Consolidated Financial Results for the Fiscal Year Ended March 31, 2012 (Based on J-GAAP)

May 14, 2012

Company Name: T-Gaia Corp.
Listing: Tokyo Stock Exchange, First Section
Stock Code: 3738
URL: http://www.t-gaia.co.jp/
Representative: Masaaki Kimura, President & CEO
Contact: Michihiro Matano, GM, Corporate Planning & Strategy Dept.
Tel: +81-3-6409-1010
Scheduled date of Annual General Meeting of Shareholders: June 21, 2012
Scheduled Commencement Date of Dividend Payout: June 22, 2012
Scheduled date of filing Annual Securities Report: June 21, 2012
Explanatory Documents Supplemental to the Abridged Financial Statements: Yes
Result Briefing: Yes (For Institutional Investors and Analysts)

(All amounts are rounded down to the nearest million yen)

1. Financial Results for the Fiscal Year Ended March 31, 2012 (April 1, 2011 – March 31, 2012)

(1) Consolidated Results of Operations (full-year)
(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2012	712,683	—	14,873	—	14,843	—	7,933	—
FY 2011	—	—	—	—	—	—	—	—

(Note) Comprehensive income (million yen): FY 2012: 7,928 (—%) FY 2011: — (—%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	yen	yen	%	%	%
FY 2012	18,551.22	18,539.75	28.3	7.1	2.1
FY 2011	—	—	—	—	—

(Reference) Equity in earnings of affiliates (million yen): FY2012: — FY2011: —
(Note 1) Return on equity and ratio of ordinary income to total assets are calculated using shareholder's equity and total assets at the end of period.
(Note 2) Since this fiscal year is the first fiscal year that consolidated financial statements have been created by T-Gaia Corp., figures for the fiscal year ended March 31, 2012 and changes compared with the fiscal year 2011 are not stated.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2012	208,233	28,050	13.5	66,561.84
FY 2011	—	—	—	—

(Reference) Shareholders' equity (million yen): FY 2012: 28,050 FY 2011: —
(Note) Since this fiscal year is the first fiscal year that consolidated financial statements have been created by T-Gaia Corp., figures for the fiscal year ended March 31, 2011 are not stated.

(3) Consolidated Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY 2012	(10,054)	(3,803)	14,319	1,766
FY 2011	—	—	—	—

(Note) Since this fiscal year is the first fiscal year that consolidated financial statements have been created by T-Gaia Corp., figures for the fiscal year ended March 31, 2011 are not stated.

2. Dividends

	Dividends per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	Interim	3Q-end	Yearend	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2011	—	2,750.00	—	2,750.00	5,500.00	2,818	—	—
FY 2012	—	3,250.00	—	3,250.00	6,500.00	2,739	35.0	9.8
FY 2013 (forecasts)	—	3,500.00	—	17.50	—		34.3	

(Note 1) Dividend on equity to net assets is calculated using net assets per share at the end of period.
(Note 2) Since consolidated financial statements for fiscal year ended March 31, 2011 was not created, individual figures are stated. Figures for dividend payout ratio and dividend on equity are not stated.
(Note 3) The Company plans to conduct a 200-for-1 stock split, with an effective date of October 1, 2012. In this context, figure for cash dividends per share for the fiscal year ending March 31, 2013 (forecast) are stated in consideration of this planned stock split. Figures for cash dividends per share at the end of fiscal year ending March 31, 2013 (forecast) and annual cash dividends per share are projected to reach 3,500 yen and 7,000 yen, respectively without reflecting the planned stock split (pre-split basis).
For further information, please refer to "Additional explanation with respect to forward-looking statements."

3. Forecasts for the Fiscal Year Ending March 31, 2013 (April 1, 2012 – March 31, 2013)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First-half (six months)	365,500	—	6,450	—	6,350	—	3,550	—	42.12
Full year	760,000	6.6	15,300	2.9	15,000	1.1	8,600	8.4	102.04

(Note 1) Since consolidated financial statements for the first half of fiscal year ended March 31, 2012 was not created, changes compared with the first half (six months) of the fiscal year ended March 31, 2013 are not stated.
(Note 2) In the forecast for the fiscal year ending March 31, 2013 above, figures for net income per share are stated in consideration of this planned stock split. For further information, please refer to "Additional explanation statement with respect to forward-looking statements."

***Notes**

(1) Changes in significant subsidiaries during the fiscal year under review
(changes in subsidiaries accompanying change in the scope of consolidation): None
New: None (Company name:)
Excluded: None (Company name:)

(2) Changes in accounting principles, estimates and restatement
1) Changes in accounting principles caused by revision of accounting standards: None
2) Changes in accounting principles other than those mentioned above: None
3) Changes in accounting estimates: None
4) Restatement: None

(3) Number of shares issued and outstanding (shares of common stock)

1) Number of shares outstanding (including treasury stock) at end of period	FY 2012	512,419 shares	FY 2011	512,419 shares
2) Number of treasury stock at end of period	FY 2012	91,000 shares	FY 2011	—
3) Average number of shares outstanding during the period	FY 2012	427,635 shares	FY 2011	512,405 shares

* Implementation of audit procedures

This summary of financial statements is not subject to audit procedures pursuant to the Financial Instruments and Exchange Act.
At the time of disclosure of this summary of consolidated financial statements, the audit procedures of consolidated financial statements pursuant to the FIEA are not completed.

* Additional explanation with respect to forward-looking statements

(Disclaimer on forward-looking statements)
The above forecasts are based on the Company's judgments in accordance with information currently available. Forecasts therefore embody risks and uncertainties.
Actual results may differ from these forecasts for a number of factors, including but not limited to the operating environment.
For further information concerning the above forecasts, please refer to "(1) Analysis regarding results of operations" under "1. Results of Operations" on page 2 of the Attachment to the summary of financial statement.

(Earnings forecast and dividends after stock split)
The Company determined on May 14, 2012 to carry out the stock split and adopt the share trading unit system, with an effective date of October 1, 2012. Each share of common stock will be split into 200 shares, and the stock will trade in 100-share units. In this context, the consolidated earnings forecast and dividend forecast for the fiscal year ending March 31, 2013 as calculated prior to consideration of the stock split are as follows.

1. Consolidated Earnings forecast for the fiscal year ending March 31, 2013
Net income per share
First half (six months) 8,423.92 yen
At the end of the fiscal year: 20,407.24 yen

2. Dividend forecast for the fiscal year ending March 31, 2013
Dividends per share
At the end of the first half: 3,500.00 yen (Note 1)
At the end of the fiscal year: 3,500.00 yen (Note 2)

(Note 1) Dividends at the end of the first half will be paid according to the number of shares held prior to the implementation of the stock split.
(Note 2) The amount of the dividend has been calculated on a pre-split basis.
(Note 3) The full-year dividend for the fiscal year ending March 31, 2013 (pre-split basis) is projected to reach 7,000 yen, up 500 yen per share from the (planned) dividend for fiscal year ending March 31, 2012 of 6,500 yen.

(How to obtain explanatory documents supplemental to the abridged financial statements and information distributed at the results briefing)
Results briefing of the Company for institutional investors and analysts is scheduled for Tuesday, May 17, 2012.
The explanatory documents to the abridged financial statements used on this occasion will be published on the website of the Company soon after the briefing.

Attachment: Table of Contents

1. Results of Operations

(1) Analysis regarding results of operations

1) Results of operations for the current fiscal year

The Japanese economy in the consolidated fiscal year under review continued in its gradual recovery after the March 2011 Great East Japan Earthquake, staging a moderately paced upturn with rebounding corporate production activity and with personal consumption pointing higher. Nevertheless, given the protracted appreciation of the yen under the impact of by the European fiscal crisis and continued uncertainty over power supplies, the outlook remained uncertain.

In the market for mobile phone handsets, the core business field of the Group (the Company and its consolidated subsidiaries), the market has grown and unit sales have increased considerably over the previous term, as a string of sales launches of attractive smart phone handsets by various carriers has been going into full swing and led to rapid diffusion of smart phones into the market.

The number of mobile phone handsets by carrier as at the end of March 2012 stood at 60.12 million for NTT DOCOMO, Inc., 35.10 million for KDDI Group, and 28.94 million for SOFTBANK MOBILE Corp. (Telecommunications Carriers Association (TCA) data).

In this business environment, the Mobile Telecommunications Business saw substantial growth in unit sales thanks to strengthened sales frameworks in order to boost smart phones and data communication terminals, and due to all-out efforts to capture the demand generated for new-standard handsets associated with the changeover from old-standard handsets for which service is scheduled to be terminated.

However, operating income has remained at the level of the previous term. This was due to price discounting spurred by intensifying competition, rising sales of low-profit items such as budget-type handsets and non-voice related merchandise, and the expenditure of costs to build up a stronger and more intricate sales frameworks which was required for the full-fledged market dissemination of smart phones.

In the network segment, sales of optical communication line service such as FTTH (Fiber to the Home) developed favorably, but this was not enough to cover the decline in MYLINE services due to the maturation of that market.

In the Prepaid Settlement Services Business and Other Businesses, electronic-money based merchandise sales using PIN (Personal Identification Number) based merchandise sales systems at major convenience store operators increased, yielding growth in net sales and operating income.

As a result, for the consolidated fiscal year under review, net sales totaled 712,683 million yen, with operating income of 14,873 million yen, and ordinary income of 14,843 million yen.

Net income totaled 7,933 million. This result reflects the reduced statutory tax rate after the change of the corporate income tax rate, associated with a reversal of deferred tax assets and an increase in deferred income taxes.

As consolidated financial statements for the previous fiscal year have not been prepared, year-to-year comparisons have not been calculated.

The situation in each business segment is described below.

[Mobile Telecommunications Business]

Sales of data communication terminals, specifically data cards and Wi-Fi routers, developed favorably in addition to the full-fledged market dissemination of smart phones, thanks to a string of market introductions of attractive new products and, the inception of high-speed communications service offerings. Mobile phone sales reached 6.46 million units, including nearly 50 percent smart phones, rewarding efforts to capture the demand for new-standard handsets generated by the changeover from old-standard units, scheduled to be terminated, and measures taken to additionally strengthen the corporate business.

However, operating income has remained at the level of the previous term. This was due to price discounting spurred by intensifying competition, rising sales of low-profit items such as budget-type handsets and non-voice related merchandise, and the expenditure of costs to build up a stronger and more intricate sales frameworks which was required for the full-fledged market dissemination of smart phones.

As a result, segment net sales totaled 575,738 million yen, with operating income of 11,147 million yen.

[Network Communications Business]

Sales of optical communication line service such as FTTH (Fiber to the Home) developed favorably since efforts are made focusing on strengthening the agency network and promoting alliances as well as reinforcing sales of peripheral products, but this was not enough to cover the decline in MYLINE services due to the maturation of that market. As a result, segment net sales totaled 19,765 million yen, with operating income of 2,441 million yen.

[Prepaid Settlement Services Business and Other Business]

Usage increased amid proliferating payments for internet-based merchandise purchases and SNS (Social Networking Service) content purchases, leading to increased electronic-money based merchandise sales using PIN-based merchandise sales systems. Segment net sales totaled 117,180 million, with operating income of 1,284 million yen.

2) Outlook for the next fiscal year

The outlook for the Japanese economy is for the recovery trend to continue, albeit with little self-sustaining strength. Additionally, the protracted appreciation of the yen and deflation are a concern. A genuine improvement of the economy is therefore seen to require more time, with the uncertain outlook expected to continue.
In the Mobile Telecommunications Business, the core business field of the Group, the continuing market expansion for mobile phones is expected due to expansion in the market penetration of accelerated and high-speed smart phone services and the launching of a range of related services. In the corporate market, it is expected that advances will be made in solution services taking advantage of smart phone devices and applications due to the full-fledged market dissemination of smart phones.
In the fixed line agency business, it is expected that the demand for fiber optic cable services such as FTTH will go on growing solidly due to the advent of new billing plans and related services, but it is assumed that MYLINE services will fall sharply due to significant shrinkage of the market for new customers.
In addition, with continued growth in the value of payment settlements for online sales and SNS-related purchases, we expect growing demand for electronic payment services such as electronic money utilizing personal identification number (PIN) sales system and gift cards as means of payment.
By taking into account expectations of growth in sales of mobile phone handsets, peripherals and services driven by further growth in the smart phone market, and of increasing demand for electronic payment services, as for earnings estimates for the fiscal year ending March 31, 2013, the Company projects net sales of 760 billion yen (6.6% increase year-on-year), operating income of 15.3 billion yen (2.9% increase year-on-year), ordinary income of 15.0 billion yen (1.1% increase year-on-year), and net income of 8.6 billion yen (8.4% increase year-on-year).

The factors that will have a material effect on the Company’s results of operations are described in “(4) Business risk” under “1. Results of Operations.”

3) Progress on the Company’s medium-term management plan
At the beginning of the fiscal year ended March 31, 2012, the Company targeted net sales of 660,000 million yen, operating income of 14,650 million yen, ordinary income of 14,400 million yen, and net income of 7,850 million yen for the fiscal year. The Company marked increases both in sales and profit and recorded net sales of 712,683 million yen, operating income of 14,873 million yen, ordinary income of 14,843 million yen, and net income of 7,933 million yen for the fiscal year, enabling the Company to achieve its initial target.

(2) Analysis concerning consolidated financial position

1) Assets, liabilities and net assets
The balance of current assets at the end of the consolidated fiscal year under review was 189,867 million yen. The main breakdown included 106,482 million yen in accounts receivable–trade, 54,304 million yen in commodities, and 21,103 million yen in accounts receivable–other.
Fixed assets totaled 18,366 million yen. The main breakdown included 3,171 million yen in fixed tangible assets and 7,135 million yen in amortization of goodwill.
As a result, total assets at the end of the consolidated fiscal year under review totaled 208,233 million yen.
Current liabilities totaled 165,871 million yen. The main breakdown included 90,628 million yen in accounts payable–trade, 35,100 million yen in short-term borrowings, and 31,458 million yen in accounts payable–other.
Long-term liabilities totaled 14,311 million yen. The main breakdown included 12,159 million yen in long-term borrowings and 1,048 million yen in asset retirement obligations.
As a result, the balance of net liabilities at end of the consolidated fiscal year under review totaled 180,183 million yen.
Net assets totaled 28,050 million yen.

2) Cash flows
Although the significant increase of 14,790 million yen in income before taxes and other adjustments was party offset by an increase in accounts receivables and inventories, cash and cash equivalents (“Cash”) at the end of the consolidated fiscal year totaled 1,766 million yen.
Cash flows and major components during the fiscal year were as follows.

[Cash flows from operating activities]
Cash flows from operating activities totaled 10,054 million yen. This was principally due to the inclusion of a 30,190 million increase in trade receivables, 16,794 million yen increase in inventories, 25,547 million yen increase in trade payables, income taxes paid of 6,677 million yen and pretax income of 14,790 million yen.

[Cash flows from investing activities]
Cash flows used in investing activities totaled 3,803 million yen. This was principally due to the 1,003 million yen used for the acquisition of tangible fixed assets, 445 million yen used for payment for purchase of software, 1,873 million yen used for purchase of subsidiaries accompanied by changes in the scope of consolidation, 264 million yen used for payment on leasehold deposits, and 117 million yen in proceeds from the return of leasehold deposits.

[Cash flows from financing activities]
Cash flows used in financing activities totaled 14,319 million yen. This was mainly attributable to a 19,500 million yen net increase in short-term borrowings, a 14,400 million yen increase in long-term borrowings, a 4,069 million yen decrease in long-term borrowings, 12,740 million yen used for purchase of treasury stock, and cash dividends paid of 2,771 million yen.

The following table illustrates the historical movements of certain cash flow indices:

	FY 2009	FY 2010	FY 2011	FY 2012 (consolidated)
Shareholders’ equity ratio (%)	17.5	21.1	23.2	13.5
Shareholders’ equity ratio based on market prices (%)	36.0	48.1	45.6	33.8
Interest-bearing debt to cash flow ratio (%)	237.6	192.8	339.6	(502.5)
Interest coverage ratio (times)	53.2	43.2	33.5	(53.6)

Note 1: Cash flow indices are calculated as follows:
Shareholders’ equity ratio: Shareholders’ equity / Total assets
Shareholders’ equity ratio based on market prices: Market capitalization / Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flow
Interest coverage ratio: Operating cash flow / Interest payments

2: The Company used figures from consolidated financial statements for FY 2012, and figures from non-consolidated financial statements for other periods.
Market capitalization is calculated by: Closing stock price on the balance sheet date and No. of shares outstanding on the balance sheet date.
Operating cash flow is taken from the statement of cash flows.
Interest-bearing debt includes all the liabilities carried on the balance sheets that incur interest.
Interest payments are based on interest payments reported on the statement of cash flows.

(3) Basic profit allocation policy, and dividends in the current and next fiscal years

It is a basic policy of the Company to aim for the redistribution of profits, targeting a payout ratio of at least 30%, with due consideration of earnings developments and for securing the internal retention necessary for future business initiatives and for a strong management base.
As year-end dividend for the period under review, a per-share dividend of 3,250 yen will be paid, which is consistent with the initial projection. Notably, including the interim dividend of 3,250 yen paid last December, annual dividends will total 5,500 yen, which is a 1,000 yen increase compared with the annual dividend of the previous fiscal year.
Taking comprehensively into account the following period’s earning forecast, payout ratio and other factors, the Company plans an annual dividend of 6,500 yen for the next fiscal year. This is scheduled to be broken down into interim and yearend dividends of 3,250 yen per share, respectively.
As one way of returning profits to shareholders, in April 2011 the Company acquired 91,000 shares of treasury stock at a cost of 12,740 million yen.
For next fiscal year, taking an overall view of its earnings forecasts and basic earnings policy, the Company plans an interim dividend of 3,500 yen per share and a yearend dividend of 17.50 yen per share (the yearend dividend taking into account the planned 1 to 200 stock split). In pre-split terms, the total planned annual dividend would come to 7,000 yen (3,500 per yen for each of the interim and yearend dividends), an increase of 500 yen per share over the previous year.
The Company does not currently have any plans to revise the recording date or number of dividend payments following implementation of the Company Law. For the time being, we will maintain the current system of paying two dividends, once at the end of the interim period and fiscal year.
We plan to use retained earnings to expand and strengthen our existing business base, as well as to expand into overseas markets and new businesses, train employees, and make strategic investments.

(4) Business risk

Below we list risk factors that may have impact on our business performance, financial condition, and share price.

1) Commissions from mobile carriers

We receive a commission from mobile phone carriers for each successfully brokered subscription contract. Commissionable service, commission levels, payment period duration, and the proportion of each subscription line's telecommunications charges all depend on the specific mobile carrier and period of the year. As NTT DOCOMO, Inc., KDDI Group, and SOFTBANK MOBILE Corp. introduced a new sales method last year decoupling mobile phone prices and telecommunications charges, a significant change in contract conditions due to a change in policy by any or all of the mobile carriers could materially impact our earnings.

2) Industry competition

The mobile industry, as the increase in penetration rate, new subscriber growth continues to slow. This implies greater competition for capturing subscribers among mobile carriers, and among sales agencies including ourselves. Such a fiercer competition in the mobile phone market could lower our profit margins, and materially impact our earnings.
Broadband technology advances and the emergence of services offering a combination of mobile and fixed-line telecommunications have rekindled competition for customers among fixed-line telecommunications carriers, and competition among sales agencies including ourselves may heat up as a result, just as in the mobile industry. Also, competition in the prepaid settlement service related industry is likely to become more intense in the future accompanying the diversification of electronic settlement services. In this case, as well, fiercer competition could lower our profit margins and materially impact our earnings.

3) Business expansion through acquisitions, etc.

In addition to developing cooperative relationships with small and medium-sized sales agencies, and opening new shops, we may acquire other industry peers going forward to expand our business, and this could impact our financial condition and business performance.
There is no guarantee that the acquisition will produce anticipated benefits due to changes in market trends and the economic environment. A poor performance at companies we acquire could make it difficult for us to recover invested capital, and this would impact our earnings and business plans.

4) Statutory regulations, etc.

The agency operations of mobile telecommunications carriers are the subject of various statutory regulations, such as the Telecommunications Business Act, the Anti-Trust Act (Act concerning Prohibition of Private Monopolization and Maintenance of Fair Trade), the Premiums and Representations Act (Act against Unjustifiable Premiums and Misleading Representations), the Personal Information Protection Act, the Mobile Phone Misuse Prevention Act (Act on Identification, etc. by Mobile Voice Communications Carriers of their Subscribers, etc. and for Prevention of Improper Use of Mobile Voice Communications Services), as well as the Guidelines concerning Personal Information in Telecommunications Business Operations issued by the Ministry of Internal Affairs and Communications and the Ethics Standards for Business Activities of Agencies issued by the Telecommunications Carriers Association.
In order to ensure compliance with the laws and regulations mentioned above, the Company has been strengthening its internal administrative frameworks including employee training and education. However, events such as leakage of personal information data or breach of the laws and regulations mentioned above, would pose the risk of a deterioration in the credibility of the Company, as well as indemnification claims against the Company, termination of agency agreement, and administrative dispositions such as the termination of business operations, with material effects on the operating results of the Company.

5) Relationship with major principal shareholders

The top two shareholders of the Company as of March 31, 2012 were Sumitomo Corporation Ltd. and Mitsubishi Corp., each of which owns 22.77%, respectively, of the Company's 512,419 outstanding shares (including 91,000 shares of treasury stock). However, the sales and brokering of mobile phones, which is the main business sector of the Company, the landline brokering business and prepaid settlement services business, are being managed independently of the Company's major shareholders, and if a change occurs in the equity relationship with the major shareholders, the affect on these businesses is expected to be immaterial.

6) Relationship with major principal shareholders

Depending on movement of the Ministry of Internal Affairs and Communications' plan to revitalize the mobile phone market, including unlocking of the SIM lock, there may be an effect on telecommunications carriers' measures and the entire mobile telephone market, as well as on the Company's business and performance.

7) Revised law and changes in regulations

In the event there is a major revision of the Worker Dispatching Act as well as any changes or amendments to other regulations were implemented, there may be an effect on company performance.

2. Current Conditions of the Corporate Group

As of March 31, 2012, the Group (the Company and affiliates of the Company) is comprised of the Company and one consolidated subsidiary (TG Miyazaki Co. Ltd.), and two non-consolidated subsidiaries (T-Gaia (Shanghai) Corporation, TG Contract Co., Ltd.) with main business lines (i) in mobile telecommunications centered on sales of mobile phones, etc.; (ii) network communications operations engaged in MYLINE services alongside intermediation operations such as FTTH optical fiber circuit services; and (iii) prepaid settlement services operations engaged in prepaid transactions settlement services using PIN sales systems, and other businesses.

Our main activities are as follows:

(1) Mobile Telecommunications Business

The main activities of the Mobile Telecommunications Business are the brokering of mobile phone and PHS subscription services, and the sale of mobile phones and handsets. We broker communication subscription services for mobile phone carriers (NTT DOCOMO, Inc., KDDI Group, SOFTBANK MOBILE Corp., EMOBILE Ltd., and so on), and receive a commission for each successfully concluded subscription contract based on our sales agent agreement with each carrier. We broker communication services and sell mobile phones to general users through our nationwide distribution channels, which include secondary sales agencies (volume electronics retailers and general sales agencies), directly-managed shops, and direct sales to corporations.

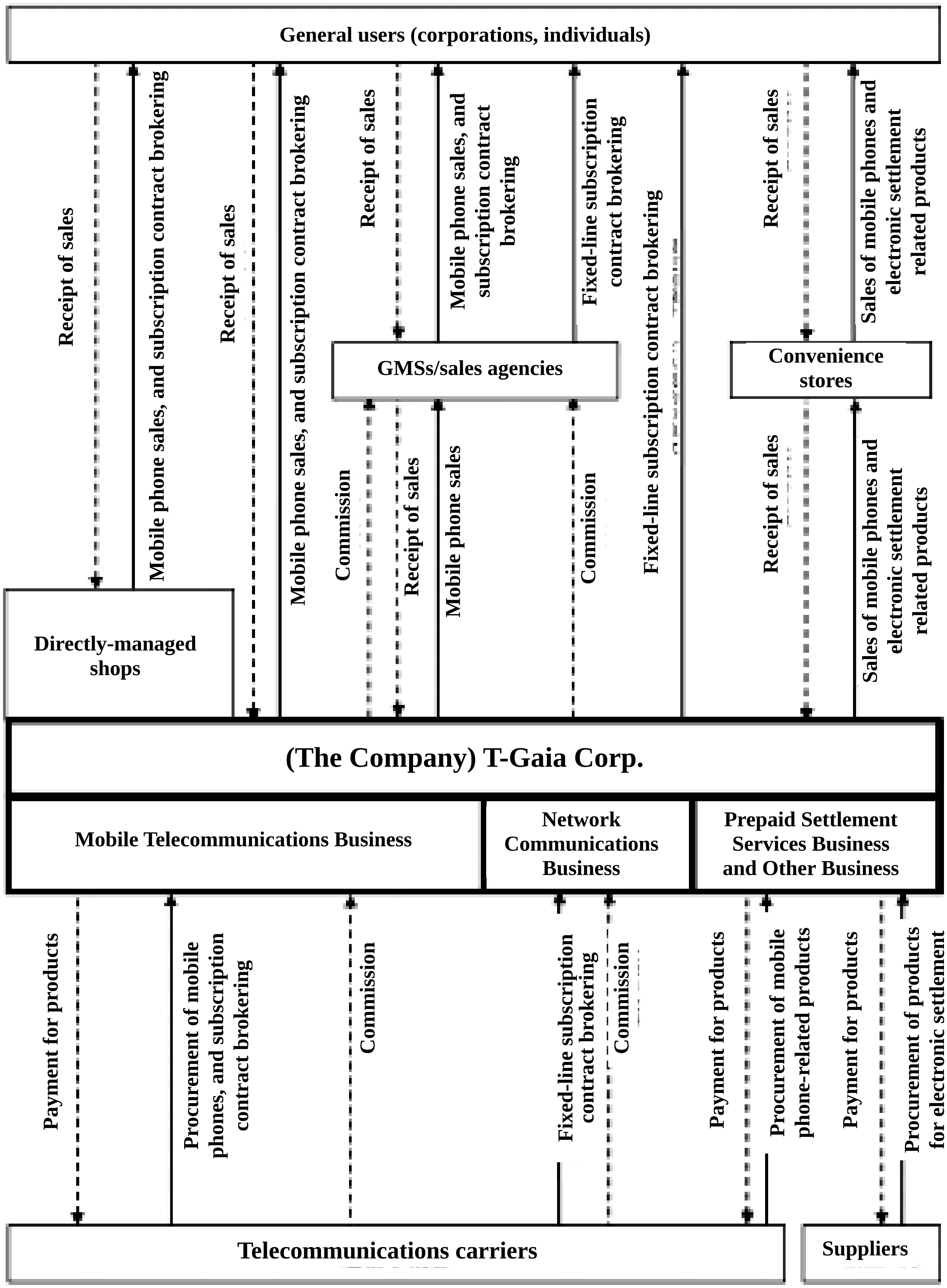
(2) Network Communications Business

The main business activity of the Network Communications Business is the brokering of 'MYLINE' and other fixed-line subscription services for individuals and corporations, as well as handling of fiber-optic lines (FTTH, etc.) associated with greater penetration of broadband services. We have concluded sales agent agreements with NTT Group companies NTT East, NTT West, NTT Communications; and KDDI, SOFTBANK TELECOM, and other carriers. Commissions paid to us by telecommunications carriers include broker commissions for each successfully brokered subscription contract, and a running commission based on a fixed proportion of each subscription line's telecommunications charges (running commissions are paid for a limited period).

(3) Prepaid Settlement Services Business and Other Business

The main activities of the Prepaid Settlement Services Business and Other Business are the sale of electronic settlement-related products that utilize the PIN sales system, such as e-money and overseas telephone calls, the sale of prepaid-type mobile phones and prepaid cards, and the gift card business through leading convenience stores throughout Japan.

Overview of the business system



3. Management Policies

(1) Basic management policy of the Group

The Group has stated its corporate philosophy as follows.
We will contribute to the realization of society's dreams and prosperity, and continue to "Challenge Tomorrow" with "Integrity."

In order to ensure continued business growth in an operating environment marked by great changes, in addition to increasing efforts and operating efficiency surrounding existing operations, the Group will proactively engage in overseas markets and new business fields, and in this way strengthen the Group's management base. Moreover, the Group will work to increase enterprise value by ensuring management transparency and by meeting the Group's corporate social responsibilities.

(2) Performance targets

For the fiscal year ending March 31, 2013, we target net sales of 760 billion yen, operating income of 15,300 million yen, ordinary income of 15,000 million yen, and net income of 8,600 million yen.

(3) Management strategies of the Group for the medium and long term

In order to ensure continued business growth, the Group will keep strengthening existing operations while aiming to establish new earnings platforms by creating new businesses and overseas operations. To this end, the Group proactively advances a three-directional effort, dubbed "Shinka" addressing newness, depth, and progress, and through the effects aims to achieve business growth over the medium and long term.

1) Establishing new business models

The Group will proactively engage in new business fields centered on solution services using devices and applications that are diversifying into new business models. Moreover, the Group aims to establish new earnings platforms by entering overseas markets and launching overseas business initiatives centered on operations in China.

2) Increasing the depth of existing business models

With regard to existing operations, the Group will work to increase and strengthen sales networks, enhance the quality of sales, and develop new merchandise resources, and in this way provide services of high added value and maximize customer satisfactions.

3) Further progress in the management base

The Group will innovate the internal infrastructure by promoting the development of human resources capable of dealing with new business models and global initiatives, create internal frameworks that spawn further enhanced selling power and a stimulating work climate, and create and introduce the next version of the Group's main system that will contribute to upgraded operating efficiency and speedy decision making.

(4) Issues to be addressed by the Group

The Mobile Telecommunications Business, which accounts for the Group's main operations, has been seeing conspicuous change including the development of various services incorporating peripheral fields, such as applications and fixed-line telecommunications, stemming from a surge in the spread of data communication-centered smart phones and an expanding tablet computer market despite a diffusion rate of over 100% for mobile phones among Japan's population.
In addition, in emerging nations, there is a continuing move from second generation mobile phones, which were mainly the prepaid mobile phones, to third generation mobile phones, which are the post-paid type, and telecommunications carriers are projected to further expand measures for enclosing customers by focusing on carrier shops, such as those developed in Japan.

In this operating environment, the Group will promote further enhanced operating efficiency and human resource development and training, and by using the Group's financial resources, organizational resources, and information resources, etc., to improve the Group's collective capabilities, proactively work to strengthen existing business platforms and engage in new business fields and overseas markets to ensure future business growth.
More specifically, the following activities will be addressed.

1) Existing businesses

The Group aims to foster a further upsurge in sales of smart phones which are currently going through a period of rapid market penetration, by continuing to pursue a stronger sales framework and network and better sales quality, and positively pursuing sales growth in terminals for data communication while aiming to further improve customer satisfaction by providing services of high added value services and a diverse range of peripheral merchandise. It will also invest its efforts in bolstering its marketing of proposal-based business to corporate customers, and in growing solution services leveraging a range of devices and applications.

With the opportunity afforded by new services such as set discounts with mobile telecommunications equipment, the Group will aim at increasing sales of fiber optic cable services such as FTTH, while seeking to build up a sales structure that can rapidly respond to customers' needs and to the increasingly diverse new services arising from the proliferation of broadband.

In addition, we will aim to expand our sales channels and product line-up for the gift card business which we have newly started to develop focusing on electronic payment services such as electronic money that utilize the personal identification number (PIN) sales system, while positively working on products that are not in our existing mix.

2) Overseas and new businesses

The Group entered into an operating alliance with China-based telecommunications operator China Unicom and established a local corporation in Shanghai in 2011. Through the local corporation, five China Unicom shops were opened between 2011 and the end of the consolidated fiscal year under review.

The Group will continue to promote business expansion in Asian markets, specifically China, proactively allocate management resources to overseas operations that have the potential to become future profit centers and to new operations that have an affinity to existing businesses, and in this way through overseas operations and new businesses ensure medium and long term earnings.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	Consolidated Fiscal Year 2012 (As of March 31, 2012)
Assets	
Current assets	
Cash on hand and in banks	1,766
Accounts receivable – trade	106,482
Products	54,304
Stored products	350
Deferred tax assets	1,224
Accounts receivable – other	25,103
Other current assets	653
Allowance for doubtful accounts	(17)
Total current assets	189,867
Fixed assets	
Fixed tangible assets	
Buildings and Structures	6,064
Accumulated depreciation	(Note 1) (4,124)
Buildings and Structures (Net)	1,939
Transport vehicles and equipments	25
Accumulated depreciation	(Note 1) (24)
Transport vehicles and equipments (Net)	1
Tools, furniture, and fixtures	3,856
Accumulated depreciation	(Note 1) (3,012)
Tools, furniture, and fixtures (Net)	843
Land	353
Construction in progress	33
Total tangible fixed assets	3,171
Non-tangible fixed assets	
Goodwill	7,135
Telephone rights	16
Land leasehold	26
Software	801
Others	19
Total non-tangible fixed assets	7,999
Investment and other assets	
Investment securities	(Note 2) 626
Long-term loans receivable	127
Deferred tax assets	1,626
Leasehold deposits	4,234
Others	599
Allowance for doubtful accounts	(18)
Total investments and other assets	7,195
Total fixed assets	18,366
Total assets	208,233

(Million yen)

	Consolidated Fiscal Year 2012 (As of March 31, 2012)
Liabilities	
Current liabilities	
Accounts payable – trade	90,628
Short-term borrowings	35,100
Long-term borrowings payable within one year	3,264
Accounts payable – other	31,458
Unpaid taxes	3,442
Reserve of bonuses	1,344
Allowance for early subscription cancellations	137
Other current liabilities	496
Total current liabilities	165,871
Long-term liabilities	
Long-term borrowings	12,159
Accrued employees' retirement benefits	428
Asset Retirement Obligations	1,048
Others	675
Total long-term liabilities	14,311
Total liabilities	180,183
Net Assets	
Shareholders' equity	
Common stock	3,098
Capital surplus	5,585
Retained earnings	32,052
Treasury stock	(12,740)
Total shareholders' equity	27,997
Accumulated Other Comprehensive Income	
Net unrealized holding gain on securities	52
Total accumulated other comprehensive income	52
Total net assets	28,050
Total Liabilities and Net Assets	208,233

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

(Million yen)

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)
Net Sales	712,683
Cost of Goods Sold	646,859
Total Income from Sales	65,823
Selling, General and Administrative Expenses	(Note 1) 50,950
Operating Income	14,873
Non-Operating Income	
Interest income	4
Dividend income	3
Dividend compensation	19
Insurance reimbursement	55
Reversal of provision for loss on disaster	38
Others	55
Total non-operating income	178
Non-Operating Expenses	
Interest expenses	197
Others	9
Total non-operating expenses	207
Ordinary Income	14,843
Extraordinary Gains	
Gain on sales of fixed assets	(Note 2) 0
Income from relief money	9
Others	1
Total extraordinary gains	10
Extraordinary Losses	
Loss on sales of fixed assets	(Note 3) 0
Loss on removal of fixed assets	(Note 4) 43
Impairment losses	(Note 5) 13
Others	5
Total extraordinary losses	63
Income before Taxes	14,790
Income Taxes – Current	6,618
Income Taxes – Deferred	239
Total Income Taxes	6,857
Income before Minority Interests	7,933
Net Income	7,933

(Consolidated Statement of Comprehensive Income)

(Million yen)

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)
Income before Minority Interests	7,933
Other Comprehensive Income	
Net unrealized holding gain on securities	(4)
Total other comprehensive income	(Note 1) (4)
Comprehensive Income	7,928
(Breakdown)	
Comprehensive income attributable to shareholders of the parent	7,928

(3) Consolidated Statements of Changes in Shareholders' Equity

(Million yen)

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)
Shareholders' Equity	
Common stock	
Balance at beginning of current year	3,098
Changes during the year	
Total changes during the year	—
Balance at end of the year	3,098
Capital surplus	
Balance at beginning of current year	5,585
Changes during the year	
Total changes during the year	—
Balance at end of the year	5,585
Retained earnings	
Balance at beginning of current year	26,898
Changes during the year	
Dividend of surplus	(2,778)
Net income	7,933
Total changes during the year	5,154
Balance at end of the year	32,052
Treasury Stock	
Balance at beginning of current year	—
Changes during the year	
Acquisition of treasury stock	(12,740)
Total changes during the year	(12,740)
Balance at end of the year	(12,740)
Total shareholders' equity	
Balance at beginning of current year	35,583
Changes during the year	
Dividend of surplus	(2,778)
Net income	7,933
Acquisition of treasury stock	(12,740)
Total changes during the year	(7,585)
Balance at end of the year	27,997

(Million yen)

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)
Accumulated Other Comprehensive Income	
Net unrealized holding gain on securities	
Balance at beginning of current year	57
Changes during the year	
Changes of items other than shareholders' equity during the year (Net)	(4)
Total changes during the year	(4)
Balance at end of the year	52
Total accumulated other comprehensive income	
Balance at beginning of current year	57
Changes during the year	
Changes of items other than shareholders' equity during the year (Net)	(4)
Total changes during the year	(4)
Balance at end of the year	52
Total Net Assets	
Balance at beginning of current year	35,640
Changes during the year	
Dividend of surplus	(2,778)
Net income	7,933
Acquisition of treasury stock	(12,740)
Changes of items other than shareholders' equity during the year (Net)	(4)
Total changes during the year	(7,590)
Balance at end of the year	28,050

(4) Consolidated Statements of Cash Flows

(Million yen)

	Consolidated Fiscal Year 2012d (from April 1, 2011 to March 31, 2012)
Cash Flows from Operating Activities	
Income before income taxes and other adjustments	14,790
Depreciation	1,359
Impairment losses	13
Amortization of goodwill	1,546
Increase (decrease) in allowance for doubtful accounts	(27)
Increase (decrease) in reserve for employees' bonuses	69
Increase (decrease)in allowance for early subscription cancellations	(13)
Increase (decrease) in accrued employees' retirement benefits	(9)
Increase in provisions for loss from natural disaster	(129)
Interest and dividend income	(8)
Interest expenses	197
Loss (gain) on sales of fixed assets	(0)
Loss on removal of fixed assets	43
Decrease (increase) in accounts receivable	(30,190)
Decrease (increase) in accounts receivable – other	(6,524)
Decrease (increase) in inventories	(16,794)
Increase (decrease) in accounts payable	25,547
Change in other accounts payable	6,585
Others	345
Subtotal	(3,197)
Interests and dividends received	8
Interests paid	(187)
Income taxes paid	(6,677)
Net cash provided by operating activities	(10,054)
Cash Flows from Investing Activities	
Payment for purchase of property, plant and equipment	(1,003)
Proceeds from sales of property, plant and equipment	12
Payment for purchase of software	(445)
Payment for purchase of investment securities	(0)
Payment for purchase of shares in affiliates	(108)
Payment for purchase of subsidiary shares resulting in change in scope of consolidation	(Note 2) (1,873)
Payment for loans receivable	(101)
Proceeds from collection of loans receivable	28
Increase (decrease) in loans to subsidiaries	(25)
Payment for leasehold deposits	(264)
Proceeds from return of leasehold deposits	117
Others	(140)
Net cash used in investing activities	(3,803)

(Million yen)

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)
Cash Flows from Financing Activities	
Increase (decrease) in short term loans payable	19,500
Proceeds from long-term borrowings	14,400
Decrease in long-term borrowings	(4,069)
Payments for purchase of treasury stock	(12,740)
Cash dividends paid	(2,771)
Net cash used in financing activities	14,319
Increase (Decrease) in Cash and Cash Equivalents	461
Cash and Cash Equivalents at Beginning of Period	1,304
Cash and Cash Equivalents at End of Period	(Note 1) 1,766

Note Regarding the Premise of a Going Concern

There are no items to report.

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

1. Scope of Consolidation
   (1) Number of consolidated subsidiaries: 1
   Name of primary consolidated subsidiaries: TG Miyazaki Co. Ltd.
   Due to the acquisition of the entire share capital of TG Miyazaki Co., Ltd., as of December 1, 2011, the entity is rendered a subsidiary and included in the scope of consolidation.
   (2) Company name, etc., of primary non-consolidated subsidiaries
   Name of primary non-consolidated subsidiaries: T-Gaia (Shanghai) Corporation
   TG Contract Co., Ltd.
   (Reason of excluding from the scope of consolidation)
   These non-consolidated subsidiaries are all small in scale and the impact of total amounts of assets, net sales, net income or loss (based on the Company's ownership percentage), and retained earnings (based on the Company's ownership percentage) of these companies do not have a significant effect on consolidated financial statements of the Company. They have therefore been excluded from the scope of consolidation.
2. Application of Equity Method
   (1) Non-consolidated subsidiaries accounted for under the equity method
   There are no subsidiaries to report.
   (2) Equity-method affiliate
   There are no affiliates to report.
   (3) The non-consolidated subsidiaries (T-Gaia (Shanghai) Corporation and TG Contract Co., Ltd.) have not been accounted for under the equity method since the impact of these subsidiaries on net income or loss (based on the Company's ownership percentage), and retained earnings (based on the Company's ownership percentage) of the Company is not material to the consolidated financial statements as well as they are immaterial on the whole.
3. Accounting Period of Consolidated Subsidiaries
   The business year of the consolidated subsidiaries is the same as the consolidated fiscal year.
4. Significant Accounting Policies
   (1) Assets valuation basis and valuation method
   1) Securities
   (a) Subsidiary stock
   Subsidiary stock is stated at cost, cost being determined by the moving-average method.
   (b) Other securities
   Securities with market quotations:
   Securities with market quotations are carried at fair value on the balance sheet date. Changes in unrealized holding gain or loss are included directly in net assets. The cost of securities sold is determined by the moving-average method.
   Securities without market quotations:
   Securities without market quotations are stated at cost, cost being determined by the moving-average method.
   2) Inventories
   (a) Merchandise
   Merchandise is stated at cost, cost being determined by the first-in first-out method (balance sheet value being calculated by reducing book value, based on the decline in profitability).
   (b) Supplies
   Supplies are stated at cost, cost being determined by the first-in first out method.
   (2) Depreciation and amortization method of principal depreciable assets
   1) Property, plant and equipment (excluding lease assets)
   Depreciation of property, land and equipment is calculated by the declining-balance method, except for buildings (excluding fixtures) acquired on or subsequent to April 1, 1998 on which depreciation is calculated by the straight-line method. Depreciation of equipment, furniture and fixtures of self-owned shops is calculated by the straight-line method (useful life of 3 years).
   Useful life of principle assets is as follows:
   Buildings and structures: 2-34 years
   Furniture and fixtures: 2-20 years

2) Intangible fixed assets (excluding lease assets)
Calculated by the straight-line method.
Goodwill: 3-10 years
Software: 5 years

3) Lease assets
Finance leases other than those that are deemed to transfer the ownership of the leased assets to the lessees and which began on or before March 31, 2008, are accounted for by the method similar to that applicable to ordinary operating leases.

(3) Recognition of significant allowances

1) Allowance for doubtful accounts
To prepare for credit losses on accounts receivable and loans receivable etc., allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectability.

2) Reserves for employees' bonuses
To provide for employees' bonus obligations, the Company designates in the reserve account an amount estimated to have accrued for the current fiscal year.

3) Allowance for early subscription cancellations
The Company books an allowance for early subscription cancellations based on historical figures, as the Company must return commissions back to telecom carriers (with which the Company has concluded sales agency agreements) when mobile phone users that have subscribed through the Company or network of sales agencies cancel their subscriptions within a short period of time.

4) Accrued employees' retirement benefits
To provide for employees' retirement benefits, an amount required for voluntary resignations at the end of the term is included in accordance with the simplified method as stipulated in the "Practical Guidance for Accounting for Retirement Benefits (Interim Report)" (Accounting System Committee Report No. 13).

(4) Method and period of Amortization for Goodwill
Goodwill is amortized under the straight-line method over the period of occurrence (three to ten years).

(5) Scope of cash and cash equivalents on statements of cash flows
Cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of 3 months or less, that are readily convertible known amounts of cash and present insignificant risk of change in value.

(6) Other significant accounting policies in the preparation of consolidated financial statements

1) Accounting for consumption taxes
The tax exclusion method is applied to consumption taxes and local consumption taxes.

Additional Information

Beginning with this fiscal year, the Company applies the "Accounting Standard for Segment Information Disclosure" (Business Accounting Standard No. 17; March 27, 2009) and the "Application Guideline concerning the Accounting Standard for Segment Information Disclosure" (Business Accounting Standard Application Guideline No. 20; March 21, 2008).

Notes to Consolidated Financial Statements

(Consolidated Balance Sheets)

*1 Figure of accumulated depreciation includes accumulated impairment losses.

*2 Figure relates to non-consolidated subsidiaries and affiliates of the Company is as follows.

	Consolidated Fiscal Year 2012 (As of March 31, 2012)
Investment in securities (stock)	308

*3 The Group has current account overdraft agreements with three banks in order to raise funds efficiently. Loans outstanding as of the end of fiscal year under these agreements are as follows:

	Consolidated Fiscal Year 2012 (As of March 31, 2012)
Current account overdraft	1,500 million yen
Credit used	— million yen
Credit available	1,500 million yen

(Consolidated Statements of Income)

Note 1) Major items and figures among selling, General and Administrative Expenses are as follows.

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)
Transportation	594 million yen
Dispatched staff wages	6.244 million yen
Directors remuneration	192 million yen
Employees’ wages	5,458 million yen
Temporary staff wages	12,889 million yen
Provision of reserves for employees’ bonuses	1,341 million yen
Rent expenses	4,068 million yen
Depreciation expenses	1,359 million yen
Outsourcing expenses	991 million yen
Amortization of goodwill	1,546 million yen
Others	16,264 million yen

Note 2) Breakdown of gain on sales of fixed assets is as follows.

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)
Buildings and structures	0 million yen
Tools, furniture, and fixtures	0 million yen
Total	0 million yen

Note 3) Breakdown of loss on sales of fixed assets is as follows.

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)
Buildings and structures	0 million yen
Tools, furniture, and fixtures	0 million yen
Total	0 million yen

Note 4) Breakdown of loss on removal of fixed assets is as follows.

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)
Buildings and structures	22 million yen
Transport vehicles and equipments	0 million yen
Tools, furniture, and fixtures	11 million yen
Software	9 million yen
Total	43 million yen

*5 Impairment losses

In the consolidated fiscal year under review, the Group recognized impairment losses on the following group of assets

Location	Usage	Assets
Stores	Store equipment for directly-managed shops	Buildings and Structures, Tools, furniture and fixtures

The Group groups its stores as minimum cash-generating units, and common assets at the branch offices and store level.

The Company examined stores and branch offices with ongoing negative operating cash flow as candidates for asset impairment, and reduced book value to recoverable amounts, booking the difference (13 million yen) as an extraordinary loss. The breakdown of impairment losses was as follows: buildings and structures 10 million yen, and tools, furniture, and fixtures 3 million yen.

The Company calculated recoverable amounts for stores and branch office assets based on estimated net sales proceeds, which are nil because we believe it will be difficult to sell these assets.

(Consolidated Statements of Comprehensive Income)

Consolidated Fiscal Year 2012 (From April 1, 2011 to March 31, 2012)

*Other comprehensive income related reclassification adjustments and their tax effect

Net unrealized holding gain on securities:	
Generated during the fiscal year under review	(15 million yen)
Reclassification adjustment	—
Before tax adjustments	(15 million yen)
Tax effect	10
Net unrealized holding gain on securities	(4 million yen)
Total of other comprehensive income	(4 million yen)

(Consolidated Statements of Changes in Shareholders' Equity)

Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of April 1, 2011 (shares)	Increase during consolidated period under review (shares)	Decrease during consolidated period under review (shares)	Number of shares as of March 31, 2012 (shares)
Outstanding shares				
Common shares	512,419	—	—	512,419
Total	512,419	—	—	512,419
Treasury stock				
Common shares (Note)	—	91,000	—	91,000
Total	—	91,000	—	91,000

Note: The increase in the number of common shares of treasury stock is due to the acquisition of 91,000 shares of treasury stock pursuant to the resolution of the board of directors' meeting.

2. Dividends

(1) Dividend payment

(Resolution)	Type of share	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 23, 2011	Common shares	1,409	2,750	March 31, 2011	June 24, 2011
Board of Directors meeting on November 11, 2011	Common shares	1,369	2,750	September 30, 2011	December 12, 2011

(2) Dividends with a record date in the consolidated fiscal year under review but an effective date in the following consolidated fiscal year

(Resolution)	Type of share	Total amount of dividend (million yen)	Source of funds	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 21, 2012	Common shares	1,369	Retained earnings	3,250	March 31, 2012	June 22, 2012

(Consolidated Cash Flow Statements)

*1. Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the current fiscal year is made as follows:

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)
Cash on hand and in banks	1,766 million yen
Cash and cash equivalents	1,766 million yen

*2. Main breakdown of assets and liabilities of newly consolidated subsidiary through acquisition

Below is a breakdown of assets and liabilities when TG Miyazaki Co. Ltd. was initially included in the scope of consolidation following the purchase of its shares and the relationship between the purchase price of TG Miyazaki's shares and (net) expenditures to purchase the shares.

Current Assets	145 million yen
Fixed Assets	358 million yen
Goodwill	1,337 million yen
Current Liabilities	(7 million yen)
Purchase price of TG Miyazaki's shares	1,874 million yen
Cash and cash equivalents of TG Miyazaki Co. Ltd.	(0 million yen)
Balance: Expenditures to purchase TG Miyazaki's shares	1,873 million yen

(Lease Transactions)

1. Non-transfer-ownership finance lease transactions which started before March 31, 2008 have been accounted for based upon the ordinary method for lease transactions, and the specific details are as follows.

(1) Acquisition cost equivalents, accumulated depreciation equivalents, accumulated impairment losses and year-end balance equivalents of the leased property.

(Million yen)

	Consolidated Fiscal Year 2012 (March 31, 2012)		
	Acquisition cost equivalents	Accumulated depreciation equivalents	Year-end balance equivalents
Vehicles and equipment	3	3	0
Total	3	3	0

Note: Acquisition cost equivalents include amounts applicable to interest since the year-end balance of outstanding lease commitments are insignificant in the context of tangible fixed assets.

(2) Year-end balance equivalents of outstanding lease commitments

(Million yen)

	Consolidated Fiscal Year 2012 (March 31, 2012)
Year-end balance equivalents of outstanding lease commitments	
Within one year	0
Over one year	—
Total	0

Note: Year-end balance equivalents of outstanding lease commitments include amounts applicable to interest since the year-end balance of outstanding lease commitments is insignificant in the context of tangible fixed assets.

(3) Lease payments, reversal from lease asset impairment, and depreciation equivalents

(Million yen)

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)
Lease payments	0
Depreciation equivalents	0

(4) Calculation method of depreciation equivalents

Depreciation is calculated based on the straight-line method, assuming the lease period to be the useful life and a residual value of zero.

(Impairment Losses)

No impairment loss is allocated to lease asset.

2. Operating lease transactions

Outstanding lease commitments pertaining to non-cancelable operating lease transactions.

(Million yen)

	Consolidated Fiscal Year 2012 (March 31, 2012)
Within one year	52
Over one year	93
Total	146

(Financial Instruments)

Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)

1. Matters concerning the status of financial instruments

(1) Transaction policies concerning financial instruments

The Company uses bank loans for short-term working capital finance. The Company has a policy of not engaging in derivatives transactions.

(2) Content and risk of financial instruments

Claims to receivables from operations are subject to the credit risks posed by transaction counterparties.

Investment securities held mostly in corporations with whom the Company maintains trading relations are subject to price risk from changes in market prices.

Accounts payable from operations have mostly maturities of two months or less.

Long-term loans are mostly funds for M&A transactions, etc., carried out in the previous fiscal year. A portion thereof is subject to interest rate risk.

(3) Risk management frameworks for financial instruments

(i) Credit risk management (risk of counterparty default on contractual obligations)

Receivables from operations are with regard to the financial status of major trading counterparties periodically monitored by the credit and legal divisions in accordance with credit and receivables management regulations. Maturities and outstanding balances are managed by individual counterparty. Measures have been put into place for the early detection of signs of collection risks, such as deterioration in the financial status, and for mitigating collection risks.

(ii) Market risk management (foreign exchange risk and interest rate risk)

Investment securities are periodically monitored for market prices and for the financial status of issuers (transaction counterparties). Investment securities' holding status in the securities portfolio is under continuous review, taking into account market conditions and the Company's relationship with counterparty entities.

(iii) Funding and liquidity risk management (risk of inability to pay at maturity)

In order to ensure sufficient liquidity on hand, financing plans are prepared and revised on a timely basis by the accounting division based on reports provided by divisions.

(4) Supplemental information concerning the fair value, etc., of financial instruments

Prices of financial instruments include instances based on market prices and instances based on reasonably calculated estimates in cases where market prices are not available. Calculated prices incorporate price-changing factors and are therefore subject to change if different assumptions are applied.

2. Matters concerning the fair value, etc., of financial instruments

Carrying values stated on the consolidated balance sheet as of March 31, 2012, fair value, and the valuation differentials are as follows. Instances where fair value determination is judged impracticable are not stated (see Note 2 for reference).

(Million yen)

	Consolidated balance sheet carrying value	Fair value	Differential
(i) Cash and deposits	1,766	1,766	—
(ii) Accounts receivable-trade	106,482	106,482	—
(iii) Accounts receivable-other	25,103	25,103	—
(iv) Investment securities			
Available-for-sale securities	190	190	—
(v) Lease deposits	4,234	3,320	(913)
Assets - Total	137,776	136,862	(913)
(i) Accounts payable-trade	90,628	90,628	—
(ii) Short-term loans payable	35,100	35,100	—
(iii) Accounts payable-other	31,458	31,458	—
(iv) Income taxes payable	3,442	3,442	—
(v) Long-term loans payable	15,423	15,295	(127)
Liabilities - Total	176,053	175,925	(127)

Note: 1. Matters concerning the method of calculation of the fair value of financial instruments and matters concerning securities

Assets

(i) Cash and deposits, (ii) accounts receivable-trade, and (iii) accounts receivable-other

Due to the short-term maturities of these items, fair value and carrying value are almost at parity. Fair value is therefore stated at carrying value.

(iv) Investment securities

Fair value of investment securities is stated at the market prices noted on a public exchange.

(v) Lease deposits

Fair value is stated at the present value of the future cash flows from lease deposits discounted at the coupon rate of Japanese Government Bonds.

Liabilities

(i) Accounts payable-trade, (ii) short-term loans payable, (iii) accounts payable-other, and (iv) income taxes payable

Due to the short-term maturities of these items, fair value and carrying value are almost at parity. Fair value is therefore stated at carrying value.

(v) Long-term loans payable

Fair value of long-term loans payable is stated at the present value of total of principal and interest discounted at the interest rate assumed applicable to a newly raised identical loan total.

2. Financial instruments whose fair value is judged impracticable to determine

Category	Consolidated balance sheet carrying amount (Million yen)
Unlisted stocks	435

For these securities no market prices are available. Since fair value determination is therefore judged impracticable, this item is not included in “(iv) Investment securities.”

3. Proceeds from the settlement of monetary claims and securities with maturities scheduled after the consolidated balance sheet date

	Up to one year (Million yen)	Over one year, up to five years (Million yen)	Over five years, up to ten years (Million yen)	Over ten years (Million yen)
Cash and deposits	1,766	—	—	—
Accounts receivable-trade	106,482	—	—	—
Accounts receivable-other	25,103	—	—	—
Total	133,351	—	—	—

4. Settlement amounts of long-term loans payable scheduled after the consolidated balance sheet date

	Up to one year (Million yen)	Over one year, up to two years (Million yen)	Over two years, up to three years (Million yen)	Over three years, up to four years (Million yen)	Over four years, up to five years (Million yen)	Over five years (Million yen)
Long-term loans payable	3,264	1,307	10,852	—	—	—

(Securities)

Consolidated Fiscal Year 2012 (as of March 31, 2012)

1. Other securities

	Type	Consolidated balance sheet carrying value (million yen)	Acquisition cost (million yen)	Valuation gain (million yen)
Securities with consolidated balance sheet carrying value exceeding acquisition cost	Equity	155	21	133
Securities with consolidated balance sheet carrying value not exceeding acquisition cost	Equity	35	47	(12)
Total		190	69	121

Note: For unlisted stocks (consolidated balance sheet carrying value: 435 million yen) no market prices are available. Since fair value determination is therefore judged impracticable, this item is not included in the table above ("Other securities").

(Derivatives)

Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)

Not applicable. The Group was not involved in any derivative transactions.

(Retirement Benefits)

1. Summary of the retirement benefits system adopted by the Company

The Company had transferred a portion of the retirement lump-sum money to the defined contribution pension system in October 2009 and has adopted a prepaid retirement allowance system and defined contribution pension system for its defined contribution-type system,

In addition, domestic consolidated subsidiaries participate in the Smaller Enterprise Retirement Allowance Mutual Aid System.

2. The following table sets forth the funded and accrued status of the plans

	(As of March 31, 2012)
1) Retirement benefit obligation	428 million yen
2) Accrued employees' retirement benefits	428 million yen

3. Calculation method of retirement benefit obligation

In calculating the retirement benefit obligation for the retirement lump-sum system, the simplified method has been adopted which recognizes the payment required for voluntary resignations at the end of the term as the retirement benefit obligation.

(Stock Options)

Consolidated Fiscal Year 2010 (from April 1, 2011 to March 31, 2012)

1. Description, size and changes in stock options

(1) Description of stock options

	Stock options No.1 (issued in 2003)	Stock options No.3 (issued in 2004)
Number and qualifications of individuals to be granted	Company's employees 253	Company's directors 6 Company's employees 286
Number of stock options by types of shares (Note)	Common shares 1,600	Common shares 2,392
Date of grant	February 28, 2003	August 3, 2004
Terms of exercise	Of the person granted the stock options must consistently work with the Company from the date of grant (February 28, 2003) to the date of the establishment of the right of exercise (April 6, 2005).	Of the person granted the stock options must consistently work with the Company from the date of grant (August 3, 2004) to the date of the establishment of the right of exercise (June 24, 2006).
Period of service for eligibility	From February 28, 2003 to April 6, 2005	From August 3, 2004 to June 24, 2006
Exercise period	From April 7, 2005 to February 12, 2013. It is still possible to exercise stock options in the exercise period for a director that retires because their term has expired, for an employee that retires because they have reached the mandatory retirement age, or for any other retirees that have left the Company for a legitimate reason.	From June 25, 2006 to June 24, 2014. It is still possible to exercise stock options in the exercise period for a director that retires because their term has expired, for an employee that retires because they have reached the mandatory retirement age, or for any other retirees that have left the Company for a legitimate reason.

Note: Figures are presented as equivalent number of shares.

(2) Size and changes in stock options

The following statement includes stock options valid during the consolidated fiscal year under review and is presented as the number of shares resulting from the exercise of the stock options.

1) Number of stock options

	Stock options No. 1 (issued in 2003)	Stock options No. 3 (issued in 2004)
After rights ascertainment (shares)		
End of prior consolidated fiscal year	340	1,666
Rights ascertained	—	—
Rights exercised	—	—
Invalidated	—	100
Balance of unexercised rights	340	1,566

2) Price information

	Stock options No. 1 (issued in 2003)	Stock options No. 3 (issued in 2004)
Exercise price (yen)	32,500	156,838
Average stock price at the time of exercise (yen)	—	—

(Deferred Tax Accounting)

1. Breakdown of origin of deferred tax assets and liabilities

(Million yen)

	Consolidated Fiscal Year 2012 (As of March 31, 2012)
Deferred tax assets	
Reserve for employees' bonuses	574
Allowance for doubtful accounts	11
Loss on revaluation of inventories	42
Accrued enterprise taxes and business office taxes	248
Depreciation in excess of maximum amount	852
Asset Retirement Obligations	371
Accrued employees' retirement benefits	152
Allowance for early subscription cancellations	52
Provisions for loss from natural disaster	8
Asset adjustment account	619
Others	403
Subtotal of deferred tax assets	3,327
Valuation allowance	(256)
Total deferred tax assets	3,070
Deferred tax liabilities	
Asset Retirement Obligations	(187)
Unrealized holding gain (loss) on other securities	(31)
Total deferred tax liabilities	(219)
Net deferred tax assets	2,851

2. Breakdown of origin of difference between corporate and other tax liabilities as calculated based on the effective tax rate and tax-effect accounting

(%)

	Consolidated Fiscal Year 2012 (As of March 31, 2012)
Statutory tax rate	40.7
(Adjustments)	
Entertainment expenses not deductible for tax purposes	0.6
Unrecognized amortization of goodwill	4.1
Residential tax	0.1
Downward revision of deferred tax assets due to changes to the tax rate	1.4
Others	(0.5)
Effective tax rate	46.4

3. Adjustment of deferred tax assets and deferred tax liabilities due to changes in corporate income tax rates

The Act to Amend a Portion of the Income Tax Act in order to Construct a Tax System to Respond to Structural Changes in the Economy and Society (Act 144 of 2011) and the Special Measures Act relating to Securing the Necessary Fiscal Resources to Implement Policies for Reconstruction from the East Japan Earthquake (Act 117 of 2011) were promulgated on December 2, 2011. These will lead to a reduction in the corporate income tax rate and the imposition of a special corporate income tax for reconstruction starting from the consolidated fiscal year commencing April 1, 2012. As a result, the legal effective tax rate used to calculate deferred tax assets and deferred tax liabilities is to fall from the previous 40.7% to 38.0% for temporary gains or losses expected to be [liquidated] at some time from the consolidated fiscal year commencing April 1, 2012 to the consolidated fiscal year commencing April 1, 2014, and will fall to 35.6% for temporary gains and losses expected to be liquidated during or after the consolidated fiscal year commencing April 1, 2015.

As a result of these tax changes, deferred tax assets (excluding deferred tax liabilities) have declined by 204 million yen, income taxes – Deferred (corporate income tax adjustment) has increased by 209 million yen, and other net unrealized holding gain on securities have increased by 4 million yen.

(Business Combination and Other Relationships)

Business Combination through Acquisition

1. Outline of the Business Combination
   - (1) Name and business fields of the acquired entity
     - Name of the acquired entity: TG Miyazaki Co., Ltd.
     - Business fields: Agency operations for sales of mobile phones
   - (2) Purpose of the business combination
     - The purpose of the acquisition is to expand and strengthen the sales network of the Company's Mobile Telecommunications Business
   - (3) Date of the business combination: December 1, 2011
   - (4) Legal form of the business combination: Share acquisition by cash
   - (5) Name of the controlling entity after the business combination: Name has not been changed
   - (6) Share of voting rights acquired: 100％
   - (7) Main reason the entity is acquired
     - The Company acquired 100% voting rights of TG Miyazaki Co., Ltd. and made the entity the consolidated subsidiary of the Company.
2. Period of the acquired entity's financial results included in the consolidated statement of income
   - From December 1, 2011 to March 31, 2012
3. Acquisition cost of the acquired entity and its breakdown

Acquisition cost of shares:	1,855 million yen
Expense directly required for acquisition:	18 million yen
Acquisition cost of the acquired entity:	1,874 million yen

4. Goodwill, reason for recognizing goodwill, amortization method, and amortization period
   - (1) Amount of goodwill 1,377 million yen
   - (2) Reason for recognizing goodwill
     - Acquisition cost of acquired entity exceeded its net assets at market value at the time of the business combination with TG Miyazaki Co., Ltd. The excess amount is included in goodwill.
   - (3) Method and amortization period
     - Straight-line method over 10 years
5. Amounts of assets and liabilities acquired on the day of the business combination

Current Assets	71 million yen
Fixed Assets	72 million yen
Total Assets	143 million yen
Current Liabilities	7 million yen
Total Liabilities	7 million yen

(Asset Retirement Obligations)

Disclosure is omitted as the necessity for such disclosure in the non-consolidated financial results is not considered major.

(Segment Information)

a. Segment information

Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)

1. Summary of reportable segments

Reportable segments of the Group are structural units of the Company for which segregated financial information is available and which are periodically reviewed to enable directors to take decisions on the allocation of management resources and assess operating performance.

The Group forms three reportable segments — Mobile Telecommunications Business, the Network Communications Business, and the Prepaid Settlement Services Business and Other Business — structured by industry segment.

The Mobile Telecommunications Business segment engages in the business of intermediation for subscriber agreements for communications services such as mobile phones and in the business of selling mobile phones. The Network Communications Business segment engages in the business of intermediation for communications service user agreements for fixed phone lines such as MYLINE services for individuals and corporations and in the business of selling optical fiber line such as FTTH services associated with broadband propagation. The Prepaid Settlement Services Business and Other Business segment engages in the business of selling products related to the electronic settlement of electronic money using PIN (Personal Identification Number)-based merchandise sales systems through major convenience store operators throughout Japan, as well as international telephone calls, and selling of prepaid-type mobile phones and prepaid cards.

2. Method of computation of net sales, income or loss, assets, liabilities, and other items by reportable segments

The accounting treatment applicable to reported business segment information is largely consistent with the descriptions in the “Important accounting policies,” and income of each reportable segment indicates operating income of the segment.

3. Information by reportable segment on sales and income or loss amounts, assets, liabilities, and other items

(Million yen)

	Mobile Telecommunications Business	Network Communications Business	Prepaid Settlement Services Business and Other Business	Adjustment amounts (Note 1)	Amount recorded in the consolidated financial statements
Net sales	575,738	19,765	117,180	—	712,683
Segment income (Operating income)	11,147	2,441	1,284	—	14,873
Segment assets	55,463	0	5,976	146,793	208,233
Other Items					
Depreciation (Note 2)	1,324	4	29	—	1,359
Amortization of goodwill	1,546	—	—	—	1,546

Note 1: The 146,793 million yen adjustment amount to segment assets includes assets which are not allocated to each reported segment other than merchandise and goodwill.

2: Fixed tangible assets and non-tangible fixed assets (excluding goodwill) are not allocated to each reported segment. However, depreciation and amortization are allocated based on the segment weightings of divisions accounted for under management accounting.

b. Related information

Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)

1. Information by products and services

(Million yen)

	Mobile Telecommunications Business	Network Communications Business	Prepaid Settlement Services Business and Other Business	Total
Net sales for outside customers	575,738	19,765	117,180	712,683

2. Information by region

Omitted as the Company maintains no branch offices in countries and regions outside Japan.

3. Information by major clients (mobile carriers)

(Million yen)

Name of clients (mobile carriers)	Net sales	Related segment
KDDI Corporation	119,356	Mobile Telecommunications Business
NTT DOCOMO, Inc.	87,098	Mobile Telecommunications Business

c. Information by reportable segment on impairment losses on fixed asset

Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)

(Million yen)

	Mobile Telecommunications Business	Network Communications Business	Prepaid Settlement Services Business and Other Business	Total
Impairment losses	13	—	—	13

(Note) Fixed tangible assets and non-tangible fixed assets (excluding goodwill) are not allocated to each reported segment. However, impairment losses are allocated to the Mobile Telecommunications Business since the losses are due to store equipment for directly-managed shops.

d. Information concerning the amortized and non-amortized goodwill amounts by reported segment

Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)

(Million yen)

	Mobile Telecommunications Business	Network Communications Business	Prepaid Settlement Services Business and Other Business	Total
Amount amortized in the term under review	1,546	—	—	1,546
Balance at the end of the term under review	7,135	—	—	7,135

e. Information concerning gains from negative goodwill by reported segment

Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)

There are no items to report.

(Information Concerning Related Parties)

Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)

There are no items to report.

(Per Share Information)

(Yen)

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)
Net assets per share	66,561.84
Amount of net income per share	18,551.22
Amount of diluted net income per share	18,539.75

Note: The following is a reconciliation of amount of net income per share and diluted net income per share

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)
Amount of net income per share	
Net income (million yen)	7,933
Net income not available to common shareholders (million yen)	—
Net income available to common shares (million yen)	7,933
Average number of shares outstanding during the period (shares)	427,635
Amount of diluted net income per share	
Increase in the number of common shares (shares)	264
(Of which stock acquisition rights (shares))	(264)
Summary of potential stock not included in the calculation of "amount of diluted net income per share" since there was no dilutive effect in the period.	Stock option No. 3 (issued in 2004) Stock acquisition rights: 783 Common shares: 1,566 shares

(Subsequent Events)

1. Cancellation of Own Shares

Pursuant to resolution of the board of directors' meeting convened on May 14, 2012, in accordance with the stipulations of Article 178 of the Companies Act, it was resolved to cancel the own shares.

(1) Reason for cancellation

The Company will cancel the own share to improve capital efficiency and to deliver increased shareholder value.

(2) Classes of shares to be cancelled

Shares of common stock

(3) Total number of shares to be cancelled

91,000 shares

(4) Scheduled date of cancellation

May 31, 2012

2. Stock Split, Adoption of the Share Trading Unit System, and Changes in the Articles of Incorporation

Pursuant to resolution of the board of directors' meeting convened on May 14, 2012, it was resolved to conduct a stock split, adopt the share unit number system, and make certain changes in the Articles of Incorporation.

(1) Objectives of the stock split, adoption of the share trading unit system, and changes in the articles of incorporation

The objectives of stock split are to increase the liquidity of the Company's shares and to broaden its investor base by reducing the price of one investment unit of the Company's stock, as well as to adopt the share trading unit system in which each share of common stock will be split into 200 shares and the stock will trade in 100-share units in view of the intent of the "Action Plan for Aggregating Share Trading Units," which was released by the Japanese Stock Exchange.

(2) Outline of stock split

(i) Method for conducting the stock split

Shareholders listed or recorded in the shareholder's register as of the end of the day on the base date, which will be September 30, 2012 (The day is not the business day of Administrator of Shareholder Registry, actual date will be September 28, 2012), will be allocated 200 common shares for each one of the Bank's common shares they hold.

(ii) Increase in the number of shares as a result of the stock split

Total number of shares issued prior to the stock split (Note 1):
512,419 shares (As of March 31, 2012)
421,419 shares (As of May, 31, 2012; prospective) (Note 2)

Increase in the number of shares as a result of the stock split:
83,862,381 shares (As of October 1, 2012; prospective)

Total number of shares issued after the stock split:
84,283,800 shares

Total number of shares authorized to be issued that remain unissued after the stock split:
400,000,000 shares

(Note 1) Total number of shares issued stated above may increase due to the exercise of outstanding share subscription rights.

(Note 2) Number of shares after consideration of the cancellation of 91,000 shares of treasury stock which was resolved on May 14, 2012.

(iii) Schedule for the stock split

Date of announcement of the base date: September 14, 2012
Base date: September 30, 2012
Effective date of the stock split: October 1, 2012

(3) Adaption of the share trading unit system

(i) Number of shares per unit

The Company will adopt the share trading unit system and the number of shares per unit will be 100 shares.

(ii) Schedule for adoption of the system

Effective date: October 1, 2012

(4) Effect on per share information

The following figures indicate per share information for the fiscal year under review on the assumption that the stock split is carried out at the beginning of the fiscal year.

Consolidated fiscal year under review	
Net assets per share	332.81 yen
Net income per share	92.76 yen
Diluted net income per share	92.70 yen

5. Others

(1) Transfers of directors

In regard to changes in directors, please refer to the "Announcement of Revisions to Board of Directors" released on February 28, 2012 and March 26, 2012.

(2) Others

[Operating segment information]

(1) Changes in business segments

The Company combined the Network Communications Business segment with the business of selling mobile phones and handsets for corporate clients, which was included in the Mobile Telecommunications Business segment by March, 2012, and set up Solutions Business segment. Accordingly, the Company made changes to its business segment and since the fiscal year ending March 31, 2013, the Company has applied new business segments, which are Mobile Telecommunication Business, Solutions Business, and Settlement Services Business and Other Business. Also, the Company changed the name of Prepaid Settlement Services Business and Other Business to Settlement Services Business and Other Business.

Segment performance for the fiscal year ended March 31, 2012 listed here has been re-calculated based on new business segments.

Segment	Net sales and operating income	FY 2012 (Reference: new business segments)	FY 2013 (Full-year forecast)	YoY change	
		Million yen	Million yen	Million yen	%
Mobile Telecommunications Business	Net sales	568,793	583,000	14,206	2.5
	Operating income	10,569	10,750	180	1.7
Solutions Business	Net sales	26,902	30,000	3,097	11.5
	Operating income	3,054	3,200	145	4.8
Settlement Services Business and Other Business	Net sales	116,987	147,000	30,012	25.7
	Operating income	1,249	1,350	100	8.1
Total	Net sales	712,683	760,000	47,316	6.6
	Operating income	14,873	15,300	426	2.9