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 26th Fiscal Year
April 1, 2012 to March 31, 2013

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/) 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  3 companies
       Names of consolidated subsidiaries  Net One Partners Co., Ltd.
                                          Xseed Co., Ltd.
                                          System Solution Engineering K.K.

       System Solution Engineering K.K., which was an affiliate applying equity method in FY2011,
       has been included in the scope of consolidation effective from FY2012 because it became a
       wholly-owned subsidiary of the Company through purchase of treasury stock on June 20, 2012.

   (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  1 company
       Name of company  JBS Technology Inc.

       SkyCom Corporation has been excluded from the scope of affiliates applying equity method
       effective from FY2012 because of the sale of all shares held in SkyCom Corporation on June 18,
       2012. System Solution Engineering K.K. has been excluded from the scope of affiliates applying
       equity method effective from FY2012 because it became a consolidated subsidiary through
       purchase of treasury stock on June 20, 2012.

   (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 the final day of December each year and the fiscal year
   for System Solution Engineering K.K. ends on the final day of February each year. To prepare the
   consolidated financial statements, the financial statements of the two consolidated subsidiaries as
   of and for their respective fiscal year-ends are used, and necessary adjustments are made in the
   consolidated financial statements for significant transactions that occur between these fiscal
   year-ends and the consolidated closing date.
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.

Of finance leases that do not transfer ownership to the lessee, the lease transactions whose inception dates are on and before March 31, 2008 are accounted for in a similar manner to the accounting for ordinary rental transactions.

(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 bonuses to directors and Audit & Supervisory Board Members 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-short")

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. The amortization of bargain purchase which occurred on or before March 31, 2010 is carried out with 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
(1) Changes in accounting estimates
The Company decided to relocate some head office functions by a resolution at a meeting of the Board of Directors held on August 24, 2012. The future useful lives of noncurrent assets rendered unusable by the relocation have been reduced accordingly.

The estimated period until actual payment of asset retirement obligations that were recorded as restoration obligations in accordance with rental contracts for the relevant properties have also been shortened.

As a result of this change in method, operating income, ordinary income and income before income taxes and minority interests for FY2012 each decreased by 221 million yen, in comparison with application of the previous method.

(2) Changes in methods of presentation
(Consolidated balance sheet)
“Prepaid expenses,” which had been included in “Other” under current assets up until the previous fiscal year, was separately presented from the current fiscal year because it exceeded 5% of total assets. “Prepaid expenses” for the previous fiscal year was 3,388 million yen.

(Note) Figures are rounded down to the nearest million yen.
II. Note to consolidated balance sheet
Total accumulated depreciation of property, plant and equipment 21,577 million yen

III. Notes regarding consolidated statement of changes in net assets
1. Class and number of issued shares as of March 31, 2013

<table>
<thead>
<tr>
<th>Class of shares</th>
<th>Number of shares as of March 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>89,000,000</td>
</tr>
</tbody>
</table>

2. Items regarding dividends from surplus during FY2012

<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>Annual Shareholders Meeting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October 25, 2012</td>
<td>Common stock</td>
<td>1,486</td>
<td>17.00</td>
<td>September 30, 2012</td>
<td>November 26, 2012</td>
</tr>
<tr>
<td>Board of Directors Meeting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Among the dividends whose record date is within FY2012, those having effective date in FY2013
To be placed on the agenda of the Annual Shareholders Meeting scheduled for June 13, 2013.

<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>
<tbody>
<tr>
<td>June 13, 2013</td>
<td>Common stock</td>
<td>1,486</td>
<td>Retained earnings</td>
<td>17.00</td>
<td>March 31, 2013</td>
<td>June 14, 2013</td>
</tr>
<tr>
<td>Annual Shareholders Meeting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Class and number of shares to be issued upon the exercise of share subscription rights (excluding those whose exercise period has not yet commenced) as of March 31, 2013

<table>
<thead>
<tr>
<th>Class of shares</th>
<th>Number of shares as of March 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>39,200</td>
</tr>
</tbody>
</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 is 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, 2013, 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).

<table>
<thead>
<tr>
<th>(*)</th>
<th>Consolidated balance sheet amount (*)</th>
<th>Fair value (*)</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Cash and deposits</td>
<td>18,580</td>
<td>18,580</td>
</tr>
<tr>
<td>(2)</td>
<td>Notes and accounts receivable-trade</td>
<td>35,280</td>
<td>35,280</td>
</tr>
<tr>
<td>(3)</td>
<td>Short-term investment securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Available-for sale securities</td>
<td>10,999</td>
<td>10,999</td>
</tr>
<tr>
<td>(4)</td>
<td>Accounts payable-trade</td>
<td>(15,626)</td>
<td>(15,626)</td>
</tr>
<tr>
<td>(5)</td>
<td>Income taxes payable</td>
<td>(710)</td>
<td>(710)</td>
</tr>
<tr>
<td>(6)</td>
<td>Derivatives</td>
<td>103</td>
<td>103</td>
</tr>
</tbody>
</table>

(*) The figures in parentheses 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 taxes 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, 2013

<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>8,716</td>
<td>–</td>
<td>103</td>
<td>Based on prices provided by counterparty financial institutions</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>12,556</strong></td>
<td>–</td>
<td><strong>103</strong></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>215</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>18,580</td>
</tr>
<tr>
<td>Notes and accounts receivable-trade</td>
<td>35,280</td>
</tr>
<tr>
<td>Short-term investment securities</td>
<td>11,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>64,861</strong></td>
</tr>
</tbody>
</table>

V. Note regarding per share information

Net assets per share 699.63 yen
Net income per share 48.89 yen
(Note) The Company implemented a 1:200 common stock split on April 1, 2012.

VI. Note regarding significant subsequent events

Not applicable.
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 3-23 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.

Of finance leases that do not transfer ownership to the lessee, the lease transactions whose inception dates are on and before March 31, 2008 are accounted for in a similar manner to the accounting for ordinary rental transactions.

(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 bonuses to directors and Audit & Supervisory Board Members 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 in accounting estimates
   The Company decided to relocate some head office functions by a resolution at a meeting of the Board of Directors held on August 24, 2012. The future useful lives of noncurrent assets rendered unusable by the relocation have been reduced accordingly.
   The estimated period until actual payment of asset retirement obligations that were recorded as restoration obligations in accordance with rental contracts for the relevant properties have also been shortened.
   As a result of this change in method, operating income, ordinary income and income before income taxes for FY2012 each decreased by 221 million yen, in comparison with application of the previous method.

   (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
      21,467 million yen
   2. Monetary claims and liabilities to affiliates
      Short term monetary claims 507 million yen
      Short term monetary liabilities 698 million yen

III. Matters related to non-consolidated statement of income
   Transactions with subsidiaries and affiliates
      Transactions relating to the Company's operation
      Revenue 1,503 million yen
      Purchase 2,825 million yen
      Selling, general and administrative expenses 1,001 million yen
      Transactions not relating to the Company's operation 608 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, 2013
<table>
<thead>
<tr>
<th>Class of shares</th>
<th>Number of shares as of March 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>1,538,448</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, 2013) (unit: million yen)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets–current</td>
<td></td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>675</td>
</tr>
<tr>
<td>Loss on valuation of inventories</td>
<td>16</td>
</tr>
<tr>
<td>Asset retirement obligations</td>
<td>77</td>
</tr>
<tr>
<td>Other</td>
<td>111</td>
</tr>
<tr>
<td>Total deferred tax assets–current</td>
<td>880</td>
</tr>
<tr>
<td>Deferred tax liabilities–current</td>
<td></td>
</tr>
<tr>
<td>Accrued enterprise tax</td>
<td>(70)</td>
</tr>
<tr>
<td>Deferred gains or losses on hedges</td>
<td>(23)</td>
</tr>
<tr>
<td>Total deferred tax liabilities–current</td>
<td>(94)</td>
</tr>
<tr>
<td>Net deferred tax assets–current</td>
<td>786</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets–non-current</td>
<td></td>
</tr>
<tr>
<td>Depreciation for tools, furniture and fixtures</td>
<td>1,140</td>
</tr>
<tr>
<td>Software</td>
<td>274</td>
</tr>
<tr>
<td>Loss on valuation of investment securities</td>
<td>86</td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>3</td>
</tr>
<tr>
<td>Accounts receivable-other</td>
<td>269</td>
</tr>
<tr>
<td>Asset retirement obligations</td>
<td>42</td>
</tr>
<tr>
<td>Other</td>
<td>27</td>
</tr>
<tr>
<td>Sub-total net deferred tax assets–non-current</td>
<td>1,843</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(422)</td>
</tr>
<tr>
<td>Total net deferred tax assets–non-current</td>
<td>1,421</td>
</tr>
<tr>
<td>Deferred tax liabilities–non-current</td>
<td></td>
</tr>
<tr>
<td>Asset retirement cost</td>
<td>(40)</td>
</tr>
<tr>
<td>Total Deferred tax liabilities–non-current</td>
<td>(40)</td>
</tr>
<tr>
<td>Net deferred tax assets–non-current</td>
<td>1,381</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</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory tax rate (adjusted)</td>
<td>38.01%</td>
</tr>
<tr>
<td>Entertainment expenses etc. not qualifying for deduction</td>
<td>1.86</td>
</tr>
<tr>
<td>Inhabitant tax on per capita basis etc.</td>
<td>0.34</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(1.39)</td>
</tr>
<tr>
<td>Income taxes for prior periods</td>
<td>8.84</td>
</tr>
<tr>
<td>Other</td>
<td>1.14</td>
</tr>
<tr>
<td>Effective tax rate after adoption of tax effect accounting</td>
<td>48.80</td>
</tr>
</tbody>
</table>
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, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary</td>
<td>Net One Partners Co., Ltd.</td>
<td>Holding directly 100.0%</td>
<td>● Partial outsourcing of back-office operations</td>
<td>Partial outsourcing of back-office operations</td>
<td>354</td>
<td>Other current assets</td>
<td>65</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 679.13 yen
Net income per share 39.09 yen

(Note) The Company implemented a 1:200 common stock split on April 1, 2012.

IX. Note regarding significant subsequent events

Not applicable.