HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31 , 2012

pwc

Independent Auditor's Report

To the Board of Directors
of Harmonic Drive Systems Inc.

We have audited the accompanying consolidated financial statements of Harmonic Drive Systems Inc. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2012, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

September 3, 2012

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HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	March 31		March 31
	2011	2012	2012
Assets:			
Current assets -			
Cash and bank deposits (Notes 10(a) and 12(d))	¥6,988,064	¥10,094,455	$122,818
Notes and accounts receivable, trade (Note 12(d))	6,854,034	5,864,691	71,355
Marketable securities (Notes 10(a) and 13)	30,601	30,626	372
Finished products	129,164	107,372	1,306
Work in process	669,314	548,173	6,669
Raw materials and supplies	808,726	648,912	7,895
Deferred tax assets - current (Note 17)	516,661	365,249	4,443
Other current assets	177,903	208,194	2,533
Allowance for doubtful accounts (Note 12(d))	(4,706)	(7,537)	(91)
Total current assets	16,169,764	17,860,137	217,303
Fixed assets -			
Tangible fixed assets (Notes 6(b), 11 and 18(d)):			
Buildings and structures	2,126,505	2,511,007	30,551
Machinery and equipment	585,855	952,614	11,590
Land	993,769	990,904	12,056
Leased assets	362,424	285,048	3,468
Construction in progress	213,095	172,897	2,103
Other	535,755	553,243	6,731
Total tangible fixed assets	4,817,405	5,465,715	66,500
Intangible fixed assets (Note 11):			
Goodwill (Note 18(f))	1,993	-	-
Software	149,737	163,734	1,992
Other	22,555	8,949	108
Total intangible fixed assets	174,286	172,683	2,101
Investments and other assets:			
Investment securities (Notes 12(d) and 13)	564,128	535,294	6,512
Investment in affiliated companies (Notes 6(a) and 12(d))	11,880,902	10,398,971	126,523
Long-term loans receivable (Note 12(d))	358,998	354,707	4,315
Long-term prepaid expenses (Note 15)	350,948	277,152	3,372
Long-term bank deposits (Note 12(d))	53,900	756,050	9,198
Deferred tax assets – non current (Note 17)	24,651	24,214	294
Others	59,036	58,000	705
Allowance for doubtful accounts (Note 12(d))	(185,671)	(359,107)	(4,369)
Total investment securities and other assets	13,106,895	12,045,283	146,554
Total fixed assets	18,098,587	17,683,681	215,156
Total assets	¥34,268,352	¥35,543,819	$432,459

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND NET ASSETS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	March 31		March 31
	2011	2012	2012
Liabilities:			
Current liabilities -			
Notes and accounts payable, trade (Note 12(d))	¥2,059,546	¥1,477,935	$17,981
Short-term borrowings (Note 22)	10,000	10,000	121
Current portion of long-term debt (Notes 6(b), 12(d) and 22)	740,752	1,752,572	21,323
Lease obligations – current (Note 22)	82,209	81,164	987
Accrued income taxes (Note 12(d))	2,100,899	90,113	1,096
Accrued bonuses for employees	613,288	547,557	6,662
Accrued bonuses for directors and corporate auditors	104,400	98,120	1,193
Accrued warranty expenses	23,845	63,761	775
Other current liabilities	1,366,964	1,055,311	12,839
Total current liabilities	7,101,905	5,176,535	62,982
Long-term liabilities -			
Long-term debt (Notes 6(b), 12(d) and 22)	1,558,205	4,909,578	59,734
Long-term accounts payable, other	-	37,938	461
Lease obligations – non current (Note 22)	277,570	201,192	2,447
Deferred tax liabilities – non current (Note 17)	1,880,494	1,291,079	15,708
Reserve for retirement benefits for employees (Note 15)	22,506	27,094	329
Reserve for retirement benefits for directors and corporate auditors	380,932	293,182	3,567
Reserve for retirement benefits for executive officers	83,630	73,497	894
Negative goodwill (Note 18(f))	5,543	-	-
Total long-term liabilities	4,208,882	6,833,562	83,143
Total liabilities	11,310,788	12,010,098	146,126
Net assets (Note 20):			
Shareholders' equity (Note 9) -			
Common stock:			
- Authorized: 118,800,000 shares			
Issued and outstanding: 31,583,100 shares	1,610,542	1,610,542	19,595
Capital surplus	5,203,709	5,203,709	63,313
Retained earnings	15,617,444	16,953,157	206,267
Treasury stock, at cost	(2,304,740)	(2,304,815)	(28,042)
Total shareholders' equity	20,126,956	21,462,594	261,133
Accumulated other comprehensive income -			
Net unrealized gains on available-for-sale securities (Note 13)	2,633,646	2,027,464	24,668
Foreign currency translation adjustments	(630,065)	(769,979)	(9,368)
Total accumulated other comprehensive income	2,003,580	1,257,484	15,299
Minority interest in consolidated subsidiaries	827,027	813,642	9,899
Total net assets	22,957,563	23,533,721	286,333
Total liabilities and net assets	¥34,268,352	¥35,543,819	$432,459

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2011	2012	2012
Net sales (Notes 18 and 19)	¥22,001,131	¥20,159,123	$245,274
Cost of sales (Notes 7(b), 15 and 18)	12,070,640	11,862,025	144,324
Gross profit	9,930,490	8,297,097	100,950
Selling, general and administrative expenses (Notes 7(a), 7(b), 11, 15 and 18)	4,082,170	3,963,503	48,223
Operating profit	5,848,320	4,333,594	52,726
Other income:			
Interest income	15,202	12,354	150
Dividend income	46,323	114,865	1,397
Amortization of negative goodwill (Note 18(f))	5,543	5,599	68
Equity in income of affiliated companies	88,832	77,423	942
Subsidies	2,731	7,115	86
Others	45,231	12,584	153
	203,865	229,943	2,797
Other expenses:			
Interest expense	36,642	35,262	429
Commitment fees for credit facility contracts	29,625	52,297	636
R & D costs related to subsidies	2,365	4,360	53
Foreign exchange loss	6,919	60,232	732
Others	12,638	12,902	156
	88,190	165,056	2,008
Ordinary profit	5,963,995	4,398,481	53,516
Exceptional gains:			
Gain on sales of fixed assets (Note 7(c))	79	7,253	88
Gain on reversal of accrued warranty expenses	10,404	-	-
	10,484	7,253	88
Exceptional losses:			
Loss on prior year adjustments	1,930	-	-
Loss on sales of fixed assets (Note 7(d))	942	2,041	24
Loss on disposal of fixed assets (Note 7(e))	20,718	31,508	383
Loss on compensation for finished product issues	26,882	127,993	1,557
Loss on devaluation of investment securities	267,711	32,288	392
Provision of allowance for doubtful accounts	181,271	180,356	2,194
Donation	150,000	-	-
Loss on disposal of inventories	-	17,869	217
Additional retirement benefits paid for a director and an executive officer	-	138,330	1,683
Others	24,413	-	-
	673,869	530,388	6,453
Income before income taxes and minority interest	5,300,610	3,875,345	47,151
Income taxes:			
Current	2,581,363	1,338,627	16,286

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Continued)

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2011	2012	2012
Deferred	(524,200)	(242,373)	(2,948)
	2,057,162	1,581,000	19,235
Income before minority interest	3,243,447	2,294,345	27,915
Minority interest in income of consolidated subsidiaries	291,623	154,610	1,881
Net income (Note 20)	¥2,951,824	¥2,139,734	$26,033

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2011	2012	2012
Income before minority interest	¥3,243,447	¥2,294,345	$27,915
Other comprehensive income -			
Net unrealized gains (losses) on available-for-sale securities	1,671,826	(606,181)	(7,375)
Foreign currency translation adjustments	(111,504)	(81,978)	(997)
Share of other comprehensive income of affiliated companies accounted for by equity method	(291,913)	(94,786)	(1,153)
Total other comprehensive income (Note 8(a))	1,268,408	(782,946)	(9,526)
Comprehensive income	¥4,511,856	¥1,511,398	$18,389
Attributable to -			
Shareholders of Harmonic Drive Systems Inc.	¥4,220,232	¥1,393,638	$16,956
Minority interest	291,623	117,760	1,432

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2011	2012	2012
Shareholders' equity:			
Common Stock -			
Balance at the beginning of current year	¥1,610,542	¥1,610,542	$19,595
Balance at the end of current year	1,610,542	1,610,542	19,595
Capital surplus -			
Balance at the beginning of current year	5,203,709	5,203,709	63,313
Balance at the end of current year	5,203,709	5,203,709	63,313
Retained earnings -			
Balance at the beginning of current year	13,225,383	15,617,444	190,016
Changes during the year			
Cash dividends	(559,762)	(804,021)	(9,782)
Net income	2,951,824	2,139,734	26,033
Total changes	2,392,061	1,335,712	16,251
Balance at the end of current year	15,617,444	16,953,157	206,267
Treasury stock, at cost -			
Balance at the beginning of current year	(2,304,740)	(2,304,740)	(28,041)
Changes during the year			
Purchase of treasury stock	-	(74)	(0)
Total changes	-	(74)	(0)
Balance at the end of current year	(2,304,740)	(2,304,815)	(28,042)
Total shareholders' equity -			
Balance at the beginning of current year	17,734,894	20,126,956	244,883
Changes during the year			
Cash dividends	(559,762)	(804,021)	(9,782)
Net income	2,951,824	2,139,734	26,033
Purchase of treasury stock	-	(74)	(0)
Total changes	2,392,061	1,335,637	16,250
Balance at the end of current year	¥20,126,956	¥21,462,594	$261,133

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Continued)

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2011	2012	2012
Accumulated other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities -			
Balance at the beginning of current year	¥961,819	¥2,633,646	$32,043
Changes during the year			
Net changes in items other than those in shareholders' equity	1,671,826	(606,181)	(7,375)
Total changes	1,671,826	(606,181)	(7,375)
Balance at the end of current year	2,633,646	2,027,464	24,668
Foreign currency translation adjustments -			
Balance at the beginning of current year	(226,648)	(630,065)	(7,665)
Changes during the year			
Net changes in items other than those in shareholders' equity	(403,417)	(139,913)	(1,702)
Total changes	(403,417)	(139,913)	(1,702)
Balance at the end of current year	(630,065)	(769,979)	(9,368)
Total Accumulated other comprehensive income			
Balance at the beginning of current year	735,171	2,003,580	24,377
Changes during the year			
Net changes in items other than those in shareholders' equity	1,268,408	(746,095)	(9,077)
Total changes	1,268,408	(746,095)	(9,077)
Balance at the end of current year	2,003,580	1,257,484	15,299
Minority interest in consolidated subsidiaries:			
Balance at the beginning of current year	588,350	827,027	10,062
Changes during the year			
Net changes in items other than those in shareholders' equity	238,676	(13,384)	(162)
Total changes	238,676	(13,384)	(162)
Balance at the end of current year	827,027	813,642	9,899
Total net assets:			
Balance at the beginning of current year	19,058,416	22,957,563	279,323
Changes during the year			
Cash dividends	(559,762)	(804,021)	(9,782)
Net income	2,951,824	2,139,734	26,033
Purchase of treasury stock		(74)	(0)
Net changes in items other than those in shareholders' equity	1,507,085	(759,480)	(9,240)
Total changes	3,899,147	576,157	7,010
Balance at the end of current year	¥22,957,563	¥23,533,721	$286,333

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2011	2012	2012
Cash flows from operating activities:			
Income before income taxes and minority interest	¥5,300,610	¥3,875,345	$47,151
Adjustments to reconcile income before income taxes and minority interest to net cash provided by operating activities -			
Amortization of goodwill	1,993	1,993	24
Amortization of negative goodwill	(5,543)	(5,543)	(67)
Depreciation and amortization	743,692	1,011,801	12,310
Increase in allowance for doubtful accounts	179,322	176,347	2,145
Increase in reserve for retirement benefits for employees	4,758	4,587	55
Decrease in reserve for retirement benefits for directors and corporate auditors	(4,514)	(87,749)	(1,067)
Increase (decrease) in reserve for retirement benefits for executive officers	12,455	(10,132)	(123)
Increase (decrease) in accrued bonuses for directors and corporate auditors	73,200	(6,280)	(76)
Increase in accrued warranty expenses	1,916	39,915	485
Interest income	(15,202)	(12,354)	(150)
Dividend income	(46,323)	(114,865)	(1,397)
Interest expense	36,642	35,262	429
Equity in income of affiliated companies	(88,832)	(77,423)	(942)
Loss (gain) on investment in investment fund	(1,328)	15	0
Loss on devaluation of investment securities	267,711	32,288	392
Loss (gain) on sales of fixed assets	863	(5,211)	(63)
Loss on disposal of fixed assets	20,718	31,508	383
Decrease (increase) in trade receivables	(1,909,710)	973,880	11,849
Decrease (Increase) in inventories	(274,533)	288,884	3,514
Increase (decrease) in trade payables	514,127	(571,662)	(6,955)
Others, net	873,957	(83,220)	(1,012)
Subtotal	5,685,979	5,497,388	66,886
Interest and dividends received	59,867	128,696	1,565
Dividends received from an affiliated company	56,931	170,170	2,070
Interest paid	(36,539)	(28,289)	(344)
Income taxes paid	(439,703)	(3,291,369)	(40,045)
Income taxes refunded	11,111	31	0
Net cash provided by operating activities	5,337,646	2,476,627	30,132

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Continued)

	Thousands of yen For the years ended March 31		Thousands of U.S. dollars (Note 2) For the year ended March 31
	2011	2012	2012
Cash flows from investing activities:			
Payments for purchases of fixed assets	(1,472,427)	(1,895,245)	(23,059)
Proceeds from sales of fixed assets	3,851	10,435	126
Payments for purchases of software and other intangibles	(123,456)	(50,976)	(620)
Payments for purchases of investment securities	(456,275)	-	-
Proceeds from sales of investment securities	-	725	8
Payments for time deposits with a deposit period of over three months	(321,650)	(6,367,400)	(77,471)
Proceeds from maturities of time deposits with a deposit period of over three months	4,250	2,388,000	29,054
Payments for guarantee deposits	(1,758)	(3,279)	(39)
Proceeds from collection of guarantee deposits	2,534	3,215	39
Payments for short-term loans receivable	(1,300)	(400)	(4)
Proceeds from collection of short-term loans receivable	5,659	640	7
Payments for long-term loans receivable	(5,100)	-	-
Proceeds from collection of long-term loans receivable	4,520	5,792	70
Others, net	16,068	(619)	(7)
Net cash used in investing activities	(2,345,084)	(5,909,112)	(71,895)
Cash flows from financing activities:			
Proceeds from short-term borrowings	10,000	10,000	121
Repayments of short-term borrowings	(13,200)	(10,000)	(121)
Proceeds from long-term debt	20,000	5,158,000	62,757
Repayments of long-term debt	(755,288)	(794,808)	(9,670)
Repayments of lease obligations	(74,648)	(82,765)	(1,006)
Purchase of treasury stock	-	(74)	(0)
Cash dividends paid	(559,762)	(804,021)	(9,782)
Cash dividends paid to minority shareholders	(110,085)	(180,724)	(2,198)
Net cash provided by (used in) financing activities	(1,482,985)	3,295,605	40,097
Effect of exchange rate changes on cash and cash equivalents	(84,850)	(33,954)	(413)
Net (decrease) increase in cash and cash equivalents	1,424,725	(170,834)	(2,078)
Cash and cash equivalents at the beginning of year	2,926,190	4,350,915	52,937
Cash and cash equivalents at the end of year (Note 10(a))	¥4,350,915	¥4,180,081	$50,858

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of operations:

Harmonic Drive Systems Inc. (the "Company") and its consolidated subsidiaries (collectively referred to as the "Companies") are engaged in the development, manufacture and sale of harmonic drive gears and related motion control products. The manufacturing facilities are located in Japan, the United States and Germany and its products are marketed by the Company in Japan, subsidiaries in the United States and an affiliated company in Europe.

2. Summary of significant accounting policies:

The accompanying consolidated financial statements of the Companies are prepared in accordance with accounting principles and practices generally accepted in Japan, which are different in certain respects with regard to the application and disclosure requirements from International Financial Reporting Standards. The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows of the Companies in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. However, certain reclassifications are incorporated in order to present the financial statements in a form which is more familiar to readers outside Japan. Such reclassifications have no effect on net income or retained earnings.

In the consolidated financial statements, amounts have been rounded down to ¥1 thousand consistent with the original consolidated financial statements in Japanese. As a result, the total shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been translated, as a matter of arithmetical computation only, at the rate of ¥82.19 = US$1, the approximate exchange rate prevailing in the Japanese foreign exchange market at March 31, 2012. This translation should not be construed as implying that the yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

(a) Basis of consolidation and accounting for investment in affiliated companies -

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. Consolidated subsidiaries for the year ended March 31, 2012 are as follows:

- HD Systems, Inc.
- HD Logistics, Inc.
- Harmonic Precision Inc.
- Harmonic AD, Inc.
- Harmonic Drive L.L.C.
- Winbel Co., Ltd.
- Harmonic Drive Systems (Shanghai) Co., Ltd.

All significant intercompany transactions, accounts and unrealized intercompany profits are eliminated in consolidation.

The Company holds a 35% share in a sales distributor in Europe named as Harmonic Drive AG. The investment in the shares of Harmonic Drive AG is accounted for by the equity method in the consolidated financial statements for the years ended March 31, 2011 and 2012. In addition, the Company holds a 49.2% share in Ome Iron Casting Co., Ltd. The investment in Ome is also accounted for by the equity method in the consolidated financial statements.

The Company's foreign subsidiaries (HD Systems, Inc., Harmonic Drive L.L.C. and Harmonic Drive Systems (Shanghai) Co., Ltd.) and affiliated company (Harmonic Drive AG) have a year end date of December 31, which differs from that of the Company. The consolidation of the foreign subsidiaries and the application of equity method for the investment in the affiliated company are based on the respective financial statements of these entities for the year ended December 31. Any material transactions occurring during the period from January 1 to March 31 are adjusted for, if appropriate, in these consolidated financial statements.

(b) Valuation basis and method for major assets -

① Marketable securities and investment securities:

Available-for-sale securities with market quotations are stated at fair value, with net unrealized gains or losses being reported as a separate component of net assets on a net-of-tax basis. Those securities without market quotations are stated at cost using the moving average method.

Investment in non-affiliated investment funds, which is regarded as securities prescribed under the Japanese Financial Instruments and Exchange Act and recorded as investment securities, is accounted for by the equity method based on the recent available financial information.

② Receivables and payables derived from derivatives:

All receivables and payables derived from derivatives are stated at fair value.

③ Inventories:

Finished products, work in process and raw materials are stated at moving average cost (reflecting the write down of their book value to the net selling value regarded as decreased profitability of any product, if any). Supplies are stated at cost, being determined by the last purchase price method.

(c) Depreciation and amortization method of depreciable assets -

① Tangible fixed assets (excluding leased assets):

Property, plant and equipment, including significant renewals and additions, are capitalized at cost. Maintenance and repairs, as well as minor renewals and improvements, are charged to income as incurred. Depreciation is computed using the declining balance method for the Company and its domestic subsidiaries, with the exception of buildings acquired on or after April 1, 1998, which are depreciation using the straight-line method. For the foreign subsidiaries, depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

② Intangible fixed assets (excluding leased assets):

Amortization is calculated based on the straight-line method. Software for in-house use is amortized based on the straight-line method over the expected useful life of 5 years.

③ Leased assets:

Depreciation of leased assets, other than those of which ownership is deemed to be transferred to the lessee, is computed based on the straight–line method over the lease period with no residual value.
Finance lease transactions that are deemed not to transfer ownership of the leased assets to the lessee and that were entered into before March 31, 2008, continue to be accounted for in a manner similar to the accounting treatment for ordinary rental transactions.

(d) Accounting for deferred charges -

Stock issue costs are not capitalized, but expensed as incurred.

(e) Basis for recording provisions -

① Allowance for doubtful accounts:

The allowance for doubtful accounts is comprised of a general reserve based on historical bad debt experience and a specific reserve for doubtful receivables considered by management to be irrecoverable.

② Accrued bonuses for employees:

The Company and its domestic subsidiaries provide accrued bonuses for the expected payments of employee bonuses attributable to the current year.

③ Accrued bonuses for directors and corporate auditors:

The Company and its domestic subsidiaries provide an accrual for the estimated bonuses to directors and corporate auditors attributable to the current year. The actual amount to be paid will be approved at the shareholders' meeting held subsequent to the end of the year.

④ Accrued warranty expenses:

The Company and its domestic subsidiaries provide a reserve for warranty expenses based on the estimated warranty expenses to be incurred in the future.

⑤ Reserve for retirement benefits for directors and corporate auditors:

In accordance with the Companies' internal rule for retirement benefits for directors and corporate auditors, the reserve for retirement benefits for directors and corporate auditors of the Companies is calculated at the amount that would have been payable if all directors and corporate auditors had retired at the balance sheet date.

⑥ Reserve for retirement benefits for executive officers:

In accordance with the Companies' internal rule for retirement benefits for executive officers, the reserve for retirement benefits for executive officers of the Companies is calculated at the amount that would have been payable if all executive officers had retired at the balance sheet date.

(f) Reserve for retirement benefits for employees -

The reserve for retirement benefits for employees of the Company and its domestic subsidiaries represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets, net of the unrecognized balance of prior service costs and actuarial differences. If the fair value of the plan assets exceeds the estimated present value of projected benefit obligations, net of the unrecognized balance of prior service costs and actuarial differences, such excess is recorded as prepaid pension costs, while if the estimated present value of projected benefit obligations exceeds the fair value of plan assets, such excess is recorded as reserve for retirement benefits. Prepaid pension costs as of March 31, 2012 was ¥267,563 thousand ($3,255 thousand), and was included in "Long-term prepaid expenses" in the section of "Investments and other assets" of the consolidated balance sheets, while the reserve for retirement benefits for employees was recognized at certain domestic subsidiaries and recorded in the section of "Long-term liabilities" of the consolidated balance sheets. Prior service costs are amortized over a period of 3 years from the year in which they occur. Actuarial differences are amortized on a straight-line basis over 3 years, starting from the year following that in which they occur. Certain domestic subsidiaries have adopted a simplified method in the calculation of their retirement benefit obligations.

(g) Foreign currency translation -

Assets and liabilities of the foreign subsidiaries are translated into Japanese yen at the exchange rate prevailing at the balance sheet date, net asset accounts are translated at historical rates, and all income and expense accounts are translated at the average exchange rate during the year. Foreign currency translation adjustments resulting from such translation are recorded as a separate component of net assets in the consolidated balance sheets.

(h) Amortization of goodwill and negative goodwill -

Goodwill is amortized on a straight-line basis over a period of 5 years and negative goodwill which occurred before April 1, 2010 is amortized on a straight-line basis over a period of 5 years.

(i) Cash and cash equivalents -

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, which are readily convertible to known amounts of cash and are so close to their maturities that they present an insignificant risk of changes in value.

(j) Consumption tax -

The consumption tax withheld upon sales of goods and the consumption tax paid upon purchases of goods and services by the Company and its domestic subsidiaries are not included in revenue and cost or expense items, respectively, in the accompanying consolidated statements of income.

3. Accounting changes:

(a) Adoption of Accounting Standard for Earnings Per Share -

Effective from the year ended March 31, 2012, the Company has adopted “Accounting Standard for Earnings Per Share” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 2, issued on June 30, 2010), “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 issued on June 30, 2010). By this adoption, net assets per share and earnings per share for the previous fiscal year were restated to reflect the effects from the stock split on April 1, 2011, assuming that the stock split had been made at the beginning of the prior fiscal year.
The effect of this change on net assets per share and earnings per share is stated in Note 20.

4. Change in presentation:

The Company had no change in presentation.

5. Additional information:

(a) Adoption of Accounting Standard for Accounting Changes and Error Corrections -

Effective from the year ended March 31, 2012, the Company has adopted ”Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No.24, December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, December 4, 2009).

6. Notes to consolidated balance sheets:

(a) Investment in unconsolidated subsidiaries and affiliates -

Investment in unconsolidated subsidiaries and affiliates at March 31, 2011 and 2012 was as follows:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Investment in affiliated companies	¥5,050,522	¥4,855,001	$59,070

(b) Assets pledged as collateral and related secured liabilities -

The following assets were pledged as collateral to secure the long-term debt, including the current portion thereof, at March 31, 2011 and 2012:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Buildings	¥1,463,984	¥1,489,224	$18,119
Structures	1,454	1,125	13
Land	537,664	537,664	6,541
	¥2,003,103	¥2,028,014	$24,674
Secured long-term debt:			
Current portion of long-term debt	¥ 703,828	¥1,703,828	$20,730
Long-term debt	1,433,205	4,729,377	57,542
	¥2,137,033	¥6,433,205	$78,272

Included in the above, the following assets were pledged as factory funded mortgage to secure the long-term debt at March 31, 2011 and 2012:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Buildings	¥ 87,958	¥ 90,466	$1,100
Structures	1,454	1,125	13
Land	49,168	49,168	598
	¥138,580	¥140,760	$1,712
Secured long-term debt:			
Current portion of long-term debt	¥ 580,000	¥1,440,000	$17,520
Long-term debt	1,160,000	4,020,000	48,911
	¥1,740,000	¥5,460,000	$66,431

(c) Accounting treatment of notes receivable matured on the consolidated balance sheet date -

Notes receivable maturing on the consolidated balance sheet date are accounted for as though they are settled at the consolidated balance sheet date. Consequently, though March 31, 2012 was a bank holiday, notes receivable due on that date, totaling ¥109,017 thousand ($1,326 thousand), were accounted for as settled on March 31, 2012 and excluded from the balance of notes receivable at that date.

(d) Credit facility contracts -

The Company entered into credit facility contracts with four banks, totaling ¥3,000,000 thousand ($36,500 thousand) for a year at March 31, 2011 and 2012. As of March 31, 2011 and 2012, there were no loans outstanding under these contracts.

7. Notes to consolidated statements of income:

(a) Selling, general and administrative expenses -

The major components included in selling, general and administrative expenses for the years ended March 31, 2011 and 2012 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Salaries and bonuses	¥1,171,314	¥1,107,015	$13,468
Accrued bonuses for directors and corporate auditors	101,200	95,700	1,164
Reserve for retirement benefits for directors and corporate auditors	30,581	40,935	498
Reserve for retirement benefits for executive officers	18,305	15,737	191
Research and development expenses	1,156,279	1,199,683	14,596

(b) Research and development expenses -

Research and development expenses, which are charged to income when incurred, and are included in cost of sales and selling, general and administrative expenses, amounted to ¥1,187,197 thousand and ¥1,240,064 thousand ($15,087 thousand) for the years ended March 31, 2011 and 2012, respectively.

(c) Gain on sales of fixed assets -

Gain on sales of fixed assets by fixed assets category for the years ended March 31, 2011 and 2012 was as follows:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Machinery and equipment	¥79	¥6,670	$81
Tools, furniture and fixtures	-	582	7
	¥79	¥7,253	$88

(d) Loss on sales of fixed assets -

Loss on sales of fixed assets by fixed assets category for the years ended March 31, 2011 and 2012 was as follows:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Machinery and equipment	¥900	¥ 62	$ 0
Tools, furniture and fixtures	42	1,978	24
	¥942	¥2,041	$24

(e) Loss on disposal of fixed assets -

Loss on disposal of fixed assets by fixed assets category for the years ended March 31, 2011 and 2012 was as follows:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Buildings and structures	¥14,105	¥27,506	$334
Machinery and equipment	1,545	657	7
Tools, furniture and fixtures	5,067	3,344	40
	¥20,718	¥31,508	$383

8. Notes to consolidated statements of comprehensive income:

(a) Recycling adjustments and related tax effect related to other comprehensive income -

Recycling adjustments and related tax effect related to other comprehensive income for the year ended March 31, 2012 were as follows:

	Thousands of yen	Thousands of U.S. dollars
	2012	2012
Net unrealized gains (losses) on available-for-sale securities		
Losses arising during the year	(¥1,282,940)	($15,609)
Before tax effect	(1,282,940)	(15,609)
Tax effect	(676,758)	(8,234)
Net unrealized losses on available-for-sale securities	(606,181)	(7,375)
Foreign currency translation adjustments		
Adjustments arising during the year	(81,978)	(997)
Share of other comprehensive income of affiliated companies accounted for by equity method		
Losses arising during the year	(94,786)	(1,153)
Total other comprehensive income	(¥782,946)	($9,526)

9. Notes to consolidated statements of changes in net assets:

(a) Shares issued and outstanding-

Share type	April 1, 2010	Increase	Decrease	March 31, 2011
Common stock (shares)	105,277	-	-	105,277

Share type	April 1, 2011	Increase	Decrease	March 31, 2012
Common stock (shares)	105,277	31,477,823	-	31,583,100

(Note)

One common share held by shareholders registered on the shareholders list as of March 31, 2011 was split into 300 shares effective from April 1, 2011.

(b) Treasury stock -

Share type	April 1, 2010	Increase	Decrease	March 31, 2011
Common stock (shares)	3,502.0	-	-	3,502.0

Share type	April 1, 2011	Increase	Decrease	March 31, 2012
Common stock (shares)	3,502.0	1,047,143	-	1,050,645

(Note)

- One common share held by shareholders registered on the shareholders list as of March 31, 2011 was split into 300 shares effective from April 1, 2011.
- Increase for the year ended March 31, 2012 included an increase of 45 shares of treasury stock due to the purchase of less-than-one unit common shares from shareholders.

(c) Stock subscription rights -

The Company had no stock subscription rights at March 31, 2011 and 2012.

(d) Dividends -

For the year ended March 31, 2011:

① Dividends paid during the current year -

(i) The following was resolved by the annual shareholders' meeting held on June 17, 2010;

Type of shares	Common stock
Total amount of dividends paid in cash (Thousands of yen)	¥183,195
Cash dividend per share (Yen)	¥1,800
Record date	March 31, 2010
Effective date	June 18, 2010

(ii) The following was determined by the board of directors meeting held on November 11, 2010;

Type of shares	Common stock
Total amount of dividends paid in cash (Thousands of yen)	¥376,567
Cash dividend per share (Yen)	¥3,700
Record date	September 30, 2010
Effective date	December 10, 2010

② Dividends for the current year that are to be paid after the balance sheet date -

The following was resolved by the annual shareholders' meeting held on June 17, 2011;

Type of shares	Common stock
Resource of the dividends to be paid	Retained earnings
The total amount of the dividends in cash paid (Thousands of yen)	¥376,567
Cash dividend per share (Yen)	¥3,700
Record date	March 31, 2011
Effective date	June 20, 2011

For the year ended March 31, 2012:

① Dividends paid during the current year -

(i) The following was resolved by the annual shareholders' meeting held on June 17, 2011;

Type of shares	Common stock
Total amount of dividends paid in cash	
(Thousands of yen)	¥376,567
(Thousands of U.S. dollars)	($4,581)
Cash dividend per share	
(Yen)	¥3,700
(U.S. dollars)	($45.01)
Record date	March 31, 2011
Effective date	June 20, 2011

(ii) The following was determined by the board of directors meeting held on November 10, 2011;

Type of shares	Common stock
Total amount of dividends paid in cash	
(Thousands of yen)	¥427,454
(Thousands of U.S. dollars)	($5,200)
Cash dividend per share	
(Yen)	¥14
(U.S. dollars)	($0.17)
Record date	September 30, 2011
Effective date	December 12, 2011

② Dividends for the current year that are to be paid after the balance sheet date -

The following was resolved by the annual shareholders' meeting held on June 22, 2012;

Type of shares	Common stock
Resource of the dividends to be paid	Retained earnings
The total amount of the dividends in cash paid	
(Thousands of yen)	¥305,324
(Thousands of U.S. dollars)	($3,714)
Cash dividend per share	
(Yen)	¥10
(U.S. dollars)	($0.12)
Record date	March 31, 2012
Effective date	June 25, 2012

10. Notes to consolidated statements of cash flows:

(a) Cash and cash equivalents -

Cash and cash equivalents, for the purpose of the consolidated statements of cash flows, at March 31, 2011 and 2012 were comprised of the following:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Cash and bank deposits	¥6,988,064	¥10,094,455	$122,818
Highly liquid investments	30,601	30,626	372
Time deposits with a deposit period of over three months	(2,667,750)	(5,945,000)	(72,332)
Cash and cash equivalents	¥4,350,915	¥4,180,081	$50,858

11. Lease transactions (as lessee):

(a) Finance lease transactions that are deemed not to transfer ownership of the leased assets to the lessee, of which inception dates were prior to the initial year of adoption of accounting standard for lease transactions -

Prior to the year ended March 31, 2009, leased assets and related expenses in respect of the Companies' finance leases, other than those which transfer ownership of the leased assets to the lessee, had been accounted for using a method similar to that used for ordinary rental transactions. When the new accounting standard for lease transactions became effective on April 1, 2008, finance leases, which are deemed not to transfer ownership of the leased assets to the lessee, were required to be accounted for using a method similar to that used for ordinary sales and purchase transactions, however, those of which the inception dates were prior to April 1, 2008 were permitted to continue to be accounted for in a manner similar to the accounting treatment for ordinary rental transactions. Finance lease expenses of the Companies for the years ended March 31, 2011 and 2012 were ¥238,321 thousand and ¥165,717 thousand ($2,016 thousand), respectively. Had these leases been capitalized on the consolidated balance sheets, the following would have been recognized on the consolidated balance sheets as of March 31, 2011 and 2012 and the consolidated statements of income for the years then ended:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Machinery and equipment	¥1,223,222	¥864,469	$10,517
Tools, furniture and fixtures	23,798	16,207	197
Software	1,405	-	-
	1,248,426	880,676	10,715
Less - Accumulated depreciation	(919,031)	(707,301)	(8,605)
	¥329,395	¥173,375	$2,109

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Depreciation	¥222,394	¥153,933	$1,872
Interest expenses	11,387	6,840	83

Depreciation expenses are calculated based on the straight-line method over the lease period, assuming no residual asset value at the end of the lease period. Interest expenses are determined as the difference between the acquisition cost and the total lease fee. Total interest payments over the lease period are allocated to each period using the "interest method."

The present values of future lease payments of the Companies as of March 31, 2011 and 2012 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Current portion	¥160,440	¥125,059	$1,521
Long-term obligation	184,513	58,522	712
	¥344,953	¥183,582	$2,233

(b) Leased assets capitalized on the consolidated balance sheets -

Finance leased assets are mainly machinery and equipment. Depreciation expenses are calculated based on the straight-line method over the lease period, assuming no residual asset value at the end of the lease period.

(c) Operating lease transactions -

Future operating lease payments under non-cancelable lease contracts as of March 31, 2011 and 2012 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Current portion	¥64,875	¥270,631	$3,292
Long-term obligation	80,853	468,671	5,702
	¥145,729	¥739,302	$8,995

12. Financial instruments:

(a) Policy for financial instruments -

The Companies invest excess funds, if any, in high quality and low risk financial instruments, while the Companies raise funds (necessary for business operations) through loans from financial institutions.
The Companies utilize derivative financial instruments such as foreign exchange forward contracts in order to reduce their exposure to fluctuations in foreign currency exchange rates during the normal course of business operations and do not hold or issue financial instruments for trading or speculative purposes.

(b) Description and risks of financial instruments and risk management for financial instruments -

Notes and accounts receivable, trade are exposed to customer credit risk. To mitigate the credit risk, the Companies control the collection terms, the receivable balances and the credit limits for each customer and monitor the financial conditions of the major customers periodically in accordance with the internal customer credit management rules. The trade receivables denominated in foreign currencies are exposed to the risk resulting from fluctuations in foreign currency exchange rates, but to hedge foreign currency exchange risk, the Companies utilize foreign exchange forward contracts for portions of the trade receivables. The Accounting/Finance department is in charge of execution and management of the foreign exchange forward contracts and executes such contracts after the president’s approval in accordance with the internal rules on assignment of authority and responsibility. As the Companies enter into the foreign exchange forward contracts with the financial institutions with high credit ratings, the Companies believe it is exposed to almost no contractual default risk.
Marketable securities are money management funds which have almost no credit risk, and investment securities, consisting primarily of the equity securities of corporations with which the Companies do business, are exposed to the risk of fluctuations in market price. The Companies manage this risk by periodically monitoring market prices.
Long-term loans receivable is with the business transactions partner company and exposed to the company’s credit risk. The Companies monitor the financial conditions of the company periodically.
Notes and accounts payable, trade are due within one year.

Short-term borrowings are used to raise the funds mainly for operating transactions and long-term debt is used for capital investments and maintaining liquidity. Floating-rate debt is exposed to the risk of fluctuations in interest rates.
Trade payables, and short-term borrowings and long-term debt are exposed to liquidity risk and the Companies monitor and manage that risk continuously in ways such as preparing cash flow projections periodically.

(c) Supplemental information on the fair value of financial instruments -

The notional amount of the derivative transactions discussed in “(d) Fair value of financial instruments” below is not indicative of the market risk associated with derivative transactions.

(d) Fair value of financial instruments -

The following table indicates the carrying amount of financial instruments recorded in the consolidated balance sheet, the fair value and the variance as of March 31, 2011 and 2012. Financial instruments, of which the fair value is difficult to determine, are not included in the following table (See Note 2 below for additional information.).

March 31, 2011:	Thousands of yen Carrying amount	Fair value	Variance
(1) Cash and bank deposits	¥6,988,064	¥6,988,064	-
(2) Notes and accounts receivable, trade	6,854,034	6,854,034	
Allowance for doubtful accounts (*1)	(4,706)	(4,706)	
	6,849,327	6,849,327	-
(3) Investment securities			
Available-for-sale securities	527,303	527,303	-
(4) Investment in affiliated companies			
Available-for-sale securities	6,830,380	6,830,380	-
(5) Long-term loans receivable	358,998	358,998	
Allowance for doubtful accounts (*1)	(181,271)	(181,271)	
	177,727	177,727	-
Assets total	¥21,372,802	¥21,372,802	-
(1) Notes and accounts payable, trade	¥2,059,546	¥2,059,546	-
(2) Accrued income taxes	2,100,899	2,100,899	-
(3) Current portion of long-term debt	740,752	740,752	-
(4) Long-term debt	1,558,205	1,558,205	-
Liabilities total	¥6,459,403	¥6,459,403	-
Derivative transactions	(¥ 358)	(¥ 358)	-

March 31, 2012:	Thousands of yen Carrying amount	Fair value	Variance
(1) Cash and bank deposits	¥10,094,455	¥10,094,455	-
(2) Notes and accounts receivable, trade	5,864,691	5,864,691	
Allowance for doubtful accounts (*1)	(589)	(589)	
	5,864,102	5,864,102	-
(3) Investment securities			
Available-for-sale securities	530,772	530,772	-
(4) Investment in affiliated companies			
Available-for-sale securities	5,543,970	5,543,970	
(5) Long-term loans receivable	354,707	354,707	
Allowance for doubtful accounts (*1)	(354,707)	(354,707)	
	0	0	-
(6) Long-term bank deposits	756,050	756,050	
Assets total	¥22,789,350	¥22,789,350	-
(1) Notes and accounts payable, trade	¥1,477,935	¥1,477,935	-
(2) Accounts payable, other	399,483	399,483	-
(3) Current portion of long-term debt	1,752,572	1,752,572	-
(4) Long-term debt	4,909,578	4,909,578	-
Liabilities total	¥8,539,568	¥8,539,568	-
Derivative transactions	(¥ 2,122)	(¥ 2,122)	-

March 31, 2012:	Thousands of U.S. dollars Carrying amount	 Fair value	 Variance
(1) Cash and bank deposits	$122,818	$122,818	-
(2) Notes and accounts receivable, trade	71,355	71,355	
Allowance for doubtful accounts (*1)	(7)	(7)	
	$71,348	$71,348	-
(3) Investment securities			
Available-for-sale securities	6,457	6,457	-
(4) Investment in affiliated companies			
Available-for-sale securities	67,453	67,453	
(5) Long-term loans receivable	4,315	4,315	-
Allowance for doubtful accounts (*1)	(4,315)	(4,315)	
	0	0	-
(6) Long-term bank deposits	9,198	9,198	-
Assets total	$277,276	$277,276	-
(1) Notes and accounts payable, trade	$17,981	$17,981	-
(2) Accounts payable, other	4,860	4,860	-
(3) Current portion of long-term debt	21,323	21,323	-
(4) Long-term debt	59,734	59,734	-
Liabilities total	$103,900	$103,900	-
Derivative transactions	($ 25)	($ 25)	-

(*1) For computation of fair value of notes and accounts receivable, trade and long-term loans receivable, allowances for doubtful accounts of notes and accounts receivable, trade and long-term loans receivable are deducted.

(Note 1) Method for calculating the fair value of financial instruments, and matters related to securities and derivative transactions.

Assets

(1) Cash and bank deposits

The carrying amount approximates the fair value due to the short maturities of all bank deposits.

(2) Notes and accounts receivable, trade

The carrying amount approximates the fair value since notes and accounts receivable, trade are settled within a short period.

(3) Investment securities

The fair value is measured at the quoted market price of the stock exchange.

See “Note 13. Marketable securities and investment securities” for the footnote information by purpose to hold the securities.

(4) Investment in affiliated companies

The fair value is measured at the quoted market price of the stock exchange.

See “Note 13. Marketable securities and investment securities” for the footnote information by purpose to hold the securities.

(5) Long-term loans receivable

The carrying amount, net of allowance for doubtful accounts, approximates the fair value at the year-end date since the allowance for doubtful account is estimated based on an expected recoverable amount.

(6) Long-term bank deposits

The fair value, which is determined by discounting the sum of the principal and interest using the interest rate assumed to be applied to the new deposits with the same conditions, approximates the carrying amount because the deposit date is close to the year-end date.

Liabilities

(1) Notes and accounts payable, trade

The carrying amount approximates the fair value since notes and accounts payable, trade are settled within a short period.

(2) Accounts payable, other

The carrying amount approximates the fair value since accounts payable, other are paid within a short period.

(3) Current portion of long-term debt and (4) Long-term debt

The fair value is determined by discounting the sum of the principal and interest using the interest rate assumed to be applied to the new debt with the same conditions. However, the fair value of long-term debt with variable interest rate is deemed to approximate the carrying amount because the contracted interest rate is periodically renewed reflecting market interest rate.

Derivative transactions

See “Note 14. Derivative financial instruments”.

(Note 2) Financial instruments, of which the fair value is difficult to determine.

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Investment securities			
Unlisted equity securities	¥36,825	¥4,521	$55
Investment in affiliated companies			
Unlisted equity securities	5,050,522	4,855,001	$59,070

Unlisted equity securities are not included in “(3) Investment securities” and “(4) Investment in affiliated companies” in the first table above because their fair values are difficult to determine since such securities do not have available market prices and the related future cash flows cannot be estimated. The impairment losses on the unlisted equity securities for the years ended March 31, 2011 and 2012 were ¥267,711 thousand and ¥32,288 thousand ($392 thousand), respectively.

(Note 3) The redemption schedule for financial assets with maturity dates subsequent to March 31, 2011 and 2012 are as follows:

March 31, 2011:	Thousands of yen Due within 1 year	Due after 1 year within 5 years	Due after 5 years within 10 years	Due after 10 years
Cash and bank deposits	¥6,988,064	-	-	-
Notes and accounts receivable, trade	6,854,034	-	-	-
Long-term loans receivable	-	¥149,855	¥209,143	-
	¥13,842,098	¥149,855	¥209,143	-

March 31, 2012:	Thousands of yen Due within 1 year	Due after 1 year within 5 years	Due after 5 years within 10 years	Due after 10 years
Cash and bank deposits	¥10,094,455	-	-	-
Notes and accounts receivable, trade	5,864,691	-	-	-
Long-term loans receivable	-	¥204,149	¥150,557	-
Long-term bank deposits	-	756,050	-	-
	¥15,959,146	¥960,199	¥150,557	-

March 31, 2012:	Thousands of U.S. dollars Due within 1 year	Due after 1 year within 5 years	Due after 5 years within 10 years	Due after 10 years
Cash and bank deposits	$ 122,818	-	-	-
Notes and accounts receivable, trade	71,355	-	-	-
Long-term loans receivable	-	$ 2,483	$ 1,831	
Long-term bank deposits	-	9,198	-	-
	$ 194,173	$ 11,682	$ 1,831	-

(Note 4) Aggregate annual maturities of long-term debt subsequent to March 31, 2011 and 2012 are as follows:

March 31, 2011:	Thousands of yen Due within 1 year	Due after 1 year but within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years	Due after 5 years
Long-term debt	¥740,752	¥740,752	¥739,068	¥30,580	¥27,834	¥19,972
Total	¥740,752	¥740,752	¥739,068	¥30,580	¥27,834	¥19,972

March 31, 2012:	Thousands of yen Due within 1 year	Due after 1 year but within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years	Due after 5 years
Long-term debt	¥1,752,572	¥1,750,888	¥1,042,400	¥1,039,907	¥1,017,296	¥59,087
Total	¥1,752,572	¥1,750,888	¥1,042,400	¥1,039,907	¥1,017,296	¥59,087

March 31, 2012:	Thousands of U.S. dollars Due within 1 year	Due after 1 year but within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years	Due after 5 years
Long-term debt	$21,323	$21,302	$12,682	$12,652	$12,377	$718
Total	$21,323	$21,302	$12,682	$12,652	$12,377	$718

13. Marketable securities and investment securities:

The aggregate cost, gross unrealized gains and losses, and carrying amount on the consolidated balance sheet (which are re-valued to the related fair value) of available-for-sale securities with market quotations at March 31, 2011 and 2012 were as follows:

	Thousands of yen			
March 31, 2011:	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
Equity securities	¥2,931,386	4,426,296	-	¥7,357,683

	Thousands of yen			
March 31, 2012:	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
Equity securities	¥2,931,386	3,143,355	-	¥6,074,742

	Thousands of U.S. dollars			
March 31, 2012:	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
Equity securities	$35,665	38,244	-	$73,910

In the cases where the fair value of securities is lower than the carrying value by 30% or more, and recovery of the fair value to the carrying value is not deemed possible in the foreseeable future, impairment losses are recognized in the consolidated statement of income for that period. The impairment losses on available-for-sale securities with market quotations for the years ended March 31, 2011 and 2012 were zero.

The proceeds from sales of available-for-sale securities for the years ended March 31, 2011 and 2012 were zero.

14. Derivative financial instruments:

(a) Notional amount, fair value and gains (losses) of derivative transactions for which hedge accounting was not adopted -

March 31, 2011	Notional amount	Notional amount (Over 1 year)	Fair value	Gains (Losses)
	Thousands of Yen			
Forward exchange contracts:				
Sell U.S. Dollar	¥24,582	¥ -	(¥358)	(¥358)
	¥24,582	¥ -	(¥358)	(¥358)

March 31, 2012	Notional amount	Notional amount (Over 1 year)	Fair value	Gains (Losses)
	Thousands of Yen			
Forward exchange contracts:				
Sell U.S. Dollar	¥38,960	¥ -	(¥2,122)	(¥2,122)
	¥38,960	¥ -	(¥2,122)	(¥2,122)

March 31, 2012	Notional amount	Notional amount (Over 1 year)	Fair value	Gains (Losses)
	Thousands of U.S. Dollars			
Forward exchange contracts:				
Sell U.S. Dollar	$474	$ -	($25)	($25)
	$474	$ -	($25)	($25)

Note: The fair value of forward exchange contracts is determined by the forward exchange rate.

15. Reserve for retirement benefits for employees:

Severance indemnity regulations, which cover substantially all employees of the Company and its domestic subsidiaries, provide for benefit payments based on the employee's eligible salary, length of service, position in the respective company and conditions under which the termination of employment occurs.

The Company has established a non-contributory defined benefit pension plan (a tax qualified plan) for a certain portion of the retirement benefits prescribed under the severance indemnity regulations for its employees. Under the pension plan, a retiring employee may elect either a lump-sum payment or annuity payments.

In addition, the Company has sponsored the employees' pension fund plan for substantially all of its employees, together with other companies engaged in the business similar to that of the Company, which is a multi-employer defined benefit pension plan established under the Japanese Welfare Pension Insurance Law.

Foreign subsidiaries maintain a simplified employee plan (the "SEP Plan"), which is considered a defined contribution pension plan. All employees are eligible to participate in the SEP Plan upon completion of one year of service and after attaining the age of 21. The SEP Plan provides for discretionary contributions by the subsidiaries. Participants vest in the subsidiaries' contributions based on their annual compensation and length of service.

(a) Multi-employer pension plan -

① Funded status of the multi-employer pension plan -

The funded status of the multi-employer pension plan as of March 31, 2010 and 2011 was as follows:

	Millions of yen		Millions of U.S. dollars
	2010	2011	2011
Plan assets	¥108,492	¥105,046	$1,278
Benefit obligations	136,167	132,729	1,614
Net balance	(¥27,675)	(¥27,683)	($336)

② <u>The Company's share in contributions to the plan</u> -

The Company's contributions to the multi-employer plan represented 1.38% and 1.50% of those in total to the plan for the year ended March 31, 2010 and 2011, respectively.

③ <u>Supplementary explanation</u> -

The net balance at March 31, 2010 and 2011 on the schedule above resulted mainly from the prior service cost of ¥25,571 million and ¥26,082 million ($317 million), respectively. Amortization period of the prior service cost is 20 years. The share as described in ② above does not represent the Company's actual share in the obligations of the plan.

The Company's contributions to the plan for the years ended March 31, 2011 and 2012 were ¥88,768 thousand and ¥96,709 thousand ($1,176 thousand), respectively.

(b) <u>Defined benefit plans</u> -

The prepaid pension cost and reserve for retirement benefits for employees recorded in the consolidated balance sheets as of March 31, 2011 and 2012 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Projected benefit obligations (PBO)	(¥1,592,073)	(¥1,735,840)	($21,119)
Plan assets	1,905,524	2,004,338	24,386
Excess of plan assets over PBO	313,450	268,498	3,266
Prior service cost	(16,588)	(8,294)	(100)
Unrecognized actuarial differences	47,844	7,359	89
Prepaid pension cost	¥ 344,705	¥ 267,563	$ 3,255
Reserve for retirement benefits for employees	¥ 22,506	¥ 27,094	$ 329

(Note) Domestic subsidiaries have adopted a simplified method in the calculation of their projected benefit obligations.

The components of the net periodic retirement benefit cost for the years ended March 31, 2011 and 2012 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Service cost	¥104,621	¥108,077	$1,314
Interest cost	31,584	31,841	387
Expected return on plan assets	(38,024)	(38,110)	(463)
Amortization of unrecognized prior service cost	(8,294)	(8,294)	(100)
Amortization of unrecognized actuarial differences	216,685	99,058	1,205
Net periodic retirement benefit cost	¥306,573	¥192,572	$2,343

(Note) All of the net periodic retirement benefit cost for domestic subsidiaries adopting the simplified method is included in "Service cost" on the above schedule.

The assumptions used in the above actuarial computations for the years ended March 31, 2011 and 2012 were as follows:

	2011	2012
Discount rate	2.0%	1.7%
Expected rate of return on plan assets	2.0%	2.0%
Method of attributing pension benefits to employee service periods	Straight-line basis	Straight-line basis
Amortization of net transition obligation for pension benefits	3 years	3 years
Amortization of unrecognized actuarial differences	3 years	3 years
Amortization of unrecognized prior service cost	3 years	3 years

16. Stock options:

No stock options were granted during the years ended March 31, 2011 and 2012.

17. Income taxes:

Deferred tax assets and liabilities as of March 31, 2011 and 2012 consist of the following:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Deferred tax assets - current:			
Accrued enterprise taxes	¥ 160,715	¥ 14,204	$ 172
Accrued bonuses	248,328	208,071	2,531
Inventory write-down	10,700	10,092	122
Unrealized intercompany profit	55,573	53,314	648
Accrued social insurance premium	30,692	22,760	276
Others	10,650	56,805	691
Net deferred tax assets - current	¥516,661	¥365,249	$4,443
Deferred tax assets - non current:			
Reserve for retirement benefits for directors and corporate auditors	¥16,099	¥13,079	$159
Reserve for retirement benefits for employees	9,002	9,618	117
Prepaid pension cost	(6,608)	(5,274)	(64)
Foreign tax credit carried forward	54,362	-	-
Others	6,158	6,791	82
	79,014	24,214	294
Valuation allowance	(54,362)	-	-
Net deferred tax assets - non current	¥24,651	¥24,214	$294

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Deferred tax liabilities - non current:			
Reserve for retirement benefits for directors and corporate auditors	¥145,769	¥93,346	$1,135
Devaluation loss on golf club memberships	8,129	6,247	76
Depreciation	597	214	2
Devaluation loss on investment securities	112,714	110,261	1,341
Allowance for doubtful accounts	73,414	125,921	1,532
Reserve for retirement benefits for executive officers	33,870	30,845	375
Unrealized gains on available-for-sale securities	(1,792,650)	(1,115,891)	(13,576)
Undistributed earnings of foreign subsidiaries and an affiliated company	(311,152)	(328,599)	(3,998)
Prepaid pension cost	(132,914)	(89,710)	(1,091)
Others	(18,272)	(123,714)	(1,505)
Net deferred tax liabilities - non current	(¥1,880,494)	(¥1,291,079)	($15,708)

Reconciliation of the differences between the normal effective statutory tax rate and the actual effective tax rate for the year ended March 31, 2011 and 2012 were omitted due to materiality.

Due to promulgation on December 2, 2011 of "The Law to Revise the Income Tax, etc. in order to Construct a Tax System Addressing Changes in the Socio-Economic Structure" (Law No. 114 of 2011) and "The Act on Special Measures for Securing Financial Resources to Implement the Restoration from the Great East Japan Earthquake" (Law No. 117 of 2011), for fiscal years beginning on or after April 1, 2012, the corporation tax rate has been reduced and a special reconstruction corporation tax has been instituted.
As a result, the statutory effective tax rate used to measure deferred tax assets and deferred tax liabilities has been changed from the current 40.5% (domestic subsidiaries are 40.0%) to 38.0% for temporary differences expected to be reversed during the period from the fiscal year beginning on April 1,2012 to the fiscal year beginning on April 1, 2014, and to 35.5% for temporary differences expected to be reversed in the fiscal years beginning on April 1, 2015.
As a result of these changes in the tax rate, deferred tax assets (net of deferred tax liabilities) decreased by ¥96,799 thousand ($1,177 thousand), income taxes-deferred

increased by ¥60,368 thousand ($734 thousand) and net unrealized gains on available-for-sale securities increased by ¥157,167 thousand ($1,912 thousand), respectively.

18. Segment information:

(a) Overview of the reportable segments -

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

The Company is engaged in the manufacture and sale of precision speed reducers, precision actuator and related motion control products, and the business operations fall within a single industry segment based on similarities in the type, nature, manufacturing method and markets of their products.

The geographic market of the products of the Company are Japan (including Asia area), North America and Europe, and the products are marketed by the Company and its subsidiaries in Japan, by subsidiaries in the United States and by an affiliated company in Europe, respectively.

As a result, the Company consists of three reportable segments: Japan, North America and Europe, which are consistent with the geographic segment based on the manufacture and sale of the products.

(b) Accounting method of sales, profit/loss, assets and other items by each reportable segments -

Accounting methods of the reportable segments are identical to the descriptions in "Summary of significant accounting policies".

The profit by the reportable segment is ordinary profit. The transfer prices of intersegment transactions are based on the market price.

(c) Sales, profit/loss, assets and other items by each reportable segment -

For the year ended March 31, 2011	Thousands of yen — Reportable segment: Japan	North America	Europe	Total	Adjustment	Consolidated
Sales:						
Third party	¥18,562,370	¥3,438,761	¥ -	¥22,001,131	¥ -	¥22,001,131
Intersegment	1,043,264	-	-	1,043,264	(1,043,264)	-
Total	19,605,634	3,438,761	-	23,044,395	(1,043,264)	22,001,131
Segment profit/(loss)	5,579,665	863,631	93,898	6,537,195	(573,199)	5,963,995
Segment assets	¥15,291,665	¥2,281,039	¥4,896,826	¥22,469,531	¥11,798,820	¥34,268,352
Others						
Investment in affiliated companies	153,695	-	4,896,826	5,050,522	-	5,050,522
Increase in tangible and intangible fixed assets	1,607,112	304,190	-	1,911,302	-	1,911,302

- Adjustment for segment profit/(loss) of ¥573,199 thousand includes the elimination of the intersegment transactions of ¥86,300 thousand and the general administrative expenses of ¥486,899 thousand that are not allocated to any reportable segment. The general administrative expenses that are not allocated to any reportable segment consist mainly of the basic research and development expenses and certain administrative expenses related to the General Affairs and Accounting Department.

- “Japan” segment includes the sales and expenses to the Japan market, European market (to an affiliated company) and Asian market.

- “Europe” segment is covered by the affiliated company in Germany. Therefore, the Company records the “Equity in income of affiliated companies” as the “segment profit/(loss)”.

- Adjustment for segment assets of ¥11,798,820 thousand includes inter-segment elimination of ¥574,063 thousand and corporate assets of ¥12,372,884 thousand that are not allocated to any reportable segment. The corporate assets consist mainly of excess funds including cash and bank deposits, and long-term investments such as "Investment securities" or "Others" included in "Investments and other assets", and certain assets related to corporate departments.

	Thousands of yen					
	Reportable segment					
For the year ended March 31, 2012	Japan	North America	Europe	Total	Adjustment	Consolidated
Sales:						
Third party	¥17,131,210	¥3,027,912	¥ -	¥20,159,123	¥ -	¥20,159,123
Intersegment	1,115,782	-	-	1,115,782	(1,115,782)	-
Total	18,246,993	3,027,912	-	21,274,906	(1,115,782)	20,159,123
Segment profit/(loss)	4,757,411	463,762	78,402	5,299,577	(901,096)	4,398,481
Segment assets	¥13,863,207	¥2,393,150	¥4,702,284	¥20,958,642	¥14,585,177	¥35,543,819
Others						
Investment in affiliated companies	152,716	-	4,702,284	4,855,001	-	4,855,001
Increase in tangible and intangible fixed assets	1,481,895	280,694	-	1,762,589	-	1,762,589

For the year ended March 31, 2012	Thousands of U.S. dollars					
	Reportable segment					
	Japan	North America	Europe	Total	Adjustment	Consolidated
Sales:						
Third party	$208,434	$36,840	$ -	$245,274	$ -	$245,274
Intersegment	13,575	-	-	13,575	(13,575)	-
Total	222,009	36,840	-	258,850	(13,575)	245,274
Segment profit/(loss)	57,883	5,642	953	64,479	(10,963)	53,516
Segment assets	$168,672	$29,117	$57,212	$255,002	$177,456	$432,459
Others						
Investment in affiliated companies	1,858	-	57,212	59,070	-	59,070
Increase in tangible and intangible fixed assets	18,030	3,415	-	21,445	-	21,445

- Adjustment for segment profit/(loss) of ¥901,096 thousand ($10,963 thousand) includes the elimination of the intersegment transactions of ¥188,427 thousand ($2,292 thousand) and the general administrative expenses of ¥712,668 thousand ($8,670 thousand) that are not allocated to any reportable segment. The general administrative expenses that are not allocated to any reportable segment consist mainly of the basic research and development expenses and certain administrative expenses related to the General Affairs and Accounting Department.

- “Japan” segment includes the sales and expenses to the Japan market, European market (to an affiliated company) and Asian market.

- “Europe” segment is covered by the affiliated company in Germany. Therefore, the Company records the “Equity in income of affiliated companies” as the “segment profit/(loss)”.

- Adjustment for segment assets of ¥14,585,177 thousand ($177,456 thousand) includes inter-segment elimination of ¥590,993 thousand ($7,190 thousands) and corporate assets of ¥15,176,171 thousand ($184,647 thousands) that are not allocated to any reportable segment. The corporate assets consist mainly of excess funds including cash and bank deposits and long-term investments such as "Investment securities" or "Others" included in "Investments and other assets", and certain assets related to corporate departments.

(d) Related information –

① Information by products/service -

Sales to third party	Thousands of yen 2011	Thousands of yen 2012	Thousands of U.S. dollars 2012
Speed reducers	¥ 18,069,703	¥ 16,047,586	$ 195,249
Mechatronic products	3,931,427	4,111,536	50,024
	¥22,001,131	¥20,159,123	$245,274

The sales of the subsidiary, Winbel Co., Ltd., which is engaged in the development, manufacturing and sales of the Magnetic application equipment, are classified as mechatronic products.

② Geographic information –

Sales:

	Thousands of yen				
	Japan	North America	Europe	Other	Total
For the year ended March 31, 2011:					
Total	¥15,655,353	¥3,438,761	¥1,570,653	¥1,336,362	¥22,001,131
For the year ended March 31, 2012:					
Total	¥14,495,471	¥3,027,912	¥1,628,767	¥1,006,971	¥20,159,123

	Thousands of U.S. dollars				
	Japan	North America	Europe	Other	Total
For the year ended March 31, 2012:					
Total	$176,365	$36,840	$19,817	$12,251	$245,274

- Sales are classified based on the location of the customers and classified into the Countries and areas as shown in the schedule above.
- Sales to Europe represent the sales to the affiliated company, Harmonic Drive AG.

Tangible fixed assets

	Thousands of yen			
	Japan	North America	Europe	Total
March 31, 2011: Total Assets	¥4,209,163	¥608,242	¥ -	¥4,817,405
March 31, 2012: Total Assets	¥4,736,512	¥729,203	¥ -	¥5,465,715

	Thousands of U.S. dollars			
	Japan	North America	Europe	Total
March 31, 2012: Total Assets	$57,628	$8,872	$ -	$66,500

③ Information of major customers -

Information of major customers is not presented since no individual customers account for greater than 10% of Net Sales on the consolidated statements of income.

(e) Impairment loss information of fixed assets by reportable segment -

No impairment loss was recognized on fixed assets for the year ended March 31, 2011 and 2012.

(f) Amortization expense and unamortized balance of goodwill -

For the year ended March 31, 2011	Thousands of yen					
	Reportable segment					
	Japan	North America	Europe	Total	Elimination and /or Corporate	Total
Goodwill:						
Amortization	¥1,993	¥ -	¥ -	¥1,993	¥ -	¥1,993
Balance	1,993	-	-	1,993	-	1,993
Negative goodwill:						
Amortization	¥5,543	¥ -	¥ -	¥5,543	¥ -	¥5,543
Balance	5,543	-	-	5,543	-	5,543

For the year ended March 31, 2012	Thousands of yen					
	Reportable segment					
	Japan	North America	Europe	Total	Elimination and /or Corporate	Total
Goodwill:						
Amortization	¥1,993	¥ -	¥ -	¥1,993	¥ -	¥1,993
Balance	-	-	-	-	-	-
Negative goodwill:						
Amortization	¥5,599	¥ -	¥ -	¥5,599	¥ -	¥5,599
Balance	-	-	-	-	-	-

For the year ended March 31, 2012	Thousands of U.S. dollars					
	Reportable segment					
	Japan	North America	Europe	Total	Elimination and /or Corporate	Total
Goodwill:						
Amortization	$24	$ -	$ -	$24	$ -	$24
Balance	-	-	-	-	-	-
Negative goodwill:						
Amortization	$68	$ -	$ -	$68	$ -	$68
Balance	-	-	-	-	-	-

(g) Gain on negative goodwill by reportable segment -

No gain on negative goodwill was recognized for the year ended March 31, 2011 and 2012.

19. Transactions with related parties:

(a) Transactions with related parties -

Category	Affiliated company
Entity name	Harmonic Drive AG
Location	Land Hessen, Germany
Capital	Euro 1,550 thousand
Description of business	Manufacturing and sales of precision speed reducers
Share of shareholders voting rights	35.0% directly owned
Description of relationship	
- Sharing of directors	None
- Business relationship	Sales of the Company's products and the OEM products in Europe, Middle and Near East, Africa, India and South America
Business relationship	Sales of the Company's products

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
For the year:			
Sales to the affiliated company	¥1,570,638	¥1,628,767	$19,817
At year-end:			
Notes and accounts receivable, trade	522,802	344,241	4,188

Sales of the Company's products to Harmonic Drive AG are executed on the terms and conditions based on the offer of Company's sales prices to Harmonic Drive AG by taking market into consideration and the negotiation with Harmonic Drive AG.

(b) Notes to a significant affiliated company -

The condensed financial information of the significant affiliated company, Harmonic Drive AG, is as follows:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
At year-end:			
Current assets	¥5,268,418	¥5,982,500	$72,788
Fixed assets	1,010,925	978,503	11,905
Investments and other assets	507,053	1,055,119	12,837
Current liabilities	1,851,636	2,997,367	36,468
Long-term liabilities	819,706	807,170	9,820
Net assets	4,115,055	4,211,585	51,242
For the year:			
Sales	6,869,870	7,745,055	94,233
Income before income taxes	1,334,255	1,302,626	15,848
Net income	897,823	853,549	10,385

20. Earnings per share information:

The computation of earnings per share is based on the weighted-average number of common shares outstanding during each year. Treasury stocks held during these years are excluded from the weighted-average number of common shares outstanding.

	Yen		U.S. dollars
	2011	2012	2012
Net assets per share	¥724.82	¥744.13	$9.05
Earnings per share	96.68	70.08	0.85

(Note)

- Diluted earnings per share are not computed because the Company does not have any potential dilutive shares.
- The Company split one common share into 300 shares effective from April 1. 2011. Net assets per share and earnings per share were restated to reflect the effects from the stock split on April 1, 2011, assuming that the stock split had been made at the beginning of the prior fiscal year

Net income used in the computation of basic earnings per share is as follows:

	Thousands of yen		Thousands of U.S. dollars
	2011	2012	2012
Net income	¥2,951,824	¥2,139,734	$26,033
Net income attributable to common shareholders	¥2,951,824	¥2,139,734	$26,033

The weighted average number of shares used in the computation of basic earnings per share is as follows:

	Number of shares	
	2011	2012
Weighted average number of shares	30,532,500.0	30,532,477.4

Accounting changes :

Adoption of Accounting Standard for Earnings Per Share -

Effective from the year ended March 31, 2012, the Company has adopted "Accounting Standard for Earnings Per Share" (Accounting Standards Board of Japan ("ASBJ") Statement No. 2, issued on June 30, 2010), "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 issued on June 30, 2010). By this adoption, net assets per share and earnings per share for the previous fiscal year were restated to reflect the effects from the stock split on April 1, 2011, assuming that the stock split had been made at the beginning of the prior fiscal year.

If this accounting standard had not been applied, net assets per share and earnings per share of the year ended March 31, 2011 had been as follows:

Net assets per share	217,445.71 yen
Earnings per share	29,003.43 yen

21. Subsequent events:

There have been no significant subsequent events after April 1, 2012.

22. Consolidated supplementary schedules:

(a) Schedule of bonds -

No bonds were issued by the Company as of March 31, 2012.

(b) Schedule of borrowings -

Category	Thousands of yen Balance at April 1, 2011	Thousands of yen Balance at March 31, 2012	Thousands of U.S. dollars Balance at March 31, 2012	Average interest rate (%)	Maturity
Short-term borrowings	¥10,000	¥10,000	$121	2.8	-
Current portion of long-term debt	740,752	1,752,572	21,323	0.9	-
Current portion of lease obligations	82,209	81,164	987	1.9	-
Long-term debt (excluding current portion)	1,558,205	4,909,578	59,734	0.9	2013-2021
Lease obligations (excluding current portion)	277,570	201,192	2,447	1.5	2013-2018
Total	¥2,668,737	¥6,954,507	$84,615	-	-

- Aggregate annual maturities of long-term debt for the 5 years subsequent to March 31, 2012 are as follows:

March 31, 2012	Thousands of yen Due after 1 year but within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years
Long-term debt	¥1,750,888	¥1,042,400	¥1,039,907	¥1,017,296
Lease obligation	80,098	54,323	32,185	20,332

March 31, 2012	Thousands of U.S. dollars Due after 1 year but within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years
Long-term debt	$21,302	$12,682	$12,652	$12,377
Lease obligation	974	660	391	247

- The average interest rate represents the weighted-average rate applicable to the year-end balance.

(c) Schedule of asset retirement obligations -

Disclosure of asset retirement obligations as of March 31, 2011 and 2012 were omitted due to materiality.

(d) Others -

The condensed financial information of each quarter for the year ended March 31, 2012 is as follows:

	Thousands of yen (Net income per share: yen) 1st quarter ended June 30, 2011 (3 months)	2nd quarter ended September 30, 2011 (6 months)	3rd quarter ended December 31, 2011 (9 months)	4th quarter ended March 31, 2012 (12 months)
Sales	¥5,618,399	¥11,104,221	¥15,623,273	¥20,159,123
Income before income taxes and minority interest	1,328,205	2,670,455	3,499,056	3,875,345
Net income	756,730	1,495,440	1,992,748	2,139,734
Net income per share	¥24.78	¥48.98	¥65.27	¥70.08

	Thousands of U.S. Dollars (Net income per share: U.S. Dollars)			
	1st quarter ended June 30, 2011 (3 months)	2nd quarter ended September 30, 2011 (6 months)	3rd quarter ended December 31, 2011 (9 months)	4th quarter ended March 31, 2012 (12 months)
Sales	$68,358	$135,104	$190,087	$245,274
Income before income taxes and minority interest	16,160	32,491	42,572	47,151
Net income	9,207	18,194	24,245	26,033
Net income per share	$0.30	$0.59	$0.79	$0.85

	yen			
	1st quarter ended June 30, 2011	2nd quarter ended September 30, 2011	3rd quarter ended December 31, 2011	4th quarter ended March 31, 2012
Net income per share	¥24.78	¥24.19	¥16.29	¥4.81

	U.S. Dollars			
	1st quarter ended June 30, 2011	2nd quarter ended September 30, 2011	3rd quarter ended December 31, 2011	4th quarter ended March 31, 2012
Net income per share	$0.30	$0.29	$0.19	$0.05