

Notes to Consolidated Financial Statements

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

1. Basis of presenting consolidated financial statements

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

Under Japanese GAAP, a consolidated statement of comprehensive income is required in addition to a consolidated statement of income from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income (loss) is presented in the consolidated balance sheet and the consolidated statement of changes in equity. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nihon Unisys, Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83.15 to \$1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

(a) **Consolidation** – The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 20 (22 for the year ended March 31, 2010) significant subsidiaries and 1 (the same for the year ended March 31, 2010) associated company accounted for under equity method (collectively, the "Group"). Effective May 1, 2010, the Company merged with Nihon Unisys Learning, Ltd., the Company's former subsidiary. Effective March 31, 2011, the Company sold all the shares of Nihon Unisys Supply, Ltd., whose present name is NUS, Ltd., and excluded its accounts from the consolidated balance sheet as of March 31, 2011.

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

Investments in the remaining 8 unconsolidated subsidiaries and 10 (the same for the year ended March 31, 2010) associated companies are stated at cost. If the consolidation or equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess cost of an acquisition over the fair value of subsidiaries' net assets acquired is amortized on a straight-line basis over 5 or 20 years.

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

(b) **Business Combinations** – In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations", and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures," and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures". The accounting standard for business combinations allows companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) costs acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was applicable to business combinations undertaken on or after April 1, 2010, with early adoption permitted for fiscal years beginning on or after April 1, 2009.

(c) **Cash equivalents** – Cash equivalents are short-term investments which mature or become due within three months of the date of acquisition, that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

(d) **Inventories** - Inventories are stated at the lower of cost determined by the moving-average method or net selling value.

(e) **Investment securities** – Investment securities are classified and accounted for, depending on management's intent. All securities are classified as available-for-sale securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

The cost of securities sold is determined based on the moving-average method.

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

- (f) **Allowance for doubtful accounts** – The allowance for doubtful accounts is stated at amounts considered to be appropriate based on the Group's past credit loss experience and on evaluation of potential losses in the receivables outstanding.
- (g) **Property, plant and equipment** – Property, plant and equipment are stated at cost. Depreciation of rental computers included in machinery and equipment is computed by the declining-balance method over 5 years with no residual value.

Depreciation of buildings and structures acquired before March 31, 1998 is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998. Depreciation of other machinery and equipment is computed by the declining-balance method.

Useful lives range from 6 to 50 years for buildings and structures. The useful lives for lease assets are the periods of the respective leases. Machinery and equipment held for lease is depreciated by the straight-line method over the respective lease periods.

- (h) **Software** – Software development costs, incurred through the completion of a Beta version of specific software for sale to the market, are charged to income as incurred. Costs incurred subsequent to the completion of the Beta version are capitalized as software.

Software for sale to the market is amortized at the greater of either the amount to be amortized in proportion of the actual sales of the software during the current year to the estimated total sales over the estimated salable years of the software or the amount to be amortized by the straight-line method over the estimated salable years, principally over 3 years.

Software for internal use is amortized by the straight-line method over the estimated useful lives, principally over 5 years. Software held for lease is depreciated by the straight-line method over the respective lease periods.

- (i) **Long-lived assets** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- (j) **Retirement benefits** – The Company and certain subsidiaries have a contributory pension plan covering substantially all of their employees. Other consolidated subsidiaries have non-contributory pension plans.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. The transitional obligation determined as of April 1, 2000, was being amortized over 10 years.

Actuarial gains and losses are recognized using the straight-line method over the average of the estimated remaining service period (mainly 10 years for the fiscal year ended March 31, 2011 and 2010) starting in the following year. Prior service cost is amortized in expenses using the straight-line method over the average of the estimated remaining service period (10 years for the fiscal year ended March 31, 2011 and 2010).

The Company and a certain subsidiary participate in the New Career Support Program (the "NCSP") to assist certain employees in retiring before their mandatory retirement age. The Company and the certain subsidiary provide for the estimated future payments to be paid under the NCSP, and include this amount as a liability for retirement benefits.

- (k) **Allowance for restructuring charges** – Concerning specific contracts for the outsourcing business for regional banks that are under restructuring, the Company posted the expected loss amounts that are to be incurred from the operation and maintenance/support of the business.
- (l) **Asset Retirement Obligations** – In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010. The Group applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥177 million (\$2,129 thousand) and income before income taxes and minority interests by ¥626 million (\$7,529 thousand) for the year ended March 31, 2011.

- (m) **Stock options** – ASBJ Statement No. 8, “Accounting Standard for Stock Options,” and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheets, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

The Group has applied the accounting standard for stock options to those granted on and after May 1, 2006.

- (n) **Construction contracts** – For software development contracts that cost ¥50 million or more for the fiscal year ended March 31, 2011 and 2010, the percentage-of-completion method is adopted only if the percentage of completion is reasonably assured. For other contracts, the completed-contract method is applied.

The percentage of completion is evaluated by Earned Value Management (“EVM”). EVM divides deliverables defined on the contract, such as software and related documents, by work phase. EVM defines percentages of completion as the ratio of earned value of work phase completed during the fiscal year divided by the entire work phase.

- (o) **Research and development costs** – Research and development costs are charged to income as incurred.

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

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

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

The adoption of this standard had no effect on the Company’s consolidated statements of income.

All other leases are accounted for as operating leases.

- (q) **Income taxes** – The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently-enacted tax laws to the temporary differences.
- (r) **Appropriations of retained earnings** – Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders’ approval.
- (s) **Foreign currency transactions** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.
- (t) **Derivatives and hedge accounting** – The Company and certain subsidiaries use a variety of derivative financial instruments, including foreign currency forward contracts and interest rate swaps as a means of hedging exposure to foreign currency and interest rate risks. The Company and certain subsidiaries do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on trade except for derivatives which qualify for hedge accounting are recognized in the consolidated statements of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of merchandise from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Interest rate swaps are utilized to hedge interest rate exposures on certain liabilities. The interest rate swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liabilities or assets. However, in cases where interest rate swaps qualify for hedge accounting and meet specific matching criteria, the net amount to be paid or received under the interest rate swap contracts are added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

- (u) **Per share information** – Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if securities were exercised into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

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

(v) **New Accounting Pronouncements**

Accounting Changes and Error Corrections – In December 2009, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections,” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections”. Accounting treatments under this standard and guidance are as follows:

- (1) Changes in Accounting Policies - When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.
- (2) Changes in Presentation - When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.
- (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
- (4) Corrections of Prior Period Errors - When an error in prior period financial statements is discovered, those statements are restated. This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on April 1, 2011.

3. Business combination

Share exchange by which the Company converted NETMARKS into a wholly-owned subsidiary

Effective August 1, 2010, the Company conducted share exchange (the “Share Exchange”) by which NETMARKS INC. (“NM”) became a wholly-owned subsidiary of the Company under the share exchange agreement dated May 21, 2010. In connection with this, prior to the effective date of the Share Exchange (scheduled for August 1, 2010), the common stock of NM was delisted from the Tokyo Stock Exchange (final trading was on July 27, 2010). Based on an approval of its board of directors held on July 29, 2010, NM retired all the treasury stock owned immediately before the Share Exchange.

(a) Overview of the deal

- i) Companies concerned in the business combination and their business:

Acquiring company (Wholly owning parent company in the Share Exchange):

Nihon Unisys, Ltd. (Provider of consulting services, IT solutions, outsourcing services, support services, system-related services, and computer systems, etc.)

Acquired company (Wholly owned subsidiary in the Share Exchange):

NETMARKS Inc. (Provider of design, development, support, and operation services of network systems, etc.)

- ii) Date of the business combination: August 1, 2010
 iii) Legal structure of the business combination: Share exchange
 iv) Name of company after the business combination: No change
 v) Other information of the deal:

The Company has positioned and treated NM as a core company in the ICT business of the Group and has sought to build a solid base for NM and expand its business since acquiring NM to make it a consolidated subsidiary. Meanwhile, since becoming a member of the Group, NM has brought about the following synergies in diverse areas; reducing costs through sharing their administrative services bases, and enhancement of sales activity and technical support areas. The Company and NM decided that the Company would convert NM into a wholly owned subsidiary to accelerate management decisions as one and to bolster its competitiveness through closer ties between the Company and NM in the ICT business, a market which is expected to grow significantly in the future. The Company and NM believe that the decision will contribute to the interests of the stakeholders of both companies, including existing shareholders, customers, employees, and business partners.

(b) Accounting policies applied to the deal

The Share Exchange was accounted for as combinations of entities under common control, based on ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” and ASBJ Guidance No. 10, “Guidance for Accounting Standard for Business Combinations and Business Divestitures.”

(c) Information of additional acquisition of subsidiary shares

Cost of shares additionally acquired: ¥976 million (\$11,738 thousand)

Stock category, share exchange ratio, and the number of shares allotted:

	Nihon Unisys (Wholly owning parent company in the Share Exchange)	NETMARKS (Wholly owned subsidiary in the Share Exchange)
Allotment of shares under the Share Exchange -----	1	25
Number of Nihon Unisys’s shares allotted in the Share Exchange ----	Common stock: 1,436,575 shares	

Basis for the calculation of the share exchange ratio:

To ensure the fairness and appropriateness of the share exchange ratio, the Company and NM determined that each company would independently request calculations by an independent third-party appraiser. The Company appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., and NM appointed Ernst & Young Transaction Advisory Service Co., Ltd.

The Company and NM carefully reviewed the results of the calculation of the share exchange ratio submitted by the aforementioned third-party appraisers, and comprehensively considered circumstances such as recent movements in the stock prices of both companies, their financial position and future forecasts, their assets, and the fact that NM would become a wholly-owned subsidiary of the

Company through the Share Exchange. After the careful considerations, negotiations and consultations between the two companies, both companies determined that the share exchange ratio mentioned above would benefit shareholders of both the Company and NM. Thus, the Company and NM resolved at their respective board of directors meeting held on May 21, 2010 to adopt the share exchange ratio of the Share Exchange.

Goodwill recorded in connection with the share exchange:

Amount of goodwill: ¥977 million (\$11,750 thousand)

Factor of goodwill: Excess earning power to be caused by strengthening competitiveness in the ICT business

Amortization method and amortization period: Straight-line basis over 20 years

4. Cash and cash equivalents

Cash and cash equivalents at March 31, 2011 and 2010, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Cash and time deposits -----	¥30,414	¥25,461	\$365,773
Total -----	¥30,414	¥25,461	\$365,773

5. Investment securities

Investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Current:			
Debt securities -----		¥30	
Other -----	¥21		\$253
Total -----	¥21	¥30	\$253
Noncurrent:			
Equity securities -----	¥11,558	¥12,027	\$139,002
Debt securities -----	100	100	1,203
Trust fund investments and other -----	194	225	2,333
Total -----	¥11,852	¥12,352	\$142,538

The costs and aggregate fair values of investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2011				
Available-for-sale securities:				
Equity securities -----	¥13,093	¥972	¥(3,829)	¥10,236
Other -----	33		(7)	26
Total -----	¥13,126	¥972	¥(3,836)	¥10,262
March 31, 2010				
Available-for-sale securities:				
Equity securities -----	¥12,953	¥1,284	¥(3,538)	¥10,699
Debt securities -----	30			30
Other -----	34		(6)	28
Total -----	¥13,017	¥1,284	¥(3,544)	¥10,757
	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2011				
Available-for-sale securities:				
Equity securities -----	\$157,462	\$11,690	\$(46,049)	\$123,103
Other -----	397		(84)	313
Total -----	\$157,859	\$11,690	\$(46,133)	\$123,416

Information regarding available-for-sale securities which were sold during the year ended March 31, 2011 and 2010 was as follows:

	Millions of Yen		
	Proceeds	Realized gains	Realized loss
March 31, 2011			
Available-for-sale securities:			
Equity securities -----	¥87	¥6	¥(33)
Total -----	¥87	¥6	¥(33)
March 31, 2010			
Available-for-sale securities:			
Equity securities -----	¥782	¥235	
Debt securities -----	100		
Other -----	311		¥(2)
Total -----	¥1,193	¥235	¥(2)

March 31, 2011	Thousands of U.S. Dollars		
	Proceeds	Realized gains	Realized loss
Available-for-sale securities:			
Equity securities -----	\$1,046	\$72	\$(397)
Total -----	\$1,046	\$72	\$(397)

6. Accounts receivable-trade

Costs and estimated earnings recognized with respect to construction contracts which are accounted for by the percentage-of-completion method at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Costs and estimated earnings -----	¥4,686	¥3,940	\$56,356
Amount billed -----	(855)	(630)	(10,283)
	¥3,831	¥3,310	\$46,073

7. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Work in process -----	¥2,646	¥2,296	\$31,822
Merchandise and finished products -----	4,277	6,425	51,437
Supplies -----	145	187	1,744
Total -----	¥7,068	¥8,908	\$85,003

8. Long-lived assets

The Group reviewed its long-lived assets for impairment as of March 31, 2011. As a result, the Group recognized an impairment loss of ¥515 million (\$6,194 thousand) for the asset groups used to provide application services due to continuous operating losses of those units and the carrying amounts of the relevant assets were written down to the recoverable amount.

The recoverable amounts of those asset groups, measured at their value in use, were zero.

Impairment loss for the year ended March 31, 2011 consisted of the following:

Application services:	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Machinery and equipment -----	¥19		\$229
Software -----	454		5,460
Goodwill -----	42		505
Total -----	¥515		\$6,194

The Group reviewed its long-lived assets for impairment as of March 31, 2010. As a result, the Group recognized an impairment loss of ¥778 million (\$8,362 thousand) for the asset groups used to provide printing business and application services due to continuous operating losses of those units and the carrying amounts of the relevant assets were written down to the recoverable amount.

The recoverable amounts of those asset groups were measured at their value in use and the discount rate used for computation of present value of future cash flows was 1.6%.

Impairment loss for the year ended March 31, 2010 consisted of the following:

Printing business:	Millions of Yen	
	2010	
Buildings and structures -----	¥442	
Machinery and equipment -----	76	
Other -----	36	
Total -----	¥554	

Application services:	Millions of Yen	
	2010	
Software -----	¥224	
Total -----	¥224	

9. Short-term bank loans and long-term debt

There were no short-term bank loans at March 31, 2011.

Short-term bank loans of ¥5,700 million bore interest at an approximate annual average rate of 0.86% at March 31, 2010.

Commercial paper of ¥13,000 million (\$156,344 thousand) and ¥9,000 million bore interest at a rate of 0.15% at March 31, 2011 and 2010, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
1.38% unsecured bonds due 2013 -----	¥10,000	¥10,000	\$120,265
1.39% unsecured bonds due 2015 -----	10,000	10,000	120,265
Unsecured loans from banks and insurance companies, 0.74% to 1.87%, due serially to 2016 -----	44,737	46,102	538,027
Total -----	64,737	66,102	778,557
Less current portion -----	(17,887)	(16,652)	(215,117)
Long-term debt, less current portion-----	¥46,850	¥49,450	\$563,440

The annual maturities of long-term debt as of March 31, 2011 for the next five years were as follows:

Year Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2012 -----	¥17,887	\$215,117
2013 -----	20,113	241,888
2014 -----	1,937	23,295
2015 -----	11,050	132,893
2016 -----	13,750	165,364
Total -----	¥64,737	\$778,557

As is customary in Japan, collateral must be provided under certain circumstances, if requested by a lending bank, and such bank has the right to offset cash deposited with it against any debts or obligations that become due and, in the case of default or certain other specified events, against all debts payable to the bank. The Company has never received such a request.

10. Income taxes

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Current assets:			
Deferred tax assets:			
Accrued bonuses -----	¥3,652	¥3,608	\$43,920
Inventory valuation -----	1,666	1,468	20,036
Unrealized profit of inventories -----	246		2,959
Allowance for restructuring charges -----		1,062	
Impairment loss -----		572	
Allowance for loss on construction contracts-----		350	
Accrued business taxes -----	297	265	3,572
Others -----	917	1,197	11,028
Total -----	6,778	8,522	81,515
Less valuation allowance -----	(459)	(309)	(5,520)
Total -----	6,319	8,213	75,995
Deferred tax liabilities:			
Deferred gain on derivatives under hedge accounting -----	15	10	180
Other -----		4	
Total -----	15	14	180
Net current deferred tax assets -----	¥6,304	¥8,199	\$75,815

Net current deferred tax assets at March 31, 2011 included in the consolidated balance sheets are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets-current -----	¥ 6,313	\$ 75,923
Deferred tax liabilities-current -----	(9)	(108)
Net deferred tax assets-current -----	¥6,304	\$ 75,815

Current deferred tax liabilities are included in other current liabilities on the consolidated balance sheets.

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Non-current assets:			
Deferred tax assets:			
Depreciation expense -----	¥8,381	¥9,751	\$100,794
Tax loss carryforwards -----	12,223	8,762	146,999
Allowance for retirement benefits -----	353	552	4,245
Net unrealized gain on available-for-sale securities -----	1,183	922	14,227
Impairment loss -----	5,956	6,862	71,630
Others -----	793	694	9,537
Total -----	28,889	27,543	347,432
Less valuation allowance -----	(5,319)	(6,171)	(63,969)
Total -----	¥23,570	¥21,372	\$283,463
Deferred tax liabilities:			
Prepaid pension costs -----	¥(2,816)	¥(3,095)	\$(33,866)
Reserve for software program -----		(85)	
Others -----	(104)	(139)	(1,251)
Total -----	¥(2,920)	¥(3,319)	\$(35,117)
Net non-current deferred tax assets-----	¥20,650	¥18,053	\$248,346

Net non-current deferred tax assets at March 31, 2011 included in the consolidated balance sheets are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets-non-current -----	¥21,357	\$256,849
Deferred tax liabilities-non-current -----	(707)	(8,503)
Net deferred tax assets-non-current -----	¥20,650	\$248,346

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 is as follows:

	2011	2010
Normal effective statutory tax rate -----	40.7 %	40.7 %
Increase in valuation allowance -----	15.1	44.2
Expenses not deductible for income tax purposes -----	7.7	7.5
Non-taxable items -----	(0.7)	(1.8)
Reverse of temporary difference for investment in a subsidiary -----	(40.2)	(56.1)
Amount of per-capita local tax -----	1.4	1.0
Gain on sales of investments in subsidiaries and associated companies -----	(10.8)	
Amortization of goodwill -----	22.1	
Other-net -----	0.2	0.7
Actual effective tax rate -----	35.5 %	36.2 %

At March 31, 2011 the Company and certain consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥30,763 million (\$369,970 thousand) which are available to be offset against taxable income in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2013 -----	¥211	\$2,537
2014 -----	5,373	64,618
2015 -----	1,086	13,061
2016 -----	1,466	17,631
2017 -----	11,630	139,868
2018 -----	10,997	132,255
Total -----	¥30,763	\$369,970

11. Retirement benefits

The Group has severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of lump-sum severance payments from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation -----	¥102,771	¥105,142	\$1,235,972
Fair value of plan assets -----	(91,916)	(92,471)	(1,105,424)
Unrecognized prior service cost -----	3,604	4,806	43,343
Unrecognized actuarial gain -----	(20,613)	(23,942)	(247,901)
Prepaid pension costs-----	7,009	7,812	84,293
Net liability -----	¥855	¥1,347	\$10,283

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost -----	¥2,499	¥2,612	\$30,054
Interest cost -----	2,094	2,086	25,184
Expected return on plan assets -----	(2,770)	(3,282)	(33,313)
Amortization of transitional obligation -----		2,084	
Amortization of prior service cost -----	(1,201)	(1,214)	(14,444)
Recognized actuarial loss -----	5,283	6,055	63,536
Payment to a defined contribution plan and other -----	1,261	1,240	15,165
Net periodic benefit costs -----	¥7,166	¥9,581	\$86,182

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

	2011	2010
Discount rate -----	2.0%	2.0%
Expected rate of return on plan assets -----	mainly 3.0%	mainly 4.0%
Amortization period of prior service cost -----	10 years	10 years
Recognition period of actuarial gain/loss -----	mainly 10 years	8 or 10 years
Amortization period of transitional obligation -----		10 years

The liability for retirement benefits at March 31, 2011 and 2010 included the following liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Allowance for the New Career Support Program (the "NCSP") -----	¥172	¥239	\$2,069
Current portion -----	(110)	(152)	(1,323)
Net noncurrent portion -----	¥62	¥87	\$746

Total charges relating to allowance for the NCSP for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Allowance for the NCSP -----	106	1,275

12. Equity

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

(1) Dividends

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

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

(2) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of common stock.

Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury stock and treasury stock acquisition rights

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

13. Stock options

The granted stock options as of March 31, 2011 of the Company are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2003 Stock Option	10 directors; 533 employees; 15 subsidiaries' directors; 14 subsidiaries' employees	713,100 shares	September 3, 2003	¥962 \$11.57	From July 1, 2005 to June 30, 2010
2004 Stock Option	10 directors; 513 employees; 27 subsidiaries' directors; 324 subsidiaries' employees	692,700 shares	September 7, 2004	¥952 \$11.45	From July 1, 2006 to June 30, 2011
2005 Stock Option	10 directors; 403 employees; 12 subsidiaries' directors; 276 subsidiaries' employees	749,000 shares	December 16, 2005	¥1,763 \$21.20	From July 1, 2007 to June 30, 2012
2006 Stock Option	10 directors; 250 employees; 20 subsidiaries' directors; 514 subsidiaries' employees	522,900 shares	November 7, 2006	¥2,434 \$29.27	From July 1, 2008 to June 30, 2013
2007 Stock Option	8 directors; 352 employees; 30 subsidiaries' directors; 250 subsidiaries' employees	746,300 shares	November 15, 2007	¥1,712 \$20.59	From November 1, 2009 to October 31, 2014
2008 Stock Option	8 directors; 395 employees; 23 subsidiaries' directors; 265 subsidiaries' employees	963,600 shares	August 15, 2008	¥1,791 \$21.54	From July 1, 2010 to June 30, 2015
2009 Stock Option	7 directors; 424 employees; 21 subsidiaries' directors; 256 subsidiaries' employees	991,900 shares	August 7, 2009	¥864 \$10.39	From July 1, 2011 to June 30, 2016

The stock option activity of the Company is as follows:

	2003 Stock Option (Shares)	2004 Stock Option (Shares)	2005 Stock Option (Shares)	2006 Stock Option (Shares)	2007 Stock Option (Shares)	2008 Stock Option (Shares)	2009 Stock Option (Shares)
<i>For the year ended March 31, 2010</i>							
<u>Non-vested</u>							
March 31, 2009 – Outstanding					735,800	956,500	
Granted							991,900
Canceled					4,200	482,400	3,800
Vested					731,600		
March 31, 2010 – Outstanding						474,100	988,100
<u>Vested</u>							
March 31, 2009 – Outstanding	303,300	382,100	718,300	509,000			
Vested					731,600		
Exercised							
Canceled	4,000	7,500	5,200	2,700	1,000		
March 31, 2010 – Outstanding	299,300	374,600	713,100	506,300	730,600		
<i>For the year ended March 31, 2011</i>							
<u>Non-vested</u>							
March 31, 2010 – Outstanding						474,100	988,100
Granted							
Canceled							506,900
Vested						474,100	
March 31, 2011 – Outstanding							481,200
<u>Vested</u>							
March 31, 2010 – Outstanding	299,300	374,600	713,100	506,300	730,600		
Vested						474,100	
Exercised							
Canceled	299,300	700	800	700	1,500		
March 31, 2011 – Outstanding		373,900	712,300	505,600	729,100	474,100	
Exercise price	¥962 \$11.57	¥952 \$11.45	¥1,763 \$21.20	¥2,434 \$29.27	¥1,712 \$20.59	¥1,791 \$21.54	¥864 \$10.39
Fair value price at grant date				¥520 \$6.25	¥396 \$4.76	¥397 \$4.77	¥215 \$2.59

The granted stock options as of March 31, 2011 of NM are as follows:

<u>Stock Option</u>	<u>Persons Granted</u>	<u>Number of Options Granted</u>	<u>Date of Grant</u>	<u>Exercise Price</u>	<u>Exercise Period</u>
2002 Stock Option	4 directors; 52 employees	2,784 shares	July 31, 2002	¥50,625 \$608.84	From July 1, 2004 to March 31, 2010
2003 Stock Option	27 employees	1,088 shares	September 30, 2003	¥111,250 \$1,337.94	From July 1, 2005 to March 31, 2010
2004 Stock Option	2 employees	136 shares	July 30, 2004	¥335,261 \$4,032.00	From July 1, 2006 to March 31, 2011
2005 Stock Option	1 directors; 1 employees	588 shares	July 29, 2005	¥328,030 \$3,945.04	From July 1, 2007 to March 31, 2012

The stock option activity of NM is as follows:

	<u>2002 Stock Option (Shares)</u>	<u>2003 Stock Option (Shares)</u>	<u>2004 Stock Option (Shares)</u>	<u>2005 Stock Option (Shares)</u>
<i>For the year ended March 31, 2010</i>				
<u>Vested</u>				
March 31, 2009 – Outstanding	560	320	48	500
March 31, 2010 – Outstanding	<u>560</u>	<u>320</u>	<u>48</u>	<u>500</u>
<i>For the year ended March 31, 2011</i>				
<u>Vested</u>				
March 31, 2010 – Outstanding	560	320	48	500
Canceled	<u>560</u>	<u>320</u>	<u>48</u>	<u>500</u>
March 31, 2011 – Outstanding				
Exercise price	¥50,625 \$608.84	¥111,250 \$1,337.94	¥335,261 \$4,032.00	¥328,030 \$3,945.04

No non-vested stock options existed at March 31, 2011, 2010, and 2009, respectively.

The granted stock options as of March 31, 2011 of S&I are as follows:

<u>Stock Option</u>	<u>Persons Granted</u>	<u>Number of Options Granted</u>	<u>Date of Grant</u>	<u>Exercise Price</u>	<u>Exercise Period</u>
2004 Stock Option	4 directors; 8 employees	135 shares	November 1, 2004	¥138,800 \$1,669.27	From November 1, 2006 to March 31, 2014
2005 Stock Option	6 directors; 53 employees	237 shares	July 1, 2005	¥180,000 \$2,164.76	From July 1, 2007 to March 31, 2015
2006 Stock Option	5 directors; 2 auditors; 71 employees	229 shares	July 1, 2006	¥193,000 \$2,321.11	From July 1, 2008 to March 31, 2016
2007 Stock Option	5 directors; 44 employees	162 shares	July 1, 2007	¥151,000 \$1,816.00	From July 1, 2009 to March 31, 2017

The stock option activity of S&I is as follows:

	<u>2004 Stock Option (Shares)</u>	<u>2005 Stock Option (Shares)</u>	<u>2006 Stock Option (Shares)</u>	<u>2007 Stock Option (Shares)</u>
<i>For the year ended March 31, 2010</i>				
<u>Non-vested</u>				
March 31, 2009 – Outstanding	85	131	135	127
Canceled	<u>70</u>	<u>51</u>	<u>34</u>	<u>34</u>
March 31, 2010 – Outstanding	<u>15</u>	<u>80</u>	<u>101</u>	<u>93</u>
<i>For the year ended March 31, 2011</i>				
<u>Non-vested</u>				
March 31, 2010 – Outstanding	15	80	101	93
Canceled	<u>15</u>	<u>80</u>	<u>101</u>	<u>93</u>
March 31, 2011 – Outstanding				
Exercise price	¥138,800 \$1,669.27	¥180,000 \$2,164.76	¥193,000 \$2,321.11	¥151,000 \$1,816.00

No vested stock option existed at March 31, 2011, 2010, and 2009, respectively.

14. Research and development costs

Research and development costs charged to income were ¥5,524 million (\$66,434 thousand) and ¥4,272 million for the years ended March 31, 2011 and 2010, respectively.

15. Leases

The minimum rental commitments under noncancellable operating leases at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of
	2011	2010	U.S. Dollars
Due within one year -----	¥540	¥542	\$6,494
Due after one year -----	581	1,121	6,988
Total -----	¥1,121	¥1,663	\$13,482

Due to the immaterial amounts of lease transactions in the consolidated financial statements, “as if capitalized” information for the fiscal year ended March 31, 2011 and 2010 is omitted.

16. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10, “Accounting Standard for Financial Instruments,” and issued ASBJ Guidance No. 19, “Guidance on Accounting Standard for Financial Instruments and Related Disclosures”. This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010, with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Policy for financial instruments

The Company uses financial instruments, mainly bank loans and bonds. Cash surpluses, if any, are invested in low-risk financial assets. All derivative transactions are entered into, not for speculative purposes, but to manage exposure to financial risks incorporated within its business.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Payment terms of payables, such as trade notes and trade accounts, are less than one year. Payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Bank loans, commercial paper, and bonds are mainly used to fund its ongoing operations. Certain bank loans are exposed to market risks from changes in variable interest rates. Derivatives mainly include forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of payables, and from changes in interest rates of bank loans. Please see Note 17 for more detail about derivatives.

(3) Risk management for financial instruments

Credit risk management

Credit risk is the risk of economic loss arising from a customer’s failure to repay according to the contractual terms. Receivables such as trade notes and trade accounts are exposed to customer credit risk. The Company manages its credit risk from receivables on the basis of internal guidelines to identify and minimize the default risk of customers in the early stages. The internal guidelines include conducting a credit investigation of a new customer to limit its credit amount, periodically reviewing the status of customers, and monitoring of payment terms and balances of each customer by the business administration department and the credit department. The Company’s subsidiaries also manage their credit risk on the basis of the same basic internal guidelines as the Company’s.

Market risk management (foreign exchange risk and interest rate risk)

With respect to the risk of market price fluctuations of investment securities, the Company monitors market values and/or financial position of issuers, which are the Group’s customers and suppliers, on a regular basis to determine whether to continue to hold such securities taking into consideration the relation with those customers and suppliers of the Group.

Currency exchange risk of foreign currency trade payables is hedged principally by forward foreign currency contracts. Interest rate swaps are used to manage exposure to market risks from changes in interest rates for certain bank loans.

Execution and custody of derivative transactions by the corporate treasury department have been approved by the directors concerned based on internal guidelines. The transaction data has been reported to the directors concerned and corporate auditors on a monthly basis.

Liquidity risk management

Liquidity risk comprises the risk that the Company and its subsidiaries cannot meet their contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial plans prepared and updated by the Company’s corporate treasury department, based on reports from the Company’s subsidiaries and its internal departments.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Such valuation reflects variable factors and may result in a different amount depending on assumptions.

The contract amounts of derivatives shown in Note 17 do not measure the Company’s exposure to market risk.

instruments at the rationally estimated rate applied if the debt of the same interest and principal were financed.

Derivatives

The information of the fair value for derivatives is included in Note 17.

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

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Investments in unconsolidated subsidiaries and associated companies -----	¥1,385	¥1,403	\$16,657
Investments in equity instruments that do not have a quoted market price in an active market -----	¥1,322	¥1,328	\$15,899
Other -----	¥289	¥297	\$3,476

(5) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2011				
Cash and cash equivalents-----	¥30,414			
Accounts receivable-trade-----	59,255			
Investment securities				
Available-for-sale securities				
(1)Debt securities -----			¥100	
(2)Other -----	21	¥68	88	
Total -----	¥89,690	¥68	¥188	
March 31, 2010				
Cash and cash equivalents-----	¥25,461			
Accounts receivable-trade-----	70,250			
Investment securities				
Available-for-sale securities				
(1)Debt securities -----	30		¥100	
(2)Other -----		¥73	95	
Total -----	¥95,741	¥73	¥195	
		Thousands of U.S. Dollars		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2011				
Cash and cash equivalents-----	\$365,773			
Accounts receivable-trade-----	712,628			
Investment securities				
Available-for-sale securities				
(1)Debt securities -----	252		\$1,203	
(2)Other -----		\$818	1,058	
Total -----	\$1,078,653	\$818	\$2,261	

Please see Note 8 for annual maturities of long-term debt.

17. Derivatives

The Company and certain subsidiaries enter into foreign currency forward contracts to hedge foreign exchange risk associated with certain liabilities denominated in foreign currencies. The Company also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Company's and certain subsidiaries' business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions and credible general trading companies, the Company and certain subsidiaries do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company and certain subsidiaries have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

Derivative transactions to which hedge accounting is not applied at March 31, 2011 were as follows:

Millions of Yen				
March 31, 2011	Contract amount	Contract amount due after one year	Fair value	Gain (loss)
Foreign currency forward contracts (off-market trading):				
Buying U.S.\$ -----	¥157	¥99	¥(12)	¥(12)
Foreign currency options (off-market trading):				
Buying U.S.\$ -----	¥339		¥(6)	¥(6)
Thousands of U.S. Dollars				
March 31, 2011	Contract amount	Contract amount due after one year	Fair value	Gain (loss)
Foreign currency forward contracts (off-market trading):				
Buying U.S.\$ -----	\$1,888	\$1,191	\$(144)	\$(144)
Foreign currency options (off-market trading):				
Buying U.S.\$ -----	\$4,077		\$(72)	\$(72)

* The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions.

There were no derivative transactions to which hedge accounting was not applied at March 31, 2010.

Derivative transactions to which hedge accounting is applied at March 31, 2011 and 2010 were as follows:

Millions of Yen				
March 31, 2011	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts:				
Buying U.S.\$				
- Deferral hedge -----	Payables	¥1,949		¥31
- Forward contracts applied for designated transactions ----	Payables	¥861		
Interest rate swaps (fixed rate payment, floating rate receipt)---	Long-term debt	¥15,025	¥7,650	
March 31, 2010				
Foreign currency forward contracts:				
Buying U.S.\$				
- Deferral hedge -----	Payables	¥763		¥25
- Forward contracts applied for designated transactions ----	Payables	¥799		
Interest rate swaps (fixed rate payment, floating rate receipt)---	Long-term debt	¥16,325	¥9,525	
Thousands of U.S. Dollars				
March 31, 2011	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts:				
Buying U.S.\$:				
- Deferral hedge -----	Payables	\$23,440		\$373
- Forward contracts applied for designated transactions ----	Payables	\$10,355		
Interest rate swaps (fixed rate payment, floating rate receipt)---	Long-term debt	\$180,698	\$92,002	

* The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions.

* Payables denominated in foreign currencies covered by a forward exchange contract are translated at the contracted rates if the forward contracts qualify for hedge accounting.

* The above interest rate swaps which qualify for hedge accounting and which meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in that of the hedged items (i.e., long-term debt).

18. Contingent liabilities

At March 31, 2011, the Companies had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans to employees for housing -----	¥1,331	\$16,007

19. Comprehensive income

Total comprehensive income for the year ended March 31, 2010 was the following:

	Millions of Yen
Total comprehensive income attributable to:	
Owners of the parent	¥2,868
Minority interests	(174)
Total comprehensive income	¥2,694

Other comprehensive loss for the year ended March 31, 2010 consisted of the following:

	<u>Millions of Yen</u>
Other comprehensive loss:	
Unrealized loss on available-for-sale securities	¥(731)
Deferred loss on derivatives under hedge accounting	(8)
Foreign currency translation adjustments	(13)
Total other comprehensive loss	<u>¥(752)</u>

20. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2011 and 2010 is as follows:

	<u>Net income</u>	<u>Weighted average shares</u>	<u>EPS</u>	
	<u>Millions of Yen</u>	<u>Thousands of shares</u>	<u>Yen</u>	<u>U.S. Dollars</u>
For the year ended March 31, 2011:				
Basic EPS				
Net income available to common shareholders ---	<u>¥2,575</u>	<u>94,922</u>	<u>¥27.12</u>	<u>\$0.33</u>
Diluted net income per share is not disclosed because it is anti-dilutive for the year ended March 31, 2011.				
For the year ended March 31, 2010:				
Basic EPS				
Net income available to common shareholders ---	<u>¥3,627</u>	<u>95,912</u>	<u>¥37.82</u>	
Diluted net income per share is not disclosed because it is anti-dilutive for the year ended March 31, 2010.				

21. Related party transactions

Deposits with Mitsui & Co. Financial Services Ltd., sister company of the Company, for the years ended March 31, 2011 and 2010, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2011</u>	<u>2010</u>	<u>U.S. Dollars</u>
Deposits: Mitsui & Co. Financial Services Ltd.-----	<u>¥10,679</u>	<u>¥19,984</u>	<u>\$128,431</u>

The deposit amounts above are the interim average balance of short-term deposits. There were no transaction balances due to or from Mitsui & Co. Financial Services Ltd. at March 31, 2011 and 2010.

22. Subsequent event

At the general shareholders' meeting held on June 29, 2011, the Company's shareholders approved the appropriations of retained earnings:

	<u>Millions of Yen</u>	<u>Thousands of</u>
		<u>U.S. Dollars</u>
Appropriations of retained earnings		
Cash dividends, ¥5.00 (\$0.06) per share -----	<u>¥470</u>	<u>\$5,652</u>

23. Segment information

For the year ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of six segments--system services, support services, outsourcing, Netmarks services, software, and hardware. "System services" segment consists of contracted software development, system-related services, and consulting. "Support services" segment consists of support services for software, support services for hardware, and installation services. "Outsourcing" segment consists of contracted administration of information system and others. "Netmarks services" segment consists of network system integration. "Software" segment consists of providing software under a software license agreement. "Hardware" segment consists of providing hardware under a sales contract or a lease contract.

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

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

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

Millions of Yen											
2011											
Reportable segment											
	System Services	Support Services	Out-sourcing	Netmarks Services	Software	Hardware	Total	Other ¹⁾	Total	Reconciliations ²⁾	Consolidated ³⁾
Sales	¥73,521	¥53,974	¥28,424	¥20,293	¥26,813	¥34,816	¥237,841	¥15,149	¥252,990		¥252,900
Segment profit	18,900	18,207	2,593	4,106	9,210	8,952	61,968	3,913	65,881	¥(59,354)	6,527
Segment assets	1,720	1,664	21,933	2,506	5,988	4,233	38,044	135	38,179	169,103	207,282
Other:											
Depreciation	79	206	5,186	520	4,208	1,223	11,422	167	11,589	1,785	13,374
Increase in property, plant and equipment and intangible assets	72	280	6,953	289	2,006	692	10,292	154	10,446	2,348	12,794
Impairment losses of assets			473				473		473	42	515
Goodwill:											
Amortization										2,101	2,101
Balance										2,354	2,354
Negative goodwill:											
Amortization										44	44
Balance										23	23

1) The "Other" category not included in a specific reportable segment consists of printing and other businesses.

2) Reconciliation of segment profit of ¥(59,354) million consists of selling, general, and administrative expenses of ¥(53,570) million not allocable to the reportable segments, research and development costs of ¥(5,525) million, and amortization of goodwill of ¥(259) million.

Reconciliation of segment assets of ¥169,103 million consists of corporate assets not allocable to the reportable segments.

Reconciliation of depreciation expense of ¥1,785 million consists of depreciation expense of corporate assets not allocable to the reportable segments.

Reconciliation of increase in property, plant and equipment and intangible assets of ¥2,348 million consists of increase in corporate assets not allocable to the reportable segments.

3) Segment profit is reconciled to operating income in the consolidated statement of income.

Millions of Yen											
2010											
Reportable segment											
	System Services	Support Services	Out-sourcing	Netmarks Services	Software	Hardware	Total	Other ¹⁾	Total	Reconciliations ²⁾	Consolidated ³⁾
Sales	¥80,792	¥56,895	¥29,253	¥22,048	¥28,149	¥38,429	¥255,566	¥15,519	¥271,085		¥271,085
Segment profit	20,287	17,462	2,527	5,001	9,003	10,772	65,052	3,872	68,924	¥(61,818)	7,106
Segment assets	1,072	1,946	21,469	3,077	8,480	5,898	41,942	1,582	43,524	174,543	218,067
Other:											
Depreciation	96	164	4,609	455	4,544	1,475	11,343	203	11,546	1,663	13,209
Increase in property, plant and equipment and intangible assets	46	188	8,036	460	4,202	1,108	14,040	227	14,267	1,259	15,526

1) The "Other" category not included in a specific reportable segment consists of printing and other businesses.

2) Reconciliation of segment profit of ¥(61,818) million consists of selling, general, and administrative expenses of ¥(57,330) million not allocable to the reportable segments, research and development costs of ¥(4,272) million, and amortization of goodwill of ¥(216) million.

Reconciliation of segment assets of ¥174,543 million consists of corporate assets not allocable to the reportable segments.

Reconciliation of depreciation expense of ¥1,663 million consists of depreciation expense of corporate assets not allocable to the reportable segments.

Reconciliation of increase in property, plant and equipment and intangible assets of ¥1,259 million consists of increase in corporate assets not allocable to the reportable segments.

3) Segment profit is reconciled to operating income in the consolidated statement of income.

Thousands of U.S. Dollars											
2011											
Reportable segment											
	System Services	Support Services	Out-sourcing	Netmarks Services	Software	Hardware	Total	Other ¹⁾	Total	Reconciliations ²⁾	Consolidated ³⁾
Sales	\$884,197	\$649,116	\$341,840	\$244,053	\$322,466	\$418,713	\$2,860,385	\$182,189	\$3,042,574		\$3,042,574
Segment profit	227,300	218,966	31,184	49,381	110,764	107,661	745,256	47,059	792,315	¥(713,818)	78,497
Segment assets	20,686	20,012	263,776	30,138	72,015	50,908	457,535	1,623	459,158	2,033,710	2,492,868
Other:											
Depreciation	950	2,478	62,369	6,254	50,607	14,708	137,366	2,009	139,375	21,467	160,842
Increase in property, plant and equipment and intangible assets	866	3,367	83,620	3,476	24,125	8,322	123,776	1,852	125,628	28,239	153,867
Impairment losses of assets			5,689				5,689		5,689	505	6,194
Goodwill:											
Amortization										25,268	25,268
Balance										28,310	28,310
Negative goodwill:											
Amortization										529	529
Balance										277	277

- 1) The "Other" category not included in a specific reportable segment consists of printing and other businesses.
- 2) Reconciliation of segment profit of \$(713,818) thousand consists of selling, general, and administrative expenses of \$(644,257) thousand not allocable to the reportable segments, research and development costs of \$(66,446) thousand, and amortization of goodwill of \$(3,115) thousand.
Reconciliation of segment assets of \$2,033,710 thousand consists of corporate assets not allocable to the reportable segments.
Reconciliation of depreciation expense of \$21,467 thousand consists of depreciation expense of corporate assets not allocable to the reportable segments.
Reconciliation of increase in property, plant and equipment and intangible assets of \$28,239 thousand consists of increase in corporate assets not allocable to the reportable segments.
- 3) Segment profit is reconciled to operating income in the consolidated statement of income.

For the year ended March 31, 2010

Information about industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2010 is as follows:

- (1) Industry segments
Industry segment information has not been presented because the Group operates in a single segment of the industry that provides computers, software and other related products, as well as various kinds of related services.
- (2) Geographical segments
Geographical segment information has not been presented because the Japanese portion of our consolidated net sales constituted more than 90%.
- (3) Sales to foreign customers
Information on sales to foreign customers has not been presented because the amount constituted an insignificant percentage of consolidated net sales.