May 23, 2012

To Our Shareholders:

Disclosure on the Internet in conformity with Laws, Regulations and the Articles of Incorporations

Notes to Consolidated Financial Statements
Notes to Non-Consolidated Financial Statements

For the 25th Fiscal Year
April 1, 2011 to March 31, 2012

Net One Systems Co., Ltd.

The Company provides “Notes to Consolidated Financial Statements” and “Notes to Non-Consolidated Financial Statements” to its shareholders by posting them on its website (http://www.netone.co.jp/index.html) in accordance with the provisions of laws, regulations and the Articles of Incorporation.
Notes to consolidated financial statements

I. Significant matters related to the basis of preparation of consolidated financial statements

1. Matters related to the scope of consolidation

(1) Number of consolidated subsidiaries 2 companies
Names of consolidated subsidiaries
Net One Partners Co., Ltd.
Xseed Co., Ltd.

Network Service And Technologies, Co., Ltd., which was a consolidated subsidiary in FY2010, has been excluded from the scope of consolidation effective from FY2011 since the Company merged with that company by absorption-type merger on April 1, 2011.

(2) Names, etc. of major non-consolidated subsidiaries
Names of non-consolidated subsidiaries
Net One Systems USA, Inc.
Business Assurance Co., Ltd.

(Reason for excluding from the consolidation)
Those non-consolidated subsidiaries are small in size and their total assets, revenue, the net income or loss for the Company’s equity interest, and retained earnings for the Company’s equity interest do not have a significant effect on the consolidated financial statements.

2. Matters related to application of equity method

(1) Number of affiliates applying equity method 3 companies
Name of companies
SkyCom Corporation
JBS Technology Inc.
System Solution Engineering K.K.

System Solution Engineering K.K. has been included in the scope of affiliates applying equity method effective from FY2011 since the Company acquired its shares on September 30, 2011.

(2) Non-consolidated subsidiaries (Net One Systems USA, Inc. and Business Assurance Co., Ltd.) are excluded from the scope of application of the equity method, as their net income or loss and retained earnings for the Company’s equity interest do not have a significant effect on the consolidated financial statements and their impact are immaterial as a whole.

3. Matters related to accounting period of consolidated subsidiaries

The fiscal year for Xseed Co., Ltd. ends on December 31 of each year. To prepare the consolidated financial statements, financial statements of Xseed Co., Ltd. as of and for the year ended December 31 are used. However, for the consolidation purpose, necessary adjustments are made for significant transactions that occurred during the period between January 1 and March 31.
4. Matters related to accounting policies

(1) Basis and method of valuation for significant assets

I. Securities

Available-for-sale securities

Securities with market value  Stated at market value based upon market value on the closing date
(Net unrealized holding gains or losses, net of the applicable income taxes, are directly included in a component of net assets. The cost of securities sold is measured by the moving average method.)

Securities without market value  Stated at cost based upon the moving average method, or at cost amortized or accumulated over the maturity based upon the straight-line method

II. Derivatives

Stated at market value

III. Inventories

Merchandise  Stated at cost based upon the moving average method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)

Costs on uncompleted construction contracts  Stated at cost based upon the specific identification method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)

(2) Depreciation method for significant depreciable assets

I. Property, plant and equipment (excluding lease assets)

Declining balance method is applied for the Company and its consolidated subsidiaries in Japan (with an exception of property for lease which employs straight line method).

The major useful-lives of assets are:

- Buildings  3-31 years
- Tools, furniture and fixtures  2-20 years
- Property for lease  6 years

II. Intangible assets (excluding lease assets)

Straight line method is applied for the Company and its consolidated subsidiaries in Japan.

The major useful-lives of assets are:

- Software for own use  5 years
- Software for sale  3 years
III. Lease assets

Lease assets in finance leases that transfer ownership to the lessee
Lease assets are depreciated using the same manner to the accounting for the noncurrent assets owned by the Company.

Lease assets in finance leases that do not transfer ownership to the lessee
Lease assets are depreciated using the straight line method over the corresponding lease terms as useful lives with their residual values to be zero.

(3) Basis for significant reserves

I. Allowance for doubtful accounts
Allowance for doubtful accounts is recorded to provide reserve for possible losses on receivables based on the historical uncollectible rate for ordinary receivables and on an estimate of individual collectability of specific doubtful receivables from debtors in financial difficulties.

II. Provision for bonuses
Provision for bonuses is recorded to accrue the amount for bonuses to employees of the Company for the fiscal year.

III. Provision for directors’ bonuses
Provision for directors’ bonuses is recorded to accrue the amount for bonus to directors and statutory auditors of the Company for the fiscal year.

(4) Other significant matters related to the basis of preparation of consolidated financial statements

I. Bases for translation of significant foreign currency denominated assets and liabilities into Japanese yen
Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the closing date of the accounting period, with translation difference charged to income or loss.

II. Significant hedge accounting method
a. Hedge accounting method
Deferral hedge accounting is applied. However, monetary claims and liabilities denominated in foreign currencies subject to forward foreign exchange contracts are translated at the foreign exchange rates stipulated in the contract if the forward foreign exchange contract satisfies the requirements for this treatment. (“Furiate-shori”)

b. Hedging instruments and hedged items
Hedging instruments: Forward exchange contract
Hedged item: Planned transactions denominated in foreign currencies
c. Hedging policy

The Company employs hedging instruments to manage risk exposure to fluctuations in foreign currency exchange rates for foreign currency denominated payables in connection with the purchase of operating assets in the future, in accordance with the Company's internal management rules which provide the limitation policy on transactions amount and the authorization policy on execution.

d. Assessment of hedge effectiveness

Assessment of hedge effectiveness is omitted for foreign currency forward exchange contracts since their hedge relationship is deemed highly effective.

III. Method and Term of Amortization of Goodwill

Depending on the source of occurrence, the amortization of goodwill is carried out within a five year period using the straight line method.

IV. Accounting for consumption taxes

Transactions subject to national consumption tax and local consumption tax are recorded at amounts exclusive of consumption taxes.

5. Changes in significant matters related to the basis of preparation of consolidated financial statements

Changes to accounting policies

(Application of Accounting Standard for Earnings Per Share)

Effective from FY2011, the Company adopted the “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2, June 30, 2010), the “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4, issued on June 30, 2010) and “Practical Solution on Accounting for Earnings Per Share” (ASBJ PITF No. 9, June 30, 2010).

As a result, for the stock split implemented on April 1, 2012 based on a resolution at a meeting of the Board of Directors held on February 24, 2012, net assets per share and net income per share are calculated on the assumption that the said stock split was implemented at the beginning of FY2011. The impact this has on per share information is stated in the relevant section.

6. Additional information

(Application of Accounting Standard for Accounting Changes and Error Corrections)

For accounting changes and error corrections made at or after the beginning of FY2011, the Company adopted 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).

(Note) Figures are rounded down to the nearest million yen.
II. Note to consolidated balance sheet
   Total accumulated depreciation of property, plant and equipment  21,314 million yen

III. Notes regarding consolidated statement of changes in net assets
1. Class and number of issued shares as of March 31, 2012

<table>
<thead>
<tr>
<th>Class of shares</th>
<th>Number of shares as of March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>551,900</td>
</tr>
</tbody>
</table>

2. Items regarding dividends from surplus during FY2011

<table>
<thead>
<tr>
<th>Date of declaration</th>
<th>Class of shares</th>
<th>Total cash dividends (million yen)</th>
<th>Cash dividend per share (yen)</th>
<th>Record Date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 16, 2011</td>
<td>Common stock</td>
<td>495</td>
<td>1,100</td>
<td>March 31, 2011</td>
<td>June 17, 2011</td>
</tr>
<tr>
<td>October 27, 2011</td>
<td>Common stock</td>
<td>720</td>
<td>1,600</td>
<td>September 30, 2011</td>
<td>November 25, 2011</td>
</tr>
</tbody>
</table>

3. Among the dividends whose record date is within FY2011, those having effective date in FY2012
   To be placed on the agenda of the Annual Shareholders Meeting scheduled for June 14, 2012.

<table>
<thead>
<tr>
<th>Date of declaration</th>
<th>Class of shares</th>
<th>Total cash dividends (million yen)</th>
<th>Dividend resource</th>
<th>Cash dividend per share (yen)</th>
<th>Record Date</th>
<th>Effective date</th>
</tr>
</thead>
</table>
IV. Financial instruments

1. Status of financial instruments

(1) Policy on treating financial instruments

With regard to the fund management, the Net One Systems Group utilizes highly secure financial assets for temporary surplus funds. Also it is our Corporate Group’s policy to utilize derivatives to avoid foreign exchange fluctuation risks pertaining to operating debt denominated in foreign currencies and not to use derivatives for speculation.

(2) Details of financial instruments, and risks and risk management system thereof

Notes and accounts receivable-trade, which are operating receivables, are exposed to customer credit risks. To manage these risks, the status of collection of these receivables from counterparties are periodically monitored and the due dates and balances are managed for each counterparty pursuant to the internal management regulations; and efforts trying to identify on an early stage and reduce losses from doubtful accounts caused by their worsened financial positions are made.

Short-term investment securities, consisting of commercial papers and negotiable certificates of deposit, are exposed to security issuer credit risks. There are, however, few credit risks because the Corporate Group only invests, pursuant to the internal management regulations, in securities issued by entities with high ratings.

Investment securities, which are stocks mainly issued by companies with business relations, are exposed to risks of the stock issuers’ financial positions. The Corporate Group periodically examines the stock issuers’ financial positions and continuously reviews the stock holding in consideration of relationships with the issuers. In addition to the aforementioned risks, foreign shares are also exposed to foreign exchange fluctuation risks.

Default risk of accounts payable-trade, which are operating debt and whose due dates are within one year, on due dates, are managed by a timely fund management. Some of accounts payable-trade are denominated in foreign currencies and exposed to foreign exchange fluctuation risks, but these risks are hedged by forward exchange contracts.

Income taxes payable are obligations of income taxes-current and will become due within one year.

Derivatives adopted are forward exchange contracts used for the purpose of hedging foreign exchange fluctuation risks arising from operating debt denominated in foreign currencies. The basic policy on derivatives is determined by the Board of Directors, and the Finance & Accounting Department executes and manages derivative transactions pursuant to the internal management regulations which define the transaction limit amount and the transaction authority. Regarding hedging instruments and hedged items, hedging policy and method of assessing hedge effectiveness in hedge accounting, please refer to the aforementioned (4) II. “Significant hedge accounting method” in “I. Significant matters related to the basis of preparation of consolidated financial statements, 4. Matters related to accounting policies”.

(3) Supplementary explanation to matters regarding fair values of financial instruments

The contracted amounts related to derivatives, mentioned in “2. Matters regarding fair values of financial instruments,” in themselves, should not be considered indicative of the market risks associated with the derivatives.
2. Matters regarding fair values of financial instruments

Consolidated balance sheet amounts and fair values as of March 31, 2012, and their variances, of financial instruments, are as follows. However, financial instruments whose fair values are deemed to be extremely difficult to measure are not included (Note 2).

((unit: million yen)

<table>
<thead>
<tr>
<th></th>
<th>Consolidated balance sheet amount (*)</th>
<th>Fair value (*)</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Cash and deposits</td>
<td>19,233</td>
<td>19,233</td>
<td>–</td>
</tr>
<tr>
<td>(2) Notes and accounts receivable-trade</td>
<td>35,762</td>
<td>35,762</td>
<td>–</td>
</tr>
<tr>
<td>(3) Short-term investment securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for sale securities</td>
<td>16,998</td>
<td>16,998</td>
<td>–</td>
</tr>
<tr>
<td>(4) Accounts payable-trade</td>
<td>(14,972)</td>
<td>(14,972)</td>
<td>–</td>
</tr>
<tr>
<td>(5) Income taxes payable</td>
<td>(5,681)</td>
<td>(5,681)</td>
<td>–</td>
</tr>
<tr>
<td>(6) Derivatives</td>
<td>32</td>
<td>32</td>
<td>–</td>
</tr>
</tbody>
</table>

(*) The figures in parenthesis indicate those posted in liabilities.

(Note) 1. Method of fair value measurement of financial instruments and matters regarding securities and derivatives

(1) Cash and deposits, and (2) Notes and accounts receivable-trade
Since these accounts are settled in a short period of time, their fair values are nearly equal to their book values. Therefore, the book values are deemed as their fair values.

(3) Short-term investment securities
As short-term investment securities consist of commercial papers and negotiable certificates of deposit whose maturities are within three months from the acquisition, their fair values are nearly equal to their book values. Therefore, the book values are deemed as their fair values.

(4) Accounts payable-trade and (5) Income tax payable
Since these accounts are settled in a short period of time, their fair values are nearly equal to their book values. Therefore, the book values are deemed as their fair values.

(6) Derivatives
I. Derivatives to which hedge accounting is not applied: None.
II. Derivatives to which hedge accounting is applied: Contracted amounts or notional amounts defined in contracts as of consolidated balance sheet date for each hedge accounting method are as follows:
As of March 31, 2012

<table>
<thead>
<tr>
<th>Hedge accounting method</th>
<th>Type of derivatives</th>
<th>Major hedged items</th>
<th>Contracted amounts</th>
<th>Including those over 1 year</th>
<th>Fair value</th>
<th>Fair value measurement method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferral hedge accounting method</td>
<td>Purchased forward exchange contracts–U.S. dollar</td>
<td>Accounts payable-trade</td>
<td>8,000</td>
<td>–</td>
<td>32</td>
<td>Based on prices provided by counterparty financial institutions</td>
</tr>
<tr>
<td>“Furiate-shori” method</td>
<td>Purchased forward exchange contracts–U.S. dollar</td>
<td>Accounts payable-trade</td>
<td>4,475</td>
<td>–</td>
<td>(*)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>12,476</td>
<td>–</td>
<td>32</td>
<td></td>
</tr>
</tbody>
</table>

(*) Forward exchange contracts under designated hedge accounting (“Furiate-shori”) method are accounted for together with accounts payable-trade designated as a hedged item, their fair values are included in the corresponding amount of accounts payable-trade.

(Note) 2. Financial instruments whose fair values are deemed to be extremely difficult to measure

<table>
<thead>
<tr>
<th>Classification</th>
<th>Consolidated balance sheet amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlisted equity securities</td>
<td>450</td>
</tr>
</tbody>
</table>

(*) Unlisted equity securities are not included in “(3) Short-term investment securities” because their market price is not available and the Company deems it extremely difficult to measure their fair value.

(Note) 3. Scheduled redemption amounts of monetary claims or short-term investment securities with maturity after the consolidated balance sheet date

<table>
<thead>
<tr>
<th>Classification</th>
<th>Within 1 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and deposits</td>
<td>19,233</td>
</tr>
<tr>
<td>Notes and accounts receivable-trade</td>
<td>35,762</td>
</tr>
<tr>
<td>Short-term investment securities</td>
<td>17,000</td>
</tr>
<tr>
<td>Total</td>
<td>71,995</td>
</tr>
</tbody>
</table>

V. Note regarding per share information

Net assets per share 703.25 yen
Net income per share 94.56 yen

Effective from FY2011 the Company adopted the “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2, June 30, 2010), “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4, June 30, 2010) and “Practical Solution on Accounting for Earnings Per Share” (ASBJ PITF No. 9, June 30, 2010).

As a result, for the stock split implemented on April 1, 2012 based on a resolution at a meeting of the Board of Directors held on February 24, 2012, net assets per share and net income per share are calculated on the assumption that the said stock split was implemented at the beginning of FY2011.

Net assets per share and net income per share in FY2011 as if these accounting standards, etc. had not been adopted would be as follows.
VI. Note regarding significant subsequent events
(Adoption of Share Unit System, Stock Split, and Partial Amendment to Articles of Incorporation)

The Company made a partial revision to its Articles of Incorporation, implemented a stock split and adopted the share unit system on April 1, 2012 based on a resolution at a meeting of the Board of Directors held on February 24, 2012.

(1) Purpose of adoption of share unit system, stock split and partial amendment to Articles of Incorporation

In accordance with the “Action Plan for Concentration of Trading Units” announced by Japan’s securities exchanges, the Company set the trading unit of the Company's shares at 100 shares per unit.

Following the above, the Company implemented the stock split in order to have a share unit system by which the Company’s shares are traded in units of 100 shares each while also improving the liquidity of the Company’s shares and expanding the investor base.

(2) Method of split

Shares of common stock held by shareholders recorded in the final shareholder registry as of the March 31, 2012 record date were split at a ratio of 200 shares to one share.

(3) Increase in number of shares due to stock split

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of shares issued prior to stock split:</td>
<td>551,900 shares</td>
</tr>
<tr>
<td>Increase in number of shares due to stock split:</td>
<td>109,828,100 shares</td>
</tr>
<tr>
<td>Total number of shares issued following stock split:</td>
<td>110,380,000 shares</td>
</tr>
<tr>
<td>Total number of shares authorized to be issued following stock split:</td>
<td>200,000,000 shares</td>
</tr>
</tbody>
</table>

(4) Effective date of stock split

April 1, 2012

(5) Effect on per share information

“Per share information” is calculated on the assumption that the stock split was implemented at the beginning of FY2011. The impact of this is stated in the relevant section.

(Retirement of Treasury Stock)

The Company resolved at a meeting of the Board of Directors held on April 26, 2012 that it would retire a part of treasury stock of the Company pursuant to the provisions of Article 178 of the Companies Act. Accordingly, the Company conducted the retirement on April 27, 2012 as follows.

(1) Class of stock retired: Common stock of the Company

(2) Number of shares retired: 18,380,000 shares (about 16.7% of the total number of shares issued)

(3) Total number of shares issued following retirement: 92,000,000 shares
Notes to non-consolidated financial statements

I. Significant accounting policies

1. Basis and method of valuation for assets
   (1) Securities
      I. Subsidiaries and Affiliated Companies Stated at cost based upon the moving average method
      
      II. Available-for-sale securities
         Securities with market value Stated at market value based upon market value on the closing date
         (Net unrealized holding gains or losses, net of the applicable income taxes, are directly included in a component of net assets. The cost of securities sold is measured by the moving average method.)
         Securities without market value Stated at cost based upon the moving average method, or at cost amortized or accumulated over the maturity based upon the straight-line method

   (2) Derivatives Stated at market value

   (3) Inventories
      I. Merchandise Stated at cost based upon the moving average method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)
      
      II. Costs for uncompleted construction contracts Stated at cost based upon the specific identification method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)

2. Depreciation method for noncurrent assets
   (1) Property, plant and equipment (excluding lease assets)
      Declining balance method is applied (with an exception of property for lease which employs straight line method).
      The major useful-lives of assets are:
      Buildings 3-26 years
      Tools, furniture and fixtures 2-20 years
      Property for lease 6 years
(2) Intangible assets (excluding lease assets)

Straight line method is applied.

The major useful-lives of assets are:

- Software for own use: 5 years
- Software for sale: 3 years

(3) Lease assets

I. Lease assets in finance leases that transfer ownership to the lessee

Lease assets are depreciated using the same manner to the accounting for the noncurrent assets owned by the Company.

II. Lease assets in finance leases that do not transfer ownership to the lessee

Lease assets are depreciated using the straight line method over the corresponding lease terms as useful lives with their residual values to be zero.

(4) Long-term prepaid expenses

Straight-line method

3. Basis for significant reserves

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is recorded to provide reserve for possible losses on receivables based on the historical uncollectible rate for ordinary receivables and on an estimate of individual collectability of specific doubtful receivables from debtors in financial difficulties.

(2) Provision for bonuses

Provision for bonuses is recorded to accrue the amount for bonuses to employees of the Company for the fiscal year.

(3) Provision for directors’ bonuses

Provision for directors’ bonuses is recorded to accrue the amount for bonus to directors and statutory auditors of the Company for the fiscal year.

4. Other significant matters related to the basis of preparation of non-consolidated financial statements

(1) Bases for translation of significant foreign currency denominated assets and liabilities into Japanese yen

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the closing date of the accounting period, with translation difference charged to income or loss.

(2) Significant hedge accounting method

I. Hedge accounting method

Deferral hedge accounting is applied. However, monetary claims and liabilities denominated in foreign currencies subject to forward foreign exchange contracts are translated at the foreign exchange rates stipulated in the contract if the forward foreign exchange contract satisfies the requirements for this treatment.

II. Hedging instruments and hedged items

- Hedging instruments: Forward exchange contract
- Hedged item: Planned transactions denominated in foreign currencies
III. Hedging policy

The Company employs hedging instruments to manage risk exposure to fluctuations in foreign currency exchange rates for foreign currency denominated payables in connection with the purchase of operating assets in the future, in accordance with the Company’s internal management rules which provide the limitation policy on transactions amount and the authorization policy on execution.

IV. Assessment of hedge effectiveness

Assessment of hedge effectiveness is omitted for foreign currency forward exchange contracts since their hedge relationship is deemed highly effective.

(3) Accounting for consumption taxes

Transactions subject to national consumption tax and local consumption tax are recorded at amounts exclusive of consumption taxes.

5. Changes to accounting policies

(Application of Accounting Standard for Earnings Per Share)

Effective from FY2011, the Company adopted the “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2, June 30, 2010), the “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4, issued on June 30, 2010) and “Practical Solution on Accounting for Earnings Per Share” (ASBJ PITF No. 9, June 30, 2010).

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6. Additional information

(Application of Accounting Standard for Accounting Changes and Error Corrections)

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(Note) Figures are rounded down to the nearest million yen.
II. Notes to non-consolidated balance sheet

1. Total accumulated depreciation of property, plant and equipment
   21,248 million yen

2. Monetary claims and liabilities to affiliates
   - Short term monetary claims 751 million yen
   - Short term monetary liabilities 406 million yen

III. Matters related to non-consolidated statement of income

Transactions with subsidiaries and affiliates

Transactions relating to the Company's operation
   - Revenue 2,367 million yen
   - Purchase 1,910 million yen
   - Selling, general and administrative expenses 657 million yen
   - Transactions not relating to the Company's operation 506 million yen

IV. Matters related to non-consolidated statement of changes in net assets

Class and number of treasury stock shares as of March 31, 2012

<table>
<thead>
<tr>
<th>Class of shares</th>
<th>Number of shares as of March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>101,355</td>
</tr>
</tbody>
</table>
V. Notes regarding tax effect accounting

1. Breakdown of major reason for deferred tax assets and deferred tax liabilities (as of March 31, 2012)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (unit: million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets–current</td>
<td></td>
</tr>
<tr>
<td>Accrued enterprise tax</td>
<td>372</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>769</td>
</tr>
<tr>
<td>Loss on valuation of inventories</td>
<td>47</td>
</tr>
<tr>
<td>Deferred gains or losses on hedges</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>485</td>
</tr>
<tr>
<td><strong>Net deferred tax assets–current</strong></td>
<td><strong>1,675</strong></td>
</tr>
<tr>
<td>Deferred tax assets–non-current</td>
<td></td>
</tr>
<tr>
<td>Depreciation for tools, furniture and fixtures</td>
<td>1,275</td>
</tr>
<tr>
<td>Software</td>
<td>318</td>
</tr>
<tr>
<td>Loss on valuation of investment securities</td>
<td>137</td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>9</td>
</tr>
<tr>
<td>Asset retirement obligations</td>
<td>78</td>
</tr>
<tr>
<td>Other</td>
<td>20</td>
</tr>
<tr>
<td><strong>Sub-total net deferred tax assets–non-current</strong></td>
<td><strong>1,839</strong></td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(231)</td>
</tr>
<tr>
<td><strong>Total net deferred tax assets–non-current</strong></td>
<td><strong>1,607</strong></td>
</tr>
<tr>
<td>Deferred tax liabilities–non-current</td>
<td></td>
</tr>
<tr>
<td>Asset retirement cost</td>
<td>(39)</td>
</tr>
<tr>
<td><strong>Total Deferred tax liabilities–non-current</strong></td>
<td><strong>(39)</strong></td>
</tr>
<tr>
<td><strong>Net deferred tax assets–non-current</strong></td>
<td><strong>1,568</strong></td>
</tr>
</tbody>
</table>

2. Breakdown of significant items that lead to a significant difference between statutory tax rate and effective tax rate after adoption of tax effect accounting.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (unit: million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory tax rate (adjusted)</td>
<td>40.69%</td>
</tr>
<tr>
<td>Entertainment expenses etc. not qualifying for deduction</td>
<td>1.04</td>
</tr>
<tr>
<td>Gain on extinguishment of tie-in shares</td>
<td>(6.40)</td>
</tr>
<tr>
<td>Inhabitant tax on per capita basis etc.</td>
<td>0.13</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Reduction of deferred tax assets due to change of tax rate</td>
<td>1.67</td>
</tr>
<tr>
<td>Other</td>
<td>0.36</td>
</tr>
<tr>
<td><strong>Effective tax rates after adoption of tax effect accounting</strong></td>
<td><strong>37.48</strong></td>
</tr>
</tbody>
</table>

3. Reduction of deferred tax assets and deferred tax liabilities due to change of rate of income tax, etc.
In conjunction with the promulgation on December 2, 2011 of the “Law for Partial Amendment of the Income Tax Law, Etc. for the Purpose of Developing the Tax System Responding to Changes in the Economic and Social Structure” (Act No. 114 of 2011) and the “Law on Special Measures for
Securing Financial Resources Necessary to Implement Measures for Reconstruction after the Great East Japan Earthquake” (Act No. 117 of 2011), effective from the fiscal year starting on and after April 1, 2012, the corporate tax rate will be reduced, while a special recovery corporate tax will be imposed. Accordingly, the statutory tax rates, which are used to calculate deferred tax assets and deferred tax liabilities, will be reduced to 38.01% from the previous 40.69% for temporary differences that are expected to be eliminated for the fiscal years starting on April 1, 2012 to April 1, 2014, and to 35.64% for temporary differences that are expected to be eliminated for the fiscal year starting on and after April 1, 2015.

The changes in the tax rates led to a 280 million yen decrease in deferred tax assets (after deducting deferred tax liabilities), and a 279 million yen increase in income taxes-deferred, a 1 million yen increase in valuation difference on available-for-sale securities and a 0 million yen increase in deferred gains or losses on hedges.
VI. Note regarding assets used by lease
In addition to noncurrent assets recorded in the balance sheet, the Company uses office equipment and complete set of examination equipment under finance leases that do not transfer ownership to the lessee.

VII. Notes regarding transactions with related parties
Subsidiaries

<table>
<thead>
<tr>
<th>Classification</th>
<th>Company name</th>
<th>Ownership % including voting right</th>
<th>Relationship</th>
<th>Transaction</th>
<th>Amount of transaction</th>
<th>Account</th>
<th>As of March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary</td>
<td>Net One Partners Co., Ltd.</td>
<td>100.0%</td>
<td>Partial outsourcing of back-office operations</td>
<td>Partial outsourcing of back-office operations</td>
<td>501</td>
<td>Other current assets</td>
<td>112</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>● 2 dispatched executives</td>
<td>(Note 1)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Terms and conditions of transactions and the policy of determining the terms and conditions of the transactions:

(Notes) 1. Terms and conditions are determined considering the details and descriptions of outsourcing deals and contracts.
2. The above indicated amount of transaction is exclusive of consumption taxes.

VIII. Note regarding per share information
Net assets per share 693.03 yen
Net income per share 115.87 yen

Effective from FY2011, the Company adopted the “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2, June 30, 2010), “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4, June 30, 2010) and “Practical Solution on Accounting for Earnings Per Share” (ASBJ PITF No. 9, June 30, 2010).

As a result, for the stock split implemented on April 1, 2012 based on a resolution at a meeting of the Board of Directors held on February 24, 2012, net assets per share and net income per share are calculated on the assumption that the said stock split was implemented at the beginning of FY2011.

Net assets per share and net income per share in FY2011 as if these accounting standards, etc. had not been adopted would be as follows.

Net assets per share 138,606.95 yen
Net income per share 23,173.61 yen

IX. Note regarding significant subsequent events
(Adoption of Share Unit System, Stock Split, and Partial Amendment to Articles of Incorporation)

The Company made a partial revision to its Articles of Incorporation, implemented a stock split and adopted the share unit system on April 1, 2012 based on a resolution at a meeting of the Board of Directors held on February 24, 2012.
(1) Purpose of adoption of share unit system, stock split and partial amendment to Articles of Incorporation

In accordance with the “Action Plan for Concentration of Trading Units” announced by Japan’s securities exchanges, the Company set the trading unit of the Company's shares at 100 shares per unit.

Following the above, the Company implemented the stock split in order to have a share unit system by which the Company’s shares are traded in units of 100 shares each while also improving the liquidity of the Company’s shares and expanding the investor base.

(2) Method of split

Shares of common stock held by shareholders recorded in the final shareholder registry as of the March 31, 2012 record date were split at a ratio of 200 shares to one share.

(3) Increase in number of shares due to stock split

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of shares issued prior to stock split:</td>
<td>551,900 shares</td>
</tr>
<tr>
<td>Increase in number of shares due to stock split:</td>
<td>109,828,100 shares</td>
</tr>
<tr>
<td>Total number of shares issued following stock split:</td>
<td>110,380,000 shares</td>
</tr>
<tr>
<td>Total number of shares authorized to be issued following stock split:</td>
<td>200,000,000 shares</td>
</tr>
</tbody>
</table>

(4) Effective date of stock split

April 1, 2012

(5) Effect on per share information

“Per share information” is calculated on the assumption that the stock split was implemented at the beginning of FY2011. The impact of this is stated in the relevant section.

(Retirement of Treasury Stock)

The Company resolved at a meeting of the Board of Directors held on April 26, 2012 that it would retire a part of treasury stock of the Company pursuant to the provisions of Article 178 of the Companies Act. Accordingly, the Company conducted the retirement on April 27, 2012 as follows.

(1) Class of stock retired: Common stock of the Company

(2) Number of shares retired: 18,380,000 shares (about 16.7% of the total number of shares issued)

(3) Total number of shares issued following retirement: 92,000,000 shares