,217 |
| Payment for purchases of stocks of subsidiaries and affiliates | (46) | | (559) |
| Payments for transfer of business | | (134) | |
| Payment for sale of subsidiaries' stock | | (87) | |
| Other—net | 23 | (3) | 280 |
| Net cash used in investing activities | (1,250) | (1,063) | (15,208) |
| FINANCING ACTIVITIES: | | | |
| (Decrease) increase in short-term loans payable—net | (311) | 5 | (3,784) |
| Redemption of bonds | (120) | (120) | (1,460) |
| Repayment of long-term debt | | (430) | |
| Dividends paid | (864) | (866) | (10,512) |
| Other—net | (5) | (5) | (61) |
| Net cash used in financing activities | (1,300) | (1,416) | (15,817) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS—(Forward) | ¥ 1,590 | ¥ 1,884 | $ 19,346 |



(Continued)

## DTS CORPORATION and Consolidated Subsidiaries

**Consolidated Statements of Cash Flows—Unaudited**
**Years Ended March 31, 2012 and 2011**

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS—(Forward) | ¥ 1,590 | ¥ 1,884 | $ 19,346 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 11,251 | 9,367 | 136,890 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | ¥ 12,841 | ¥ 11,251 | $ 156,236 |

See notes to consolidated financial statements.



(Concluded)

## 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these unaudited consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2011 financial statements to conform to the classifications used in 2012.

The unaudited consolidated financial statements are stated in Japanese yen, the currency of the country in which DTS CORPORATION (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82.19 to $1, the approximate rate of exchange at March 30, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*a.* ***Consolidation***—The consolidated financial statements as of March 31, 2012 include the accounts of the Company and its seven (eight in 2011) significant subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

*b.* ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include demand deposits, time deposits and other short-term investments, all of which mature or become due within three months of the date of acquisition.

*c.* ***Inventories***—Merchandise and work in process are stated at the lower of cost, determined by the moving-average method for merchandise, and by the specific identification method for work in process, or net selling value. Supplies are stated at the most recent purchase price which approximates cost determined by the first-in, first-out method.

*d.* ***Property and Equipment***—Property and equipment are stated at cost. Depreciation is computed by the declining-balance method for most assets at rates based on the estimated useful lives of the assets except for buildings acquired on or after April 1, 1998, to which the straight-line method is applied. The range of useful lives is principally from 3 to 50 years for buildings and structures and from 2 to 20 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

Assets with an acquisition cost of greater than ¥100,000 but less than ¥200,000 are mainly depreciated by the straight-line method over 3 years.

*e.* ***Long-Lived Assets***—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

*f.* ***Software Costs***

(1) *Software for sale*—Software development costs, incurred through the completion of a Beta version of specific software for sale, are charged to income when incurred. Such costs incurred subsequent to the completion of the Beta version are capitalized and amortized in proportion of the actual sales volume or revenue of the software during the year to the estimated total sales volume or revenue over the estimated salable years of the software or by the straight-line method over 3 or 5 years.

(2) *Software for internal use*—Software costs for the purpose of rendering services to clients under specific license contracts are amortized by the straight-line method over the relevant contract period (mainly 8 years). Other purchased software costs are amortized by the straight-line method over the estimated period of internal use (within 5 years) when such costs are effective for cost savings. Otherwise, other purchased software costs are charged to income when incurred. The useful lives for lease assets are the terms of the respective leases.

*g.* ***Marketable and Investment Securities***—Based on management's intent, marketable and investment securities are classified as available-for-sale securities. Available-for-sale securities with readily determinable market values are stated at fair value at each balance sheet date, with unrealized gains and losses, net of tax, reported as a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

*h.* ***Goodwill***—The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is recorded as goodwill. Goodwill is amortized using the straight-line method over 3 to 10 years.

*i.* ***Employees' Retirement and Pension Plans***—The Company and some consolidated subsidiaries have contributory funded defined benefit pension plans and defined contribution pension plans covering substantially all of their employees.

The contributions for the contributory funded defined benefit pension plans and defined contribution pension plans are charged to income when paid.

Certain consolidated subsidiaries have unfunded retirement benefit plans covering substantially all of their employees. The subsidiaries account for the liability for retirement benefits based on projected benefit obligations at the balance sheet date.

Prior service cost and actuarial difference are amortized over the periods (12 years in 2012 and 2011) which are shorter than the average remaining years of service of the employees.

*j.* ***Retirement Allowances for Directors and Corporate Auditors***—Directors and corporate auditors of part of consolidated subsidiaries are generally entitled to receive lump-sum payments based on compensation at the time of retirement and the number of years of service when they retire. The accrued provisions are not funded and any amounts payable to directors and corporate auditors upon retirement are subject to the approval of the shareholders. Retirement allowances for directors and corporate auditors are calculated to state the severance liability at the amount that would be payable if all directors and corporate auditors retired at the balance sheet date.

***k.*** ***Asset Retirement Obligations***—In March 2008, the ASBJ published ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

***l.*** ***Research and Development Costs***—Research and development costs are charged to income as incurred.

***m.*** ***Leases***—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

***n.*** ***Bonuses to Directors and Corporate Auditors***—Bonuses to directors and corporate auditors are accrued at the year-end to which such bonuses are attributable.

***o.*** ***Construction Contracts***—In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

***p.*** ***Income Taxes***—The provision for income taxes is computed based on income before income taxes and minority interests. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

*q.* ***Per Share Information***—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits and consolidation of stocks.

Diluted net income per share reflects the potential dilution that could occur if warrants or stock options were exercised. Diluted net income per share of common stock assumes full exercise of the outstanding warrants and stock options at the beginning of the year.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year, retroactively adjusted for stock splits.

*r.* ***Accounting Changes and Error Corrections***—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations—When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior Period Errors—When an error in prior period financial statements is discovered, those statements are restated. This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

## 3. INVENTORIES

Inventories at March 31, 2012 and 2011 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Merchandise | ¥ 212 | ¥ 166 | $ 2,579 |
| Work in process | 664 | 486 | 8,079 |
| Supplies | 11 | 13 | 134 |
| Total | ¥ 887 | ¥ 665 | $ 10,792 |

## 4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2012 and 2011 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Non-current: | | | |
| Equity securities | ¥ 965 | ¥ 993 | $ 11,741 |
| Debt securities | 601 | 400 | 7,312 |
| Total | ¥ 1,566 | ¥ 1,393 | $ 19,053 |

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2012 and 2011 were as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| March 31, 2012 | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Equity securities | ¥ 1,002 | ¥ 70 | ¥ 188 | ¥ 884 |
| Debt securities | 600 | 1 | | 601 |
| March 31, 2011 | | | | |
| Equity securities | ¥ 1,001 | ¥ 86 | ¥ 175 | ¥ 912 |
| Debt securities | 400 | 6 | 6 | 400 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| March 31, 2012 | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Equity securities | $ 12,191 | $ 852 | $ 2,287 | $ 10,756 |
| Debt securities | 7,300 | 12 | | 7,312 |

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2012 and 2011 were as follows:

| | Carrying Amount | | |
|---|---|---|---|
| | Millions of Yen | | Thousands of U.S. Dollars |
| | 2012 | 2011 | 2012 |
| Available-for-sale equity securities | ¥ 81 | ¥ 81 | $ 986 |

Available-for-sale securities sold for the years ended March 31, 2012 and 2011 were none and less than ¥1 million, respectively.

## 5. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

There were no short-term loans payable to banks at March 31, 2012, and short-term loans payable at March 31, 2011 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term loans payable were 2.00% and ranged from 0.68% to 2.00% at March 31, 2012 and 2011, respectively.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Unsecured 1.3% bonds, due December 2012 | ¥ 20 | ¥ 40 | $ 243 |
| Unsecured 0.5% bonds, due September 2013 | 200 | 300 | 2,434 |
| Lease obligation due through 2016 | 9 | 20 | 110 |
| Total | 229 | 360 | 2,787 |
| Less current portion | (123) | (125) | (1,497) |
| Long-term debt, less current portion | ¥ 106 | ¥ 235 | $ 1,290 |

Annual maturities of long-term debt at March 31, 2012 were as follows:

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2013 | ¥ 123 | $ 1,497 |
| 2014 | 103 | 1,253 |
| 2015 | 3 | 37 |
| 2016 | 0 | 0 |
| 2017 and thereafter | | |
| Total | ¥ 229 | $ 2,787 |

## 6. EMPLOYEES' RETIREMENT BENEFITS

In April 2011, a consolidated subsidiary of the Company has shifted the whole of its lump-sum payment plan to a plan that its employees select from a defined contribution pension or a prepaid retirement benefit.

The liability for employees' retirement benefits at March 31, 2012 and 2011 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Projected benefit obligation | ¥ 476 | ¥ 539 | $ 5,791 |
| Unrecognized actuarial loss | (35) | (34) | (425) |
| Unrecognized prior service cost | (6) | (6) | (73) |
| Net liability | ¥ 435 | ¥ 499 | $ 5,293 |

Due to the retirement benefit plan shifted from the lump-sum payment plan to the defined contribution pension plan or prepaid retirement benefit plan for the year ended March 31, 2012, both of projected benefit obligation and liability for employees' retirement benefits decreased by ¥85 million ($1,034 thousand).

The components of net periodic retirement benefit costs for the years ended March 31, 2012 and 2011 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Service cost | ¥ 44 | ¥ 70 | $ 535 |
| Interest cost | 7 | 7 | 85 |
| Recognized actuarial loss | 4 | 4 | 49 |
| Amortization of prior service cost | 1 | 1 | 12 |
| Contributions mostly to the defined contribution pension plan | 479 | 462 | 5,828 |
| Net periodic retirement benefit costs | ¥ 535 | ¥ 544 | $ 6,509 |

The contributory funded employees' pension plan, a multiemployers plan, was not included in the above tables as the fair value of plan assets corresponding to the Company's contribution cannot be reasonably computed.

Assumptions used for the years ended March 31, 2012 and 2011 are set forth as follows:

| | 2012 | 2011 |
|---|---|---|
| Discount rate | 1.1% | 1.5% |
| Amortization period of prior service cost | 12 years | 12 years |
| Recognition period of actuarial gain/loss | 12 years | 12 years |

## 7. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### b. *Increases/Decreases and Transfer of Common Stock, Reserve and Surplus*

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

### c. *Treasury Stock and Treasury Stock Acquisition Rights*

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 8. STOCK OPTIONS

The stock options outstanding as of March 31, 2012 were as follows:

| Stock Option | Persons Granted | Number of Options Granted | Date of Grant | Exercise Price | Exercise Period |
|---|---|---|---|---|---|
| 2005 Stock Option | 8 directors<br>1 corporate auditor<br>11 operating officers<br>1,173 employees | 462,400 shares | December 8, 2005 | ¥1,989<br>($24) | From December 9, 2005 to June 23, 2015 |

The stock option activity was as follows:

| | 2004 Stock Option | 2005 Stock Option |
|---|---|---|
| | (Shares) | |
| Year Ended March 31, 2011 | | |
| Vested | | |
| March 31, 2010—Outstanding | 85,800 | 381,800 |
| Exercised | | |
| Canceled | 85,800 | 10,600 |
| March 31, 2011—Outstanding | | 371,200 |
| Year Ended March 31, 2012 | | |
| Vested | | |
| March 31, 2011—Outstanding | | 371,200 |
| Exercised | | |
| Canceled | | 371,200 |
| March 31, 2012—Outstanding | | |
| Exercise price | | ¥1,989<br>($24) |

## 9. AMORTIZATION OF GOODWILL

Goodwill represents the excess of the cost of acquisitions over the fair value of net assets of the acquired subsidiaries. The amount of amortization of goodwill included in selling, general and administrative expenses was ¥426 million ($5,183 thousand) and ¥433 million for the years ended March 31, 2012 and 2011, respectively.

## 10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥16 million ($195 thousand) and none for the years ended March 31, 2012 and 2011, respectively.

## 11. INCOME TAXES

The Company and its subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Deferred tax assets: | | | |
| Accrued bonuses | ¥ 850 | ¥ 925 | $ 10,342 |
| Accrued social insurance premium | 123 | 127 | 1,497 |
| Enterprise tax payable | 75 | 93 | 912 |
| Allowance for doubtful receivables | 80 | 79 | 973 |
| Provision for loss on order received | 47 | 47 | 572 |
| Liability for employees' retirement benefits | 156 | 178 | 1,898 |
| Tax loss carryforwards | 292 | 299 | 3,553 |
| Software | 72 | 88 | 876 |
| Membership right | 54 | 61 | 657 |
| Investments in associated companies | 40 | 46 | 487 |
| Investment securities | 66 | 63 | 803 |
| Asset adjustment account | 306 | 439 | 3,723 |
| Long-term accounts payable—other | 60 | 64 | 730 |
| Unrealized profit on fixed assets | 67 | 88 | 815 |
| Other | 84 | 102 | 1,022 |
| Less valuation allowance | (301) | (663) | (3,662) |
| Total | 2,071 | 2,036 | 25,198 |
| Deferred tax liabilities: | | | |
| Investment securities | 5 | 4 | 61 |
| Asset retirement obligation | 6 | 6 | 73 |
| Total | 11 | 10 | 134 |
| Net deferred tax assets | ¥ 2,060 | ¥ 2,026 | $ 25,064 |

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011 was as follows:

| | 2012 | 2011 |
|---|---|---|
| Normal effective statutory tax rate | 40.7 % | 40.7 % |
| Expenses not deductible for income tax purposes | 2.2 | 1.9 |
| Inhabitants taxes—per capita levy | 0.8 | 1.1 |
| Amortization of goodwill | 5.6 | 7.3 |
| Adjustment to deferred tax assets due to changes in tax rate | 4.8 | |
| Income tax for prior periods | 2.9 | |
| Changes in valuation allowance for deferred tax assets | (9.4) | (4.7) |
| Impact from merger of a consolidated subsidiary | (1.9) | |
| Other—net | (0.4) | (0.4) |
| Actual effective tax rate | 45.3 % | 45.9 % |

Following the promulgation on December 2, 2011 of the “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures” (Act

No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011), corporation tax rates will be reduced and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning on or after April 1, 2012. In line with these revisions, the statutory tax rate to calculate deferred tax assets and liabilities was changed from 40.7% to 38.0% for temporary differences which are expected to reverse during the period from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014. Similarly, the statutory tax rate to calculate deferred tax assets and liabilities was changed from 40.7% to 35.6% for temporary differences which are expected to reverse from the fiscal years beginning on or after April 1, 2015.

As a result of this change, the net amount of deferred tax assets decreased by ¥142 million ($1,728 thousand), and income taxes – deferred and unrealized loss on available-for-sale securities increased by ¥143 million ($1,740 thousand) and ¥1 million ($12 thousand), respectively.

## 12. LEASES

The Group leases furniture and fixtures, software, and other assets.

Total rental expenses for the years ended March 31, 2012 and 2011 were ¥578 million ($7,032 thousand) and ¥634 million, respectively, including ¥17 million ($207 thousand) and ¥24 million of lease payments under finance leases, respectively.

***Pro forma Information of Leased Property Whose Lease Inception Was before March 31, 2008***

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases that do not transfer ownership of the leased property to the lessee and whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Company and its consolidated subsidiaries applied ASBJ Statement No. 13 effective April 1, 2008 and continued to account for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, obligations under finance leases and depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2012 | | 2011 | | |
| | Furniture and Fixtures | Total | Furniture and Fixtures | Software | Total |
| Acquisition cost | ¥ 23 | ¥ 23 | ¥ 84 | ¥ 50 | ¥ 134 |
| Accumulated depreciation | 20 | 20 | 66 | 47 | 113 |
| Net leased property | ¥ 3 | ¥ 3 | ¥ 18 | ¥ 3 | ¥ 21 |

| | Thousands of U.S. Dollars | |
|---|---|---|
| | 2012 | |
| | Furniture and Fixtures | Total |
| Acquisition cost | $ 280 | $ 280 |
| Accumulated depreciation | 243 | 243 |
| Net leased property | $ 37 | $ 37 |

Acquisition costs and obligations include the imputed interest expense portion.

Obligations under finance leases:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Due within one year | ¥ 3 | ¥ 17 | $ 37 |
| Due after one year | 0 | 4 | 0 |
| Total | ¥ 3 | ¥ 21 | $ 37 |

Depreciation expense was ¥17 million ($207 thousand) and ¥24 million for the years ended March 31, 2012 and 2011, respectively.

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, is computed by the straight-line method.

## 13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) *The Group's Policy for Financial Instruments*

As a basic policy, the Group invests in low risk financial assets, and obtains funds mainly from bank loans when necessary.

### (2) *Nature and Extent of Risks Arising from Financial Instruments*

Notes and accounts receivable are exposed to customer credit risk.

Marketable and investment securities, mainly equity securities and corporate bonds issued by companies with business relationship or capital tie-up, are exposed to the risk of market price fluctuations.

Accounts payable is all due within one year. Loans are mainly made to obtain funds for capital expenditures. Loans with floating interest rates are exposed to the risk of interest rate fluctuations.

### (3) *Risk Management for Financial Instruments*

*Credit risk*—For notes and accounts receivable, credit risk is mitigated by monitoring the due date and outstanding balance of receivables by each customer in accordance with internal policies on credit management, and by monitoring the customers' financial positions by credit investigation.

*Market risk*—Marketable and investment securities are managed by monitoring the market values and financial position of issuers on a regular basis. The Group continuously reviews the holding status based upon the business relationship with issuers.

*Liquidity risk*—Liquidity risk is managed by maintaining adequate liquidity on hand through preparing and updating the cash management plan on a timely basis.

### (4) *Fair Values of Financial Instruments*

Fair values of financial instruments are based on a quoted price in active markets. If a quoted price is not available, other rational valuation techniques are used instead.

(*a*) *Fair values of financial instruments*

| March 31, 2012 | Millions of Yen Carrying Amount | Fair Value | Unrealized Gain/Loss |
|---|---|---|---|
| Cash and cash equivalents | ¥ 12,841 | ¥ 12,841 | |
| Notes and accounts receivable | 8,858 | 8,858 | |
| Marketable and investment securities | 1,485 | 1,485 | |
| Total | ¥ 23,184 | ¥ 23,184 | |
| Payables | ¥ 3,705 | ¥ 3,705 | |
| Short-term loans payable | 33 | 33 | |
| Income taxes payable | 906 | 906 | |
| Long-term debt | 229 | 229 | |
| Total | ¥ 4,873 | ¥ 4,873 | |
| **March 31, 2011** | | | |
| Cash and cash equivalents | ¥ 11,251 | ¥ 11,251 | |
| Notes and accounts receivable | 9,438 | 9,438 | |
| Investment securities | 1,312 | 1,312 | |
| Total | ¥ 22,001 | ¥ 22,001 | |
| Payables | ¥ 3,289 | ¥ 3,289 | |
| Short-term loans payable | 344 | 344 | |
| Income taxes payable | 1,063 | 1,063 | |
| Long-term debt | 360 | 360 | |
| Total | ¥ 5,056 | ¥ 5,056 | |

| March 31, 2012 | Thousands of U.S. Dollars Carrying Amount | Fair Value | Unrealized Gain/Loss |
|---|---|---|---|
| Cash and cash equivalents | $ 156,236 | $ 156,236 | |
| Notes and accounts receivable | 107,775 | 107,775 | |
| Marketable and investment securities | 18,068 | 18,068 | |
| Total | $ 282,078 | $ 282,078 | |
| Payables | $ 45,078 | $ 45,078 | |
| Short-term loans payable | 402 | 402 | |
| Income taxes payable | 11,023 | 11,023 | |
| Long-term debt | 2,786 | 2,786 | |
| Total | $ 59,289 | $ 59,289 | |

Cash and Cash Equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Notes and Accounts Receivable

The carrying values of notes and accounts receivable approximate fair value because of their short maturities.

Marketable and Investment Securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information on marketable and investment securities by classification is included in Note 4.

Short-Term Loans Payable, Payables and Income Taxes Payable

The carrying values of these accounts approximate fair value because of their short maturities.

Long-Term Debt

The carrying values of bonds payable issued by consolidated subsidiaries with fixed interest rates approximate fair value because of their maturities within one year, and the carrying values of those with floating interest rates approximate fair value since these bonds reflect the market interest rates in a short period of time and the credit condition of the subsidiaries does not change dramatically after the bonds are issued.

(*b*) *Financial instruments whose fair value cannot be reliably determined*

| | Carrying Amount | | |
|---|---|---|---|
| | Millions of Yen | | Thousands of U.S. Dollars |
| | 2012 | 2011 | 2012 |
| Subsidiaries' stock | ¥ 46 | | $ 560 |
| Investments in equity instruments that do not have a quoted market price in an active market | ¥ 81 | ¥ 81 | $ 986 |

## (5) *Maturity Analysis for Financial Assets and Securities with Contractual Maturities*

| | Millions of Yen | | | |
|---|---|---|---|---|
| March 31, 2012 | Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years | Due after 10 Years |
| Cash and cash equivalents | ¥ 12,841 | | | |
| Receivables | 8,858 | | | |
| Marketable and investment securities— | | | | |
| Available-for-sale securities with contractual maturities | 300 | | ¥ 300 | |
| Total | ¥ 21,999 | | ¥ 300 | |

| March 31, 2012 | Thousands of U.S. Dollars: Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years | Due after 10 Years |
|---|---|---|---|---|
| Cash and cash equivalents | $ 156,236 | | | |
| Receivables | 107,775 | | | |
| Marketable and investment securities— | | | | |
| Available-for-sale securities with contractual maturities | 3,650 | | $ 3,650 | |
| Total | $ 267,660 | | $ 3,650 | |

Please see Note 5 for annual maturities of long-term debt.

## 14. DERIVATIVES

The Company and its consolidated subsidiaries have no outstanding position on derivatives as of March 31, 2012 and 2011.

## 15. COMPREHENSIVE INCOME

Reclassification adjustments and income tax benefit (expense) on other comprehensive income for the years ended March 31, 2012 and 2011 were as follows:

| | Millions of Yen 2012 | Millions of Yen 2011 | Thousands of U.S. Dollars 2012 |
|---|---|---|---|
| Unrealized loss on available-for-sale securities: | | | |
| Losses arising during the year | ¥ (28) | ¥ (20) | $ (341) |
| Reclassification adjustments to profit or loss | | (1) | |
| Amount before income tax effect | (28) | (21) | (341) |
| Income tax effect | (0) | 1 | (12) |
| Total | ¥ (29) | ¥ (20) | $ (353) |
| Total other comprehensive income | ¥ (29) | ¥ (20) | $ (353) |

## 16. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2012 and 2011 is as follows:

| | Millions of Yen | Thousands of Shares | Yen | U.S. Dollars |
|---|---|---|---|---|
| Year Ended March 31, 2012 | Net Income | Weighted-Average Shares | EPS | EPS |
| Basic EPS—Net income available to common shareholders | ¥ 1,556 | 23,775 | ¥ 65.43 | $ 0.80 |
| Year Ended March 31, 2011 | | | | |
| Basic EPS—Net income available to common shareholders | ¥ 1,125 | 23,776 | ¥ 47.30 | |

Diluted EPS is not disclosed because it is anti-dilutive for the years ended March 31, 2012 and 2011.

## 17. SUBSEQUENT EVENT

***Appropriations of Retained Earnings***

The following appropriation of retained earnings at March 31, 2012 is scheduled for approval at the Company's shareholders meeting on June 22, 2012:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Year-end cash dividends, ¥15 ($0.18) per share | ¥ 357 | $ 4,344 |

## 18. SEGMENT INFORMATION

**For the Years Ended March 31, 2012 and 2011**

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

**(1)** ***Description of reportable segments***

The Company defines a reportable segment as a component of the Company and its consolidated subsidiaries for which discrete financial information is available and operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

Operating departments of the Company and its consolidated subsidiaries are organized by service and each department develops and implements comprehensive strategies for its service. Thus, reportable segments of the Company and its consolidated subsidiaries are determined based on the operating departments as follows:

(*a*) *Information service business*

- Consulting and integration of information systems; design, development and maintenance of consignment software and packaged software; design, construction, monitoring and maintenance of various network systems, etc.
- Operational management for computer facilities and information systems, etc.
- Sales of computer and other information related equipment and system products such as software
- Education business in the IT field

(*b*) *Human resource service business*

- Worker dispatching business and related operations

**(2)** ***Methods of measurement for the amounts of sales, profit and other items for each reportable segment***

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

**(3) *Information about sales, profit and other items is as follows:***

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2012 | | | | |
| | Reportable Segment | | | | |
| | Information Service | Human Resource Service | Total | Reconciliations *1 | Consolidated *2 |
| Sales: | | | | | |
| Sales to external customers | ¥ 52,846 | ¥ 4,539 | ¥ 57,385 | | ¥ 57,385 |
| Intersegment sales or transfers | 3 | 98 | 101 | ¥(101) | |
| Total | ¥ 52,849 | ¥ 4,637 | ¥ 57,486 | ¥(101) | ¥ 57,385 |
| Segment profit | ¥ 2,869 | ¥ 102 | ¥ 2,971 | ¥ 2 | ¥ 2,973 |
| Other: | | | | | |
| Depreciation | 1,400 | 14 | 1,414 | | 1,414 |
| Amortization of goodwill | 426 | | 426 | | 426 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2011 | | | | |
| | Reportable Segment | | | | |
| | Information Service | Human Resource Service | Total | Reconciliations *1 | Consolidated *2 |
| Sales: | | | | | |
| Sales to external customers | ¥ 53,939 | ¥ 4,565 | ¥ 58,504 | | ¥ 58,504 |
| Intersegment sales or transfers | 4 | 84 | 88 | ¥ (88) | |
| Total | ¥ 53,943 | ¥ 4,649 | ¥ 58,592 | ¥ (88) | ¥ 58,504 |
| Segment profit | ¥ 2,220 | ¥ 75 | ¥ 2,295 | ¥ 1 | ¥ 2,296 |
| Other: | | | | | |
| Depreciation | 1,438 | 21 | 1,459 | | 1,459 |
| Amortization of goodwill | 433 | | 433 | | 433 |

| | Thousands of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | 2012 | | | | |
| | Reportable Segment | | | | |
| | Information Service | Human Resource Service | Total | Reconciliations *1 | Consolidated *2 |
| Sales: | | | | | |
| Sales to external customers | $ 642,973 | $ 55,226 | $ 698,199 | | $ 698,199 |
| Intersegment sales or transfers | 37 | 1,192 | 1,229 | $ (1,229) | |
| Total | $ 643,010 | $ 56,418 | $ 699,428 | $ (1,229) | $ 698,199 |
| Segment profit | $ 34,907 | $ 1,241 | $ 36,148 | $ 24 | $ 36,172 |
| Other: | | | | | |
| Depreciation | 17,034 | 170 | 17,204 | | 17,204 |
| Amortization of goodwill | 5,183 | | 5,183 | | 5,183 |

Notes: *1 There is no material adjustment to segment profit.
*2 Segment profit is reconciled to operating income in the accompanying consolidated statements of income.
*3 Assets are not allocated to operating segments.

***Related Information***

(1) ***Information about products and services***

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2012 | | | | |
| | Information Service | | | Human Resource Service | |
| | System Engineering Services | Operation Engineering Services | Product Services and Others | Worker Dispatch and Others | Total |
| Sales to external customers | ¥ 35,874 | ¥ 12,673 | ¥ 4,299 | ¥ 4,539 | ¥ 57,385 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2011 | | | | |
| | Information Service | | | Human Resource Service | |
| | System Engineering Services | Operation Engineering Services | Product Services and Others | Worker Dispatch and Others | Total |
| Sales to external customers | ¥ 36,130 | ¥ 12,723 | ¥ 5,086 | ¥ 4,565 | ¥ 58,504 |

| | Thousands of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | 2012 | | | | |
| | Information Service | | | Human Resource Service | |
| | System Engineering Services | Operation Engineering Services | Product Services and Others | Worker Dispatch and Others | Total |
| Sales to external customers | $ 436,476 | $ 154,191 | $ 52,306 | $ 55,226 | $ 698,199 |

(2) ***Information about geographical areas***

Information about geographical areas for the years ended March 31, 2012 and 2011 is omitted since sales in Japan accounted for more than 90% of the total consolidated sales.

(3) ***Information about major customers***

Information about major customers for the years ended March 31, 2012 and 2011 is omitted since there was no single external customer accounting for 10% or more of the consolidated sales.

* * * * * *