Consolidated Summary Report of Operating Results for Fiscal 2012 (Year ended December 2012) [Japan GAAP]

February 7, 2013

Company name: Future Architect, Inc.
Shares listed on: First Section of Tokyo Stock Exchange
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Scheduled date of annual general shareholders' meeting: March 26, 2013 Scheduled date for distribution of dividend payments: March 27, 2013
Scheduled date for filing the securities report: March 27, 2013
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 2012 (January 1, 2012 to December 31, 2012)

(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 2012	23,353	0.3	1,935	(34.0)	2,057	(32.6)	1,167	(31.9)
Fiscal 2011	23,292	2.9	2,929	(6.7)	3,051	(7.0)	1,715	7.8

Note: Comprehensive income Fiscal 2012:1,151 million yen (-29.4%) Fiscal 2011: 1,632 million yen (1.4%)

	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 2012	2,588.05	-	10.1	14.1	8.3
Fiscal 2011	3,756.80	-	15.6	21.5	12.6

(Reference) Profit/loss from equity method investments Fiscal 2012: 8 million yen Fiscal 2011: 22 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	Percent (%)	Yen
Fiscal 2012	14,830	11,766	78.5	25,865.24
Fiscal 2011	14,453	11,410	78.9	24,964.67

(Reference) Shareholders' equity Fiscal 2012: 11,645 million yen Fiscal 2011: 11,399 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 2012	727	(1,157)	(919)	4,184
Fiscal 2011	1,919	(617)	(919)	5,526

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 2011	-	750.00	-	750.00	1,500.00	684	39.9	6.2
Fiscal 2012	-	750.00	-	750.00	1,500.00	675	58.0	5.9
Fiscal 2013 (Forecast)	-	750.00	-	750.00	1,500.00		37.5	

3. Projected Consolidated Results for Fiscal 2013 (January 1, 2013 to December 31, 2013)

(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)	12,250	10.1	1,340	84.9	1,365	69.7	750	61.7	1,665.81
Full year	25,700	10.0	3,200	65.4	3,250	57.9	1,800	54.1	3,997.94

* Notes

(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: 1 company (company names) Associant Technology Inc.

Note: For details, please refer to "4. Consolidated Financial Statements, (6) Significant Accounting Policies' Regarding the Preparation of Consolidated Financial Statements" on page 26 of Attached Materials.

(2) Change in accounting policies or estimates and restatements

a. Change in accounting policies in accordance with revision of accounting standards: Yes • No

b. Change in accounting policies other than item a. above : Yes • No

c. Change in accounting estimates : Yes • No

d. Restatements : Yes • No

(3) Number of outstanding shares (common stock)

a. Total outstanding shares as of the end of the period (including treasury stocks)	Fiscal 2012	476,640 shares	Fiscal 2011	476,640 shares
b. Total treasury stocks as of the end of the period	Fiscal 2012	26,408 shares	Fiscal 2011	20,008 shares
c. Average number of outstanding stocks during the quarter under review	Fiscal 2012	451,208 shares	Fiscal 2011	456,632 shares

(Reference) Overview of non-consolidated results

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

(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 2012	14,017	(4.2)	2,011	(26.7)	2,130	(24.0)	1,036	(33.0)
Fiscal 2011	14,630	2.4	2,745	(9.7)	2,803	(9.8)	1,547	4.5

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
Fiscal 2012	2,297.17	-
Fiscal 2011	3,389.84	-

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2012	13,113	11,201	85.4	24,878.39
Fiscal 2011	12,997	11,064	85.1	24,229.93

(Reference) Shareholders' equity Fiscal 2012: 11,201 million yen Fiscal 2011: 11,064 million yen

2. Projected Non-consolidated Results for Fiscal 2013 (January 1, 2013 to December 31, 2013)

(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)	-	-	-	-	-	-	-
Full year	15,800	12.7	3,050	43.2	1,740	67.9	3,864. 67

* 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

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.

○ Contents

1. Analysis of Operating Results and Financial Condition

(1) Analysis of operating results

(Overview of fiscal year under review)

The Group's consolidated operating results for fiscal 2012 were as follows:

Net sales	¥23,353 million (up 0.3% year-on-year)
Operating income	¥1,935 million (down 34.0% year-on-year)
Ordinary income	¥2,057 million (down 32.6% year-on-year)
Net income	¥1,167 million (down 31.9% year-on-year)

During the fiscal year ended December 2012, the Group completed orders for multiple large-scale projects in the first half and also acquired new clients in the financial and manufacturing sectors besides the retail and service sectors, despite the transitional period to the new projects. Furthermore, subsidiaries in Southeast Asia and new businesses such as healthcare contributed to consolidated earnings, resulting in a year-on-year increase of net sales. Meanwhile, profits declined from a year earlier, due to an increase in costs for improving the quality at some projects and delays in some other projects, as well as an increase in costs for expanding operations in Southeast Asia and starting up new businesses.

As a result of the aggressive client sales activities, the backlog stood at ¥7,560 million at the end of fiscal 2012, a sharp increase from ¥4,748 million a year ago.

Earnings results of each business segment are as follows. The earnings results by business segment represent values before adjusting for internal sales or transfers among segments.

1. IT Consulting Business

In the IT Consulting Business, we received orders for multiple large projects involving the renovation and integration of IT systems accordance with operational reforms, as well as the initiation of many medium-scale projects for new clients in the financial and manufacturing sectors.

We saw an increase in new initiatives, including the short-term establishment of e-commerce infrastructures, using existing components. In addition, we began to see favorable results from services, such as cloud services for financial institutions, value-added outsourcing services, and global ERP, which we are promoting as new strategic fields. However, profitability dropped as costs for improving quality increased and delays in some existing projects occurred.

With regard to businesses in Southeast Asia, the Malaysian subsidiary grew steadily, achieving a profit in the full fiscal year, while promotional costs were incurred at subsidiaries in Singapore and Thailand due to a slower-than-expected pace of acquiring new customers.

As a result, net sales increased by 1.5% from the previous fiscal year to ¥14,843 million, while operating income decreased by 32.1% to ¥1,745 million.

2. Package & Service Business

In the Package & Service Business, Ascendia Inc. began to provide full-scale development and operation services at its regional bases, saw its public-related projects progress steadily, and achieved stable performance throughout the fiscal year.

The earnings of Future One, Inc., for the second half increased from a year earlier, but profits decreased for the full fiscal year, caused by a fall in the profitability of some projects in the first quarter.

As a result, net sales decreased by 2.4% from a year earlier to ¥4,389 million, and operating income decreased by 16.3% to ¥279 million.

3. Corporate Revitalization Business

In the Corporate Revitalization Business, Uoei Shoten Corporation, the operator of a grocery supermarket, implemented various IT-based measures, including introduction of automatic order placement and EDI systems, which it had promoted, and squeezed selling, general and administrative expenses through an efficient advertising strategy. As a result, net sales decreased by 2.5% year-on-year to ¥4,439 million and operating income decreased by 6.9% to ¥29 million. Operating income was positive on a full-year basis for the second consecutive year.

4. Others

Through a corporate split, we acquired media service businesses, including publication of the magazine Tokyo Calendar, at the end of January 2012, and expanded its Internet services, for example, by renewing its website. As a result, we achieved a profit from the businesses in November and December; however, this failed to offset earlier losses.

(Outlook for the next fiscal year)

Our earnings forecast for the fiscal year ending December 2013 is as follows:

Consolidated net sales	¥25,700 million (up 10.0% year-on-year)
Consolidated operating income	¥3,200 million (up 65.4% year-on-year)
Consolidated ordinary income	¥3,250 million (up 57.9% year-on-year)
Consolidated net income	¥1,800 million (up 54.1% year-on-year)

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

1. IT Consulting Business

(1) Core business area

Reflecting the trend of corporate reorganization and integration, companies have realized again the importance of renovating and integrating IT systems, which should lead to operational reforms, and reduce IT costs significantly. Multiple projects for new clients have started in the area of the Company's core business, which provides real-time management processes for customers. We believe that it is crucial to confidently lead these projects to success.

(2) New services area

We have already established relations with multiple customers in the area of new services such as cloud services, value added outsourcing services (VAO), and global ERP for large companies. We will further expand these new services. In addition, we will work to win more orders for the new services by marketing our favorable achievement with new clients, including securities firms and FX online-trade companies, to the industry which these companies belong.

In the healthcare field, we will engage in new businesses in the coming fiscal year, for example, through the cloud-based provision of electronic medical charts.

(3) Quality improvement

We developed an in-house a system that monitors the implementation status of projects and detects problems at earlier stages, and began to use it in the second half. From now, we will effectively use the system and thoroughly control the quality of projects, aiming to enhance overall profitability.

(4) Overseas businesses

In Southeast Asia, we will further strengthen our partnerships with global ERP vendors, and combine the development capabilities of our Malaysian subsidiary, which has already become profitable, with the marketing capabilities of Singaporean and Thai subsidiaries. Through these activities, we aim to win more orders from large local companies and make local operations profitable at an early date. Furthermore, we will expand IT-based support for Japanese companies advancing into the Asian region.

2. Package & Service Business

Future One, Inc. will work to increase orders received by upgrading in-house manufactured products and enhancing functions for which needs are strong, while continuing to strengthen direct marketing and developing new sales channels. Future One, Inc. will also improve the profit and loss management of projects using the Company's project management tool, which has already been introduced. Ascendia Inc. will strengthen its technological capabilities by enhancing cooperation and sharing expertise with the Company, and further expand public-related businesses and near-shore businesses (such as operation/maintenance and development at regional bases in Japan).

3. Corporate Revitalization Business

Uoei Shoten Corporation will continue to reform the processes of customer marketing, procurement and sales of products, and inventory management using IT.

(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	¥14,830 million (up 2.6% year-on-year)
Liabilities	¥3,063 million (up 0.7% year-on-year)
Net assets	¥11,766 million (up 3.1% year-on-year)

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

(1) Assets

Current assets were ¥9,771 million on a consolidated basis at the end of the fiscal year under review, down ¥757 million from the preceding year, and fixed assets amounted to ¥5,058 million, up ¥1,134 million, with total assets standing at ¥14,830 million, up ¥376 million. The main underlying factors were an increase in fixed assets, including software (increase of ¥450 million from the end of the previous consolidated fiscal year) and investment securities (increase of ¥383 million), due to the launch of cloud services and proactive business-related investments, and a rise in notes and accounts receivable-trade (increase of ¥752 million), in contradiction to decline in cash and deposits (decrease of ¥920 million) and short term investment securities (decrease of ¥670 million).

For a breakdown of decrease in cash and deposits, see “2. Analysis of cash flows.”

(2) Liabilities

Current liabilities were ¥2,747 million at the end of the fiscal year under review, up ¥31 million from the preceding year, and noncurrent liabilities were ¥316 million, down ¥10 million, which brought total liabilities to ¥3,063 million, up ¥21 million. Main factors included a rise in accounts payable-trade (increase of ¥95 million from the end of the previous consolidated fiscal year) and allowance for office transfer expenses (increase of ¥35 million), in contradiction to a fall in income tax payable (decrease of ¥54 million) and reserve for quality assurance (decrease of ¥54 million).

(3) Net assets

Net assets were ¥11,766 million at the end of the fiscal year under review, up ¥355 million from the preceding year. The main factors included an increase of retained earnings (an increase of ¥489 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 from operating activities was inflow of ¥727 million (compared to an inflow of ¥1,919 million in the previous fiscal year), mainly due to the posting of net income before taxes of ¥2,047 million, despite an increase in notes and accounts receivable-trade of ¥536 million and an income taxes payment of ¥903 million.

(2) Cash flows from investing activities

Net cash from investing activities was outflow of ¥1,157 million (compared to an outflow of ¥617 million in the previous fiscal year), chiefly due to purchases of tangible fixed assets of ¥291 million and purchases of intangible fixed assets of ¥497 million.

(3) Cash flows from financing activities

Net cash from financing activities was outflow of ¥919 million (compared to an outflow of ¥919 million in the previous fiscal year), mainly reflecting purchases of treasury stock of ¥223 million and payments for a cash dividend of ¥677 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 ¥4,184 million, with a decrease of ¥1,341 million in cash and cash equivalents resulting 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 at the end of the fiscal year under review (December 31, 2012) at the record date is planned to pay ¥750 per share, making a full-year dividend of ¥1,500 per share when combined with the interim dividend (with the record date of June 30, 2012), which was paid in September 2012. As a result, the dividend payout ratio on a consolidated basis is 58.0% and that on a non-consolidated basis is 65.3%.

The Company's planned dividend payment for the next fiscal year is ¥1,500 per share (of which, the interim dividend is ¥750) in accordance with the above policy.

(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, 2013.

1) Economic conditions and business climate

At major corporations, which are the main clients of the IT Consulting Business, it has become indispensable to make IT investments aimed at quickly and efficiently responding to changes in the business environment, and implement new IT strategies such as downsizing and using cloud services to reduce IT costs. However, the Group may be affected by a decrease in IT investment 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 ¥220 million and ¥109 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, an increase in the number of employees may drive up fixed labor costs, creating downward pressure on performance if the Group fails to receive sufficient orders to cover the increase 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 current standard project promotion methods, while establishing and adopting quality control techniques consistent with global standards for model configuration. In addition, the Group is sharing various knowledge concerning IT and providing education and training on project management, while solving bugs and carefully managing the progress of projects using newly-developed project information-sharing and visualization systems.

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 ¥11 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 ¥13 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 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 Standards 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 business partners or investment and loans targets with which the Group keep running the 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 15 consolidated subsidiaries and 7 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)	Introduction of ERP and provision of consulting services in Southeast Asia, including Singapore
Brightree Solutions Sdn Bhd. (subsidiary)	Introduction, customization, and operation and maintenance of ERP in Malaysia
North Consulting Group (Thailand) Co. LTD. (subsidiary)	Introduction, customization, and operation and maintenance of ERP in Thailand
Life Sciences Computing Corporation (subsidiary) (new)	Provision of "OpenDolphin Cloud" electronic medical chart

(Package & Service Business)

In this business, to help clients improve their operational efficiency, the Group introduces or provides, via cloud and ASP, operating software packages dedicated to highly specialized fields, such as sales management and ERP, as well as provides consigned development and education and other IT services.

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, maintenance, and operation of systems based on Java and Web technologies, provision of IT-field personnel training and education services, system development for local governments, and sales of software packages
Logizard Co., Ltd. (affiliate) (new)	Cloud-based logistics and inventories management

(Corporate Revitalization Business)

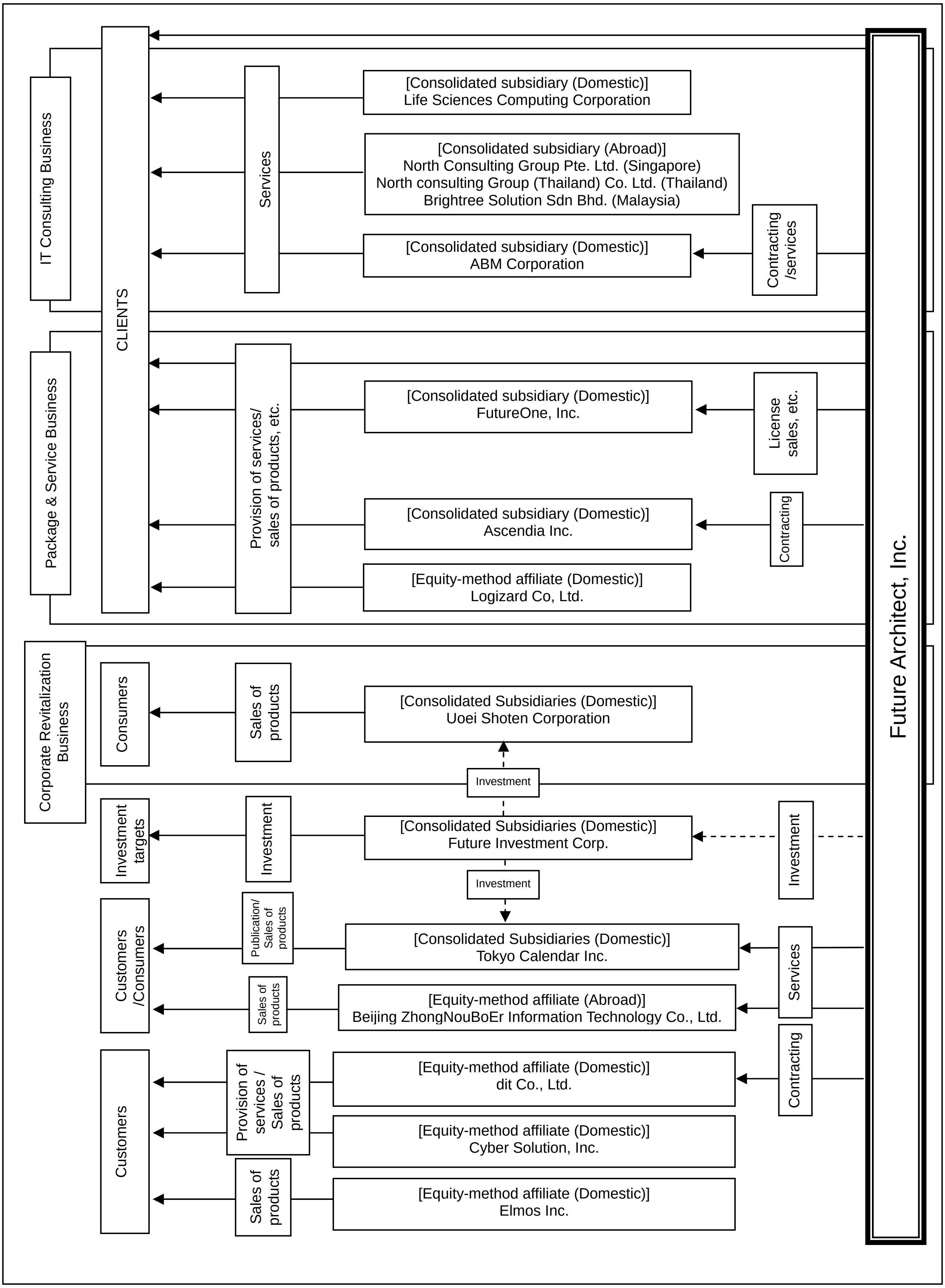
To get deeply involved in the management team of client firms, revitalize client firms through drastic reform focusing on IT, and establish success models for each industry.

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

Among affiliated companies engaged in businesses that are not included in the three businesses mentioned above, such as Internet businesses, publishing, and investing in, holding and managing securities, the main companies are as follows:

Company name	Business activities
Tokyo Calendar Inc. (subsidiary)	Publication of the magazine "Tokyo Calendar," running of websites, and provision of Internet services such as EC
Future Investment Corp. (subsidiary)	Securities holding, management and investment
Beijing ZhongNouBoEr Information Technology Co., Ltd. (affiliate) (new)	EC business centering on consumer electronics
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.

<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	3	Fund lending	Provision of development-related services
North Consulting Group Pte. Ltd.	SINGAPORE, SINGAPORE	100,350 (US$ 1,250 thousand)	IT Consulting Business	100.0 (100.0)	2	-	None	None
Brightree Solutions Sdn Bhd.	PETALING JAYA, MALAYSIA	51,411 (1,936 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	48.0 (48.0) [52.0]	-	-	None	None
North Consulting Group (Thailand) CO., LTD.	BANGKOK, THAILAND	24,500 (10,000 thousand baht)	IT Consulting Business	99.0 (99.0) [1.0]	-	-	None	None
Life Sciences Computing Corporation	Toshima-ku, Tokyo	134,000	IT Consulting Business	51.9	1	2	None	None
FutureOne, Inc.	Shinagawa-ku, Tokyo	200,000	Package & Service Business	100.0	2	1	None	Provision of software licenses
Ascendia Inc.	Oita-shi, Oita	83,700	Package & Service Business	100.0	2	1	Fund lending	Receipt of services for development
Uoei Shoten Corporation	Minami-ku, Niigata	198,000	Corporate Revitalization Business	100.0 (100.0)	-	2	None	None
Tokyo Calendar Inc.	Shinagawa-ku, Tokyo	50,000	Other	100.0 (100.0)	1	1	Fund lending	Provision of development-related services
Future Investment Corp.	Shinagawa-ku, Tokyo	10,000	Other	100.0	3	2	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	2	1	None	None
Future Global Pte. Ltd.	SINGAPORE, SINGAPORE	108,378 (US$ 1,350 thousand)	Other	100.0	3	-	Fund lending	None
FUTURE GLOBAL HONG KONG LIMITED	China, Hong Kong	100 (HK$ 10 thousand)	Other	100.0	3	1	Fund lending	None

Notes:
1. The name of the business segment is stated in “Main business activities.”
2. FutureOne, Inc., Uoei Shoten Corporation and RI Partners Limited Liability Association are specified subsidiaries.
3. The above subsidiaries file neither securities registration statements nor securities reports.
4. Figures in square brackets in “Voting right ratio” represent the ratio of voting rights held by those who are closely related to the company or have agreed with the company on holdings, not included in the above numbers.
5. Figures in round brackets in “Voting right ratio” represent an indirectly owned ratio and are included in the figures above numbers.
6. Future Investment Corp. is a managing partner of RI Partners Limited Liability Association.
7. 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		
Logizard Co., Ltd.	Chuo-ku, Tokyo	56,824	Package & Service Business	34.0	-	1	None	None
Crossflo Systems, Inc.	CALIFORNIA, U.S.A.	105,841 (US$ 1,325 thousand)	Other	35.0	-	-	None	None
Beijing ZhongNouBoEr Information Technology Co., Ltd.	China, Beijing	3,990 (RMB 2,872 thousand)	Other	30.4 (30.4)	-	3	None	Provision of development-related services
dit Co., Ltd.	Koto-ku, Tokyo	428,745	Other	48.2	2	-	None	Receipt of services for network consulting
Cyber Solution, Inc.	Koto-ku, Tokyo	310,000	Other	48.2 (48.2)	1	-	None	None
Elmos Inc.	Chuo-ku, Osaka	10,000	Other	40.0 (40.0)	-	-	None	None
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 round brackets in “Voting right ratio” represent an indirectly owned ratio and are included in the figures above numbers.

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 hart 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 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 an uncertain economic situation and harsh management environment, it is expected that companies in Japan will further enhancement their investment requirements leading to IT cost reduction, as well as IT system renovation and integration, associated with work restructurings and industrial reorganization. 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; “lisnar+,” 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 a wide range of customer needs by further enhancing services to introduce ERP products of SAP AG and Oracle Corporation to major corporations, particularly those expanding operations overseas, in addition to 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. Meanwhile, Ascendia Inc. will strengthen the services of system development and maintenance operation in cooperation with the Company, taking advantage of regional bases (nearshore).

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 Japanese companies expanding operations in Asia.

(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 has strengthened its project management capabilities, which it positions as an important management issues. For further refining and standardizing development technologies, we will enhance our preventive support infrastructure more than ever to respond to any issue that arises from the launch of a project until start-ing up the system, including maintenance and operation after operation has begun.

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 started to expand operations in Asia, with ensuring bases in Singapore, Malaysia, Thailand, and Hong Kong and taking a stake in the company in Beijing. The Group will promote sales and development at these bases and expand the scope of entry to other countries, including Indonesia, Vietnam, and India. In addition, the Group will expand its businesses by making existing solutions and products available in multiple languages, developing software packages and cloud computing, and providing Japanese companies entering Asia with IT-based support.

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 continue to carry out reforms using IT, covering all stages from client marketing to purchase and sales of products and management of inventories, aimed at minimizing costs for disposal and retained inventories as well as improving the satisfaction and convenience of customers by boosting product lineups that meet customer’s needs.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(in thousands of yen)

		Fiscal 2011 (December 31, 2011)		Fiscal 2012 (December 31, 2012)
Assets				
Current assets				
Cash and deposits		5,076,449		4,156,343
Notes and accounts receivable-trade		2,770,586		3,523,351
Short-term investment securities		701,110		30,129
Merchandise and finished goods		126,890		134,677
Work in process		54,928		33,597
Deferred tax assets		146,561		153,662
Accounts receivable-other	*3	1,357,981	*3	1,358,569
Other		302,005		387,026
Allowance for doubtful accounts		(7,364)		(6,034)
Total current assets		10,529,150		9,771,322
Noncurrent assets				
Property, plant and equipment				
Buildings and structures		3,077,281		3,110,805
Accumulated depreciation	*2	(2,654,607)	*2	(2,740,590)
Buildings and structures, net		422,673		370,214
Land		122,868		122,868
Other		1,549,422		1,840,525
Accumulated depreciation	*2	(1,308,490)	*2	(1,448,329)
Other, net		240,931		392,195
Total tangible fixed assets		786,474		885,279
Intangible assets				
Software		386,794		836,883
Goodwill		145,464		195,332
Other		22,063		21,817
Total intangible fixed assets		554,322		1,054,032
Investments and other assets				
Investment securities	*1	1,523,639	*1	1,907,516
Lease and guarantee deposits		840,114		1,035,870
Deferred tax assets		218,382		172,157
Other		61,320		61,063
Allowance for doubtful accounts		(60,043)		(57,052)
Total investments and other assets		2,583,414		3,119,554
Total fixed assets		3,924,210		5,058,866
Total assets		14,453,360		14,830,189

(in thousands of yen)

	Fiscal 2011 (December 31, 2011)	Fiscal 2012 (December 31, 2012)
Liabilities		
Current liabilities		
Accounts payable-trade	644,020	739,873
Short-term loans payable	32,327	30,283
Current portion of long-term loans payable	16,000	-
Accounts payable-other	567,454	516,697
Income taxes payable	590,481	535,959
Provision for bonuses	106,269	116,997
Reserve for quality assurance	65,359	11,275
Reserve for loss on projects	4,200	13,500
Allowance for office transfer expenses	-	35,342
Other	690,054	747,736
Total current liabilities	2,716,167	2,747,663
Noncurrent liabilities		
Asset retirement obligations	309,408	304,006
Other	16,899	12,269
Total non-current liabilities	326,307	316,276
Total liabilities	3,042,475	3,063,940
Net assets		
Shareholders' equity		
Capital stock	1,421,815	1,421,815
Capital surplus	2,495,772	2,495,772
Retained earnings	8,661,248	9,151,020
Treasury stock	(1,171,668)	(1,393,328)
Total shareholders' equity	11,407,167	11,675,279
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,483)	612
Foreign currency translation adjustment	(6,017)	(30,532)
Total valuation and translation adjustments	(7,501)	(29,920)
Minority interests	11,220	120,890
Total net assets	11,410,885	11,766,249
Total liabilities and net assets	14,453,360	14,830,189

(2) Consolidated statements of income and comprehensive income

(in thousands of yen)

		Fiscal 2011 (from January 1, 2011 to December 31, 2011)		Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Net sales		23,292,666		23,353,208
Cost of sales	*1	14,280,213	*1	14,983,640
Gross profit		9,012,452		8,369,568
Selling, general and administrative expenses				
Directors' compensations		310,287		275,497
Salaries and bonuses		3,092,535		3,358,593
Other salaries		99,989		126,805
Training expenses		60,940		109,785
Research and development expenses	*2	32,310	*2	23,459
Depreciation and amortization		129,483		116,112
Recruiting expenses		198,915		220,143
Amortization of goodwill		15,060		85,003
Other		2,143,064		2,119,106
Total selling, general and administrative expenses		6,082,587		6,434,509
Operating income		2,929,865		1,935,058
Non-operating income				
Interest income		2,592		3,868
Dividends income		20,444		23,644
Amortization of negative goodwill		56,617		-
Foreign exchange gains		-		63,786
Equity in earnings of affiliates		22,895		8,759
Other		29,090		27,098
Total non-operating income		131,641		127,155
Non-operating expenses				
Interest expenses		1,651		2,094
Commission for purchase of treasury stock		-		1,647
Foreign exchange losses		5,266		-
Other		2,862		717
Total non-operating expenses		9,780		4,458
Ordinary income		3,051,725		2,057,755
Extraordinary income				
Gain on sales of investment securities		160,290		-
Gain on sales of noncurrent assets	*4	203		-
Gain on negative goodwill		-		75,209
Reversal of reserve for quality assurance		38,275		-
Compensation for damages received		94,945		-
Total extraordinary income		293,715		75,209
Extraordinary loss				
Loss on retirement of noncurrent assets	*3	20,351		-
Loss on sales of investment securities		1,349		-
Loss on valuation of investment securities		66,049		1,275
Impairment loss	*5	64,981		-
Office transfer expenses		-		35,342
Litigation expenses		-		44,000
Loss on adjustment for changes of accounting standard for asset retirement obligations		252,519		-
Other		30,000		4,785
Total extraordinary losses		435,250		85,402
Net income before taxes		2,910,190		2,047,562

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Income taxes-current	1,190,886	839,559
Income taxes-deferred	(141)	37,567
Total income taxes	1,190,744	877,127
Income before minority interests	1,719,445	1,170,435
Minority interests in income	3,969	2,687
Net income	1,715,476	1,167,747
Minority interests in income	3,969	2,687
Income before minority interests	1,719,445	1,170,435
Other comprehensive income		
Valuation difference on available-for-sale securities	(83,480)	2,190
Foreign currency translation adjustment	(3,729)	(24,415)
Share of other comprehensive income of associates accounted for using equity method	(99)	3,376
Total other comprehensive income	(87,308)	*6 (18,847)
Comprehensive income	1,632,137	1,151,587
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,627,985	1,145,328
Comprehensive income attributable to minority interests	4,152	6,258

(3) Consolidated statements of changes in net assets

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Shareholders' equity		
Capital stock		
Balance at the beginning of the 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 beginning of the 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 beginning of the period	7,836,204	8,661,248
Changes of items during the period		
Change of scope of consolidation	-	2,172
Dividends from surplus	(890,432)	(680,148)
Net income	1,715,476	1,167,747
Total changes of items during the period	825,044	489,771
Balance at the end of the period	8,661,248	9,151,020
Treasury stock		
Balance at the beginning of the period	(1,171,668)	(1,171,668)
Changes of items during the period		
Purchase of treasury stock	-	(221,659)
Total changes of items during the period	-	(221,659)
Balance at the end of the period	(1,171,668)	(1,393,328)
Total shareholders' equity		
Balance at the beginning of the period	10,582,123	11,407,167
Changes of items during the period		
Change of scope of consolidation	-	2,172
Dividends from surplus	(890,432)	(680,148)
Net income	1,715,476	1,167,747
Purchase of treasury stock	-	(221,659)
Total changes of items during the period	825,044	268,111
Balance at the end of the period	11,407,167	11,675,279
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of the period	82,095	(1,483)
Changes of items during the period		
Net changes of items other than shareholders' equity	(83,579)	2,095
Total changes of items during the period	(83,579)	2,095
Balance at the end of the period	(1,483)	612
Foreign currency translation adjustment		
Balance at the beginning of the period	(2,105)	(6,017)
Changes of items during the period		
Net changes of items other than shareholders' equity	(3,912)	(24,514)
Total changes of items during the period	(3,912)	(24,514)
Balance at the end of the period	(6,017)	(30,532)

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Total valuation and translation adjustments		
Balance at the beginning of the period	79,989	(7,501)
Changes of items during the period		
Net changes of items other than shareholders' equity	(87,491)	(22,418)
Total changes of items during the period	(87,491)	(22,418)
Balance at the end of the period	(7,501)	(29,920)
Minority interests		
Balance at the beginning of the period	-	11,220
Changes of items during the period		
Net changes of items other than shareholders' equity	11,220	109,670
Total changes of items during the period	11,220	109,670
Balance at the end of the period	11,220	120,890
Total net assets		
Balance at the beginning of the period	10,662,113	11,410,885
Changes of items during the period		
Change of scope of consolidation	-	2,172
Dividends from surplus	(890,432)	(680,148)
Net income	1,715,476	1,167,747
Purchase of treasury stock	-	(221,659)
Net changes of items other than shareholders' equity	(76,271)	87,251
Total changes of items during the period	748,772	355,363
Balance at the end of the period	11,410,885	11,766,249

(4) Consolidated statements of cash flows

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Net cash provided by (used in) operating activities		
Net income before taxes	2,910,190	2,047,562
Depreciation and amortization	233,033	263,970
Amortization of goodwill	15,060	85,003
Increase (decrease) in allowance for doubtful accounts	1,840	(4,320)
Increase (decrease) in provision for bonuses	932	6,642
Increase (decrease) in reserve for quality assurance	(73,804)	(54,084)
Increase (decrease) in reserve for loss on projects	(2,800)	9,300
Office transfer expenses	-	35,342
Interest and dividends income	(23,037)	(27,512)
Interest expenses	1,651	2,094
Foreign exchange losses (gains)	5,266	(63,025)
Commission for purchase of treasury stock	-	1,647
Equity in (earnings) losses of affiliates	(22,895)	(8,759)
Gain on negative goodwill	-	(75,209)
Compensation for damages received	(94,945)	-
Loss (gain) on sales of noncurrent assets	(203)	-
Loss on retirement of noncurrent assets	20,351	-
Loss (gain) on sales of investment securities	(158,940)	-
Loss (gain) on valuation of investment securities	66,049	1,275
Litigation expenses	-	44,000
Impairment loss	64,981	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	252,519	-
Decrease (increase) in notes and accounts receivable-trade	203,901	(536,921)
Decrease (increase) in inventories	3,862	24,866
Increase (decrease) in notes and accounts payable-trade	4,447	24,175
Decrease (increase) in other assets	15,459	(74,574)
Increase (decrease) in other liabilities	(105,394)	(51,507)
Subtotal	3,317,525	1,649,965
Interest and dividends income received	23,954	27,918
Interest expenses paid	(1,816)	(2,176)
Income taxes paid	(1,420,566)	(903,891)
Litigation expenses	-	(44,000)
Net cash provided by (used in) operating activities	1,919,096	727,815

(in thousands of yen)

		Fiscal 2011 (from January 1, 2011 to December 31, 2011)		Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Net cash provided by (used in) investing activities				
Payments into time deposits		(50,000)		-
Proceeds from withdrawal of time deposits		80,000		50,000
Purchase of short-term investment securities		(199,268)		(201,196)
Proceeds from redemption of securities		-		400,464
Purchase of property, plant and equipment		(187,798)		(291,874)
Proceeds from sales of property, plant and equipment		4,389		-
Purchase of intangible assets		(243,334)		(497,196)
Payments for execution of asset retirement obligations		(41,033)		(1,211)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	*2	(150,080)	*2	(64,435)
Purchase of stocks of subsidiaries and affiliates		-		(191,811)
Proceeds from liquidation of subsidiaries and affiliates		7,429		-
Purchase of investment securities		-		(180,100)
Proceeds from sales of investment securities		228,270		-
Proceeds from redemption of investment securities		1,950		-
Payments for lease and guarantee deposits		(164,140)		(223,469)
Proceeds from collection of lease and guarantee deposits		94,612		31,849
Proceeds from transfer of business		-	*3	8,240
Other		1,700		3,150
Net cash provided by (used in) investing activities		(617,304)		(1,157,590)
Net cash provided by (used in) financing activities				
Net increase (decrease) in short-term borrowings		-		(2,441)
Repayments of long-term loans payable		(32,000)		(40,713)
Proceeds from payment by minority shareholders		-		24,021
Purchase of treasury stock		-		(223,307)
Cash dividends paid		(887,631)		(677,234)
Net cash provided by (used in) financing activities		(919,631)		(919,675)
Effect of exchange rate change on cash and cash equivalents		(8,887)		6,454
Net increase (decrease) in cash and cash equivalents		373,274		(1,342,996)
Cash and cash equivalents at beginning of the period		5,153,036		5,526,311
Increase (decrease) in cash and cash equivalents resulting from change to scope of consolidation		-		1,357
Cash and cash equivalents at end of the period	*1	5,526,311	*1	4,184,672

(5) Notes regarding premise of surviving company

Not applicable.

(6) Significant accounting policies regarding the preparation of consolidated financial statements

1. Scope of consolidation

Number of consolidated subsidiaries: 15

Names and other details of consolidated subsidiaries

ABM Corporation, Life Sciences Computing Corporation, North Consulting Group Pte. Ltd., Brightree Solutions Sdn Bhd., Siam NCG Holdings Co., Ltd., North Consulting Group (Thailand) CO., LTD., FutureOne, Inc., Ascendia Inc., Uoei Shoten Corporation, Tokyo Calendar Inc., Future Investment Corporation, RI Partners LLC., Future Architect, Inc., Future Global Pte. Ltd., FUTURE GLOBAL HONG KONG LIMITED.

Life Sciences Computing Corporation and DigitalGlobe, Inc. were included in the scope of consolidation because the Company acquired their shares on February 29, 2012. We also included FUTURE GLOBAL HONG KONG LIMITED within the scope of consolidation because it began its substantial operations and increased its importance through acquisition of Beijing ZhongNouBoEr Information Technology Co., Ltd., while it had been excluded from the scope of consolidation and the scope of application of the equity method because it had not engaged in substantial operations with no business importance after its new establishment on March 29, 2012.

Associant Technology Inc. was removed from the scope of consolidation because its liquidation was completed on October 16, 2012. Meanwhile, DigitalGlobe, Inc. is excluded from the scope of consolidation because it was absorbed into Life Sciences Computing Corporation as the extinct company as a result of the merger on December 31, 2012.

There are no non-consolidated subsidiaries.

2. Application of equity method

Number of affiliated companies to which equity-method is applicable: 7

Names and other details of affiliated companies to which equity-method is applicable

dit Co., Ltd., Cyber Solution Inc., Elmos Inc., Axis Solutions Corporation, Crossflo Systems, Inc., Logizard Co., Ltd., Beijing ZhongNouBoEr Information Technology Co., Ltd.

Crossflo Systems, Inc., Logizard Co., Ltd. and Beijing ZhongNouBoEr Information Technology Co., Ltd., are included within the scope of applying the equity method because the Company acquired their shares and made them affiliates on April 27, 2012, October 25, 2012 and December 28, 2012, respectively.

There are no non-consolidated subsidiaries and affiliates to which the equity method is not applicable.

3. Accounting period of consolidated subsidiaries

Uoei Shoten Corporation's account settlement date is November 30. In preparing consolidated financial statements, the Group normally presents the balance sheet position of consolidated subsidiaries using figures as of the fiscal year-end date of each subsidiary. However, if there are any major transactions or events affecting the financial condition of the subsidiaries between the date of their book closing and the parent company's fiscal year-end, the Group makes necessary adjustments to its financial statements to reflect these transactions.

4. Accounting policies

(1) Valuation standards/methods for principal assets

(a) Securities

Held-to-maturity bonds

Amortized cost method (straight-line method)

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).

Non-marketable securities

Stated at cost based on moving average method.

(b) Inventories

Merchandise and finished goods

Stated at of cost using the gross average method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability)

Uoei Shoten Corporation adopts the cost method based on the retail method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability).

Work in process

Stated at cost based on the specific cost method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability).

(2) Depreciation/ amortization of major depreciable/ amortizable assets

(a) Tangible fixed assets (Excluding lease assets)

The Group mainly applies the declining-balance method to depreciate assets, but cloud service-related assets are depreciated applying the straight-line method. If the acquisition price of the asset to be depreciated is between ¥100,000 and ¥200,000, it is depreciated evenly over three (3) years. Useful life is as follows:

Buildings	3-34 years
Other	3-20 years

(b) Intangible fixed assets (Excluding lease assets)

Software for in-house use

Software for in-house use is depreciated using the straight-line method over its useful life (5 years).

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).

Other

Straight-line method

(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.

(3) Accounting standards for allowances/reserves

(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.

(b) Reserve for quality assurance

In projects related to open system consultation and system development (IT consulting services and Package & Service), 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 Package & Service.

To prepare for additional cost of sales in IT consulting services and Package & Service 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.

(c) Reserve for loss on projects

In projects related to open system consultation and system development (IT consulting services and Package & Service), 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 Package & Service, 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.

(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.

(e) Allowance for office transfer expenses

To prepare for the payment of office transfer expenses, the amount estimated to be incurred is stated.

(4) Standard for translating important foreign currency-denominated assets or liabilities into Japanese currency

Monetary claims or liabilities in foreign currencies are translated into yen at spot foreign exchange rates on the consolidated settlement date, with translation differences recognized as gains or losses. Assets and liabilities of overseas subsidiaries, etc., are translated into yen at spot exchange rates on the consolidated settlement date. Revenues and expenses of overseas subsidiaries, etc., are translated into yen at the average exchange rate for the fiscal year. The resultant translation differences are included in Foreign currency translation adjustment and Minority interests under Net assets.

(5) Standards for recognizing important income and expenses

Standards for recognizing sales and cost of sales for IT consulting services.

(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.)

(b) Other projects

Completed contract method

(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 it occurs.

If the monetary value of goodwill is not material, it is treated as a 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.

(8) 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.

(7) Changes in accounting policies

None

(8) Accounting standards not applied

None

(9) Changes in classification

(Consolidated statements of cash flows)

“Amortization of goodwill” and “Foreign exchange losses (gains),” which were included in “Increase (decrease) in other liabilities” under “Net cash provided by (used in) operating activities” in the previous fiscal year, has been recorded separately since the beginning in the fiscal year under review because their monetary significance increased. The consolidated financial statements for the previous fiscal year were revised to reflect this classification change.

As a result, “Increase (decrease) in other liabilities” (-¥85,067 million) reported under “Net cash provided by (used in) operating activities” in the Consolidated statements of cash flows for the previous fiscal year is reclassified into “Amortization of goodwill” (¥15,060 million), “Foreign exchange losses (gains)” (¥5,266 million) and “Increase (decrease) in other liabilities” (-¥105,394 million).

(10) Changes in accounting estimates

None

(11) Additional information

(Application of accounting standard for accounting changes and error corrections)

The Company began to apply the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009) for accounting changes and corrections of prior period errors, which would be made after the beginning of the fiscal year under review.

(Depreciation of cloud service tangible fixed assets)

The Company started providing cloud services on a full- scale from the fiscal year under review, anticipating that the importance of such services will increase. The Company previously used the declining-balance method to depreciate tangible fixed assets, but began to apply the straight-line method to depreciate cloud service tangible fixed assets in the fiscal year under review. This change is intended to make the relationship between profits and depreciation costs rational and calculate the periods to which profits and losses apply more appropriately, given that profits from cloud services will be earned stably over the period facilities are used.

With this change, operating income, ordinary income and net income before taxes for the fiscal year under review each increased by ¥32,315 thousand on a consolidated basis compared to those calculated by the previous method.

(12) Notes to consolidated financial statements

(Notes to consolidated balance sheets)

*1. Investments in affiliates

(in thousands of yen)

	Fiscal 2011 (December 31, 2011)	Fiscal 2012 (December 31, 2012)
Investment securities (stocks)	¥351,523	¥555,070

*2. Total asset impairment losses are included in accumulated depreciation.

*3. Lawsuit

Fiscal 2011 (December 31, 2011)

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.

Fiscal 2012 (December 31, 2012)

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.

(Notes to consolidated statements of income and comprehensive income)

*1. Total of provision of reserve for loss on project

Amount of provision of reserve for loss on project included in cost of sales

(in thousands of yen)

Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
(¥2,800)	¥9,300

*2. Total amount of research & development expenditures

Research & development expenses included in selling, general and administrative expenses

(in thousands of yen)

Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
¥32,310	¥23,459

*3. Breakdown of loss on retirement of noncurrent assets

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Buildings and structures	¥15,156	-
Other	¥5,194	-
Total	¥20,351	-

*4. Breakdown of gain on sales of noncurrent assets

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Other	¥203	-

*5. Impairment loss

The Group reported impairment losses of the following asset groups.

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

(1) Main assets on which impairment losses were recognized

Use	Type	Location
Idle asset	Land	Nasushiobara, Tochigi Prefecture
Food retail business	Buildings and other	Niigata Prefecture

(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.

(3) Amounts of impairment losses

	(in thousands of yen)
Land	¥4,893
Buildings and other	¥60,087
Total	¥64,981

(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.

(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).

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

None

*6. Reclassification adjustment and tax effects relating to other comprehensive income

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

	(in thousands of yen)
Valuation differences on other securities:	
Amount accrued	¥3,404
Reclassification adjustment	-
Before tax	¥3,404
Tax effects	(¥1,213)
Valuation differences on other securities	¥2,190
Foreign currency translation adjustment:	
Amount accrued	(¥24,415)
Amount corresponding to equity interest in equity-method companies:	
Amount accrued	¥3,376
Total other comprehensive income	(¥18,847)

(Notes to consolidated statements of changes in net assets)

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

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

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	6,400	-	26,408
Total	20,008	6,400	-	26,408

(Overview of reasons for change)

Purchase of treasury stock approved by a resolution of the Board of Directors meeting held on February 7, 2012

Number of shares acquired: 6,400 shares

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, 2012	Common stock	342,474	750	December 31,2011	March 23, 2012
Meeting of Board of Directors held on July 26, 2012	Common stock	337,674	750	June 30, 2012	September 21, 2012

(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 26, 2013	Common stock	337,674	Retained earnings	750	December 31, 2012	March 27, 2013

(Notes to consolidated statements of cash flows)

*1. Cash and cash equivalents at the end of the fiscal year and amounts stated in consolidated balance sheet

(in thousands of yen)

	Fiscal 2011 Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Cash and deposits	¥5,076,449	¥4,156,343
Time deposits for which the term of deposit is more than three months	(¥50,000)	-
Short-term investment securities	¥499,861	¥28,329
Cash and cash equivalents:	¥5,526,311	¥4,184,672

*2. Breakdown of assets and liabilities of the companies that have become consolidated subsidiaries through the purchase of shares

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

(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	47,462
Noncurrent assets	6,049
Goodwill	137,355
Current liabilities	(38,981)
Noncurrent liabilities	(443)
Minority interests	(6,902)
Acquisition price of shares in newly consolidated subsidiary	144,540
Balance of cash and cash equivalents of 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

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

The breakdown of assets and liabilities upon consolidating Life Sciences Computing Corporation and DigitalGlobe, Inc., 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	183,531
Noncurrent assets	7,539
Goodwill	117,730
Current liabilities	(31,913)
Noncurrent liabilities	(1,498)
Minority interests	(79,390)
Acquisition price of shares in newly consolidated subsidiary	196,000
Balance of cash and cash equivalents of newly consolidated subsidiary	(131,564)
Expenditure for acquisition of shares in newly consolidated subsidiary	64,435

*3. Breakdown of assets and liabilities that increased as a result of business succession

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

The breakdown of assets and liabilities succeeded from ACCESS CO., LTD. through the business transfer, and income earned through business succession are as follows:

	(in thousands of yen)
Current assets	182,129
Fixed assets	247
Current liabilities	(107,168)
Negative goodwill	(75,209)
Consideration for business succession	0
Cash and cash equivalents	8,240
Income earned through business succession	8,240

*4. Important non-fund transaction

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Increase in asset retirement obligations	¥309,408	¥4,880

(Segment information)

a. 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 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 (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 (loss) “¥23,674 thousand” and adjustment to segment assets “-¥151,212 thousand” are adjustments to inter-segment transactions.

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

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

(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	14,788,300	3,844,629	4,437,983	23,070,912	282,295	23,353,208	-	23,353,208
Inter-segment sales or transfer	55,296	544,678	1,160	601,135	1,002	602,137	(602,137)	-
Total	14,843,596	4,389,307	4,439,144	23,672,048	283,297	23,955,346	(602,137)	23,353,208
Segment income (loss)	1,745,047	279,236	29,345	2,053,630	(155,032)	1,898,597	36,460	1,935,058
Segment assets	9,935,630	2,155,468	543,489	12,594,587	2,398,209	14,992,797	(162,607)	14,830,189
Other items								
Depreciation and amortization	191,506	42,254	29,390	263,150	819	263,970	-	263,970
Amortization of goodwill	85,003	-	-	85,003	-	85,003	-	85,003
Increase in tangible and intangible fixed assets	705,049	27,376	18,002	750,428	53,498	803,926	-	803,926

(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 (loss) “¥36,460 thousand” and adjustment to segment assets “-¥162,607 thousand” are adjustments to inter-segment transactions.

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

b. 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

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

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

   None

c. 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.

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

None

d. 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	-	-	-	-	-	-	-	-

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

(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	85,003	-	-	85,003	-	85,003	-	85,003
Balance at the end of the period	195,332	-	-	195,332	-	195,332	-	195,332
(Negative goodwill)								
Amortization during the period	-	-	-	-	75,209	75,209	-	75,209
Balance at the end of the period	-	-	-	-	-	-	-	-

(Lease transactions)

(Lessee)

1. Finance lease transactions

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.

(1) Acquisition cost equivalents, accumulated depreciation equivalents, accumulated impairment loss equivalents and book value equivalents of leased properties

	Fiscal 2011 (December 31, 2011)			
	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	¥149,664	¥87,861	¥42,059	¥19,743
Intangible assets	¥5,294	¥3,979	¥122	¥1,192
Total	¥154,958	¥91,840	¥42,181	¥20,936

	Fiscal 2012 (December 31, 2012)			
	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	¥146,745	¥101,682	¥42,059	¥3,003
Intangible assets	¥5,294	¥5,001	¥122	¥170
Total	¥152,039	¥106,683	¥42,181	¥3,173

(2) Future lease payments obligation and balance of lease asset impairment loss account at the end of fiscal year

(in thousands of yen)

	Fiscal 2011 (December 31, 2011)	Fiscal 2012 (December 31, 2012)
Future lease payments obligation		
Due within one year	¥32,963	¥8,366
Due after one year	¥8,663	¥297
Total	¥41,626	¥8,663
Balance of lease asset impairment loss account at the end of fiscal year	¥17,252	¥17,252

(3) Lease payments, reversal of lease asset impairment loss account, depreciation expense equivalents and impairment loss

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Lease payments	¥38,929	¥34,452
Reversal of lease asset impairment loss account	¥12,464	¥12,645
Depreciation expense equivalents	¥22,184	¥17,954
Interest expense equivalents	¥2,935	¥1,277

(4) Calculation method of depreciation expense equivalents
Depreciation equivalents are calculated using the straight-line method over the lease terms without residual value.

(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.

(Impairment loss)

There are no impairment losses allocated to lease assets.

(Related party information)

None

(Tax effect accounting)

1. Breakdown of major causes for deferred tax assets and liabilities

(in thousands of yen)

	Fiscal 2011 (December 31, 2011)	Fiscal 2012 (December 31, 2012)
[Current]		
Deferred tax assets		
Enterprise tax payable	49,198	42,285
Reserve for quality assurance	26,485	4,316
Reserve for loss on projects	1,708	5,131
Excess amount over maximum reserve for bonuses	36,843	34,593
Accrued business office taxes	12,785	11,892
Losses carried forward for tax purposes	114,223	179,611
Allowance for office transfer expenses	-	13,433
Other	4,272	5,357
Subtotal of deferred tax assets	245,516	296,618
Valuation allowance	(98,955)	(142,959)
Total deferred tax asset	146,561	153,662
Deferred tax liabilities		
Retirement expenses for asset retirement obligations	-	425
Total deferred tax liabilities	-	425
Net deferred tax assets	146,561	153,237
[Non-current]		
Deferred tax assets		
Losses carried forward for tax purposes	934,845	868,240
Depreciation excess	377,645	356,299
Loss on valuation of investment securities	197,866	199,780
Asset retirement obligations	114,283	113,102
Other	5,231	4,033
Subtotal of deferred tax assets	1,629,872	1,541,454
Valuation allowance	(1,352,080)	(1,301,161)
Total deferred tax asset	277,791	240,294
Deferred tax liabilities		
Temporary difference of future addition in consolidated accounting	42,925	58,016
Retirement expenses for asset retirement obligations	23,213	15,629
Other	-	1,225
Total deferred tax liabilities	66,138	74,871
Net deferred tax assets	211,653	165,423

(Note): Net amount of deferred tax assets is included in the following items in the consolidated balance sheets.

	Fiscal 2011 (December 31, 2011)	Fiscal 2012 (December 31, 2012)
Current assets - Deferred tax assets	146,561	153,662
Non-current assets - Deferred tax assets	218,382	172,157
Current liabilities - Others	-	425
Noncurrent liabilities - Others	6,729	6,734

2. Breakdown of difference between the normal effective statutory tax rate and the rate of income taxes after application of deferred tax accounting

	Fiscal 2011 (December 31, 2011)	Fiscal 2012 (December 31, 2012)
Normal effective statutory tax rate	40.7%	40.7%
(Adjustment)		
Amortization of goodwill	-%	0.5%
Amortization of negative goodwill	(0.6%)	-%
Valuation allowance	(1.2%)	(1.2%)
Inhabitant tax, flat-rate	0.9%	1.3%
Transfer of losses brought forward resulting from merger	(0.7%)	-%
Addition permanent difference	0.5%	0.7%
Effect of change in tax rate	0.8%	0.3%
Difference in tax rates applied to overseas subsidiaries	-%	1.5%
Effects of liquidation of consolidated subsidiaries	-%	(0.9%)
Other	0.5%	(0.1%)
Rate of income taxes after application of deferred accounting	40.9%	42.8%

3. Revision of amounts of deferred tax assets and liabilities due to change in normal effective statutory tax rate

(Fiscal 2011)

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.

(Financial instrument)

1. Matters relating to the status of financial instruments

(1) Financial instrument guidelines

The Group limits fund management to highly safe, short-term financial assets, 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.

Shares, which are categorized into short-term investment securities and investment securities, and held-to-maturity bonds, are 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 one year 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.

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

Amounts stated in B/S, market value and differences between them 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)

Fiscal 2011 (December 31, 2011) (in thousands of yen)

	Amount stated in B/S	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 current portion long-term loans payable.

Fiscal 2012 (December 31, 2012) (in thousands of yen)

	Amount stated in B/S	Market value	Difference
(1)Cash and deposits	4,156,343	4,156,343	-
(2)Notes and accounts receivable	3,523,351	3,523,351	-
(3) Short-term investment securities	28,329	28,329	-
(4)Accounts receivable-other	1,358,569	1,358,569	-
(5)Investment securities	115,979	115,979	-
(6)Lease and guarantee deposits	1,035,870	1,004,645	(31,225)
Total assets	10,218,443	10,187,218	(31,225)
(1)Accounts payable	739,873	739,873	-
(2)Short-term borrowings	30,283	30,283	-
(3)Accounts payable-other	516,697	516,697	-
(4)Income tax payable, etc.	535,959	535,959	-
Total liabilities	1,822,812	1,822,812	-

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) Short-term investment securities, (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.

(5) Investment securities

We deem stock prices quoted in the exchanges to be their market values and also bond prices quoted in the exchanges or indicated by correspondent financial institutions, etc. to be their market values. As for matters relating to securities held-to-maturity, 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)

Item	Fiscal 2011 (December 31, 2011)	Fiscal 2012 (December 31, 2012)
Unlisted stocks (*)	¥1,044,191	¥1,222,915
Stocks of subsidiaries and affiliates	¥351,523	¥555,070

(*) Allowance for doubtful accounts was fully posted for bonds payable valued at ¥17,150 thousand in fiscal 2011 and ¥15,350 thousand in fiscal 2012, therefore, the amounts of these bonds were excluded for representation.

These are neither included in '(3) Short-term investment securities' or 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

Fiscal 2011 (December 31, 2011) (in thousands of yen)

	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	700,000	-	-	-
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	9,926,565	536,983	203,873	80,461

(*) Allowance for doubtful accounts was fully posted at ¥1,800 thousands and at ¥15,350 thousands for bonds payable.

Fiscal 2012 (December 31, 2012) (in thousands of yen)

	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Deposits	4,130,467	-	-	-
Notes and accounts receivable-trade	3,523,351	-	-	-
Accounts receivable-other	1,358,569	-	-	-
Short-term investment securities				
Of other securities, those with maturity				
Bonds payable (*)	1,800	13,550	-	-
Lease and guarantee deposits	585,633	162,351	223,034	64,850
Total	9,599,821	175,901	223,034	64,850

(*) Allowance for doubtful accounts was fully posted at ¥1,800 thousands and ¥13,550 thousands for bonds payable.

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

None

(Securities)

1. Held-to-maturity bonds

Fiscal 2011 (December 31, 2011)

(in thousands of yen)

	Type	Amount stated in B/S	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)

Fiscal 2012 (December 31, 2012)

None

2. Other securities:

Fiscal 2011 (December 31, 2011)

(in thousands of yen)

	Type	Amount stated in B/S	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: ¥1,044,191 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.

Fiscal 2012 (December 31, 2012)

(in thousands of yen)

	Type	Amount stated in B/S	Acquisition cost	Difference
Securities stated in B/S whose amount exceeds acquisition cost	(1) Stocks	62,509	49,657	12,852
	(2) Bonds			
	1) Central/local government bonds	-	-	-
	2) Bonds payable	-	-	-
	3) Other	-	-	-
	(3) Other	-	-	-
	Subtotal	62,509	49,657	12,852
Securities stated in B/S whose amount does not exceed acquisition cost	(1) Stocks	53,470	65,070	(11,600)
	(2) Bonds			
	1) Central/local government bonds	-	-	-
	2) Bonds payable	-	-	-
	3) Other	-	-	-
	(3) Other	28,329	28,329	-
	Subtotal	81,799	93,399	(11,600)
Total		144,308	143,056	1,252

Notes: Unlisted stocks, etc. (amount stated in B/S: ¥1,222,915 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

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

(in thousands of yen)

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) Bonds payable	-	-	-
3) Other	-	-	-
(3) Other			-
Total	228,270	160,290	1,349

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

None

4. Securities for which impairment losses are recognized

For the fiscal year under review, impairment losses of ¥1,275 thousand were posted for securities (shares among other securities: ¥1,275 thousand).

When the market value of securities at the end of the fiscal year declined by at least 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 amount was written off as an asset impairment loss after considering the likelihood of a recovery in value. Among unlisted shares for which determining the market value was recognized to be extremely difficult, shares whose real prices were considered to have fallen significantly due to a deterioration in the financial positions of issuers were treated as impaired.

(Derivative transactions)

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

(Retirement benefits)

None

(Stock options)

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		3,384
Right allotment		-
Exercise of right		-
Lapse		364
Balance of stock options not exercised		3,020

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 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 Brithtree 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

137,355 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)

6. Estimated impact on the Consolidated statements of income and comprehensive income for fiscal 2012 on the assumption that business combination was completed on the first day of fiscal 2012, and method of calculation:

Net sales	139,943 Thousand Yen
Operating income	14,328

(Calculation method of estimated amounts)

The estimated impact was calculated according to the difference between net sales and profits/losses, computed on the assumption that business combination was completed on the day of fiscal year starting consolidated accounting, and net sales and profits/losses in the acquirer’s Consolidated statements of income and comprehensive income.

This note has not been subjected to audit certification.

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%

(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)

6. Estimated amounts of impact on the Consolidated statements of income and comprehensive income for fiscal 2012 on the assumption that the business combination was completed on the first day of fiscal 2012, and the method of calculation:

Net sales	46,730 Thousand Yen
Operating income	2,558

(Calculation method of estimated amounts)

The estimated amounts of impact were calculated according to the difference between net sales and profits/losses, computed on the assumption that the business combination was completed on the day of fiscal year starting consolidated accounting, and net sales and profits/losses in the acquirer's Consolidated statements of income and comprehensive income.

This note has not been subjected to audit certification.

(Transactions, etc. under common control)

Company split of the Company and Elm Corporation

1. Overview of business combination
   (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. Overview of business combination
   (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.

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

(Business combination-through acquisition)

Succession of media service business of ACCESS CO., LTD., including publication, through a corporate split by Zakura Inc., which is a consolidated subsidiary of the Company

1. Overview of business consolidation
   (1) Name and business activities of splitting company

       Name of splitting company: ACCESS CO., LTD.
       Business activities: Media service business including publication

   (2) Main reasons for business combination

       With this business combination, we aim to provide new services in many fields, centering on a well-known publication, which transcend the distribution of content.

   (3) Date of business combination

       January 31, 2012

   (4) Legal form of business combination

       Corporate split in which ACCESS CO., LTD. is the splitting company and Zakura Inc. (the Company's consolidated subsidiary) is the succeeding company.

   (5) Name of company after business combination

       Zakura Inc. (renamed Tokyo Calendar Inc. on February 1, 2012)

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

   From February 1, 2012 to December 31, 2012

3. Acquisition cost of acquired business and breakdown

Consideration for acquisition	Cash 0 Thousand Yen
Acquisition cost	0 Thousand Yen

4. Amount of gain on negative goodwill and cause
   (1) Amount of gain on negative goodwill

       75,209 Thousand Yen

   (2) Cause of occurrence

       Negative goodwill was incurred because net assets acquired through investments exceeded acquisition cost.

Converting Life Sciences Computing Corporation (hereinafter "Life Sciences Computing") and its subsidiary DigitalGlobe, Inc. (hereinafter "DigitalGlobe") into subsidiaries of the Company

1. Overview of business combination

(1) Name and business activities of the acquired company

Name of the acquired company: Life Sciences Computing Corporation
DigitalGlobe, Inc.

Business activities: Development and sales of software for the medical sector

(2) Main reasons for business combination

Because the Group aims to further aggressively expand operations into the healthcare field by combining Life Sciences Computing's medical-related solutions with the Company's technologies, expertise, and client network.

(3) Date of business combination

March 31, 2012

(4) Legal form of business combination

Acquisition of shares

(5) Name of the company after business combination

Life Sciences Computing Corporation
DigitalGlobe, Inc.

(6) Acquired voting right ratio

51.9%

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

Because the Company acquired 51.9% of the voting rights of Life Sciences Computing through the acquisition of shares in exchange for cash.

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

April 1, 2012 to December 31, 2012

3. Acquisition cost of the acquired company and its breakdown

Consideration for acquisition	Cash 196,000 Thousand Yen
Acquisition cost	196,000 Thousand Yen

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

(1) Amount of goodwill that occurred

117,730 Thousand Yen

(2) Cause of occurrence

Additional profitability mainly expected from a further aggressive expansion of operations into the healthcare field by combining of Life Sciences Computing's medical-related solutions with the Company's technologies, expertise and client network

(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	183,531 Thousand Yen
Noncurrent assets	7,539
Total assets	191,071
Current liabilities	(31,913)
Noncurrent liabilities-Others	(1,498)
Total liabilities	(33,411)

6. Estimated amounts of impact on the Consolidated statements of income and comprehensive income for fiscal 2012 on the assumption that the business combination was completed on the first day of fiscal 2012, and the method of calculation:

Net sales	49,125 Thousand Yen
Operating income	(3,730 Thousand Yen)

(Calculation method of estimated amounts)

The estimated amounts of impact were calculated according to the difference between net sales and profits/losses, computed on the assumption that the business combination was completed on the day of fiscal year starting consolidated accounting, and net sales and profits/losses in the acquirer's Consolidated statements of income and comprehensive income.

This note has not been subjected to audit certification.

(Transactions, etc. under common control)

Absorption-type merger of Life Sciences Computing, a subsidiary of the Company, and DigitalGlobe, a subsidiary of Life Sciences Computing

1. Overview of business combination
   (1) Name of subject business and its business activities
   Name of business: Development and sales of software for the medical sector
   Business activities: Customization, support, and OEM of the OpenDolphin system
   (2) Date of business combination
   December 31, 2012
   (3) Legal form of business combination
   Absorption-type merger in which Life Sciences Computing (a subsidiary of the Company) is the succeeding company of the absorption-type merger, and DigitalGlobe (a subsidiary of Life Sciences Computing), is the company absorbed by the absorption-type merger
   (4) Name of company after business combination
   Life Sciences Computing Corporation
   (5) Other matters concerning overview of transactions
   The absorption-type merger is aimed at expanding operations in the medical business by embarking on the development and sales of an electronic medical chart, a key tool for clinics, following sales of medical image systems.
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)

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 thousands of yen)

	Fiscal 2011 Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Balance at the beginning of the period (Note 1)	331,237	309,408
Increase due to acquisition of tangible fixed assets	11,437	3,603
Adjustment due to passage of time	2,899	2,986
Decrease due to fulfillment of asset retirement obligations	(36,477)	(1,700)
Other increase (decrease)	311	1,498
Balance at the end of the period (Note 2)	309,408	315,796

Note 1: "Balance at the beginning of the period" for fiscal 2011 is the balance resulting 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).

Note 2: Total asset retirement obligations (current liabilities) and asset retirement obligations (noncurrent liabilities)

(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 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Net asset value per share Net income per share	¥24,964.67 ¥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.	¥25,865.24 ¥2,588.05 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 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Net income per share		
Net income (thousands of yen)	1,715,476	1,167,747
Amount not available for common shareholders to common shares (thousands of yen)	-	-
Net income attributable to common shares (thousands of yen)	1,715,476	1,167,747
Average outstanding shares of common stock during the period (shares)	456,632	451,208
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: 846 units) Common stock: shares 3,384	Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (Stock acquisition rights: 755 units) Common stock: shares 3,020

(Significant subsequent events)

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

Purchase of treasury stock

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.

(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.

(2) Type of stock to be purchased

Common stock

(3) Number of shares to be purchased

6,400 (ceiling limit)

(4) Total amount of stock acquisition price

250,000,000 yen (ceiling limit)

(5) Purchase method

Purchase in the market through a trust bank

(6) Purchase period

From February 8, 2012 to March 19, 2012

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

Purchase of treasury stock

At the Board of Directors meeting of the Company held on February 7, 2013, 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.

(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.

(2) Type of stock to be purchased

Common stock

(3) Number of shares to be purchased

4,000 (ceiling limit)

(4) Total amount of stock acquisition price

160,000,000 yen (ceiling limit)

(5) Purchase method

Purchase in the market through a trust bank

(6) Purchase period

From February 8, 2013 to March 22, 2013

5. Non-consolidated Financial Statements

(1) Balance sheets

(in thousands of yen)

	Fiscal 2011 (December 31,2011)	Fiscal 2012 (December 31,2012)
Assets		
Current assets		
Cash and deposits	3,840,226	2,658,509
Accounts receivable-trade	2,119,444	2,657,475
Short-term investment securities	699,310	-
Prepaid expenses	248,636	303,670
Deferred tax assets	82,242	66,926
Short-term loans receivable from subsidiaries and affiliates	120,000	70,000
Accounts receivable-other	*3 1,435,373	*3 1,451,442
Other	11,336	16,124
Total current assets	8,556,571	7,224,149
Noncurrent assets		
Property, plant and equipment		
Buildings	590,082	603,392
Accumulated depreciation	(388,075)	(442,496)
Buildings, net	202,007	160,896
Tools, furniture and fixtures	1,091,012	1,348,535
Accumulated depreciation	(912,050)	(1,008,657)
Tools, furniture and fixtures, net	178,961	339,878
Land	18,825	18,825
Total tangible fixed assets	399,794	519,599
Intangible assets		
Patent right	345	165
Right of trademark	949	497
Software	337,492	744,968
Other	10,710	10,710
Total intangible fixed assets	349,497	756,342
Investments and other assets		
Investment securities	907,505	1,090,909
Stocks of subsidiaries and affiliates	1,353,318	1,628,871
Long-term loans receivable from subsidiaries and affiliates	1,384,683	1,830,018
Deferred tax assets	188,853	196,622
Lease and guarantee deposits	723,761	941,602
Other	15,070	15,236
Allowance for doubtful accounts	*1 (567,492)	*1 (667,515)
Allowance for investment loss	*1 (313,788)	*1 (422,166)
Total investments and other assets	3,691,911	4,613,578
Total fixed assets	4,441,204	5,889,519
Total assets	12,997,775	13,113,668

(in thousands of yen)

	Fiscal 2011 (December 31,2011)	Fiscal 2012 (December 31,2012)
Liabilities		
Current liabilities		
Accounts payable-trade	237,910	289,229
Current portion of long-term loans payable	16,000	-
Accounts payable-other	461,087	430,703
Accrued expenses	82	-
Income taxes payable	561,714	501,263
Accrued consumption taxes	39,752	20,843
Advances received	11,218	42,943
Deposits received	171,668	189,532
Unearned revenue	173,307	185,422
Reserve for quality assurance	61,290	3,174
Reserve for loss on projects	4,200	13,500
Allowance for office transfer expenses	-	35,342
Asset retirement obligations	-	11,789
Total current liabilities	1,738,232	1,723,743
Noncurrent liabilities		
Asset retirement obligations	195,380	188,878
Total noncurrent liabilities	195,380	188,878
Total liabilities	1,933,612	1,912,621
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	8,291,880	8,648,233
Total retained earnings	8,319,628	8,675,982
Treasury stock	(1,171,668)	(1,393,328)
Total shareholders' equity	11,065,547	11,200,241
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,384)	806
Total valuation and translation adjustments	(1,384)	806
Total net assets	11,064,163	11,201,047
Total liabilities and net assets	12,997,775	13,113,668

(2) Non-consolidated statements of income

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Net sales		
IT Consulting Business		
IT Consulting service	14,085,398	13,501,414
Procurement services related to hardware	350,358	516,237
Total of IT Consulting Business	14,435,757	14,017,651
Package & Service Business		
Package & service	186,248	-
Procurement services related to hardware	8,241	-
Total of Package & service	194,489	-
Total net sales	14,630,246	14,017,651
Cost of sales		
IT Consulting Business		
IT Consulting service	*7 8,015,188	*7 7,993,105
Procurement services related to hardware	299,032	406,524
Total of IT Consulting Business	8,314,220	8,399,630
Package & Service Business		
Package & service	73,605	-
Procurement services related to hardware	7,205	-
Total of Package & service	80,811	-
Total cost of sales	8,395,032	8,399,630
Gross profit	6,235,214	5,618,021
Selling, general and administrative expenses		
Advertising expenses	321,807	311,261
Directors' compensations	189,076	132,385
Salaries and bonuses	1,611,871	1,756,850
Other salaries	105,844	125,474
Welfare expenses	98,644	71,225
Training expenses	59,818	89,160
Research and development expenses	*1 24,608	*1 22,205
Depreciation and amortization	68,134	52,865
Rent expenses	361,385	455,653
Recruiting expenses	179,448	175,151
Other	469,544	414,162
Total selling, general and administrative expenses	3,490,185	3,606,396
Operating income	2,745,028	2,011,624

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Non-operating income		
Interest income	*2 12,242	*2 16,613
Dividends income	17,475	21,276
Group management expense	*2 23,885	*2 36,541
Foreign exchange gains	2,777	45,191
Other	3,121	2,343
Total non-operating income	59,501	121,967
Non-operating expenses		
Interest expenses	987	1,598
Acquisition expenses of treasury stock	-	1,647
Guarantee commission	233	-
Other	217	262
Total non-operating expenses	1,438	3,508
Ordinary income	2,803,092	2,130,082
Extraordinary income		
Gain on sales of investment securities	160,275	-
Gain on sales of noncurrent assets	*3 107	-
Gain on extinguishment of tie-in shares	38,774	-
Gain on liquidation of subsidiaries and affiliates	-	*9 49,739
Total extraordinary income	199,157	49,739
Extraordinary loss		
Loss on retirement of noncurrent assets	*4 15,291	-
Loss on sales of investment securities	1,349	-
Impairment loss	*5 4,893	-
Litigation expenses	-	44,000
Office transfer expenses	-	35,342
Provision of allowance for doubtful accounts	*6 80,699	*6 138,857
Provision of allowance for investment loss	-	*11 108,377
Loss on adjustment for changes of accounting standard for asset retirement obligations	161,754	-
Loss on liquidation of subsidiaries and affiliates	*8 4,075	-
Debt waiver loss from subsidiaries and affiliates	-	*10 11,000
Other	30,000	-
Total Extraordinary losses	298,064	337,576
Net income before taxes	2,704,185	1,842,245
Income taxes-current	1,169,672	799,409
Income taxes-deferred	(13,397)	6,334
Total income taxes	1,156,275	805,743
Net income	1,547,910	1,036,501

Statement of cost of sales

1. IT Consulting service business

(1) IT Consulting service

(in thousands of yen)

Item	Fiscal 2011 (from January 1, 2011 to December 31, 2011) Amount		Ratio (%)	Fiscal 2012 (from January 1, 2012 to December 31, 2012) Amount		Ratio (%)
I Labor expenses						
1. Salaries and bonuses	3,465,432			3,468,931		
2. Welfare expenses	437,031	3,902,464	48.6	494,070	3,963,001	49.5
II Subcontract expenses						
1. Subcontract expenses	2,963,535	2,963,535	36.9	2,902,410	2,902,410	36.3
III Overheads						
1. Traveling expenses	423,446			448,126		
2. Depreciation and amortization	76,659			116,543		
3. Rent expenses	461,167			393,406		
4. Supplies expenses	64,301			79,031		
5. Provision (reversal) of reserve for quality assurance	16,048			(58,116)		
6. Provision (reversal) of reserve for loss on project	(2,800)			9,300		
7. Other	123,399	1,162,221	14.5	149,055	1,137,346	14.2
Total manufacturing expenses in the period		8,028,221	100.0		8,002,758	100.0
Work in process at the beginning of the period		-			-	
Total		8,028,221			8,002,758	
Work in process at the end of the period		-			-	
Transfer to other account		13,032			9,653	
Cost of sales		8,015,188			7,993,105	

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

(2) Procurement services related to hardware

(in thousands of yen)

Item	Fiscal 2011 (from January 1, 2011 to December 31, 2011) Amount		Ratio (%)	Fiscal 2012 (from January 1, 2012 to December 31, 2012) Amount		Ratio (%)
Commodities inventories at the beginning of the period		-			-	
Product inventories at the beginning of the period		-			-	
Cost of purchased goods		298,977			406,509	
Purchase of finished goods		55			15	
Total		299,032			406,524	
Commodities inventories at the end of the period		-			-	
Product inventories at the end of the period		-			-	
Cost of sales		299,032			406,524	

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

2. Package & Service Business

(1) Package & service

(in thousands of yen)

Item	Fiscal 2011 (from January 1, 2011 to December 31, 2011) Amount		Ratio (%)	Fiscal 2012 (from January 1, 2012 to December 31, 2012) Amount		Ratio (%)
I Labor expenses						
1. Salaries and bonuses	25,112			-		
2. Welfare expenses	5,590	30,703	38.6	-	-	-
II Subcontract expenses						
1. Subcontract expenses	3,297	3,297	4.1	-	-	-
III Overheads						
1. Traveling expenses	4,223			-		
2. Depreciation and amortization	607			-		
3. Rent expenses	8,049			-		
4. Supplies expenses	810			-		
5. Provision (reversal) of reserve for quality assurance	(88)			-		
6. Other	31,963	45,566	57.3	-	-	-
Total manufacturing expenses in the period		79,567	100.0		-	-
Work in process at the beginning of the period		8,007			-	
Total		87,575			-	
Decrease in work in-process resulting from corporate split		13,956			-	
Work in process at the end of the period		-			-	
Transfer to other account		15			-	
Cost of sales		73,603			-	

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

(2) Procurement services related to hardware

(in thousands of yen)

Item	Fiscal 2011 (from January 1, 2011 to December 31, 2011) Amount		Ratio (%)	Fiscal 2012 (from January 1, 2012 to December 31, 2012) Amount		Ratio (%)
Commodities inventories at the beginning of the period		-			-	
Product inventories at the beginning of the period		-			-	
Cost of purchased goods		9,903			-	
Purchase of finished goods		-			-	
Total		9,903			-	
Decrease in merchandise resulting from corporate split		2,697			-	
Commodities inventories at the end of the period		-			-	
Product inventories at the end of the period		-			-	
Cost of sales		7,205			-	

(3) Statements of changes in net assets

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Shareholders' equity		
Capital stock		
Balance at the beginning of the 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 beginning of the 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 beginning of the 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 beginning of the 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 beginning of the period	7,655,316	8,291,880
Changes of items during the period		
Dividends from surplus	(890,432)	(680,148)
Net income	1,547,910	1,036,501
Decrease by corporate division-split-off type	(20,914)	-
Total changes of items during the period	636,563	356,353
Balance at the end of the period	8,291,880	8,648,233
Total retained earnings		
Balance at the beginning of the period	7,683,065	8,319,628
Changes of items during the period		
Dividends from surplus	(890,432)	(680,148)
Net income	1,547,910	1,036,501
Decrease by corporate division-split-off type	(20,914)	-
Total changes of items during the period	636,563	356,353
Balance at the end of the period	8,319,628	8,675,982

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Treasury stock		
Balance at the beginning of the period	(1,171,668)	(1,171,668)
Changes of items during the period		
Purchase of treasury stock	-	(221,659)
Total changes of items during the period	-	(221,659)
Balance at the end of the period	(1,171,668)	(1,393,328)
Total shareholders' equity		
Balance at the beginning of the period	10,428,984	11,065,547
Changes of items during the period		
Dividends from surplus	(890,432)	(680,148)
Net income	1,547,910	1,036,501
Decrease by corporate division-split-off type	(20,914)	-
Purchase of treasury stock	-	(221,659)
Total changes of items during the period	636,563	134,693
Balance at the end of the period	11,065,547	11,200,241
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of the period	82,095	(1,384)
Changes of items during the period		
Net changes of items other than shareholders' equity	(83,480)	2,190
Total changes of items during the period	(83,480)	2,190
Balance at the end of the period	(1,384)	806
Total valuation and translation adjustments		
Balance at the beginning of the period	82,095	(1,384)
Changes of items during the period		
Net changes of items other than shareholders' equity	(83,480)	2,190
Total changes of items during the period	(83,480)	2,190
Balance at the end of the period	(1,384)	806
Total net assets		
Balance at the beginning of the period	10,511,079	11,064,163
Changes of items during the period		
Dividends from surplus	(890,432)	(680,148)
Net income	1,547,910	1,036,501
Decrease by corporate division-split-off type	(20,914)	-
Purchase of treasury stock	-	(221,659)
Net changes of items other than shareholders' equity	(83,480)	2,190
Total changes of items during the period	553,083	136,884
Balance at the end of the period	11,064,163	11,201,047

(4) Notes regarding the premise of surviving company

None

(5) Significant accounting policies

1. Valuation standards and methods for securities

(1) Held-to-maturity bonds

Amortized cost method (straight-line method)

(2) Stocks issued by subsidiaries/affiliates

Stated at cost based on moving average method.

(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).

Non-marketable securities

Stated at cost based on moving average method.

2. Valuation standards and method for inventories

(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 devaluate the book value according to the decrease in profitability)

(2) Work in process

Stated at cost based on the specific cost method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability).

3. Depreciation method of fixed assets

(1) Property, plant and equipment

The declining-balance method is primarily applied for property, plant and equipment, while the straight-line method is applied for cloud service-related assets.

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 is as follows:

Buildings	3-31 years
Tools, furniture and fixtures	3-10 years

(2) Intangible assets

(a) Software for in-house use

Software for in-house use is depreciated using the straight-line method over its useful life (5 years).

(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).

(c) Other

Straight-line method

4. Accounting standards for allowances/ reserves

(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

(2) Reserve for quality assurance

In projects related to open system consultation and system development (IT consulting services and Package & Service), 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 Package & Service.

To prepare for additional cost of sales in IT consulting services and Package & Service 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.

(3) Reserve for loss on projects

In projects related to open system consultation and system development (IT consulting services and Package & Service), 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 Package & Service, 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

(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.

(5) Allowance for office transfer expenses

To prepare for the payment of office transfer expenses, the amount estimated to be incurred is stated.

5. Standard for translating of important foreign currency-denominated assets and liabilities into Japanese currency

Monetary claims and liabilities in foreign currencies are translated into the yen at spot foreign exchange rates on the settlement date, with translation differences recognized as gains or losses.

6. Recognition standards for important income and expenses

Recognition standards for sales and cost of sales for IT consulting services

(1) 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.)

(2) Other projects
Completed contract method

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.

(6) Change in accounting policies

None

(7) Change in classification

None

(8) Changes in accounting estimates

None

(9) Additional information

(Depreciation of cloud service tangible fixed assets)

The Company started providing cloud services on a full- scale from the fiscal year under review, anticipating that the importance of such services will increase. The Company previously used the declining-balance method to depreciate tangible fixed assets, but began to apply the straight-line method to depreciate of cloud service tangible fixed assets in the fiscal year under review. This change is intended to make the relationship between profits and depreciation costs rational and calculate period profits and losses more appropriately, given that profits from cloud services will be earned stably over the period the facilities are used.

With this change, operating income, ordinary income, and net income before taxes for the fiscal year under review each increased ¥32,315 thousand compared to those calculated by the previous method.

(10) Notes to non-consolidated financial statements

(Notes to balance sheets)

*1. Items concerning affiliates

Assets and liabilities in relation to affiliated companies, which are not separately stated, are as follows:

(in thousands of yen)

	Fiscal 2011 (December 31, 2011)	Fiscal 2012 (December 31, 2012)
Allowance for doubtful accounts	(¥567,492)	(¥667,515)
Allowance for investment loss	(¥313,788)	(¥422,166)

The sum of assets related to affiliated companies other than the above balance exceeded 1/100 of total assets, with the amount being ¥122,820 thousand for fiscal 2011 and ¥145,205 thousand for fiscal 2012.

*2. Debt guarantees

Guarantee against trade accounts payable of affiliated company

(in thousands of yen)

	Fiscal 2011 (December 31, 2011)	Fiscal 2012 (December 31, 2012)
Uoei Shoten Corporation	72,642	89,584

*3. Lawsuit

Fiscal 2011 (December 31, 2011)

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.

Fiscal 2012 (December 31, 2012)

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.

(Notes to statements of income)

*1. Total amount of research & development expenditures

Research & development expenses included in selling, general and administrative expenses

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
	24,608	22,205

*2. Transactions with group affiliates are summarized below:

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Interest income	11,159	14,263
Group management expense	23,885	36,541

*3. Breakdown of gain on sales of fixed assets

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Tools, furniture and fixtures	107	-
Total	107	-

*4. Breakdown of loss on retirement of fixed assets

(in thousands of yen)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Buildings	15,156	-
Tools, furniture and fixtures	134	-
Total	15,291	-

*5. Impairment loss

The Group reported impairment losses of the following asset groups.

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

(1) Main assets on which impairment losses were recognized

Use	Type	Location
Idle asset	Land	Nasushiobara, Tochigi Prefecture

(2) Background of the recognition of impairment losses

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.

(3) Amounts of impairment losses

(in thousands of yen)

Land	4,893
Total	4,893

(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. However, with regard to idle assets that are not directly used for business, each idle asset is considered to constitute a group.

(5) Calculation method of recoverable amounts

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.

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

None

*6. Provision of allowance for doubtful accounts is in relation to affiliated companies.

*7. Amount of provision of reserve for loss on project included in cost of sales

(in thousands of yen)

Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
-2,800	9,300

*8. Loss on liquidation of subsidiaries and affiliates

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

Loss on liquidation of subsidiaries and affiliates resulted from liquidation of Shanghai UFIDA Future Consulting Ltd.

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

None

*9. Gain on liquidation of subsidiaries and affiliates

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

None

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

Gain on liquidation of subsidiaries and affiliates resulting from liquidation of Associant Technology Inc.

*10. Debt waiver loss from subsidiaries and affiliates

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

None

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

Debt waiver loss from subsidiaries and affiliates resulting from debt waiver for ABM Corporation.

*11. Provision of allowance for investment loss

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

None

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

Provision of allowance for investment loss relates to stocks of subsidiaries and affiliates.

(Notes to statements of changes in net assets)

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

Type and number of treasury shares

	Number of shares at beginning of fiscal 2011	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

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

Type and number of treasury shares

	Number of shares at beginning of fiscal 2012	Increase in number of shares in fiscal 2012	Decrease in number of shares in fiscal 2012	Number of shares at end of fiscal 2012
Treasury stock				
Common stock	20,008	6,400	-	26,408
Total	20,008	6,400	-	26,408

(Overview of reasons for change)

Purchase of treasury stock approved by the resolution of the Board of Directors meeting held on February 7, 2012: 6,400 shares

(Lease transactions)

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

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

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

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

(Securities)

Shares in subsidiaries and affiliated companies (shares in subsidiaries stated on the B/S for fiscal 2012: ¥1,278,537 thousand; shares in affiliates stated on the B/S for fiscal 2012: ¥350,333 thousand; shares in subsidiaries stated on the B/S for fiscal 2011: ¥1,110,682 thousand; shares in affiliates stated on the B/S for fiscal 2011: ¥242,636 thousand) are not stated, because there are no market prices for them and it is deemed to be extremely difficult to determine their market values.

(Tax effect accounting)

1. Breakdown of major causes for deferred tax assets and liabilities

(in thousands of yen)

	Fiscal 2011 (December 31, 2011)	Fiscal 2012 (December 31, 2012)
[Current]		
Deferred tax assets		
Enterprise tax payable	47,293	39,638
Allowance for office transfer expenses	-	13,433
Reserve for quality assurance	24,938	1,206
Reserve for loss on projects	1,708	5,131
Accrued business office taxes	8,300	7,516
Total deferred tax asset	82,242	66,926
[Non-current]		
Deferred tax assets		
Stocks of subsidiaries and affiliates	483,253	485,226
Provision of allowance for investment loss	111,834	150,460
Excess amount over the maximum reserve for doubtful accounts	148,004	169,626
Depreciation excess	94,358	95,384
Asset retirement obligations	72,553	71,800
Net unrealized gain on available-for sale securities	4,976	3,763
Other	416	416
Subtotal of deferred tax assets	915,398	976,678
Valuation allowance	(709,609)	(769,935)
Total deferred tax asset	205,788	206,742
Deferred tax liabilities		
Retirement expenses for asset retirement obligations	16,935	10,120
Total deferred tax liabilities	16,935	10,120
Net deferred tax assets	188,853	196,622

2. Breakdown of difference between the normal effective statutory tax rate and the rate of income taxes after application of deferred tax accounting

	Fiscal 2011 (December 31, 2011)	Fiscal 2012 (December 31, 2012)
Normal effective statutory tax rate	40.7%	40.7%
(Adjustment)		
Valuation allowance	2.1%	3.7%
Earnings excluded from dividends income	(0.1%)	(0.2%)
Inhabitant tax, flat-rate	0.3%	0.4%
(Gain) on extinguishment of tie-in shares	(0.6%)	-
Transfer of loss brought forward resulting from merger	(0.8%)	-
Added permanent difference	0.4%	0.7%
Effect of change in tax rate	0.8%	0.5%
Effects of liquidating consolidated subsidiaries	-	(2.1%)
Rate of income taxes after application of deferred tax accounting	42.8%	43.7%

3. Revision of amounts of deferred tax assets and liabilities due to change to normal effective statutory tax rate

Fiscal 2011 (December 31, 2011)

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 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.

(Business combinations)

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

(Asset retirement obligations)

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 are calculated by estimating the usable period to be seven to nine 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

(in thousands of yen)

	Fiscal 2011 Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Balance at the beginning of the period (*note)	216,817	195,380
Increase due to acquisition of tangible fixed assets	11,437	3,603
Adjustment due to passage of time	1,591	1,684
Decrease due to fulfillment of asset retirement obligations	(34,777)	-
Other increase (decrease)	311	-
Balance at the end of the period	195,380	200,668

Note 1: “Balance at the beginning of the period” for fiscal 2011 is the balance resulting 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).

(Per share data)

	Fiscal 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Net asset value per share Net income per share	¥24,229.93 ¥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.	¥24,878.39 ¥2,297.17 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 2011 (from January 1, 2011 to December 31, 2011)	Fiscal 2012 (from January 1, 2012 to December 31, 2012)
Net income per share		
Net income (thousands of yen)	1,547,910	1,036,501
Amount not available for common shareholders to common shares (thousands of yen)	-	-
Net income attributable to common shares (thousands of yen)	1,547,910	1,036,501
Average outstanding shares of common stock during the period (shares)	456,632	451,208
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: 846 units) Common stock 3,384 shares	Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (Stock acquisition rights: 755 units) Common stock 3,020 shares

(Significant subsequent events)

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

Notes are omitted because they are stated in 'Notes to Consolidated Financial Statements (Significant subsequent events)' in the consolidated financial statements.

Fiscal 2012 (from January 1, 2012 to December 31, 2012)

Merger with consolidated subsidiary

The Company merged with ABM Corporation (hereinafter "ABM"), a consolidated subsidiary of the Company, through absorption on January 1, 2013 in accordance with a resolution of the Board of Directors meeting held on October 25, 2012.

(1) Purpose of merger

As the first Japanese consulting firm specializing in activity-based costing (ABC), ABM introduced many managerial accounting packages mainly to financial institutions and municipalities. ABM also provided the ABC function of cloud services for financial institutions, which the Company is promoting. The Company and ABM closely cooperated in its development. Then, the Company concluded a merger agreement with ABM to aggregate management resources, while further enhancing services for financial institutions by adding the ABC package software of ABM to the service lineup of the Company, in addition to ABM's provision of software for cloud services.

(2) Outline of merger

a) Schedule of merger

Date of Board of Directors meetings to approve merger agreement (both parties)	October 25, 2012
Date of conclusion of merger agreement	October 25, 2012
Effective date of merger	January 1, 2013

Note: The Company conducted the merger through procedures for a simplified merger stipulated in Article 796, Paragraph 3 of the Corporation Law, and ABM executed the merger through procedures for a short form merger provided for in Article 784, Paragraph 1 of the Corporation Law, both without holding respective general meetings of shareholders to approve the merger.

b) Method of merger

The merger was an absorption-type merger, through which ABM was dissolved.

c) Allotment related to merger

Because the merger was an absorption-type merger with the Company's wholly-owned subsidiary, there will be no allotment of shares and capital increase as a result of the merger.

d) Overview of accounting procedures used

The merger was processed as a transaction under common control in accordance with the accounting procedures stipulated in 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).

Purchase of treasury stock

Notes to the purchase of treasury stock are omitted, because they are stated in "Notes to Consolidated Financial Statements (Significant subsequent events)" in the consolidated financial statements.

6. Other

(1) Changes in Directors

None

(2) Other

Orders received (outstanding contracts)

(in thousands of yen)

Item	Fiscal 2011 (from January 1, 2011 to December 31, 2011)		Fiscal 2012 (from January 1, 2012 to December 31, 2012)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting Business	13,498,883	3,559,152	17,805,540	6,576,393
Package & Service Business	4,555,212	1,185,314	3,631,162	971,847
Other	59,974	4,249	290,786	12,740
Total	18,114,069	4,748,715	21,727,490	7,560,980

Notes: Orders received include adjustments for exchange rate fluctuations.