Consolidated Financial Results for the Fiscal Year Ended March 31, 2013 (Based on J-GAAP)

May 14, 2013

Company name: T-Gaia Corp.
Listing: Tokyo Stock Exchange, First Section
Stock code: 3738
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Scheduled date of Annual General Meeting of Shareholders: June 20, 2013
Scheduled date of filing Securities Report: June 20, 2013
Scheduled commencement date of dividend payout: June 21, 2013
Financial results supplementary explanatory documents: Yes
Financial results presentation: Yes (For institutional investors & analysts)

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

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

(1) Consolidated results of operations (nine months) (Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2013	736,850	3.4	11,807	(20.6)	11,691	(21.2)	6,586	(17.0)
FY 2012	712,683	—	14,873	—	14,843	—	7,933	—

(Note) Comprehensive income (million yen): FY 2013:6,605 (16.7%) FY 2012:7,928 (—%)

	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 assets
	Yen	Yen	%	%	%
FY 2013	82.77	82.72	23.4	5.7	1.6
FY 2012	92.76	92.70	28.3	7.1	2.1

(Note 1) Dated October 1, 2012, the Company instituted a 200-for-1 stock split. Consolidated net income and diluted net income per share for the period under review have been calculated assuming that the stock split was instituted at the beginning of the current fiscal year.
(Note 2) Since the Company started to create consolidated financial statements for the third quarter of fiscal year ended March 31, 2012, year-over-year changes as of the fiscal year ended March 31, 2012 are not stated.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	
FY 2013	201,238	28,177	14.0	356.89
FY 2012	208,233	28,050	13.5	332.81

Reference: Shareholders' equity (million yen): FY 2013: 28,177 FY 2012: 28,050

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash & cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY 2013	2,698	(1,239)	(1,454)	1,997
FY 2012	(10,054)	(3,803)	14,319	1,766

2. Dividends

	Annual dividends					Total dividends	Dividend payout ratio	Dividend on Equity
	1Q-end	Interim	3Q-end	Yearend	Annual	(annual)	(consolidated)	(consolidate)
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2012	—	3,250.00	—	3,250.00	6,500.00	2,739	35.0	9.8
FY 2013	—	3,500.00	—	17.50	—	2,762	42.3	10.1
FY 2014 (forecasts)		17.50		17.50	35.0		35.7	

Note: Revisions to the dividend forecast in the current quarter: None
(Note) The stated amount for the prospective year-end dividend for the fiscal year to March 2013 considers the 200-for-1 stock split instituted dated October 1, 2012. Figures for cash dividends per share at the end of fiscal year ending March 31, 2013 and annual cash dividends per share are projected to come to 3,500 yen and 7,000 yen, respectively without reflecting the planned stock split (pre-split basis).

3. Consolidated forecasts for the Fiscal Year Ending March 31, 2014 (April 1, 2013 – March 31, 2014)

(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	340,000	(2.7)	6,500	19.8	6,300	15.6	3,500	17.2	44.33
Full year	725,000	(1.6)	14,100	19.4	13,800	18.0	7,750	17.7	98.16

Note: Revisions to the financial forecast in the current quarter: None

(Note) Projected consolidated net earnings per share for the fiscal year to March 2013 have been calculated based on the average number of shares issued and outstanding during the current fiscal year and amount after the stock split is stated. Details are stated in the “Cautionary statement with respect to forward-looking statements.”

Notes

(1) Changes in significant subsidiaries during the consolidated period (nine months) 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

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

1) Number of shares outstanding (including treasury stock) at end of period	FY 2013	78,952,800 shares	FY 2012	102,483,800 shares
2) Number of treasury stock at end of period	FY 2013	43 shares	FY 2012	18,200,000 shares
3) Average number of shares outstanding during the period (nine months)	FY 2013	79,578,208 shares	FY 2012	85,526,969 shares

(Note) Dated October 1, 2012, the Company has instituted a 200-for-1 stock split. The number of shares of common stock issued and outstanding has been calculated assuming that the stock split was instituted on at the beginning of the previous fiscal year.

* Implementation of quarterly review procedures

The consolidated financial statement is not subject to audit procedures pursuant to the Financial Instruments and Exchange Act.

At the time of disclosure of the consolidated financial statement, the audit procedures of consolidated financial statements pursuant to the FIEA are not completed.

* Cautionary statement with respect to forward-looking statements

(Disclaimer on forward-looking statements)

These materials contain forward-looking information including earnings projections based on information currently available to the Company and certain assumptions considered reasonable in the judgment of the Company. Nothing contained in these materials is meant to suggest that the Company promises to attain the said projections. Moreover, due to various factors, actual results may materially differ from projections. Concerning matters to be observed regarding the assumptions underlying earnings projections and concerning the use of earnings projections, please refer to “(2) Qualitative information concerning consolidated business performance forecast” under “1. Qualitative Information Concerning the Third Quarter Financial Results” on page 3 of the Attachment to the summary of quarterly financial statement.

(How to obtain explanatory documents supplemental to the abridged financial statements and information to be distributed at the results briefing)

Results briefing of the Company for institutional investors and analysts is scheduled for Thursday, May 16, 2013.

The explanatory documents to the abridged financial documents used on this occasion will be published on the website of the Company soon after the briefing.

Attachment: Table of Contents

1. Analysis Concerning Results of Operations and Financial Position

(1) Analysis regarding results of operations

1) Results of operations for the current fiscal year

Global economic developments in the period under review saw the Japanese economy stage a moderate recovery driven mainly by the rebuilding effort after the Great East Japan Earthquake. However, in the light of the European debt crisis and slowing economic activity in Asia, specifically in China, the outlook remained uncertain. Subsequently, following a change of government in Japan with proactive monetary and economic policies in its wake, signs of economic recovery have started to emerge attended by a depreciating yen and rising share prices, etc.

In the market for mobile phone handset sales, the core business field of the Group (the Company and its consolidated subsidiaries), smart phones remained the driving force, with market conditions continuing firm amid proliferating terminal functions and ongoing network environment upgrades including for LTE (next-generation high speed telecommunications) service offerings.

In this business environment, activities at the Group have been concentrating on expanding sales of smart phones. As a result, unit sales of hand sets reached 6.25 million, with the percentage of smart phone sales rising to almost 70 percent of the total.

In the Mobile Telecommunications Business, efforts continued to further expand sales of smart phones and tablet-type terminals and to strengthen sales of peripheral merchandise, with a view to raising profitability and expanding earnings. Operating income declined, however, mainly due to factors that included higher selling expenditures.

In the Solutions Business, sales of mobile phone hand sets to corporate users as well as sales of optical communication line services such as FTTH developed favorably. However, these gains were not enough to compensate for the decline in earnings from the approaching end of new sales of MYLINE services.

Settlement Services Business and Other Business saw a widening of sales routes for gift cards and a broadening of merchandise offerings as well as sustained favorable sales of merchandise with payment settlement enabled using electronic money through Electronic Commerce (EC) and Social Networking Services (SNS). At the same time, expenditures resulted from forward strategic investment in sales route expansion in order to increase revenues and earnings from gift cards as well as for overseas business initiatives.

As a result, for the consolidated fiscal year under review, net sales totaled 736,850 million yen (3.4% increase year-on-year), with operating income of 11,807 million yen (20.6% decrease year-on-year), ordinary income of 11,691 million yen (21.2% decrease year-on-year), and net income totaled 6,586 million (17.0% decrease year-on-year).

Note that, beginning with the first quarter of fiscal year 2013, the Group has applied new business segments, which are “Mobile Telecommunication Business,” “Solutions Business,” and “Settlement Services Business and Other Business.”

The “Network Communications Business” segment was combined with the business of selling mobile phones and handsets for corporate clients, which was included in the “Mobile Telecommunications Business” segment by the fiscal year ended March 31, 2012, and “Solutions Business” segment was set up. Also, the name of “Prepaid Settlement Services Business and Other Business” was changed to “Settlement Services Business and Other Business.” Results by business segment are described below.

[Mobile Telecommunications Business]

The market for hand set sales in the period under review enjoyed favorable conditions thanks to a string of sales launches of attractive new products and with the diffusion of smart phones reaching full momentum as LTE services became more widespread.

In this environment, the Group focused on sales staff training with a view to further raising customer satisfaction and enhancing the quality of sales, while working to expand and upgrade stores and sales frameworks. Moreover, as an initiative geared at a new market, as a specialty store for smart phone accessories the Company launched "Smart Labo." As a result of these measures to increase sales and earnings from smart phones and tablet-type terminals and by strengthening peripheral products, divisional sales posted 588,670 million yen (3.5% increase year-on-year).

Moreover, first effects emerged from efforts to create organization structures and personnel systems geared at improving the profitability of individual sales channels and acquiring new sources of revenue and income. However, despite these measures, divisional operating income fell 23.0 percent compared with the year earlier to 8,137 million yen. This was mainly due to difficulty in accommodating changes in telecommunication carriers' commission frameworks along with other factors such as the cost of investments for strengthening sales outlets and sales activities to increase smart phone sales and the cost of proactive training of sales staff.

[Solutions Business]

In the period under review, the division worked to increase sales of mobile phone hand sets to corporate users and to acquire subscriptions for various support services such as for the implementation of smart phones and tablet-type terminals and related administrative tasks. Moreover, in fixed-line products, sales of optical communication line services such as FTTH developed favorably. As a result, sales posted 27,043 million yen (0.5% increase year-on-year).

However, with new sales of MYLINE services coming to an end as expected, earnings declined, leaving operating income at 2,560 million yen (16.2% decrease year-on-year).

[Settlement Services Business and Other Business]

The period under review marked expanded sales routes for gift cards and growth in merchandise offerings as well as sustained favorable sales of merchandise with payment settlement enabled using electronic money through Electronic Commerce (EC) and Social Networking Services (SNS). As a result, divisional sales rose to 121,136 million yen (3.5% increase year-on-year).

At the same time, however, outlays necessary for future sales and earnings growth, such as for sales route expansion to increase revenues and earnings from gift cards as well as expenditure for overseas business initiatives, cut operating income to 1,109 million yen (11.2% decrease year-on-year).

2) Outlook for the next fiscal year

Despite expectations for a gradual recovery of the Japanese economy aided by the effects of monetary and economic policy measures, further careful watching will be required in the light of uncertainty surrounding employment and household incomes and concerns over a downturn in overseas economies, specifically China.
In the Mobile Telecommunications Business, consumer markets are seen to remain firm, supported by the continuing diffusion of smart phones and table-type terminals, proliferating LTE service offerings, and a wealth of peripheral products and services.
In the Solutions Business, solution services such as for the effective use of devices and applications are seen to proliferate as the adoption of smart phones in the corporate sector is reaching full momentum. Moreover, in sales of fixed-line products, despite progressing market saturation, new user charge schemes and a growing range of peripheral services are expected to support firm sales of optical communication line services such as FTTH.
In Settlement Services Business and Other Business, EC and SNS based settlement continue to gain in volume while electronic settlement services for electronic money based on PIN operated sales systems as well as demand for gift cards remain on the rise.
With respect to results projections for the fiscal year to March 2014, the Group expects (i) growing sales of peripheral products and services driven by proliferating smart phones, (ii) rising demand for electronic payment settlement services, and (iii) effects from this fiscal year's efforts surrounding the optimization of sales channels and gains in business efficiency. On the other hand, given the changes in the business policies and commission frameworks of telecommunication carriers and the outlays for store relocations and refurbishment as well as sales staff increases and stepped up training to further enhance customer satisfaction, results projections are for sales of 725,000 million yen (1.6% decrease year-on-year), operating income of 14,100 million yen (19.4% increase year-on-year), ordinary income of 13,800 million yen (18.0% increase year-on-year), and net income of 7,750 million yen (17.7% decrease 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, 2013, the Company targeted net sales of 760,000 million yen, operating income of 15,300 million yen, ordinary income of 150,000 million yen, and net income of 8,600 million yen for the fiscal year. However, the Company marked decrease both in sales and profit and recorded net sales of 736,850 million yen, operating income of 11,807 million yen, ordinary income of 11,691 million yen, and net income of 6,586 million yen for the fiscal year, therefore, the Company is unable to achieve its initial target.

(2) Analysis concerning consolidated financial position

1) Assets, liabilities and net assets
Consolidated current assets at the end of the period under review totaled 184,875 million yen, which was 2.6% lower than at the end of the previous fiscal year. This was mainly due to a 6,764 million yen lower trade receivables, 4,520 million yen lower merchandise inventories, and 6,137 million yen higher accrued income. Non-current assets declined 10.9% compared with the end of the previous fiscal year to 16,362 million yen. This was mainly due to 1,588 million yen lower goodwill.
As a result, total assets at the end of the consolidated fiscal year under review totaled 201,238 million yen.
Consolidated current liabilities at the end of the period under review totaled 148,512 million yen, which was 10.5% lower than at the end of the previous fiscal year. This was mainly due to 16,415 million lower trade accounts payable. Non-current liabilities totaled 24,548 million yen, marking a 71.5% rise compared with the end of the previous fiscal year. The main factor was 10,209 million yen higher long-term bank borrowings.
As a result, the balance of net liabilities at end of the consolidated fiscal year under review totaled 173,061 million yen.

Consolidated net assets at the end of the period under review totaled 28,177 million yen, which as 0.5% higher than at the end of the previous fiscal year. This was mainly due to 6,586 million yen in net earnings for the period added to retained earnings, a 2,750 million yen deduction from retained earnings for the payment of dividends, and a 3,680 million yen deduction from retained earnings for the acquisition of treasury stock.

2) Cash flows
Consolidated cash and cash equivalents ("Cash") at the end of the period under review were 1,997 yen million, which is 231 million yen higher compared with the end of the previous fiscal year.
Cash flows and major components during the consolidated fiscal year under review were as follows.

[Cash flows from operating activities]
Cash flows from operating activities totaled 2,698 million yen (compared with 10,054 million yen used in operating activities in the previous fiscal year). This was mainly due to 11,570 million yen recognized in income before income taxes, a 6,839 million yen decline in trade accounts receivable, a 4,665 million yen decline in inventories, a 16,455 million yen decline in trade accounts payable, and 6,723 million yen in expenditure for income tax payments.

[Cash flows from investing activities]
Cash flows used in investing activities totaled 1,239 million yen (67.4% less than used in the previous fiscal year). Main factors were 991 million yen in expenditure for the acquisition of property, plant, and equipment, 301 million yen in expenditure for the acquisition of software, 346 million yen in expenditure for the posting of lease deposits, and 336 million yen in income from the recovery of lease deposits.

[Cash flows from financing activities]
Cash flows used in financing activities totaled 1,454 million yen (compared with 14,319 million yen provided by financing activities in the previous fiscal year). Main factors were a 4,532 million yen net reduction in short-term borrowings, a 13,700 million yen increase in long-term borrowings, a 4,200 million yen repayment of long term borrowings, 3,680 million yen in expenditure for the acquisition of treasury stock, and 2,756 million yen in expenditure for the payment of dividends.

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

	FY 2010	FY 2011	FY 2012 (consolidated)	FY 2013 (consolidated)
Shareholders’ equity ratio (%)	21.1	23.2	13.5	14.0
Shareholders’ equity ratio based on market prices (%)	48.1	45.6	33.8	43.3
Interest-bearing debt to cash flow ratio (%)	192.8	339.6	(502.5)	2,056.7
Interest coverage ratio (times)	43.2	33.5	(53.6)	11.5

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 FY 2013, 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 17.50 yen will be paid, which is consistent with the initial projection. Notably, dated October 1, 2012, the Company instituted a stock split of common stock at the ratio of 200-for-1. The annual dividend unadjusted for the stock split is comprised of a fiscal year-end dividend of 3,500 yen per share and an interim dividend of 3,500 yen per share in December 2012, for a total dividend of 7,000 yen per share, marking an increase of 500 yen compared with the annual dividend paid in the previous fiscal year (6,500 yen).

	Interim dividend (yen)	Fiscal year-end dividend (yen)	Annual dividend (yen)	Previous annual dividend (yen)
Before the stock split	3,500	3,500	7,000	6,500
After the stock split	17.50	17.50	35.00	32.50

Additionally, as one of measure to return earnings to shareholders, in May 2012 the Company acquired 26,985 shares of own stock at a cost of 3,680 million yen. Together with 91,000 shares of own stock acquired in April 2011, the combined total of 117,985 shares of stock was cancelled in May 2012.
The annual dividend for the next fiscal year, based on the business results projections for the next fiscal year and the Company's basic policy for dividend payment, is projected at 35.00 yen per share (comprised of an interim dividend of 17.50 yen and a fiscal year-end dividend of 17.50 yen)
Moreover, following the taking of effect of the Companies Act, currently it is not planned to change the dividend base date and the frequency of dividend payments. Consequently, dividend payments will be made twice annually as before, with the interim date and the fiscal-year end date as the base dates.
Notably, internal retentions will be used in accordance with the Company's policies for expanding and strengthening existing business platforms, employee training, strategic investments, new operations, and entry into overseas markets.

(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 Group 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 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 and law amendments, 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.
Furthermore, when other statutory regulations and law amendments are implemented, such events may affect the business results of the Company

5) Acquisition of sales staff

For the Company to further enhance customer satisfaction and the quality of sales, securing sufficient sales staff is considered a necessity. At the same time, as smart phone diffusion is gaining full momentum, securing sales staff and raising the staff retention ratio has been a problem for the mobile phone vendor industry due to the increased time required for direct customer interaction and the growing complexity of in-store operations. The Company will continue in its efforts to secure sales staff and raise its staff retention ratio by creating attractive work environments based on a review of employment formats including the provision of regular employee status along with work-life balancing measures, and through company-level measures for staff training centered on the TG Academy dedicated training institution. However, failure to secure sufficient sales staff may affect the business results of the Company.

6) Relationship with major principal shareholders

The top two shareholders of the Company as of March 31, 2013 were Sumitomo Corporation Ltd. and Mitsubishi Corp., each of which owns 29.56%, respectively, of the Company's 78,952,800 outstanding shares (including 43 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 settlement services business, are being managed independently of the Company's major shareholders.

7) Ministry of Internal Affairs and Communications' plan to revitalize the mobile phone market

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.

8) Overseas business development

The Company is exposed to exchange rate risk through foreign-denominated trading transactions and capital transactions with overseas companies and when financial statements prepared in foreign currency by consolidated overseas subsidiaries are converted into yen. Moreover, the Company is exposed to country risks that may prevent the execution of business operations depending on the political, economic, and social circumstances prevailing in the jurisdictions where overseas consolidated subsidiaries of the Company are domiciled.

2. Current Conditions of the Corporate Group

As of March 31, 2013, the Group (the Company and affiliates of the Company) is comprised of the Company and three consolidated subsidiary (TG Miyazaki Co. Ltd. and two other entities). Main business lines are the Mobile Telecommunications Business centered on sales of mobile phones, etc., for consumers, the Solutions Business engaged in sales of mobile phones for corporate users and intermediation in sales of optical communication line services such as FTTH, and the Settlement Services Business and Other Business engaged in PIN and gift card sales. The specific operations of the Company are described in below. 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 Group, 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 consumers through our nationwide distribution channels, which include secondary sales agencies (volume electronics retailers and general sales agencies) in addition to directly-managed shops.

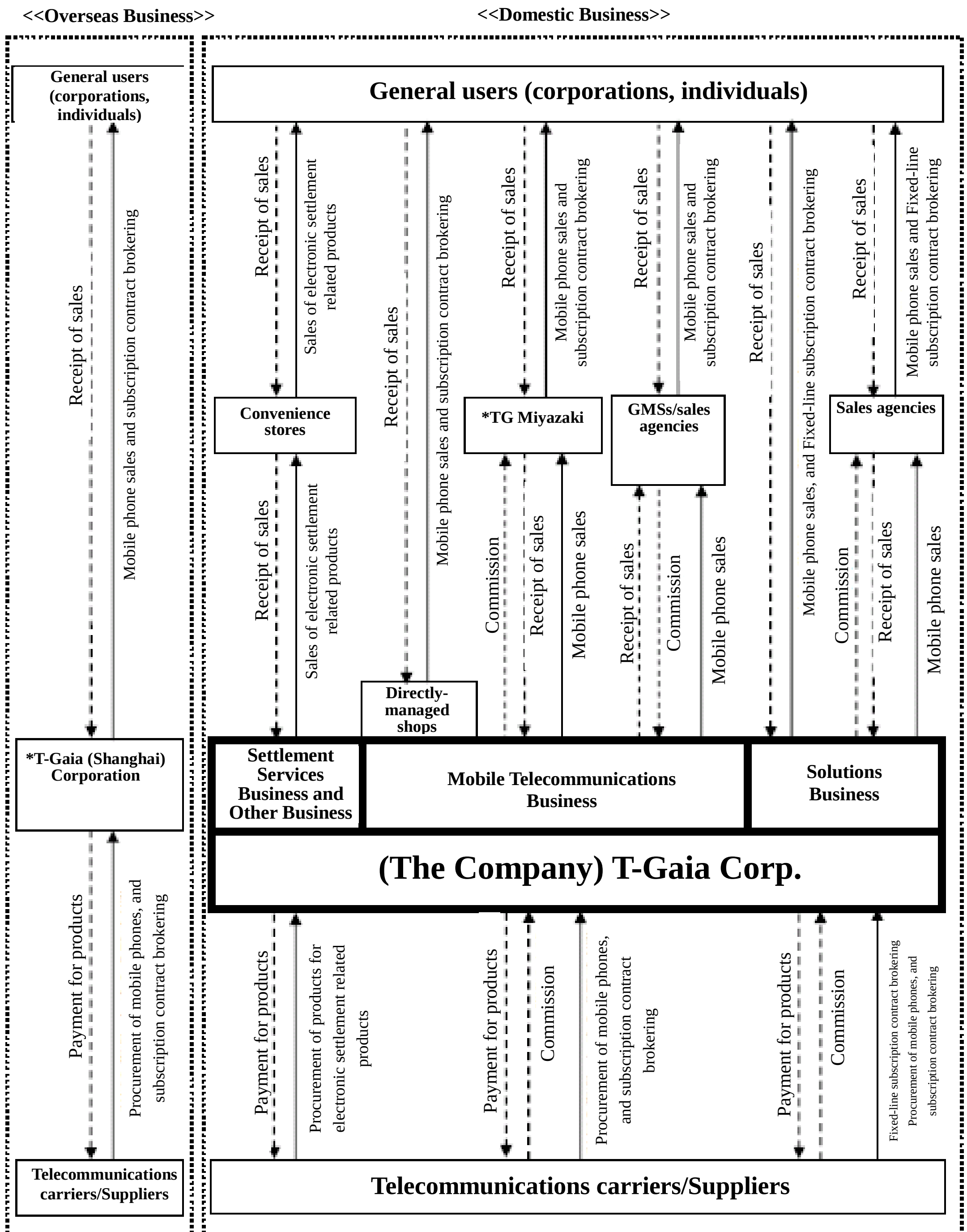
(2) Solutions Business

The main business activities of the Solutions Business are sales of mobile phones and the provision of solution services for corporate users as well as intermediation in sales of contracts for optical communication line services such as FTTH for corporations and individuals. In addition to the telecommunications carriers at the Mobile Telecommunications Business, the Company acts as intermediary for the conclusion of telecommunication service user agreements (under agency agreements concluded with carriers such as Nippon Telegraph and Telephone East Corporation, Nippon Telegraph and Telephone West Corporation, NTT Communications Corporation, and Chubu Telecommunications Co., Inc.) provided by the individual carriers. Upon the conclusion of a contract, a commission is collected from that carrier as a fee for the contract intermediation. Moreover, the Company provides terminal and line management solution services, etc., to corporate users.

(3) Settlement Services Business and Other Business

The main activities of the 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 and the gift card business through leading convenience stores throughout Japan.

Overview of the business system



*The Company’s consolidated subsidiaries

(Note) There is another consolidated subsidiary other than two subsidiaries included in the overview of business system above.

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, 2014, we target net sales of 725 billion yen, operating income of 14,100 million yen, ordinary income of 13,800 million yen, and net income of 7,750 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

In the market for mobile phone handset sales, the core business field of the Group, a new market for accessories and other peripheral products has come into existence, driven by the dissemination of smart phones and the growing market for tablet-type terminals, in addition to proliferating terminal functions and new services. However, the selling of smart phones and tablet-type terminals requires expert-level product knowledge and communication skills, which makes the provision of sales staff training more important than before.
Meanwhile in overseas markets, centered on the emerging economies, a shift has been under way from prepaid to post-payment mobile phones. This development is expected to connect to the further spreading of efforts by telecommunication carriers to tie customers to their respective operations through carrier-shops of the kind that has been common in Japan.
In this operating environment, the Group plans to raise its overall strength through the effective use of its financial, organizational, and information resources in order to engage in proactive new businesses initiatives and overseas market development for the strengthening and expansion of the Group's existing business platforms.
More specifically, the following activities will be addressed.

1) Existing businesses

The Mobile Telecommunications Business will promote carrier shop relocation and refurbishment in order to further increase sales of smart phones and tablet-type terminals. Moreover, the capabilities of the TG Academy dedicated training institution will be strengthened in order to raise the skills of sales staff. Based on these measures, efforts will continue to expand and upgrade sales frameworks and enhance the quality of sales. Furthermore, the Company will increase the number of accessory specialty store openings and implement proactive measures for the sales expansion of accessories and other peripheral goods.

The Solutions Business provides appropriate products and services sought by corporate customers, offers implementation support for smart phones and tablet-type terminals, and renders services of high added-value built on the growing diversity of devices and applications.

Moreover, occasioned by the services integrated with mobile applications, the Solutions Business aims to increase sales of optical communication line services such as FTTH, and appropriately responds to customers' diversifying new needs which have been proliferating along with the diffusion of broadband.

In Settlement Service Business and Other Business efforts will be stepped up to expand sales of electronic settlement services using PIN vending systems, as well as expanding sales routes and the product line-up of gift card operations, and in so doing enhance customer convenience.

2) New/overseas 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, seven China Unicom shops were opened between 2011 and the end of March, 2013.

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 in order to 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)	Consolidated Fiscal Year 2013 (As of March 31, 2013)
Assets		
Current assets		
Cash on hand and in banks	1,766	1,997
Notes Receivable - trade and Accounts Receivable – trade	106,482	99,719
Products	54,304	49,783
Stored products	350	216
Deferred tax assets	1,224	1,288
Accounts receivable – other	25,103	31,241
Other current assets	653	645
Allowance for doubtful accounts	(17)	(17)
Total current assets	189,867	184,875
Fixed assets		
Fixed tangible assets		
Buildings and Structures	6,064	6,125
Accumulated depreciation	(Note 1) (4,124)	(Note 1) (4,137)
Buildings and Structures (Net)	1,939	1,987
Transport vehicles and equipments	25	21
Accumulated depreciation	(24)	(20)
Transport vehicles and equipments (Net)	1	0
Furniture and fixtures	3,856	3,881
Accumulated depreciation	(Note 1) (3,012)	(Note 1) (3,066)
Furniture and fixtures (Net)	843	814
Land	353	353
Construction in progress	33	4
Total tangible fixed assets	3,171	3,160
Non-tangible fixed assets		
Goodwill	7,135	5,547
Telephone rights	16	16
Land leasehold	26	26
Software	801	753
Others	19	—
Total non-tangible fixed assets	7,999	6,344
Investment and other assets		
Investment securities	(Note 2) 626	(Note 2) 311
Long-term loans receivable	127	118
Deferred tax assets	1,626	1,703
Leasehold deposits	4,234	4,261
Others	599	472
Allowance for doubtful accounts	(18)	(9)
Total investments and other assets	7,195	6,858
Total fixed assets	18,366	16,362
Total assets	208,233	201,238

(Million yen)

	Consolidated Fiscal Year 2012 (As of March 31, 2012)	Consolidated Fiscal Year 2013 (As of March 31, 2013)
Liabilities		
Current liabilities		
Accounts payable – trade	90,628	74,213
Short-term borrowings	35,100	30,567
Long-term borrowings payable within one year	3,264	2,555
Accounts payable – other	31,458	37,121
Unpaid taxes	3,442	1,871
Reserve of bonuses	1,344	1,439
Allowance for early subscription cancellations	137	180
Other current liabilities	496	564
Total current liabilities	165,871	148,512
Long-term liabilities		
Long-term borrowings	12,159	22,368
Accrued employees’ retirement benefits	428	421
Asset Retirement Obligations	1,048	1,115
Others	675	643
Total long-term liabilities	14,311	24,548
Total liabilities	180,183	173,061
Net Assets		
Shareholders’ equity		
Common stock	3,098	3,106
Capital surplus	5,585	5,593
Retained earnings	32,052	19,406
Treasury stock	(12,740)	(0)
Total shareholders’ equity	27,997	28,105
Accumulated Other Comprehensive Income		
Net unrealized holding gain on securities	52	46
Foreign currency translation adjustment	—	25
Total accumulated other comprehensive income	52	71
Total net assets	28,050	28,177
Total Liabilities and Net Assets	208,233	201,238

(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)	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)
Net Sales	712,683	736,850
Cost of Goods Sold	646,859	670,169
Total Income from Sales	65,823	66,681
Selling, General and Administrative Expenses	(Note 1) 50,950	(Note 1) 54,873
Operating Income	14,873	11,807
Non-Operating Income		
Interest income	4	5
Dividend income	3	3
Dividend compensation	19	—
Insurance reimbursement	55	27
Reversal of provision for loss on disaster	38	—
Others	55	97
Total non-operating income	178	135
Non-Operating Expenses		
Interest expenses	197	230
Others	9	20
Total non-operating expenses	207	250
Ordinary Income	14,843	11,691
Extraordinary Gains		
Gain on sales of fixed assets	(Note 2) 0	(Note 2) 6
Income from relief money	9	—
Others	1	—
Total extraordinary gains	10	6
Extraordinary Losses		
Loss on sales of fixed assets	(Note 3) 0	(Note 3) 2
Loss on removal of fixed assets	(Note 4) 43	(Note 4) 90
Impairment losses	(Note 5) 13	(Note 5) 3
Loss on valuation of golf membership rights	5	30
Others	—	0
Total extraordinary losses	63	127
Income before Taxes	14,790	11,570
Income Taxes – Current	6,618	5,119
Income Taxes – Deferred	239	(136)
Total Income Taxes	6,857	4,983
Income before Minority Interests	7,933	6,586
Net Income	7,933	6,586

(Consolidated Statement of Comprehensive Income)

(Million yen)

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)
Income before Minority Interests	7,933	6,586
Other Comprehensive Income		
Net unrealized holding gain on securities	(4)	(6)
Foreign currency translation adjustment	—	25
Total other comprehensive income	(Note 1) (4)	(Note 1) 18
Comprehensive Income	7,928	6,605
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	7,928	6,605

(3) Consolidated Statements of Changes in Shareholders' Equity

(Million yen)

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)
Shareholders' Equity		
Common stock		
Balance at beginning of current year	3,098	3,098
Changes during the year		
New issue of stock	—	7
Total changes during the year	—	7
Balance at end of the year	3,098	3,106
Capital surplus		
Balance at beginning of current year	5,585	5,585
Changes during the year		
New issue of stock	—	7
Total changes during the year	—	7
Balance at end of the year	5,585	5,593
Retained earnings		
Balance at beginning of current year	26,898	32,052
Changes during the year		
Dividend of surplus	(2,778)	(2,750)
Net income	7,933	6,586
Change of scope of consolidation	—	(62)
Retirement of treasury stock	—	(16,420)
Total changes during the year	5,154	(12,646)
Balance at end of the year	32,052	19,406
Treasury Stock		
Balance at beginning of current year	—	(12,740)
Changes during the year		
Acquisition of treasury stock	(12,740)	(3,680)
Retirement of treasury stock	—	16,420
Total changes during the year	(12,740)	12,739
Balance at end of the year	(12,740)	(0)
Total shareholders' equity		
Balance at beginning of current year	35,583	27,997
Changes during the year		
New issue of stock	—	14
Dividend of surplus	(2,778)	(2,750)
Net income	7,933	6,586
Change of scope of consolidation	—	(62)
Acquisition of treasury stock	(12,740)	(3,680)
Total changes during the year	(7,585)	108
Balance at end of the year	27,997	28,105

(Million yen)

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)
Accumulated Other Comprehensive Income		
Net unrealized holding gain on securities		
Balance at beginning of current year	57	52
Changes during the year		
Changes of items other than shareholders' equity during the year (Net)	(4)	(6)
Total changes during the year	(4)	(6)
Balance at end of the year	52	46
Foreign currency translation adjustment		
Balance at beginning of current year	—	—
Changes during the year		
Changes of items other than shareholders' equity during the year (Net)	—	25
Total changes during the year	—	25
Balance at end of the year	—	25
Total accumulated other comprehensive income		
Balance at beginning of current year	57	52
Changes during the year		
Changes of items other than shareholders' equity during the year (Net)	(4)	18
Total changes during the year	(4)	18
Balance at end of the year	52	71
Total Net Assets		
Balance at beginning of current year	35,640	28,050
Changes during the year		
New issue of stock	—	14
Dividend of surplus	(2,778)	(2,750)
Net income	7,933	6,586
Change of scope of consolidation	—	(62)
Acquisition of treasury stock	(12,740)	(3,680)
Changes of items other than shareholders' equity during the year (Net)	(4)	18
Total changes during the year	(7,590)	127
Balance at end of the year	28,050	28,177

(4) Consolidated Statements of Cash Flows

(Million yen)

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)
Cash Flows from Operating Activities		
Income before income taxes and other adjustments	14,790	11,570
Depreciation	1,359	1,322
Impairment losses	13	3
Amortization of goodwill	1,546	1,588
Increase (decrease) in allowance for doubtful accounts	(27)	(9)
Increase (decrease) in reserve for employees' bonuses	69	94
Increase (decrease)in allowance for early subscription cancellations	(13)	43
Increase (decrease) in accrued employees' retirement benefits	(9)	(7)
Increase (decrease) in provisions for loss from natural disaster	(129)	—
Interest and dividend income	(8)	(9)
Interest expenses	197	230
Loss (gain) on sales of fixed assets	(0)	(3)
Loss on removal of fixed assets	43	90
Loss (gain) on sales of investment securities	—	0
Loss on valuation of golf membership rights	5	30
Decrease (increase) in accounts receivable	(30,190)	6,839
Decrease (increase) in accounts receivable – other	(6,524)	(6,108)
Decrease (increase) in inventories	(16,794)	4,665
Increase (decrease) in accounts payable	25,547	(16,455)
Change in other accounts payable	6,585	5,666
Others	339	96
Subtotal	(3,197)	9,647
Interests and dividends received	8	9
Interests paid	(187)	(235)
Income taxes paid	(6,677)	(6,723)
Net cash provided by operating activities	(10,054)	2,698
Cash Flows from Investing Activities		
Payment for purchase of property, plant and equipment	(1,003)	(991)
Proceeds from sales of property, plant and equipment	12	12
Payment for purchase of software	(445)	(301)
Payment for purchase of investment securities	(0)	(4)
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)	(2)
Proceeds from collection of loans receivable	28	17
Increase (decrease) in loans to subsidiaries	(25)	—
Payment for leasehold deposits	(264)	(346)
Proceeds from return of leasehold deposits	117	336
Others	(140)	40
Net cash used in investing activities	(3,803)	(1,239)

(Million yen)

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)
Cash Flows from Financing Activities		
Increase (decrease) in short term loans payable	19,500	(4,532)
Proceeds from long-term borrowings	14,400	13,700
Decrease in long-term borrowings	(4,069)	(4,200)
Proceeds from a share issue	—	14
Payments for purchase of treasury stock	(12,740)	(3,680)
Cash dividends paid	(2,771)	(2,756)
Net cash used in financing activities	14,319	(1,454)
Effect of exchange rate changes on Cash and Cash Equivalents	—	19
Increase (Decrease) in Cash and Cash Equivalents	461	23
Cash and Cash Equivalents at Beginning of Period	1,304	1,766
Cash and Cash Equivalents from newly consolidated subsidiaries	—	208
Cash and Cash Equivalents at End of Period	(Note 1) 1,766	(Note 1) 1,997

Notes to Consolidated Financial Statements

(Note Regarding the Premise of a Going Concern)

There are no items to report.

(Significant Accounting Policies in the Preparation of Consolidated Financial Statements)

d1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 3

Name of primary consolidated subsidiaries: TG Miyazaki Co. Ltd.
T-Gaia (Shanghai) Corporation

In the period under review, T-GAIA (Shanghai) Corporation and TG Contract Co., Ltd. were newly included in consolidated accounts on grounds of their increased importance compared with the previous fiscal year when both were treated as non-consolidated subsidiaries.

(2) Company name, etc., of primary non-consolidated subsidiaries

There are no non-consolidated subsidiaries to report.

2. Application of Equity Method

Not applicable as no unconsolidated subsidiaries and affiliates exist.

3. Accounting Period of Consolidated Subsidiaries

Among consolidated subsidiaries, T-GAIA (Shanghai) Corporation closes accounts on December 31. The financial statements of that date are used in the preparation of the consolidated financial statements. Except, however, that with respect to material transactions that occur in the interim until the consolidated balance sheet date, necessary adjustments are made on consolidated accounts.

4. Significant Accounting Policies

(1) Assets valuation basis and valuation method

1) Securities

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:	5-10 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 Group or network of sales agencies cancel their subscriptions within a short period of time.

4) Accrued employees' retirement benefits

To provide for the Company's 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) Standards for the yen conversion of material foreign denominated assets and liabilities

Assets and liabilities and income and expenditure of foreign subsidiaries are converted into yen at the foreign exchange spot rates prevailing on the balance sheet date. Conversion differences are stated in net assets on the currency translation adjustment account.

(5) Method and period of Amortization for Goodwill

Goodwill is amortized under the straight-line method over the period of occurrence (five to ten years).

(6) 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.

(7) 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. Non-deductible national and local consumption taxes in the period under review have been taken to expenses.

(Changes in Accounting Presentation)

(Consolidated Statements of Income)

Losses on valuation of golf club membership were on consolidated financial statements for the previous fiscal year stated in "Others" included in extraordinary losses. On the financial statements for the period under review, this item has been classified and segregated because its value has risen above 10 percent of total extraordinary losses. In order to reflect the change in the method of presentation, consolidated financial statements for the previous fiscal year have been reclassified. As a result of this change, 5 million yen in "Others" included in extraordinary losses on the consolidated statement of income for the previous fiscal year has been restated to 5 million yen in "Loss on valuation of golf club membership."

(Consolidated Cash Flow Statements)

Losses on valuation of golf club membership stated in the consolidated cash flow statement for the previous fiscal year in "Others" included in "Cash Flows from Operating Activities" is on the consolidated statement of cash flows for the period under review classified and segregated due to its increase importance in amount. In order to reflect the change in the method of presentation, consolidated financial statements for the previous fiscal year have been reclassified. As a result of this change, 345 million yen in "Others" included in "Cash Flows from Operating Activities" has been restated as 5 million yen in "Loss on valuation of golf club membership" and 339 million yen in "Others."

(Additional Information)

Not applicable.

(Consolidated Balance Sheets)

*1 Figure of accumulated depreciation includes accumulated impairment losses.

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

	Consolidated Fiscal Year 2012 (As of March 31, 2012)	Consolidated Fiscal Year 2013 (As of March 31, 2013)
Investment in securities (stock)	308 million yen	—

*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)	Consolidated Fiscal Year 2013 (As of March 31, 2013)
Current account overdraft	1,500 million yen	1,500 million yen
Credit used	—	—
Credit available	1,500 million yen	1,500 million yen

(Consolidated Statements of Income)

*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)	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)
Directors remuneration	192 million yen	178 million yen
Employees' wages	5,458 million yen	6.256 million yen
Temporary staff wages	9,667 million yen	9,615 million yen
Provision of reserves for employees' bonuses	1,341 million yen	1,439 million yen
Dispatched staff wages	9,466 million yen	10,285 million yen
Transportation	594 million yen	567 million yen
Other selling amount	5,373 million yen	6,589 million yen
Rent expenses	4,068 million yen	4,167 million yen
Depreciation expenses	1,359 million yen	1,322 million yen
Amortization of goodwill	1,546 million yen	1,588 million yen
Outsourcing expenses	991 million yen	1,133 million yen
Others	10,891 million yen	11,730 million yen

(Changes in Accounting Presentation)

Salaries of leased personnel at directly operated stores were in previous fiscal years classified and segregated as "Temporary staff wages." Beginning with the period under review, following deliberations occasioned by the introduction of a new accounting system, this item is now included in "Dispatched staff wages." In order to reflect the change in the method of presentation, notes to the consolidated financial statements for the previous fiscal year have been reclassified. As a result, 12,889 million yen in "Temporary staff wages" and 6,244 million yen in "Dispatched staff wages" stated in the notes to consolidated financial statements for the previous fiscal year is now presented as ¥9,667 million in "Salaries of temporary staff" and 9,466 million yen in "Dispatched staff wages."

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

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)
Buildings and structures	0 million yen	4 million yen
Furniture, and fixtures	0 million yen	1 million yen
Total	0 million yen	6 million yen

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

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)
Buildings and structures	0 million yen	0 million yen
Motor vehicles and transport equipment	— million yen	0 million yen
Furniture, and fixtures	0 million yen	2 million yen
Total	0 million yen	2 million yen

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

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)
Buildings and structures	22 million yen	67 million yen
Transport vehicles and equipments	0 million yen	0 million yen
Furniture, and fixtures	11 million yen	21 million yen
Software	9 million yen	2 million yen
Total	43 million yen	90 million yen

*5 Impairment losses

The Group recognized impairment losses on the following group of assets

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

Location	Usage	Assets
Stores	Store equipment for directly-managed shops	Buildings and Structures, ,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 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 Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)

Location	Usage	Assets
Stores	Store equipment for directly-managed shops	Buildings and Structures, ,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 (3 million yen) as an extraordinary loss. The breakdown of impairment losses was as follows: buildings and structures 3 million yen, and Furniture and fixtures 0 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)

*Other comprehensive income related reclassification adjustments and their tax effect

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)
Net unrealized holding gain on securities:		
Generated during the fiscal year under review	(15 million yen)	(10 million yen)
Reclassification adjustment	—	0 million yen
Before tax adjustments	(15 million yen)	(10 million yen)
Tax effect	10 million yen	3 million yen
Net unrealized holding gain on securities	(4 million yen)	(6 million yen)
Foreign currency translation adjustment:		
Generated during the fiscal year under review	—	25 million yen
Reclassification adjustment	—	—
Before tax adjustments	—	25 million yen
Tax effect	—	—
Foreign currency translation adjustment	—	25 million yen
Total of other comprehensive income	(4 million yen)	(18 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	3,250	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 Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of April 1, 2012 (shares)	Increase during consolidated period under review (shares)	Decrease during consolidated period under review (shares)	Number of shares as of March 31, 2013 (shares)
Outstanding shares				
Common shares	512,419	78,558,366	117,985	78,952,800
Total	512,419	78,558,366	117,985	78,952,800
Treasury stock				
Common shares (Note2)	91,000	27,028	117,985	43
Total	91,000	27,028	117,985	43

Note1: Increases and decreases in the number of shares issued and outstanding were as follows

May 31, 2012

Decrease due to cancellation of treasury shares: 117,985 shares

Period from June 1, 2012 to September 30, 2012

Increase due to the issuance of new shares upon the exercise of warrants (stock options): 4 shares

October 1, 2012

Increase due to a 200-for-1 stock split of common stock: 78,493,162 shares

Period from October 1, 2012 to March 31, 2013

Increase due to the issuance of new shares upon the exercise of warrants (stock options): 65,200 shares

Note2: Increases and decreases in the number of treasury shares were as follows

May 17, 2012 Increase due to the acquisition of treasury shares: 26,985 shares

May 31, 2012 Decrease due to the cancellation of treasury shares: 117,985 shares

November 14, 2012 Increase due to the acquisition of treasury shares through buy-backs of odd lot shares: 43 shares

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 21, 2012	Common shares	1,369	3,250	March 31, 2012	June 22, 2012
Board of Directors meeting on November 9, 2012	Common shares	1,380	3,500	September 30, 2012	December 11, 2012

(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 20, 2013	Common shares	1,381	Retained earnings	17.50	March 31, 2013	June 21, 2013

(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)	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)
Cash on hand and in banks	1,766 million yen	1,997 million yen
Cash and cash equivalents	1,766 million yen	1,997 million yen

*2. Main breakdown of assets and liabilities of newly consolidated subsidiary through acquisition in Consolidated Fiscal Year 2012

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

(Million yen)

	Consolidated Fiscal Year 2013 (March 31, 2013)		
	Acquisition cost equivalents	Accumulated depreciation equivalents	Year-end balance equivalents
Vehicles and equipment	3	3	—
Total	3	3	—

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)	Consolidated Fiscal Year 2013 (March 31, 2013)
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 and depreciation equivalents

(Million yen)

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)
Lease payments	0	0
Depreciation equivalents	0	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.

2. Operating lease transactions

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

(Million yen)

	Consolidated Fiscal Year 2012 (March 31, 2012)	Consolidated Fiscal Year 2013 (March 31, 2013)
Within one year	52	110
Over one year	93	338
Total	146	449

(**Financial Instruments)**

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

Notes and accounts receivable 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 haven been taken mostly as funds for M&A transactions and for the acquisitions of treasury shares. The loans are partly 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, 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).

Consolidated Fiscal Year 2012 (March 31, 2012)

	Consolidated balance sheet carrying value (Million yen)	Fair value (Million yen)	Differential (Million yen)
(i) Cash and deposits	1,766	1,766	—
(ii) Notes and 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)

Consolidated Fiscal Year 2013 (March 31, 2013)

	Consolidated balance sheet carrying value (Million yen)	Fair value (Million yen)	Differential (Million yen)
(i) Cash and deposits	1,997	1,997	—
(ii) Notes and Accounts receivable-trade	99,719	99,719	—
(iii) Accounts receivable-other	31,241	31,241	—
(iv) Investment securities			
Available-for-sale securities	171	171	—
(v) Lease deposits	4,261	3,796	(464)
Assets - Total	137,390	136,926	(464)
(i) Accounts payable-trade	74,213	74,213	—
(ii) Short-term loans payable	30,567	30,567	—
(iii) Accounts payable-other	37,121	37,121	—
(iv) Income taxes payable	1,871	1,871	—
(v) Long-term loans payable	24,923	24,845	(77)
Liabilities - Total	168,696	168,619	(77)

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) notes and 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

(Million yen)

Category	Consolidated Fiscal Year 2012 (March 31, 2012)	Consolidated Fiscal Year 2013 (March 31, 2013)
Unlisted stocks	435	140

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

Consolidated Fiscal Year 2012 (March 31, 2012)

	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	—	—	—
Notes and Accounts receivable-trade	106,482	—	—	—
Accounts receivable-other	25,103	—	—	—
Total	133,351	—	—	—

Consolidated Fiscal Year 2013 (March 31, 2013)

	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	1,997	—	—	—
Notes and Accounts receivable-trade	99,719	—	—	—
Accounts receivable-other	31,241	—	—	—
Total	132,957	—	—	—

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

Consolidated Fiscal Year 2012 (March 31, 2012)

	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	—	—	—

Consolidated Fiscal Year 2013 (March 31, 2013)

	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	2,555	12,100	10,268	—	—	—

(Securities)

1. Other securities

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

	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").

Consolidated Fiscal Year 2013 (as of March 31, 2013)

	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	134	23	110
Securities with consolidated balance sheet carrying value not exceeding acquisition cost	Equity	37	48	(10)
Total		171	72	99

Note: For unlisted stocks (consolidated balance sheet carrying value: 140 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)

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, some 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)	(As of March 31, 2013)
1) Retirement benefit obligation	428 million yen	421 million yen
2) Accrued employees' retirement benefits	428 million yen	421 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)

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 (Note)	Common shares 320,000	Common shares 478,400
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.

Information is stated based on the number of shares after the stock split instituted dated October 1, 2012.

(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	68,000	313,200
Rights ascertained	—	—
Rights exercised	59,200	6,800
Invalidated	8,800	1,200
Balance of unexercised rights	—	305,200

2) Price information

	Stock options No. 1 (issued in 2003)	Stock options No. 3 (issued in 2004)
Exercise price (yen)	163	785
Average stock price at the time of exercise (yen)	745	766

(Deferred Tax Accounting)

1. Breakdown of origin of deferred tax assets and liabilities

(Million yen)

	Consolidated Fiscal Year 2012 (As of March 31, 2012)	Consolidated Fiscal Year 2013 (As of March 31, 2013)
Deferred tax assets		
Reserve for employees' bonuses	574	615
Allowance for doubtful accounts	1	5
Loss on revaluation of inventories	42	77
Accrued enterprise taxes and business office taxes	248	178
Depreciation in excess of maximum amount	852	807
Asset Retirement Obligations	371	394
Accrued employees' retirement benefits	152	150
Allowance for early subscription cancellations	52	68
Provisions for loss from natural disaster	8	—
Asset adjustment account	619	533
Others	403	479
Subtotal of deferred tax assets	3,327	3,311
Valuation allowance	(256)	(96)
Total deferred tax assets	3,070	3,214
Deferred tax liabilities		
Asset Retirement Obligations	(187)	(194)
Unrealized holding gain (loss) on other securities	(31)	(27)
Total deferred tax liabilities	(219)	(222)
Net deferred tax assets	2,851	2,992

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)	Consolidated Fiscal Year 2013 (As of March 31, 2013)
Statutory tax rate	40.7	38.0
(Adjustments)		
Entertainment expenses not deductible for tax purposes	0.6	0.8
Unrecognized amortization of goodwill	4.1	5.2
Residential tax	0.1	0.2
Downward revision of deferred tax assets due to changes to the tax rate	1.4	—
Others	(0.5)	(1.1)
Effective tax rate	46.4	43.1

(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

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 Solutions Business, and the 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 Solutions Business segment engages in the business of selling mobile phones for corporate customers as well as 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 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.

Beginning with the first quarter of fiscal year 2013, the Group applied new business segments, which are “Mobile Telecommunication Business,” “Solutions Business,” and “Settlement Services Business and Other Business.”

The “Network Communications Business” segment was combined with the business of selling mobile phones and handsets for corporate clients, which was included in the “Mobile Telecommunications Business” segment by the fiscal year ended March 31, 2012, and “Solutions Business” segment was set up. Also, the name of “Prepaid Settlement Services Business and Other Business” was changed to “Settlement Services Business and Other Business.” Note that the disclosed results by business segment for consolidated fiscal year 2012 were created based on the reportable segments for fiscal year 2013.

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

(Million yen)

	Mobile Telecommunications Business	Solutions Business	Settlement Services Business and Other Business	Adjustment amounts (Note 1)	Amount recorded in the consolidated financial statements
Net sales	568,793	26,902	116,987	—	712,683
Segment income (Operating income)	10,569	3,054	1,249	—	14,873
Segment assets	55,348	119	5,973	146,793	208,233
Other Items					
Depreciation (Note 2)	1,248	81	29	—	1,359
Amortization of goodwill	1,496	50	—	—	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.

Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)

(Million yen)

	Mobile Telecommunications Business	Solutions Business	Settlement Services Business and Other Business	Adjustment amounts (Note 1)	Amount recorded in the consolidated financial statements
Net sales	588,670	27,043	121,136	—	736,850
Segment income (Operating income)	8,137	2,560	1,109	—	11,807
Segment assets	46,599	149	8,582	145,906	201,238
Other Items					
Depreciation (Note 2)	1,200	81	40	—	1,322
Amortization of goodwill	1,575	12	—	—	1,588

Note 1: The 145,906 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	Solutions Business	Settlement Services Business and Other Business	Total
Net sales for outside customers	568,793	26,902	116,987	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, Solutions Business
NTT DOCOMO, Inc.	87,098	Mobile Telecommunications Business, Solutions Business

Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)

1. Information by products and services

(Million yen)

	Mobile Telecommunications Business	Solutions Business	Settlement Services Business and Other Business	Total
Net sales for outside customers	588,670	27,043	121,136	736,850

2. Information by region

(1) Net Sales

Omitted as the Company's net sales for external customers in Japan exceed 90% of net sales listed in the Consolidated Statements of Income.

(2) Fixed tangible assets

Omitted as the amount of fixed tangible assets in Japan exceed the amount of fixed tangible assets listed in the Consolidated Balance Sheets.

3. Information by major clients (mobile carriers)

(Million yen)

Name of clients (mobile carriers)	Net sales	Related segment
KDDI Corporation	108,497	Mobile Telecommunications Business, Solutions Business
NTT DOCOMO, Inc.	86,079	Mobile Telecommunications Business, Solutions 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	Solutions Business	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.

Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)

(Million yen)

	Mobile Telecommunications Business	Solution Business	Settlement Services Business and Other Business	Total
Impairment losses	3	—	—	3

(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	Solutions Business	Settlement Services Business and Other Business	Total
Amount amortized in the term under review	1,496	50	—	1,546
Balance at the end of the term under review	7,123	12	—	7,135

Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)

(Million yen)

	Mobile Telecommunications Business	Solution Business	Settlement Services Business and Other Business	Total
Amount amortized in the term under review	1,575	12	—	1,588
Balance at the end of the term under review	5,547	—	—	5,547

e. Information concerning gains from negative goodwill by reported segment

Not applicable.

(Information Concerning Related Parties)

Not applicable.

(Per Share Information)

(Yen)

	Consolidated Fiscal Year 2012 (from April 1, 2011 to March 31, 2012)	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)
Net assets per share	332.81	356.89
Amount of net income per share	92.76	82.77
Amount of diluted net income per share	92.70	82.72

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)	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)
Amount of net income per share		
Net income (million yen)	7,933	6,586
Net income not available to common shareholders (million yen)	—	—
Net income available to common shares (million yen)	7,933	6,586
Average number of common shares outstanding during the period (shares)	85,526,969	79,578,208
Amount of diluted net income per share		
Increase in the number of common shares (shares)	52,868	46,006
(Of which stock acquisition rights (shares))	(52,868)	(46,006)
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: 313,200 shares	—

(Note) Dated October 1, 2012, the Company instituted a 200-for-1 stock split. Consolidated net income and diluted net income per share for the period under review have been calculated assuming that the stock split was instituted at the beginning of the current fiscal year.

(Subsequent Events)

Not applicable.

5. Others

(1) Transfers of directors

In regard to changes in directors, please refer to the “Announcement Regarding on Transfer of Representative Director” and “Announcement of Revisions to Board of Directors and Organizational Change” released on February 27, 2013..