



January 30, 2012

Consolidated Financial Results For the Fiscal Year Ended December 31, 2011 <under Japanese GAAP>

Company name: Densan System Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange (Second Section), Nagoya Stock Exchange (Second Section)
 Code number: 3630
 URL: <http://www.densan-s.co.jp>
 Representatives: Masanao Miyachi, Chairman, Representative Director & CEO
 Yasunori Tanaka, President, Representative Director & COO
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Scheduled date of ordinary general meeting of shareholders: March 27, 2012

Scheduled date to commence dividend payments: March 28, 2012

Scheduled date to file Securities Report: March 28, 2012

Preparation of supplementary materials on consolidated financial results: No

Investor meeting presentation: No

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2011

(January 1, 2011 through December 31, 2011)

(1) Results of Operations

(%: Changes from the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended								
December 31, 2011	21,027	9.8	815	3.4	829	3.4	450	6.8
December 31, 2010	19,153	14.1	788	34.4	802	33.0	422	30.3

Note: Comprehensive income: December 31, 2011: 459 million yen, 1.8%; December 31, 2010: 450 million yen, —%

	Net Income per Share	Diluted Net Income per Share	Net Income on Own Capital	Ordinary Income to Total Assets	Operating Income to Net Sales
Fiscal year ended	yen	yen	yen	yen	yen
December 31, 2011	99.60	—	8.1	3.4	3.9
December 31, 2010	92.94	—	7.9	4.2	4.1

Reference: Equity-method investment gains or losses: Year ended December 31, 2011: 0 million yen; Year ended December 31, 2010: 1 million yen

(2) Financial Conditions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of	million yen	million yen	%	yen
December 31, 2011	29,998	5,791	19.0	1,271.21
December 31, 2010	19,026	5,549	28.8	1,207.19

Reference: Equity: As of December 31, 2011: 5,711 million yen; As of December 31, 2010: 5,484 million yen

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the end of the period
As of	million yen	million yen	million yen	million yen
December 31, 2011	658	(675)	(216)	1,611
December 31, 2010	664	(194)	(129)	1,849

(TRANSLATION FOR REFERENCE ONLY)

2. Cash Dividends on Common Stock

	Cash Dividends per Share					Total Cash Dividends	Dividend Payout Ratio (Consolidated)	Dividend on Net Assets Ratio (Consolidated)
	First quarter -end	Second quarter -end	Third quarter -end	Fiscal year-end	Annual			
Fiscal year ended	yen	yen	yen	yen	yen	million yen	%	%
December 31, 2010	—	—	—	26.00	26.00	118	28.0	2.2
December 31, 2011	—	14.00	—	14.00	28.00	126	28.1	2.3
Fiscal year ending December 31, 2012 (Forecast)		17.00	—	23.00	40.00		36.7	

Note: The forecast dividend of 23 yen per share for the fiscal year ending December 31, 2012 includes ordinary dividend of 18 yen and special dividend of 5 yen.

3. Earnings Forecasts for the Fiscal Year Ending December 31, 2012

(January 1, 2012 through December 31, 2012)

(%: Changes from the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
First Six months ending June 30, 2012	11,190	11.6	315	10.7	322	11.7	175	24.1	39.00
Fiscal year ending December 31, 2012	23,400	11.3	900	10.3	905	9.1	490	8.7	109.07

4. Others

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in changes in the scope of consolidation): No

(2) Changes in accounting policies, procedures, presentation rules, etc.

a. Changes due to revisions of accounting standards, etc.: Yes

b. Changes due to other reasons: Yes

Note: For more details, please see “Significant Accounting Policies Applied in the Preparation of the Consolidated Financial Statements” and “Changes in Significant Accounting Policies Applied in the Preparation of the Consolidated Financial Statements.”

(3) Number of shares issued (common stock)

(a) Number of shares issued at the end of the period (including treasury stock)

As of December 31, 2011: 4,620,000 shares

As of December 31, 2010: 4,620,000 shares

(b) Number of treasury stock at the end of the period

As of December 31, 2011: 127,272 shares

As of December 31, 2010: 77,204 shares

(c) Average number of shares during the period

Fiscal year ended December 31, 2011: 4,527,093 shares

Fiscal year ended December 31, 2010: 4,542,843 shares

(Reference) Summary of Non-Consolidated Financial Results**1. Non-Consolidated Financial Results for the Fiscal Year ended December 31, 2011****(January 1, 2011 through December 31, 2011)****(1) Results of Operations**

(%: Changes from the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended								
December 31, 2011	20,421	10.6	809	16.4	820	16.1	442	10.3
December 31, 2010	18,469	10.0	695	19.2	706	18.7	401	26.9

	Net Income per Share	Diluted Net Income per Share
	yen	yen
Fiscal year ended		
December 31, 2011	97.69	—
December 31, 2010	88.28	—

(2) Financial Conditions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	million yen	million yen	%	yen
As of				
December 31, 2011	29,603	5,659	19.1	1,259.80
December 31, 2010	18,721	5,436	29.0	1,196.78

Reference: Equity: As of December 31, 2011: 5,659 million yen; As of December 31, 2010: 5,436 million yen

2. Earnings Forecasts for the Fiscal Year Ending December 31, 2012**(January 1, 2012 through December 31, 2012)**

(%: Changes from the corresponding period of the previous fiscal year)

	Net Sales		Ordinary Income		Net Income		Net Profit per Share
	million yen	%	million yen	%	million yen	%	yen
First Six months ending							
June 30, 2012	10,840	11.9	305	10.9	170	17.1	37.82
Fiscal year ending							
December 31, 2012	22,700	11.2	885	7.9	484	9.4	107.73

***Disclosure regarding the execution of the audit process**

This “Consolidated Financial Results” summary is outside the scope of the audit procedure which is required by the “Financial Instruments and Exchange Act”. Therefore, the audit process has not been completed as of the date of the disclosure of this “Consolidated Financial Results” summary.

*** Proper use of forecasts of financial results, and other special matters**

The above forward-looking statements regarding earnings forecasts are based on information available as of the date of announcement of this material, and certain information judged to be rational, so that actual performance may differ materially from the forecasts due to various factors. Please refer to “1. Consolidated Results of Operations and Financial Conditions (1) Analysis of Results of Operations” for cautions concerning the use of the earnings forecasts and suppositions that form assumption for the earnings forecasts.

1. Consolidated Results of Operations and Financial Conditions

(1) Analysis of Results of Operations

(a) Results of operations for the fiscal year ended December 31, 2011

In the fiscal year ended December 31, 2011, Japan's economy temporarily suffered serious damage from the Great Eastern Japan Earthquake, but gradually showed signs of recovery against a backdrop of demands for reconstruction and the effects of various government policies. However, the economy has been uncertain as a result of the downward momentum in the European economy and the protracted Japanese Yen appreciation. In such a business environment, under our management policy to bring you a dream and movement by creating new value, Densan Group ("the Group") organized a new management system in April 2011, aimed at continuous operating efforts and effective business management, strove to increase sales and reduce costs, and focused on carrying out management schemes.

The outlines of business results of each business segment are as follows:

In the information services segment, the operation rate of Ogaki Data Center (IDC), established in 2009, has grown, while the sales of medical software packages decreased. The sales of Google applications (GoogleApps) and large-scale Enterprise Resource Planning (ERP) packages have increased. System integration for automatic auctions, information processing services for post offices and the outsourcing business of agency business to issue invoices have also grown. Net sales increased by 3.7% from the previous fiscal year to 10,748 million yen and operating income was up 23.0% from the previous fiscal year to 318 million yen.

In agency payment services, net sales have increased due to acquisition of new customers and a steady increase in the number of payment services for the major existing customers. However, although the net sales increased by 17.0% from the previous fiscal year to 10,278 million yen, the operating income decreased by 0.7% from the previous fiscal year to 476 million yen due to increases in systems investments in new services and related expenses.

As a result, the Group recorded consolidated net sales of 21,027 million yen for the fiscal year ended December 31, 2011, an increase of 9.8% from the previous fiscal year. Regarding profitability, operating income improved by 3.4% from the previous fiscal year to 815 million yen, ordinary income increased by 3.4% from the previous fiscal year to 829 million yen, net income before taxes grew by 6.1% from the previous fiscal year to 832 million yen, and net income increased by 6.8% from the previous fiscal year to 450 million yen.

Results by business segment for the fiscal year ended December 31, 2011

Segment	Fiscal year ended December 31, 2010		Fiscal year ended December 31, 2011		Change from the previous fiscal year	
	Net sales (A) (thousand yen)	A to B (%)	Net sales (C) (thousand yen)	C to B (%)	Amount (thousand yen)	Change (%)
Information services business						
Information processing services	2,905,300	15.2	3,030,180	14.4	124,880	4.3
System solutions	3,549,933	18.5	3,577,963	17.0	28,030	0.8
System integration	2,479,402	12.9	3,077,845	14.6	598,442	24.1
Product sales	1,433,854	7.5	1,062,653	5.1	(371,200)	(25.9)
Sub-total	10,368,490	54.1	10,748,643	51.1	380,153	3.7
Agency payment services business	8,784,980	45.9	10,278,798	48.9	1,493,818	17.0
Total (B)	19,153,470	100.0	21,027,442	100.0	1,873,971	9.8

(Information services business)

Information processing services

The operation rate of IDC has increased, and the outsourcing businesses of information processing services for post offices, agency business to make invoices continued to have steady growth from the previous fiscal year. As a result, the net sales of the business increased by 4.3% from the previous fiscal year to 3,030 million yen.

System solutions

Due to a decrease in the investments of the major clients and severe price competition, the business situation has been challenging since the previous fiscal year. As a result, the net sales of the business rose by 0.8% from the previous fiscal year to 3,577 million yen.

System integration

Sales of GoogleApps, large-scale ERP packages and automatic auctions systems improved compared with the previous fiscal year. As a result, the net sale of the business improved by 24.1% from the previous fiscal year to 3,077 million yen.

Product sales

The sales of software for dentists, Dental Queen, decreased compared with the previous fiscal year due to the termination of government subsidies. In addition, major projects were postponed so business has been very challenging. As a result, the net sales of the business decreased by 25.9% from the previous fiscal year to 1,062 million yen.

Accordingly, the net sales of the information services business increased by 3.7% from the previous fiscal year to 10,748 million yen, and operating income improved by 23.0% from the previous fiscal year to 318 million yen.

(Agency payment services business)

After the Great Eastern Japan Earthquake occurred in March 2011, the number of orders temporarily decreased, but the number of new clients kept increasing. In the third quarter ended September 30, 2011, the number of orders from existing clients, mainly catalogue retailers, also started to increase. However, under severe competition from other companies, commission tends to decrease. In addition, investments in systems for better services, and costs for new services, increased. As a result, the net sales of the business increased by 17.0% from the previous fiscal year to 10,278 million yen, and operating income decreased by 0.7% from the previous fiscal year to 476 million yen.

(b) Earnings forecast for the fiscal year ending December 31, 2012

As Japan's economy will be under the influence of the world economy, and the Japanese Yen will continue to be strong, it is expected to take a certain time to return to a real recovery path.

Under these circumstances, the Group will create and provide its own products and new services with more added-value to keep increasing sales and profits in both businesses, and will strive to strengthen the businesses and increase profitability by investing management and human resources specifically into growth fields in the future.

(Information services business)

The information services business is expected to be challenging due to the trend of budget cuts and controls for IT investments of the major clients. Therefore, we will further appeal to the clients to promote our advantages, such as a wide range of services and their high quality and cost performance, and will strive to increase sales.

In information processing services, we will strive to increase the quantity of Business Process Outsourcing (BPO) businesses, information processing outsourcing, improve the quality by offering one-stop services,

review the allocation of human resources and improve work efficiency.

In system solutions and system integration, we will focus on suggesting a type of operating activity that we act as a bridge between IT technology and management issues in order to increase demands for systems in the future, while expanding the scale of each order by promoting prime businesses, collaborating with core partners and major system integrators, and acquiring stable orders from the public sector or financial sector. In addition, we will increase the sales of cloud services as typified by GoogleApps, and develop mobile applications.

In product sales, we will endeavor to expand the sales of Dental Queen V, software for dentists released in July 2011.

(Agency payment services)

In agency payment services, demands for new convenient payment services are increasing, and competition with other companies is becoming more severe. Under such circumstances, the problem is how we will secure profits. In order to solve this problem, we will need to expand payment services for non-face-to-face transaction markets, which are expected to have tremendous growth potential, and continue to invest management resources, such as workforce and infrastructure, intensively into this field.

Furthermore, we will expand domestic money transfer services, which started in 2011, and create new services to improve customer usability, including international money transfer services through convenience stores with the collaboration of The Western Union Company, one of the world's largest international money transfer companies.

According to the above, earnings forecasts for the fiscal year ending December 31, 2012 on a consolidated basis, net sales, operating income, ordinary income and net income are expected to amount to 23,400 million yen (up 11.3% from the current fiscal year), 900 million yen (up 10.3% from the current fiscal year), 905 million yen (up 9.1% from the current fiscal year), and 490 million yen (up 8.7% from the current fiscal year), respectively.

(2) Analysis of Financial Conditions

(a) Assets, liabilities and net assets

Assets as of December 31, 2011 increased by 10,971 million yen from the end of the previous fiscal year to 29,998 million yen. This is mainly due to increases in money held in trust of 11,118 million yen, notes and accounts receivable of 324 million yen, and products of 208 million yen, despite decreases in cash and bank deposits of 1,229 million yen.

Liabilities increased by 10730 million yen from the end of the previous fiscal year to 24,207 million yen. This is primarily due to increases in agency payments deposits of 10,127 million yen, and accounts payable of 393 million yen.

Net assets increased by 241 million yen from the end of the previous fiscal year to 5,791 million yen. This is mainly due to an increase in retained earnings of 269 million yen, despite a decrease of 34 million yen by acquisition of treasury stocks.

(b) Cash flows

Cash and cash equivalents as of December 31, 2011 (hereinafter referred to as "Cash") decreased by 238 million yen from the end of the previous fiscal year to 1,611 million yen (down 12.9% from the end of the previous fiscal year.)

The conditions of cash flows in each segment for the current fiscal year and major factors are as follows:

(Cash flows from operating activities)

Cash provided by operating activities amounted to 658 million yen. This came about mainly because it was increased by net income before income taxes of 832 million yen, an increase in notes and accounts payable of

393 million yen, an increase in depreciation and amortization of 295 million yen even though it was decreased by an increase in inventory of 336 million yen, tax payments of 335 million yen, an increase in notes and accounts receivable of 323 million yen.

(Cash flows from investing activities)

Cash used in investing activities was 675 million yen. This is mainly because the Cash was decreased by acquisition of investment securities of 276 million yen, acquisition of tangible fixed assets of 240 million yen, acquisition of non-tangible fixed assets of 158 million yen even though it was increased by collection of key money and guarantee deposits of 12 million yen, redemption of investment securities of 5 million yen.

(Cash flows from financing activities)

Cash used in financing activities was 216 million yen. This is primarily due to payments of dividends of 181 million yen, and acquisition of treasury stocks of 34 million yen.

(Reference) Changes in cash flow indicators

	FY2009	FY2010	FY2011
Equity ratio (%)	26.9	28.8	19.0
Equity ratio based on market capitalization (%)	13.4	18.3	10.3
Debt service coverage (%)	0.0	0.1	0.1
Interest coverage ratio (times)	621.1	388.7	661.1

Equity ratio = Equity capital / Total assets

Equity ratio based on market capitalization = Market capitalization / Total assets

Debt service coverage = Interest-bearing liabilities / Cash flows

Interest coverage ratio = Cash flows / Interest payments

- (Notes)
- a. Market capitalization is calculated based on total shares outstanding excluding treasury stocks.
 - b. Cash flows refer to the net cash provided by operating activities in the consolidated statements of cash flows.
 - c. Interest-bearing liabilities refer to all liabilities with interest payable recorded on the liabilities section of the consolidated balance sheets.

(3) Basic Policy regarding Profit Distribution and Dividend Payments for Fiscal Years 2011 and 2012

The Company recognizes the return of earnings to shareholders as one of the most important management policies and considers an increase in middle and long term corporate value to be the largest source for the return of surplus. In terms of dividend policies, we will have retained earnings for future business expansion to increase corporate value, and will make it a policy to pay dividends on a continuous and stable basis in accordance with the Company's financial position, earnings conditions and dividend payout ratio.

In addition, the Company makes it a basic policy to pay dividends from surplus to shareholders of record twice a year through interim and year-end dividends, and stipulates in the Articles of Incorporation that we can pay interim dividends as provided for in Article 454, Paragraph 5 of the Companies Act. Resolutions on interim dividends are subject to the approval of a meeting of the Board of Directors, and the year-end dividends are subject to the approval of the ordinary general meeting of shareholders.

With regard to the year-end dividend for common stock for the fiscal year ended December 31, 2011, based on the policy described above, the Company plans to make cash dividend payments of 14 yen per share, which will be resolved at the 45th ordinary general meeting of shareholders to be held on March 27, 2012. The annual dividend for the current fiscal year, including the interim dividend* of 14 yen per share, is expected to

be 28 yen per share. The total amounts of dividends and dividend payout ratio are expected to be 126 million yen and 28.1% respectively.

The annual dividend for common stock and special dividend for the fiscal year ending December 31, 2012 (46th accounting term) are expected to be 35 yen and 5 yen per share respectively, including interim dividend for common stock of 17 yen per share.

The internal retained earnings will be used for future investments to increase long and middle term corporate value, including investment in development of new information technology, investment in securing human resources and training, investment in M&A, investment in establishment of infrastructure for internal skills, and strengthening of management control systems.

*Note: The Board of Directors determined the interim dividend for the current fiscal year on July 29, 2011.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Thousands of yen)

	As of December 31, 2010	As of December 31, 2011
Assets		
Current assets		
Cash and bank deposits	4,212,123	2,982,509
Money held in trust	8,690,087	19,808,831
Notes and accounts receivable	3,239,240	3,563,933
Marketable securities	—	159,987
Finished goods	23,441	231,729
Work in process	167,907	296,411
Prepaid expenses	31,084	44,321
Deferred tax assets	21,322	26,482
Others	27,510	3,593
Allowance for doubtful accounts	(3,859)	(2,448)
Total current assets	16,408,858	27,115,351
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	551,253	602,479
Land	359,352	421,740
Others (net)	161,942	284,626
Total tangible fixed assets	1,072,547	1,308,846
Intangible fixed assets		
Software	346,685	603,662
Software in process	338,275	40,680
Others	74,929	55,287
Total intangible fixed assets	759,890	699,631
Investments and other assets		
Investment securities	416,451	498,225
Deferred tax assets	72,349	73,797
Guarantee deposits	282,882	288,543
Others	14,826	14,544
Allowance for doubtful accounts	(1,427)	(603)
Total investments and other assets	785,081	874,507
Total fixed assets	2,617,519	2,882,986
Total assets	19,026,378	29,998,338

(Unit: Thousands of yen)

	As of December 31, 2010	As of December 31, 2011
Liabilities		
Current liabilities		
Accounts payable	1,353,482	1,746,630
Short-term borrowings	40,000	40,000
Accrued income taxes	189,211	225,117
Deposits for agency payment services	11,049,965	21,177,107
Reserve for bonuses	5,648	2,500
Reserve for order losses	—	1,297
Others	520,523	683,395
Total current liabilities	13,158,831	23,876,047
Fixed liabilities		
Reserve for retirement benefits	20,866	24,415
Reserve for directors' retirement benefits	234,647	229,975
Assets retirement obligations	—	9,993
Others	62,460	66,660
Total fixed liabilities	317,974	331,044
Total liabilities	13,476,805	24,207,091
Net assets		
Shareholders' equity		
Capital stock	998,013	998,013
Capital surplus	697,869	697,869
Retained earnings	3,838,031	4,107,196
Treasury stock	(49,133)	(84,117)
Total shareholders' equity	5,484,779	5,718,960
Accumulated other comprehensive income		
Valuation difference on marketable securities	(751)	(7,742)
Total accumulated other comprehensive income	(751)	(7,742)
Minority interests	65,544	80,027
Total net assets	5,549,572	5,791,246
Total liabilities and net assets	19,026,378	29,998,338

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income	(Unit: Thousands of yen)	
	For the fiscal year ended December 31, 2010	For the fiscal year ended December 31, 2011
Net sales	19,153,470	21,027,442
Cost of sales	15,544,443	17,301,126
Gross profit	3,609,027	3,726,315
Selling, general and administrative expenses	2,820,471	2,910,661
Operating income	788,555	815,653
Non-operating income		
Interest on deposits	8,930	5,422
Dividends income	3,516	4,425
Amortization of negative goodwill	1,370	—
Equity in earnings of affiliates, net	1,652	315
Fee and commissions received	2,006	1,942
Income from sponsorship	—	4,100
Others	3,471	1,822
Total non-operating income	20,947	18,028
Non-operating expenses		
Interest on borrowings	1,711	995
Fees and commissions payments	—	1,500
Foreign exchange losses	5,108	1,245
Others	157	214
Total non-operating expenses	6,977	3,954
Ordinary profits	802,526	829,727
Extraordinary gains		
Gains on sales of investment securities	2,840	—
Reversal of reserve for doubtful accounts	—	902
Compensation for transfer of property	—	42,715
Total extraordinary gains	2,840	465,316
Extraordinary losses		
Losses on disposal of fixed assets	353	812
Impairment loss	17,760	2,059
Losses on sales of investment securities	2,923	—
Losses on write-down of investment securities	—	22,309
Office relocation expenses	—	11,533
Losses on adjustment for changes of accounting standard for assets retirement obligations	—	4,518
Total extraordinary losses	21,036	41,232
Income before income taxes	784,329	832,112
Income taxes-current	347,843	371,805
Income taxes-deferred	(11,304)	(5,728)
Total income taxes	336,539	366,077
Income before minority interests	—	466,035
Minority interests	25,560	15,158
Net income	422,229	450,877

(TRANSLATION FOR REFERENCE ONLY)

Consolidated Statements of Comprehensive Income

(Unit: Thousands of yen)

	For the fiscal year ended December 31, 2010	For the fiscal year ended December 31, 2011
Income before minority interests	—	466,035
Other comprehensive income		
Valuation difference on marketable securities	—	(6,991)
Total other comprehensive income	—	(6,991)
Comprehensive income	—	459,044
Comprehensive income attributable to owners of the parent company	—	443,885
Comprehensive income attributable to minority interests	—	15,158

(3) Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

	For the fiscal year ended December 31, 2010	For the fiscal year ended December 31, 2011
Cash flows from operating activities		
Income before income taxes	784,329	832,112
Depreciation and amortization	250,525	295,514
Impairment losses	17,760	2,059
Amortization of goodwill	16,957	19,611
Amortization of negative goodwill	(1,370)	—
Increase (decrease) in allowance for doubtful accounts	(1,539)	(2,234)
Increase (decrease) in reserve for bonuses	(3,002)	(3,148)
Increase (decrease) in allowance for contract losses	(1,741)	1,297
Increase (decrease) in reserve for retirement benefits	838	3,548
Increase (decrease) in reserve for retirement benefits to directors	(17,293)	(4,672)
Interest and dividend income	(12,446)	(9,848)
Interest expenses	1,711	995
Losses on disposal of fixed assets	353	812
Losses (gains) on sales of investment securities	83	—
Losses (gains) in valuation of investment securities	—	22,309
Equity in losses (gains) of affiliates	(1,652)	(315)
Foreign exchange losses (gains)	5,644	3,350
Gains (losses) on adjustment for changes of accounting standard for assets retirement obligations	—	4,518
Decrease (increase) in notes and accounts receivable	(319,513)	(323,922)
Decrease (increase) in inventories	7,479	(336,791)
Increase (decrease) in notes and accounts payable	53,614	393,148
Increase (decrease) in accrued expenses	31,035	20,401
Increase (decrease) in other current liabilities	58,615	53,317
Others	(3,433)	12,705
Sub-total	866,955	984,770
Interest and dividend received	12,819	9,894
Interest paid	(1,710)	(995)
Income taxes paid	(213,152)	(335,588)
Net cash provided by (used in) operating activities	664,912	658,080

(Unit: Thousands of yen)

	For the fiscal year ended December 31, 2010	For the fiscal year ended December 31, 2011
Cash flows from investing activities		
Payments for time deposits	(200,000)	(3,036)
Proceeds from refund of time deposits	200,000	3,036
Proceeds from redemption of securities	300,000	—
Payments for purchase of tangible fixed assets	(185,285)	(240,318)
Payments for purchase of intangible fixed assets	(311,974)	(158,935)
Payments for purchase of investment securities	(114,027)	(276,611)
Proceeds from sales of investment securities	9,124	—
Proceeds from purchase of stocks of subsidiaries affecting the scope of consolidation	62,609	—
Payments for refund of key money and guarantee deposits	(22,487)	(17,604)
Proceeds from collection of key money and guarantee deposits	82,892	12,574
Proceeds from redemption of investment securities	—	5,000
Payments for loans	(15,000)	—
Others	—	30
Net cash provided by (used in) investing activities	(194,149)	(675,865)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,076	—
Payments for repayment of long-term borrowings	(21,792)	—
Payments for purchase of treasury stock	(90)	(34,983)
Cash dividends paid	(112,932)	(181,219)
Cash Dividends paid to minority shareholders	(900)	(675)
Net cash provided by (used in) financing activities	(129,638)	(216,878)
Effect of foreign exchange rate changes on cash and cash equivalents	(5,644)	(3,350)
Net increase (decrease) in cash and cash equivalents	335,479	(238,012)
Cash and cash equivalents at the beginning of the fiscal year	1,513,729	1,849,209
Cash and cash equivalents at end of the fiscal year	1,849,209	1,611,196

(TRANSLATION FOR REFERENCE ONLY)

(4) Notes to Going Concern Assumption

There is no applicable information.