



# ***Consolidated Financial Statements***

*for the Year Ended March 31, 2012, and Independent Auditor's Report*

EIZO NANA O CORPORATION and Subsidiaries

EIZO NANA O CORPORATION

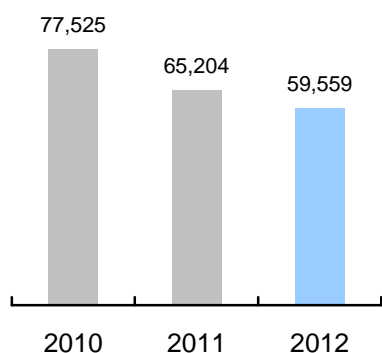
## Financial Highlights

	Millions of Yen			Thousands of U.S. Dollars
	2010	2011	2012	2012
<b>Years ended March 31:</b>				
Net sales	77,525	65,204	59,559	726,329
Operating income	9,026	5,150	4,404	53,719
Net income	4,928	3,547	1,637	19,963
<b>As of March 31:</b>				
Total assets	75,369	77,433	77,032	939,415
Total equity	56,485	59,210	57,678	703,391
<b>Per share data</b>	Yen			U.S. Dollars
Basic net income	220.79	158.93	74.08	0.90
Cash dividends applicable to the year	50.00	50.00	50.00	0.61

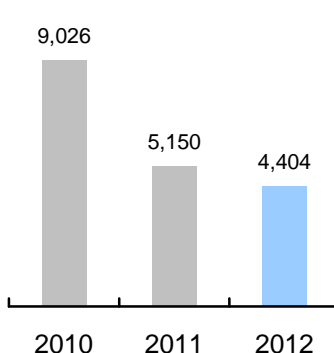
Note: U.S. dollar amounts are provided solely for convenience at the rate of ¥82 to US\$1, the approximate exchange rate at March 31, 2012.

(Millions of Yen)

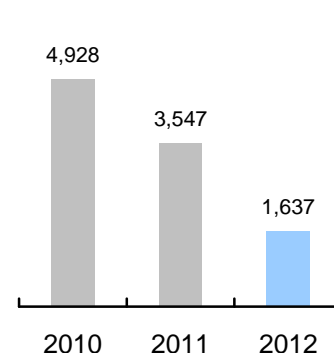
### Net Sales



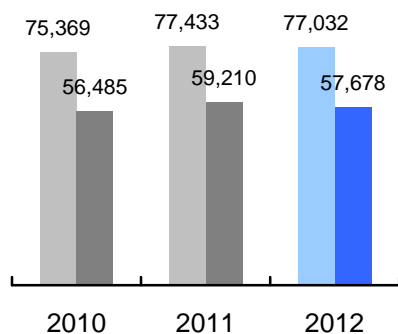
### Operating Income



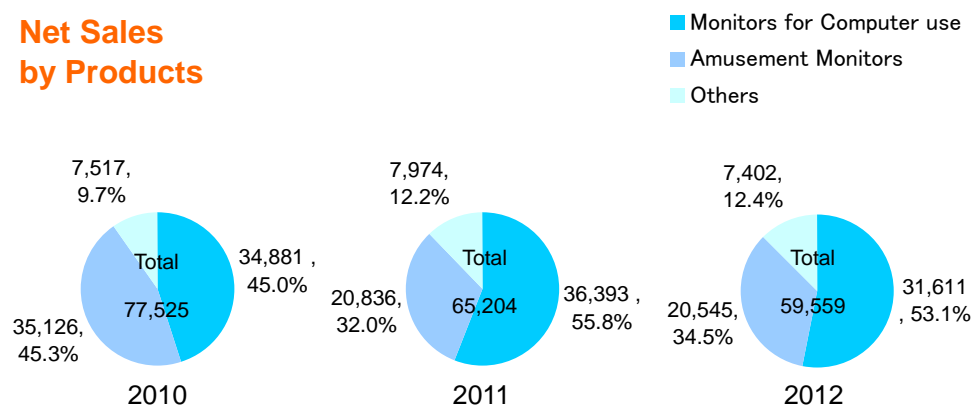
### Net Income



### Total Assets /Total Equity



### Net Sales by Products



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of EIZO NANA O CORPORATION:

We have audited the accompanying consolidated balance sheet of EIZO NANA O CORPORATION and subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity 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 conformity with auditing standards generally accepted in Japan. Those standards require that we 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, but not for the purpose of expressing 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 referred to above present fairly, in all material respects, the consolidated financial position of EIZO NANA O CORPORATION and subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

June 21, 2012

**EIZO NANA O CORPORATION and Subsidiaries**

**Consolidated Balance Sheet**

**March 31, 2012**

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012		2012	2011	2012
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and cash equivalents (Note 11)	¥ 16,714	¥ 21,592	\$ 203,829	Accounts payable (Note 11):			
Short-term investments (Notes 3 and 11)		2,202		Trade accounts	¥ 7,882	¥ 6,748	\$ 96,122
Notes and accounts receivables (Note 11):				Other	1,344	1,018	16,390
Trade notes	182	315	2,220	Income taxes payable	1,063	1,891	12,963
Trade accounts	16,560	12,405	201,951	Accrued expenses	3,328	2,749	40,585
Other	347	154	4,232	Other current liabilities	870	416	10,610
Allowance for doubtful receivables	(68)	(83)	(829)				
Inventories (Note 4)	17,907	13,395	218,378	Total current liabilities	14,487	12,822	176,670
Deferred tax assets (Note 7)	2,077	2,157	25,329				
Prepaid expenses and other current assets	447	367	5,451	<b>LONG-TERM LIABILITIES:</b>			
Total current assets	54,166	52,504	660,561	Liability for retirement benefits (Note 5)	2,295	2,293	27,988
				Deferred tax liabilities (Note 7)	1,136	1,754	13,854
<b>PROPERTY, PLANT, AND EQUIPMENT:</b>				Other long-term liabilities	1,436	1,354	17,512
Land	3,084	3,084	37,610	Total long-term liabilities	4,867	5,401	59,354
Buildings and structures	11,594	11,495	141,390				
Machinery and equipment	3,741	3,771	45,622	<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>			
Furniture and fixtures	4,141	4,194	50,500	(Notes 10 and 12)			
Construction in progress	33	41	402				
Total	22,593	22,585	275,524	<b>EQUITY (Notes 6 and 14):</b>			
Accumulated depreciation	(13,867)	(13,372)	(169,110)	Common stock—authorized, 65,000,000 shares; issued, 22,731,160 shares in 2012 and 2011	4,426	4,426	53,976
Net property, plant, and equipment	8,726	9,213	106,414	Capital surplus	4,314	4,314	52,610
				Retained earnings	49,139	48,616	599,256
<b>INVESTMENTS AND OTHER ASSETS:</b>				Treasury stock—at cost, 1,410,098 shares in 2012 and 409,985 shares in 2011	(2,661)	(999)	(32,451)
Investment securities (Notes 3 and 11)	10,778	12,830	131,439	Accumulated other comprehensive income:			
Goodwill	949	1,199	11,573	Unrealized gain on available-for-sale securities	3,883	4,235	47,354
Deferred tax assets (Note 7)	319	394	3,890	Deferred loss on derivatives under hedge accounting		(1)	
Other assets	2,094	1,293	25,538	Foreign currency translation adjustments	(1,423)	(1,381)	(17,354)
Total investments and other assets	14,140	15,716	172,440	Total equity	57,678	59,210	703,391
<b>TOTAL</b>	<b>¥ 77,032</b>	<b>¥ 77,433</b>	<b>\$ 939,415</b>	<b>TOTAL</b>	<b>¥ 77,032</b>	<b>¥ 77,433</b>	<b>\$ 939,415</b>

See notes to consolidated financial statements.

## EIZO NANA O CORPORATION and Subsidiaries

### Consolidated Statement of Income Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET SALES	¥ 59,559	¥ 65,204	\$ 726,329
COST OF SALES (Note 8)	<u>41,531</u>	<u>46,819</u>	<u>506,476</u>
Gross profit	18,028	18,385	219,853
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 8)	<u>13,623</u>	<u>13,235</u>	<u>166,134</u>
Operating income	<u>4,405</u>	<u>5,150</u>	<u>53,719</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	249	233	3,037
Loss on disposal of property, plant, and equipment—net		(62)	
Foreign exchange loss—net	(214)	(133)	(2,610)
Gain on sales of investment securities	8		98
Loss on sales of investment securities	(395)		(4,817)
Loss on valuation of investment securities	(403)		(4,915)
Refunds of EU customs duties (Note 9)	7	1,115	85
Other—net	<u>40</u>	<u>(30)</u>	<u>488</u>
Other (expenses) income—net	<u>(708)</u>	<u>1,123</u>	<u>(8,634)</u>
INCOME BEFORE INCOME TAXES	<u>3,697</u>	<u>6,273</u>	<u>45,085</u>
INCOME TAXES (Note 7):			
Current	1,763	2,465	21,500
Deferred	<u>297</u>	<u>261</u>	<u>3,622</u>
Total income taxes	<u>2,060</u>	<u>2,726</u>	<u>25,122</u>
NET INCOME	<u>¥ 1,637</u>	<u>¥ 3,547</u>	<u>\$ 19,963</u>
	<u>Yen</u>		<u>U.S. Dollars</u>
PER SHARE OF COMMON STOCK (Note 2.t):			
Basic net income	¥ 74.08	¥ 158.93	\$ 0.90
Cash dividends applicable to the year	50.00	50.00	0.61

See notes to consolidated financial statements.

## EIZO NANA O CORPORATION and Subsidiaries

### Consolidated Statement of Comprehensive Income Year Ended March 31, 2012

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	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2012</u>	<u>2011</u>	<u>2012</u>
NET INCOME	<u>¥ 1,637</u>	<u>¥ 3,547</u>	<u>\$ 19,963</u>
OTHER COMPREHENSIVE (LOSS) INCOME (Note 13):			
Unrealized (loss) gain on available-for-sale securities	(352)	373	(4,293)
Deferred gain (loss) on derivatives under hedge accounting	1	(2)	12
Foreign currency translation adjustments	<u>(42)</u>	<u>(77)</u>	<u>(511)</u>
Total other comprehensive (loss) income	<u>(393)</u>	<u>294</u>	<u>(4,792)</u>
COMPREHENSIVE INCOME	<u>¥ 1,244</u>	<u>¥ 3,841</u>	<u>\$ 15,171</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO— Owners of the parent company	¥ 1,244	¥ 3,841	\$ 15,171

See notes to consolidated financial statements.

**EIZO NANA O CORPORATION and Subsidiaries**
**Consolidated Statement of Changes in Equity  
Year Ended March 31, 2012**

	Thousands	Millions of Yen							
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total Equity
						Unrealized Gain on Available-for- Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	
BALANCE, APRIL 1, 2010	22,321	¥ 4,426	¥ 4,314	¥46,185	¥ (999)	¥ 3,862	¥1	¥ (1,304)	¥ 56,485
Net income				3,547					3,547
Cash dividends, ¥50 per share				(1,116)					(1,116)
Net increase in unrealized gain on available-for-sale securities						373			373
Net change in deferred gain on derivatives under hedge accounting							(2)		(2)
Net change in foreign currency translation adjustments								(77)	(77)
BALANCE, MARCH 31, 2011	22,321	4,426	4,314	48,616	(999)	4,235	(1)	(1,381)	59,210
Net income				1,637					1,637
Cash dividends, ¥50 per share				(1,114)					(1,114)
Net decrease in unrealized gain on available-for-sale securities						(352)			(352)
Net change in deferred loss on derivatives under hedge accounting							1		1
Net change in foreign currency translation adjustments								(42)	(42)
Purchases of treasury stock	(1,000)				(1,662)				(1,662)
BALANCE, MARCH 31, 2012	<u>21,321</u>	<u>¥ 4,426</u>	<u>¥ 4,314</u>	<u>¥ 49,139</u>	<u>¥ (2,661)</u>	<u>¥ 3,883</u>	<u>—</u>	<u>¥ (1,423)</u>	<u>¥ 57,678</u>

	Thousands of U.S. Dollars (Note 1)								
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total Equity
						Unrealized Gain on Available-for- Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	
BALANCE, MARCH 31, 2011		\$ 53,976	\$ 52,610	\$ 592,878	\$ (12,183)	\$ 51,647	\$ (12)	\$ (16,843)	\$ 722,073
Net income				19,963					19,963
Cash dividends, \$0.61 per share				(13,585)					(13,585)
Net decrease in unrealized gain on available-for-sale securities						(4,293)			(4,293)
Net change in deferred loss on derivatives under hedge accounting							12		12
Net change in foreign currency translation adjustments								(511)	(511)
Purchases of treasury stock					(20,268)				(20,268)
BALANCE, MARCH 31, 2012		<u>\$ 53,976</u>	<u>\$ 52,610</u>	<u>\$ 599,256</u>	<u>\$ (32,451)</u>	<u>\$ 47,354</u>	<u>—</u>	<u>\$ (17,354)</u>	<u>\$ 703,391</u>

See notes to consolidated financial statements.

## EIZO NANA O CORPORATION and Subsidiaries

### Consolidated Statement of Cash Flows Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2012</u>	<u>2011</u>	<u>2012</u>
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes	¥ 3,697	¥ 6,273	\$ 45,085
Adjustments for:			
Income taxes—paid	(2,580)	(2,805)	(31,463)
Depreciation and amortization	1,254	1,339	15,293
Amortization of goodwill	169	175	2,061
Reversal of allowance for doubtful receivables	(15)	(39)	(183)
Loss on disposal of property, plant, and equipment		62	
Loss on sales of investment securities	386		4,707
Loss on valuation of investment securities	403		4,915
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(4,270)	2,445	(52,073)
Increase in inventories	(4,623)	(2,039)	(56,378)
Increase (decrease) in accounts payable	967	(601)	11,793
Increase (decrease) in accrued expenses	653	(158)	7,963
Increase (decrease) in liability for retirement benefits	15	(67)	183
Other—net	1,207	515	14,719
Total adjustments	<u>(6,434)</u>	<u>(1,173)</u>	<u>(78,463)</u>
Net cash (used in) provided by operating activities	<u>(2,737)</u>	<u>5,100</u>	<u>(33,378)</u>
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant, and equipment	(567)	(506)	(6,915)
Proceeds from sales of short-term investments and investment securities	2,340	9,644	28,537
Purchases of short-term investments and investment securities	(1)	(9,885)	(12)
Payment for acquisition of business		(34)	
Increase in other assets	<u>(1,092)</u>	<u>(342)</u>	<u>(13,317)</u>
Net cash provided by (used in) investing activities	<u>680</u>	<u>(1,123)</u>	<u>8,293</u>
<b>FINANCING ACTIVITIES:</b>			
Dividends paid	(1,114)	(1,116)	(13,585)
Purchases of treasury stock	<u>(1,662)</u>		<u>(20,268)</u>
Net cash used in financing activities	<u>(2,776)</u>	<u>(1,116)</u>	<u>(33,853)</u>
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS</b>			
	<u>(45)</u>	<u>(29)</u>	<u>(550)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)</b>	¥ (4,878)	¥ 2,832	\$ (59,488)



## EIZO NANA O CORPORATION and Subsidiaries

### Consolidated Statement of Cash Flows Year Ended March 31, 2012

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	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2012</u>	<u>2011</u>	<u>2012</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥ (4,878)	¥ 2,832	\$ (59,488)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>21,592</u>	<u>18,760</u>	<u>263,317</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 16,714</u>	<u>¥ 21,592</u>	<u>\$ 203,829</u>

See notes to consolidated financial statements.

# EIZO NANA O CORPORATION and Subsidiaries

## Notes to Consolidated Financial Statements Year Ended March 31, 2012

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### 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which EIZO NANA O CORPORATION (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82 to \$1, the approximate rate of exchange at March 31, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation*—The consolidated financial statements as of March 31, 2012 include the accounts of the Company and its 14 (12 in 2011) subsidiaries (together, the "Group").

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

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

During the year ended March 31, 2012, EIZO Europe GmbH and EIZO Limited have been included in consolidation as a result of their establishment.

- b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements and (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process; (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization

of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of research and development ("R&D"); (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if included.

- c. **Business Combination**—In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures," and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

The accounting standard for business combinations allows companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

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

- d. **Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, and commercial paper, all of which mature or become due within three months of the date of acquisition.

- e. **Inventories**—Inventories are stated at the lower of cost, determined by the average method for finished products and work in progress and by the moving-average method for raw materials, or net selling value.
- f. **Short-Term Investments and Investment Securities**—Short-term investments and investment securities are classified and accounted for depending on management's intent. Available-for-sale securities, which represent securities not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity. The cost of available-for-sale securities sold is determined based on the moving-average method.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

- g. *Property, Plant, and Equipment***—Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Company and its domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings of the Company and its domestic subsidiaries acquired after April 1, 1998, and all property, plant, and equipment of foreign subsidiaries. The range of useful lives is principally from 15 to 50 years for buildings and structures, from 7 to 10 years for machinery and equipment, and from 2 to 6 years for furniture and fixtures.
- h. *Goodwill***—Goodwill is amortized over 10 years by the straight-line method. Immaterial goodwill may be charged entirely to income at acquisition. Amortization of goodwill is ¥169 million (\$2,061 thousand) and ¥175 million for the years ended March 31, 2012 and 2011, respectively.
- i. *Long-Lived Assets***—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- j. *Retirement and Pension Plans***—The Company and certain of its domestic subsidiaries have a defined contribution pension plan and unfunded retirement benefit plans. Other domestic subsidiaries have a defined benefit pension plan and unfunded retirement benefit plans. Certain foreign subsidiaries have either a defined contribution plan or defined benefit plan. Additionally, the Company or its subsidiaries may add premium severance pay.

The Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date.

Retirement benefits to directors and corporate auditors are recorded at the amount that would be required if all directors and corporate auditors retired at the consolidated balance sheet date. In June 2004, the retirement benefit system was abolished and the amount required to be paid at the time of the abolishment will be paid to directors and corporate auditors upon their retirement.

- k. *Asset Retirement Obligations***—In March 2008, the ASBJ published ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is

capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

*l. R&D Costs*—R&D costs are charged to income as incurred.

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

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

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

All other leases are accounted for as operating leases.

*n. Bonuses to Directors*—Bonuses to directors are accrued at the year-end to which such bonuses are attributable.

*o. Software Development Contracts*—In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts," and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts."

Under this accounting standards, revenue from sales of the customized software and costs of development of the customized software should be recognized by the percentage-of-completion method if the outcome of a development contract can be estimated reliably. When total revenue, total costs, and the stage of completion of the contract at the consolidated balance sheet date can be reliably measured, the outcome of a development contract can be estimated reliably. If the outcome of a development contract cannot be reliably estimated, the completed contract method should be applied. When it is probable that the total costs will exceed total revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on development contracts.

*p. Income Taxes*—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The Group files a tax return under the consolidated corporate tax system in Japan, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

- q. Foreign Currency Transactions*—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.
- r. Foreign Currency Financial Statements*—The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" under accumulated other comprehensive income as a separate component of equity.

Revenue and expense accounts of foreign subsidiaries are translated into Japanese yen at the average exchange rate.

- s. Derivatives and Hedging Activities*—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the consolidated statement of income and (2) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on derivative are deferred until maturity of the hedged transactions.

The foreign currency forward contracts applied for forecasted transactions are measured at the fair value, but the unrealized gains or losses are deferred until the underlying transactions are completed.

- t. Per Share Information*—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share shown in the consolidated statement of income are presented on an accrual basis, and include interim dividends paid and year-end dividends to be approved after consolidated balance sheet date.

Diluted net income per share of common stock is not disclosed herein because the Company has not issued any securities that are potentially dilutive for the years ended March 31, 2012 and 2011.

- u. Accounting Changes and Error Corrections*—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error

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

v. ***New Accounting Pronouncements***

***Accounting Standard for Retirement Benefits***—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000, and the other related practical guidance, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) *Treatment in the consolidated balance sheet*

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the consolidated balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) *Treatment in the consolidated statement of income and the consolidated statement of comprehensive income*

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and are yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013, with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

### 3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2012</u>	<u>2011</u>	<u>2012</u>
Short-term investments:			
Debt securities		¥ 1,701	
Others		501	
Total		<u>¥ 2,202</u>	
Investment securities:			
Marketable equity securities	¥ 10,722	¥ 12,743	\$ 130,756
Nonmarketable equity securities	16	16	195
Others	<u>40</u>	<u>71</u>	<u>488</u>
Total	<u>¥ 10,778</u>	<u>¥ 12,830</u>	<u>\$ 131,439</u>

The cost and aggregate fair value of the securities classified as available for sale at March 31, 2012 and 2011, were as follows:

	Millions of Yen			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>March 31, 2012</u>				
Securities classified as available for sale:				
Equity securities	¥ 4,680	¥ 6,509	¥ 467	¥ 10,722
Others	<u>41</u>		<u>1</u>	<u>40</u>
Total	<u>¥ 4,721</u>	<u>¥ 6,509</u>	<u>¥ 468</u>	<u>¥ 10,762</u>
<u>March 31, 2011</u>				
Securities classified as available for sale:				
Equity securities	¥ 5,583	¥ 8,202	¥ 1,042	¥ 12,743
Debt securities	1,701			1,701
Others	<u>573</u>		<u>1</u>	<u>572</u>
Total	<u>¥ 7,857</u>	<u>¥ 8,202</u>	<u>¥ 1,043</u>	<u>¥ 15,016</u>



<u>March 31, 2012</u>	Thousands of U.S. Dollars			<u>Fair Value</u>
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	
Securities classified as available for sale:				
Equity securities	\$ 57,073	\$ 79,378	\$ 5,695	\$ 130,756
Others	<u>500</u>	<u>          </u>	<u>12</u>	<u>488</u>
Total	<u>\$ 57,573</u>	<u>\$ 79,378</u>	<u>\$ 5,707</u>	<u>\$ 131,244</u>

The proceed from sales of available-for-sale securities for the year ended March 31, 2012, was ¥113 million (\$1,378 thousand). The gross realized gains and losses on these sales, computed on the moving-average cost basis, for the year ended March 31, 2012, were ¥8 million (\$98 thousand) and ¥395 million (\$4,817 thousand), respectively.

The impairment loss on available-for-sale equity securities for the year ended March 31, 2012, was ¥403 million (\$4,915 thousand).

#### 4. INVENTORIES

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2012</u>	<u>2011</u>	<u>2012</u>
Finished products	¥ 4,982	¥ 3,725	\$ 60,756
Work in process	5,043	3,304	61,500
Raw materials and supplies	<u>7,882</u>	<u>6,366</u>	<u>96,122</u>
Total	<u>¥ 17,907</u>	<u>¥ 13,395</u>	<u>\$ 218,378</u>

#### 5. RETIREMENT AND PENSION PLANS

The Company and its certain subsidiaries have severance payment plans for employees, directors, and corporate auditors.

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

The liability for employees' retirement benefits at March 31, 2012 and 2011, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2012</u>	<u>2011</u>	<u>U.S. Dollars</u>
Projected benefit obligation	¥ 3,388	¥ 3,313	\$ 41,317
Fair value of plan assets	(1,044)	(1,075)	(12,732)
Unrecognized actuarial loss	<u>(155)</u>	<u>(51)</u>	<u>(1,890)</u>
Net liability	<u>¥ 2,189</u>	<u>¥ 2,187</u>	<u>\$ 26,695</u>

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011, are as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2012</u>	<u>2011</u>	<u>U.S. Dollars</u>
Service cost	¥ 378	¥ 396	\$ 4,610
Interest cost	65	66	793
Expected return on plan assets	(13)	(17)	(159)
Recognized actuarial gain	<u>(8)</u>	<u>(94)</u>	<u>(98)</u>
Net periodic benefit costs	<u>¥ 422</u>	<u>¥ 351</u>	<u>\$ 5,146</u>

Assumptions used for the years ended March 31, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Discount rate	1.0%–5.3%	1.0%–5.3%
Expected rate of return on plan assets	0.0%–2.5%	0.5%–3.0%
Recognition period of actuarial gain/loss	5 years	5 years

The liability for retirement benefits at March 31, 2012 and 2011, for directors and corporate auditors is ¥106 million (\$1,293 thousand).

## 6. EQUITY

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

**a. Dividends**

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

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

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

**b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus**

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends, until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the amount of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

**c. Treasury Stock and Treasury Stock Acquisition Rights**

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## **7. INCOME TAXES**

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.4% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2012 and 2011, are as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2012</u>	<u>2011</u>	<u>U.S. Dollars</u>
			<u>2012</u>
Deferred tax assets:			
Inventories	¥ 820	¥ 985	\$ 10,000
Pension and severance costs	741	833	9,037
Tax loss carryforwards	1,348	1,286	16,439
Accrued expenses	994	806	12,122
Other	1,975	2,076	24,084
Less valuation allowance	<u>(2,446)</u>	<u>(2,244)</u>	<u>(29,829)</u>
Total	<u>3,432</u>	<u>3,742</u>	<u>41,853</u>
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(2,158)	(2,927)	(26,317)
Other	<u>(47)</u>	<u>(54)</u>	<u>(572)</u>
Total	<u>(2,205)</u>	<u>(2,981)</u>	<u>(26,889)</u>
Net deferred tax assets	<u>¥ 1,227</u>	<u>¥ 761</u>	<u>\$ 14,964</u>

Deferred tax assets and liabilities were included in the consolidated balance sheet as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2012</u>	<u>2011</u>	<u>U.S. Dollars</u>
			<u>2012</u>
Current assets—Deferred tax assets	¥ 2,077	¥ 2,157	\$ 25,329
Investments and other assets—Deferred tax assets	319	394	3,890
Current liabilities—Other current liabilities	(33)	(36)	(401)
Long-term liabilities—Deferred tax liabilities	<u>(1,136)</u>	<u>(1,754)</u>	<u>(13,854)</u>
Net deferred tax assets	<u>¥ 1,227</u>	<u>¥ 761</u>	<u>\$ 14,964</u>

Reconciliations between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Normal effective statutory tax rate	40.4 %	40.4 %
Tax credit for research expenses	(6.1)	(3.4)
Increase in valuation allowance	9.4	3.4
Effect of tax rate reduction	8.1	
Other—net	<u>3.9</u>	<u>2.5</u>
Actual effective tax rate	<u>55.7 %</u>	<u>42.9 %</u>

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.4% to 37.8%, effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.4% afterwards. The effect of this change was to increase deferred taxes in the consolidated balance sheet as of March 31, 2012, by ¥2 million (\$24 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥301 million (\$3,671 thousand).

At March 31, 2012, certain subsidiaries have tax loss carryforwards aggregating approximately ¥4,765 million (\$58,110 thousand) that are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

<u>Year Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2018	¥ 1,010	\$ 12,317
2019 and thereafter	<u>3,755</u>	<u>45,793</u>
Total	<u>¥ 4,765</u>	<u>\$ 58,110</u>

#### 8. R&D COSTS

R&D costs charged to income were ¥5,311 million (\$64,768 thousand) and ¥5,208 million for the years ended March 31, 2012 and 2011, respectively.

#### 9. REFUNDS OF EU CUSTOMS DUTIES

In the European Union (the "EU"), certain types of flat panel display monitors, including our products, had been unfairly subject to customs duties when such tariff was in violation of Chapter 2 of the General Agreement on Tariff and Trade.

Our distributors and sales subsidiaries in the EU were primarily responsible for such customs duties, and the Company had subsidized 50% of the customs duties paid for both our distributors and sales subsidiaries to sustain their price competitiveness in their markets.

Our distributors and sales subsidiaries had filed a complaint against the tax authorities in the EU. In 2010, the tax authorities and Binding Tariff Information concluded that such monitors were duty-free. Therefore, the customs duties paid in the past were partially refunded to our distributors and sales subsidiaries. Subsequently, the Company received refunds from our distributors corresponding to the subsidies the Company had provided. Total amount of those refunds were ¥7 million (\$85 thousand) and ¥1,115 million, and were recorded as extraordinary profit for the fiscal years ended March 31, 2012 and 2011, respectively.

#### 10. LEASES

The minimum rental commitments under noncancelable operating leases at March 31, 2012 and 2011, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>
Due within one year	¥ 94	¥ 78	\$ 1,146
Due after one year	<u>142</u>	<u>118</u>	<u>1,732</u>
Total	<u>¥ 236</u>	<u>¥ 196</u>	<u>\$ 2,878</u>

## 11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) *Group Policy for Financial Instruments*

The Group uses financial instruments based on its capital expenditure plan. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

### (2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Marketable and investment securities, mainly debt securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

All payment terms of payables, such as trade accounts, are within one year. Although payables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency, as noted above.

Derivatives mainly include forward foreign currency contracts that are used to manage exposure to risk of changes in foreign currency exchange rates of receivables and payables. Please see Note 12 for more details about derivatives.

### (3) *Risk Management for Financial Instruments*

#### *Credit risk management*

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to debt securities, the Group manages its exposure to credit risk by limiting its funding to high-credit rating bonds in accordance with its internal guidelines. Please see Note 12 for information about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2012.

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

Foreign currency trade receivables and payables are exposed to fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged occasionally by forward foreign currency contracts.

Marketable and investment securities are managed by monitoring the market values and financial position of issuers on a regular basis.

The basic principles of derivative transactions have been approved by the chief financial officer based on internal guidelines that prescribe the authority and the limit for each transaction by the corporate treasury department. Reconciliation of the transaction and balances with customers is made and the transaction data is reported to the chief financial officer on a monthly basis.

### *Liquidity risk management*

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets along with adequate financial planning by the corporate treasury department.

#### **(4) Concentration of Credit Risk**

As of March 31, 2012, 56.1% of total receivables are from specific major customers of the Group.

#### **(5) Fair Values of Financial Instruments**

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead.

##### *(a) Fair value of financial instruments*

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
<u>March 31, 2012</u>			
Cash and cash equivalents	¥ 16,714	¥ 16,714	
Notes and accounts receivables	17,089		
Allowance for doubtful receivables	(68)		
Notes and accounts receivables (net)	17,021	17,021	
Short-term investments and investment securities	10,761	10,761	
Total	<u>¥ 44,496</u>	<u>¥ 44,496</u>	
Accounts payable	¥ 9,226	¥ 9,226	
Total	<u>¥ 9,226</u>	<u>¥ 9,226</u>	
<u>March 31, 2011</u>			
Cash and cash equivalents	¥ 21,592	¥ 21,592	
Notes and accounts receivables	12,874		
Allowance for doubtful receivables	(83)		
Notes and accounts receivables (net)	12,791	12,791	
Short-term investments and investment securities	15,016	15,016	
Total	<u>¥ 49,399</u>	<u>¥ 49,399</u>	
Accounts payable	¥ 7,766	¥ 7,766	
Total	<u>¥ 7,766</u>	<u>¥ 7,766</u>	

<u>March 31, 2012</u>	Thousands of U.S. Dollars		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Cash and cash equivalents	\$ 203,829	\$ 203,829	
Notes and accounts receivables	208,403		
Allowance for doubtful receivables	(829)		
Notes and accounts receivables (net)	<u>207,574</u>	<u>207,574</u>	
Short-term investments and investment securities	<u>131,232</u>	<u>131,232</u>	
Total	<u>\$ 542,635</u>	<u>\$ 542,635</u>	
Accounts payable	<u>\$ 112,512</u>	<u>\$ 112,512</u>	
Total	<u>\$ 112,512</u>	<u>\$ 112,512</u>	

#### Cash and Cash Equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

#### Notes and Accounts Receivables

The carrying values of notes and accounts receivables approximate fair value because of their short-term settlement.

#### Short-Term Investments and Investment Securities

The fair values of short-term investments and investment securities are measured at the quoted market price of the stock exchange for equity instruments and at the quoted price obtained from financial institution for certain debt instruments. Information on the fair value for the short-term investments and investment securities by classification is included in Note 3.

#### Accounts Payable

The carrying values of accounts payable approximate fair value because of their short-term settlement.

#### Derivatives

The information of the fair value for derivatives is included in Note 12.

(b) *Carrying amount of financial instruments whose fair value cannot be reliably determined*

	Millions of Yen		Thousands of U.S. Dollars
	<u>2012</u>	<u>2011</u>	<u>2012</u>
Investments in equity instruments that do not have a quoted market price in an active market	¥ 16	¥ 16	\$ 195



(6) *Maturity Analysis for Financial Assets and Securities with Contractual Maturities*

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>March 31, 2012</u>				
Cash and cash equivalents	¥ 16,710			
Receivables	17,089	—	—	—
Total	<u>¥ 33,799</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>March 31, 2011</u>				
Cash and cash equivalents	¥ 21,588			
Receivables	12,874			
Investment securities:				
Corporate bonds	200			
Commercial paper	1,500			
Others	511	¥ 12	—	—
Total	<u>¥ 36,673</u>	<u>¥ 12</u>	<u>—</u>	<u>—</u>

	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>March 31, 2012</u>				
Cash and cash equivalents	\$ 203,780			
Receivables	208,402	—	—	—
Total	<u>\$ 412,182</u>	<u>—</u>	<u>—</u>	<u>—</u>

**12. DERIVATIVES**

The Group enters into derivative contracts, including foreign currency forward contracts, to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

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

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies that regulate the authorization and credit limit amount.

*Derivative Transactions to Which Hedge Accounting Is Not Applied*

None.

***Derivative Transactions to Which Hedge Accounting Is Applied***

There are no derivative transactions at March 31, 2012.

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

<u>March 31, 2011</u>	<u>Hedged Item</u>	<u>Millions of Yen</u>		
		<u>Contract Amount</u>	<u>Contract Amount Due after 1 Year</u>	<u>Fair Value</u>
Foreign currency forward contracts—Buying U.S. dollars	Forecast transactions	¥ 108		¥ (1)

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

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

**13. COMPREHENSIVE INCOME**

The components of other comprehensive loss for the year ended March 31, 2012, were as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
	<u>2012</u>	<u>2012</u>
Unrealized loss on available-for-sale securities:		
Losses arising during the year	¥ (1,908)	\$ (23,268)
Reclassification adjustments to profit or loss	<u>790</u>	<u>9,634</u>
Amount before income tax effect	(1,118)	(13,634)
Income tax effect	<u>766</u>	<u>9,341</u>
Total	<u>¥ (352)</u>	<u>\$ (4,293)</u>
Deferred gain on derivatives under hedge accounting:		
Gains arising during the year		
Reclassification adjustments to profit or loss	¥ <u>1</u>	\$ <u>12</u>
Amount before income tax effect	1	12
Income tax effect	<u>          </u>	<u>          </u>
Total	<u>¥ 1</u>	<u>\$ 12</u>
Foreign currency translation adjustments:		
Adjustments arising during the year	¥ (42)	\$ (511)
Amount before income tax effect	(42)	(511)
Income tax effect	<u>          </u>	<u>          </u>
Total	<u>¥ (42)</u>	<u>\$ (511)</u>
Total other comprehensive loss	<u>¥ (393)</u>	<u>\$ (4,792)</u>

The corresponding information for the year ended March 31, 2011, was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

#### 14. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2012 was approved at the board of directors meeting held on May 21, 2012:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥25 (\$0.3) per share	¥ 533	\$ 6,500

#### 15. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

##### (1) *Description of Reportable Segments*

The Group is primarily engaged in the manufacture, development, and sale of visual display systems and related products. The Group consists of the single industry, and therefore, it is not required to disclose separate financial information by segment.

##### (2) *Information about Products and Services*

	<u>Millions of Yen</u>			
	<u>2012</u>			
	<u>Monitor for Computer Use</u>	<u>Amusement Monitor</u>	<u>Other</u>	<u>Total</u>
Sales to external customers	¥ 31,611	¥ 20,545	¥ 7,403	¥ 59,559
	<u>Millions of Yen</u>			
	<u>2011</u>			
	<u>Monitor for Computer Use</u>	<u>Amusement Monitor</u>	<u>Other</u>	<u>Total</u>
Sales to external customers	¥ 36,393	¥ 20,837	¥ 7,974	¥ 65,204

	Thousands of U.S. Dollars			
	2012			
	<u>Monitor for Computer Use</u>	<u>Amusement Monitor</u>	<u>Other</u>	<u>Total</u>
Sales to external customers	\$ 385,500	\$ 250,549	\$ 90,280	\$ 726,329

**(3) Information about Geographical Areas**

*(a) Sales*

Millions of Yen				
2012				
<u>Japan</u>	<u>Europe</u>	<u>North America</u>	<u>Other</u>	<u>Total</u>
¥ 38,838	¥ 15,577	¥ 2,917	¥ 2,227	¥ 59,559

Millions of Yen				
2011				
<u>Japan</u>	<u>Europe</u>	<u>North America</u>	<u>Other</u>	<u>Total</u>
¥ 40,759	¥ 18,404	¥ 3,312	¥ 2,729	¥ 65,204

Thousands of U.S. Dollars				
2012				
<u>Japan</u>	<u>Europe</u>	<u>North America</u>	<u>Other</u>	<u>Total</u>
\$ 473,634	\$ 189,963	\$ 35,573	\$ 27,159	\$ 726,329

Note: Sales are classified in countries or regions based on location of customers.

*(b) Property, plant, and equipment*

The amount of property, plant, and equipment that exist in Japan exceeds 90% of the amount of property, plant, and equipment in the consolidated balance sheet, and thus, there is no requirement to disclose such information.

**(4) Information about Major Customers**

<u>Name of Customers</u>	<u>Millions of Yen</u>	
	<u>Sales</u>	<u>2012 Related Segment Name</u>
JT Japan Technicals	¥ 22,756	
AVNET Technology Solutions GmbH	6,388	

<u>Name of Customers</u>	<u>Millions of Yen</u>	
	<u>Sales</u>	<u>2011</u> <u>Related Segment Name</u>
JT Japan Technicals	¥ 23,465	
AVNET Technology Solutions GmbH	7,381	

<u>Name of Customers</u>	<u>Thousands of U.S. Dollars</u>	
	<u>Sales</u>	<u>2012</u> <u>Related Segment Name</u>
JT Japan Technicals	\$ 277,512	
AVNET Technology Solutions GmbH	77,902	

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