Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2014 [Japanese GAAP]

April 30, 2014

Company name:	CONEXIO Corporation	Stock exchange listing:	Tokyo Stock Exchange
Stock code:	9422	URL:	http://www.conexio.co.jp/index.html
Representative:	(Title) President	(Name)	Hiroo Inoue
Contact:	(Title) General Manager, Corporate Planning	(Name)	Noriaki Kanno Phone: +81-3-5739-3702

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Schedule of briefing session on annual results: Scheduled

(Figures are rounded down to the nearest million yen.)

1. Financial Results for the Fiscal Year Ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

(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, 2014	292,364	39.7	6,968	18.0	7,050	16.8	4,002	29.4
March 31, 2013	209,303	62.6	5,903	19.9	6,034	20.8	3,092	36.3

	Earnings per share (EPS)	Diluted EPS	ROE	ROA	Operating income margin
Fiscal year ended	yen	yen	%	%	%
March 31, 2014	82.16	—	16.1	7.6	2.4
March 31, 2013	61.46	—	12.9	8.9	2.8

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
As of	million yen	million yen	%	yen
March 31, 2014	98,146	21,443	21.8	479.32
March 31, 2013	87,297	28,262	32.4	505.38

(Reference) Equity: March 31, 2014: 21,443 million yen March 31, 2013: 28,262 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 year
Fiscal year ended	million yen	million yen	million yen	million yen
March 31, 2013	12,012	(1,178)	(8,542)	4,151
March 31, 2012	(7,913)	(11,709)	8,715	1,860

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 31,2013	—	13.25	—	13.25	26.50	1,333	43.1	5.6
Year ending March 31,2014	—	15.75	—	15.75	31.50	1,409	35.2	5.7
Year ending March 31,2015(Forecast)	—	18.00	—	18.00	36.00		40.1	

3. Financial Forecast for Fiscal Year Ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

(% 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	7.4	2,300	8.4	2,350	7.5	1,350	24.3	30.18
Full year	295,000	0.9	6,750	(3.1)	6,800	(3.6)	4,020	0.4	89.86

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:	None
(iii)	Changes in accounting estimates:	Yes
(iv)	Restatements:	None

(2) Number of shares issued (common stock)

(i) Number of shares issued as of the end of period (including treasury stock)	As of March 31,2014	55,923,000 shares	As of March 31,2013	55,923,000 shares
(ii) Number of shares of treasury stock as of the end of period	As of March 31,2014	11,184,854 shares	As of March 31,2013	254 shares
(iii) Average number of shares during the period (cumulative)	As of March 31,2014	48,721,703 shares	As of March 31,2013	50,315,124 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 29.

*** Indication of implementation status of securities review procedures**

- This summary financial report is exempt from the audit procedure based on the Financial Instruments and Exchange Act and as of the date of disclosure of this summary financial report, the financial statements audit procedure based on the Financial Instruments and Exchange Act has 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 “Analysis of Operating Results and Financial Position “(1) Analysis of Operating Results” on page 2 of the Appendix.

○Contents of Appendix

1. Analysis of Operating Results and Financial Position ... 2
(1) Analysis of Operating Results ... 2
(2) Analysis of Financial Position ... 4
(3) Basic policy on profit allocation, and dividend payment for the current and next terms ... 5
(4) Business risks ... 6
2. Corporate group ... 9
3. Management policy ... 10
(1) Basic company management policy ... 10
(2) Management indicators to target ... 10
(3) Mid to long-term management strategy ... 10
(4) Management issues requiring action ... 10
4. Non-Consolidated Financial Statements ... 11
(1) Non-Consolidated Balance Sheets ... 11
(2) Non-Consolidated Statements of Income ... 13
(3) Statement of changes in net assets ... 15
(4) Non-Consolidated Cash Flows ... 17
(5) Notes to Financial Statements ... 18
(Notes on premise of going concern) ... 18
(Significant accounting policies) ... 18
(Changes in accounting policy) ... 19
(Accounting standards yet to be adopted) ... 19
(Change in accounting estimates) ... 19
(Additional information) ... 19
(Notes to non-consolidated balance sheets) ... 20
(Notes to the non-consolidated statements of income) ... 20
(Notes to the non-consolidated statement of changes in net assets) ... 23
(Notes to the non-consolidated statement of cash flows) ... 24
(Lease transactions) ... 24
(Financial instruments) ... 24
(Investment securities) ... 24
(Derivative transactions) ... 24
(Retirement benefit) ... 24
(Tax effect accounting) ... 25
(Business combination, etc.) ... 26
(Asset retirement obligations) ... 26
(Investment and rental property) ... 26
(Segment Information) ... 27
(Equity method gains or losses, etc.) ... 28
(Information on related parties) ... 29
(Per share information) ... 29
(Significant subsequent events) ... 29
5. Other ... 30
(1) Sales Information ... 30
(2) Transfer of officers ... 30

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

During the fiscal year under review, the Japanese economy saw improvements in corporate earnings as well as personal consumption, particularly the consumption of expensive goods and services, as the yen corrected down and stock prices rose on the back of the aggressive economic policy and monetary easing taken by the government. While personal income is expected to improve mainly among those working for large corporations, the Japanese economy continues to face uncertainty due to concerns about the effect on consumption of the increase in the consumption tax rate in April.

In the mobile phone market in which the Company conducts business activities, simultaneous introduction of highly popular models by major telecom carriers resulted in increased competition for customers.

In such a business climate, the Company made a new start by renewing its corporate philosophy, company name, and logo as part of the final step of integration following the merger in the previous fiscal year. Despite the struggle during the period of high sales in summer and December, sales growth during the period of high sales in March, coupled with the expansion following the merger in the Company's size, led to an increase in the number of units sold by 19.8% year-on-year to 3,060,000 units.

As a result, the Company's financial results for the fiscal year under review were 292,364 million yen in net sales (up 39.7% year-on-year), 6,968 million yen in operating income (up 18.0%), 7,050 million yen in ordinary income (up 16.8%) and 4,002 million yen in net income (up 29.4%).

The financial results of each business segment were as follows.

(Consumer Business)

The Company secured a growth in the number of units sold by enhancing its network of carrier-certified shops following the merger and through the sales of popular models combined with strong sales during the period of high sales in March. Sales of mobile-related accessories and other products also increased along with the unit sales growth. In addition, a portal site "nexi" launched in December 2013 started well, with more than 220,000 members (as of March 31, 2014).

As a result, net sales increased 43.7% year-on-year to 275,170 million yen and operating income increased 16.9% to 8,506 million yen.

(Corporate Business)

Although unit sales did not grow and net sales fell slightly, the Company pushed ahead with the reinforcement of its consulting sales and was able to capture new accounts for "Managed Services," a service which supports companies in raising their business efficiency, MDM services, which are increasingly needed as the use of smartphones increases, as well as cloud services such as sales support systems. Sales of pre-paid cards ("POSA Cards") were strong as the Company pushed ahead with, among others, the development of new distribution channels, the introduction of new products and services, and the expansion of sales floor space.

As a result, net sales decreased 3.2% year-on-year to 17,193 million yen and operating income increased 24.4% to 2,313 million yen.

- **Outlook for the next term**

Although the Japanese economy is beginning to see signs of recovery under the economic stimulus measures taken by the government aiming at shrugging off the long-term deflation, the future outlook of the Japanese economy is expected to remain unforeseeable due to, among others, concerns about the effect on personal consumption of the increase in the consumption tax rate. In the mobile phone market, whereas there is stable demand arising from the needs to replace feature phones with smartphones and early models of smartphones with latest models of smartphones, there is a possibility that the competition among telecom carriers for customer acquisition will subside and the focus will shift from customer acquisition to price competition to corral existing customers and it is difficult to predict the future trend of handset sales.

Under these circumstances, the Company will aim to increase its market share by improving employee satisfaction through work practice improvements and providing points of customer contact that are highly satisfactory to customers. The Company will also push ahead with a cost structure reform aiming to create a management structure that is less dependent on changes in market conditions, while striving to increase profit by strengthening the sales of mobile-related products and services and content sales and by expanding solution sales to corporations, leveraging the existing points of customer contact.

The Company's full-year earnings forecasts for the fiscal year ending March 2015 are as follows: Unit sales will be the 3 million units (down 2.0% year-on-year), net sales 295 billion yen (up 0.9%), operating income 6,750 million yen (down 3.1%), ordinary income 6,800 million yen (down 3.6%), and net income 4,020 million (up 0.4%). The full-year earnings forecasts above have been prepared in consideration of possible events that are conceivable as of the date of this report. If any event occurs that will have significant impact on the forecasts, it will be promptly disclosed.

(2) Analysis of Financial Position

(1) Status of Assets, Liabilities and Net Assets

(Current assets)

Current assets increased by 12,182 million yen from the end of the previous fiscal year to 75,322 million yen. This was due to the increase in cash and deposits by 2,347 million yen, the increase in accounts receivable-trade by 8,871 million yen, the increase in deferred tax assets by 225 million yen, the increase in accounts receivable-other by 2,096 million yen, the decrease in merchandise and finished goods by 795 million yen, etc.

(Noncurrent assets)

Noncurrent assets decreased by 1,332 million yen from the end of the previous fiscal year to 22,823 million yen. This was attributable to the acquisition of property, plant and equipment that was less than depreciation by 257 million yen, the amortization of goodwill of 303 million yen, the decrease in software by 118 million yen, the amortization of the right of career shop management of 687 million yen, the decrease in investment securities by 297 million yen, the increase in lease and guarantee deposits by 342 million yen, etc.

As a result, total assets increased by 10,849 million yen from the end of the previous fiscal year to 98,146 million yen.

(Current liabilities)

Current liabilities increased by 13,671 million yen from the end of the previous fiscal year to 67,621 million yen. This was due to the increase in accounts payable-trade by 8,648 million yen, the increase in accrued agency commission by 1,803 million yen, the increase in accounts payable-other by 1,837 million yen, the increase in income taxes payable by 2,764 million yen, the increase in provision for bonuses by 320 million yen, the decrease in short-term loans payable by 900 million yen, the decrease in accrued expenses by 746 million yen, the decrease in deposits received by 126 million yen, etc.

(Noncurrent liabilities)

Noncurrent liabilities increased by 3,996 million yen from the end of the previous fiscal year to 9,081 million yen. This was attributable to the increase in long-term loans payable by 3,000 million yen, the increase in provision for retirement benefits by 612 million yen, the increase in deferred tax liabilities by 360 million yen, etc.

As a result, total liabilities increased by 17,668 million yen from the end of the previous fiscal year to 76,703 million yen.

(Net assets)

Total net assets decreased by 6,818 million yen from the end of the previous fiscal year to 21,443 million yen. This was due to the decrease by 9,193 million yen resulting from the purchase of treasury stock, the decrease in valuation difference on available-for-sale securities by 181 million yen, dividend payments of 1,445 million yen, and the recognition of net income of 4,002 million yen. As a result, the Company’s equity ratio was 21.8%.

(2) Status of Cash Flows

Cash and cash equivalents at the end of fiscal year under review increased by 2,291 million yen from the end of the previous fiscal year to 4,151 million yen

(Cash flow from operating activities)

Cash flows from operating activities resulted in a net inflow of 12,012 million yen. This was attributable mainly to the net effect of the total cash inflow due to the recognition of income before income taxes of 7,228 million yen, depreciation of 2,068 million yen, the increase in allowance for retirement benefits by 612 million yen, the decrease in inventories by 806 million yen, the increase in accounts payable-trade by 10,451 million yen, the increase in accounts payable-other by 1,937 million yen, etc., and the total cash outflow due to the increase in accounts receivable-trade by 8,944 million yen, the increase in accounts receivable-other by 2,098 million yen, etc., where the former was greater than the latter.

(Cash flow from investing activities)

Cash flows from investing activities resulted in a net outflow of 1,178 million yen. This was attributable to purchase of property, plant and equipment (938 million yen), payments for lease and guarantee deposits (706 million yen), etc.

(Cash flow from financing activities)

Cash flows from financing activities resulted in a net outflow of 8,542 million yen. This was attributable to the repayment of short-term loans payable (900 million yen), purchase of treasury stock (9,198 million yen), payment of dividends (1,443 million yen), and the increase in long-term loans payable (3,000 million yen).

(Reference) Changes in cash flow related indicators

	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014
Equity ratio	44.0	45.3	40.2	32.4	21.8
Market-value equity ratio	60.0	51.0	47.9	51.4	37.2
Cash flow to interest-bearing debt ratio	—	—	—	—	1.0
Interest coverage ratio	—	—	—	—	241.6

(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. Ratio of interest-bearing liabilities to cash flow: Interest bearing liabilities/cash flows from operating activities

4. Interest coverage ratio: Cash flows from operating activities/interest payments

* 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 the Company’s 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 the Company’s aim on profit allocation, and the Company endeavors to maintain stable growth of financial results to ensure steady profit allocation every term.

For the fiscal year under review, taking into consideration the investment return given in the form of purchase of treasury stock equivalent to 20% of total number of shares issued during the 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 35.2%.

For the next fiscal year, the Company plans to set the dividend at 36 yen per share (interim at 18 yen, year-end at 18 yen), with a dividend payout ratio of 40.1%.

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 personal information disclosed by users to telecom carriers when contracts are concluded, etc. The Company continues with its efforts to maintain a watertight management system by complying with the strict rules and manuals of the telecom 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

(2) Laws and regulations

The agency business for mobile communications carriers, etc. is subject to various laws and regulations including the Telecommunications Business Act, the Antimonopoly Act (Act on Prohibition of Private Monopolization and Maintenance of Fair Trade), the Act against Unjustifiable Premiums and Misleading Representations , the Act on the Protection of Personal Information, the Act on Identification, etc. by Mobile Voice Communications Carriers of their Subscribers, etc. and for Prevention of Improper Use of Mobile Voice Communications Services, the Guidelines on the Protection of Personal Information in the Telecommunications Business, and the Code of Ethics in Sales Activities of Agents prescribed by the Telecommunications Carriers Association. The Company makes efforts to strengthen the internal management system including the employee education to comply with these laws and regulations. However, if there is a violation of these laws and regulations, the Company may be subject to claims for compensation for damages, cancellation of agency contracts, suspension of operation, etc. This may significantly impact the financial results of the Company.

(3) Effect of Discussion at the Ministry of Internal Affairs and Communications

Depending on the direction of the discussion about “Information and Telecommunication Policies toward 2020” at the Special Working Group on 2020-ICT Basic Policies of the Ministry of Internal Affairs and Communications, strategies of telecommunications carriers and the entire mobile phone market may be affected and this may impact the business and the financial results of the Company.

<Risks concerning business strategy>

(4) Concentration on mobile phone agency business

The sales of the Company are largely 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, particularly from replacement needs. 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.

(5) Business expansion through business acquisitions, etc.

The Company may, among other things, expand its business or distribution network through business transfer or merger involving other companies in the industry in the future. Goodwill emerging as a result of such merger may impact the financial position and the financial results of the Company. Depending on the market conditions or economic environment, there is no guarantee that such merger, etc. will produce results that had been initially expected and this may impact the financial results of the Company. Similarly, goodwill, etc. resulting from the merger with Panasonic Telecom Co., Ltd. on October 1, 2012 may also impact the financial results of the Company.

< Risks relating to the market and competition >

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

Mobile phones are sold on installment plans and thus market selling prices are less likely to fluctuate, but effective selling prices (prices actually paid by consumers to purchase handsets) may still change depending on the sales strategies of telecom carriers. The Company receives various fees from telecom 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, the Company endeavors to secure overall revenue. However, if significant changes occur in the conditions for commission fees with telecom carriers, this may impact the financial results of the Company. As competition between telecom 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.

(7) Impact of communication carriers' business policies

The Company obtains commissions from telecom 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 telecom carrier's performance and sales policy. Furthermore, it is required in the agency contract with the telecom 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 telecom carrier at the time of the contract. Agency contracts with telecom carriers that underline these transactions are usually renewed automatically every year, although the contract can be dissolved either by the telecom carrier or the Company by advance notice. Such business policies and changes in contracts may significantly impact the financial results of the Company.

(8) Constraints in store development

The Company has carrier-certified shops across the country based on the service agreement which is attached to the agency agreement with the telecom carrier (the Company operates 268 stores in addition to 152 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, 2014), 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 telecom 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.

(9) 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 45% share of mobile phone subscribers as of the end of March 2014 (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 telecom carriers, this may impact the financial results of the Company.

[Commission income]

	Year ended March 31, 2013		Year ended March 31, 2014	
	Net sales (million yen)	Component ratio (%)	Net sales (million yen)	Component ratio (%)
Commission income (NTT Docomo Inc.)	54,191	79.4	69,380	80.5
Total commission income	68,284	100.0	86,164	100.0

[Cost of purchased goods]

	Year ended March 31, 2013		Year ended March 31, 2014	
	Purchase of goods (million yen)	Component ratio (%)	Purchase of goods (million yen)	Component ratio (%)
Cost of purchased goods (NTT Docomo Inc.)	121,984	84.3	188,382	89.9
Total cost of purchased goods	144,743	100.0	209,596	100.0

<Risks relating to human resources>

(10) 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. As the functions of mobile phone handsets are increasingly sophisticated and business processes at the shops are becoming more complex, it is increasingly important to secure skilled sales staff and raise their retention rate. To address this issue, the Company revises employment contracts, for example, to increase the ratio of permanent employees among shop staff, provides ample training, and conducts 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 destabilize the financial results of the Company.

<Risks relating to the parent company>

(11) Relationship with the parent company

As of the filing date, ITOCHU Corporation is the parent company and owns 60.35% of voting rights of the Company. However, the business and human relationships, etc. 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, CONEXIO with 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 telecom carriers (such as NTT Docomo Group, KDDI Group, Softbank Mobile Corp.) to conclude contracts of telecommunications services provided by the telecom carrier with regard to consumers and corporate clients. The Company receives commissions from the telecom 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 purchased from telecom 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 mainly 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 contracted after-sales services. In addition, the Company operates a portal site "nexi" to meet the needs of smartphone users and strengthen the relationship with them and provides 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.).

(2) Corporate business

In the corporate business, the Company 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 provides prepaid services to convenience stores (such as electronic money and 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 the Company's desire to be a force to connect wishes of each customer more deeply and The company to create a chain of excitement among all people connected with the Company by connecting people and information, thereby increasing the value the Company provides, the corporate philosophy of the Company is to connect people and values, and the Company advocates the basic stance of being independent-minded, fair and sincere, team players, and bottom-up.

(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

The mobile phone market has developed and grown by continually proposing new life styles to users based on technological advancement. It is expected to grow further in the future as proposals are made to increase the convenience of and fun for the users based on ever-advancing technologies. As mobile phones are indispensable lifestyle items for more than 100 million customers, substantial demand is reasonably expected in the mobile phone market.

Under these market conditions, the Company is endeavoring to increase market share by improving customer service quality and increase sales per customer by providing mobile-related products and services and content that meet customer needs in the Company's two main sales channels: major camera shops/home electronics mass retailers and carrier-certified shops. 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 deepen customer relationship 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 cloud products for visual sales promotion.

In addition to the above, the Company will endeavor to develop new sources of earnings such as internet connection services and strengthening its M2M solutions and develop new businesses leveraging the Company's existing assets to the fullest extent.

(4) Management issues requiring action

The Company regards, improving customer service quality achieving a profit growth in mobile-related products and services, and creating a management structure that is less dependent on changes in the market as the biggest challenges for the next fiscal year. The Company will focus on the following activities that are identified as management challenges

(1) For growth

Leveraging the existing points of customer contact, the Company will strive to increase profit per customer (individual or corporate) by enhancing the sales of mobile-related products and services, content sales and solution sales to corporations. In addition, the Company will also focus the Company's efforts on achieving profit in the Internet business that is linked with physical shops and other potential growth areas such as prepaid cards and M2M. The Company will also aim to diversify the sources of revenue by attempting to start up new businesses based on unique business models.

(2) Cost structure reform

The Company will carry out a thoroughgoing reform of the cost structure aiming at improving management efficiency. To this end, the Company will push ahead with ongoing review of costs taking inventory of business processes, management of inventories at appropriate levels, productivity improvement in sales activities by raising the employee retention rate, and optimum staff allocation that is linked with changes in the environment.

(3) Human resource development

The Company will endeavor to create a congruent corporate culture by embedding the new corporate philosophy established in October 2013 as a foundation for growth. At the same time, the Company will continue to focus on developing employees who take the initiative to impress customers, for example, by taking measures to raise compliance consciousness and promoting diversity-based management.

4. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Million yen)

	Previous fiscal year (March 31, 2013)	Current fiscal year (March 31, 2014)
Assets		
Current assets		
Cash and deposits	1,566	3,914
Accounts receivable - trade	37,122	45,993
Merchandise and finished goods	9,284	8,488
Raw materials and supplies	100	89
Prepaid expenses	606	649
Deferred tax assets	2,283	2,508
Accounts receivable - other	11,366	13,463
Deposits paid	293	237
Other	539	0
Allowance for doubtful accounts	△23	△21
Total current assets	63,140	75,322
Non-current assets		
Property, plant and equipment		
Buildings	3,416	3,683
Accumulated depreciation	△1,301	△1,713
Buildings, net	2,114	1,969
Structures	188	180
Accumulated depreciation	△72	△79
Structures, net	116	101
Machinery and equipment	14	9
Accumulated depreciation	△0	△0
Machinery and equipment, net	14	8
Tools, furniture and fixtures	3,076	3,239
Accumulated depreciation	△1,657	△1,912
Tools, furniture and fixtures, net	1,418	1,326
Construction in progress	-	0
Land	64	64
Total property, plant and equipment	3,728	3,471
Intangible assets		
Goodwill	2,321	2,018
Software	588	470
Software in progress	-	16
The right of career shop management	13,409	12,721
Other	8	14
Total intangible assets	16,327	15,241
Investments and other assets		
Investment securities	485	188
Shares of subsidiaries and associates	54	50
Long-term prepaid expenses	162	114
Lease and guarantee deposits	3,346	3,689
Other	134	138
Allowance for doubtful accounts	△84	△70
Total investments and other assets	4,099	4,110
Total non-current assets	24,156	22,823
Total assets	87,297	98,146

(Million yen)

	Previous fiscal year (March 31, 2013)	Current fiscal year (March 31, 2014)
Liabilities		
Current liabilities		
Accounts payable - trade	18,623	27,271
Accrued agency commission	6,197	8,001
Short-term loans payable	9,900	9,000
Accounts payable - other	11,706	13,544
Accrued expenses	2,828	2,082
Income taxes payable	22	2,786
Advances received	83	10
Deposits received	1,588	1,462
Provision for bonuses	2,585	2,905
Provision for directors' bonuses	24	20
Other	388	535
Total current liabilities	53,949	67,621
Non-current liabilities		
Long-term loans payable	-	3,000
Provision for retirement benefits	3,755	4,367
Provision for directors' retirement benefits	8	-
Deferred tax liabilities	672	1,033
Asset retirement obligations	376	407
Other	272	273
Total non-current liabilities	5,085	9,081
Total liabilities	59,034	76,703
Net assets		
Shareholders' equity		
Capital stock	2,778	2,778
Capital surplus		
Legal capital surplus	3,180	3,180
Other capital surplus	6,598	6,598
Total capital surpluses	9,779	9,779
Retained earnings		
Legal retained earnings	5	5
Other retained earnings		
General reserve	2,469	2,469
Retained earnings brought forward	12,992	15,549
Total retained earnings	15,467	18,024
Treasury shares	△0	△9,193
Total shareholders' equity	28,025	21,389
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	236	54
Total valuation and translation adjustments	236	54
Total net assets	28,262	21,443
Total liabilities and net assets	87,297	98,146

(2) Non-Consolidated Statements of Income

(Million yen)

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)
Net sales		
Net sales of goods	141,019	206,199
Commission income	68,284	86,164
Total net sales	209,303	292,364
Cost of sales		
Beginning goods	6,186	9,284
Transfer of goods by merger	2,169	—
Cost of purchased goods	144,743	209,596
Total	153,100	218,880
Ending goods	9,336	8,525
Valuation loss on goods	52	37
Cost of goods sold	143,816	210,392
Agent fee	28,295	36,792
Total cost of sales	172,112	247,184
Gross profit	37,191	45,179
Selling, general and administrative expenses		
Directors' compensations	167	157
Salaries and allowances	8,491	10,684
Bonuses	277	1,053
Provision for bonuses	2,585	2,905
Provision for directors' bonuses	24	20
Retirement benefit expenses	520	689
Legal welfare expenses	2,347	3,159
Temporary staffing expense	2,226	2,587
Packing and delivery expenses	283	303
Promotion expenses	2,564	2,442
Communication expenses	629	717
Rents	3,299	4,135
Repair and maintenance	745	935
Business consignment expenses	1,160	1,111
Rent expenses	99	141
Depreciation	1,256	2,068
Amortization of goodwill	804	303
Provision of allowance for doubtful accounts	12	—
Bad debts expenses	0	—
Other	*1 3,791	*1 4,794
Total selling, general and administrative expenses	31,288	38,211
Operating income	5,903	6,968

(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	3	—
Dividend income	14	8
Income related to sales contest	23	21
Support money of store move etc income	92	46
Interest on refund	-	17
Other	41	68
Total non-operating income	176	162
Non-operating expenses		
Interest expenses	17	51
Commission for purchase of treasury shares	-	5
Loss on sales and retirement of non-current assets	*2 22	*2 13
Other	5	9
Total non-operating expenses	45	79
Ordinary income	6,034	7,050
Extraordinary income		
Gain on sales of investment securities	-	439
Gain on sales of non-current assets	*3 0	*3 0
Other	-	11
Total extraordinary income	0	450
Extraordinary losses		
Loss on valuation of golf club membership	20	—
Loss on valuation of shares of subsidiaries and associates	26	11
Head office transfer cost	-	101
Loss on closing of stores	*4 54	*4 56
Loss on sales and retirement of non-current assets	*5 27	*5 27
Impairment loss	*6 115	*6 71
Other	2	4
Total extraordinary losses	247	273
Income before income taxes	5,787	7,228
Income taxes - current	565	2,989
Income taxes - deferred	2,129	236
Total income taxes	2,695	3,225
Net income	3,092	4,002

(3)Statement of changes in net assets

Previous fiscal year (From April 1, 2012 to March 31, 2013)

(Million yen)

	Shareholders' equity							
	Capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of current period	2,778	3,180	—	3,180	5	2,469	11,085	13,560
Changes of items during period								
Dividends of surplus							△1,185	△1,185
Increase by merger			6,598	6,598				
Net income							3,092	3,092
Net changes of items other than shareholders' equity								
Total changes of items during period			6,598	6,598			1,906	1,906
Balance at end of current period	2,778	3,180	6,598	9,779	5	2,469	12,992	15,467

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	△0	19,520	157	157	19,677
Changes of items during period					
Dividends of surplus		△1,185			△1,185
Increase by merger		6,598			6,598
Net income		3,092			3,092
Net changes of items other than shareholders' equity			79	79	79
Total changes of items during period		8,505	79	79	8,585
Balance at end of current period	△0	28,025	236	236	28,262

Current fiscal year (From April 1, 2013 to March 31, 2014)

(Million yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	2,778	3,180	6,598	9,779	5	2,469	12,992	15,467
Changes of items during period								
Dividends of surplus							△1,445	△1,445
Increase by merger			-	-				
Net income							4,002	4,002
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period			-	-			2,557	2,557
Balance at end of current period	2,778	3,180	6,598	9,779	5	2,469	15,549	18,024

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	△0	28,025	236	236	28,262
Changes of items during period					
Dividends of surplus		△1,445			△1,445
Increase by merger		-			-
Net income		4,002			4,002
Purchase of treasury shares	△9,193	△9,193			△9,193
Net changes of items other than shareholders' equity			△181	△181	△181
Total changes of items during period	△9,193	△6,636	△181	△181	△6,818
Balance at end of current period	△9,193	21,389	54	54	21,443

(4) Non-Consolidated Cash Flows

(Million yen)

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)
Cash flows from operating activities		
Income before income taxes	5,787	7,228
Depreciation	1,256	2,068
Amortization of goodwill	804	303
Impairment loss	115	71
Increase (decrease) in allowance for doubtful accounts	11	△14
Increase (decrease) in provision for bonuses	△521	320
Increase (decrease) in provision for directors' bonuses	△3	△4
Increase (decrease) in provision for retirement benefits	544	612
Interest and dividend income	△18	△8
Interest expenses	17	51
Decrease (increase) in notes and accounts receivable - trade	△7,894	△8,944
Decrease (increase) in accounts receivable - other	△2,329	△2,098
Decrease (increase) in inventories	△931	806
Increase (decrease) in notes and accounts payable - trade	2,240	10,451
Increase (decrease) in accounts payable - other	1,994	1,937
Other, net	△1,031	△1,051
Subtotal	42	11,729
Interest and dividend income received	18	8
Interest expenses paid	△16	△49
Income taxes (paid) refund	△7,977	285
Other, net	19	38
Net cash provided by (used in) operating activities	△7,913	12,012
Cash flows from investing activities		
Purchase of shares of subsidiaries and associates	△10	△16
Proceeds from liquidation of subsidiaries and associates	-	10
Purchase of property, plant and equipment	△1,276	△938
Purchase of intangible assets	△221	△150
Proceeds from sales of investment securities	-	459
Payments for lease and guarantee deposits	△345	△706
Proceeds from collection of lease and guarantee deposits	179	155
Payments by merger	△9,931	-
Other, net	△102	8
Net cash provided by (used in) investing activities	△11,709	△1,178
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	9,900	△900
Proceeds from long-term loans payable	-	3,000
Purchase of treasury shares	-	△9,198
Cash dividends paid	△1,184	△1,443
Net cash provided by (used in) financing activities	8,715	△8,542
Net increase (decrease) in cash and cash equivalents	△10,907	2,291
Cash and cash equivalents at beginning of period	9,461	1,860
Increase in cash and cash equivalents resulting from merger	3,306	-
Cash and cash equivalents at end of period	*1 1,860	*1 4,151

(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. 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 and local consumption taxes are accounted for using the tax exclusion method. Non-deductible consumption and local consumption taxes are accounted for as expenses for the fiscal year under review.

(Changes in accounting policy)

Not applicable.

(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) Overview

Accounting standards have been revised with regard to the calculation method for retirement benefit obligation and service cost and the enhancement of related disclosure, etc.

(2) Scheduled date of application

The revised calculation method for retirement benefit obligation and service cost is scheduled to be applied from the beginning of the fiscal year ending March 2015.

As transitional treatments are available for this accounting standard, the revision will not be applied retrospectively to prior year financial statements.

(3) Effect of the application of the accounting standard

The Company plans to revise the calculation method for retirement benefit obligation and service cost and the method to estimate defined benefit cost attributable to each period will be changed from straight-line basis to the benefit formula basis.

As an effect of the application of this accounting standard, the Company expects that the beginning balance of retained earnings will increase by 685 million yen. The Company is currently evaluating the effect of the application on statements of income.

(Change in accounting estimates)

During the fiscal year under review, the Company decided to relocate the head office and shortened the useful lives of assets that will no longer be used following the relocation.

In addition, the Company shortened the amortization period that is considered reasonable for lease deposits that had been amortized as restoration obligations under the real estate lease agreement for the current head office.

As a result, depreciation increased by 199 million yen and operating income, ordinary income, and net income before taxes decreased by 199 million yen for the fiscal year under review as compared with the respective amounts that would have been posted under the previous method.

(Additional information)

Not applicable.

(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)

*1. The total amount of research and development expenses included in general and administrative expenses is as follows:

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)
Other, net	36 million yen	8 million yen

*2.The details of losses on sales and retirement of noncurrent assets are as follows.

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)
Buildings	13 million yen	7 million yen
Structures	0 million yen	―
Tools, furniture and fixtures	8 million yen	5 million yen
Other	―	0 million yen
Total	22 million yen	13 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.

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)
Tools, furniture and fixtures	0 million yen	0 million yen

*4.The details of losses on closing of stores are as follows.

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)
Buildings	0 million yen	4 million yen
Structures	―	2 million yen
Tools, furniture and fixtures	0 million yen	3 million yen
Other	―	1 million yen
Sundry expenses	54 million yen	45 million yen
Total	54 million yen	56 million yen

*5. The details of losses on sales and retirement of noncurrent assets are as follows.

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)
Buildings	21 million yen	6 million yen
Structures	2 million yen	0 million yen
Tools, furniture and fixtures	2 million yen	9 million yen
Software	―	7 million yen
Other	0 million yen	2 million yen
Total	27 million yen	27 million yen

*6. Impairment loss

Previous fiscal year (From April 1,2012 to March 31, 2013)

(1) Assets for which impairment loss was recognize

(1) Consumer business

Use	Shops
Type	"Buildings, structures, tools, furniture and fixtures, long-term prepaid expenses, etc."
Location	Head Office 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"

Current fiscal year (From April 1, 2013 to March 31, 2014)

(1) Assets for which impairment loss was recognize

(1) Consumer business

Use	Shops
Type	" Buildings, structures, tools, furniture and fixtures, other etc. "
Location	Head Office and shops (Hokkaido, Niigata, Saitama, Kanagawa, Tokyo, Aichi, Shizuoka, Okayama, Hiroshima, Tokushima, Fukuoka and Kumamoto)

(2) Corporate business

Use	Office
Type	Buildings, tools, furniture and fixtures
Location	Tokyo

(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	41 million yen
Structures	6 million yen
Tools, furniture and fixtures	17 million yen
Other	0 million yen
Total	66 million yen

(2) Corporate business

Buildings	2 million yen
Tools, furniture and fixtures	2 million yen
Total	5 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, 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 11,184,600 shares in the number of shares (common stock) represents the number of shares delivered as part of 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

Current fiscal year (from April 1, 2013 to March 31, 2014)

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	55,923,000	—	—	55,923,000

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	11,184,600	—	11,184,854

(Note)The increase of the total number of issued shares of 11184600 shares Number of shares (common stock) in there in the treasury shares acquired on the basis of the resolution of the Board of Directors held on August 8, 2013.

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 25, 2013	Common stock	740	13.25	March 31, 2013	June 26, 2013
Meeting of Board of Directors held on October 29, 2013	Common stock	704	15.75	September 30, 2013	December 6, 2013

(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 24, 2014	Common stock	Retained earnings	704	15.75	March 31, 2014	June 25, 2014

(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, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)
Cash and deposits	1,566 million yen	3,914 million yen
Deposit payments	293 million yen	237 million yen
Cash and cash equivalents	1,860 million yen	4,151 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, 2013)	Current fiscal year (March 31, 2014)
(Current)		
Deferred tax assets		
Provision for bonuses	982 million yen	1,035 million yen
Asset adjustment account	1,065 million yen	999 million yen
Accrued enterprise tax	— million yen	206 million yen
Accrued expenses	192 million yen	192 million yen
Valuation loss on goods	11 million yen	6 million yen
Other	30 million yen	67 million yen
Total deferred tax assets	2,283 million yen	2,508 million yen
(Noncurrent)		
Deferred tax assets		
Provision for retirement benefits	793 million yen	1,029 million yen
Provision for directors' retirement benefits	3 million yen	— million yen
Asset retirement obligations	212 million yen	259 million yen
Allowance for doubtful accounts	27 million yen	26 million yen
Depreciation	138 million yen	166 million yen
Impairment loss	61 million yen	59 million yen
Asset adjustment account	3,066 million yen	1,998 million yen
Other	27 million yen	41 million yen
Subtotal of deferred tax assets	4,330 million yen	3,581 million yen
Valuation reserve	-60 million yen	-50 million yen
Total deferred tax assets	4,269 million yen	3,530 million yen
Deferred tax liabilities		
The right of carrier shop management	-4,811 million yen	-4,533 million yen
Valuation difference on available-for-sale securities	-130 million yen	-30 million yen
Total deferred tax liabilities	-4,942 million yen	-4,564 million yen
Balance: Net deferred tax assets ('-' refers to liabilities)	-672 million yen	-1,033 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, 2013)	Current fiscal year (March 31, 2014)
Normal effective statutory tax rate	38.0%	38.0%
(Adjustment)		
Items that will never be included in the amount of deductible expense	1.0%	0.6%
Loss certified as expenses directly needed for acquisition at the time of merger	-0.5%	—
Inhabitants tax on per capita basis	1.9%	1.6%
Amortization of goodwill	5.3%	1.6%
Changes in valuation reserve	0.4%	-0.1%
Decrease in deferred tax assets at year end due to change in tax rate	—	2.2%
Other	0.5%	0.7%
Income tax burden ratio after application of tax effect accounting	46.6%	44.6%

3. Adjustment to the amount of deferred tax assets due to changes in the income tax rate

The Act on Partial Revision of the Income Tax Act, etc., (Act No. 10 of 2014) was promulgated on March 31, 2014 and as a result, the special restoration surtax will be abolished from fiscal years starting on or after April 1, 2014.

Consequently, for temporary differences, etc. that are expected to reverse in the fiscal year ending March 2015, the statutory effective tax rate to be used to calculated deferred tax assets and deferred tax liabilities will change from 38.0% to 35.6%.

For temporary differences, etc. that are expected to reverse in the fiscal years ending March 2016 and thereafter, there will be no change in the statutory effective tax rate to be used to calculate deferred tax assets and deferred tax liabilities.

As a result, the amount of deferred tax assets (current assets) and the amount of deferred tax liabilities (non-current assets) (net of the amount of deferred tax assets) decreased by 166 million yen and 6 million yen, respectively, and the amount of income taxes-deferred increased by 160 million yen.

(Business combination, etc.)

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

(Asset retirement obligations)

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

(Investment and rental property)

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

(Segment Information)

[Segment Information]

1. In the "consumer business," the Company acts as an intermediary for concluding contracts for mobile phones and other communications services targeted at consumers, provides after-sales services, operates a portal site "nexi" to meet the needs of smartphone users and strengthen the relationship with them, offers marketing solutions using mobile phones, and sells mobile phone handsets, etc.

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 mobile phone handsets, etc. targeted at corporate customers, while also offering solutions using smartphones, providing prepaid services to convenience stores, providing Internet connection services and offering M2M solutions.

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, 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) The adjustment to segment income (a deduction of 3,232 million yen) represents corporate overhead expenses that have not been allocated to reporting segments. These corporate overhead expenses mainly consist of general and administrative expenses not attributable to reporting segments.

(2) The adjustment to segment assets (4,739 million yen) represents corporate assets that have not been allocated to reporting segments. These corporate assets mainly consist of assets not attributable to reporting segments.

(3) The adjustment to depreciation (242 million yen) represents depreciation pertaining to corporate assets that have not been allocated to reporting segments.

(4) The adjustment to increase in tangible noncurrent assets and intangible noncurrent assets (409 million yen) represents capital investment in corporate assets that have not been allocated to reporting segments.

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

Current fiscal year (from April 1, 2013 to March 31, 2014)

(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	275,170	17,193	292,364	—	292,364
Internal sales and transfers between segments	—	—	—	—	—
Total	275,170	17,193	292,364	—	292,364
Segment income	8,506	2,313	10,820	(3,851)	6,968
Segment assets	82,235	9,162	91,397	6,749	98,146
Other items					
Depreciation	1,560	50	1,610	458	2,068
Amortization of goodwill	228	75	303	—	303
Impairment loss	66	5	71	—	71
Unamortized balance of goodwill	1,813	204	2,018	—	2,018
Increase in tangible noncurrent assets and intangible noncurrent assets	818	31	850	178	1,028

(Note) 1. Adjustments are as follows.

(1) Adjustments to segment income in the amount of -3,851 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 6,749 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 458 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 178 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.

(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.

(Information on related parties)

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

Not applicable.

Current fiscal year (from April 1, 2013 to March 31, 2014)

Transactions between the company submitting financial statements and related parties

Company submitting financial statements and its major shareholders (limited to companies, etc.)

Type	Name of the company, etc.	Location	Amount of capital or contribution (billion yen)	Description of business or occupation	Percentage of the voting rights, etc., held by the Company (or the percentage of the voting rights of the Company held)(%)	Nature of the relationship with the related party	Description of transaction	Transaction amount (million yen)	Account name	Ending balance (million yen)
Other subsidiaries and affiliates	Panasonic Mobile Communications Co., Ltd.	Yokohama-shi, Kanagawa Prefecture	0.3	Planning, manufacturing and, sales of mobile phone handsets	(Voting rights held) Direct: 20.0	Purchase of treasury stock	Purchase of treasury stock (Note)	9,193	—	—

(Note) Treasury stock was purchased through off-auction own share repurchase transactions (TosNet-3) at the Tokyo Stock Exchange

(Per share information)

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)
Net assets per share	505.38 yen	479.32 yen
Net income per share	61.46 yen	82.16 yen

(Note) 1. Diluted net income per share is not presented as there are no potential shares.

2. The basis for the calculation of net income per share is shown in the following table.

Item	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)
Net income (million yen)	3,092	4,002
Amount not attributed to common shareholders (million yen)	—	—
Net income available to common shareholders (million yen)	3,092	4,002
Average number of shares (common stock) during the period	50,315,124	48,721,703

3. The basis for the calculation of net assets per share is shown in the following table.

Item	Previous fiscal year (March 31, 2013)	Current fiscal year (March 31, 2014)
Total net assets (million yen)	28,262	21,443
Amount deducted from the total net assets (million yen)	—	—
Amount of net assets at year end relating to common stock (million yen)	28,262	21,443
Number of shares of common stock at year end used to calculate the amount of net assets per share	55,922,746	44,738,146

(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, 2013)	Current fiscal year (March 31, 2014)	Rate of change
Consumer Business	Net sales	191,546	275,170	43.7
	Operating income	7,276	8,506	16.9
Corporate Business	Net sales	17,757	17,193	(3.2)
	Operating income	1,859	2,313	24.4
Adjustments	Company-wide expenses	3,232	3,851	19.1
Amount recorded in quarterly non-consolidated statement of income	Net sales	209,303	292,364	39.7
	Operating income	5,903	6,968	18.0

(2) Transfer of officers

Please refer to the “Notice of Changes regarding Officers,” which was announced on April 30, 2014.