Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2013 [Japanese GAAP]

April 30, 2013

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Stock exchange listing: Tokyo Stock Exchange
Stock code: 9422
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(Figures are rounded down to the nearest million yen.)

1. Financial Results for the Fiscal Year Ended March 31, 2013 (from April 1, 2012 to March 31, 2013)

(1) Non-consolidated Operating Results (Cumulative)

(% are shown as year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2012	209,303	62.6	5,903	19.9	6,034	20.8	3,092	36.3
March 31, 2011	128,694	7.5	4,924	3.2	4,996	3.2	2,269	(0.6)

	Earnings per share (EPS)	Diluted EPS	ROE	ROA	Operating income margin
Fiscal year ended	yen	yen	%	%	%
March 31, 2012	61.46	—	12.9	8.9	2.8
March 31, 2011	50.73	—	11.9	11.1	3.8

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
As of	million yen	million yen	%	yen
March 31, 2013	87,297	28,262	32.4	505.38
March 31, 2012	48,944	19,677	40.2	439.83

(Reference) Equity: March 31, 2013: 28,262million yen March 31, 2012: 19,677 million yen

(3)Cash Flows

	Total assets	Net assets	Equity ratio	Cash and cash equivalents at the end of the year
Fiscal year ended	million yen	million yen	million yen	million yen
March 31, 2012	(7,913)	(11,709)	8,715	1,860
March 31, 2011	3,300	(755)	(1,184)	9,461

2. Dividends

	Annual dividends					Total Amount of dividends	Payout ratio	Dividend on equity
	1Q end	2Q end	3Q end	Year end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended March 31,2012	—	13.25	—	13.25	26.50	1,185	52.2	6.2
Year ending March 31,2013	—	13.25	—	13.25	26.50	1,333	43.1	5.6
Year ending March 31,2014(Forecast)	—	15.75	—	15.75	31.50		40.5	

3. Financial Forecast for Fiscal Year Ending March 31, 2014 (from April 1, 2013 to March 31, 2014)

(% Year-on-year full-year, the display, quarter year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		EPS
	million yen	%	million yen	%	million yen	%	million yen	%	yen
First half	140,000	102.0	3,000	55.6	3,000	51.9	1,650	70.9	29.50
Full year	300,000	43.3	7,800	32.1	7,800	29.3	4,350	40.7	77.79

Notes

(1) Changes in accounting policies, changes in accounting estimates and restatements

(i)	Changes in accounting policies due to revision of accounting standards, etc.:	None
(ii)	Changes in accounting policies other than (i) above:	Yes
(iii)	Changes in accounting estimates:	Yes
(iv)	Restatements:	None

(Note) For details, please refer to “Changes in accounting policy” on page 22 of the Appendix.

(2) Number of shares issued (common stock)

(i) Number of shares issued as of the end of period (including treasury stock)	As of March 31,2013	55,923,000 shares	As of March 31,2012	44,738,400 shares
(ii) Number of shares of treasury stock as of the end of period	As of March 31,2013	254 shares	As of March 31,2012	254 shares
(iii) Average number of shares during the period (cumulative)	As of March 31,2013	50,315,124 shares	As of March 31,2012	44,738,146 shares

(Note) For the number of shares used as the basis for the calculation of net income per share, please refer to "Per Share Information" on page 33.

*** Indication of implementation status of quarterly review procedures**

- This financial report is not subject to the audit procedures based on the Financial Instruments and Exchange Act, at the time of disclosure of this financial report, financial instruments Audit procedures based on the financial statements and Exchange Act have not been completed.

*** Explanation of appropriate use of financial forecasts and other special notes**

- Financial forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as at the time of preparing this report. The Company does not guarantee that any forecasts would be met. Actual results may vary significantly from the forecasts due to a wide range of factors. For information on assumptions of the financial forecasts and matters to be heeded upon using the financial forecasts, please refer to “Qualitative Information on Financial Forecasts” on page 2 of the Appendix.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

In the fiscal year under review, there were signs of a correction in the yen's appreciation and a recovery of share prices in the second half of the year due to the bold economic and fiscal policy changes by the new administration. However, the employment and personal income situation did not improve due in part to prolonged deflation, and the Japanese economy remained uncertain.

In the mobile phone market in which the Company conducts business activities, sales were brisk, due in part to the ongoing strong consumer appetite for smartphones and the growing demand to replace mobile phones with LTE handsets.

In such a business climate, the Company merged with Panasonic Telecom Co., Ltd. on October 1, 2012. In order to maximize synergies from the merger, the Company actively promoted integration of organizations and sites, as well as the centralizing of information systems. In order to further enhance smartphone sales as the market has been invigorated, the Company relocated and renovated carrier-certified shops, and endeavored to improve efficiency and customer satisfaction by educating shop staff and sharing sales expertise. This led to an increase in the number of units sold by 40.9% year-on-year to 2,550,000 units.

As a result, the Company's financial results for this fiscal year were 209,303 million yen in net sales (up 62.6% year-on-year), 5,903 million yen in operating income (up 19.9%), 6,034 million yen in ordinary income (up 20.8%), and 3,092 million yen in net income (up 36.3%).

The financial results of each business segment were as follows.

(Consumer Business)

In addition to enhancing its network of carrier-certified shops following the merger, the Company actively relocated and renovated carrier-certified shops (which mainly involved installing more customer service counters and expanding space where customers could try out smartphones) to meet the strong demand for smartphones, which led to an increase in the number of units sold.

As a result, net sales increased 68.9% year-on-year to 191,546 million yen, and operating income increased 45.0% to 7,276 million yen.

(Corporate Business)

In response to the increased customer base following the merger, the Company pushed ahead with the cross-selling of services for a variety of corporate customers, including the "E-PORTER" line management service and "Managed Services," the mobile phone management outsourcing services. But the Company failed to encourage companies to replace mobile phone handsets with smartphones amidst the continued curbing of investment by companies, and these efforts were insufficient to offset the decrease in commissions from telecom carriers.

Consequently, net sales increased 16.4% year-on-year to 17,757 million yen, but operating income decreased 11.7% to 1,859 million yen.

- **Outlook for the next term**

There is a sense of hope for recovery in the Japanese economy due to economic policies brought in by the new administration, but the consumer spending and personal income situations will remain challenging and the situation, including a departure from deflation, will remain difficult to foresee. In the mobile phone market, consumer appetite for smartphones will remain strong, and the both demand to replace mobile phones with LTE handsets and sales of tablets are expected to increase steadily. In the meantime, the selling of smartphones requires extensive product knowledge and skills to provide explanations, therefore sales agents need to actively recruit competent sales staff and train them on a continuous basis, even more so than before, as well as focus on their own customer handling process to reduce the waiting times for customers who come to the shops.

In such a climate, the Company merged with Panasonic Telecom Co., Ltd. on October 1, 2012. As a result, the Company became a leading company with high market shares in all regions nationwide. The Company entered the new fiscal year on April 1, 2013, under the leadership of the new President. We aim to lead growth mainly in the smartphone market and, more than ever before, to improve employee satisfaction and create customer service hubs that ensure a high level of customer satisfaction.

With regard to the earnings forecast for the full year, we expect: the number of units sold to increase 36.9% year on year to 3.5 million units; net sales to increase 43.3% to 300,000 million yen; operating income to increase 32.1% to 7,800 million yen; ordinary income to increase 29.3% to 7,800 million yen; and the net income for the period to increase 40.7% to 4,350 million yen. The above forecast takes into consideration possible events that are envisaged at present. Should an event that may have a significant impact on the earnings forecast be expected, the Company shall disclose such fact promptly.

(2) Analysis of Financial Position

(1) Status of Assets, Liabilities and Net Assets

(Current assets)

Current assets increased by 20,833 million yen from the end of the previous fiscal year to 63,140 million yen. This was mainly due to the increase in accounts receivable-trade by 17,611 million yen, the increase in accounts receivable-other by 5,673 million yen, the increase in merchandise and finished goods by 3,097 million yen, the increase in deferred tax assets by 1,227 million yen and the decrease in securities due to withdrawal of negotiable deposits by 8,100 million yen, etc., following the merger with Panasonic Telecom Co., Ltd.

(Noncurrent assets)

Noncurrent assets increased by 17,518 million yen from the end of the previous fiscal year to 24,156 million yen. This was mainly due to the increase in property, plant and equipment by 2,499 million yen, the increase in the right of carrier shop management by 13,409 million yen, the increase in goodwill by 1,376 million yen, the increase in lease and guarantee deposits by 1,181 million yen and the decrease in deferred tax assets by 1,212 million yen, etc., following the merger with Panasonic Telecom Co., Ltd.

As a result, total assets increased by 38,352 million yen from the end of the previous fiscal year to 87,297 million yen.

(Current liabilities)

Current liabilities increased by 26,312 million yen from the end of the previous fiscal year to 53,949 million yen. This was mainly due to the increase in short-term loans payable by 9,900 million yen, the increase in accounts payable-trade by 6,787 million yen, the increase in accounts payable-other by 5,501 million yen, the increase in accrued agency commission by 3,142 million yen and the decrease in income taxes payable by 1,453 million yen, etc., following the merger with Panasonic Telecom Co., Ltd.

(Noncurrent liabilities)

Noncurrent liabilities increased by 3,454 million yen from the end of the previous fiscal year to 5,085 million yen. This was mainly due to the increase in provision for retirement benefits by 2,279 million yen, etc., following the merger with Panasonic Telecom Co., Ltd.

As a consequence, total liabilities increased by 29,767 million yen from the end of the previous fiscal year to 59,034 million yen.

(Net assets)

Net assets increased by 8,585 million yen from the end of the previous fiscal year to 28,262 million yen. This was due to the increase in other capital surplus by 6,598 million yen following the merger with Panasonic Telecom Co., Ltd, recording a net income for the current period of 3,092 million yen and dividend payments of 1,185 million yen, etc.

(2) Status of Cash flow

Cash and cash equivalents (hereinafter referred to as “net cash”) at the end of the current fiscal year decreased by 7,601 million yen to 1,860 million yen due to expenditures, etc., following the merger with Panasonic Telecom Co., Ltd.

(Cash flow from operating activities)

Net cash used in operating activities amounted to 7,913 million yen. This was mainly due to the fact that decrease factors, such as the 7,894 million yen increase in notes and accounts receivable-trade, the 2,329 million yen increase in accounts receivable-other, and income taxes paid of 7,977 million yen, exceeded increase factors such as the recording of 5,787 million yen in income before income taxes, the 2,240 million yen increase in notes and accounts payable-trade and the 1,994 million yen increase in accounts payable-other.

(Cash flow from investing activities)

Net cash used in investing activities amounted to 11,709 million yen, due to payments of 9,931 million yen relating to the merger with Panasonic Telecom Co., Ltd. and purchase of property, plant and equipment amounting to1,276 million yen.

(Cash flow from financing activities)

Net cash provided by financing activities totaled 8,715 million yen. This was because the net increase in short-term loans payable of 9,900 million yen exceeded cash dividends paid of 1,184 million yen.

(Reference) Changes in cash flow related indicators

	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013
Equity ratio	41.7	44.0	45.3	40.2	32.4
Market-value equity ratio	42.0	60.0	51.0	47.9	51.4
Cash flow to interest-bearing debt ratio	—	—	—	—	—
Interest coverage ratio	—	—	—	—	—

(Note) 1. Equity ratio: Equity / total assets

2. Market value equity ratio: market capitalization / total assets
*Market capitalization is calculated by multiplying the stock's closing price at the term end by the number of outstanding shares at term end.

3. The Company had no interest-bearing debt prior to the year ended March 31, 2012, and the operating cash flow in the year ended March 31, 2013 was negative. Accordingly, the cash flow to interest-bearing debt ratio and the interest coverage ratio are not stated.

(3) Basic policy on profit allocation, and dividend payment for the current and next terms

The Company recognizes the return of profit to shareholders as one of the key issues of management, thus it is vital to improve the satisfaction level of the customers and business partners who support our operating revenue. In addition, as an entity with social responsibility, investment to ensure the continued creation of value for all stakeholders including shareholders is also important in order to maintain a strong management base on a long-term basis.

Based on the above, a dividend payout ratio of over 40% is our basic policy on profit allocation, and we endeavor to maintain stable growth of financial results to ensure steady profit allocation every term. For the fiscal year under review, the Company plans to set the dividend at 26.5 yen per share (interim at 13.25 yen, year-end at 13.25 yen), with a dividend payout ratio of 43.1%.

For the next fiscal year, the Company plans to set the dividend at 31.5 yen per share (interim at 15.75 yen, year-end at 15.75 yen), with a dividend payout ratio of 40.5%.

Internal reserves will be used to enhance carrier-certified shops and other business development to ensure the expansion and the growth of the business.

(4) Business risks

Risks that may impact the operating results and the financial condition of the Company are stated below. Items that do not fall under the category of business risks are also included from the viewpoint of proactive disclosure if an item is deemed significant in terms of investment decision-making by investors. The Company recognizes the potential for these risks, and then endeavors to avoid their occurrence, as well as to localize and minimize the impact, should the risks materialize. The decision to invest in the Company, however, must ultimately lie with the measured judgment and self-responsibility of the investor. Items concerning the future in the text below have been recognized by the Company as of the filing date.

<Social, economic and regulatory risks>

(1) Personal information leakage, etc.

The Company deals with a large amount of personal information disclosed by users to communication carriers when contracts are concluded and personal information disclosed by users to the Company when marketing solutions are provided. The Company continues with its efforts to maintain a watertight management system by complying with the strict rules and manuals of the communication carriers, by endeavoring to train employees and manage business partners, and by obtaining ISO27001 (see note 2) certification for the departments that accumulate personal information (see note 1), among other efforts. However, in the unlikely event that a leak occurs, the Group may be held responsible by its business partners, the Group's reputation may suffer, and the financial results of the Group may be significantly impacted.

Note 1. Certified departments: Call Center, Distribution Center, Corporate Sales department (Head Office, branch offices and business centers) and solution-service related departments.
2. International Standards for information security management systems

<Risks concerning business strategy>

(2) Concentration on mobile phone agency business

The sales of the Company are mostly from the mobile phone agency business. As mobile phones are indispensable lifestyle items for more than 100 million customers, steady demand is expected in the mobile phone market, and the popularity of smartphones will contribute to further expansion of the market. However, if mobile phone services and the products themselves lose their appeal and sales significantly contract, this may impact the financial results of the Company. In addition, a key characteristic of the industry is that communication carriers are involved with the manufacture of mobile phone handsets from the planning stage, and afterwards they buy the handsets from manufacturers in bulk, and set the sales commission for new contracts to drive down actual sale prices in order to promote sales. Therefore, if communication carriers see a drop in communication fee income, which is a source of sales commission, this may impact the revenue of the Company.

(3) Business expansion through business acquisitions, etc.

The Company merged with Panasonic Telecom Co., Ltd. on October 1, 2012 for business expansion. Goodwill emerging as a result of the merger may impact the financial position and the financial results of the Company. Furthermore, depending on the market trends and economic environment, there is no guarantee that the merger will generate the results that were originally anticipated, and this may impact the revenue of the Company. The Company may take similar actions for business expansion in the future, which may impact the revenue of the Company.

<Risks relating to the market and competition>

(4) Changes in the selling prices of mobile phones, etc.

The mobile communication industry underwent rapid development as a result of the positive growth cycle whereby new products and services became available one after another due to innovation in IT and wireless technology, and these were highly valued mainly by the younger generation. As recent demand is mainly for replacement products, communication carriers are increasingly inclined to compete amongst one another to acquire clients. Under such circumstances, mobile phones are sold on installment plans and thus market selling prices are less likely to fluctuate, but selling prices may still change. The Company receives various fees from communication carriers for handling communication service contracts that are associated with the sale of mobile phone handsets. Therefore, even if the conditions for the sale of handsets alone deteriorate, we endeavor to secure overall revenue. However, if significant changes occur in the conditions for commission fees with communication carriers, this may impact the financial results of the Company. As competition between communication carriers intensifies, competition between sales agents such as the Company will also become more severe. Competition with other agents to obtain and secure sales channels may cause a decrease in the profit ratio, which may result in the fluctuation of the financial results of the Company.

(5) Impact of communication carriers' business policies

The Company obtains commissions from communication carriers for handling new contracts and changes to existing contracts and after-sale service. The commission system is different for each business operator, and the type, unit price, subject period, subject clients and content of the service for fee payment, the ratio against the communications fees paid, etc., may be reviewed accordingly depending on each communication carrier's performance and sales policy. Furthermore, it is required in the agency contract with the communication carrier that if a user who has entered into a contract via the Company cancels the contract within a certain period, the Company must return part of the commission which was paid to the Company by the communication carrier at the time of the contract. Agency contracts with communication carriers that underline these transactions are usually renewed automatically every year, although the contract can be dissolved either by the communication carrier or the Company by advance notice. In the fiercely competitive environment expected in the future, the Company believes that sales agents which hold significant sales channels of both mass retailers and carrier-certified store shops, such as the Company, will be given priority over other sales agents in commission fee allocations, and the Company will strive to remain an essential sales agent for communication carriers.

(6) Constraints in store development

Due partly to higher functions of mobile phone handsets and more complicated fee structures, the quality of after-sale service is becoming more important as a criterion when a customer selects a communication carrier. On the part of communication carriers as well, it is thought that the focus will shift in the future to marketing activities for customer retention by improving customer loyalty in addition to obtaining new customers. Therefore, the raison d'être of carrier-certified shops will increase as the carrier-certified shops deal exclusively with a particular communication carrier's products and services, provide skilled staff, and function just like the communication carrier's own contact point by providing fee plan consultations and repairs as well as handset sales. The Company has carrier-certified shops across the country based on the service agreement which is attached to the agency agreement with the communication carrier (the Company operates 269 stores in addition to 151 stores for which the Company has a contractual right to agency agreement but which are operated by third parties; the number of stores is as of March 31, 2013), and the Company intends to continue its aggressive opening of new stores and its review of locations from the viewpoint of profitability. However, the entity operating a carrier-certified shop is selected by the communication carrier, and there are many carrier-certified stores that already exist in the market, with limited room for new stores, and thus things may not go according to plan. In cases where store operation is contracted out to a third party, the management policy of the third party may affect the service quality of the Company's network of stores, as a result of which the financial results of the Company may be affected.

(7) Concentration of sales and purchases on NTT Docomo, Inc.

The main business of the Company is the sale of mobile phone handsets and communication services of NTT Docomo, Inc. NTT Docomo Inc. is the leading company in the industry with about a 47% share of mobile phone subscribers as of the end of March 2013 (source: Telecommunications Carriers Association). The Company has shared marketing strategies with NTT Docomo Inc. from the earliest days of the mobile phone market, and has invested management resources in expanding Docomo shops and developing strong sales channels such as major mass retailers, which together contribute considerably to the Company's high profitability. However, if a situation occurs where the Company's customer base contracts drastically due, for example, to competition between communication carriers, this may impact the financial results of the Company.

[Commission income]

	Year ended March 31, 2012		Year ended March 31, 2013	
	Net sales (million yen)	Component ratio (%)	Net sales (million yen)	Component ratio (%)
Commission income (NTT Docomo Inc.)	38,971	76.5	54,191	79.4
Total commission income	50,945	100.0	68,284	100.0

[Cost of purchased goods]

	Year ended March 31, 2012		Year ended March 31, 2013	
	Purchase of goods (million yen)	Component ratio (%)	Purchase of goods (million yen)	Component ratio (%)
Cost of purchased goods (NTT Docomo Inc.)	64,193	77.7	121,984	84.3
Total cost of purchased goods	82,599	100.0	144,743	100.0

The agency agreement with NTT Docomo Inc., which forms the presupposition of the main business activities of the Company, is automatically renewed every year, but the agreement can be terminated by either or both the communication carrier and the Company with a three-month notice period. The agreement can also be terminated with immediate effect for the following reasons.

・If either party falls under a situation of seizure, liquidation, rehabilitation or reorganization procedure, suspension of business or dissolution, or carries out an act which ruins its own credibility or reputation, or carries out an act that severely damages the relationship of mutual trust.

・If the Company carries out a fraudulent act such as falsely levying charges on or reporting to customers.

Furthermore, if the management of the Company or the shareholder composition undergoes a major change and the performance of the agency is deemed difficult, the agreement can be terminated. As of the date of filing, no such circumstances exist.

<Risks relating to human resources>

(8) Securing necessary personnel

The Company regards securing competent sales staff to improve customer satisfaction as an ongoing task, and competition to secure sales staff may occur with other companies in the industry in pursuit of developing sales channels. The Company prioritizes resource allocation, for example by increasing the ratio of permanent employees among shop staff and providing ample training, as well as conducting employee satisfaction surveys on a regular basis. In light of the fact that the ratio of female employees is high, the Company takes notice of the work-life balance of its employees by improving the maternity leave system. However, if the Company is unable to secure sales staff as planned, this may impact the financial results of the Company.

<Risks relating to the parent company>

(9) Relationship with the parent company

As of the filing date, ITOCHU Corporation is the parent company and owns 48.3% of the outstanding shares of the Company. However, the business and human relationships are limited As a result, if the capital relationship with the parent company were to change, the impact on the business would be minor.

2. Corporate group

The corporate group consists of the Company, ITCN Assist Corporation (a wholly-owned subsidiary to promote the employment of people with disabilities, unconsolidated) and ITC Networks USA, Inc. (unconsolidated). The Group's core business is to serve as a sales agency for mobile phones, which involves acting as an intermediary for concluding mobile phone contracts, providing after-sales services to subscribers, and selling mobile phone handsets, etc.

"Intermediary for concluding... contracts" of communication services refers to acting as an intermediary based on agency agreements with communication carriers (such as NTT Docomo Group, KDDI Group, Softbank Mobile Corp.) to conclude contracts of electric communications services provided by the communication carrier with regard to consumers and corporate clients. The Company receives commissions from the communication carrier at the time of conclusion of contract and during certain subsequent periods. The Company also receives commissions relating to various after-sales services for customers at carrier-certified shops (such as Docomo shops, AU shops and Softbank shops). The "[sale of] mobile phone handsets" refers to sale of mobile communication terminals such as mobile phones and mobile computers purchased from communication carriers, etc., to consumer clients and corporate clients.

The Company carries out these business activities at major camera shops, home electronics mass retailers and carrier-certified shops, as well as in the corporate sales departments.

(1) Consumer business

In the consumer business, the Company acts as an intermediary for concluding contracts for mobile phones and other communications services, provides after-sales services and sells handsets, etc., targeted at consumer clients. The Company has two main sales channels: major camera shops/home electronics mass retailers, and carrier-certified shops. The Company does not operate small shops that specialize in the sale of mobile phone handsets without after-sale services.

(2) Corporate business

In the corporate business, the Company mainly acts as an intermediary for concluding contracts for mobile phones and other communication services, provides after-sales services and sells mobile phone handsets, etc., targeted at corporate clients. The Company also offers solution services using smartphones and marketing solutions using mobile phones (a leading example of such a service is “Mobile Mill,” a mobile research service provided in cooperation with Macromill, Inc.) and provides prepaid services to convenience stores (such as ticketing services via multi-media terminals located in convenience stores), internet connection services and M2M solutions (such as technology for the mutual automated collection, management and control of information between networked machines).

3. Management policy

(1) Basic company management policy

Based on our desire to continually strive to create a value chain with all of our stakeholders, the corporate philosophy of the Company is to uphold management for human dignity and contribute to society by improving the value of individuals and the Company, and the Company advocates the basic stance of being independent-minded, fair and sincere.

In our IT society, where broadband and ubiquitous technology continue to advance, the Company strives for speedy business development to always provide new products and services from the viewpoint of customers and expand the value chain based on the characteristics of the Company as the contact point with customers.

(2) Management indicators to target

In addition to increasing net income, which is the ultimate result of corporate activities, the Company also adopts ordinary income as an important management benchmark which indicates the overall earning capacity of its business activities. Therefore, the Company strives to increase income and carry out appropriate investment in order to ensure the continued improvement of these values.

(3) Mid to long-term management strategy

In the mobile phone market, the popularization of smartphones and the arrival of LTE have presented new lifestyles for users, and the market has been invigorated. The shift from mobile phones to smartphones, which are LTE terminals, continues, and sales of LTE terminals are expected to continue to increase.

In such a market environment, the Company merged with Panasonic Telecom Co., Ltd., on October 1, 2012, and thus expanded its business scale and enhanced its revenue base. In order to maximize the effect of the merger, the Company is endeavoring to promote the sharing of the excellent skills and expertise that have been accumulated to date, and to continue to provide sales spaces suited to the sale of smartphones through floor space expansion, relocations and renovations in the Company's two main sales channels: major camera shops/home electronics mass retailers and carrier-certified shops. At the same time, the Company strives to further improve the quality of customer relations in order to secure customer loyalty, and to lead market stimulation and expansion. As for the corporate channel, in addition to basic business of acting as an intermediary for concluding contracts and providing after-sales services, in order to secure customer trust and thus expand the customer base, the Company intends to support customers in streamlining mobile phone management and to suggest ideas for using smartphones and tablets for more maneuverable marketing activities and visual sales promotion.

In addition to the above, the Company will endeavor to explore new sources of earnings such as internet connection services and strengthening its M2M solutions.

(4) Management issues requiring action

Since the merger with Panasonic Telecom Co., Ltd., on October 1, 2012, the Company proceeded with the integration of the two companies, and the Company regards the maximization of the effect of the merger and improvement in corporate value as the biggest challenges for the next fiscal year. In addition, the Company will continue striving for the following goals that are identified as management tasks.

(1) For growth

Making full use of the enhanced customer contact and customer base following the merger, the Company will strive to strengthen its sales capacity by providing sales spaces that respond to the changes in the purchasing behavior of customers, and will active invest in creating customer contact points such as the Call Center and Help Desk. In addition, by identifying services and products that are desired by customers, and by providing added value, the Company will strive to improve customer satisfaction for consumer clients of mass retailers and shops. For corporate clients, the Company will endeavor to build a win-win relationship with customers so that the

Company will be chosen as their best partner. Furthermore, in order to cultivate various earnings sources other than communication carriers, the Company will bring together management resources from related areas and proceed with diversifying the earning sources based on the strength and experience of the Company.

(2) Pursuit of effectiveness

Making use of the more varied skills and expertise resulting from the merger, the Company will strive to promote stable employment and improved productivity on the sales front. In addition, the Company will endeavor to further reduce costs by promoting streamlining via economy of scale, e.g. bulk purchase, by reviewing duplicate operations mainly in indirect operations and by optimizing staff assignment in response to changes in the environment.

(3) Human resource development and contribution to society

The Company will develop employees who take the initiative to impress customers, and will create a corporate climate where such initiative is mutually praised. In addition, the Company will maintain high awareness of compliance and pay thorough attention to information security. Activities to contribute to the community and the environment will also be maintained.

3.Quarterly Non-Consolidated Financial Statements

(1) Quarterly Non-Consolidated Balance Sheets

(Million yen)

	Previous fiscal year (March 31, 2012)	Current fiscal year (March 31, 2013)
Assets		
Current assets		
Cash and deposits	1,242	1,566
Accounts receivable-trade	19,511	37,122
Securities	8,100	—
Merchandise and finished goods	6,186	9,284
Raw materials and supplies	34	100
Prepaid expenses	368	606
Deferred tax assets	1,055	2,283
Accounts receivable-other	5,693	11,366
Deposits paid	118	293
Other	0	539
Allowance for doubtful accounts	(3)	(23)
Total current assets	42,306	63,140
Noncurrent assets		
Property, plant and equipment		
Buildings	1,686	3,416
Accumulated depreciation	(893)	(1,301)
Buildings, net	792	2,114
Structures	106	188
Accumulated depreciation	(66)	(72)
Structures, net	40	116
Machinery and equipment	—	14
Accumulated depreciation	—	(0)
Machinery and equipment, net	—	14
Tools, furniture and fixtures	2,031	3,076
Accumulated depreciation	(1,635)	(1,657)
Tools, furniture and fixtures, net	396	1,418
Land	—	64
Total property, plant and equipment	1,229	3,728
Intangible assets		
Goodwill	944	2,321
Software	505	588
Software in progress	7	—
The right of career shop management	—	13,409
Other	8	8
Total intangible assets	1,466	16,327

(Million yen)

	Previous fiscal year (March 31, 2012)	Current fiscal year (March 31, 2013)
Investments and other assets		
Investment securities	361	485
Stocks of subsidiaries and affiliates	70	54
Long-term prepaid expenses	63	162
Lease and guarantee deposits	2,164	3,346
Deferred tax assets	1,212	—
Other	147	134
Allowance for doubtful accounts	(77)	(84)
Total investments and other assets	3,942	4,099
Total noncurrent assets	6,637	24,156
Total assets	48,944	87,297
Liabilities		
Current liabilities		
Accounts payable-trade	11,836	18,623
Accrued agency commission	※1 3,055	※1 6,197
Short-term loans payable	—	9,900
Accounts payable-other	6,205	11,706
Accrued expenses	1,883	2,828
Income taxes payable	1,475	22
Advances received	8	83
Deposits received	811	1,588
Provision for bonuses	2,010	2,585
Provision for directors' bonuses	27	24
Other	322	388
Total current liabilities	27,637	53,949
Noncurrent liabilities		
Provision for retirement benefits	1,475	3,755
Provision for directors' retirement benefits	19	8
Deferred tax liabilities	—	672
Asset retirement obligations	8	376
Other	126	272
Total noncurrent liabilities	1,630	5,085
Total liabilities	29,267	59,034

(Million yen)

	Previous fiscal year (March 31, 2012)	Current fiscal year (March 31, 2013)
Net assets		
Shareholders' equity		
Capital stock	2,778	2,778
Capital surplus		
Legal capital surplus	3,180	3,180
Other capital surplus	—	6,598
Total capital surpluses	3,180	9,779
Retained earnings		
Legal retained earnings	5	5
Other retained earnings		
General reserve	2,469	2,469
Retained earnings brought forward	11,085	12,992
Total retained earnings	13,560	15,467
Treasury stock	(0)	(0)
Total shareholders' equity	19,520	28,025
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	157	236
Total valuation and translation adjustments	157	236
Total net assets	19,677	28,262
Total liabilities and net assets	48,944	87,297

(2)Quarterly Non-Consolidated Statements of Income

(Million yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Net sales		
Net sales of goods	77,749	141,019
Commission income	50,945	68,284
Total net sales	128,694	209,303
Cost of sales		
Beginning goods	5,209	6,186
Transfer of goods by merger	—	2,169
Cost of purchased goods	82,599	144,743
Total	87,808	153,100
Transfer to other account	※1 20	※1 —
Ending goods	6,195	9,336
Valuation loss on goods	8	52
Cost of goods sold	81,601	143,816
Agent fee	18,993	28,295
Total cost of sales	100,594	172,112
Gross profit	28,099	37,191
Selling, general and administrative expenses		
Directors' compensations	146	167
Salaries and allowances	5,977	8,491
Bonuses	591	277
Provision for bonuses	2,010	2,585
Provision for directors' bonuses	26	24
Retirement benefit expenses	339	520
Legal welfare expenses	1,653	2,347
Temporary staffing expense	1,640	2,226
Packing and delivery expenses	223	283
Promotion expenses	1,959	2,564
Communication expenses	463	629
Rents	2,565	3,299
Repair and maintenance	590	745
Business consignment expenses	686	1,160
Rent expenses	57	99
Depreciation	637	1,256
Amortization of goodwill	785	804
Provision of allowance for doubtful accounts	13	12
Bad debts expenses	—	0
Other	2,807	3,791
Total selling, general and administrative expenses	23,175	31,288
Operating income	4,924	5,903

(Million yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Non-operating income		
Interest income	0	0
Interest on securities	7	3
Dividends income	14	14
Income related to sales contest	34	23
Support money of store move etc income	17	92
Other	33	41
Total non-operating income	107	176
Non-operating expenses		
Interest expenses	—	17
Loss on sales and retirement of noncurrent assets	※2 29	※2 22
Payment compensation expenses	4	—
Other	1	5
Total non-operating expenses	34	45
Ordinary income	4,996	6,034
Extraordinary income		
Gain on sales of noncurrent assets	※3 5	※3 0
Total extraordinary income	5	0
Extraordinary loss		
Loss on valuation of golf club membership	5	20
Loss on valuation of stocks of subsidiaries and affiliates	—	26
Loss on closing of stores	※4 22	※4 54
Loss on sales and retirement of noncurrent assets	※5 8	※5 27
Impairment loss	※6 38	※6 115
Other	1	2
Total extraordinary losses	76	247
Income before income taxes	4,925	5,787
Income taxes-current	2,322	565
Income taxes-deferred	333	2,129
Total income taxes	2,655	2,695
Net income	2,269	3,092

(3)Statement of changes in net assets

(Million yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	2,778	2,778
Balance at the end of current period	2,778	2,778
Capital surplus		
Legal capital surplus		
Balance at the beginning of current period	3,180	3,180
Balance at the end of current period	3,180	3,180
Other capital surplus		
Balance at the beginning of current period	—	—
Changes of items during the period		
Increase by merger	—	6,598
Total changes of items during the period	—	6,598
Balance at the end of current period	—	6,598
Total capital surplus		
Balance at the beginning of current period	3,180	3,180
Changes of items during the period		
Increase by merger	—	6,598
Total changes of items during the period	—	6,598
Balance at the end of current period	3,180	9,779
Retained earnings		
Legal retained earnings		
Balance at the beginning of current period	5	5
Balance at the end of current period	5	5
Other retained earnings		
General reserve		
Balance at the beginning of current period	2,469	2,469
Balance at the end of current period	2,469	2,469
Retained earnings brought forward		
Balance at the beginning of current period	10,001	11,085
Changes of items during the period		
Dividends from surplus	(1,185)	(1,185)
Net income	2,269	3,092
Total changes of items during the period	1,084	1,906
Balance at the end of current period	11,085	12,992
Total retained earnings		
Balance at the beginning of current period	12,476	13,560
Changes of items during the period		
Dividends from surplus	(1,185)	(1,185)
Net income	2,269	3,092
Total changes of items during the period	1,084	1,906
Balance at the end of current period	13,560	15,467

(Million yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Treasury stock		
Balance at the beginning of current period	(0)	(0)
Balance at the end of current period	(0)	(0)
Total shareholders' equity		
Balance at the beginning of current period	18,436	19,520
Changes of items during the period		
Dividends from surplus	(1,185)	(1,185)
Increase by merger	—	6,598
Net income	2,269	3,092
Total changes of items during the period	1,084	8,505
Balance at the end of current period	19,520	28,025
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	179	157
Changes of items during the period		
Net changes of items other than shareholders' equity	(22)	79
Total changes of items during the period	(22)	79
Balance at the end of current period	157	236
Total valuation and translation adjustments		
Balance at the beginning of current period	179	157
Changes of items during the period		
Net changes of items other than shareholders' equity	(22)	79
Total changes of items during the period	(22)	79
Balance at the end of current period	157	236
Total net assets		
Balance at the beginning of current period	18,615	19,677
Changes of items during the period		
Dividends from surplus	(1,185)	(1,185)
Increase by merger	—	6,598
Net income	2,269	3,092
Net changes of items other than shareholders' equity	(22)	79
Total changes of items during the period	1,061	8,585
Balance at the end of current period	19,677	28,262

(4)Quarterly Non-Consolidated Cash Flows

(Million yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes	4,925	5,787
Depreciation and amortization	637	1,256
Amortization of goodwill	785	804
Impairment loss	38	115
Increase (decrease) in allowance for doubtful accounts	13	11
Increase (decrease) in provision for bonuses	498	(521)
Increase (decrease) in provision for directors' bonuses	10	(3)
Increase (decrease) in provision for retirement benefits	322	544
Interest and dividends income	(22)	(18)
Interest expenses	—	17
Decrease (increase) in notes and accounts receivable-trade	(5,355)	(7,894)
Decrease (increase) in accounts receivable-other	(1,234)	(2,329)
Decrease (increase) in inventories	(996)	(931)
Increase (decrease) in notes and accounts payable-trade	3,345	2,240
Increase (decrease) in accounts payable-other	1,339	1,994
Other, net	637	(1,031)
Subtotal	4,943	42
Interest and dividends income received	22	18
Interest expenses paid	—	(16)
Income taxes paid	(1,702)	(7,977)
Other, net	37	19
Net cash provided by (used in) operating activities	3,300	(7,913)
Net cash provided by (used in) investing activities		
Purchase of stocks of subsidiaries and affiliates	(40)	(10)
Purchase of property, plant and equipment	(362)	(1,276)
Purchase of intangible assets	(294)	(221)
Payments for lease and guarantee deposits	(90)	(345)
Proceeds from collection of lease and guarantee deposits	84	179
Payments by merger	—	(9,931)
Other, net	(52)	(102)
Net cash provided by (used in) investing activities	(755)	(11,709)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	—	9,900
Cash dividends paid	(1,184)	(1,184)
Net cash provided by (used in) financing activities	(1,184)	8,715
Net increase (decrease) in cash and cash equivalents	1,360	(10,907)
Cash and cash equivalents at beginning of period	8,100	9,461
Increase in cash and cash equivalents resulting from merger	—	3,306
Cash and cash equivalents at end of period	※1 9,461	※1 1,860

(5) Notes to Financial Statements

(Notes on premise of going concern)

Not applicable.

(Significant accounting policies)

1. Standards and methods of valuation of securities

(1) Stocks of majority-owned subsidiaries

Stated at cost using the moving-average method

(2) Other securities

Securities with available fair market values

Market value method using market value at year-end

(Unrealized gains and losses are reported in a separate component of equity, and costs of sales are determined by moving average)

Securities with no available fair market value

Stated at cost using the moving-average method

2. Valuation standards and methods for inventory assets

Inventory assets held for ordinary sale purposes

Stated at cost using the moving-average method (The balance sheet amount is calculated by reducing the book value when the contribution of inventories to profitability declines.)

3. Depreciation of noncurrent assets

(1) Property, plant and equipment (excluding lease assets)

Straight-line method

Main useful lives are as follows.

Buildings	2-50 years
Structures	2-20 years
Machinery and equipment	17 years
Tools, furniture and fixtures	2-20 years

(2) Intangible assets (excluding lease assets)

Straight-line method

Main depreciation periods are as follows.

Goodwill	5 years or 20 years
Software	3-5 years
The right of carrier shop management	20 years

(3) Lease assets

Lease investment assets in non-ownership-transfer finance lease transactions for which the lease started before March 31, 2008 are treated according to a method equivalent to the method used for ordinary leasehold transactions.

4. Accounting standards for reserves

(1) Allowance for doubtful accounts

To provide for possible losses on collection, the estimate amount of irrecoverable debt is set aside.

a. Receivable in general

Historical write-off ratio

b. Doubtful accounts receivable, claims provable in bankruptcy or rehabilitation, etc.

By assessment of financial condition

(2) Provision for bonuses

To provide for the expenses of supplying employees with bonuses, the projected amount is set aside.

(3) Provision for directors' bonuses

To provide for expenses of supplying directors with bonuses, the projected amount is set aside.

(4) Provision for retirement benefits

To provide for retirement benefits for employees, the estimated amount based on the retirement benefit obligations at year end is set aside.

Past service liability and the actuarial difference is prorated in proportion to a certain number of years (5 years) within the average remaining years of service of employees at the time of occurrence in each year and recorded as expenses in the respective year of occurrence.

(5) Provision for directors' retirement benefits

To provide for retirement benefits for directors and auditors, the necessary amount according to internal rules of retirement benefits for directors and corporate auditors at the end of the fiscal term is set aside.

The system of Directors' retirement benefits was abolished as of June 22, 2006. The amount equivalent of the directors' retirement benefits up to the abolishment is payable, however, upon the retirement of each director, as a result of which the amount that needs to be provided is set aside.

5. Scope of funds in the statement of cash flows

In addition to cash on hand and demand deposits, funds are mainly comprised of deposits with Sohgo Security Services Co., Ltd., and short-term investments with maturities of less than 3 months which can easily be converted into cash and bear minimum risk of fluctuation in value.

The deposits with Sohgo Security Services Co., Ltd. arise from the service provided by the company, which collects cash from the cash deposit machines at mobile phone shops by security vehicle.

6. Other significant matters regarding preparation of financial statements

Consumption taxes

Consumption tax and local consumption tax are accounted for by the tax exclusion method.

(Changes in accounting policy)

(Change in depreciation method and review of useful life of tangible noncurrent assets)

From this fiscal year, the Company changed the depreciation method of tangible noncurrent assets from the declining balance method to the straight line method. In conjunction with this, the useful life of store facilities was changed to seven years in principle.

The declining balance method had conventionally been adopted as the depreciation method, as it was deemed reasonable in an environment where the number of units sold per store was on a downward trend. However, the decrease in the number of units sold is coming to a halt, thanks to the release of smartphones. Also, handsets are gaining a higher status as a social infrastructure in line with changes in the environment surrounding the mobile phone sales business, and ongoing, stable services related to handsets provided by stores are becoming increasingly important in relative terms. For these reasons, the Company determined that it would be more reasonable to depreciate facilities based on the straight line method, whereby expenses are borne evenly over the duration during which the facilities are used. After having clarified its in-house policy to promote the relocation/renovation of stores in pursuit of customer service, the Company decided to change the depreciation method from this fiscal year.

Also, having clarified its store relocation/renovation policies and changed the depreciation method as described above, the Company considered reviewing the estimated usable period of store facilities; as a result, the useful lives of store facilities were reviewed and changed principally to seven years for the future.

This has resulted in the figures for operating income, ordinary income and income before income tax being higher by 163 million yen each for this fiscal year under review than they would have been under the conventional method.

(Accounting standards yet to be adopted)

・“Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012)
・“Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012)

(1) Outline

Under this standard, etc., the method of calculating the retirement benefit obligations and service costs was revised from the viewpoint of improving financial reporting and in accordance with international trends.

(2) Expected date of adoption

The Company plans to adopt these standards from the beginning of the year ending March 31, 2015.

(3) Impact of adopting the standard

The effect will be assessed while financial statements are being prepared.

(Notes to non-consolidated balance sheets)

*1. Accrued agency commission is the amount of agency commission (cost of sales) the Company has to pay.

(Notes to the non-consolidated statements of income)

Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
*1. Details of transfers to other accounts are as follows. Investments and other assets 20 million yen	*1. —
*2. The details of losses on sales and retirement of noncurrent assets are as follows. Buildings 24 million yen Tools, furniture and fixtures 5 million yen Total 29 million yen The above losses on sales and retirement of noncurrent assets occur routinely in business activities.	*2. The details of losses on sales and retirement of noncurrent assets are as follows. Buildings 13 million yen Structures 0 million yen Tools, furniture and fixtures 8 million yen Total 22 million yen The above losses on sales and retirement of noncurrent assets occur routinely in business activities.
*3. The details of gains on sales of noncurrent assets are as follows. Buildings 2 million yen Tools, furniture and fixtures 2 million yen Total 5 million yen	*3. The details of gains on sales of noncurrent assets are as follows. Tools, furniture and fixtures 0 million yen
*4.The details of losses on closing of stores are as follows. Tools, furniture and fixtures 0 million yen Sundry expenses 21 million yen Total 22 million yen	*4. The details of losses on closing of stores are as follows. Buildings 0 million yen Tools, furniture and fixtures 0 million yen Sundry expenses 54 million yen Total 54 million yen
*5. The details of losses on sales and retirement of noncurrent assets are as follows. Buildings 3 million yen Tools, furniture and fixtures 5 million yen Other 0 million yen Total 8 million yen	*5. The details of losses on sales and retirement of noncurrent assets are as follows. Buildings 21 million yen Structures 2 million yen Tools, furniture and fixtures 2 million yen Other 0 million yen Total 27 million yen

Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
*6. Impairment loss (1) Assets for which impairment loss was recognized (1) Consumer business Use: Service assets for shops and MVNO Type: Buildings, tools, furniture and fixtures, software and long-term prepaid expenses Location: Head Office and shops (Tokyo, Kanagawa, Osaka, Kagawa and Ehime) (2) Corporate business Use: Office Type: Buildings, tools, furniture and fixtures Location: Ibaraki and Okayama (2) Dealing with impairment losses The prospects of the assets in the consumer business and the corporate business fell below the original business plan and the book value of the assets for the particular use was deemed uncollectable, therefore the total amount of the book value was written down. (3) Details of impairment losses (1) Consumer business Buildings: 24 million yen Tools, furniture and fixtures: 7 million yen Software: 3 million yen Long-term prepaid expenses: 0 million yen Total: 36 million yen (2) Corporate business Buildings: 1 million yen Tools, furniture and fixtures: 0 million yen Total: 1 million yen (4) Overview of the asset group for which impairment loss was recognized and the method of grouping the assets In the consumer business, assets are grouped by each shop and each service business, and the remaining assets are grouped by department. In the corporate business, assets are grouped by office and shop, and the remaining assets are grouped by department.	*6. Impairment loss (1) Assets for which impairment loss was recognized (1) Consumer business Use: Shops Type: Buildings, structures, tools, furniture and fixtures, long-term prepaid expenses, etc. Location: Branch offices and shops (Hokkaido, Niigata, Miyagi, Ishikawa, Saitama, Kanagawa, Tokyo, Aichi, Kyoto, Osaka, Hyogo, Hiroshima, Ehime, Kagawa and Fukuoka) (2) Corporate business Use: Office Type: Tools, furniture and fixtures Location: Hiroshima (2) Dealing with impairment losses The prospects of the assets in the consumer business and the corporate business fell below the original business plan and the book value of the assets for the particular use was deemed uncollectable, therefore the total amount of the book value was written down. (3) Details of impairment losses (1) Consumer business Buildings: 69 million yen Structures: 2 million yen Tools, furniture and fixtures: 37 million yen Long-term prepaid expenses: 4 million yen Other: 1 million yen Total: 115 million yen (2) Corporate business Tools, furniture and fixtures: 0 million yen (4) Overview of the asset group for which impairment loss was recognized and the method of grouping the assets In the consumer business, assets are grouped by each shop and each service business, and the remaining assets are grouped by department. In the corporate business, assets are grouped by office and shop, and the remaining assets are grouped by department.

(Notes to the non-consolidated statement of changes in net assets)

Previous fiscal year (from April 1, 2011 to March 31, 2012)

1. Notes to number of shares issued

Class of shares	As of beginning of fiscal year	Increase	Decrease	As of end of fiscal year
Common stock	44,738,400	—	—	44,738,400

2. Notes to treasury stock

Class of shares	As of beginning of fiscal year	Increase	Decrease	As of end of fiscal year
Common stock	254	—	—	254

3. Notes to dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 22, 2011	Common stock	592	13.25	March 31, 2011	June 23, 2011
Meeting of Board of Directors held on October 27, 2011	Common stock	592	13.25	September 30, 2011	December 2, 2011

(2) Dividends for which the record date is in the current fiscal year but the effective date is in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 20 2012	Common stock	Retained earnings	592	13.25	March 31, 2012	June 21, 2012

Current fiscal year (from April 1, 2012 to March 31, 2013)

1. Notes to number of shares issued

Class of shares	As of beginning of fiscal year	Increase	Decrease	As of end of fiscal year
Common stock	44,738,400	11,184,600	—	55,923,000

(Note) The increase of common stock by 11,184,600 shares is the number of shares issued as a result of the merger.

2. Notes to treasury stock

Class of shares	As of beginning of fiscal year	Increase	Decrease	As of end of fiscal year
Common stock	254	—	—	254

3. Notes to dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 20, 2012	Common stock	592	13.25	March 31, 2012	June 21, 2012
Meeting of Board of Directors held on October 30, 2012	Common stock	592	13.25	September 30, 2012	December 7, 2012

(2) Dividends for which the record date is in the current fiscal year but the effective date is in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 25, 2013	Common stock	Retained earnings	740	13.25	March 31, 2013	June 26, 2013

(Notes to the non-consolidated statement of cash flows)

*1 Cash and cash equivalents at the end of the fiscal year, and the amounts listed on the balance sheet

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Cash and deposits	1,242 million yen	1,566 million yen
Short-term investment securities (negotiable deposits)	8,100 million yen	― million yen
Deposit payments	118 million yen	293 million yen
Cash and cash equivalents	9,461 million yen	1,860 million yen

2. Details of significant non-fund transactions

The principal assets and liabilities that the Company took over as a result of the merger with Panasonic Telecom Co., Ltd. As a result of the merger, the capital surplus increased by 6,598 million yen.

Current assets	21,498 million yen
Noncurrent assets	16,851 million yen
Total assets	38,350 million yen
Current liabilities	20,565 million yen
Noncurrent liabilities	3,393 million yen
Total liabilities	23,959 million yen

(Lease transactions)

The necessity for disclosure in the summary of financial results is deemed low, therefore disclosure is omitted.

(Financial instruments)

The necessity for disclosure in the summary of financial results is deemed low, therefore disclosure is omitted.

(Investment securities)

The necessity for disclosure in the summary of financial results is deemed low, therefore disclosure is omitted.

(Derivative transactions)

The Company did not engage in any derivative transactions in the previous and current fiscal years.

(Retirement benefit)

The necessity for disclosure in the summary of financial results is deemed low, therefore disclosure is omitted.

(Tax effect accounting)

1. The principal items constituting the causes of deferred tax assets and deferred tax liabilities

	Previous fiscal year (March 31, 2012)	Current fiscal year (March 31, 2013)
(Current assets)		
Deferred tax assets		
Provision for bonuses	764 million yen	982 million yen
Asset adjustment account	― million yen	1,065 million yen
Accrued enterprise tax	112 million yen	― million yen
Accrued expenses	153 million yen	192 million yen
Valuation loss on goods	1 million yen	11 million yen
Other	23 million yen	30 million yen
Total deferred tax assets	1,055 million yen	2,283 million yen
(Noncurrent assets)		
Deferred tax assets		
Provision for retirement benefits	527 million yen	793 million yen
Provision for directors' retirement benefits	7 million yen	3 million yen
Asset retirement obligations	― million yen	212 million yen
Allowance for doubtful accounts	26 million yen	27 million yen
Depreciation	211 million yen	138 million yen
Impairment loss	56 million yen	61 million yen
Asset adjustment account	499 million yen	3,066 million yen
Other	13 million yen	27 million yen
Subtotal of deferred tax assets	1,342 million yen	4,330 million yen
Valuation reserve	-41 million yen	-60 million yen
Total deferred tax assets	1,301 million yen	4,269 million yen
Deferred tax liabilities		
The right of carrier shop management	― million yen	-4,811 million yen
Valuation difference on available-for-sale securities	-87 million yen	-130 million yen
Other	-2 million yen	― million yen
Total deferred tax liabilities	-89 million yen	-4,942 million yen
Balance: Net deferred tax assets ('-' refers to liabilities)	1,212 million yen	-672 million yen

2. The principal items which comprise the difference between effective statutory tax rate and the burden ratio of income taxes after tax effect accounting

	Previous fiscal year (March 31, 2012)	Current fiscal year (March 31, 2013)
Normal effective statutory tax rate	40.7%	38.0%
(Adjustment)		
Items that will never be included in the amount of deductible expense	1.1%	1.0%
Loss certified as expenses directly needed for acquisition at the time of merger	―	-0.5%
Inhabitants tax on per capita basis	1.3%	1.9%
Amortization of goodwill	6.5%	5.3%
Changes in valuation reserve	―	0.4%
Decrease in deferred tax assets at year end due to change in tax rate	4.3%	―
Other	0.0%	0.5%
Income tax burden ratio after application of tax effect accounting	53.9%	46.6%

(Equity method gains or losses, etc.)

The Company did not have affiliated companies or special purpose companies subject to disclosure in the previous and current fiscal year.

(Business combination, etc.)

Business combination by acquisition

1. Outline of business combination

(1) Name of acquired company and description of its business

(Name of acquired company)
Panasonic Telecom Co., Ltd.
(Description of business)
Sale of mobile phone handsets (operation of 241 carrier-certified shops (154 owned-and-operated shops and 87 outsourced shops)) and corporate solutions business, etc.

(2) Main reasons for executing business combination

Panasonic Telecom Co., Ltd. has an edge in carrier-certified shops mainly in the Kansai region, while the Company has a well-balanced mix of carrier-certified shops, mass retailers and corporate sales as its sales channels mainly in the Kanto region. Accordingly, the Company considered that the combination would realize an optimal complimentary relationship. In addition, the combination would enable the cross-selling of respective merchandise and services, realize the diversification of sources of income, and thus make it possible to seek further growth.

(3) Business combination date

October 1, 2012

(4) Legal form of business combination

Absorption-type merger in which the Company becomes the surviving company and Panasonic Telecom Co., Ltd. becomes the merged company

(5) Name of company after the merger

ITC NETWORKS CORPORATION

(6)Percentage of voting rights acquired

100%

(7) Main reason that led to determination of acquirer

The combination is an absorption-type merger in which the consideration is cash and the Company's shares; therefore, the Company is the acquirer.

2. Period of financial results of the acquired company included in the quarterly financial statements

From October 1, 2012 to March 31, 2013

3. Acquisition cost of the acquired company and its breakdown

Consideration for acquisition	The Company's common stock	6,598 million yen
	Cash and deposits	9,900 million yen
Expenses directly needed for acquisition	Advisory expenses, etc.	74 million yen
Acquisition cost		16,573 million yen

4. Exchange ratio by type of stock and calculation method of exchange ratio, and number of shares issued

(1) Exchange ratio by type of stock

55.923 shares in the form of common stock of the Company and cash in the amount of 49,500 yen were allocated and issued per unit of common stock of Panasonic Telecom Co., Ltd.

(2) Calculation method of stock exchange ratio

Multiple financial advisors were requested to calculate the stock exchange ratio. Based on the reports they submitted, the ratio was calculated subject to consultation between the parties.

(3) Number of shares issued

Number of shares issued: 11,184,600 shares

5. Amount, origin, amortization method and amortization period of goodwill arising from business combination

(1) Amount of goodwill arising from business combination

2,181 million yen

(2) Origin

Excess earning power expected from future business expansion

(3) Amortization method and amortization period

Straight-line method over a period of 20 years

6. Assets received and liabilities taken over on the business combination date and breakdown thereof

Current assets	21,498 million yen
Noncurrent assets	16,851 million yen
Total assets	38,350 million yen
Current liabilities	20,565 million yen
Noncurrent liabilities	3,393 million yen
Total liabilities	23,959 million yen

7. Amount allocated to intangible assets other than goodwill, breakdown by main type, and weighted average depreciation period by main type

Breakdown by main type		Depreciation period
The right of carrier shop management	13,753 million yen	20 years
Total	13,753 million yen	20 years

8. Assuming the completion of the business combination at the beginning of the current fiscal year, the estimated amount of impact on the statement of income for the current fiscal year and the method of calculation thereof

Net sales	50,503 million yen
Ordinary income	1,203 million yen
Net income	287 million yen

(Method of calculating the estimated amount)

The difference between the net sales and profit and loss information that are calculated assuming the completion of the business combination at the beginning of the current fiscal year and assuming that the net sales and profit and loss information on the statement of income of the acquired company was calculated to achieve the estimated amount of impact. It was assumed that the goodwill and the right of carrier shop management recognized at the time of business combination occurred at the beginning of the current fiscal year to calculate the depreciation amount.

This note is not audit certified.

(Asset retirement obligations)

The necessity for disclosure in the summary of financial results is deemed low, therefore disclosure is omitted.

(Segment Information)

[Segment Information]

1. Overview of reporting segments

(1) Method of determining reporting segments

Reporting segments of the Company are the constituent units of the Company for which separate financial statements are available and subject to periodic examination by the Board of Directors for the purpose of determining the allocation of management resources and evaluating business performance.

The Company's core business is to serve as a sales agency for mobile phones, which involves acting as an intermediary for concluding mobile phone contracts and contracts for other communication services, providing after-sale services to subscribers, and selling handsets, etc.

Accordingly, the reporting segments of the Company are "Consumer Business" and "Corporate Business," based on the attributes of the customers to whom merchandise is sold and services are provided.

(2) Client attributes on the basis of which product sales and service provision are conducted by each reporting segment

In the "Consumer Business," the Company acts as an intermediary for concluding mobile phones contracts and contracts for other communication services, provides after-sale services and sells handsets, etc., targeted at consumer clients.

In the "Corporate Business," the Company mainly acts as an intermediary for concluding contracts of mobile phones and other communication services, provides after-sales services and sells handsets, etc., targeted at corporate clients, while also offering marketing solutions using mobile phones and providing prepaid services to convenience stores.

2. Method of calculating the amount of net sales, income or loss, assets, liabilities and other items of each reporting segment

Accounting procedures for reported business segments are generally the same as those stated in "Significant Accounting Policies."

Segment income is based on operating income.

3. Information on amount of net sales, income or loss, assets, liabilities and other items of each reporting segment

Previous fiscal year (from April 1, 2011 to March 31, 2012)

(Unit: million yen)

	Reporting segment			Adjustments ※Note(1)	Financial statement carrying amounts ※Note(2)
	Consumer Business	Corporate Business	Total		
Net sales					
Net sales to external customers	113,433	15,260	128,694	—	128,694
Internal sales and transfers between segments	—	—	—	—	—
Total	113,433	15,260	128,694	—	128,694
Segment income	5,019	2,105	7,125	(2,200)	4,924
Segment assets	32,581	4,241	36,823	12,121	48,944
Other items					
Depreciation	362	65	427	209	637
Amortization of goodwill	556	228	785	—	785
Impairment loss	36	1	38	—	38
Unamortized balance of goodwill	662	282	944	—	944
Increase in tangible noncurrent assets and intangible noncurrent assets	348	57	406	292	698

(Note) 1. Adjustments are as follows.

(1) Adjustments to segment income in the amount of -2,200 million yen correspond to Company-wide expenses that have not been allocated to each reporting segment. Company-wide expenses are primarily general and

administrative expenses that are not attributable to the reporting segments.

(2) Adjustments to segment assets in the amount of 12,121 million yen correspond to Company-wide assets that have not been allocated to each reporting segment. Company-wide assets are primarily surplus operating funds and assets that are not attributable to the reporting segments.

(3) Adjustments to depreciation in the amount of 209 million yen are Company-wide depreciation that has not been allocated to each reporting segment.

(4) Adjustments to the increase in tangible noncurrent assets and intangible noncurrent assets in the amount of 292 million yen are the amount of Company-wide capital investment that has not been allocated to each reporting segment.

2. Segment income had been adjusted with respect to operating income in the non-consolidated statement of income.

Current fiscal year (from April 1, 2012 to March 31, 2013)

(Unit: million yen)

	Reporting segment			Adjustments ※ Note(1)	Financial statement carrying amounts ※ Note(2)
	Consumer Business	Corporate Business	Total		
Net sales					
Net sales to external customers	191,546	17,757	209,303	—	209,303
Internal sales and transfers between segments	—	—	—	—	—
Total	191,546	17,757	209,303	—	209,303
Segment income	7,276	1,859	9,136	(3,232)	5,903
Segment assets	74,452	8,105	82,558	4,739	87,297
Other items					
Depreciation	960	53	1,014	242	1,256
Amortization of goodwill	573	230	804	—	804
Impairment loss	115	0	115	—	115
Unamortized balance of goodwill	2,048	273	2,321	—	2,321
Increase in tangible noncurrent assets and intangible noncurrent assets	18,849	293	19,143	409	19,552

(Note) 1. Adjustments are as follows.

(1) Adjustments to segment income in the amount of -3,232 million yen correspond to Company-wide expenses that have not been allocated to each reporting segment. Company-wide expenses are primarily general and administrative expenses that are not attributable to the reporting segments.

(2) Adjustments to segment assets in the amount of 4,739 million yen correspond to Company-wide assets that have not been allocated to each reporting segment. Company-wide assets are primarily surplus operating funds and assets that are not attributable to the reporting segments.

(3) Adjustments to depreciation in the amount of 242 million yen are Company-wide depreciation that has not been allocated to each reporting segment.

(4) Adjustments to the increase in tangible noncurrent assets and intangible noncurrent assets in the amount of 409 million yen are the amount of Company-wide capital investment that has not been allocated to each reporting segment.

2. Segment income had been adjusted with respect to operating income in the non-consolidated statement of income.

(Information on related parties)

The necessity for disclosure in the summary of financial results is deemed low, therefore disclosure is omitted.

(Per share information)

The amount of net assets per share and the basis for calculation thereof, the earnings per share and the basis for calculation thereof and the diluted earnings per share and the basis for calculation thereof are as follows.

Item	Previous fiscal year (March 31, 2012)	Current fiscal year (March 31, 2013)
(1) Net assets per share	439.83 yen	505.38 yen
(Basis for calculation)		
Total net assets(million yen)	19,677	28,262
Amount deducted from the total net assets (million yen)	—	—
Amount of net assets at year end relating to common stock (million yen)	19,677	28,262
Number of shares of common stock issued	44,738,400	55,923,000
Number of shares of treasury stock	254	254
Number of shares of common stock at year end used to calculate the amount of net assets per share	44,738,146	55,922,746

Item	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
(2) Earnings per share	50.73 yen	61.46 yen
(Basis for calculation)		
Net income on the statement of income (million yen)	2,269	3,092
Amount not attributable to ordinary shareholders (million yen)	—	—
Net income relating to common stock (million yen)	2,269	3,092
Average number of shares (common stock) during the period	44,738,146	50,315,124

(Note) The amount of diluted earnings per share is not listed because there are no dilutive shares with dilutive effect.

(Significant subsequent events)

Not applicable.

5. Other

(1) Sales Information

When shown in each segment sales during the financial year are as follows.

		Previous fiscal year (March 31, 2012)	Current fiscal year (March 31, 2013)	Rate of change
Consumer Business	Net sales	113,433	191,546	68.9
	Operating income	5,019	7,276	45.0
Corporate Business	Net sales	15,260	17,757	16.4
	Operating income	2,105	1,859	(11.7)
Adjustments	Company-wide expenses	2,200	3,232	46.9
Amount recorded in quarterly non-consolidated statement of income	Net sales	128,694	209,303	62.6
	Operating income	4,924	5,903	19.9

(2) Transfer of officers

Please refer to the “Notice of Changes regarding Officers,” which was announced on April 30, 2013.