



Consolidated Summary Report of Operating Results for Fiscal 2011 (Year ended December 2011) [Japan GAAP]

February 7, 2012

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 Scheduled date of annual general shareholders' meeting: March 22, 2012 Scheduled date for distribution of dividend payments: March 23, 2012
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 Creation of supplemental material on financial results: Yes • No
 Holding of financial results briefing: Yes • No (For institutional investors and analysts)

(Amount rounded off to million yen)

1. Consolidated Results for Fiscal 2011 (January 1, 2011 to December 31, 2011)

(1) Consolidated operating results (Percentage figures reflect year-on-year change)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|-------------|-------------|----------|------------------|----------|-----------------|----------|-------------|----------|
| | Million yen | % change | Million yen | % change | Million yen | % change | Million yen | % change |
| Fiscal 2011 | 23,292 | 2.9 | 2,929 | -6.7 | 3,051 | -7.0 | 1,715 | 7.8 |
| Fiscal 2010 | 22,639 | -4.3 | 3,141 | 19.9 | 3,281 | 21.3 | 1,591 | 32.1 |

Note: Comprehensive income Fiscal 2011: 1,632 million yen (1.4%) Fiscal 2010: 1,609 million yen (-%)

| | Net income per share | | Net income per share (fully diluted) | Return on equity | Ratio of ordinary income to total assets | Operating profit margin |
|-------------|----------------------|----|--------------------------------------|------------------|--|-------------------------|
| | Yen | % | Yen | % | % | % |
| Fiscal 2011 | 3,756 | 80 | - | 15.6 | 21.5 | 12.6 |
| Fiscal 2010 | 3,485 | 23 | - | 15.6 | 24.8 | 13.9 |

(Reference) Profit/loss from equity method investments Fiscal 2011: 22 million yen Fiscal 2010: 21 million yen

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|-------------|--------------|-------------|----------------------------|----------------------|
| | Million yen | Million yen | Percent (%) | Yen |
| Fiscal 2011 | 14,453 | 11,410 | 78.9 | 24,964. 67 |
| Fiscal 2010 | 13,931 | 10,662 | 76.5 | 23,349. 47 |

(Reference) Shareholders' equity

Fiscal 2011: 11,399 million yen

Fiscal 2010: 10,662 million yen

(3) Consolidated cash flow position

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of the period |
|-------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Million yen | Million yen | Million yen | Million yen |
| Fiscal 2011 | 1,919 | (617) | (919) | 5,526 |
| Fiscal 2010 | 2,163 | 170 | (762) | 5,153 |

2. Dividends

| | Dividends per share (yen) | | | | | Annual dividends (Total) | Dividend payout ratio (consolidated) | Ratio of dividends to net assets (consolidated) |
|------------------------|---------------------------|----------------|---------------|-------------------|----------|--------------------------|--------------------------------------|---|
| | First quarter | Second quarter | Third Quarter | Year-end dividend | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Fiscal 2010 | - | 0.00 | - | 1,200.00 | 1,200.00 | 547 | 34.4 | 5.4 |
| Fiscal 2011 | - | 750.00 | - | 750.00 | 1,500.00 | 684 | 39.9 | 6.2 |
| Fiscal 2012 (Forecast) | - | 750.00 | - | 750.00 | 1,500.00 | | 35.5 | |

3. Projected Consolidated Results for Fiscal 2012 (January 1, 2012 to December 31, 2012)

(Percentage figures reflect year-on-year change)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|--------------------------------------|-------------|----------|------------------|----------|-----------------|----------|-------------|----------|----------------------|
| | Million yen | % change | Million yen | % change | Million yen | % change | Million yen | % change | Yen |
| First six months (accumulated total) | 11,480 | -2.4 | 1,280 | -21.5 | 1,300 | -24.0 | 780 | -27.3 | 1,708. 16 |
| Full year | 24,800 | 6.5 | 3,300 | 12.6 | 3,330 | 9.1 | 1,930 | 12.5 | 4,226. 60 |

4. Other

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries that involved changes in the scope of consolidation): Yes • No

New: companies (company names)

excluding: companies (company names)

Note: Presence or absence of changes in specified subsidiaries that involved changes in the scope of consolidation.

(2) Changes in principle, procedure, presentation

a. Changes accompanying revision of accounting standards: Yes • No

b. Changes other than a: Yes • No

Note: For details, please refer to "Changes in Material Information for the Preparation of Consolidated Financial Statements" on page 32 of Attached Materials.

(3) Number of outstanding shares (common stock)

a. Total outstanding shares as of the end of the period (including treasury stocks)

| | | | |
|-------------|----------------|-------------|----------------|
| Fiscal 2011 | 476,640 shares | Fiscal 2010 | 476,640 shares |
|-------------|----------------|-------------|----------------|

b. Total treasury stocks as of the end of the period

| | | | |
|-------------|---------------|-------------|---------------|
| Fiscal 2011 | 20,008 shares | Fiscal 2010 | 20,008 shares |
|-------------|---------------|-------------|---------------|

c. Average number of outstanding stocks during the quarter under review

| | | | |
|-------------|----------------|-------------|----------------|
| Fiscal 2011 | 456,632 shares | Fiscal 2010 | 456,632 shares |
|-------------|----------------|-------------|----------------|

(Reference) Overview of non-consolidated results

1. Non-consolidated Results for Fiscal 2011 (January 1, 2011 to December 31, 2011)

(1) Non-consolidated operating results (Percentage figures reflect year-on-year change)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|-------------|-------------|------|------------------|------|-----------------|------|-------------|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal 2011 | 14,630 | 2.4 | 2,745 | -9.7 | 2,803 | -9.8 | 1,547 | 4.5 |
| Fiscal 2010 | 14,290 | -7.2 | 3,039 | 11.5 | 3,108 | 12.3 | 1,480 | 41.5 |

| | Net income per share | Net income per share (fully diluted) |
|-------------|----------------------|--------------------------------------|
| | Yen | Yen |
| Fiscal 2011 | 3,389. 84 | - |
| Fiscal 2010 | 3,242. 94 | - |

(2) Non-consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|-------------|--------------|-------------|----------------------------|----------------------|
| | Million yen | Million yen | % | Yen |
| Fiscal 2011 | 12,997 | 11,064 | 85.1 | 24,229. 93 |
| Fiscal 2010 | 12,521 | 10,511 | 83.9 | 23,018. 71 |

(Reference) Shareholders' equity Fiscal 2011: 11,064 million yen Fiscal 2010: 10,511 million yen

2. Projected Non-consolidated Results for Fiscal 2012 (January 1, 2012 to December 31, 2012)

(Percentage figures reflect year-on-year change)

| | Net sales | | Ordinary income | | Net income | | Net income per share |
|--------------------------------------|-------------|------|-----------------|-------|-------------|-------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Yen |
| First six months (accumulated total) | 6,950 | -7.4 | 1,240 | -19.7 | 700 | -21.9 | 1,532. 96 |
| Full year | 15,300 | 4.6 | 3,060 | 9.2 | 1,740 | 12.4 | 3,810. 51 |

* Indication of audit procedure implementation status

This earnings report is exempt from audit procedures based upon the Financial Instruments and Exchange Act. At the time of this document's release, audit procedures for the financial statements under the Financial Instruments and Exchange Act had not been completed.

* Points to note about the proper use of projections, and other noteworthy events

(Points to note regarding descriptions about future, etc.)

The above projection, representing our best estimate based on information currently available to us, incorporates uncertain factors. For details of the preconditions used in making the above-mentioned forecast and other relevant matters, refer to page 3 of the accompanying material.

(Method of obtaining supplementary materials on operating results and content of materials to be distributed at operating results briefing)

The Company plans to hold an operating results briefing on February 9, 2012 for institutional investors and analysts. It plans to make available on its website the content of presentation materials to be distributed at the briefing immediately after the briefing.

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1. Operating Results

(1) Analysis of operating results

(Overview of fiscal year under review)

During the fiscal year under review in Japan, uncertainty over the course of the Japanese economy grew due to the advance in the appreciation of the yen and deceleration of the foreign economy, originating in the European debt issue, although there was a tendency of recovery from the economic slowdown resulting from the Great East Japan Earthquake, which caused unprecedented human and physical damages, thanks to restoration demand and other factors.

In the IT service industry, to which the Group belongs, a full-scale recovery is yet to come despite some signs of recovery of capital investment on IT, which leads to improved management efficiency and cost reductions. Hence, the IT service industry as a whole is facing a harsh business environment.

Under these circumstances, the Group's consolidated operating results for fiscal 2011 were as follows:

| | |
|------------------|---|
| Net sales | ¥23,292 million (up 2.9% year-on-year) |
| Operating income | ¥2,929 million (down 6.7% year-on-year) |
| Ordinary income | ¥3,051 million (down 7.0% year-on-year) |
| Net income | ¥1,715 million (up 7.8% year-on-year) |

The Group achieved the largest net income since its foundation.

The operating results by business segment are as follows. The operating results by business segment represent values before adjustment for internal sales or transfers among segments. With the application of the "Accounting Standard for Segment Information Disclosures," segmentation has been partially changed. Hence, a year-on-year comparison was made using figures for the previous fiscal year, calculated on the basis of a reclassification of business segment.

1. IT Consulting Business

Many projects, including major large projects, achieved their delivery dates and started operation smoothly due to our efforts to enhance project management and rationalize the quality management structure. We also won orders from new clients, which could become core clients in the future, and those projects have already started. At the same time, we pushed forward with activities for future business expansion, including acquisition of value-added operation and maintenance projects (VAO) and projects to introduce ERP to enterprises (major corporations), as well as development of cloud services for financial institutions. Furthermore, to expand the IT consulting business in the Southeast Asian region, we established a bridgehead by setting up a new company, North Consulting Group Pte. Ltd., in Singapore, making Brightree Solutions Sdn Bhd. of Malaysia a subsidiary, and purchasing a Thai company.

On the other hand, we focused on ensuring business continuity in an emergency, including natural disasters. Specifically, we divided our data center into two—one located in eastern Japan and the other in western Japan—and started their strategic distributed use; we also began renting an office building equipped with a non-utility generation facility, in addition to the existing telecommuting environment.

Consequently, net sales increased 4.9% from the previous fiscal year to ¥14,619 million, while operating income decreased 14.7% year-on-year to ¥2,570 million. The operating profit margin was maintained at a high level of 17.6%.

2. Package & Service Business

FutureOne, Inc. saw its sales grow significantly in the fourth quarter as a result of integrating software package businesses targeting small and mid-size companies, which had been dispersed within the group, promoting direct marketing for users, and consolidating functions in the "FUTUREONE" comprehensive brand series. Ascendia Inc. received orders smoothly throughout the year, and sales of public projects and of operation and maintenance services provided in cooperation with the Company increased steadily.

Consequently, net sales were ¥4,497 million, up 1.8% from a year earlier, and operating income was ¥333 million, up 95.7%.

3. Corporate Revitalization Business

Uoei Shoten Corporation, which operates a supermarket, further increased its gross profit margin to 23.4% from 22.5% in the previous year due to the efficient application of IT, including introduction of automatic order placement and EDI systems, which it had promoted, and squeezed selling and administrative expenses through an efficient advertising strategy. As a result, net sales were ¥4,553 million, up 1.5%, and operating income was ¥31 million, compared to an operating loss of ¥15 million in the previous fiscal year. The business segment was profitable on a full-year basis for the first time since it joined the Group.

(Outlook for the next fiscal year)

While restoration and reconstruction demand is expected to support the Japanese economy in the future, the outlook is uncertain, as exemplified by the possibility of a deceleration of the global economy and the further appreciation of the yen, and depends on the status of the European sovereign debt crisis. On the other hand, in the IT service market, while an overall tendency to control IT investment is expected to continue due to uncertainty over the economy, the need for companies to differentiate themselves from each other remains robust, and demand for cost reductions using cloud computing and improving the efficiency of operations and maintenance continues to be strong. Under these circumstances, our earnings forecast for the fiscal year ending December 2012 is as follows:

| | |
|-------------------------------|--|
| Consolidated net sales | ¥24,800 million (up 6.5% year-on-year) |
| Consolidated operating income | ¥3,300 million (up 12.6% year-on-year) |
| Consolidated ordinary income | ¥3,330 million (up 9.1% year-on-year) |
| Consolidated net income | ¥1,930 million (up 12.5% year-on-year) |

The noteworthy events for the following fiscal year are as follows:

(1) IT Consulting Business

The Group will work to achieve the dual goals of increasing the responsiveness of management through distributed real-time processing technology, which is a strength of the Group, and achieving cost reductions through downsizing. The Group will also further expand various new cloud services, such as those for the information systems of financial institutions, high-value-added operation and maintenance service (value added outsourcing (VAO)), and ERP for enterprises (major corporations). Furthermore, the Group reorganized functions under each division in January 2012 to provide more professional and detailed IT consulting services. Through the reorganization, the Group will further deepen relationships with existing clients, enhance its capability of providing proposals for new customers, and strengthen project management.

Meanwhile, in Southeast Asia, the Group will expand marketing activities that have already been launched, centering on the introduction of ERP. Furthermore, the Group plans to support the use of IT by Japanese companies entering the Asian region.

(2) Package & Service Business

FutureOne, Inc. will work to acquire projects with mid-standing corporations, which are relatively large in scale, by leveraging proposals for packages after understanding the businesses of clients, which is its strength, while continuing to enhance direct marketing and develop new sales channels. In addition, Future Architect further strengthen its cooperative structure with Group companies concerning further quality improvements to delivery services, development of next package products, and development of cloud services. Ascendia Inc. will display the effects of cooperating within the Group in operation and maintenance services and consigned development of systems, in which it has expertise.

(3) Corporate Revitalization Business

Regarding the Corporate Revitalization Business, the Group will work to raise customer satisfaction and expand sales of Uoei Shoten Corporation by enhancing its customer analysis capability through the use of point cards, while proceeding with a further rationalization of inventory management using IT more extensively.

(2) Analysis of financial condition

1. Assets, liabilities and net assets

The following are the status of assets, liabilities and net assets as of the end of fiscal year under review.

| | |
|-------------|---|
| Assets | ¥14,453 million (up 3.7% year-on-year) |
| Liabilities | ¥3,042 million (down 6.9% year-on-year) |
| Net assets | ¥11,410 million (up 7.0% year-on-year) |

The following is the analysis of financial condition for the fiscal year under review.

1) Assets

Current assets were ¥10,529 million on a consolidated basis at the end of the fiscal year under review, up ¥255 million from the end of the previous consolidated fiscal year, and fixed assets amounted to ¥3,924 million, up ¥266 million from the preceding year, with total assets standing at ¥14,453 million, up ¥521 million. The main factors were increases in short-term investment securities (an increase of ¥701 million from the end of the previous consolidated fiscal year), a rise in software (an increase of ¥207 million from the end of the previous consolidated fiscal year), and goodwill (an increase of ¥145 million from the end of the previous consolidated fiscal year), despite a decline in investment securities (a decrease of ¥254 million from the end of the previous consolidated fiscal year).

For the breakdown of increase in cash and deposits, please see “2. Analysis of cash flows.”

(2) Liabilities

Current liabilities amounted to ¥2,716 million at the end of the fiscal year under review, down ¥454 million from a year earlier, and noncurrent liabilities were ¥326 million, up ¥227 million from the preceding year, which brought total liabilities to ¥3,042 million, down ¥227 million from the previous year. The main factors included a decrease in income tax payable (a decrease of ¥290 million from the end of the previous consolidated fiscal year) and a decline in accounts payable-other (a decrease of ¥39 million from the end of the previous consolidated fiscal year) despite a rise in asset retirement obligations (an increase of ¥309 million from the end of the previous consolidated fiscal year).

(3) Net assets

Net assets were ¥11,410 million at the end of the fiscal year under review, up ¥748 million from the preceding year. The main factors included an increase of retained earnings (an increase of ¥825 million from the end of previous consolidated fiscal year).

2. Analysis of cash flows

The following is the analysis of the Group’s consolidated cash flows for the fiscal year under review.

(1) Cash flows from operating activities

Net cash inflow from operating activities was ¥1,919 million (compared with an inflow of ¥2,163 million in the previous fiscal year), primarily due to the posting of net income before taxes of ¥2,910 million and an income taxes payment of ¥1,420 million.

(2) Cash flows from investing activities

Net cash outflow from investing activities totaled ¥617 million (compared to an inflow of ¥170 million in the previous fiscal year), chiefly due to purchase of investment securities of ¥199 million and purchases of tangible fixed assets and acquisition of intangible fixed assets of ¥431 million.

(3) Cash flows from financing activities

Net cash outflow from financing activities was ¥919 million (compared with an outflow of ¥762 million in the previous fiscal year), mainly due to a cash dividends paid of ¥887 million.

(4) Cash and cash equivalents at end of the period

Cash and cash equivalents outstanding at the end of the fiscal year under review were ¥5,526 million, because of an increase of ¥373 million in cash and cash equivalents, the result of calculating cash flows from operating, investing and financing activities.

(3) Dividend policy and dividends for the current and next year

The Company seeks to maximize medium-term total returns (capital and income gains) to our shareholders. In order to achieve this goal, we will pay a dividend of surplus, targeting a dividend payout ratio on a non-consolidated basis of 30% or more of earnings, by comprehensively taking into consideration a proper balance between dividend payout and the status of period profit and loss and cash flows for the term, as well as purchases of treasury shares, after ensuring internal reserves needed for

important investments, aimed at enhancing R&D activities to ensure medium-term technological superiority; attracting and training personnel; implementing measures for strengthening project management; and enhancing M&A activities and alliances.

Dividend of surplus for the fiscal year under review is in accordance with the aforementioned policy. Starting from the fiscal year under review, the Company paid an interim dividend of ¥750 per share to increase opportunities for distributions to shareholders. Dividend payment for the full year is ¥1,500 per share when a planned year-end dividend of ¥750 is added. As a result, the dividend payout ratio on a consolidated basis is 39.9% and that on a non-consolidated basis will be 44.2%.

The Company's planned dividend payment for the next fiscal year is ¥1,500 per share (of which, interim dividend is ¥750), and this would represent a dividend payout ratio of 35.5% on a consolidated basis and that of 39.4% on a non-consolidated basis.

(4) Business risks

The followings are major factors that could cause risks in association with the Group's businesses as well as other parties, and thus could have a significant impact on investors' decisions.

The factors described need not necessarily be regarded as risk factors, but the Group deemed them as important for investors who are considering investing, and also useful in terms of proactive information disclosure to investors. Given the possibility of these risks, the Group will strive to prevent them from occurring and respond to them in the event they occur.

The forecasts referred to in the text are based on the Group's judgment as of February 7, 2012.

1) Economic conditions and business climate

While restoration and reconstruction demand is expected to support the Japanese economy, the outlook for the Japanese economy is assumed to be unclear since business could slow down due to deceleration of foreign economy and advance in the appreciation of the yen, depending on the status of the European debt issue.

At major corporations, which are main clients of the IT Consulting Business, IT investments are also indispensable, including investments aimed at quickly and efficiently coping with changes in the business environment and those for downsizing and use of cloud services in order to reduce IT cost. However, the Group may be affected by a decrease in the amount of investment in IT as a whole, reflecting uncertainty over the economic situation.

Also, it is effective for small and midsize companies, which are principle clients of the Package & Service Business, to use solutions based on inexpensive and highly versatile software packages to improve the efficiency of their operations. Use of IT, including use of cloud services, is expected to increase in the future among these companies. However, the amount of IT investments by small and midsize companies may decline, since they may be affected by business trends more greatly than major corporations.

As described above, the Group will strive to further increase its competitive edge by pushing forward with measures that are most suitable for needs of each client. However, it is likely that corporate investments will slow due to the economic trends, and orders will decrease. Hence, we need to make preparations so that we will be able to better respond to such a situation.

In the Corporate Revitalization Business, the Group provides services that closely meet the needs of local clients. However, operational results might be influenced by such external factors as economic trends, heightened price competition, and substantial price fluctuations of perishables due to abnormal weather and rumors.

2) Staying abreast of technological innovation

Ever since its establishment, the IT Consulting Business of the Group has endeavored to specialize in open systems that do not rely on specific products, by using cutting-edge IT and network technologies. Independent of any vendors, the Group strives to select the optimal products for clients, but the options of hardware, middleware, etc. may narrow as some vendors drop out due to the excessively harsh competition.

Thus, the Group needs to raise and maintain its competitiveness by putting its efforts and resources into the research and introduction of cutting-edge technologies, centering on IT. To this end, the Group is always gathering the latest information on software and hardware, with the core technology division at the helm. In the Package & Service Business, the Group is gradually upgrading software packages by making existing ones compatible with and developing next-generation products so that our software packages stay abreast of new technologies.

In addition, the selection and operation environment of hardware for applications at client companies has changed significantly in recent years due to innovations related to cloud computing technologies. The Group is responding quickly to such changes by introducing cloud computing to accumulated technologies and solutions, and further enhancing research and development.

However, should the Group not manage to fully keep abreast of new technologies, its competitiveness may decline leading to fewer orders being received.

3) R&D activities

In recent years, the economic climate that our clients find themselves in has been dramatically changing and the rate of progress in IT has been increasing, causing the information systems of our clients to become obsolete more quickly. Therefore, it is crucial for the Group to develop advanced systems in shorter time spans, while taking future trends into full account. Against this backdrop, the Group is making the most of various components and development support tools.

Such components and development support tools have enabled the Group to significantly improve system quality and productivity in actual systems development. However, the technological evolution of IT is rapid and client needs are becoming more sophisticated and complicated.

To respond to such needs, it is important for the Group to continue to incorporate new technical elements into these components and development support tools so that it can develop high-quality systems more promptly; improve processing performance through decentralization; facilitate the system maintenance through centralized management; and standardize interfaces to enable smooth interconnectivity with other systems.

The Group also needs to expand the range of industry-specific platform models, in order to effectively and efficiently leverage the know-how it has accumulated.

In the Package & Service Business, when customizing packages to suit clients' needs, the Group uses templates by business type and additional libraries prepared in advance, aiming to offer high-quality products and deliver them in a short time, and is constantly adding variations to these templates and libraries.

Furthermore, the Group is promoting research and development for introduction of cloud computing to various solutions, including financial, CRM, and ERP packages, and implementing cloud computing.

In the future, the Group will continue to focus on such research and development. The Group will further make efforts to obtain able personnel who proceed with such R&D. However, there is a possibility that the Group may fail to recruit such persons or that the R&D activities do not fare as well as expected, which would have an adverse effect on the Group's competitive edge.

4) Recruitment and training

The Group understands that recruiting excellent personnel and training them are the most important tasks for the development of the Group's businesses. To this end, the Group develops various employment activities and focuses on training and education. In the fiscal year under review, recruitment and training expenses amounted to ¥198 million and ¥60 million, respectively. The Group intends to continue to attach importance to personnel acquisition and training. However, should these efforts prove unsuccessful the Group's growth potential would be hampered.

Moreover, increases in the number of employees result in higher fixed labor costs, creating downward pressure on performance when the Group fails to receive orders sufficient to cover those increases in fixed costs.

5) Strengthening relations with partners

The Group is committed to the acquisition and training of talented staff as a corporate resource. However, in response to the demand of each phase of a given project, we also think it is crucial to obtain appropriate external partners in a timely manner. Consequently, the Group is endeavoring to strengthen its alliance with business partners and create corporate structures that will serve the Group flexibly in the expansion of the scale of its business. In order to raise productivity and the quality of the Group's system development, training is provided on the Group's proprietary design and development methods for partners who support Group management policies.

However, as the Group's degree of dependence on partners increases, there is a possibility that additional costs may be incurred which were not foreseen at the time of the concluding of contracts, due to the delay in bringing service quality to a level that fully satisfies customers, or a possibility that projects may be delayed as no partners who agree to the management policies of the Group are found.

6) Project management

There is no doubt that project management is required for every project. Accordingly, project control is one of the key issues for the Group to tackle.

To enhance its project control, the IT Consulting Business of the Group is strengthening and strictly operating a project review system through engineers experienced in quality control.

The Group is also integrating, expanding and evolving present standard project promotion methods, while establishing and adopting quality control techniques consistent with global standards in model configuration. In addition, the Group is making great efforts to share knowledge concerning IT and to focus on education and training in project management, while solving bugs and thoroughly managing progress in projects using a new project information sharing system.

In the Package & Service Business, although most projects are small and relatively easy to control, the Group is working to improve quality management by increasing the number of persons in charge of reviews and through other measures because the number of orders received for larger projects is increasing.

As seen above, the Group is continuing to strengthen quality control and project management. However, as it is impossible to completely eliminate risks associated with projects, unless the Group's project management functions satisfactorily, the profitability of projects may deteriorate.

7) Dependence on specific clients

The IT Consulting Business of the Group may come to rely heavily on sales to specific clients for a time, when large-scale projects enter the development phase and a significant portion of human resources within (and outside) the Group has to be allocated to such projects.

While the method of receiving orders in installments allows the Group to at least temporarily refrain from proceeding to the next phase of a project if a client fails to make timely payment (or when its credit standing deteriorates), the Group could nevertheless be affected by the financial performance and/or IT investment policy of specific clients.

8) Expanding scale of projects

The average size of clients' operations is growing. In addition, needs for projects involving the comprehensive rebuilding of both information and mission-critical systems (large-scale downsizing projects) with open system technologies is increasing and such projects are beginning to occupy a greater share of the Group's total sales.

As a result, the scale of projects undertaken by the Group is growing. To pilot these large-scale projects to success and ensure complete client satisfaction, a high level of project management skill is required.

The Group assigns highly experienced project leaders to such large-scale projects. As the project progresses, at each important milestone, the project review team composed of personnel in charge of their specialized areas meet to identify potential problems at an early stage and to ensure timely implementation of necessary countermeasures. However, as projects grow in scale, so inevitably do the potential risks. To achieve quality standards that will fully satisfy the clients, additional costs may be incurred that were not foreseeable at the time the contract was concluded. Furthermore, it may at times become necessary to revise the delivery schedule owing to various factors such as a change in specifications, which could affect sales and profits for an entire fiscal period.

Once a large-scale project is completed, the large number of consultants previously assigned to the projects need to be reassigned to other projects. Because of the number of consultants involved, they may not be reassigned to other projects in timely manner, which could have adverse effects on sales and profits for a fiscal period.

The Group is making the utmost effort to maintain quality of service and to meet delivery commitments, in order to ensure that clients do not suffer losses through any service offered by the Group. While maximum damages payable to clients are stated in the contracts, if a client claims for damages or makes a complaint about a transaction or project, the Group may incur legal expenses, damages or other expenditures affecting the corporate resources.

9) Reserve for quality assurance and provision for loss on project

The Group may provide its clients with free services that were unforeseeable at the time of concluding contracts or at the close of the accounting period, in order to guarantee the quality of its product so that customers will be completely satisfied. Although this enhances customer confidence in the Group and their evaluation of it, if the project management malfunctions, the project has to be extended or additional personnel have to be allocated because of an unexpected problem or a discrepancy between the estimated number of man-hours worked and the actual number worked, then there is a possibility that the group will be liable for the costs involved.

To cope with the risk of additional costs after the end of projects, which is among the risks mentioned above, the Group has established a reserve for quality assurance, stating an amount for future costs based on estimates calculated from past experience. For the fiscal year under review, the Group set aside ¥65 million as a reserve, considering this amount sufficient to meet potential future payments.

For specific ongoing projects for which a loss is expected to occur, the Group has established a provision for loss on projects, stating an amount for future loss based on estimates calculated reasonably. For the fiscal year under review, the Group set aside ¥4 million as provision.

The possibility remains that actual payments may exceed this amount if there are extenuating circumstances.

10) Fixed assets

In the Corporate Revitalization Business, the Group operates retail stores. If the business environment changes significantly because of such factors as competitors establishing large stores in their marketing areas, the Group may post

impairment losses on buildings of specific stores, etc. and its earnings may be affected.

11) Prior investments in assets

The Group develops software for internal use to improve information available for business management and to make its operations more efficient. Software for in-house use may be stated in assets, with the expectation that costs decrease due to improvement in operational efficiency, but the value of software can decline if specific functions should rapidly become obsolete due to changes in technological trends and drastic operational changes.

The Group is also engaged in developing software to provide cloud services to clients in a variety of business categories, including the financial sector, and as well as various software packages. The Group may state these software packages as assets by making reasonable assessments of future orders and sales. However, the Group may fail to fully recoup its investments because of unforeseen abrupt changes in market conditions and changes in technical trends. In addition, under the business model, prior investments are made for software development, and software is sold and introduced after the completion of development. Accordingly, if a sales plan does not work smoothly, fundraising may become difficult and the Group's financial condition might be affected.

In the Corporate Revitalization Business, the Group purchases land and buildings, arranges the interiors and procures goods, before selling them. Hence, before establishing stores and procuring goods, the Group carefully conducts marketing research. However, unless sales targets are achieved satisfactorily, it will become difficult to secure operating funds, and the Group's financial conditions may be affected.

12) Hygiene management

Consumers are increasing their awareness about food safety, as seen in the publicized cases of food whose place of origin and ingredients have been mislabeled. Under such circumstances, the Group, whose Corporate Revitalization Business deals with food, makes great efforts to secure high-quality foods and thoroughly manage safety and hygiene, while emphasizing food safety more than ever. However, if problems occur relating to the safety of goods, such as food poisoning, and an unexpected situation breaks out, such as BSE issue, avian influenza or a norovirus, the Group's earnings may be affected.

13) Information security

In the course of undertaking transactions, the Group comes to know various top-secret information of its clients, ranging from technical to management information.

Accordingly, the Group regards "information management" as a key managerial issue, and formulates measures against the leakage of such top secret information considering from various perspectives. The measures include: the establishment of a security committee to maintain and strengthen the information management system within the Group; and promotion of activities to enlighten and educate the Group's employees on information management as well as enhancing their awareness for this issue. However, in the event of the leakage of a client's confidential information, the Group may face lawsuits and the client in question will be lost to us. The result may seriously affect the Group's earnings.

Moreover, the Group is endeavoring to strengthen its entire system for protecting personal information. To this end, it has set up a special project, which is tasked to familiarize every officer and employee with the importance of personal information through enlightenment activities. The Group has acquired Japan's "Privacy Mark," a sign of quasi-official acknowledgment that the holder properly manages personal information, and the Company has obtained ISO 27001:2005 Certification Standard for Information Security Management System (ISMS Certification).

14) Strategic investments

The Group may make investments in securities taking business relationships and the prospect of possible future partnerships into consideration. There is a risk that it would sustain losses equivalent to the entire investment in such a company, because of such a firm's major business failure. Furthermore, depending on operating performance of the firms in which the Group invests, the Group earnings may be affected as a result of the statutory requirement to devalue its investment in the firms.

15) Lawsuits, etc.

The Company initiated legal action in November 2009 relating to the payment of contract fees, etc., against NITTO DENKO CORPORATION, and the case is still pending in the Tokyo District Court. Also, NITTO DENKO CORPORATION brought a counterclaim against the Company in December 2011.

There also is a possibility that lawsuits or disputes will occur between the Company and the targets of investment and loans, business partners, suppliers, and other parties as the Group operates its business. At this time, we cannot foresee the final judgment that will be passed by courts concerning the lawsuit currently under trial and cases of lawsuits that could occur in the future. However, the details and results of these lawsuits may seriously affect the Group's earnings and performance.

Furthermore, regardless of the results of these lawsuits, the Group's earnings may be adversely affected as a result of a decline in the credibility and reputation of the Group due to critical reports concerning the lawsuits.

16) Effects of large-scale disasters, etc.

The Group takes measures to cope with emergencies by dispersing offices and using plural data centers. However, when large-scale disasters, etc., occur, there is a possibility that employees of Group and offices, etc., of the Group and their systems may be damaged, and the Group's earnings and performance may be seriously affected by restoration cost and lost opportunities as a result of business interruption.

17) Development of overseas business

The Group is accelerating overseas development, centering on the Asian region, as one of its medium- to long-term strategies. Overseas expansion is affected by various factors, including trends of not only the Japanese economy but also the global economy, exchange rates, legal regulations, and political trends of each country/region and differences in business practices. These factors could adversely affect the Group's earnings and performance.

2. The Future Group

The Group (the parent and related companies) consists of 14 consolidated subsidiaries and 4 equity-method affiliates, and operates three main businesses, the IT Consulting Business, the Package & Service Business, and the Corporate Revitalization Business. Business activities, involved major companies and relationships with business segment are as follow. The classification is the same as segmentation.

(IT Consulting Business)

In this business, the Group helps clients solve problems, by sharing management issues with them from a managerial perspective, understanding the essence of the clients' businesses and establishing information systems for them using advanced IT.

| Company name | Business activities |
|---|---|
| Future Architect, Inc. (Parent company) | Using its advanced information technology, Future Architect, Inc. offers IT consulting, hardware and other procurement services from an objective and independent position. The Company also functions as corporate headquarters for the Group. |
| ABM Corporation (subsidiary) | Development and sales of managerial accounting packages and related consulting |
| North Consulting Group Pte. Ltd. (subsidiary) (new) | Introduction of ERP and provision of consulting services in Southeast Asia, including Singapore |
| Brightree Solutions Sdn Bhd. (subsidiary) (new) | Introduction, customization, and operation and maintenance of ERP in Malaysia |
| ELECTRA (T) LTD. (subsidiary) (new) *1 | Introduction, customization, and operation and maintenance of ERP in Thailand |

(Package & Service Business)

In this business, the Group helps clients improve their operational efficiency, by selling or providing via ASP operations software packages for highly specialized fields, such as sales management and ERP, and developing mission-critical systems on a commission basis.

| Company name | Business activities |
|------------------------------|--|
| FutureOne, Inc. (subsidiary) | Development and sales of and support for "FUTUREONE" mission-critical software centering on sales management, production management and accounting, and building of EC sites |
| Ascendia Inc. (subsidiary) | Development of systems based on Java and Web technologies, personnel training, sales of systems for e-Government and development tools |

(Corporate Revitalization Business)

To get deeply involved in the management team of client firms, revitalize client firms through drastic reform focusing on IT, and establish success models for each industry.

| Company name | Business activities |
|--------------------------------------|---|
| Uoei Shoten Corporation (subsidiary) | Operation of "Uoei" grocery supermarket |

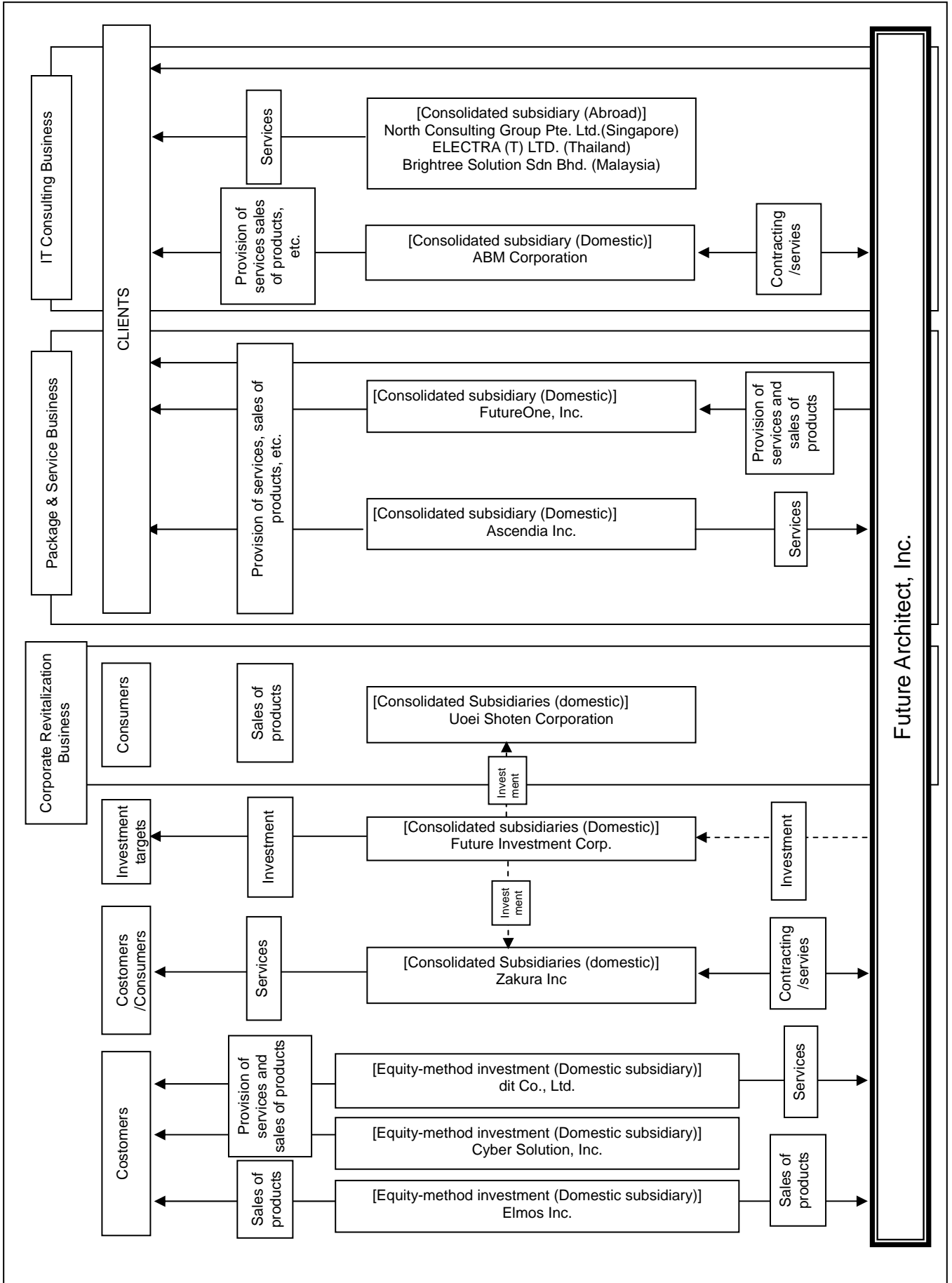
Of affiliated companies engaged in businesses that are not included in the three businesses mentioned above, such as Internet-related businesses and securities investment, holding and management, the main companies are as follows:

| Company name | Business activities |
|--------------------------------------|---|
| Zakura Inc. (subsidiary) *2 | Internet media business and provision of information system consulting service |
| Future Investment Corp. (subsidiary) | Securities holding, management and investment |
| dit Co., Ltd. (affiliate) | Development and sales of security network products and development and provision of such services |
| Cyber Solution, Inc. (affiliate) | Establishment of ASP service systems and corporate information system bases, and provision of operations planning and management services |
| Elmos Inc. (affiliate) | General printing, and sales of office fixtures, OA (office automation) supplies, OA equipment, POS systems, etc. |

*1 ELECTRA (T) LTD. changed its trade name to North Consulting Group (Thailand) CO., LTD. as of January 6, 2012.

*2 Zakura Inc. changed its trade name to Tokyo Calendar Inc. as of February 1, 2012.

<Business System Diagram>



Affiliated companies

(1) Consolidated subsidiaries

| Name | Location | Capital (in thousands of yen) | Main business activities | Voting right ratio (%) | Relationship | | | |
|--|-------------------------------|-------------------------------------|---|---------------------------|--------------------------------------|--------------------------------------|------------------------|---|
| | | | | | Interlocking directors | | Monetary assistance | Business transactions |
| | | | | | Number of company directors | Number of company employees | | |
| ABM Corporation | Shinagawa-ku, Tokyo | 80,000 | IT Consulting Business | 100.0 | 1 | 2 | Fund lending | Provision of the license for ABC cost accounting packages |
| North Consulting Group Pte. Ltd. | SINGAPORE, SINGAPORE | 100,350 (US\$ 1,250 thousand) | IT Consulting Business | 100.0 (100.0) | 1 | 1 | None | None |
| Brightree Solutions Sdn Bhd. | PETALING JAYA, MALAYSIA | 2,409 (100 thousand ringgit) | IT Consulting Business | 51.0 (51.0) | - | - | None | None |
| Siam NCG Holdings Co., LTD. | BANGKOK, THAILAND | 245 (100 thousand baht) | IT Consulting Business | 100.0 (100.0) | - | - | None | None |
| ELECTRA (T) LTD. | BANGKOK, THAILAND | 24,500 (10,000 thousand baht) | IT Consulting Business | 100.0 (100.0) | - | - | None | None |
| FutureOne, Inc. | Shinagawa-ku, Tokyo | 200,000 | Package & Service Business | 100.0 | 1 | 2 | None | Provision of the license for sales management packages |
| Ascendia Inc. | Oita-shi, Oita | 83,700 | Package & Service Business | 100.0 | - | 3 | Fund lending | Receipt of services for development |
| Uoei Shoten Corporation | Minami-ku, Niigata | 198,000 | Corporate Revitalization Business | 100.0 (100.0) | - | 1 | None | None |
| Zakura Inc. | Shinagawa-ku, Tokyo | 50,000 | Other | 100.0 (100.0) | 1 | 1 | Fund lending | Receipt of services for development |
| Future Investment Corp. | Shinagawa-ku, Tokyo | 10,000 | Other | 100.0 | 2 | 1 | Fund lending | None |
| RI Partners Limited Liability Association | Shinagawa-ku, Tokyo | 348,000 | Other | 100.0 (100.0) | - | - | None | None |
| Future Architect, Inc. | CALIFORNIA, U.S.A. | 11 (US\$ 100) | Other | 100.0 | 3 | - | None | None |
| Future Global Pte. Ltd. | SINGAPORE, SINGAPORE | 108,378 (US\$ 1,350 thousand) | Other | 100.0 | 3 | - | Fund lending | None |
| Associant Technology Inc. | Oita-shi, Oita | 273,475 | Other | 100.0 | 1 | 1 | None | None |

- Notes: 1. The name of the business segment is stated in "Main business activities."
2. FutureOne, Inc., Uoei Shoten Corporation, RI Partners Limited Liability Association and Associant Technology Inc. are specified subsidiaries.
3. The above subsidiaries file neither securities registration statements nor securities reports.
4. Figures in the parentheses in "Voting right ratio" represent an indirectly owned ratio and are included in the figures above the parentheses.
5. Future Investment Corp. is a managing partner of RI Partners Limited Liability Association.
6. Only transactions directly conducted with the Company are stated in "Monetary assistance" and "Business transactions."

(2) Affiliated companies to which equity method is applicable

| Name | Location | Capital (in thousands of yen) | Main business activities | Voting right ratio (%) | Relationship | | | |
|----------------------------|----------------|-------------------------------|--------------------------|------------------------|-----------------------------|-----------------------------|---------------------|--|
| | | | | | Interlocking directors | | Monetary assistance | Business transactions |
| | | | | | Number of company directors | Number of company employees | | |
| dit Co., Ltd. | Koto-ku, Tokyo | 428,745 | Other | 47.9 | 1 | - | None | Receipt of services for network consulting |
| Cyber Solution, Inc. | Koto-ku, Tokyo | 310,000 | Other | 47.9 (47.9) | 1 | - | None | None |
| Elmos Inc. | Chuo-ku, Osaka | 10,000 | Other | 40.0 (40.0) | - | - | None | Purchase of OA equipment and fixtures |
| Axis Solutions Corporation | Koto-ku, Tokyo | 17,000 | Other | 20.0 (20.0) | - | - | None | Receipt of services for development |

- Notes: 1. The name of the business segment is stated in "Main business activities."
2. Figures in the parentheses in "Voting right ratio" represent an indirectly owned ratio and are included in the figures above the parentheses.

3. Management Policy

(1) Basic corporate tenets

The mission of the Company is to raise future value of client companies and society by providing the proper state in which business should be and an optimal mechanism to realize it by proactively taking in cutting-edge IT technologies, with a view to promising the greatest success to clients. We understand that endless pursuit of optimum and taking up the challenge of achieving optimum to realize our mission is the service we provide and the starting point of ourselves. In addition, we are striving to make all employees share and understand the basic tenets of the Company by establishing the following corporate philosophies.

(Corporate philosophies)

- We love science and technology and contribute to corporate and social changes. Also, We continue to change ourselves.
- We will not be fearful of or daunted by ““being insufficient,”” and try to change impossibility to possibility using our own ingenuity and enthusiasm.
- We continue to have a desire to improve ourselves and attach importance to the enhancement of individual capability through constant hard study as well as understand the limit of power of individuals and resolve even greater challenges by organically combining power of colleagues.
- We conduct warmhearted and humorous organization operation, which features courtesy and behavior according to time, place and opportunity though it is based on merits and results.
- We will not be arrogant when we have a pleasant time, and we will never forget hope when we have a bad time.
- We learn from history, strive to deepen mutual understanding and engage in international exchanges and cooperation.

Basic policies of each business segment are as follows:

1) IT Consulting Business

The Company believes that business reform can be realized only when we focus on three domains of management, business and systems, not merely aiming at realization of functions by IT. To that end, the Group has maintained a neutral position, independent of any hardware vendors or software vendors, and has been pursuing optimization by specializing in open systems ever since its establishment while proceeding with establishment of methodology, which enables it to provide high-quality and high-speed services that draw out maximum performance, and various kinds of standardization.

We also aim to improve customer satisfaction by providing integrated services, which cover consulting phase, design of systems, development of application software, selection and procurement of hardware and software products and education and operation phases, giving a concrete form to the results of consulting as systems, not merely presenting such results as a concept, and offering them for actual use by clients to enable them to actually feel such results as the fruit of business.

2) Package & Service Business

We fully meet the needs of small and midsize companies, which are our major clients in the Package & Service Business, by not only providing IT systems that support businesses of the client at a lower cost and in a shorter installation period in accordance with the needs of small and midsize companies by making the most of successful cases, know-how and IT asset the Company has accumulated through provision of services to large client companies, but also customizing these software packages according to the client's business type and market. We are also offering cutting-edge functions, such as visualization of internal control and work, as standards.

3) Corporate Revitalization Business

The Group will strive to revitalize subject companies by fully using strategic and technological experience in the distribution industry it has accumulated so far, with use of IT as the core, and sublimate the results obtained through operation of the business into IT systems that can be used generally in the same business category, so that they can be applied to other businesses.

(2) Goals and objectives

To differentiate ourselves from competitors and maintain growth, the Group concentrates management resources on the fields in which it makes strategic investments, such as research and development, training, and recruiting. At the same time, however, we have set the goal of an ordinary income margin of 20% or more a year for the mainstay IT Consulting Business. We also aim to achieve an ordinary income margin of at least 10% for the Package & Service Business, and about 5% for the Corporate Revitalization Business.

(3) Medium to long-term management strategies

We will put designing management and IT in the center of our medium to long-term management strategies, as a leading company of IT consulting.

We will develop our accumulated know-how expertise on managerial reform, IT technological capabilities, etc., in the IT Consulting Business, and organically combine it with the Package & Service Business and the Corporate Revitalization Business, aiming to provide solutions that deliver greater customer satisfaction within the two businesses. Also, we will focus on reduction of development cost through the visualization of projects, standardizing development processes and establishment of new design development methods and on significant improvement of system quality. The specific strategies for this are as follows:

1) Further growth of core business (IT Consulting Business)

In uncertain economic situations and a harsh management environment, needs for investment resulting in reduction of IT cost and strategic use of IT for ensuring clients and expanding business are expected to further grow among companies in Japan. Against this backdrop, the Group will provide high-value-added know-how and technologies, including downsizing by open systems and real-time processing, more speedily and at higher quality than ever, in the industries where the Company has accumulated track records ((logistics, distribution, finance, service, etc.)).

In addition, new needs of clients, such as reduction of maintenance and operation cost, improvement of quality and turning of IT cost into variable expenses through cloud services, have become obvious. To meet such needs, the Group will drive ahead with provision of new services. To that end, we will proceed with: “VAO” ((Value Added Outsourcing)), which rationalizes operation and maintenance cost and adds value by taking over the operation of not only systems developed by the Company but also those built by competitors; “Isnar+,” a service to visualize opinions of clients using IT and utilize them not only in handling of cases but also in operations, improvement of products and services and development of products; services developed by extensively turning information systems for financial institutions into cloud computing-based ones; and cloud services by business category, including distribution and logistics. Furthermore, the Group will meet needs of customers, to which it has not responded proactively, by working on service to introduce ERP products of SAP AG and Oracle Corporation to major corporations, in addition to the existing component-type development.

2) Expansion of business for small and mid-size companies (Package & Service Business)

Among small and midsize companies whose human and physical resources are limited, needs are great for realizing improvement of business efficiency and managerial reform through the use of package solutions and cloud computing that can be introduced at relatively low cost and in short time. The Group believes that grasping such needs will lead to growth of this business. The Group consolidated businesses related to software packages and cloud computing for small and midsize companies, which were dispersed within the Group, to FutureOne, Inc. and is proceeding with measures such as enhancement of direct marketing. The Group will aim to expand sales and raise operating profit margin by satisfying detailed needs of clients through proposals for high-level solutions by applying IT consulting know-how and technologies for major corporations to those for small and midsize companies.

3) Acceleration of global development (IT Consulting Business)

The Group considers the Asian region, where the information infrastructure is immature while economy has been growing significantly in recent years, to be a large latent market for the Group. To proactively push forward with global development, including Asia, the Group will promote the establishment of a structure that can cover development of the IT Consulting Business in Southeast Asian region, the mainland China, including Hong Kong, with Singapore, Malaysia and Thailand for a starter. The Group will further enhance not only IT consulting for local companies but also IT support for Asia development by its client companies in Japan.

(4) Issues the Company faces

- (1) Stepping up our large scale project management capabilities and establishing a support infrastructure [IT Consulting Business, Package & Service Business]

The Group believes that the results of its focus on strengthening of project management capabilities, which it positions as an important management challenge, have been produced in terms of smooth progress in projects. In addition to further refining and standardizing development technologies more than ever, we will endeavor to enhance preventive support infrastructure that can respond to any issue that arises from the start of a project to the start-up of the system and even after it is put into operation.

- (2) Research and development of core design and development technologies [IT Consulting Business]

With regard to a number of proprietary core design/development technologies common to our projects, we will continue research and development to realize the improvement in productivity and technological superiority more than ever, and achieve a wider sharing of knowledge within the Company.

- 3) Recruitment and training of professionals [IT Consulting Business, Package & Service Business]

The Group understands that what is most important for raising corporate value of the Group is personnel and that it is necessary to ensure and train highly qualified personnel. We continue to create an environment conducive to proactively attracting talented people by challenging the frontiers of information technology and train professionals through training and project fields.

- (4) Enhancement of outside alliances [IT Consulting Business]

To always provide optimal solutions to clients, the Company will maintain good relations with corporations that have particularly excellent technologies and strive to enhance alliances with them, while grasping the technological trends in the world.

- (5) Overseas (Asia) development [IT Consulting Business and Package & Service Business]

The Group has already ensured bases in Singapore and other locations and started Asia development. The Group will put sales and development in these bases into full swing and further expand the scope of entry to the mainland China, including Hong Kong. In addition, the Group will expand business by making existing solutions and products conform to multiple languages, developing software packages and cloud computing and supporting Asia development of Japanese companies.

- 6) Improving profit margin [Package & Service Business]

As for the Package & Service Business, a structure to expand order acceptance is being established through the improvement of the sales structure and consolidation and enhancement of the lineup of packages. The Group will aim to raise operating profit margin through measures to improve the degree of perfection of packages themselves by adding functions strongly demanded by clients and control cost by strengthening the management of customization person-hours.

- 7) Sales, purchase, and inventory information management by using IT [Corporate Revitalization Business]

The Group will continuously carry out reform using IT, covering all stages from client marketing to purchase and sales of products and management of inventories, aimed at urging clients to repeatedly purchase products through enhancement of satisfaction and trust of customers who visited stores.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(in thousands of yen)

| | Fiscal 2010 (December 31, 2010) | Fiscal 2011 (December 31, 2011) |
|---|------------------------------------|------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 5,233,036 | 5,076,449 |
| Notes and accounts receivable-trade | 2,941,834 | 2,770,586 |
| Short-term investment securities | - | 701,110 |
| Merchandise and finished goods | 136,929 | 126,890 |
| Work in process | 48,752 | 54,928 |
| Deferred tax assets | 188,282 | 146,561 |
| Accounts receivable-other | *4 1,419,725 | *4 1,357,981 |
| Other | 318,544 | 302,005 |
| Allowance for doubtful accounts | (13,001) | (7,364) |
| Total current assets | 10,274,105 | 10,529,150 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 2,783,895 | 3,077,281 |
| Accumulated depreciation | *2 (2,361,122) | *2 (2,654,607) |
| Buildings and structures, net | 422,772 | 422,673 |
| Land | 127,762 | 122,868 |
| Other | 1,459,776 | 1,549,422 |
| Accumulated depreciation | *2 (1,223,002) | *2 (1,308,490) |
| Other, net | 236,773 | 240,931 |
| Total tangible fixed assets | 787,309 | 786,474 |
| Intangible assets | | |
| Software | 179,203 | 386,794 |
| Goodwill | - | 145,464 |
| Other | 20,529 | 22,063 |
| Total intangible fixed assets | 199,732 | 554,322 |
| Investments and other assets | | |
| Investment securities | *1, *5 1,778,560 | *1 1,523,639 |
| Lease and guarantee deposits | 769,357 | 840,114 |
| Deferred tax assets | 115,096 | 218,382 |
| Other | 60,044 | 61,320 |
| Allowance for doubtful accounts | (52,565) | (60,043) |
| Total investments and other assets | 2,670,494 | 2,583,414 |
| Total fixed assets | 3,657,535 | 3,924,210 |
| Total assets | 13,931,640 | 14,453,360 |

(in thousands of yen)

| | Fiscal 2010 (December 31, 2010) | Fiscal 2011 (December 31, 2011) |
|---|------------------------------------|------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 639,573 | 644,020 |
| Short-term loans payable | 30,000 | 32,327 |
| Current portion of long-term loans payable | 32,000 | 16,000 |
| Accounts payable-other | 607,229 | 567,454 |
| Income taxes payable | 880,886 | 590,481 |
| Provision for bonuses | 98,783 | 106,269 |
| Reserve for quality assurance | 139,163 | 65,359 |
| Reserve for loss on projects | 7,000 | 4,200 |
| Other | 736,393 | 690,054 |
| Total current liabilities | 3,171,030 | 2,716,167 |
| Noncurrent liabilities | | |
| Long-term loans payable | 16,000 | - |
| Asset retirement obligations | - | 309,408 |
| Negative goodwill | *3 52,786 | - |
| Other | 29,710 | 16,899 |
| Total non-current liabilities | 98,496 | 326,307 |
| Total liabilities | 3,269,527 | 3,042,475 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,421,815 | 1,421,815 |
| Capital surplus | 2,495,772 | 2,495,772 |
| Retained earnings | 7,836,204 | 8,661,248 |
| Treasury stock | (1,171,668) | (1,171,668) |
| Total shareholders' equity | 10,582,123 | 11,407,167 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 82,095 | (1,483) |
| Foreign currency translation adjustment | (2,105) | (6,017) |
| Total valuation and translation adjustments | 79,989 | (7,501) |
| Minority interests | | |
| Minority interests | - | 11,220 |
| Total net assets | 10,662,113 | 11,410,885 |
| Total liabilities and net assets | 13,931,640 | 14,453,360 |

(2) Consolidated statements of income and comprehensive income

(in thousands of yen)

| | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|--|---|---|
| Net sales | 22,639,154 | 23,292,666 |
| Cost of sales | *1 13,605,853 | *1 14,280,213 |
| Gross profit | 9,033,301 | 9,012,452 |
| Selling, general and administrative expenses | | |
| Directors' compensations | 274,186 | 310,287 |
| Salaries and bonuses | 3,032,964 | 3,092,535 |
| Other salaries | 91,446 | 99,989 |
| Training expenses | 111,596 | 60,940 |
| Research and development expenses | *2 85,072 | *2 32,310 |
| Depreciation and amortization | 116,051 | 129,483 |
| Recruiting expenses | 92,822 | 198,915 |
| Amortization of goodwill | 7,235 | 15,060 |
| Other | 2,080,881 | 2,143,064 |
| Total selling, general and administrative expenses | 5,892,257 | 6,082,587 |
| Operating income | 3,141,043 | 2,929,865 |
| Non-operating income | | |
| Interest income | 2,820 | 2,592 |
| Dividends income | 20,335 | 20,444 |
| Amortization of negative goodwill | 69,797 | 56,617 |
| Equity in earnings of affiliates | 21,957 | 22,895 |
| Other | 37,423 | 29,090 |
| Total non-operating income | 152,335 | 131,641 |
| Non-operating expenses | | |
| Interest expenses | 3,508 | 1,651 |
| Foreign exchange losses | 3,302 | 5,266 |
| Other | 4,804 | 2,862 |
| Total non-operating expenses | 11,615 | 9,780 |
| Ordinary income | 3,281,763 | 3,051,725 |
| Extraordinary income | | |
| Gain on sales of investment securities | 30,518 | 160,290 |
| Gain on transfer of business | 12,365 | - |
| Gain on sales of noncurrent assets | *4 7,635 | *4 203 |
| Reversal of reserve for quality assurance | - | 38,275 |
| Compensation for damages received | - | 94,945 |
| Total extraordinary income | 50,519 | 293,715 |
| Extraordinary loss | | |
| Loss on prior period adjustment | *5 99,214 | - |
| Loss on retirement of noncurrent assets | *3 4,874 | *3 20,351 |
| Loss on sales of investment securities | 23,993 | 1,349 |
| Loss on valuation of investment securities | 73,430 | 66,049 |
| Impairment loss | *6 260,764 | *6 64,981 |
| Litigation expenses | 30,000 | - |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | - | 252,519 |
| Other | - | 30,000 |
| Total extraordinary losses | 492,277 | 435,250 |
| Net income before taxes | 2,840,005 | 2,910,190 |

| | (in thousands of yen) | |
|--|---|---|
| | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
| Income taxes-current | 1,278,671 | 1,190,886 |
| Income taxes-deferred | (28,770) | (141) |
| Total income taxes | 1,249,900 | 1,190,744 |
| Income before minority interests | - | 1,719,445 |
| Minority interests in income (loss) | (1,363) | 3,969 |
| Net income | 1,591,467 | 1,715,476 |
| Minority interests in income | - | 3,969 |
| Income before minority interests | - | 1,719,445 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | - | (83,480) |
| Foreign currency translation adjustment | - | (3,729) |
| Share of other comprehensive income of associates accounted for using equity method | - | (99) |
| Total other comprehensive income | - | *8 (87,308) |
| Comprehensive income | - | *7 1,632,137 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | - | 1,627,985 |
| Comprehensive income attributable to minority interests | - | 4,152 |

(3) Consolidated Statements of Changes in Shareholders' Equity

(in thousands of yen)

| | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---|---|---|
| Shareholders' equity | | |
| Capital stock | | |
| Balance at the end of the previous period | 1,421,815 | 1,421,815 |
| Changes of items during the period | | |
| Total changes of items during the period | - | - |
| Balance at the end of the period | 1,421,815 | 1,421,815 |
| Capital surplus | | |
| Balance at the end of the previous period | 2,495,772 | 2,495,772 |
| Changes of items during the period | | |
| Total changes of items during the period | - | - |
| Balance at the end of the period | 2,495,772 | 2,495,772 |
| Retained earnings | | |
| Balance at the end of the previous period | 6,975,347 | 7,836,204 |
| Changes of items during the period | | |
| Dividends from surplus | (730,611) | (890,432) |
| Net income | 1,591,467 | 1,715,476 |
| Total changes of items during the period | 860,856 | 825,044 |
| Balance at the end of the period | 7,836,204 | 8,661,248 |
| Treasury stock | | |
| Balance at the end of the previous period | (1,171,668) | (1,171,668) |
| Balance at the end of the period | (1,171,668) | (1,171,668) |
| Total shareholders' equity | | |
| Balance at the end of the previous period | 9,721,266 | 10,582,123 |
| Changes of items during the period | | |
| Dividends from surplus | (730,611) | (890,432) |
| Net income | 1,591,467 | 1,715,476 |
| Total changes of items during the period | 860,856 | 825,044 |
| Balance at the end of the period | 10,582,123 | 11,407,167 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | | |
| Balance at the end of the previous period | 62,355 | 82,095 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | 19,740 | (83,579) |
| Total changes of items during the period | 19,740 | (83,579) |
| Balance at the end of the period | 82,095 | (1,483) |
| Foreign currency translation adjustment | | |
| Balance at the end of the previous period | (1,558) | (2,105) |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (547) | (3,912) |
| Total changes of items during the period | (547) | (3,912) |
| Balance at the end of the period | (2,105) | (6,017) |

| | (in thousands of yen) | |
|--|---|---|
| | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
| Total valuation and translation adjustments | | |
| Balance at the end of the previous period | 60,797 | 79,989 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | 19,192 | (87,491) |
| Total changes of items during the period | 19,192 | (87,491) |
| Balance at the end of the period | 79,989 | (7,501) |
| Minority interests | | |
| Balance at the end of the previous period | 59,634 | - |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (59,634) | 11,220 |
| Total changes of items during the period | (59,634) | 11,220 |
| Balance at the end of the period | - | 11,220 |
| Total net assets | | |
| Balance at the end of the previous period | 9,841,698 | 10,662,113 |
| Changes of items during the period | | |
| Dividends from surplus | (730,611) | (890,432) |
| Net income | 1,591,467 | 1,715,476 |
| Net changes of items other than shareholders' equity | (40,441) | (76,271) |
| Total changes of items during the period | 820,414 | 748,772 |
| Balance at the end of the period | 10,662,113 | 11,410,885 |

(4) Consolidated statements of cash flows

(in thousands of yen)

| | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---|---|---|
| Net cash provided by (used in) operating activities | | |
| Net income before taxes | 2,840,005 | 2,910,190 |
| Depreciation and amortization | 248,133 | 233,033 |
| Increase (decrease) in allowance for doubtful accounts | (11,601) | 1,840 |
| Increase (decrease) in provision for bonuses | 37,601 | 932 |
| Increase (decrease) in reserve for quality assurance | 64,862 | (73,804) |
| Increase (decrease) in reserve for loss on projects | 7,000 | (2,800) |
| Increase (decrease) in provision for retirement benefits | 14,226 | - |
| Interest and dividends income | (23,156) | (23,037) |
| Interest expenses | 3,508 | 1,651 |
| Equity in (earnings) losses of affiliates | (21,957) | (22,895) |
| Loss (gain) on transfer of business | (12,365) | - |
| Compensation for damages received | - | (94,945) |
| Loss (gain) on sales of noncurrent assets | (7,635) | (203) |
| Loss on retirement of noncurrent assets | 4,874 | 20,351 |
| Loss (gain) on sales of investment securities | (6,525) | (158,940) |
| Loss (gain) on valuation of investment securities | 73,430 | 66,049 |
| Litigation expenses | 30,000 | - |
| Impairment loss | 260,764 | 64,981 |
| Loss (gain) from prior period adjustment | 99,214 | - |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | - | 252,519 |
| Decrease (increase) in notes and accounts receivable-trade | (646,569) | 203,901 |
| Decrease (increase) in inventories | (13,989) | 3,862 |
| Decrease (increase) in other assets | 32,576 | 15,459 |
| Increase (decrease) in notes and accounts payable-trade | 48,074 | 4,447 |
| Increase (decrease) in other liabilities | (91,083) | (85,067) |
| Subtotal | 2,929,389 | 3,317,525 |
| Interest and dividends income received | 23,508 | 23,954 |
| Interest expenses paid | (3,673) | (1,816) |
| Income taxes paid | (756,078) | (1,420,566) |
| Litigation expenses | (30,000) | - |
| Net cash provided by (used in) operating activities | 2,163,146 | 1,919,096 |

(in thousands of yen)

| | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|--|---|---|
| Net cash provided by (used in) investing activities | | |
| Payments into time deposits | (80,000) | (50,000) |
| Proceeds from withdrawal of time deposits | 200,000 | 80,000 |
| Purchase of short-term investment securities | - | (199,268) |
| Purchase of property, plant and equipment | (205,933) | (187,798) |
| Proceeds from sales of property, plant and equipment | 52,800 | 4,389 |
| Purchase of intangible assets | (39,929) | (243,334) |
| Payments for execution of asset retirement obligations | - | (41,033) |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | - | *2 (150,080) |
| Purchase of investments in subsidiaries | (45,151) | - |
| Purchase of stocks of subsidiaries and affiliates | (5,000) | - |
| Proceeds from liquidation of subsidiaries and affiliates | - | 7,429 |
| Proceeds from sales of investment securities | 82,624 | 228,270 |
| Proceeds from redemption of investment securities | 5,200 | 1,950 |
| Payments for lease and guarantee deposits | (12,364) | (164,140) |
| Proceeds from collection of lease and guarantee deposits | 205,312 | 94,612 |
| Proceeds from transfer of business | 12,365 | - |
| Other | 910 | 1,700 |
| Net cash provided by (used in) investing activities | 170,833 | (617,304) |
| Net cash provided by (used in) financing activities | | |
| Repayment of long-term loans payable | (32,000) | (32,000) |
| Cash dividends paid | (730,642) | (887,631) |
| Net cash provided by (used in) financing activities | (762,642) | (919,631) |
| Effect of exchange rate change on cash and cash equivalents | (3,850) | (8,887) |
| Net increase (decrease) in cash and cash equivalents | 1,567,487 | 373,274 |
| Cash and cash equivalents at beginning of the period | 3,585,549 | 5,153,036 |
| Cash and cash equivalents at end of the period | *1 5,153,036 | *1 5,526,311 |

(5) Notes regarding premise of surviving company

Not applicable.

(6) Significant Accounting Policies Regarding the Preparation of Consolidated Financial Statements

| Item | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---------------------------------|--|--|
| 1. Scope of consolidation | <p>Number of consolidated subsidiaries: 10 Names and other details of consolidated subsidiaries Future Financial Strategy Corporation, ABM Corporation, Elm Corporation, Ascendia Inc., Uoei Shoten Corporation, Zakura, Inc., Future Investment Corporation, RI Partners LLC., Future Architect Inc., Associant Technology Inc.</p> <p>There are no non-consolidated subsidiaries.</p> | <p>Number of consolidated subsidiaries: 14 Names and other details of consolidated subsidiaries ABM Corporation, North Consulting Group Pte. Ltd., Brightree Solutions Sdn Bhd., Siam NCG Holdings Co., Ltd., ELECTRA (T) LTD. (currently North Consulting Group (Thailand) CO., LTD.), FutureOne, Inc., Ascendia Inc., Uoei Shoten Corporation, Zakura, Inc. (currently Tokyo Calendar Inc.), Future Investment Corporation, RI Partners LLC., Future Architect, Inc., Associant Technology Inc., Future Global Pte. Ltd.</p> <p>North Consulting Group Pte. Ltd. and Future Global Pte. Ltd. are included in the scope of consolidation because they were newly established on May 23, 2011, while Siam NCG Holdings Co., Ltd. was included in the scope of consolidation because it was newly established on November 29, 2011. Brightree Solutions Sdn Bhd. and ELECTRA (T) LTD. were included in the scope of consolidation because the Company acquired their shares in them and turned them into its subsidiaries on October 1, 2011 and November 30, 2011, respectively. Future Financial Strategy Corporation was removed from the scope of consolidation because it was absorbed as a result of the merger with the Company on July 1, 2011. There are no non-consolidated subsidiaries.</p> |
| 2. Application of equity method | <p>Number of affiliated companies to which equity-method is applicable: 5 Names and other details of affiliated companies to which equity-method is applicable Shanghai UFIDA Future Consulting Ltd., dit Co., Ltd., Cyber Solution Inc., Elmos Inc., and Axis Solutions Corporation</p> <p>On April, 9, 2010, the Group purchased shares of Axis Solutions Corporation, and made it an affiliate to which the equity method is applicable.</p> <p>There are no non-consolidated subsidiaries and affiliates to which the equity method is not applicable.</p> | <p>Number of affiliated companies to which equity-method is applicable: 4 Names and other details of affiliated companies to which equity-method is applicable dit Co., Ltd., Cyber Solution Inc., Elmos Inc., and Axis Solutions Corporation</p> <p>Shanghai UFIDA Future Consulting Ltd. was removed from the scope of application of equity method because its liquidation was completed on December 15, 2011.</p> <p>There are no non-consolidated subsidiaries and affiliates to which the equity method is not applicable.</p> |

| Item | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|------|--|--|
| | larger of either of the amount calculated based on projected sales volume or the amount from the straight-line method over the period for which they are expected to remain salable (3 years). | |

| Item | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|--|--|---|
| (3) Accounting standards for allowances/reserves | <p>Other Straight-line method</p> <p>(c) Lease assets Lease assets concerning finance lease transactions not accompanying the transfer of property rights Of lease transactions other than those deemed to accompany the transfer of property rights to lessees, lease transactions that commenced before the start of the initial year of the application of the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) are accounted for in a manner similar to the accounting treatment for regular lease transactions.</p> <p>(a) Allowance for doubtful accounts To prepare for losses incurred through bad debts, the amount of potential loss is calculated by using the historical loss ratio in case of non-classified loans/receivables. Potential losses for classified loans/receivables are individually assessed</p> <p>(b) Reserve for quality assurance In projects related to open system consultation and system development (IT consulting services and Packaging & Services), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients after sales are stated in order to resolve problems that were unforeseeable at the time of the signing of the contract or as of the close of accounting period. There are instances where the Company and its consolidated subsidiaries provide such services without compensation in order to guarantee quality standards that will fully satisfy its customers in IT consulting services and Packaging & Services. To prepare for additional cost of sales in IT consulting services and Packaging & Services that may arise after sales are stated, estimated amount of such additional cost, calculated based on past experience, is stated in the reserve for quality assurance.</p> <p>(c) Reserve for loss on projects In projects related to open system consultation and system development (IT consulting services and Packaging & Services), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients in order to resolve problems that were unforeseeable at the time of the signing of the contract.</p> | <p>Other Same as on the left.</p> <p>(c) Lease assets Lease assets concerning finance lease transactions not accompanying the transfer of property rights Same as on the left.</p> <p>(a) Allowance for doubtful accounts Same as on the left.</p> <p>(b) Reserve for quality assurance Same as on the left.</p> <p>(c) Reserve for loss on projects In projects related to open system consultation and system development (IT consulting services and Packaging & Services), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients in order to resolve problems that were unforeseeable at the time of the signing of the contract.</p> |

| Item | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---|--|--|
| (4) Standards for recognizing important income and expenses | <p>To prepare for future loss in IT consulting services and Packaging & Services, estimated amount of such loss in and after the following fiscal year is stated in the reserve for loss on project, concerning ongoing projects for which loss is projected to be incurred as of the end of the fiscal year under review and for which it is possible to rationally estimate the amount of loss. (Additional information) Reserve for future losses from ongoing projects was previously stated in the reserve for quality assurance. However, with the application of the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007), the reserve for future losses from ongoing projects is stated in the reserve for losses concerning projects from the fiscal year under review.</p> <p>(d) Reserve for bonuses In order to set aside funds for the payment of bonuses to employees at consolidated subsidiaries, the estimated amount of expenses for bonus payments in the fiscal year under review is set aside in the reserve for bonuses account.</p> <p>(e) Allowance for retirement benefits (Additional information) The Group abolished the retirement benefit system as of December 31, 2010. The outstanding balance of allowance for retirement benefits as of December 31, 2010 has been transferred to "Accounts payable-other" under current liabilities as fixed obligations.</p> <p>Standards for recognizing sales and cost of sales for IT consulting services</p> <p>a. The extent to which a project has advanced by the end of the fiscal year under review is calculated according to the percentage of completion method (Progress rate is estimated in proportion to cost.)</p> <p>b. Other projects Completed contract method</p> | <p>To prepare for future loss in IT consulting services and Packaging & Services, estimated amount of such loss in and after the following fiscal year is stated in the reserve for loss on project, concerning ongoing projects for which loss is projected to be incurred as of the end of the fiscal year under review and for which it is possible to rationally estimate the amount of loss.</p> <p>(d) Reserve for bonuses Same as on the left.</p> <p>(e) Allowance for retirement benefits</p> <p>Standards for recognizing sales and cost of sales of IT consulting services Same as on the left.</p> |

| Item | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|--|---|--|
| (5) Amortization of goodwill and negative goodwill (6) Cash and cash equivalents (7) Other material information concerning the compiling of financial statements | Accounting treatment of consumption taxes, etc. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. | Goodwill and negative goodwill are amortized evenly over their useful lives. However, negative goodwill occurring on or after April 1, 2010 is treated as profit in the fiscal year it occurs. If the monetary value of goodwill is not material, it is treated as a loss in the fiscal year it occurs. “Cash (cash and cash equivalents)” included in the consolidated statements of cash flow include cash in hand, demand deposits, and short-term investments readily convertible to cash with minimum price risk. Accounting treatment of consumption taxes, etc. Same as on the left. |
| 5. Valuation of assets and liabilities of consolidated subsidiaries | The full market price method is adopted. | |
| 6. Amortization of goodwill and negative goodwill | Goodwill and negative goodwill are amortized evenly over their useful lives. However, negative goodwill occurring on or after April 1, 2010 is treated as profit in the fiscal year in it occurs. If the monetary value of goodwill is not material, it is treated as loss in the fiscal year it occurs. | |
| 7. Cash and cash equivalents | “Cash (cash and cash equivalents)” included in the consolidated statements of cash flow include cash in hand, demand deposits, and short-term investments readily convertible to cash with minimum price risk. | |

(7) Changes in Material Information for the Preparation of Consolidated Financial Statements

| Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---|--|
| <p>(Accounting standard for construction contracts) The “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007) were applied effective of the fiscal year under review. There is no effect of the above change of procedure to profit and loss.</p> <p>(Accounting standard for business combinations, etc.) The “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), the “Partial Amendments to the Accounting Standard for Research and Development Cost” (ASBJ Statement No. 23, December 26, 2008), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, announced on December 26, 2008) and the “Implementation Guidance on Accounting Standard for Business Combinations and Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008) were applied effective of the fiscal year under review.</p> | <p>(Application of accounting standard for asset retirement obligations) The “Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008” were applied in the fiscal year under review. As a result of this change, operating income and ordinary income decreased ¥32,754 thousand, and income before income taxes decreased ¥285,273 thousand. The amount of the change in asset retirement obligations incurred due to the initial application of the accounting standard, etc. was ¥331,237 thousand.</p> |

(8) Change in classification

| Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---|---|
| <p>(Consolidated balance sheets)</p> <p>With the application of the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007) from the fiscal year under review, what was stated as “Reserve for quality assurance” in the previous fiscal year are separately stated as “Reserve for quality assurance” with regard to reserve for loss on repair to be provided without compensation, which is projected to occur after the end of projects, and “Reserve for loss on project” concerning reserve for future loss, projected to be incurred about ongoing projects.</p> <p>“Reserve for quality assurance” in the previous fiscal year, which amounted to ¥74,301 thousand, did not include what fell under “Reserve for loss on project.”</p> <p>(Consolidated statements of income)</p> <p>“Foreign exchange gains” (¥8,486 thousand in the previous fiscal year) was included in the “Other” section of the non-operating income account in the previous fiscal year. “Foreign exchange losses” was posted in the fiscal year under review. Since the amount of foreign exchange losses exceeded 10/100 of the total non-operating expenses in the period under review, the item in question was reported separately.</p> <p>(Consolidated statements of cash flows)</p> <p>“Proceeds from collection of loans” (¥1,410 thousand in the fiscal year under review) under cash flows from investing activities was separately reported in the previous fiscal year. However, as the amount of proceeds from collection of loans is insignificant, the subject item was included in the “Other” section in the fiscal year under review.</p> <p>With the application of the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007) from the fiscal year under review, what was stated as “Increase (decrease) in reserve for quality assurance” in the previous fiscal year is separately stated as “Increase (decrease) in reserve for quality assurance” with regard to the increase (decrease) in reserve for loss on repair to be provided without compensation, which is projected to occur after the end of projects, and “Increase (decrease) in reserve for loss on project” concerning the increase (decrease) in reserve for future loss, projected to be incurred about ongoing projects.</p> <p>Of ¥102,146 thousand in “Decrease in reserve for quality assurance” in the previous fiscal year, ¥176,447 thousand fell under “Decrease in provision for loss on project.”</p> | <p>(Consolidated statements of income and comprehensive income)</p> <p>With the application of the “Cabinet Office Ordinance Partially Amending Regulations for Terminology, Forms and Methods of Preparing Financial Statements, etc.” (Cabinet Office Ordinance No. 5, March 24, 2009) pursuant to the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008) in the fiscal year under review, the account, “Income before minority interests,” is presented in the fiscal year under review.</p> |

(9) Additional information

| Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|--|--|
| | <p>(Accounting Standard for Presentation of Comprehensive Income)</p> <p>The “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, June 30, 2010) was applied in the fiscal year under review. However, the amount of “Valuation and translation adjustments” and that of “Total valuation and translation adjustments” for the previous fiscal year represent “Valuation and translation adjustments” and “Total valuation and translation adjustments.”</p> |

(10) Notes to consolidated financial statements

(Notes to consolidated balance sheet)

(in thousands of yen)

| Fiscal 2010 (December 31, 2010) | Fiscal 2011 (December 31, 2011) |
|---|--|
| *1. Investments in affiliates Investment securities (stocks) ¥336,955 | *1. Investments in affiliates Investment securities (stocks) ¥351,523 |
| *2. Total asset impairment losses are included in accumulated depreciation | *2. Same as on the left. |
| *3. Goodwill and negative goodwill After offsetting goodwill against negative goodwill, net goodwill is stated under negative goodwill of non-current liabilities. Before offsetting, the amounts of goodwill and negative goodwill are as follows: Before offsetting, the amounts of goodwill and negative goodwill are as follows: Goodwill ¥3,831 Negative goodwill -¥56,617 | |
| *4. Lawsuit The Company initiated legal action in the Tokyo District Court relating to payment of contract fees, etc. (¥1,462 million) against NITTO DENKO CORPORATION as of November 30, 2009. The Company delivered the deliverables on September 4, 2009 in accordance with an agreement with NITTO DENKO. However, NITTO DENKO did not recognize the action by the Company as delivery and refused to pay the contract fees etc. Against this backdrop, the Company initiated legal action. | *4. Lawsuit Same as on the left. |
| *5. Of investment securities, ¥168,686 thousand is lent under stock loan agreements. | |
| 6. Discount of notes receivable ¥1,519 | |

(Notes to consolidated statements of income and comprehensive income)

(in thousands of yen)

| Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---|---|
| *1. Total of provision of reserve for loss on project Amount of provision of reserve for loss on project included in cost of sales ¥7,000 | *1. Total of provision of reserve for loss on project Amount of provision of reserve for loss on project included in cost of sales -¥2,800 |
| *2. Total amount of research & development expenditures Research & development expenses included in selling, general and administrative expenses ¥85,072 | *2. Total amount of research & development expenditures Research & development expenses included in selling, general and administrative expenses ¥32,310 |
| *3. Breakdown of loss on retirement of non-current assets Buildings and structures ¥4,012 Other ¥862 Total ¥4,874 | *3. Breakdown of loss on retirement of non-current assets Buildings and structures ¥15,156 Other ¥5,194 Total ¥20,351 |
| *4. Breakdown of gain on sales of fixed assets Land ¥4,568 Other ¥3,066 Total ¥7,635 | *4. Breakdown of gain on sales of fixed assets Other ¥203 |
| *5. Breakdown of loss on prior period adjustment Adjustment of impairment losses reported in prior period ¥41,549 Adjustment of intangible fixed assets and others reported in prior period ¥30,851 Other ¥26,812 Total ¥99,214 | |

| Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|----------|-----------------|----------|---|---|-------|---|----------|----------|-------|---------|--------------|-----------------|---|-----|------|----------|------------|------|--|----------------------|---------------------|-----------------------|------|--------|---------------------|---------|--------------|----------------|---|------------|---|---------|--------------|-------------------|---|---------|---|-------|--------------|----------------|
| <p>*6. Impairment loss In the fiscal year under review, the Group reported impairment losses of the following asset groups.</p> <p>(1) Main assets on which impairment losses were recognized</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Use</th> <th style="text-align: center;">Type</th> <th style="text-align: center;">Location</th> </tr> </thead> <tbody> <tr> <td>In-house system</td> <td>Software</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Consulting business for financial companies</td> <td>Other</td> <td style="text-align: center;">-</td> </tr> </tbody> </table> <p>(2) Background of the recognition of impairment losses (i) As the Group changed to a policy to adopt the latest outside software and the state-of-the-art proprietary design method of the Company for the development of in-house systems under development in and after the following fiscal year, what cannot be utilized by such new technologies and new design method occurred in existing deliverables. The Group recognized the portion that cannot be utilized as impairment losses. (ii) The Group reviewed business plans at subsidiaries in response to the cautious stance of the financial industry toward IT investment. As a result, the Group reduced the whole amount of book values of asset groups in the consulting business for financial companies, which amounted to ¥17,979 thousand.</p> <p>(3) Amounts of impairment losses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Software</td> <td style="text-align: right;">¥242,785</td> </tr> <tr> <td style="padding-left: 20px;">Other</td> <td style="text-align: right;">¥17,979</td> </tr> <tr> <td style="padding-left: 20px;"><u>Total</u></td> <td style="text-align: right;"><u>¥260,764</u></td> </tr> </table> <p>(4) Asset grouping method The Company groups assets by businesses in terms of management accounting, which it regards as the smallest units that generate almost independent cash flows.</p> <p>(5) Calculation method of recoverable amounts With regard to in-house systems, the Company measures recoverable amounts based on use value, and reports impairment losses, judging the use value of existing deliverables that cannot be used to be zero. As for assets for the consulting business for financial companies, the Company measures recoverable amounts based on use value, and values the use value of such assets as zero after estimating the use value based on future cash flows.</p> | Use | Type | Location | In-house system | Software | - | Consulting business for financial companies | Other | - | Software | ¥242,785 | Other | ¥17,979 | <u>Total</u> | <u>¥260,764</u> | <p>*6. Impairment loss In the fiscal year under review, the Group reported impairment losses of the following asset groups.</p> <p>(1) Main assets on which impairment losses were recognized</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Use</th> <th style="text-align: center;">Type</th> <th style="text-align: center;">Location</th> </tr> </thead> <tbody> <tr> <td>Idle asset</td> <td>Land</td> <td style="text-align: center;">Nasushiobara, Tochigi Prefecture</td> </tr> <tr> <td>Food retail business</td> <td>Buildings and other</td> <td style="text-align: center;">Niigata Prefecture</td> </tr> </tbody> </table> <p>(2) Background of the recognition of impairment losses (i) Idle asset The Group wrote down the book value of idle land in Nasushiobara, Tochigi Prefecture, for which it has no specific plan for future use, to the recoverable amount, and recognized the difference between book value and recoverable value as an impairment loss. (ii) Food retail business The Group wrote down the book values of asset groups in stores that had continued to post operating losses to their recoverable values.</p> <p>(3) Amounts of impairment losses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Land</td> <td style="text-align: right;">¥4,893</td> </tr> <tr> <td style="padding-left: 20px;">Buildings and other</td> <td style="text-align: right;">¥60,087</td> </tr> <tr> <td style="padding-left: 20px;"><u>Total</u></td> <td style="text-align: right;"><u>¥64,981</u></td> </tr> </table> <p>(4) Asset grouping method The Company groups assets by businesses for management accounting or by stores for the food retail business, which it regards as the smallest units that generate almost independent cash flows. However, with regard to idle assets that are not used directly for business, each idle asset is considered to constitute a group.</p> <p>(5) Calculation method of recoverable amounts (i) Idle asset The recoverable value is calculated from the net selling price. The net selling price is calculated by rationally adjusting the assessed value against those of fixed assets and market prices in the neighborhood. (ii) Food retail business The recoverable value is the higher of either net selling price or use value. The net selling price is calculated based on real estate appraisal, and the use value is calculated by discounting estimated future cash flows at 3% (capital costs).</p> <p>*7 Comprehensive income in the fiscal year immediately before the fiscal year under review</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Comprehensive income attributable to owners of the parent company</td> <td style="text-align: right;">¥1,610,660</td> </tr> <tr> <td style="padding-left: 20px;">Comprehensive income attributable to minority interests</td> <td style="text-align: right;">-¥1,363</td> </tr> <tr> <td style="padding-left: 20px;"><u>Total</u></td> <td style="text-align: right;"><u>¥1,609,297</u></td> </tr> </table> <p>*8 . Other comprehensive income in the fiscal year immediately before the fiscal year under review</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Valuation difference on available-for-sale securities</td> <td style="text-align: right;">¥19,740</td> </tr> <tr> <td style="padding-left: 20px;">Foreign currency translation adjustment</td> <td style="text-align: right;">-¥547</td> </tr> <tr> <td style="padding-left: 20px;"><u>Total</u></td> <td style="text-align: right;"><u>¥19,192</u></td> </tr> </table> | Use | Type | Location | Idle asset | Land | Nasushiobara, Tochigi Prefecture | Food retail business | Buildings and other | Niigata Prefecture | Land | ¥4,893 | Buildings and other | ¥60,087 | <u>Total</u> | <u>¥64,981</u> | Comprehensive income attributable to owners of the parent company | ¥1,610,660 | Comprehensive income attributable to minority interests | -¥1,363 | <u>Total</u> | <u>¥1,609,297</u> | Valuation difference on available-for-sale securities | ¥19,740 | Foreign currency translation adjustment | -¥547 | <u>Total</u> | <u>¥19,192</u> |
| Use | Type | Location | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| In-house system | Software | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Consulting business for financial companies | Other | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Software | ¥242,785 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other | ¥17,979 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Total</u> | <u>¥260,764</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Use | Type | Location | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Idle asset | Land | Nasushiobara, Tochigi Prefecture | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Food retail business | Buildings and other | Niigata Prefecture | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Land | ¥4,893 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Buildings and other | ¥60,087 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Total</u> | <u>¥64,981</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Comprehensive income attributable to owners of the parent company | ¥1,610,660 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Comprehensive income attributable to minority interests | -¥1,363 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Total</u> | <u>¥1,609,297</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Valuation difference on available-for-sale securities | ¥19,740 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Foreign currency translation adjustment | -¥547 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Total</u> | <u>¥19,192</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

(Statements of changes in shareholders' equity)

Fiscal 2010 (from January 1, 2010 to December 31, 2010)

1. Matters related to the types and numbers of outstanding stocks and treasury stocks

| | Number of stocks at the end of the previous fiscal year | Number of stocks increased during this fiscal year | Number of stocks decreased during this fiscal year | Number of stocks at the end of this fiscal year |
|--------------------|---|--|--|---|
| Outstanding stocks | | | | |
| Common stock | 476,640 | - | - | 476,640 |
| Total | 476,640 | - | - | 476,640 |
| Treasury stock | | | | |
| Common stock | 20,008 | - | - | 20,008 |
| Total | 20,008 | - | - | 20,008 |

2. Matters related to dividends

(1) Dividends paid

| Resolution | Stock type | Total dividend amount (in thousands of yen) | Dividends per share (yen) | Record date | Effective date |
|---|--------------|---|---------------------------|-------------------|----------------|
| Ordinary general meeting of shareholders held on March 19, 2010 | Common stock | 730,611 | 1,600 | December 31, 2009 | March 23, 2010 |

(2) Among dividends for which the record date falls within the fiscal year under review, the dividend for which the effective date of payment falls in the next fiscal year is as follows:

| Resolution | Stock type | Total dividend amount (in thousands of yen) | Source of funds for dividends | Dividends per share (yen) | Record date | Effective date |
|---|--------------|---|-------------------------------|---------------------------|-------------------|----------------|
| Ordinary general meeting of shareholders held on March 22, 2011 | Common stock | 547,958 | Retained earnings | 1,200 | December 31, 2010 | March 23, 2011 |

Fiscal 2011 (from January 1, 2011 to December 31, 2011)

1. Matters related to the types and numbers of outstanding stocks and treasury stocks

| | Number of stocks at the end of the previous fiscal year | Number of stocks increased during this fiscal year | Number of stocks decreased during this fiscal year | Number of stocks at the end of this fiscal year |
|--------------------|---|--|--|---|
| Outstanding stocks | | | | |
| Common stock | 476,640 | - | - | 476,640 |
| Total | 476,640 | - | - | 476,640 |
| Treasury stock | | | | |
| Common stock | 20,008 | - | - | 20,008 |
| Total | 20,008 | - | - | 20,008 |

2. Matters related to dividends

(1) Dividends paid

| Resolution | Stock type | Total dividend amount (in thousands of yen) | Dividends per share(yen) | Record date | Effective date |
|---|--------------|---|--------------------------|-------------------|--------------------|
| Ordinary general meeting of shareholders held on March 22, 2011 | Common stock | 547,958 | 1,200 | December 31, 2010 | March 23, 2011 |
| Meeting of Board of Directors held on July 28, 2011 | Common stock | 342,474 | 750 | June 30, 2011 | September 22, 2011 |

(2) Among dividends for which the record date falls within the fiscal year under review, the dividend for which the effective date of payment falls in the next fiscal year is as follows:

| Resolution | Stock type | Total dividend amount (in thousands of yen) | Source of funds for dividends | Dividends per share(yen) | Record date | Effective date |
|---|--------------|---|-------------------------------|--------------------------|-------------------|----------------|
| Ordinary general meeting of shareholders held on March 22, 2012 | Common stock | 342,474 | Retained earnings | 750 | December 31, 2011 | March 23, 2012 |

(Notes regarding consolidated statements of cash flows)

(in thousands of yen)

| Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|--|---|
| *1. Cash and cash equivalents at the end of the fiscal year and amounts stated in consolidated balance sheet | *1. Cash and cash equivalents at the end of the fiscal year and amounts stated in consolidated balance sheet |
| Cash and deposits | Cash and deposits |
| ¥5,233,036 | ¥5,076,449 |
| Time deposits for which the term of deposit is more than three months | Time deposits for which the term of deposit is more than three months |
| -¥80,000 | -¥50,000 |
| Cash and cash equivalents: | Short-term investment securities |
| ¥5,153,036 | ¥499,861 |
| | Cash and cash equivalents: |
| | ¥5,526,311 |
| | *2. Breakdown of assets and liabilities of the companies that have become consolidated subsidiaries through the purchase of shares |
| | (1) The breakdown of assets and liabilities upon consolidating Brightree Solutions Sdn. Bhd., which is included within the scope of consolidation through the acquisition of shares, and the relationship between the acquisition price of shares and expenditure (net value) for the acquisition of shares are as follows: |
| | (in thousands of yen) |
| | Current assets |
| | Noncurrent assets |
| | 47,462 |
| | Goodwill |
| | 6,049 |
| | Current liabilities |
| | 137,355 |
| | Noncurrent liabilities |
| | (38,981) |
| | Minority interests |
| | (443) |
| | Acquisition price of shares in newly consolidated subsidiary |
| | (6,902) |
| | Balance of cash and cash equivalents of newly consolidated subsidiary |
| | 144,540 |
| | Expenditure for acquisition of shares in newly consolidated subsidiary |
| | (15,191) |
| | Expenditure for acquisition of shares in newly consolidated subsidiary |
| | 129,348 |
| | (2) The breakdown of assets and liabilities upon consolidating ELECTRA (T) LTD., which is included within the scope of consolidation through the acquisition of shares, and the relationship between the acquisition price of shares and expenditure (net value) for the acquisition of shares are as follows: |
| | (in thousands of yen) |
| | Current assets |
| | 8,247 |
| | Noncurrent assets |
| | 883 |
| | Goodwill |
| | 16,804 |
| | Foreign currency translation adjustment |
| | 336 |
| | Current liabilities |
| | -5,279 |
| | Minority interests |
| | -38 |
| | Acquisition price of shares in newly consolidated subsidiary |
| | 20,953 |
| | Balance of cash and cash equivalents of newly consolidated subsidiary |
| | -223 |
| | Expenditure for acquisition of shares in newly consolidated subsidiary |
| | 20,731 |
| | 3. Important non-fund transaction |
| | The "Accounting Standard for Asset Retirement Obligations" and the "Guidance on Accounting Standard for Asset Retirement Obligations" are applied effective from the fiscal year under review. |
| | Increase in asset retirement obligations |
| | ¥309,408 |

(Segment information)

a. Business segment information

Fiscal 2010 (from January 1, 2010 to December 31, 2010) (in thousands of yen)

(in thousands of yen)

| | IT Consulting Business | Package & Service Business | Corporate Revitalization Business/ New Operations Development Business | Total | Elimination or corporate | Consolidated |
|--|------------------------|----------------------------|--|------------|--------------------------|--------------|
| Net sales and operating income (or loss) | | | | | | |
| Net sales | | | | | | |
| (1) Net sales to outside clients | 13,951,554 | 4,158,491 | 4,528,645 | 22,638,691 | 463 | 22,639,154 |
| (2) Inter-segment sales or transfer | 30,294 | 257,507 | 30,213 | 318,015 | -318,015- | - |
| Total | 13,981,848 | 4,415,998 | 4,558,859 | 22,956,706 | -317,551 | 22,639,154 |
| Operating expenses | 10,986,799 | 4,245,595 | 4,599,717 | 19,832,113 | -334,002 | 19,498,110 |
| Operating income (loss) | 2,995,049 | 170,403 | -40,858 | 3,124,593 | 16,450 | 3,141,043 |
| Assets, depreciation, impairment loss and capital expenditures | | | | | | |
| Assets | 8,818,270 | 1,970,463 | 663,265 | 11,451,999 | 2,479,641 | 13,931,640 |
| Depreciation and amortization | 152,033 | 48,961 | 44,910 | 245,904 | 2,228 | 248,133 |
| Impairment loss | 252,554 | 8,210 | 41,549 | 302,314 | - | 302,314 |
| Capital expenditures | 89,237 | 60,746 | 95,879 | 245,862 | - | 245,862 |

- Notes: 1. Method of classifying business segments
Business segments are classified according to contents of business.
2. Main products in each business segment

| Business segment | Business operations |
|--|---|
| IT Consulting Business | To provide solutions by establishing information systems with cutting-edge IT and practical, advanced techniques, while sharing a client's managerial issues from the viewpoint of management and understanding the essence of a client's businesses. |
| Package & Service Business | Helping clients improve operational efficiency by selling or providing software packages for highly specialized fields (such as sales management and ERP) using ASP operations, and developing mission-critical systems on a commission basis. |
| Corporate Revitalization Business/ New Operations Development Business | To become deeply involved with the management team of client firms, quickly revitalize client firms through major reforms focusing on IT, and establish models for success in each industry. By forming alliances with companies operating businesses in which the Group is not involved, and establishing and making investments in new firms, the Group maximizes the value of companies and accelerates their growth using and combining the Company's expertise and technologies in management, operations, and IT as a whole, with the aim of contributing to the development of these companies' industries. |

3. The amount of corporate assets which were included under "Elimination or corporate" was ¥4,037,550 thousand in the previous fiscal year and ¥3,162,842 thousand in the fiscal year under review, and these assets consist mainly of surplus funds (cash and securities) and assets relating to the administration sector.
4. Impairment losses of the Corporate Revitalization Business/New Operations Development Business for the fiscal year under review, ¥41,549 thousand, is an adjustment to the amount of impairment losses posted for the prior period and included in loss on prior period adjustment.
- b. Geographical segment information

Domestic operations accounts for more than 90% of consolidated sales and assets in the previous and the period under review. Geographical segment information is therefore omitted.

c. Overseas sales

In the previous and the period under review, sales from overseas operations accounts for less than 10% of consolidated sales. Overseas sales information is therefore omitted.

d. Segment information

1 Overview of reportable segments

The reportable segments of the Group are constituent units of the Company for which separate financial information can be obtained, and the Board of Directors examines such information on a regular basis to determine the allocation of management resources and evaluate business performance.

The entire Group is pushing forward to create future value for clients by providing the most suitable business solutions and optimal mechanisms, while proactively applying cutting-edge IT technologies. The Group operates businesses to establish information systems using advanced IT mainly for large clients, provide software packages, consigned development, and educational and IT services chiefly for small and midsize companies, and hat reform and revitalize companies centering on IT.

Hence, the Group is composed of businesses segmented by solution and market, and has three reportable segments: the IT Consulting Business, the Package & Service Business, and the Corporate Revitalization Business.

The business operations of the three reportable segments are as follows:

| Segment reported | Business operations |
|-----------------------------------|--|
| IT Consulting Business | In this business, the Group helps clients solve problems, by sharing management issues with them from a managerial perspective, understanding the essence of the clients' businesses and establishing information systems for them using advanced IT. |
| Package & Service Business | To introduce or provide via cloud and ASP operations software packages for highly specialized fields, such as sales management and ERP, and provide consigned development, and educational and IT services to help clients improve their operational efficiency. |
| Corporate Revitalization Business | To get deeply involved in the management team of client firms, revitalize client firms through drastic reform focusing on IT, and establish success models for each industry. |

2. Methods of calculating net sales, income or loss, assets, liabilities, and other items by reportable segment

Accounting procedures for reportable business segments are as described in "Significant Accounting Policies Regarding the Preparation of Consolidated Financial Statements."

Income of reportable segments is based on operating income.

Inter-segment sales and transfers are based on market prices.

3. Information on amounts of net sales, income or loss, assets, and other items by reportable segment

Fiscal 2010 (from January 1, 2010 to December 31, 2010)

(in thousands of yen)

| | Segment reported | | | | Others (Note 1) | Total | Adjustment (Note 2) | Amount stated in financial statements (Note 3) |
|--|------------------------|----------------------------|-----------------------------------|------------|-----------------|------------|---------------------|--|
| | IT Consulting Business | Package & Service Business | Corporate Revitalization Business | Total | | | | |
| Net sales | | | | | | | | |
| Net sales to outside clients | 13,900,530 | 4,158,491 | 4,455,315 | 22,514,337 | 124,817 | 22,639,154 | - | 22,639,154 |
| Inter-segment sales or transfer | 30,294 | 257,507 | 30,213 | 318,015 | - | 318,015 | -318,015 | - |
| Total | 13,930,824 | 4,415,998 | 4,485,529 | 22,832,352 | 124,817 | 22,957,169 | -318,015 | 22,639,154 |
| Segment income or loss | 3,015,640 | 170,403 | -15,944 | 3,170,098 | -57,038 | 3,113,060 | 27,983 | 3,141,043 |
| Segment assets | 9,304,029 | 1,970,463 | 641,741 | 11,916,234 | 2,188,072 | 14,104,306 | -172,665 | 13,931,640 |
| Other items | | | | | | | | |
| Depreciation and amortization | 151,989 | 48,961 | 43,336 | 244,287 | 3,846 | 248,133 | - | 248,133 |
| Amortization of goodwill | 1,860 | 5,375 | - | 7,235 | - | 7,235 | - | 7,235 |
| Increase in tangible and intangible fixed assets | 88,682 | 60,746 | 67,741 | 217,169 | 247 | 217,417 | - | 217,417 |

Fiscal 2011 (from January 1, 2011 to December 31, 2011)

(in thousands of yen)

| | Segment reported | | | | Other (Note 1) | Total | Adjustment (Note 2) | Amount stated in financial statements (Note 3) |
|--|------------------------|----------------------------|-----------------------------------|------------|----------------|------------|---------------------|--|
| | IT Consulting Business | Package & Service Business | Corporate Revitalization Business | Total | | | | |
| Net sales | | | | | | | | |
| Net sales to outside clients | 14,610,689 | 4,066,955 | 4,552,698 | 23,230,344 | 62,322 | 23,292,666 | - | 23,292,666 |
| Inter-segment sales or transfer | 8,879 | 430,429 | 1,247 | 440,556 | 22,560 | 436,116 | -463,116 | - |
| Total | 14,619,569 | 4,497,385 | 4,553,946 | 23,670,900 | 84,882 | 23,755,783 | -463,116 | 23,292,666 |
| Segment income or loss | 2,570,258 | 333,467 | 31,529 | 2,935,255 | -29,065 | 2,906,190 | 23,674 | 2,929,865 |
| Segment assets | 9,505,749 | 2,018,033 | 568,181 | 12,091,964 | 2,512,608 | 14,604,573 | -151,212 | 14,453,360 |
| Other items | | | | | | | | |
| Depreciation and amortization | 147,401 | 41,732 | 42,187 | 231,320 | 1,712 | 233,033 | - | 233,033 |
| Amortization of goodwill | 13,479 | 1,581 | - | 15,060 | - | 15,060 | - | 15,060 |
| Increase in tangible and intangible fixed assets | 386,579 | 40,524 | 9,906 | 437,010 | - | 437,010 | - | 437,010 |

(Note 1) "Others," a segment not included in the business segment reported, include Internet-related businesses and securities investment, holding, and management activities.

(Note 2) Adjustment to segment income, "¥27,983 thousand" and "¥23,674 thousand," and adjustment to segment assets, "¥172,665" and "¥151,212 thousand," are adjustments to inter-segment transactions.

(Note 3) Segment income (loss) is adjusted with operating income in consolidated financial statements.

e. Related information

Fiscal 2011 (from January 1, 2011 to December 31, 2011)

1. Information by product and service

Information by product and service is omitted because similar information is disclosed in Segment information.

2. Geographical segment information

(1) Net sales

Net sales of domestic operations for external clients account for more than 90% of net sales in the consolidated statements of income. Net sales are therefore omitted.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of tangible fixed assets in the consolidated balance sheets. Property, plant and equipment are therefore omitted.

3. Information by major client

(in thousands of yen)

| Name of client | Net sales | Relevant segment |
|----------------------|-----------|---|
| SG SYSTEMS Co., Ltd. | 5,396,584 | IT Consulting Business and Package & Service Business |
| Lawson, Inc. | 3,448,065 | IT Consulting Business |

f. Information on tangible fixed asset impairment losses by reportable segment

Fiscal 2011 (from January 1, 2011 to December 31, 2011)

(in thousands of yen)

| | Segment reported | | | | Others(Note) | Total | Corporate or elimination | Total |
|-----------------|------------------------|----------------------------|-----------------------------------|--------|--------------|--------|--------------------------|--------|
| | IT Consulting Business | Package & Service Business | Corporate Revitalization Business | Total | | | | |
| Impairment loss | - | - | 60,087 | 60,087 | 4,893 | 64,981 | - | 64,981 |

Notes: The amount in "Others" represents impairment loss on idle land.

g. Information on amortization and unamortized balance of goodwill by reportable segment

Fiscal 2011 (from January 1, 2011 to December 31, 2011)

(in thousands of yen)

| | Segment reported | | | | Others(Note) | Total | Corporate or elimination | Total |
|----------------------------------|------------------------|----------------------------|-----------------------------------|---------|--------------|---------|--------------------------|---------|
| | IT Consulting Business | Package & Service Business | Corporate Revitalization Business | Total | | | | |
| (Goodwill) | | | | | | | | |
| Amortization during the period | 13,479 | 1,581 | - | 15,060 | - | 15,060 | - | 15,060 |
| Balance at the end of the period | 145,464 | - | - | 145,464 | - | 145,464 | - | 145,464 |
| (Negative goodwill) | | | | | | | | |
| Amortization during the period | - | - | 56,617 | 56,617 | - | 56,617 | - | 56,617 |
| Balance at the end of the period | - | - | - | - | - | - | - | - |

(Additional information)

The "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) was applied effective from the fiscal year under review.

(Lease transactions)

(in thousands of yen unless otherwise noted)

| Fiscal 2010 (from January 1, 2010 to December 31, 2010) | | | | | Fiscal 2011 (from January 1, 2011 to December 31, 2011) | | | | |
|--|---|---|--|---|--|---|---|--|---|
| Finance lease transactions (Lessee) Finance lease transactions not accompanying the transfer of property rights 1) Lease assets None 2) Depreciation of lease assets As stated in Significant Accounting Policies Regarding the Preparation of Consolidated Financial Statements '4. Accounting policies (2) Depreciation/amortization of major depreciable/ amortizable assets. Of Finance lease transactions not accompanying the transfer of property rights, lease transactions that commenced before the start of the initial year of the application of the 'Accounting Standard for Lease Transactions' (Accounting Standard Board of Japan Statement No. 13) are accounted for in a manner similar to the accounting treatment for regular lease transactions. | | | | | Finance lease transactions (Lessee) Finance lease transactions not accompanying the transfer of property rights 1) Lease assets Same as on the left. 2) Depreciation of lease assets Same as on the left. | | | | |
| (1) Acquisition cost equivalents, accumulated depreciation equivalents, accumulated impairment loss equivalents and book value equivalents of leased properties | | | | | (1) Acquisition cost equivalents, accumulated depreciation equivalents, accumulated impairment loss equivalents and book value equivalents of leased properties | | | | |
| | Acquisition cost equivalents (thousands of yen) | Accumulated depreciation equivalents (thousands of yen) | Accumulated impairment loss equivalents (thousands of yen) | Book value equivalents (thousands of yen) | | Acquisition cost equivalents (thousands of yen) | Accumulated depreciation equivalents (thousands of yen) | Accumulated impairment loss equivalents (thousands of yen) | Book value equivalents (thousands of yen) |
| Property, plant and equipment | ¥175,824 | ¥92,367 | ¥41,426 | ¥42,029 | Property, plant and equipment | ¥149,664 | ¥87,861 | ¥42,059 | ¥19,743 |
| Intangible assets | ¥5,294 | ¥2,957 | ¥122 | ¥2,214 | Intangible assets | ¥5,294 | ¥3,979 | ¥122 | ¥1,192 |
| Total | ¥181,118 | ¥95,324 | ¥41,549 | ¥44,243 | Total | ¥154,958 | ¥91,840 | ¥42,181 | ¥20,936 |
| (2) Future lease payments obligation and balance of lease asset impairment loss account at the end of fiscal year Future lease payments obligation Due within one year ¥35,981 Due after one year ¥42,173 Total ¥78,155 Balance of lease asset impairment loss account at the end of fiscal year ¥29,084 | | | | | (2) Future lease payments obligation and balance of lease asset impairment loss account at the end of fiscal year Future lease payments obligation Due within one year ¥32,963 Due after one year ¥8,663 Total ¥41,626 Balance of lease asset impairment loss account at the end of fiscal year ¥17,252 | | | | |
| (3) Lease payments, reversal of lease asset impairment account, depreciation expense equivalents, interest expense equivalents and impairment loss Lease payments ¥43,520 Reversal of lease asset impairment account ¥12,464 Depreciation expense equivalents ¥26,429 Interest expense equivalents ¥4,537 | | | | | (3) Lease payments, reversal of lease asset impairment account, depreciation expense equivalents, interest expense equivalents and impairment loss Lease payments ¥38,929 Reversal of lease asset impairment account ¥12,464 Depreciation expense equivalents ¥22,184 Interest expense equivalents ¥2,935 | | | | |
| (4) Calculation method of depreciation equivalents Depreciation equivalents are calculated using the straight-line method over the lease terms without residual value. | | | | | (4) Calculation method of depreciation equivalents Same as on the left. | | | | |
| (5) Calculation method of interest expense equivalents The difference between total lease payments and acquisition cost equivalents of leased assets is recognized as interest expense equivalents and allocated over the lease term by the interest method. | | | | | (5) Calculation method of interest expense equivalents Same as on the left. | | | | |
| (Impairment loss) Impairment loss allocated to lease assets is ¥41,549 thousand. | | | | | (Impairment loss) Impairment loss allocated to lease assets is ¥632 thousand. | | | | |

(Related party information)

None

(Tax effect accounting)

(in thousands of yen unless otherwise noted)

| Fiscal 2010 December 31,2010 | Fiscal 2011 December 31,2011 |
|--|--|
| 1. Breakdown of major causes for deferred tax assets and liabilities [Current] Deferred tax assets | 1. Breakdown of major causes for deferred tax assets and liabilities [Current] Deferred tax assets |
| Enterprise tax payable | Enterprise tax payable |
| ¥69,396 | ¥49,198 |
| Reserve for quality assurance | Reserve for quality assurance |
| ¥57,688 | ¥26,485 |
| Excess amount over maximum reserve for bonuses | Excess amount over maximum reserve for bonuses |
| ¥40,468 | ¥36,843 |
| Accrued business office taxes | Accrued business office taxes |
| ¥11,519 | ¥12,785 |
| Retirement benefits payable | Losses carried forward for tax purposes |
| ¥48,582 | ¥114,223 |
| Other | Other |
| ¥41,347 | ¥5,980 |
| Subtotal of deferred tax assets | Subtotal of deferred tax assets |
| ¥269,003 | ¥245,516 |
| Valuation allowance | Valuation allowance |
| -¥80,720 | -¥98,955 |
| Total deferred tax asset | Total deferred tax asset |
| ¥188,282 | ¥146,561 |
| [Non-current] Deferred tax assets | [Non-current] Deferred tax assets |
| Losses carried forward for tax purposes | Losses carried forward for tax purposes |
| ¥1,345,298 | ¥934,845 |
| Depreciation excess | Depreciation excess |
| ¥449,421 | ¥377,645 |
| Loss on valuation of investment securities | Loss on valuation of investment securities |
| ¥203,685 | ¥197,866 |
| Other | Asset retirement obligations |
| ¥31 | ¥114,283 |
| Subtotal of deferred tax assets | Other |
| ¥1,998,436 | ¥5,231 |
| Valuation allowance | Subtotal of deferred tax assets |
| -¥1,760,115 | ¥1,629,872 |
| Total deferred tax asset | Valuation allowance |
| ¥238,321 | -¥1,352,080 |
| Deferred tax liabilities | Total deferred tax asset |
| Net unrealized gain on available-for-sale securities | ¥277,791 |
| ¥45,549 | Deferred tax liabilities |
| Temporary difference of future addition in consolidated accounting | Temporary difference of future addition in consolidated accounting |
| ¥76,118 | ¥42,925 |
| Reserve for programs | Retirement expenses for asset retirement obligations |
| ¥1,556 | ¥23,213 |
| Total deferred tax liabilities | Total deferred tax liabilities |
| ¥123,224 | ¥66,138 |
| Net deferred tax assets | Net deferred tax assets |
| ¥115,096 | ¥211,653 |
| | (Note): Net amount of deferred tax assets is included in the following items in the consolidated balance sheets. |
| | Fixed assets-Deferred tax assets |
| | ¥218,382 |
| | Fixed liabilities-Others |
| | ¥6,729 |

| Fiscal 2010 (December 31,2010) | Fiscal 2011 (December 31,2011) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|-------------------------------------|-------|--------------|--|-----------------------------------|-------|---------------------|------|---------------------------|------|-------|------|---|-------|---|-------------------------------------|-------|--------------|--|-----------------------------------|-------|---------------------|-------|---------------------------|------|--|-------|--------------------------------|------|-------|------|------------------------------|------|---|-------|
| <p>2. Breakdown of difference between the normal effective statutory tax rate and the rate of income taxes after application of deferred tax accounting</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Normal effective statutory tax rate</td> <td style="text-align: right;">40.7%</td> </tr> <tr> <td colspan="2">(Adjustment)</td> </tr> <tr> <td>Amortization of negative goodwill</td> <td style="text-align: right;">-1.0%</td> </tr> <tr> <td>Valuation allowance</td> <td style="text-align: right;">2.3%</td> </tr> <tr> <td>Inhabitant tax, flat-rate</td> <td style="text-align: right;">0.9%</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">1.1%</td> </tr> <tr> <td style="border-top: 1px solid black;">Rate of income taxes after application of deferred accounting</td> <td style="text-align: right; border-top: 1px solid black;">44.0%</td> </tr> </table> | Normal effective statutory tax rate | 40.7% | (Adjustment) | | Amortization of negative goodwill | -1.0% | Valuation allowance | 2.3% | Inhabitant tax, flat-rate | 0.9% | Other | 1.1% | Rate of income taxes after application of deferred accounting | 44.0% | <p>2. Breakdown of difference between the normal effective statutory tax rate and the rate of income taxes after application of deferred tax accounting</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Normal effective statutory tax rate</td> <td style="text-align: right;">40.7%</td> </tr> <tr> <td colspan="2">(Adjustment)</td> </tr> <tr> <td>Amortization of negative goodwill</td> <td style="text-align: right;">-0.6%</td> </tr> <tr> <td>Valuation allowance</td> <td style="text-align: right;">-1.2%</td> </tr> <tr> <td>Inhabitant tax, flat-rate</td> <td style="text-align: right;">0.9%</td> </tr> <tr> <td>Transfer of losses brought forward resulting from merger</td> <td style="text-align: right;">-0.7%</td> </tr> <tr> <td>Addition adjustment difference</td> <td style="text-align: right;">0.5%</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">0.5%</td> </tr> <tr> <td style="border-top: 1px solid black;">Effect of change in tax rate</td> <td style="text-align: right; border-top: 1px solid black;">0.8%</td> </tr> <tr> <td style="border-top: 1px solid black;">Rate of income taxes after application of deferred accounting</td> <td style="text-align: right; border-top: 1px solid black;">40.9%</td> </tr> </table> <p>3. Revision of amounts of deferred tax assets and liabilities due to change in normal effective statutory tax rate</p> <p>The 'Act on Partial Revision of the Income Tax Act, etc. to Build Tax System Conforming to Changes in the Structure of Economic Society' (Law No. 114 of 2011) and the 'Act on Special Measures Concerning Security of Financial Resources Necessary for Implementation of Measures for Restoration from the Great East Japan Earthquake' (Law No. 117 of 2011) were promulgated on December 2, 2011, and the corporate tax rate will be reduced and special restoration corporate tax will be imposed from the consolidated fiscal year that starts on or after April 1, 2012. As a result, the normal effective statutory tax rate to be used to calculate deferred tax assets and liabilities will be reduced from former 40.7% to 38.0% for temporary differences that are expected to be resolved in the consolidated fiscal year that starts on January 1, 2013 to the consolidated fiscal year that starts on January 1, 2015, and to 35.6% for those that are projected to be resolved in or after the consolidated fiscal year that starts on January 1, 2016. As a result of the change, the amount of deferred tax assets (excluding the amount of deferred tax liabilities) decreased ¥22,947 thousand, while corporate tax adjustments increased ¥22,839 thousand.</p> | Normal effective statutory tax rate | 40.7% | (Adjustment) | | Amortization of negative goodwill | -0.6% | Valuation allowance | -1.2% | Inhabitant tax, flat-rate | 0.9% | Transfer of losses brought forward resulting from merger | -0.7% | Addition adjustment difference | 0.5% | Other | 0.5% | Effect of change in tax rate | 0.8% | Rate of income taxes after application of deferred accounting | 40.9% |
| Normal effective statutory tax rate | 40.7% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (Adjustment) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Amortization of negative goodwill | -1.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Valuation allowance | 2.3% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Inhabitant tax, flat-rate | 0.9% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other | 1.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rate of income taxes after application of deferred accounting | 44.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Normal effective statutory tax rate | 40.7% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (Adjustment) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Amortization of negative goodwill | -0.6% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Valuation allowance | -1.2% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Inhabitant tax, flat-rate | 0.9% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Transfer of losses brought forward resulting from merger | -0.7% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Addition adjustment difference | 0.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other | 0.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Effect of change in tax rate | 0.8% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rate of income taxes after application of deferred accounting | 40.9% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

(Financial instruments)

Fiscal 2010 (from January 1, 2010 to December 31, 2010)

1. Matters relating to the status of financial instruments

(1) Financial instrument guidelines

The Group limits fund management to highly safe, short-term deposits, etc., and procures fund mainly through borrowings from banks. The Group does not engage in derivative transactions.

(2) Details and risk of financial instruments and risk management structure

Notes and accounts receivable and accounts receivable-other, which are trade receivables, are exposed to credit risk of clients. With regard to the said risk, however, the Group manages due dates and balances by client in accordance with the Group's Credit Management Regulations, and if there is a possibility of delay in collection, it quickly and properly handles the situation in cooperation with the sales division. Accounts receivable-other includes a case that is being resolved through a lawsuit since there had been a difference in understanding of the delivery of deliverables under an agreement with the other party.

Shares, which are investment securities, are exposed to the fluctuation risk of market prices. They are shares of companies with which the Group has business relations and market values periodically grasped are reported to the Board of Directors.

Lease and guarantee deposits are mainly those put in when lease agreements on offices of the Group were concluded. Though they are exposed to credit risk of their recipients, the Group strives to reduce the risk by periodically grasping the credit status of recipients of lease and guarantee deposits.

Payment of all accounts payable and accounts payable-other, which are trade payable, is due within one year. All of income tax payable, etc., which are unpaid income tax, inhabitant taxes (that mean prefectural and municipal taxes) and enterprise tax, see the deadline for payment arrive within two months.

Short-term and long-term borrowings are mainly aimed at procuring funds concerning business transactions and their payment dates are within two years after the account settlement date at the longest.

These trade payables, borrowings, etc. are exposed to liquidity risk at the time of their settlement. In the Group, such risk is managed through the preparation of monthly financing plans by each Group company and the maintenance of proper liquidity on hand.

(3) Supplementary explanations of matters relating to market value of financial instruments and others

Market values of financial instruments include rationally calculated prices when there are no market prices, as well as prices based on market prices. Since certain fluctuation factors are incorporated in calculating the relevant prices, the relevant prices may fluctuate when different preconditions and others are used in calculation.

(4) Concentration of credit risk

Of trade receivables as of the consolidated account settlement date of the fiscal year under review, 43.3% are receivable from specific large clients.

2. Matters relating to market values of financial instruments and others

Amounts stated in B/S, market values and differences between them as of December 31, 2010 are as follows. Financial instruments whose market values are deemed to be extremely difficult to determine are not included in the table below. (Refer to Note.2.)

(in thousands of yen unless otherwise noted)

| | Amount stated | Market value | Difference |
|-----------------------------------|-------------------|-------------------|-----------------|
| (1) Cash and deposits | 5,233,036 | 5,233,036 | - |
| (2) Notes and accounts receivable | 2,941,834 | 2,941,834 | - |
| (3) Accounts receivable-other | 1,419,725 | 1,419,725 | - |
| (4) Investment securities | 322,474 | 322,474 | - |
| (5) Lease and guarantee deposits | 769,357 | 726,826 | (42,530) |
| Total assets | 10,686,428 | 10,643,898 | (42,530) |
| (1) Accounts payable | 639,573 | 639,573 | - |
| (2) Short-term borrowings | 30,000 | 30,000 | - |
| (3) Accounts payable-other | 607,229 | 607,229 | - |
| (4) Income tax payable, etc. | 880,886 | 880,886 | - |
| (5) Long-term borrowings(*) | 48,000 | 48,742 | 742 |
| Total liabilities | 2,205,689 | 2,206,431 | 742 |

(*) Long-term borrowings include long-term borrowings that are planned to be repaid within one year.

Notes: 1. Calculation methods of market values of financial instruments and matters relating to securities

Assets

(1) Cash and deposits, (2) Notes and accounts receivable, (3) Accounts receivable-other

Since these are settled in short terms, their market values approximate book values. Therefore, we deem their book values to be market values.

(4) Investment securities

With regard to market values of these, we deem prices of shares, etc. in exchanges to be their market values. As for matters relating to securities by purpose of holding, please refer to Notes 'Securities.'

(5) Lease and guarantee deposits

Market values of these are calculated based on rationally estimated planned refund time for lease and guarantee deposits and by the present value obtained by discounting by interest rates that take into consideration the credit risk of recipients of lease and guarantee deposits.

Liabilities

(1) Accounts payable, (2) Short-term borrowings, (3) Accounts payable-other, (4) Income tax payable, etc.

Since these are settled in short terms, their market values approximate book values. Therefore, we deem their book values to be market values.

(5) Long-term borrowings(*)

Market values of long-term borrowings are calculated by discounting the total amount of the principal and interest by the interest rates considered to be applicable to similar loans.

2. Financial instruments whose market values are deemed to be extremely difficult to determine
(in thousands of yen unless otherwise noted)

| Item | Amount stated |
|---------------------------------------|---------------|
| Unlisted stocks, etc. | ¥1,119,130 |
| Stocks of subsidiaries and affiliates | ¥336,955 |

These are not included in '(4) Investment securities,' since there are no market prices for them and it is deemed to be extremely difficult to determine their market values.

3. Projected redemption amounts of monetary claims after the consolidated account settlement date
(in thousands of yen unless otherwise noted)

| | Within one year | Over one year but within five years | Over five years but within ten years | Over ten years |
|-------------------------------------|-----------------|-------------------------------------|--------------------------------------|----------------|
| Deposits | 5,214,191 | - | - | - |
| Notes and accounts receivable-trade | 2,941,834 | - | - | - |
| Accounts receivable-other | 1,419,725 | - | - | - |
| Lease and guarantee deposits | 78,057 | 451,655 | 158,325 | 81,318 |
| Total | 9,653,808 | 451,655 | 158,325 | 81,318 |

4. Projected repayment amounts of long-term borrowings after the consolidated account settlement date
(in thousands of yen unless otherwise noted)

| | Within one year | Over one year but within two years | Over two years but within three years | Over three years but within four years | Over four years but within five years | Over five years |
|-------------------------|-----------------|------------------------------------|---------------------------------------|--|---------------------------------------|-----------------|
| Long-term loans payable | 32,000 | 16,000 | - | - | - | - |
| Total | 32,000 | 16,000 | - | - | - | - |

(Additional information)

The 'Accounting Standard for Financial Instruments' (ASBJ Statement No. 10, March 10, 2008) and the 'Implementation Guidance on Disclosures about Fair Value of Financial Instruments' (ASBJ Guidance No. 19, March 10, 2008) were applied effective of the fiscal year under review.

Fiscal 2011 (from January 1, 2011 to December 31, 2011)

1. Matters relating to the status of financial instruments

(1) Financial instrument guidelines

The Group limits fund management to highly safe, short-term deposits, etc., and procures fund mainly through borrowings from banks. The Group does not engage in derivative transactions.

(2) Details and risk of financial instruments and risk management structure

Notes and accounts receivable and accounts receivable-other, which are trade receivables, are exposed to credit risks of clients. With regard to the said risk, however, the Group manages due dates and balances by client in accordance with the Group's Credit Management Regulations, and if there is a possibility of delay in collection, it quickly and properly handles the situation in cooperation with the sales division. Accounts receivable-other includes a case that is being resolved through a lawsuit since there had been a difference in understanding of the delivery of deliverables under an agreement with the other party.

Securities shares, which are investment securities and , ars exposed to the fluctuation risk of market prices. They are shares of companies with which the Group has business relations and market prices periodically grasped are reported to the Board of Directors.

Lease and guarantee deposits are mainly those put in when lease agreements on offices of the Group were concluded. Though they are exposed to credit risk of their recipients, the Group strives to reduce risk by periodically grasping the credit status of recipients of lease and guarantee deposits.

Payment of all accounts payable and accounts payable-other, which are trade payable, is due within one year. All of income tax payable, etc., which are unpaid income tax, inhabitant taxes (that mean prefectural and municipal taxes) and enterprise tax, see the deadline for payment arrive within two months.

Short-term and long-term borrowings are mainly aimed at procuring funds concerning business transactions and their payment dates are within two years after the account settlement date at the longest.

These trade payables, borrowings, etc. are exposed to liquidity risk at the time of their settlement. In the Group, such risk is managed through the preparation of monthly financing plans by each Group company and the maintenance of proper liquidity on hand.

(3) Supplementary explanations of matters relating to market value of financial instruments and others

Market values of financial instruments include rationally calculated prices when there are no market values, as well as prices based on market values. Since certain fluctuation factors are incorporated in calculating the relevant prices, the relevant values may fluctuate when different preconditions and others are used in calculation.

(4) Concentration of credit risk

Of trade receivables as of the consolidated account settlement date of the fiscal year under review, 25.3% are receivable from specific large clients.

2. Matters relating to market values of financial instruments and others

Amounts stated in B/S, market value and differences between them as of December 31, 2011 are as follows. Financial instruments whose market values are deemed to be extremely difficult to determine are not included in the table below. (Refer to Note. 2.)

(in thousands of yen unless otherwise noted)

| | Amount stated | Market value | Difference |
|--------------------------------------|---------------|--------------|------------|
| (1)Cash and deposits | 5,076,449 | 5,076,449 | - |
| (2)Notes and accounts receivable | 2,770,586 | 2,770,586 | - |
| (3) Short-term investment securities | 699,310 | 696,780 | (2,530) |
| (4)Accounts receivable-other | 1,357,981 | 1,357,981 | - |
| (5)Investment securities | 112,575 | 112,575 | - |
| (6)Lease and guarantee deposits | 840,114 | 799,311 | (40,802) |
| Total assets | 10,857,018 | 10,813,685 | (43,333) |
| (1)Accounts payable | 644,020 | 644,020 | - |
| (2)Short-term borrowings | 32,327 | 32,327 | - |
| (3)Accounts payable-other | 567,454 | 567,454 | - |
| (4)Income tax payable, etc. | 590,481 | 590,481 | - |
| (5)Long-term borrowings(*) | 16,000 | 16,000 | - |
| Total liabilities | 1,850,284 | 1,850,284 | - |

(*) Long-term borrowings include long-term borrowings that are planned to be repaid within one year.

Notes: 1.Calculation methods of market values of financial instruments and matters relating to securities

Assets

(1) Cash and deposits, (2) Notes and accounts receivable, (4) Accounts receivable-other

Since these are settled in short terms, their market values approximate book values. Therefore, we deem their book values to be market values.

(3) Short-term investment securities, (5) Investment securities

With regard to market values of these, we deem prices of shares, etc. in exchanges to be market values of shares, etc., while we deem prices of bonds in exchanges or prices presented by financial institutions to be market values of shares, etc. As for matters relating to securities by purpose of holding, please refer to Notes 'Securities.'

(6) Lease and guarantee deposits

Market values of these are calculated based rationally estimated planned refund time for lease and guarantee deposits and by the present value obtained by discounting by interest rates that take into consideration the credit risk of recipients of lease and guarantee deposits.

Liabilities

(1) Accounts payable, (2) Short-term borrowings, (3) Accounts payable-other, (4) Income tax payable, etc.

Since these are settled in short terms, their market values approximate book values. Therefore, we deem their book values to be market values.

(5) Long-term borrowings

Since these are settled in short terms, their market values approximate book values. Therefore, we deem their book values to be market values.

2. Financial instruments whose market values are deemed to be extremely difficult to determine
(in thousands of yen unless otherwise noted)

| Item | Amount stated |
|---------------------------------------|---------------|
| Unlisted stocks, etc. | ¥1,061,341 |
| Stocks of subsidiaries and affiliates | ¥351,523 |

These are not included in '(5) Investment securities,' since there are no market prices for them and it is deemed to be extremely difficult to determine their market values.

3. Projected redemption amounts of monetary claims and securities with maturity after the consolidated account settlement date

(in thousands of yen unless otherwise noted)

| | Within one year | Over one year but within five years | Over five years but within ten years | Over ten years |
|--|-----------------|-------------------------------------|--------------------------------------|----------------|
| Deposits | 5,062,051 | - | - | - |
| Notes and accounts receivable-trade | 2,770,586 | - | - | - |
| Accounts receivable-other | 1,357,981 | - | - | - |
| Short-term investment securities | | | | |
| Held-to-maturity bonds | | | | |
| Bonds payable | 699,310 | - | - | - |
| Of other securities, those with maturity | | | | |
| Bonds payable | 1,800 | 15,350 | - | - |
| Lease and guarantee deposits | 34,145 | 521,633 | 203,873 | 80,461 |
| Total | 9,925,876 | 536,983 | 203,873 | 80,461 |

4. Projected repayment amounts of long-term borrowings after the consolidated account settlement date

(in thousands of yen unless otherwise noted)

| | Within one year | Over one year but within two years | Over two years but within three years | Over three years but within four years | Over four years but within five years | Over five years |
|-------------------------|-----------------|------------------------------------|---------------------------------------|--|---------------------------------------|-----------------|
| Long-term loans payable | 16,000 | - | - | - | - | - |
| Total | 16,000 | - | - | - | - | - |

(Securities)

Fiscal 2010(December 31, 2010)

1. Other securities:

(in thousands of yen unless otherwise noted)

| | Type | Amount stated | Acquisition cost | Difference |
|--|-----------------------------------|---------------|------------------|------------|
| Securities stated in B/S whose amount exceeds acquisition cost | (1) Stocks | 253,103 | 101,121 | 151,981 |
| | (2) Bonds | - | - | - |
| | 1) Central/local government bonds | - | - | - |
| | 2) Bonds payable | - | - | - |
| | 3) Other | - | - | - |
| | (3) Other | - | - | - |
| | Subtotal | 253,103 | 101,121 | 151,981 |
| Securities stated in B/S whose amount does not exceed acquisition cost | (1) Stocks | 69,371 | 82,935 | (13,564) |
| | (2) Bonds | - | - | - |
| | 1) Central/local government bonds | - | - | - |
| | 2) Bonds payable | - | - | - |
| | 3) Other | - | - | - |
| | (3) Other | - | - | - |
| | Subtotal | 69,371 | 82,935 | (13,564) |
| Total | | 322,474 | 184,056 | 138,417 |

Notes: Unlisted shares, etc. (the amount stated in B/S: ¥1,119,130 thousand) are not included in 'Other securities' in the table, since they have no market price and it is deemed to be very difficult to grasp their market value.

2. 'Other securities' sold in fiscal 2010 (from January 1, 2010 to December 31, 2010)

(in thousands of yen unless otherwise noted)

| Type | Sale value | Total profits on sale | Total losses on sale |
|-----------------------------------|------------|-----------------------|----------------------|
| (1) Stocks | 82,624 | 30,518 | 23,993 |
| (2) Bonds | | | |
| 1) Central/local government bonds | - | - | - |
| 2) Corporate bonds | - | - | - |
| 3) Other | - | - | - |
| (3) Other | - | - | - |
| Total | 82,624 | 30,518 | 23,993 |

3. Securities for which impairment losses are recognized

In the fiscal year under review, impairment losses of ¥73,430 thousand were posted for securities (unlisted shares among other securities, for which the market price was not available: ¥73,430 thousand). When the market value of the securities at the end of the fiscal year had declined by more than 50% from the acquisition price, the full value was written off as an asset impairment loss. When the market value declined by 30%-50% from the acquisition price, the Group decided whether or not to write off the amount as an asset impairment loss after considering whether the total amount of this decline in value was significant, and considering the likelihood of a recovery in value.

Fiscal 2011(December 31, 2011)

1 . Held-to-maturity bonds

(in thousands of yen unless otherwise noted)

| | Type | Amount stated | Market value | Difference |
|--|------------------------------------|---------------|--------------|------------|
| Held-to-maturity bonds whose market value exceeds amount stated in B/S | (1) Central/local government bonds | - | - | - |
| | (2) Bonds payable | - | - | - |
| | (3) Other | - | - | - |
| | Subtotal | - | - | - |
| Held-to-maturity bonds whose market value does not exceed amount stated in B/S | (1) Central/local government bonds | - | - | - |
| | (2) Bonds payable | 699,310 | 696,780 | (2,530) |
| | (3) Other | - | - | - |
| | Subtotal | 699,310 | 696,780 | (2,530) |
| Total | | 699,310 | 696,780 | (2,530) |

2 . Other securities:

(in thousands of yen unless otherwise noted)

| | Type | Amount stated | Acquisition cost | Difference |
|--|-----------------------------------|---------------|------------------|------------|
| Securities stated in B/S whose amount exceeds acquisition cost | (1) Stocks | 50,825 | 49,657 | 1,168 |
| | (2) Bonds | | | |
| | 1) Central/local government bonds | - | - | - |
| | 2) Bonds payable | - | - | - |
| | 3) Other | - | - | - |
| | (3) Other | - | - | - |
| | Subtotal | 50,825 | 49,657 | 1,168 |
| Securities stated in B/S whose amount does not exceed acquisition cost | (1) Stocks | 61,750 | 65,070 | (3,320) |
| | (2) Bonds | | | |
| | 1) Central/local government bonds | - | - | - |
| | 2) Bonds payable | - | - | - |
| | 3) Other | - | - | - |
| | (3) Other | - | - | - |
| | Subtotal | 61,750 | 65,070 | (3,320) |
| Total | | 112,575 | 114,727 | (2,151) |

Notes: Unlisted stocks, etc. (amount stated in B/S: ¥1,061,341 thousand) are not included in 'Other securities' in the table above, since there are no market prices for them and it is deemed to be extremely difficult to determine their market values.

3. 'Other securities' sold in fiscal 2011(from January 1, 2011 to December 31, 2011)

(in thousands of yen unless otherwise noted)

| Type | profits on sale | Total profits on sale | Total losses on sale |
|-----------------------------------|-----------------|-----------------------|----------------------|
| (1) Stocks | 228,270 | 160,290 | 1,349 |
| (2) Bonds | | | |
| 1) Central/local government bonds | - | - | - |
| 2) Corporate bonds | - | - | - |
| 3) Other | - | - | - |
| (3) Other | | | |
| Total | 228,270 | 160,290 | 1,349 |

4. Securities for which impairment losses are recognized

In the fiscal year under review, impairment losses of ¥66,049 thousand were posted for securities (unlisted shares among other securities, for which the market price was not available: ¥66,049 thousand). When the market value of the securities at the end of the fiscal year had declined by more than 50% from the acquisition price, the full value was written off as an asset impairment loss. When the market value declined by 30%-50% from the acquisition price, the Group decided whether or not to write off the amount as an asset impairment loss after considering whether the total amount of this decline in value was significant, and considering the likelihood of a recovery in value.

(Derivative transactions)

There are no applicable items, since the Group does not utilize derivative transactions.

(Retirement benefits)

Fiscal 2010

1. General information of adopted employee retirement benefit plans

Some consolidated subsidiaries had provided the lump-sum severance payment plan and the tax-qualified pension plan at the same time as defined-benefit corporate pension plans. However, they abolished the lump-sum severance payment plan and the tax-qualified pension plan as of December 31, 2010. The outstanding balance of allowance for retirement benefits as of December 31, 2010 has been transferred to 'Accounts payable-other' under current liabilities as fixed obligations.

2. Retirement benefit obligations

(in thousands of yen unless otherwise noted)

| | |
|--|---|
| (1) Retirement benefit obligations | - |
| (2) Plan assets | - |
| (3) Allowance for retirement benefits(1)+(2) | - |

3. Breakdown of retirement benefit obligations

(1) Service cost -¥43,917

Notes: Consolidated subsidiaries adopt the non-actuarial method for calculating projected benefit obligations.

4. Basis for calculation of projected benefit obligations

Basis for calculation of projected benefit obligations is omitted, since consolidated subsidiaries adopt the non-actuarial method for calculating projected benefit obligations.

(Fiscal 2011)

None

(Stock options)

Fiscal 2010 (from January 1, 2010 to December 31, 2010)

1. Details, scale and fluctuation status of stock options

(1) Details of stock options

| | |
|---------------------------------------|--|
| | Stock options of 2005 |
| Classification and number of grantees | Director of the Company 5 |
| | Employee of the Company 467 |
| | Director of subsidiary of the Company 1 |
| | Employee of subsidiary of the Company 6 |
| Number of stock options | Common stock: 8,000 shares |
| Date of grant | August 25, 2005 |
| Right allotment conditions | Having continued to work from the date of grant (August 25, 2005) to the date of right allotment (August 24, 2008) |
| Subject service period | From August 25, 2005 to August 24, 2008 |
| Exercise period | From August 25, 2008 To March 23, 2015 |

(2) Scale and fluctuation status of stock options

Stock options that existed in the fiscal year under review are subject. The number of stock options is converted into and presented in the number of shares.

1) Number of stock options

| | Stock option of 2005 |
|--|----------------------|
| Before right allotment (Share) | |
| End of the previous fiscal year | - |
| Grant | - |
| Lapse | - |
| Right allotment | - |
| Balance of stock options not allotted | - |
| After right allotment (Share) | |
| End of the previous fiscal year | 4,600 |
| Right allotment | - |
| Exercise of right | - |
| Lapse | 616 |
| Balance of stock options not exercised | 3,984 |

2) Unit price information

| | Stock option of 2005 |
|---|----------------------|
| Exercise price (Yen) | 65,205 |
| Average stock price at the time of exercise (Yen) | - |
| Fair assessed unit price (Date of grant) (Yen) | - |

Fiscal 2011 (from January 1, 2011 to December 31, 2011)

1. Details, scale and fluctuation status of stock options

(1) Details of stock options

| | Stock option of 2005 |
|---------------------------------------|--|
| Classification and number of grantees | Director of the Company 5 |
| | Employee of the Company 467 |
| | Director of subsidiary of the Company 1 |
| | Employee of subsidiary of the Company 6 |
| | |
| Number of stock options | Common stock 8,000 shares |
| Date of grant | August 25, 2005 |
| Right allotment conditions | Having continued to work from the date of grant (August 25, 2005) to the date of right allotment (August 24, 2008) |
| Subject service period | From August 25, 2005 to August 24, 2008 |
| Exercise period | From August 25, 2008 to March 23, 2015 |

(2) Scale and fluctuation status of stock options

Stock options that existed in the fiscal year under review are subject. The number of stock options is converted into and presented in the number of shares.

1) Number of stock options

| | Stock option of 2005 |
|--|----------------------|
| Before right allotment (Share) | |
| End of the previous fiscal year | - |
| Grant | - |
| Lapse | - |
| Right allotment | - |
| Balance of stock options not allotted | - |
| After right allotment (Share) | |
| End of the previous fiscal year | 3,984 |
| Right allotment | - |
| Exercise of right | - |
| Lapse | 600 |
| Balance of stock options not exercised | 3,384 |

2) Unit price information

| | Stock option of 2005 |
|---|----------------------|
| Exercise price (Yen) | 65,205 |
| Average stock price at the time of exercise (Yen) | - |
| Fair assessed unit price (Date of grant)(Yen) | - |

(Business combinations)

Fiscal 2010 (from January 1, 2010 to December 31, 2010)

None

Fiscal 2011 (from January 1, 2011 to December 31, 2011)

(Business combination through acquisition)

Turning of Brightree Solutions Sdn Bhd. (hereinafter 'Brightree') into a subsidiary by North Consulting Group Pte. Ltd. (hereinafter 'NCG'), a consolidated subsidiary of the Company

1. Overview of business combination

(1) Name and business activities of the acquired company

Name of the acquired company: Brightree Solutions Sdn Bhd.

Business activities: Introduction, customization and operation and maintenance of ERP in Malaysia Brightree Solutions Sdn Bhd.

(2) Main reasons for business combination

The Group believes that it will be able to expand business domain, enhance delivery capability and expand client base in Malaysia and its neighboring countries by mutually making the most of high-value-added IT consulting know-how and client network of NCG and plenty of introduction track records and operation and maintenance base of Brightree through turning of Brightree into a subsidiary by NCG.

(3) Date of business combination

October 1, 2011

(4) Legal form of business combination

Acquisition of shares

(5) Name of the company after business combination

Brightree Solutions Sdn Bhd.

(6) Acquired voting right ratio

51.0%

(7) Main ground for deciding the company to be acquired

Because NCG, a wholly owned subsidiary of the Company, acquired 51.0% of voting rights of Brightree through acquisition of shares in exchange for cash.

2. Period of operating results of the acquired company, which is included in the consolidated financial statements

From October 1, 2011 to December 31, 2011

3. Acquisition cost of the acquired company and its breakdown

| | |
|-------------------------------|---------------------------|
| Consideration for acquisition | Cash 144,540 Thousand Yen |
|-------------------------------|---------------------------|

| | |
|------------------|----------------------|
| Acquisition cost | 144,540 Thousand Yen |
|------------------|----------------------|

4. Amount of goodwill that occurred, cause of occurrence, amortization method and amortization period

(1) Amount of goodwill that occurred

137,000 Thousand Yen

(2) Cause of occurrence

Mainly surplus profitability expected from expansion of business domain by Brightree in Malaysia

(3) Amortization method and amortization period

Equal amortization over three years

5. Amount of assets received and obligations taken over on the date of business combination and their breakdown

| | |
|----------------|---------------------|
| Current assets | 47,462 Thousand Yen |
|----------------|---------------------|

| | |
|-------------------|-------|
| Noncurrent assets | 6,049 |
|-------------------|-------|

| | |
|--------------|--------|
| Total assets | 53,512 |
|--------------|--------|

| | |
|---------------------|----------|
| Current liabilities | (38,981) |
|---------------------|----------|

| | |
|------------------------|-------|
| Noncurrent liabilities | (443) |
|------------------------|-------|

| | |
|-------------------|----------|
| Total liabilities | (39,425) |
|-------------------|----------|

Turning of ELECTRA (T) LTD. (hereinafter 'ELECTRA') into a subsidiary by North Consulting Group Pte. Ltd. (hereinafter 'NCG'), a consolidated subsidiary of the Company

1. Overview of business combination

(1) Name and business activities of the acquired company

Name of the acquired company: ELECTRA (T) LTD.

Business activities: Introduction, customization and operation and maintenance of ERP in Thailand

(2) Main reasons for business combination

The Group believes that it will be able to expand business domain, enhance delivery capability and expand client base in Thailand and its neighboring countries by mutually making the most of high-value-added IT consulting know-how and client network of NCG and plenty of introduction track records and operation and maintenance base of ELECTRA through turning of ELECTRA into a subsidiary by NCG.

(3) Date of business combination

November 30, 2011

(4) Legal form of business combination

Acquisition of shares

(5) Name of the company after business combination

ELECTRA (T) LTD. (Its trade name is planned to be changed to North Consulting Group (Thailand) CO., LTD. on January 6, 2012.)

(6) Acquired voting right ratio

100.0%

100.0%

(7) Main ground for deciding the company to be acquired

Because NCG, a wholly owned subsidiary of the Company, acquired 100.0% of voting rights of ELECTRA through acquisition of shares in exchange for cash.

2. Period of operating results of the acquired company, which is included in the consolidated financial statements

Operating results of the acquired company are not included in the consolidated financial statements for the fiscal year under review, since the deemed date of acquisition of the consolidated subsidiary is the last day of the fiscal year.

3. Acquisition cost of the acquired company and its breakdown

| | |
|-------------------------------|--------------------------|
| Consideration for acquisition | Cash 20,953 Thousand Yen |
|-------------------------------|--------------------------|

| | |
|------------------|---------------------|
| Acquisition cost | 20,953 Thousand Yen |
|------------------|---------------------|

4. Amount of goodwill that occurred, cause of occurrence, amortization method and amortization period

(1) Amount of goodwill that occurred

16,804 Thousand Yen

(2) Cause of occurrence

Mainly surplus profitability expected from expansion of business domain by ELECTRA in Thailand

(3) Amortization method and amortization period

Equal amortization over three years

5. Amount of assets received and obligations taken over on the date of business combination and their breakdown

| | |
|----------------|--------------------|
| Current assets | 8,247 Thousand Yen |
|----------------|--------------------|

| | |
|-------------------|-----|
| Noncurrent assets | 883 |
|-------------------|-----|

| | |
|--------------|-------|
| Total assets | 9,130 |
|--------------|-------|

| | |
|---------------------|---------|
| Current liabilities | (5,279) |
|---------------------|---------|

| | |
|-------------------|---------|
| Total liabilities | (5,279) |
|-------------------|---------|

(Transactions, etc. under common control)

Company split of the Company and Elm Corporation

1. Name of subject business, its business activities, date of business combination, legal form of business combination, name of company after business combination and purpose of transactions
 - (1) Name of subject business and its business activities
Name of business: ERP business for small and midsize companies
Business activities: Services concerning introduction of 'NewRRR,' application software that matches business characteristics of small and midsize companies, and maintenance service after the introduction of the relevant system
 - (2) Date of business combination
April 1, 2011
 - (3) Legal form of business combination
Company split, with the Company as the split company and Elm Corporation (consolidated subsidiary of the Company) as the successor
 - (4) Name of company after business combination
Elm Corporation (Its trade name was changed to FutureOne, Inc. on April 1, 2011.)
 - (5) Other matters concerning overview of transactions
The company split is aimed at building a structure that can provide high-value-added services more quickly to satisfy demand for IT systems, which is expected to grow in the future, by reorganizing the relevant business, which is currently dispersed within the Group.
2. Overview of implemented accounting treatment
Pursuant to the 'Accounting Standard for Business Combinations' (ASBJ Statement No. 21, December 26, 2008) and the 'Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures' (ASBJ Guidance No. 10, December 26, 2008), transactions are treated as those under common control.

Absorption-type merger of the Company and Future Financial Strategy Corp.

1. Name of subject business, its business activities, date of business combination, legal form of business combination, name of company after business combination and purpose of transactions
 - (1) Name of subject business and its business activities
Name of business: Consulting business for financial institutions
Business activities: Future Financial Strategy Corp. is engaged in consulting services for financial institutions and research on financial technology.
 - (2) Date of business combination
July 1, 2011
 - (3) Legal form of business combination
Absorption-type merger, with the Company as company surviving absorption-type merger and Future Financial Strategy Corp. as company absorbed in absorption-type merger
 - (4) Name of company after business combination
Future Architect, Inc.
 - (5) Other matters concerning overview of transactions
The absorption-type merger is aimed at further supporting financial institutions resolve their issues from the standpoints of management and IT by integrating IT consulting for financial institutions provided by the Financial Division of the Company and consulting know-how that has been offered by Future Financial Strategy Corp. to financial institutions.
2. Overview of implemented accounting treatment
Pursuant to the 'Accounting Standard for Business Combinations' (ASBJ Statement No. 21, December 26, 2008) and the 'Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures' (ASBJ Guidance No. 10, December 26, 2008), transactions are treated as those under common control.

(Asset retirement obligations)

At the end of fiscal 2011 (December 31, 2011)

Of asset retirement obligations, those stated in the consolidated balance sheets

- a) Overview of the relevant asset retirement obligations
Obligation of restoration to original condition following conclusion of real estate lease agreements on offices, including the head office, and stores
- b) Calculation method of the amount of the relevant asset retirement obligations
The amount of asset retirement obligations is calculated by estimating the usable period to be seven to 20 years from the acquisition and using discount rate of 0.726% to 1.186%.
- c) Increase/decrease in total amount of the relevant asset retirement obligations in fiscal 2011
- | | | |
|---|----------------|--------------|
| Balance at the beginning of the period (Note) | 331,237 | Thousand Yen |
| Increase due to acquisition of tangible fixed assets | 11,437 | |
| Adjustment due to passage of time | 2,899 | |
| Decrease due to fulfillment of asset retirement obligations | (36,477) | |
| Other increase (decrease) | 311 | |
| Balance at the end of the period | <u>309,408</u> | |

Notes: The balance at the beginning of the fiscal year resulted from the application of the 'Accounting Standard for Asset Retirement Obligations' (ASBJ Statement No. 18, March 31, 2008) and the 'Guidance on Accounting Standard for Asset Retirement Obligations' (ASBJ Guidance No. 21, March 31, 2008) effective of the fiscal year under review.

(Real estate, including lease)

Real estate, including lease, is omitted, since its total is of little significance in terms of monetary amounts.

(Special purpose company subject to disclosure)

None

(Per share data)

| | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---------------------------|---|---|
| Net asset value per share | ¥23,349.47 | ¥24,964.67 |
| Net income per share | ¥3,485.23 | ¥3,756.80 |
| | Fully diluted net income per share is not stated because the average stock price during the period is below the exercise price of stock acquisition rights and hence net income per share is not diluted. | Fully diluted net income per share is not stated because the average stock price during the period is below the exercise price of stock acquisition rights and hence net income per share is not diluted. |

Notes: Net income per share is calculated based on the following:

| | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---|--|--|
| Net income per share | | |
| Net income (thousands of yen) | 1,591,467 | 1,715,476 |
| Amount not available for common shareholders to common shares (thousands of yen) | - | - |
| Net income attributable to common shares (thousands of yen) | 1,591,467 | 1,715,476 |
| Average outstanding shares of common stock during the period (shares) | 456,632 | 456,632 |
| Latent shares that have no dilution effect and thus are not included in the calculation of diluted net income per share | Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (Stock acquisition rights: 996units) Common stock: shares 3,984 | Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (Stock acquisition rights: 846units) Common stock: shares 3,384 |

(Significant subsequent events)

| Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|--|--|
| | <p>Purchase of treasury stock</p> <p>At the Board of Directors meeting of the Company held on February 7, 2012, the Company decided to purchase treasury stock pursuant to Article 156, Paragraph 1 of the Companies Act, applied by the reading of terms under provisions of Article 165, Paragraph 3 of the same act.</p> <p>(1) Reason for purchase of treasury stock Treasury stock will be purchased in order to carry out flexible capital policy to cope with changes in the management environment.</p> <p>(2) Type of stock to be purchased Common stock</p> <p>(3) Number of shares to be purchased 6,400 (ceiling limit)</p> <p>(4) Total amount of stock acquisition price 250,000,000 yen (ceiling limit)</p> <p>(5) Purchase method Purchase in the market through a trust bank</p> <p>(6) Purchase period From February 8, 2012 to March 19, 2012</p> |

5. Non-consolidated Financial Statements

(1) Balance sheets

(in thousands of yen)

| | Fiscal 2010 (December 31, 2010) | Fiscal 2011 December 31, 2011 |
|--|------------------------------------|----------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,202,350 | 3,840,226 |
| Accounts receivable-trade | 2,410,164 | 2,119,444 |
| Short-term investment securities | - | 699,310 |
| Work in process | 8,007 | - |
| Prepaid expenses | 253,852 | 248,636 |
| Deferred tax assets | 107,567 | 82,242 |
| Short-term loans receivable from subsidiaries and affiliates | 120,000 | 120,000 |
| Accounts receivable-other | *3 1,422,568 | *3 1,435,373 |
| Other | 16,092 | 11,336 |
| Total current assets | 8,540,603 | 8,556,571 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings | 424,270 | 590,082 |
| Accumulated depreciation | (236,728) | (388,075) |
| Buildings, net | 187,541 | 202,007 |
| Tools, furniture and fixtures | 997,587 | 1,091,012 |
| Accumulated depreciation | (844,666) | (912,050) |
| Tools, furniture and fixtures, net | 152,920 | 178,961 |
| Land | 23,719 | 18,825 |
| Total tangible fixed assets | 364,181 | 399,794 |
| Intangible assets | | |
| Patent right | 525 | 345 |
| Right of trademark | 1,237 | 949 |
| Software | 122,631 | 337,492 |
| Other | 10,710 | 10,710 |
| Total intangible fixed assets | 135,104 | 349,497 |
| Investments and other assets | | |
| Investment securities | *4 1,117,404 | 907,505 |
| Stocks of subsidiaries and affiliates | 1,286,445 | 1,353,318 |
| Long-term loans receivable from subsidiaries and affiliates | 1,110,226 | 1,384,683 |
| Deferred tax assets | 98,246 | 188,853 |
| Lease and guarantee deposits | 647,705 | 723,761 |
| Other | 22,060 | 15,070 |
| Allowance for doubtful accounts | *1 (486,792) | *1 (567,492) |
| Allowance for investment loss | *1 (313,788) | *1 (313,788) |
| Total investments and other assets | 3,481,505 | 3,691,911 |
| Total fixed assets | 3,980,792 | 4,441,204 |
| Total assets | 12,521,396 | 12,997,775 |

(in thousands of yen)

| | Fiscal 2010 (December 31, 2010) | Fiscal 2011 December 31, 2011 |
|---|------------------------------------|----------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 236,600 | 237,910 |
| Current portion of long-term loans payable | 32,000 | 16,000 |
| Accounts payable-other | 400,669 | 461,087 |
| Accrued expenses | 248 | 82 |
| Income taxes payable | 857,329 | 561,714 |
| Accrued consumption taxes | 73,175 | 39,752 |
| Advances received | - | 11,218 |
| Deposits received | 159,788 | 171,668 |
| Unearned revenue | 169,474 | 173,307 |
| Reserve for quality assurance | 58,031 | 61,290 |
| Reserve for loss on projects | 7,000 | 4,200 |
| Total current liabilities | 1,994,316 | 1,738,232 |
| Noncurrent liabilities | | |
| Long-term loans payable | 16,000 | - |
| Asset retirement obligations | - | 195,380 |
| Total non-current liabilities | 16,000 | 195,380 |
| Total liabilities | 2,010,316 | 1,933,612 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,421,815 | 1,421,815 |
| Capital surplus | | |
| Legal capital surplus | 2,495,772 | 2,495,772 |
| Total capital surplus | 2,495,772 | 2,495,772 |
| Retained earnings | | |
| Legal retained earnings | 27,748 | 27,748 |
| Other retained earnings | | |
| Retained earnings brought forward | 7,655,316 | 8,291,880 |
| Total retained earnings | 7,683,065 | 8,319,628 |
| Treasury stock | (1,171,668) | (1,171,668) |
| Total shareholders' equity | 10,428,984 | 11,065,547 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 82,095 | (1,384) |
| Total valuation and translation adjustments | 82,095 | (1,384) |
| Total net assets | 10,511,079 | 11,064,163 |
| Total liabilities and net assets | 12,521,396 | 12,997,775 |

(2) Non-consolidated statements of income

(in thousands of yen)

| | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|--|---|---|
| Net sales | | |
| IT Consulting Business | | |
| IT Consulting service | 12,986,988 | 14,085,398 |
| Procurement services related to hardware | 776,994 | 350,358 |
| Total of IT Consulting Business | 13,763,983 | 14,435,757 |
| Package & Service Business | | |
| Package & service | 498,456 | 186,248 |
| Procurement services related to hardware | 28,053 | 8,241 |
| Total of Package & service | 526,509 | 194,489 |
| Total net sales | 14,290,493 | 14,630,246 |
| Cost of sales | | |
| IT Consulting Business | | |
| IT Consulting service | *7 6,935,230 | *7 8,012,493 |
| Procurement services related to hardware | 636,653 | 299,032 |
| Total of IT Consulting Business | 7,571,884 | 8,311,525 |
| Package & Service Business | | |
| Package & service | 256,638 | 73,603 |
| Procurement services related to hardware | 23,777 | 9,903 |
| Total of Package & service | 280,416 | 83,506 |
| Total cost of sales | 7,852,301 | 8,395,032 |
| Gross profit | 6,438,192 | 6,235,214 |
| Selling, general and administrative expenses | | |
| Advertising expenses | 370,442 | 321,807 |
| Directors' compensations | 160,850 | 189,076 |
| Salaries and bonuses | 1,637,210 | 1,611,871 |
| Other salaries | 97,225 | 105,844 |
| Welfare expenses | 66,795 | 98,644 |
| Training expenses | 107,633 | 59,818 |
| Research and development expenses | *1 49,344 | *1 24,608 |
| Depreciation and amortization | 45,056 | 68,134 |
| Rent expenses | 332,801 | 361,385 |
| Recruiting expenses | 82,504 | 179,448 |
| Amortization of goodwill | 1,031 | - |
| Other | 447,447 | 469,544 |
| Total selling, general and administrative expenses | 3,398,344 | 3,490,185 |
| Operating income | 3,039,847 | 2,745,028 |

(in thousands of yen)

| | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---|---|---|
| Non-operating income | | |
| Interest income | *2 14,274 | *2 12,242 |
| Dividends income | 16,940 | 17,475 |
| Proceeds from compensation for damage | 11,140 | - |
| Group management expense | *2 27,982 | *2 23,885 |
| Foreign exchange gains | - | 2,777 |
| Other | 6,712 | 3,121 |
| Total non-operating income | 77,051 | 59,501 |
| Non-operating expenses | | |
| Interest expenses | 3,419 | 987 |
| Foreign exchange losses | 3,303 | - |
| Guarantee commission | - | 233 |
| Other | 2,062 | 217 |
| Total non-operating expenses | 8,785 | 1,438 |
| Ordinary income | 3,108,112 | 2,803,092 |
| Extraordinary income | | |
| Gain on sales of investment securities | 29,391 | 160,275 |
| Gain on sales of noncurrent assets | *3 3,066 | *3 107 |
| Gain on extinguishment of tie-in shares | - | 38,774 |
| Total extraordinary income | 32,458 | 199,157 |
| Extraordinary loss | | |
| Loss on retirement of noncurrent assets | *4 4,344 | *4 15,291 |
| Loss on sales of investment securities | 23,993 | 1,349 |
| Loss on valuation of stocks of subsidiaries and affiliates | 29,970 | - |
| Impairment loss | *5 242,785 | *5 4,893 |
| Litigation expenses | 30,000 | - |
| Provision of allowance for doubtful accounts | *6 128,398 | *6 80,699 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | - | 161,754 |
| Loss on liquidation of subsidiaries and affiliates | - | *8 4,075 |
| Other | 15,177 | 30,000 |
| Total Extraordinary losses | 474,668 | 298,064 |
| Net income before taxes, Corporate taxes, | 2,665,902 | 2,704,185 |
| Residential and enterprise taxes | 1,259,405 | 1,169,672 |
| Income taxes-deferred | (74,333) | (13,397) |
| Total income taxes | 1,185,071 | 1,156,275 |
| Net income | 1,480,830 | 1,547,910 |

Statement of cost of sales

1. IT Consulting service business
(1) IT Consulting service

(in thousands of yen unless otherwise noted)

| Item | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | | | Fiscal 2011 (from January 1, 2011 to December 31, 2011) | | |
|---|---|-----------|--------------|---|-----------|-----------|
| | Amount | | Ratio (%) | Amount | | Ratio (%) |
| I Labor expenses | | | | | | |
| 1. Salaries and bonuses | 3,653,991 | | | 3,465,432 | | |
| 2. Welfare expenses | 471,058 | 4,125,049 | 59.5 | 437,031 | 3,902,464 | 48.6 |
| II Subcontract expenses | | | | | | |
| 1. Subcontract expenses | 1,725,167 | 1,725,167 | 24.9 | 2,963,535 | 2,963,535 | 36.9 |
| III Overheads | | | | | | |
| 1. Traveling expenses | 372,006 | | | 423,446 | | |
| 2. Depreciation and amortization | 99,662 | | | 76,659 | | |
| 3. Rent expenses | 396,908 | | | 461,167 | | |
| 4. Supplies expenses | 72,702 | | | 64,301 | | |
| 5. Provision (reversal) of reserve for quality assurance | (12,856) | | | 16,048 | | |
| 6. Provision (reversal) of reserve for loss on project | 7,000 | | | (2,800) | | |
| 7. Other | 150,649 | 1,086,073 | 15.6 | 123,399 | 1,162,221 | 14.5 |
| Total manufacturing expenses in the period | | 6,936,290 | 100.0 | | 8,028,221 | 100.0 |
| Work in process at the beginning of the period | | - | | | - | |
| Total | | 6,936,290 | | | 8,028,221 | |
| Work in process at the end of the period | | - | | | - | |
| Transfer to other account*1 | | 1,059 | | | 15,727 | |
| Cost of sales | | 6,935,230 | | | 8,012,493 | |

Notes *1. The table below provides a breakdown of transfers to other accounts.

(in thousands of yen unless otherwise noted)

| Item | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|--|---|---|
| Transfer to selling, general and administrative expenses | ¥1,059 | ¥15,727 |
| Total | ¥1,059 | ¥15,727 |

2. Actual job-order costing for each project is used to compute costs.

(2) Procurement services related to hardware

(in thousands of yen unless otherwise noted)

| Item | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | | Fiscal 2011 (from January 1, 2011 to December 31, 2011) | |
|--|---|-----------|---|-----------|
| | Amount | Ratio (%) | Amount | Ratio (%) |
| Commodities inventories at the beginning of the period | - | | - | |
| Product inventories at the beginning of the period | - | | - | |
| Cost of purchased goods | 636,448 | | 298,977 | |
| Purchase of finished goods | 204 | | 55 | |
| Total | 636,653 | | 299,032 | |
| Commodities inventories at the end of the period | - | | - | |
| Product inventories at the end of the period | - | | - | |
| Cost of sales | 636,653 | | 299,032 | |

Notes Actual job-order costing for each project is used to compute costs.

2. Package & Service Business

(1) Package & service

(in thousands of yen unless otherwise noted)

| Item | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | | Ratio (%) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) | | Ratio (%) |
|--|---|---------|-----------|---|--------|-----------|
| | Amount | Amount | | Amount | Amount | |
| I Labor expenses | | | | | | |
| 1. Salaries and bonuses | 122,661 | | | 25,112 | | |
| 2. Welfare expenses | 17,395 | 140,056 | 53.1 | 5,590 | 30,703 | 38.6 |
| II Subcontract expenses | | | | | | |
| 1. Subcontract expenses | 28,756 | 28,756 | 10.9 | 3,297 | 3,297 | 4.1 |
| III Overheads | | | | | | |
| 1. Traveling expenses | 15,544 | | | 4,223 | | |
| 2. Depreciation and amortization | 4,026 | | | 607 | | |
| 3. Rent expenses | 32,620 | | | 8,049 | | |
| 4. Supplies expenses | 4,155 | | | 810 | | |
| 5. Provision (reversal) of reserve for quality assurance | 3,586 | | | (88) | | |
| 6. Other | 35,021 | 94,953 | 36.0 | 31,963 | 45,566 | 57.3 |
| Total manufacturing expenses in the period | | 263,766 | 100.0 | | 79,567 | 100.0 |
| Work in process at the beginning of the period | | 926 | | | 8,007 | |
| Total | | 264,693 | | | 87,575 | |
| Work in process at the end of the period | | 8,007 | | | - | |
| Transfer to other account*1 | | 46 | | | 13,971 | |
| Cost of sales | | 256,638 | | | 73,603 | |

Notes *1. The table below provides a breakdown of transfers to other accounts.

(in thousands of yen unless otherwise noted)

| Item | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|--|---|---|
| Transfer to selling, general and administrative expenses | 46 | 13,971 |
| Total | 46 | 13,971 |

2. Actual job-order costing for each project is used to compute costs.

(2) Procurement services related to hardware

(in thousands of yen unless otherwise noted)

| Item | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | | Ratio (%) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) | | Ratio (%) |
|--|---|--------|-----------|---|--------|-----------|
| | Amount | Amount | | Amount | Amount | |
| Commodities inventories at the beginning of the period | | 28 | | | - | |
| Product inventories at the beginning of the period | | - | | | - | |
| Cost of purchased goods | | 23,749 | | | 9,903 | |
| Purchase of finished goods | | - | | | - | |
| Total | | 23,777 | | | 9,903 | |
| Commodities inventories at the end of the period | | - | | | - | |
| Product inventories at the end of the period | | - | | | - | |
| Cost of sales | | 23,777 | | | 9,903 | |

(3) Statements of changes in net assets

(in thousands of yen)

| | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---|---|---|
| Shareholders' equity | | |
| Capital stock | | |
| Balance at the end of the previous period | 1,421,815 | 1,421,815 |
| Changes of items during the period | | |
| Total changes of items during the period | - | - |
| Balance at the end of the period | 1,421,815 | 1,421,815 |
| Capital surplus | | |
| Legal capital surplus | | |
| Balance at the end of the previous period | 2,495,772 | 2,495,772 |
| Changes of items during the period | | |
| Total changes of items during the period | - | - |
| Balance at the end of the period | 2,495,772 | 2,495,772 |
| Total capital surplus | | |
| Balance at the end of the previous period | 2,495,772 | 2,495,772 |
| Changes of items during the period | | |
| Total changes of items during the period | - | - |
| Balance at the end of the period | 2,495,772 | 2,495,772 |
| Retained earnings | | |
| Legal retained earnings | | |
| Balance at the end of the previous period | 27,748 | 27,748 |
| Changes of items during the period | | |
| Total changes of items during the period | - | - |
| Balance at the end of the period | 27,748 | 27,748 |
| Other retained earnings | | |
| Retained earnings brought forward | | |
| Balance at the end of the previous period | 6,905,097 | 7,655,316 |
| Changes of items during the period | | |
| Dividends from surplus | (730,611) | (890,432) |
| Net income | 1,480,830 | 1,547,910 |
| Decrease by corporate division-split-off type | - | (20,914) |
| Total changes of items during the period | 750,219 | 636,563 |
| Balance at the end of the period | 7,655,316 | 8,291,880 |
| Total retained earnings | | |
| Balance at the end of the previous period | 6,932,845 | 7,683,065 |
| Changes of items during the period | | |
| Dividends from surplus | (730,611) | (890,432) |
| Net income | 1,480,830 | 1,547,910 |
| Decrease by corporate division-split-off type | - | (20,914) |
| Total changes of items during the period | 750,219 | 636,563 |
| Balance at the end of the period | 7,683,065 | 8,319,628 |

(in thousands of yen)

| | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---|---|---|
| Treasury stock | | |
| Balance at the end of the previous period | (1,171,668) | (1,171,668) |
| Changes of items during the period | | |
| Total changes of items during the period | - | - |
| Balance at the end of the period | (1,171,668) | (1,171,668) |
| Total shareholders' equity | | |
| Balance at the end of the previous period | 9,678,764 | 10,428,984 |
| Changes of items during the period | | |
| Dividends from surplus | (730,611) | (890,432) |
| Net income | 1,140,830 | 1,547,910 |
| Decrease by corporate division-split-off type | - | (20,914) |
| Total changes of items during the period | 750,219 | 636,563 |
| Balance at the end of the period | 10,428,984 | 11,065,547 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | | |
| Balance at the end of the previous period | 62,355 | 82,095 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | 19,740 | (83,480) |
| Total changes of items during the period | 19,740 | (83,480) |
| Balance at the end of the period | 82,095 | (1,384) |
| Total valuation and translation adjustments | | |
| Balance at the end of the previous period | 62,355 | 82,095 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | 19,740 | (83,480) |
| Total changes of items during the period | 19,740 | (83,480) |
| Balance at the end of the period | 82,095 | (1,384) |
| Total net assets | | |
| Balance at the end of the previous period | 9,741,120 | 10,511,079 |
| Changes of items during the period | | |
| Dividends from surplus | (730,611) | (890,432) |
| Net income | 1,480,830 | 1,547,910 |
| Decrease by corporate division-split-off type | - | (20,914) |
| Net changes of items other than shareholders' equity | 19,740 | (83,480) |
| Total changes of items during the period | 769,959 | 553,083 |
| Balance at the end of the period | 10,511,079 | 11,064,163 |

- (4) Notes regarding the premise of a going concern
None

(5) Significant Accounting Policies

| Item | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---|--|---|
| 1. Valuation standards and methods for securities | <p style="text-align: center;">—————</p> <p>(2) Stocks issued by subsidiaries/affiliates Stated at cost based on moving average method.</p> <p>(3) Other securities: Marketable securities: Stated at fair value based on the market price as of the end of the financial period (Unrealized holding gains/losses are reported as a net amount in a separate component of shareholders' equity. Cost of sale is calculated based on moving average method). Same as on the left. Stated at cost based on moving average method.</p> | <p>(1) Held-to-maturity bonds Amortized cost method (straight-line method)</p> <p>(2) Stocks issued by subsidiaries/affiliates Same as on the left.</p> <p>(3) Other securities: Marketable securities: Same as on the left. Same as on the left. Same as on the left.</p> |
| 2. Valuation standards and method for inventories | <p>(1) Merchandise and finished goods Stated at lower of cost or market using the gross average method (amounts in the balance sheets are calculated using the method to devalue the book value according to the decrease in profitability)</p> <p>(2) Work in process Stated at cost based on the specific cost method (amounts in the balance sheets are calculated using the method to devalue the book value according to the decrease in profitability).</p> | <p>(1) Merchandise and finished goods Same as on the left.</p> <p style="text-align: center;">—————</p> |
| 3. Depreciation method of fixed assets | <p>(1) Property, plant and equipment Declining balance method: If the acquisition cost of the asset to be depreciated is between ¥100,000 and ¥200,000, it is depreciated evenly using straight-line method over three (3) years. Useful life are as follows: Buildings 3-31 years Tools, furniture and fixtures 3-10 years</p> <p>(2) Intangible assets</p> <p>(a) Software for in-house use Software for in-house use is depreciated using the straight-line method over its useful life (5 years).</p> <p>(b) Software for sale Software for sale is depreciated by the larger of either of the amount calculated based on projected sales volume or the amount from the straight-line method over the period for which they are expected to remain salable (3 years).</p> <p>(c) Goodwill Goodwill is amortized evenly over its useful life. However, if they are of little significance in terms of monetary amounts they are treated as profits or losses for the fiscal year in which they occur.</p> <p>(d) Other Straight-line method</p> | <p>(1) Property, plant and equipment Same as on the left.</p> <p>(2) Intangible assets</p> <p>(a) Software for in-house use Same as on the left.</p> <p>(b) Software for sale Same as on the left.</p> <p>(c) Goodwill Same as on the left.</p> <p>(d) Other Same as on the left.</p> |

| Item | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|--|--|---|
| 4. Accounting standards for allowances/ reserves | <p>(1) Allowance for doubtful accounts To prepare for losses incurred through bad debts, the amount of potential loss is calculated by using the historical loss ratio in case of non-classified loans/receivables. Potential losses for classified loans/receivables are individually assessed</p> <p>(2) Reserve for quality assurance In projects related to open system consultation and system development (IT consulting services and Packaging & Services), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients after sales are stated in order to resolve problems that were unforeseeable at the time of the signing of the contract or as of the close of accounting period. There are instances where Future Architect provides such services without compensation in order to guarantee quality standards that will fully satisfy its customers in IT consulting services and Packaging & Services. To prepare for additional cost of sales in IT consulting services and Packaging & Services that may arise after sales are stated, estimated amount of such additional cost, calculated based on past experience, is stated in the reserve for quality assurance. estimate the amount of loss.</p> <p>(3) Reserve for loss on projects In projects related to open system consultation and system development (IT consulting services and Packaging & Services), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients in order to resolve problems that were unforeseeable at the time of the signing of the contract. To prepare for future loss in IT consulting services and Packaging & Services, estimated amount of such loss in and after the following fiscal year is stated in the reserve for loss on project, concerning ongoing projects for which loss is projected to be incurred as of the end of the fiscal year under review and for which it is possible to rationally</p> | <p>(1) Allowance for doubtful accounts Same as on the left.</p> <p>(2) Reserve for quality assurance Same as on the left.</p> <p>(3) Reserve for loss on projects In projects related to open system consultation and system development (IT consulting services and Packaging & Services), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients in order to resolve problems that were unforeseeable at the time of the signing of the contract. To prepare for future loss in IT consulting services and Packaging & Services, estimated amount of such loss in and after the following fiscal year is stated in the reserve for loss on project, concerning ongoing projects for which loss is projected to be incurred as of the end of the fiscal year under review and for which it is possible to rationally estimate the amount of loss.</p> |

| Item | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---|--|--|
| | <p>(Additional information)</p> <p>Reserve for future loss expected to occur concerning ongoing projects was previously stated in the reserve for quality assurance. However, with the application of the 'Accounting Standard for Construction Contracts' (ASBJ Statement No. 15, December 27, 2007) and the 'Guidance on Accounting Standard for Construction Contracts' (ASBJ Guidance No. 18, December 27, 2007), reserve for future loss projected to be incurred concerning ongoing projects is stated in reserve for loss on project from the fiscal year under review.</p> <p>(4) Allowance for investment loss To prepare for losses on investments in affiliated companies, estimated amount of potential losses, calculated in consideration of financial conditions and other characteristics of the relevant companies, is stated in the reserve for investment losses.</p> | <p>(4) Allowance for investment loss Same as on the left.</p> |
| <p>5. Recognition standards for important income and expenses</p> | <p>Recognition standards for sales and cost of sales for IT consulting services</p> <p>a. Project whose results concerning the part that had advanced by the end of the fiscal year under review are deemed to be certain Percentage of completion method (Progress rate is estimated in proportion to cost.)</p> <p>b. Other projects Completed contract method</p> | <p>Recognition standards for sales and cost for sales of IT consulting services Same as on the left.</p> |
| <p>6. Other material information concerning the compiling of financial statements</p> | <p>Accounting treatment of consumption taxes, etc. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.</p> | <p>Accounting treatment of consumption taxes, etc. Same as on the left.</p> |

(6) Change in accounting principles

| Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|--|--|
| <p>(Accounting standard for construction contracts)</p> <p>The 'Accounting Standard for Construction Contracts' (ASBJ Statement No. 15, December 27, 2007) and the 'Guidance on Accounting Standard for Construction Contracts' (ASBJ Guidance No. 18, December 27, 2007) were applied effective of the fiscal year under review.</p> <p>This adoption had no effect on the Company's earnings for the fiscal year under review.</p> | <p>(Accounting standard for asset retirement obligations)</p> <p>The 'Accounting Standard for Asset Retirement Obligations' (ASBJ Statement No. 18, March 31, 2008) and the 'Guidance on Accounting Standard for Asset Retirement Obligations' (ASBJ Guidance No.21, March 31, 2008) were applied effective of the fiscal year under review.</p> <p>As a result of this change, operating income and ordinary income decreased ¥29,129 thousand, respectively, and income before income taxes declined ¥190,883 thousand. The amount of the change in asset retirement obligations incurred due to the initial application of the accounting standard, etc. was ¥216,817 thousand yen.</p> |

(7) Change in classification

| Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|--|---|
| <p>(Balance sheets)</p> <p>With the application of the 'Accounting Standard for Construction Contracts' (ASBJ Statement No. 15, December 27, 2007) and the 'Guidance on Accounting Standard for Construction Contracts' (ASBJ Guidance No. 18, December 27, 2007) from the fiscal year under review, what was stated as 'Reserve for quality assurance' in the previous fiscal year are separately stated as 'Reserve for quality assurance' with regard to reserve for loss on repair to be provided without compensation, which is projected to occur after the end of projects, and 'Reserve for loss on project' concerning reserve for future loss, projected to be incurred about ongoing projects.</p> <p>'Reserve for quality assurance' in the previous fiscal year, which amounted to ¥74,301 thousand, did not include what fell under</p> <p>_____</p> | <p>(Income Statement)</p> <p>'Guarantee commission' (¥473 thousand in the previous fiscal year), which was included in the 'Other' section of the non-operating expenses account in the previous fiscal year, was reported separately in the fiscal year under review, since its amount exceeded 10/100 of the total non-operating expenses in the period under review.</p> |

(8) Notes to non-consolidated financial statements

(Notes regarding balance sheets)

(in thousands of yen unless otherwise noted)

| Fiscal 2010 December 31, 2010 | Fiscal 2011 December 31, 2011 | | | | | | | | | | | | | | | | |
|---|---|-----------|-------------------------------|-----------|-----------|--------|-------------------------|---------------------|---|---------------------------------|-----------|-------------------------------|-----------|-----------|--------|-------------------------|---------------------|
| <p>*1. Items concerning affiliates Assets and liabilities in relation to affiliated companies, which are not separately stated, are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Allowance for doubtful accounts</td> <td style="text-align: right;">-¥486,792</td> </tr> <tr> <td>Allowance for investment loss</td> <td style="text-align: right;">-¥313,788</td> </tr> </table> <p>2. Debt guarantees Guarantee against trade accounts payable of affiliated company</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Guarantee</th> <th style="width: 30%;">Amount</th> </tr> </thead> <tbody> <tr> <td>Uoei Shoten Corporation</td> <td style="text-align: right;">78,859 thousand yen</td> </tr> </tbody> </table> | Allowance for doubtful accounts | -¥486,792 | Allowance for investment loss | -¥313,788 | Guarantee | Amount | Uoei Shoten Corporation | 78,859 thousand yen | <p>*1. Items concerning affiliates Assets and liabilities in relation to affiliated companies, which are not separately stated, are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Allowance for doubtful accounts</td> <td style="text-align: right;">-¥567,492</td> </tr> <tr> <td>Allowance for investment loss</td> <td style="text-align: right;">-¥313,788</td> </tr> </table> <p>2. Debt guarantees Guarantee against trade accounts payable of affiliated company</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Guarantee</th> <th style="width: 30%;">Amount</th> </tr> </thead> <tbody> <tr> <td>Uoei Shoten Corporation</td> <td style="text-align: right;">72,642 thousand yen</td> </tr> </tbody> </table> | Allowance for doubtful accounts | -¥567,492 | Allowance for investment loss | -¥313,788 | Guarantee | Amount | Uoei Shoten Corporation | 72,642 thousand yen |
| Allowance for doubtful accounts | -¥486,792 | | | | | | | | | | | | | | | | |
| Allowance for investment loss | -¥313,788 | | | | | | | | | | | | | | | | |
| Guarantee | Amount | | | | | | | | | | | | | | | | |
| Uoei Shoten Corporation | 78,859 thousand yen | | | | | | | | | | | | | | | | |
| Allowance for doubtful accounts | -¥567,492 | | | | | | | | | | | | | | | | |
| Allowance for investment loss | -¥313,788 | | | | | | | | | | | | | | | | |
| Guarantee | Amount | | | | | | | | | | | | | | | | |
| Uoei Shoten Corporation | 72,642 thousand yen | | | | | | | | | | | | | | | | |
| <p>*3. Lawsuit The Company initiated legal action in the Tokyo District Court relating to payment of contract fees, etc. (¥1,462 million) against NITTO DENKO CORPORATION as of November 30, 2009. The Company delivered the deliverables on September 4, 2009 in accordance with an agreement with NITTO DENKO. However, NITTO DENKO did not recognize the action by the Company as delivery and refused to pay the contract fees etc. Against this backdrop, the Company initiated legal action.</p> | <p>*3. Lawsuit Same as on the left.</p> | | | | | | | | | | | | | | | | |
| <p>*4. Of investment securities, ¥168,686 thousand is lent under stock loan agreements.</p> | _____ | | | | | | | | | | | | | | | | |

(Notes regarding consolidated statements of income)

(in thousands of yen unless otherwise noted)

| Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) | | | | | | | | | | | | |
|---|--|--------|--|--------|--|-------------------------------|---|--------------------------|--------|-------------------------------|-----|-------|--------|
| <p>*1. Total amount of research & development expenditures Research & development expenses included in selling, general and administrative expenses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">49,344</td> </tr> </table> | | 49,344 | <p>*1. Total amount of research & development expenditures Research & development expenses included in selling, general and administrative expenses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">24,608</td> </tr> </table> | | 24,608 | | | | | | | | |
| | 49,344 | | | | | | | | | | | | |
| | 24,608 | | | | | | | | | | | | |
| <p>*2. Transactions with group affiliates are summarized below:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Interest income</td> <td style="text-align: right;">13,229</td> </tr> <tr> <td>Group management expense</td> <td style="text-align: right;">27,982</td> </tr> </table> | Interest income | 13,229 | Group management expense | 27,982 | <p>*2. Transactions with group affiliates are summarized below:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Interest income</td> <td style="text-align: right;">11,159</td> </tr> <tr> <td>Group management expense</td> <td style="text-align: right;">23,885</td> </tr> </table> | Interest income | 11,159 | Group management expense | 23,885 | | | | |
| Interest income | 13,229 | | | | | | | | | | | | |
| Group management expense | 27,982 | | | | | | | | | | | | |
| Interest income | 11,159 | | | | | | | | | | | | |
| Group management expense | 23,885 | | | | | | | | | | | | |
| <p>*3. Breakdown of gain on sales of fixed assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Tools, furniture and fixtures</td> <td style="text-align: right;">3,066</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">3,066</td> </tr> </table> | Tools, furniture and fixtures | 3,066 | Total | 3,066 | <p>*3. Breakdown of gain on sales of fixed assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Tools, furniture and fixtures</td> <td style="text-align: right;">107</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">107</td> </tr> </table> | Tools, furniture and fixtures | 107 | Total | 107 | | | | |
| Tools, furniture and fixtures | 3,066 | | | | | | | | | | | | |
| Total | 3,066 | | | | | | | | | | | | |
| Tools, furniture and fixtures | 107 | | | | | | | | | | | | |
| Total | 107 | | | | | | | | | | | | |
| <p>*4. Breakdown of loss on retirement of fixed assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Buildings</td> <td style="text-align: right;">3,771</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: right;">573</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">4,344</td> </tr> </table> | Buildings | 3,771 | Tools, furniture and fixtures | 573 | Total | 4,344 | <p>*4. Breakdown of loss on retirement of fixed assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Buildings</td> <td style="text-align: right;">15,156</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: right;">134</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">15,291</td> </tr> </table> | Buildings | 15,156 | Tools, furniture and fixtures | 134 | Total | 15,291 |
| Buildings | 3,771 | | | | | | | | | | | | |
| Tools, furniture and fixtures | 573 | | | | | | | | | | | | |
| Total | 4,344 | | | | | | | | | | | | |
| Buildings | 15,156 | | | | | | | | | | | | |
| Tools, furniture and fixtures | 134 | | | | | | | | | | | | |
| Total | 15,291 | | | | | | | | | | | | |

(in thousands of yen unless otherwise noted)

| Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|-------------------------------------|----------|-----------------|----------|---|----------|---------|--------------|----------------|--|-------|--|-----|------|----------|------------|------|-------------------------------------|------|-------|--------------|--------------|--|--------|
| <p>*5. Impairment loss</p> <p>In the fiscal year under review, the Group reported impairment losses of the following asset groups.</p> <p>(1) Main assets on which impairment losses were recognized</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Type</th> <th>Location</th> </tr> </thead> <tbody> <tr> <td>In-house system</td> <td>Software</td> <td>-</td> </tr> </tbody> </table> <p>(2) Background of the recognition of impairment losses</p> <p>As the Group changed to a policy to adopt the latest outside software and the state-of-the-art proprietary design method of the Company for the development of in-house systems under development in and after the following fiscal year, what cannot be utilized by such new technologies and new design method occurred in existing deliverables. The Group recognized the portion that cannot be utilized as impairment losses.</p> <p>(3) Amounts of impairment losses</p> <table> <tbody> <tr> <td>Software</td> <td style="text-align: right;">242,785</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>242,785</u></td> </tr> </tbody> </table> <p>(4) Asset grouping method</p> <p>The Company groups assets by businesses in terms of management accounting, which it regards as the smallest units that generate almost independent cash flows.</p> <p>(5) Calculation method of recoverable amounts</p> <p>The Company measures recoverable amounts based on use value, and reports impairment losses, judging the use value of existing deliverables that cannot be used to be zero.</p> <p>*6. Provision of allowance for doubtful accounts</p> <p>Provision of allowance for doubtful accounts is in relation to affiliated companies.</p> <p>*7. Amount of provision of reserve for loss on project included in cost of sales</p> <table style="width: 100%;"> <tbody> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">7,000</td> </tr> </tbody> </table> | Use | Type | Location | In-house system | Software | - | Software | 242,785 | <u>Total</u> | <u>242,785</u> | | 7,000 | <p>*5. Impairment loss</p> <p>In the fiscal year under review, the Group reported impairment losses of the following asset groups.</p> <p>(1) Main assets on which impairment losses were recognized</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Type</th> <th>Location</th> </tr> </thead> <tbody> <tr> <td>Idle asset</td> <td>Land</td> <td>Nasushiobara, Tochigi Prefecture</td> </tr> </tbody> </table> <p>(2) Background of the recognition of impairment losses</p> <p>The Group reduced the book value of idle land in Nasushiobara, Tochigi Prefecture, for which it has no specific plan for future use, to its recoverable amount, and recognized the difference between the book value and the recoverable value as impairment losses.</p> <p>(3) Amounts of impairment losses</p> <table> <tbody> <tr> <td>Land</td> <td style="text-align: right;">4,893</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>4,893</u></td> </tr> </tbody> </table> <p>(4) Asset grouping method</p> <p>The Company groups assets by businesses in terms of management accounting, which it regards as the smallest units that generate almost independent cash flows. However, with regard to idle assets that are not directly used for business, each idle asset is considered to constitute a group.</p> <p>(5) Calculation method of recoverable amounts</p> <p>The recoverable value of idle assets that are not directly used for business is calculated based on the net selling price. The net selling price is calculated by rationally adjusting the assessed value of fixed assets and market prices in the neighborhood.</p> <p>*6. Provision of allowance for doubtful accounts</p> <p>Provision of allowance for doubtful accounts is in relation to affiliated companies.</p> <p>*7. Amount of provision of reserve for loss on project included in cost of sales</p> <table style="width: 100%;"> <tbody> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">-2,800</td> </tr> </tbody> </table> <p>*8. Loss on liquidation of subsidiaries and affiliates resulted from liquidation of Shanghai UFIDA Future Consulting Ltd.</p> | Use | Type | Location | Idle asset | Land | Nasushiobara, Tochigi Prefecture | Land | 4,893 | <u>Total</u> | <u>4,893</u> | | -2,800 |
| Use | Type | Location | | | | | | | | | | | | | | | | | | | | | | | |
| In-house system | Software | - | | | | | | | | | | | | | | | | | | | | | | | |
| Software | 242,785 | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Total</u> | <u>242,785</u> | | | | | | | | | | | | | | | | | | | | | | | | |
| | 7,000 | | | | | | | | | | | | | | | | | | | | | | | | |
| Use | Type | Location | | | | | | | | | | | | | | | | | | | | | | | |
| Idle asset | Land | Nasushiobara, Tochigi Prefecture | | | | | | | | | | | | | | | | | | | | | | | |
| Land | 4,893 | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Total</u> | <u>4,893</u> | | | | | | | | | | | | | | | | | | | | | | | | |
| | -2,800 | | | | | | | | | | | | | | | | | | | | | | | | |

((Notes regarding statements of changes in net assets))

Fiscal 2010 (from January 1, 2010 to December 31, 2010)

Type and number of treasury shares

| | Number of shares at end of fiscal 2009 | Increase in number of shares in fiscal 2010 | Decrease in number of shares in fiscal 2010 | Number of shares at end of fiscal 2010 |
|----------------|--|---|---|--|
| Treasury stock | | | | |
| Common stock | 20,008 | - | - | 20,008 |
| Total | 20,008 | - | - | 20,008 |

Fiscal 2011 (from January 1, 2011 to December 31, 2011)

Type and number of treasury shares

| | Number of shares at end of fiscal 2010 | Increase in number of shares in fiscal 2011 | Decrease in number of shares in fiscal 2011 | Number of shares at end of fiscal 2011 |
|----------------|--|---|---|--|
| Treasury stock | | | | |
| Common stock | 20,008 | - | - | 20,008 |
| Total | 20,008 | - | - | 20,008 |

(Lease transactions)

Fiscal 2010 (from January 1, 2010 to December 31, 2010)

Lease transactions are omitted, since they are of little significance.

Fiscal 2011 (from January 1, 2011 to December 31, 2011)

Lease transactions are omitted, since they are of little significance.

(Securities)

Fiscal 2010 (as of December 31, 2010)

Shares in subsidiaries and those in affiliated companies (shares in subsidiaries stated in B/S: ¥1,032,304 thousand; shares in affiliated companies stated in B/S: ¥254,141 thousand) are not stated, since there are no market prices for them and it is deemed to be extremely difficult to determine their market values.

Fiscal 2011 (as of December 31, 2011)

Shares in subsidiaries and those in affiliated companies (shares in subsidiaries stated in B/S: ¥1,110,682 thousand; shares in affiliated companies stated in B/S: ¥242,636 thousand) are not stated, since there are no market prices for them and it is deemed to be extremely difficult to determine their market values.

(Tax effect accounting)

| Fiscal 2010 December 31,2010 | Fiscal 2011 December 31,2011 |
|--|--|
| 1. Breakdown of major causes for deferred tax assets and liabilities | 1. Breakdown of major causes for deferred tax assets and liabilities |
| [Current] | [Current] |
| Deferred tax assets | Deferred tax assets |
| Enterprise tax payable 67,635thousand yen | Enterprise tax payable 47,293thousand yen |
| Reserve for quality assurance 23,612 | Reserve for quality assurance 24,938 |
| Accrued business office taxes 8,474 | Reserve for loss on projects 1,708 |
| Other 7,843 | Accrued business office taxes 8,300 |
| Total deferred tax asset 107,567 | Total deferred tax asset 82,242 |
| [Non-current] | [Non-current] |
| Deferred tax assets | Deferred tax assets |
| Stocks of subsidiaries and affiliates 551,728 | Stocks of subsidiaries and affiliates 483,253 |
| Provision of allowance for investment loss 127,680 | Provision of allowance for investment loss 111,834 |
| Excess amount over the maximum reserve for doubtful accounts 112,705 | Excess amount over the maximum reserve for doubtful accounts 148,004 |
| Depreciation excess 105,128 | Depreciation excess 94,358 |
| Other 438 | Asset retirement obligations 72,553 |
| Subtotal of deferred tax assets 897,679 | Net unrealized gain on available-for sale securities 4,976 |
| Valuation allowance -753,886 | Other 416 |
| Total deferred tax asset 143,795 | Subtotal of deferred tax assets 915,398 |
| Deferred tax liabilities | Valuation allowance -709,609 |
| Net unrealized gain on available -for-sale securities 45,549 | Total deferred tax asset 205,788 |
| Total deferred tax liabilities 45,549 | Deferred tax liabilities |
| Net deferred tax assets 98,246 | Retirement expenses for asset retirement obligations 16,935 |
| | Total deferred tax liabilities 16,935 |
| | Net deferred tax assets 188,853 |
| 2. Breakdown of difference between the normal effective statutory tax rate and the rate of income taxes after application of deferred tax accounting | 2. Breakdown of difference between the normal effective statutory tax rate and the rate of income taxes after application of deferred tax accounting |
| Normal effective statutory tax rate 40.7% | Normal effective statutory tax rate 40.7% |
| (Adjustment) | (Adjustment) |
| Taxes on retained profits 0.5% | Valuation allowance 2.1% |
| Valuation allowance 2.4% | Earnings excluded from dividends income -0.1% |
| Earnings excluded from dividends income -0.1% | Inhabitant tax, flat-rate 0.3% |
| Inhabitant tax, flat-rate 0.3% | (Gain) on extinguishment of tie-in shares -0.6% |
| Added permanent difference 0.7% | Transfer of loss brought forward resulting from merger -0.8% |
| Rate of income taxes after application of deferred tax accounting 44.5% | Added permanent difference 0.4% |
| | Effect of change in tax rate 0.8% |
| | Rate of income taxes after application of deferred tax accounting 42.8% |

| Fiscal 2010 December 31,2010 | Fiscal 2011 December 31,2011 |
|---------------------------------|--|
| | <p>3. Revision of amounts of deferred tax assets and liabilities due to change to normal effective statutory tax rate</p> <p>The ‘Act on Partial Revision of the Income Tax Act, etc. to Build a Tax System Conforming to Structural Changes in the Structure of Economy and Society’ (Law No. 114 of 2011) and the ‘Act on Special Measures for Securing of Financial Resources Necessary for Implementation of Measures for Reconstruction from the Great East Japan Earthquake’ (Law No. 117 of 2011) were promulgated on December 2, 2011, and the corporate tax rate will be reduced and a special reconstruction corporate tax will be imposed from the consolidated fiscal year that starts on or after April 1, 2012. As a result, the normal effective statutory tax rate to be used to calculate deferred tax assets and liabilities will be reduced from former 40.7% to 38.0% for temporary differences that are projected to be resolved in the consolidated fiscal year that starts on January 1, 2013 to the consolidated fiscal year that starts on January 1, 2015, and to 35.6% for those that are projected to be resolved in or after the consolidated fiscal year that starts on January 1, 2016. As a result of the change, the amount of deferred tax assets (excluding the amount of deferred tax liabilities) decreased ¥20,883 thousand, while corporate tax adjustments increased ¥20,774 thousand.</p> |

(Business amalgamation)

Fiscal 2010 (from January 1, 2010 to December 31, 2010)

None

Fiscal 2011 (from January 1, 2011 to December 31, 2011)

Notes are omitted, because they are stated in ‘Notes to Consolidated Financial Statements (Business combination) in the consolidated financial statements.

(Asset retirement obligations)

At the end of fiscal 2011 (December 31, 2011)

Among asset retirement obligations, those stated in the consolidated balance sheets

- a) Overview of the relevant asset retirement obligations
Obligation for restoration to original condition following conclusion of real estate lease agreements on offices, including the head office, and stores
- b) Method of calculating the amount of the relevant asset retirement obligations
Asset retirement obligations is calculated by estimating the usable period to be seven to 9 years from the acquisition and using a discount rate of 0.726% to 1.042%.
- c) Increase/decrease in total amount of the relevant asset retirement obligations in fiscal 2011

| | | |
|---|----------------|-----------------------|
| Balance at the beginning of the period | 216,817 | (in thousands of yen) |
| Increase due to acquisition of tangible fixed assets | 11,437 | |
| Adjustment due to passage of time | 1,591 | |
| Decrease due to fulfillment of asset retirement obligations | -34,777 | |
| Other increase (decrease) | 311 | |
| Balance at the end of the period | <u>195,380</u> | |

Note The balance at the beginning of the fiscal year resulted from application of the 'Accounting Standard for Asset Retirement Obligations' (ASBJ Statement No. 18, March 31, 2008) and the 'Guidance on Accounting Standard for Asset Retirement Obligations' (ASBJ Guidance No. 21, March 31, 2008) effective from the fiscal year under review.

(Per share data)

| | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---------------------------|---|---|
| Net asset value per share | ¥23,018.71 | ¥24,229.93 |
| Net income per share | ¥3,242.94 | ¥3,389.84 |
| | Fully diluted net income per share is not stated because the average stock price during the period is below the exercise price of stock acquisition rights and hence net income per share is not diluted. | Fully diluted net income per share is not stated because the average stock price during the period is below the exercise price of stock acquisition rights and hence net income per share is not diluted. |

Notes: Net income per share is calculated based on the following:

| | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|---|---|---|
| Net income per share | | |
| Net income (thousands of yen) | 1,480,830 | 1,547,910 |
| Amount not available for common shareholders to common shares (thousands of yen) | - | - |
| Net income attributable to common shares (thousands of yen) | 1,480,830 | 1,547,910 |
| Average outstanding shares of common stock during the period (shares) | 456,632 | 456,632 |
| Latent shares that have no dilution effect and thus are not included in the calculation of diluted net income per share | Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (Stock acquisition rights: 996units) Common stock 3,984 shares | Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (Stock acquisition rights: 846units) Common stock 3,384 shares |

(Significant subsequent events)

| Fiscal 2010 (from January 1, 2010 to December 31, 2010) | Fiscal 2011 (from January 1, 2011 to December 31, 2011) |
|--|--|
| <p>Company split</p> <p>At the Board of Directors meeting of the Company and that of Elm Corporation, a consolidated subsidiary of the Company, both held on February 8, 2011, the following were decided concerning absorption-type company split, through which Elm Corporation will succeed the Company's package solution business for small and midsize companies.</p> <ol style="list-style-type: none">1. Purpose of the company split To establish a system that can provide high-value-added services more quickly to satisfy IT system needs that are expected to continue to increase, by realigning and enhancing the IT solution business for small and midsize companies, which is dispersed within the Group2. Operations and scale of business to be spun off<ol style="list-style-type: none">(1) Business operations Business concerning services relating to the introduction of 'New RRR' application software in accordance with business characteristics of small and midsize companies and maintenance services after the introduction of the said system(2) Net sales (Fiscal year ended December 2010) ¥449 million3. Form of company split Absorption-type company split, with the Company as the splitting company and Elm Corporation as the succeeding company4. Name, assets, liabilities and net assets of the succeeding company in the company split<ol style="list-style-type: none">(1) Name Elm Corporation(2) Assets 1,218 million yen(3) Liabilities 375 million yen(4) Net assets 843 million yen5. Time of the company split (Effective date) April 1, 2011 (planned)6. Other important matters At the Ordinary General Meeting of Shareholders of Elm Corporation, held on March 11, 2011, it was resolved that the trade name of Elm Corporation will be changed to FutureOne, Inc. as of the effective date. | <p>Notes are omitted because they are stated in 'Notes to Consolidated Financial Statements (Significant subsequent events)' in the consolidated financial statements.</p> |

6. Other

(1) Changes in Directors

None

(2) Other

Orders received (outstanding contracts)

(in thousands of yen)

| Item | Fiscal 2010 (from January 1, 2010 to December 31, 2010) | | Fiscal 2011 (from January 1, 2011 to December 31, 2011) | |
|----------------------------|--|---------------|--|---------------|
| | Orders received | Order backlog | Orders received | Order backlog |
| IT Consulting Business | 15,481,466 | 4,670,958 | 13,498,883 | 3,559,152 |
| Package & Service Business | 4,256,765 | 697,057 | 4,555,212 | 1,185,314 |
| Other | 59,174 | 6,597 | 59,974 | 4,249 |
| Total | 19,797,406 | 5,374,613 | 18,114,069 | 4,748,715 |

- Notes: 1. With the application of the 'Accounting Standard for Segment Information Disclosures,' the business segment has been reclassified. Hence, the figures for Fiscal 2010 are, calculated on the basis of reclassification of business segment.
2. Orders received include adjustments for exchange rate fluctuations.