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This English translation of the financial report was prepared for reference purposes only and is qualified in its entirety by the original Japanese version. The financial information contained in this report is derived from our unaudited consolidated financial statements.

# SoftBank Technology Corp.
# Consolidated Financial Report for the Fiscal Year Ended March 31, 2012

[Japanese GAAP]

April 25, 2012

SoftBank Technology Corp. (Tokyo Stock Exchange/Code No. 4726)
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Date of General Shareholders' Meeting (scheduled): June 20, 2012
Dividend Payable Date (scheduled): June 21, 2012
Filing of Securities Report (scheduled): June 20, 2012
Supplementary Documents for Financial Results: Yes
Financial Results Briefing: Yes (for analysts)

(Figures are rounded down to millions of yen)

## 1. Financial Highlights

### (1) Consolidated Results of Operations

(Percentages shown for net sales and incomes represent year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | (millions of yen) | % | (millions of yen) | % | (millions of yen) | % | (millions of yen) | % |
| Fiscal year ended March 31, 2012 | 32,185 | 8.7 | 1,593 | 23.6 | 1,615 | 42.6 | 753 | 58.4 |
| Fiscal year ended March 31, 2011 | 29,614 | 5.1 | 1,288 | 53.1 | 1,133 | 21.9 | 475 | 26.4 |

Note: Comprehensive income
Fiscal year ended March 31, 2012: 838 million yen (116.3%) Fiscal year ended March 31, 2011: 387 million yen (- 12.8%)

| | Net income per share – basic | Net income per share – diluted | Return on equity | Ordinary income / Total assets | Operating income / Net sales |
|---|---|---|---|---|---|
| | (yen) | (yen) | % | % | % |
| Fiscal year ended March 31, 2012 | 77.89 | - | 9.7 | 11.5 | 5.0 |
| Fiscal year ended March 31, 2011 | 49.17 | - | 6.5 | 8.7 | 4.4 |

Reference: Equity in earnings of non-consolidated subsidiaries and affiliates
Fiscal year ended March 31, 2012: - million yen Fiscal year ended March 31, 2011: -188 million yen

### (2) Consolidated Financial Position

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|---|---|---|---|---|
| | (millions of yen) | (millions of yen) | % | (yen) |
| As of March 31, 2012 | 14,783 | 8,082 | 54.7 | 835.12 |
| As of March 31, 2011 | 13,337 | 7,398 | 55.5 | 764.46 |

Reference: Shareholders' equity
As of March 31, 2012: 8,082 million yen As of March 31, 2011: 7,398 million yen

### (3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of the year |
|---|---|---|---|---|
| | (millions of yen) | (millions of yen) | (millions of yen) | (millions of yen) |
| Fiscal year ended March 31, 2012 | 809 | (120) | (186) | 4,766 |
| Fiscal year ended March 31, 2011 | 1,470 | (607) | (180) | 4,264 |

## 2. Dividends

| | Dividends per share | | | | | Total amount of dividends (Annual) | Payout ratio (Consolidated) | Dividend on net assets (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| | First quarter end | Second quarter end | Third quarter end | Fiscal year end | Total | | | |
| | (yen) | (yen) | (yen) | (yen) | (yen) | (millions of yen) | % | % |
| Fiscal year ended March 31, 2011 | - | 0.00 | - | 16.00 | 16.00 | 154 | 32.5 | 2.1 |
| Fiscal year ended March 31, 2012 | - | 0.00 | - | 20.00 | 20.00 | 193 | 25.7 | 2.5 |
| Fiscal year ending March 31, 2013 (Forecast) | - | 0.00 | - | 20.00 | 20.00 | | 22.8 | |

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

(Percentages are shown as year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | (millions of yen) | % | (millions of yen) | % | (millions of yen) | % | (millions of yen) | % | (yen) |
| First half | 15,500 | 4.4 | 600 | (12.4) | 600 | (12.1) | 300 | (23.1) | 31.00 |
| Full year | 33,000 | 2.5 | 1,650 | 3.5 | 1,650 | 2.1 | 850 | 12.8 | 87.82 |

*Notes

(1) Significant changes in scope of consolidation (Changes in scope of consolidation of specified subsidiaries): None

(2) Changes due to revisions in accounting policies/changes in accounting estimates/restatement of prior period errors

[1] Changes due to revisions in accounting policies: None

[2] Changes of accounting policies other than those in [1]: None

[3] Changes in accounting estimates: None

[4] Restatement of prior period errors: None

(3) Number of shares issued (Common stock):

[1] Number of shares issued (including treasury stock)

As of March 31, 2012: 10,640,200 shares As of March 31, 2011: 10,640,200 shares

[2] Number of shares of treasury stock

As of March 31, 2012: 961,852 shares As of March 31, 2011: 961,775 shares

[3] Average number of shares outstanding

Fiscal year ended March 31, 2012: 9,678,396 shares Fiscal year ended March 31, 2011: 9,678,425 shares

[For Reference]

Financial Highlights (Non-consolidated)

(1) Non-consolidated Results of Operations

(Percentages are shown as year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | (millions of yen) | % | (millions of yen) | % | (millions of yen) | % | (millions of yen) | % |
| Fiscal year ended March 31, 2012 | 31,923 | 9.3 | 1,552 | 25.3 | 1,570 | 13.5 | 738 | (0.7) |
| Fiscal year ended March 31, 2011 | 29,207 | 5.5 | 1,239 | 40.9 | 1,384 | 52.6 | 743 | 197.4 |

| | Net income per share – basic | Net income per share – diluted |
|---|---|---|
| | (yen) | (yen) |
| Fiscal year ended March 31, 2012 | 76.28 | - |
| Fiscal year ended March 31, 2011 | 76.85 | - |

(2) Non-consolidated Financial Position

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|---|---|---|---|---|
| | (millions of yen) | (millions of yen) | % | (yen) |
| As of March 31, 2012 | 14,676 | 8,013 | 54.6 | 828.00 |
| As of March 31, 2011 | 13,307 | 7,405 | 55.6 | 765.14 |

Reference: Shareholders' equity

As of March 31, 2012: 8,013 million yen As of March 31, 2011: 7,405 million yen

*Statements Relating to Implementation of Audit Procedures

This financial report falls outside the scope of audit procedures under the Financial Instruments and Exchange Act. The audit procedures for financial statements under the Financial Instruments and Exchange Act are yet to be completed at the time of disclosure of this financial report.

*Notes to Forecasts on the Consolidated Operating Results and Other Items

The forecast figures are estimated based on the information that SoftBank Technology Corp. is able to obtain at the present point and assumptions deemed to be reasonable. However, actual results may be different due to various factors. Please refer to page 2 of the Appendix "Overview of Results of Operations" for assumptions of the earnings forecast and matters to be noted in using the forecast.

Appendix
Table of Contents

# 1. Results of Operations

## (1) Overview of Results of Operations

### (i) Business Overview

(Millions of yen) (Yen)

| | Net sales | Operating income | Ordinary income | Net income | Net income per share - basic |
|---|---|---|---|---|---|
| Fiscal year ended March 31, 2012 | 32,185 | 1,593 | 1,615 | 753 | 77.89 |
| Fiscal year ended March 31, 2011 | 29,614 | 1,288 | 1,133 | 475 | 49.17 |
| Change (%) | 8.7% | 23.6% | 42.6% | 58.4% | 58.4% |

In the fiscal year ended on March 31, 2012, consolidated net sales were ¥32,185 million (an 8.7% increase compared with the previous year [April 1, 2010 to March 31, 2011, hereafter “year-on-year”]), operating income was ¥1,593 million (a 23.6% increase year-on-year), ordinary income was ¥1,615 million (a 42.6% increase year-on-year), and net income was ¥753 million (a 58.4% increase year-on-year); recording the largest net sales, operating income and ordinary income since the foundation of the Company.

The Company shifted the business structure to services instead of focusing on one-time business under the slogan, “From System Integrator to Service Integrator,” and improved the structure to obtain revenues by shifting the business structure from the one-time business of constructing systems or networks to a business that provides services on a continuous basis. While securing the structure to generate revenue, the Company has invested in its own businesses, and some new businesses have shown results, where we can expect mid- to long-term growth.

In pursuing synergy with the SoftBank Group and promoting the development of business in Asia, we will further strengthen the structure for sustainable growth.

Results by Business Segment: (Millions of yen)

| | Fiscal year ended March 31, 2011 | | Fiscal year ended March 31, 2012 | | Change | |
|---|---|---|---|---|---|---|
| | Net sales | Operating income | Net sales | Operating income | Net sales | Operating income |
| eBusiness Service | 18,269 | 821 | 17,950 | 957 | (319) | 136 |
| Solution | 11,344 | 467 | 14,235 | 635 | 2,891 | 168 |
| Consolidated total | 29,614 | 1,288 | 32,185 | 1,593 | 2,571 | 304 |

(eBusiness Service)

In the eBusiness Service segment, net sales for the consolidated fiscal year ended March 31, 2012, were ¥17,950 million (a 1.8% decrease year-on-year), and operating income was ¥957 million (a 16.6% increase year-on-year).

Net sales steadily increased due to aggressive activities in the East Asian countries, in addition to robust sales of virus protection software in Japan via the EC-BPO Service, the core category of this segment. Moreover, the number of customers for access analysis services of websites in the Web Marketing Service continued to grow and the orders for consulting services also increased, which contributed to the increase in income.

(Solution)

Net sales in the Solution segment for the consolidated fiscal year ended March 31, 2012, were ¥14,235 million (a 25.5% increase year-on-year), and operating income was ¥635 million (a 36.1% increase year-on-year).

Orders for the SoftBank Group were favorable. Telecommunication-related and Internet business-related orders for the Group were a factor in the increases in both sales and profits. In addition, we received robust orders for projects to construct office wireless networks for the expanded use of smartphones and smart devices by corporations.

(ii) Forecast for the Fiscal Year Ending March 31, 2013

(Millions of yen) (Yen)

| | Net sales | Operating income | Ordinary income | Net income | Net income per share |
|---|---|---|---|---|---|
| Fiscal year ending March 31, 2013 (forecast) | 33,000 | 1,650 | 1,650 | 850 | 87.82 |
| Fiscal year ended March 31, 2012 (actual) | 32,185 | 1,593 | 1,615 | 753 | 77.89 |
| Change (%) | 2.5% | 3.5% | 2.1% | 12.8% | 12.8% |

The Company is projecting consolidated net sales of ¥33,000 million (a 2.5% increase year-on-year), consolidated operating income of ¥1,650 million (a 3.5% increase year-on-year), consolidated ordinary income of ¥1,650 million (a 2.1% increase year-on-year), and consolidated net income of ¥850 million (a 12.8% increase year-on-year).

The Company Group will promote the policy of “shifting to a business structure of providing services instead of focusing on one-time business.” We will work to establish the Online Business Solution & Service and Cloud Enabling® on a mid- to long-term basis in terms of revenue. In addition, the Company Group will expand business with SoftBank Group companies to maximize synergy with the SoftBank Group as the business policy for the fiscal year ending March 31, 2013.

(2) Overview of Financial Position

(i) Assets, Liabilities, and Net Assets

(Millions of yen)

| | As of March 31, 2011 | As of March 31, 2012 | Change |
|---|---|---|---|
| Total assets | 13,337 | 14,783 | 1,445 |
| Net assets | 7,398 | 8,082 | 683 |
| Shareholders’ equity ratio | 55.5% | 54.7% | (0.8) points |
| Net assets per share | 764.46 yen | 835.12 yen | 70.66 yen |

(Assets)

Assets totaled ¥14,783 million at the end of this consolidated fiscal year, a ¥1,445 million increase from the end of the previous fiscal year.

Current assets increased by ¥2,100 million from the end of the previous fiscal year mainly due to increases in cash and deposits and notes and accounts receivables-trade.

Fixed assets decreased by ¥654 million from the end of the previous fiscal year mainly due to a decrease in investment securities.

(Liabilities)

Liabilities were ¥6,701 million at the end of this consolidated fiscal year, a ¥762 million increase from the end of the previous fiscal year.

Current liabilities increased by ¥806 million from the end of the previous fiscal year mainly due to increases in accounts payable-trade and income taxes payable.

Fixed liabilities decreased by ¥44 million from the end of the previous fiscal year mainly due to a decrease in lease obligations.

(Net Assets)

Net assets were ¥8,082 million at the end of this consolidated fiscal year, a ¥683 million increase from the end of the previous fiscal year. This was mainly due to an increase in retained earnings.

(ii) Cash Flows (Millions of yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 | Change |
|---|---|---|---|
| Cash flows from operating activities | 1,470 | 809 | (661) |
| Cash flows from investing activities | (607) | (120) | 486 |
| Cash flows from financing activities | (180) | (186) | (6) |
| Change in cash and cash equivalents | 683 | 502 | (180) |
| Cash and cash equivalents at the end of the year | 4,264 | 4,766 | 502 |

Cash and cash equivalents were ¥4,766 million at the end of this consolidated fiscal year, a ¥502 million increase from the end of the previous fiscal year.

The status of cash flows at the end of this consolidated fiscal year and the contributing factors are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥809 million. The main factors in the increase were income before income taxes and minority interests of ¥1,527 million, as well as depreciation and amortization of ¥313 million. An increase in trade receivables of ¥1,323 million was mainly responsible for the decrease.

(Cash flows from investing activities)

Net cash used in investing activities was ¥120 million. The main factors in the decrease were the purchase of intangible fixed assets of ¥231 million and the purchase of securities of ¥398 million. The primary components of the increase were proceeds from redemption of securities of ¥300 million and proceeds from the sale of investment securities of ¥283 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥186 million. The main factor in the decrease was cash dividends paid of ¥155 million.

(3) Fundamental Policy for Distribution of Profit, and Dividends for the Current Fiscal Year and the Next Fiscal Year

The Company will improve shareholders' equity, expand businesses, improve profitability, and strengthen the financial base for the long term. Free cash flows will go into the development of personnel and technology to expand existing businesses and to invest in new businesses to increase corporate value. SoftBank Technology Corp.'s basic policy is to return profits to shareholders by confirming the development of operation results in a fast-changing environment and by considering the need to increase internal reserves.

In accordance with the basic policy described above, the Company plans to pay a year-end dividend of 20.00 yen (per share) as common dividends, an increase of ¥4.00 compared to that paid at the end of the previous consolidated fiscal year ended March 31, 2011.

The Company will consider using undistributed earnings for investments in companies with which the Company intends to form business alliances and M&As, as well as for strengthening the business culture to cope with changes in the future management environment.

## 2. The SoftBank Technology Group

The Company Group (the Company and its affiliates) consists of the Company (SoftBank Technology Corp.), its two consolidated subsidiaries, and one equity method affiliate. The Company Group operates the following eBusiness service and solution businesses.

### (1) eBusiness service

The Company Group is responsible for the Online Business Solution & Service in this business segment and provides the Solution & Service to accelerate the development of the customer's online business as follows:

[1] EC Platform & BPO Service: Commissioned and comprehensive services for EC by handling the entire business process from the infrastructure for EC platforms on cloud services to the content management system

[2] Web Marketing & Platform Service: Web access analysis and consulting services, as well as font distribution via the Web

### (2) Solution

The Company Group is responsible for Cloud Enabling® in this business segment; orchestrates expertise in Ni, Si, and operation to optimize cloud computing, and provides the Solution & Service for the convenient transfer to and use of cloud services.

[1] Access service for accessing cloud services in a secure way from a mobile device or PC

[2] Cloud service integration of cloud services

[3] Infrastructure integration of diversified servers, storage, security, and networks.

[4] Secure management service for maintenance of integrated systems 24 hours a day, every day.

## 3. Management Policies

### (1) Basic Policy of Management of the Company

Our corporate philosophy is to create advanced communications technology platforms through innovations in digital information technology for high-quality communications between individuals, individuals and corporations, and corporations and corporations. We strive to provide the optimal and best information technology in a timely manner without being limited to specific manufactures, vendors, and carriers.

### (2) Target Indicators

The Company Group measures performance and operation efficiency based on profits by segment and project, focusing on profit indicators, with part of bonuses of directors and employees linked to their achievement against targets. In order to stress the importance of value-added and streamline management in business, the Company Group values the operating income ratio on sales and ordinary income ratio on sales.

### (3) Medium to Long-term Strategies

(i) The SoftBank Inc. Group, to which the Company Group belongs, has applied "make people happier with the information revolution" as its slogan. Each Group company aims to become the most reliable company among customers in each field by demonstrating mutual collaboration. The Company Group further strengthens the comprehensive collaboration in technology and transactions with the SoftBank Group to continuously grow in future and aims to become the core company for IT technology in the SoftBank Group. Moreover, the Company Group will develop unique solutions and services with a broad range of technology and knowledge developed through participations in the SoftBank Group. We will aggressively acquire new customers.

(ii) In addition, we will press forward with the existing strategy of transition to service-based businesses with the slogan, "*From System Integrator to Service Integrator*." By shifting from one-time businesses of system integration and network integration to service-based businesses, i.e. stock business, we will enhance profitability and the quality of services to customers. In addition, the Company Group will introduce new technologies by fortifying collaboration with advanced makers and vendors to hold a dominant position in the industry. We will also proactively study the possibility of M&As.

(iii) In order to implement these mid-term business strategies, the Company Group will develop talent in technology and sales. Specifically, we will expand the training system. At the same time, we will strive to enhance corporate governance by strengthening systems and structures.

(4) Important Management Issues for the Company

Although the management environment has become more severe owing to the rapid development of IT, changes in the requirements of markets/customers, and intensified competition, we must respond by accurately understanding the changes in order to keep growing. Consequently, the Company lists the following problems and will resolve them with a well-developed plan.

(i) Strengthening of synergy with the SoftBank Group

The Company is a part of the SoftBank Group as a front-runner in the Internet business industry, is responsible for the technology field, will acquire advanced business models, accumulate sophisticated technologies by participating in the SoftBank Group, and acquire stable customers. We will ensure stability and the growth of revenue by satisfying the requirements for information systems of the group companies and proactively proceeding with business alliances.

The Company Group has close trade relationships with SoftBank Corp. Group companies—Yahoo Japan Corporation, SoftBank BB Corporation, SoftBank Telecom Corporation, SoftBank Mobile Corp. —are key customers of the Company, representing a growing share of sales by the Company. The Company works together with the Group companies in the field of support services to introduce cloud computing and mobile-related businesses. Transactions with such companies have grown in proportion. The Company will transfer its sales department to an office adjacent to SoftBank Group companies in spring 2012, strengthen synergy with SoftBank Group companies, and work together for mutual harmony and benefit.

(ii) Trend toward service economy

The change to broadband information networks and matured information technology has made it possible to package broad system content. As a result, demand grew for cloud services where customers can use software packages via broadband connections as necessary, contrary to the method of developing and operating systems individually. In view of the increased demand, the Company Group will push the existing strategy of a transition to service-based businesses. By shifting from the one-time businesses of system integration and network integration to service-based businesses, i.e. stock business, we will enhance profitability and the quality of services we provide to customers. Furthermore, we will offer platform design, construction, and operation support services for customers planning to provide such services by themselves.

(iii) Promotion of mobile business

The global current is the shift to mobile terminals from PCs as the means to access the Internet. The SoftBank Group is expanding with the shift and will focus on the development of the mobile device business. Under such circumstances, the Company Group will strive to maximize collaboration with SoftBank Group companies such as SoftBank Mobile Corp. In the context of the popularization of smartphones and smart devices, the Company Group, in collaboration with SoftBank Mobile Corp., will expand services in the combination of smart devices, cloud services, and security for corporations. Specifically, we will develop, construct, and operate terminal identification and control solutions for smart device terminals and develop businesses for corporations.

(iv) Promotion of development of business in East Asia

The Internet business is expected to expand rapidly not only in Japan but also in fast-growing East Asia, where remarkable economic development is taking place. The Company has developed the EC-BPO Service in East Asia (Korea, Taiwan, Hong Kong, China) since the previous consolidated fiscal year. In particular, services in Taiwan are expanding as we established the Taiwan Branch. We will subsequently promote additional growth strategies, such as expansion of the infrastructure of business in East Asia.

## 4. Consolidated Financial Statements
### (1) Consolidated Balance Sheets

(Thousands of yen)

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and deposits | 4,065,127 | 4,766,926 |
| Notes and accounts receivable-trade | 4,163,928 | 5,487,540 |
| Securities | 496,835 | 599,065 |
| Merchandise | 56,893 | 60,027 |
| Work-in-process | 125,565 | 131,965 |
| Deferred tax assets | 163,986 | 173,573 |
| Other current assets | 518,811 | 476,149 |
| Less: Allowance for doubtful accounts | (18,455) | (22,187) |
| Total current assets | 9,572,693 | 11,673,061 |
| Fixed assets: | | |
| Property and equipment: | | |
| Buildings and structures | 211,114 | 216,241 |
| Accumulated depreciation | (112,371) | (128,791) |
| Buildings and structures (net) | 98,743 | 87,449 |
| Tools, furniture and fixtures | 1,146,313 | 1,152,039 |
| Accumulated depreciation | (805,681) | (879,209) |
| Tools, furniture and fixtures (net) | 340,632 | 272,830 |
| Construction-in-progress | 3,049 | - |
| Total property and equipment | 442,424 | 360,280 |
| Intangible assets | | |
| Software | 457,059 | 553,512 |
| Software in progress | 34,687 | 673 |
| Other intangibles | 12,182 | 11,498 |
| Total intangible assets | 503,929 | 565,684 |
| Investments and other assets: | | |
| Investment securities | 1,821,001 | 1,305,482 |
| Deferred tax assets | 411,679 | 286,328 |
| Other assets | 595,549 | 597,530 |
| Less: Allowance for doubtful accounts | (9,550) | (4,750) |
| Total investments and other assets | 2,818,681 | 2,184,592 |
| Total fixed assets | 3,765,035 | 3,110,556 |
| Total assets | 13,337,728 | 14,783,618 |

(Thousands of yen)

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable-trade | 4,027,584 | 4,309,493 |
| Lease obligations | 31,448 | 32,565 |
| Accounts payable-other | 297,918 | 392,053 |
| Income taxes payable | 84,934 | 488,393 |
| Reserve for bonuses for employees | 314,982 | 291,487 |
| Reserve for loss on orders received | - | 26,060 |
| Reserve for repairs of defect | 6,225 | - |
| Other current assets | 650,689 | 680,428 |
| Total current assets | 5,413,783 | 6,220,482 |
| Fixed liabilities: | | |
| Lease obligations | 93,067 | 60,502 |
| Long-term advance from customers | 367,756 | 358,322 |
| Negative goodwill | 11,650 | 8,065 |
| Asset retirement obligations | 52,735 | 53,682 |
| Total fixed liabilities | 525,210 | 480,573 |
| Total liabilities | 5,938,993 | 6,701,055 |
| Equity: | | |
| Owners' equity | | |
| Common stock | 634,555 | 634,555 |
| Additional paid-in capital | 712,204 | 712,204 |
| Retained earnings | 6,840,066 | 7,439,046 |
| Less: Treasury stock | (747,553) | (747,604) |
| Total owners' equity | 7,439,273 | 8,038,202 |
| Other accumulated comprehensive income | | |
| Unrealized gain on available-for-sale securities | 11,704 | 44,359 |
| Foreign currency translation adjustments | (52,242) | - |
| Total other accumulated comprehensive income | (40,537) | 44,359 |
| Net assets | 7,398,735 | 8,082,562 |
| Total liabilities and equity | 13,337,728 | 14,783,618 |

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

(Thousands of yen)

| | Fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011) | Fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012) |
|---|---|---|
| Net Sales | 29,614,699 | 32,185,738 |
| Cost of sales | 26,720,128 | 29,016,051 |
| Gross profit | 2,894,570 | 3,169,686 |
| Selling, general and administrative expenses | 1,605,661 | 1,575,994 |
| Operating income | 1,288,908 | 1,593,692 |
| Non-operating income | | |
| Interest income | 39,458 | 50,380 |
| Dividends income | 3,480 | 3,850 |
| Miscellaneous income | 16,145 | 11,391 |
| Total non-operating income | 59,085 | 65,622 |
| Non-operating expenses | | |
| Interest expense | 5,331 | 3,661 |
| Loss on equity investments in affiliates | 188,898 | - |
| Loss on investment in investment partnerships | 18,781 | 33,859 |
| Loss on foreign exchange | - | 6,005 |
| Provision of allowance for doubtful accounts | 1,911 | - |
| Miscellaneous losses | 48 | 5 |
| Total non-operating expenses | 214,971 | 43,532 |
| Ordinary income | 1,133,023 | 1,615,783 |
| Special income | | |
| Gain on sale of investment securities | 167,899 | 43,209 |
| Reversal of allowance for doubtful accounts | 2,011 | - |
| Other special income | 1,334 | 2,693 |
| Total special income | 171,245 | 45,902 |
| Special loss | | |
| Loss on sale of fixed assets | 749 | - |
| Loss on disposal of fixed assets | 62,094 | - |
| Impairment loss | 20,614 | 17,044 |
| Loss on sale of investment securities | 18,322 | 109,707 |
| Valuation loss on investment securities | 228,995 | 7,875 |
| Loss on adjustment for changes in the accounting standard for asset retirement obligations | 47,274 | - |
| Other special loss | 21,318 | - |
| Total special loss | 399,369 | 134,626 |
| Income before income taxes and minority interests | 904,899 | 1,527,059 |
| Income taxes: Current | 290,428 | 586,989 |
| Income Taxes-correction | - | 81,810 |
| Income taxes: Deferred | 138,625 | 104,423 |
| Total income taxes | 429,053 | 773,224 |
| Net income | 475,845 | 753,835 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (46,921) | 32,655 |
| Foreign currency translation adjustment | (41,192) | 52,242 |
| Other comprehensive income | (88,113) | 84,897 |
| Comprehensive income | 387,732 | 838,732 |

## (3) Consolidated Statements of Changes in Equity

(Thousands of yen)

| | Fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011) | Fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012) |
|---|---|---|
| Owners' equity | | |
| Common stock | | |
| Balance at the beginning of the year | 634,555 | 634,555 |
| Changes during the year | | |
| Total changes during the year | - | - |
| Balance at the end of the year | 634,555 | 634,555 |
| Additional paid-in capital | | |
| Balance at the beginning of the year | 712,204 | 712,204 |
| Changes during the year | | |
| Total changes during the year | - | - |
| Balance at the end of the year | 712,204 | 712,204 |
| Retained earnings | | |
| Balance at the beginning of the year | 6,519,075 | 6,840,066 |
| Changes during the year | | |
| Cash dividends | (154,854) | (154,854) |
| Net income | 475,845 | 753,835 |
| Total changes during the year | 320,991 | 598,980 |
| Balance at the end of the year | 6,840,066 | 7,439,046 |
| Treasury stock | | |
| Balance at the beginning of the year | (747,553) | (747,553) |
| Changes during the year | | |
| Purchase of treasury stock | - | (50) |
| Total changes during the year | - | (50) |
| Balance at the end of the year | (747,553) | (747,604) |
| Total owners' equity | | |
| Balance at the beginning of the year | 7,118,282 | 7,439,273 |
| Changes during the year | | |
| Cash dividends | (154,854) | (154,854) |
| Net income | 475,845 | 753,835 |
| Purchase of treasury stock | - | (50) |
| Total changes during the year | 320,991 | 598,929 |
| Balance at the end of the year | 7,439,273 | 8,038,202 |

(Thousands of yen)

| | Fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011) | Fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012) |
|---|---|---|
| Other accumulated comprehensive income | | |
| Unrealized gain on available-for-sale securities | | |
| Balance at the beginning of the year | 58,625 | 11,704 |
| Changes during the year | | |
| Net changes in accounts other than owners' equity during the year | (46,921) | 32,655 |
| Total changes during the year | (46,921) | 32,655 |
| Balance at the end of the year | 11,704 | 44,359 |
| Balance at the beginning of the year | | |
| Balance at the end of the previous year | (11,049) | (52,242) |
| Changes during the year | | |
| Net changes in accounts other than owners' equity during the year | (41,192) | 52,242 |
| Total changes during the year | (41,192) | 52,242 |
| Balance at the end of the year | (52,242) | - |
| Total other accumulated comprehensive income | | |
| Balance at the beginning of the year | 47,575 | (40,537) |
| Changes during the year | | |
| Net changes in accounts other than owners' equity during the year | (88,113) | 84,897 |
| Total changes during the year | (88,113) | 84,897 |
| Balance at the end of the year | (40,537) | 44,359 |
| Total net assets | | |
| Balance at the beginning of the year | 7,165,858 | 7,398,735 |
| Changes during the year | | |
| Cash dividends | (154,854) | (154,854) |
| Net income | 475,845 | 753,835 |
| Purchase of treasury stock | - | (50) |
| Net changes in accounts other than owners' equity during the year | (88,113) | 84,897 |
| Total changes during the year | 232,877 | 683,827 |
| Balance at the end of the year | 7,398,735 | 8,082,562 |

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

| | Fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011) | Fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012) |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes and minority interests | 904,899 | 1,527,059 |
| Depreciation and amortization | 303,689 | 313,567 |
| Impairment loss | 20,614 | 17,044 |
| Amortization of negative goodwill | (3,584) | (3,584) |
| Increase (decrease) in allowance for doubtful accounts | (3,377) | 3,731 |
| Increase (decrease) in reserve for bonuses for employees | 60,192 | (23,495) |
| Increase (decrease) in reserve for loss on orders received | (92,925) | 26,060 |
| Increase (decrease) in reserve for repairs of defect | 6,225 | (6,225) |
| Loss on disposal of fixed assets | 3,237 | - |
| Loss on disposal of intangible fixed assets | 58,856 | - |
| Interest income and dividends income | (42,939) | (54,230) |
| Interest expenses | 5,331 | 3,661 |
| Equity in loss (earnings) of affiliates | 188,898 | - |
| Loss (gain) on investment in investment partnerships | 18,781 | 33,859 |
| Loss (gain) on sale of investment securities | (149,576) | 66,498 |
| Valuation loss (gain) of investment securities | 228,995 | 7,875 |
| Loss on adjustment for changes in the accounting standard for asset retirement obligations | 47,274 | - |
| Decrease (increase) in receivables-trade | (407,254) | (1,323,611) |
| Decrease (increase) in inventories | 206,013 | (8,014) |
| Decrease (increase) in operating receivables | (192,886) | 56,363 |
| Increase (decrease) in payables-trade | 543,010 | 281,909 |
| Increase (decrease) in consumption taxes payable | 12,848 | 1,924 |
| Increase (decrease) in operating payables | 123,113 | 120,650 |
| Other | 22,626 | (3,932) |
| Subtotal | 1,862,065 | 1,037,111 |
| Interest and dividends received in cash | 151,793 | 46,503 |
| Interest expenses paid in cash | (5,331) | (3,661) |
| Income taxes paid in cash | (537,576) | (270,159) |
| Net cash used in operating activities | 1,470,950 | 809,794 |

| | Fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011) | Fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012) |
|---|---|---|
| Cash flows from investing activities | | |
| Purchase of property and equipment | (216,045) | (80,623) |
| Purchase of intangible fixed assets | (169,879) | (231,649) |
| Purchase of securities | (493,897) | (398,939) |
| Proceeds from redemption of securities | 400,000 | 300,000 |
| Proceeds from sale of investment securities | - | 16,650 |
| Purchase of investment securities | (590,258) | - |
| Proceeds from sale of investment securities | 415,259 | 283,526 |
| Proceeds from collection of loans receivable | 1,800 | 4,800 |
| Deposit of guarantee money | (8,684) | (29,637) |
| Proceeds from collection of guarantee money | 71,226 | 15,077 |
| Payments for asset retirement obligations | (16,978) | - |
| Other | - | 227 |
| Net cash (used in) provided by investing activities | (607,457) | (120,568) |
| Cash flows from financing activities | | |
| Increase in short-term loans payable | 600,000 | - |
| Decrease in short-term loans payable | (600,000) | - |
| Purchase of treasury stock | - | (50) |
| Cash dividends paid | (155,026) | (155,034) |
| Proceeds from the shift to leasing of newly acquired facilities | 4,519 | - |
| Repayment of lease obligations | (29,928) | (31,448) |
| Net cash (used in) provided by financing activities | (180,434) | (186,534) |
| Increase (decrease) in cash and cash equivalents | 683,057 | 502,692 |
| Cash and cash equivalents, beginning of the year | 3,581,176 | 4,264,234 |
| Cash and cash equivalents, end of the year | 4,264,234 | 4,766,926 |

(5) Note on Going Concern Assumption
Not applicable

(6) Basis of Presentation of Consolidated Financial Statements

1. Scope of consolidation
(1) Consolidated subsidiaries: 2
M-SOLUTIONS, Inc.
Mobile Interface Corporation
(2) Nonconsolidated subsidiaries
Not applicable

2. Application of equity method
(1) Equity method affiliated companies: Not applicable
USTC eBusiness Technology Co., Ltd., was excluded from the scope of equity method because the Company transferred its entire equity of USTC during the consolidated fiscal year ended March 31, 2012.
(2) Non-consolidated subsidiaries and affiliated companies to which equity method is not applied: Not applicable

3. Fiscal year of consolidated subsidiaries
The account settlement date of all the subsidiaries is the same as the consolidated account settlement date.

4. Accounting procedures
(1) Evaluation standards and methods for major assets
[1] Securities
(a) Available-for-sale securities:
With market quotations: Stated at fair value, which represents the market prices at the balance sheet date (unrealized gain/loss is included as a separate component in equity, net of tax, while cost is determined using the moving-average method)
Without market quotations:
Stated at cost based on the moving-average method
Investments in investment partners and similar partners (those that are deemed as securities in Paragraph 2, Article 2 of the Financial Instruments and Exchange Law of Japan) are stated on the method that includes the portion equivalent to equity in net value based on the latest financial reports available according to the accounting date prescribed in the partnership agreement.
[2] Inventories
(a) Merchandise: Stated at cost based on the gross average method (the balance sheet value is calculated by way of inventory write-down based on decreased profitability)
(b) Work-in-process: Stated at cost based on the identified cost method (the balance sheet value is calculated by way of inventory write-down based on decreased profitability)

(2) Depreciation and amortization of major depreciable assets
[1] Property and equipment
Computed using the declining-balance method (the straight-line method for part of property and equipment)
Main durable years are as follows:
Buildings and structures: 10 to 15 years
Tools, furniture and fixtures: 4 to 15 years
[2] Intangible assets:
Computed using the straight-line method
Software for internal use is amortized on the straight-line method over the period of internal use, i.e., 3 to 5 years. Software for sales purpose is amortized over the amortization amount based on the estimated sales revenue or the equal amortization amount based on the remaining effective period (within 3 years), whichever is larger.

[3] Lease assets

Straight-line method with the lease period as the durable years and remaining value as zero.

Finance lease without title transfer whose lease starting day is prior to the start of the first year of the application of the lease accounting standard is accounted for pursuant to the method for operating leases.

(3) Accounting principles for major allowances and reserves

[1] Allowance for doubtful accounts:

To prepare for uncollectible credits, allowance for doubtful accounts for ordinary credits is calculated based on the actual bad debt ratio, and specific allowance for doubtful accounts deemed uncollectible is calculated considering its collectability.

[2] Reserve for bonuses for employees

Reserve for bonuses for employees in the amount of estimated bonuses attributed to the relevant fiscal year is recorded.

[3] Reserve for loss on orders received

To provide for future loss on order contracts, we accounted for the estimated amount that is larger than the balance of work-in-process of the projects received on hand at the end of the consolidated fiscal year ended March 31, 2012, which are highly likely to incur losses and possible to estimate the amount on a reasonable basis.

(4) Accounting standard for recording material revenues and costs

Accounting standards for recording amounts of completed work and cost of completed work

[1] Percentage-of-completion method is applied to a contract if the outcome of the construction contract can be estimated reliably as of the end of the consolidated fiscal year under review (estimate of percent of completion is based on the cost-to-cost method).

[2] Completed-contract method is applied to other construction contracts.

(5) Method and period of amortization of goodwill

Goodwill is amortized by straight line method over an effective period estimated reasonably. However, goodwill in a de minimis amount is written off when accrued.

(6) Scope of cash in the Consolidated Statements of Cash Flows

Cash equivalents recognized as cash in the Consolidated Statements of Cash Flows are short term investments that are liquid, maturing within three months from the date of acquisition, easily convertible, and carry little risk of price fluctuations.

(7) Other significant matter for preparing consolidated financial statements

Processing method of consumption taxes

The tax exclusion method is applied.

(7) Additional Information

(Application of Accounting Standard for Accounting Changes and Error Corrections)

The Company applied the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24 of December 4, 2009) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24 of December 4, 2009) to accounting changes and corrections of past errors as of the beginning of the consolidated fiscal year under review.

(8) Notes to Consolidated Financial Statements
(Segment Information)
a. Segment information per business
1. Overview of Reported Segments

The reported segments of the Company, among its constituent units, are those for which separate financial statements can be obtained and which are regularly examined by the Board of Directors for determining the allocation of management resources and for assessing performance. The Company establishes business divisions by product and service and each of them develops comprehensive strategies for products and services it deals in and conducting business activities.

Therefore, the Company consists of business-division-based segments by product and service and has two reported segments: eBusiness service and solution business.

eBusiness service provides (i) consolidated digital marketing services of data analysis, management of web content, and consulting thereof based on web access analysis, and (ii) EC platform services, and business process outsourcing services that support management of EC collectively.

Solution provides (i) middleware that realizes safe use of cloud services from various devices, such as smartphones, smart pads, and PCs, and (ii) cloud service integrations and infrastructure integrations that enable customers use cloud computing at ease and comfortably based on previous services of Ni, Si, and operation and maintenance.

2. Methods of Calculating Sales, Income or Loss, and Other Items by Reportable Segment

The accounting treatment methods used for reported business segments are the same as those described in the “Basic Important Matters for the Preparation of Consolidated Financial Statements.”

3. Information on Amounts of Sales, Income or Loss, and Other Items by Reportable Segment

Fiscal year from April 1, 2010 to March 31, 2011

(Thousands of yen)

| | eBusiness Service | Solution | Total | Adjustments (Note 1) | Amounts recorded in Consolidated Financial Statements (Note 2) |
|---|---|---|---|---|---|
| Net sales: | | | | | |
| Customers | 18,269,982 | 11,344,717 | 29,614,699 | - | 29,614,699 |
| Inter-segment | - | - | - | - | - |
| Total | 18,269,982 | 11,344,717 | 29,614,699 | - | 29,614,699 |
| Segment income | 821,603 | 467,305 | 1,288,908 | - | 1,288,908 |
| Other items | | | | | |
| Depreciation and amortization | 89,228 | 166,020 | 255,249 | 48,440 | 303,689 |
| Increase in fixed assets and intangible assets | 159,134 | 119,351 | 278,486 | 61,114 | 339,600 |

(Note)
1. The ¥61,114 thousand adjustment for increase in fixed assets and intangible assets is capital spending for head office building and the like.
2. Segment income matches the operating income in the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.
3. The Company does not allocate assets to business segments.

Fiscal year from April 1, 2011 to March 31, 2012

(Thousands of yen)

| | eBusiness Service | Solution | Total | Adjustments (Note 1) | Amounts recorded in Consolidated Financial Statements (Note 2) |
|---|---|---|---|---|---|
| Net sales: | | | | | |
| Customers | 17,950,020 | 14,235,717 | 32,185,738 | - | 32,185,738 |
| Inter-segment | - | - | - | - | - |
| Total | 17,950,020 | 14,235,717 | 32,185,738 | - | 32,185,738 |
| Segment income | 957,888 | 635,804 | 1,593,692 | - | 1,593,692 |
| Other items | | | | | |
| Depreciation and amortization | 108,519 | 151,804 | 260,323 | 53,244 | 313,567 |
| Increase in fixed assets and intangible assets | 147,963 | 144,847 | 292,811 | 19,554 | 312,365 |

(Note)
1. The ¥19,554 thousand adjustment for the increase in fixed assets and intangible assets represents investments in facilities such as core business systems.
2. Segment income matches the operating income in the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.
3. The Company does not allocate assets to business segments.

b. Related Information

Consolidated fiscal year under review (from April 1, 2010 to March 31, 2011)

1. Information by product and service

Since sales to external customers in a single product/service area exceed 90% of net sales on the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income, this information is omitted.

2. Information by Area

(1) Net Sales

Since sales to external customers in Japan exceed 90% of net sales on the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income, this information is omitted.

(2) Property and equipment

Since the amount of property and equipment in Japan exceed 90% of that on the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income, this information is omitted.

3. Information by Major Customer

Since there is no external customer that accounts for 10% or higher of net sales on the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income, this information is omitted.

Consolidated fiscal year under review (from April 1, 2010 to March 31, 2011)

1. Information by product and service

Since sales to external customers in a single product/service area exceed 90% of net sales on the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income, this information is omitted.

2. Information by Area

(1) Net Sales

Since sales to external customers in Japan exceed 90% of net sales on the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income, this information is omitted.

(2) Property and equipment

Since the amount of property and equipment in Japan exceed 90% of that on the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income, this information is omitted.

3. Information by Major Customer

| Customer | Net sales | Relevant segments |
|---|---|---|
| Yahoo Japan Corporation | 4,566,948 | eBusiness service, solution |

c. Information on impairment loss in fixed assets by reported segment
Consolidated fiscal year under review (from April 1, 2010 to March 31, 2011)

(Thousands of yen)

| | eBusiness Service | Solution | Expenses of the corporate division or elimination of intersegment transactions | Total |
|---|---|---|---|---|
| Impairment loss | - | 20,614 | - | 20,614 |

Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)

(Thousands of yen)

| | eBusiness Service | Solution | Expenses of the corporate division or elimination of intersegment transactions | Total |
|---|---|---|---|---|
| Impairment loss | 5,402 | 10,765 | 875 | 17,044 |

d. Information on amortization of goodwill and unamortized balance by reported segment
Consolidated fiscal year under review (from April 1, 2010 to March 31, 2011)
The amount of amortization of negative goodwill that accrued as the result of business combination implemented before April 1, 2010, and the unamortized balance are as follows:

(Thousands of yen)

| | eBusiness Service | Solution | Total |
|---|---|---|---|
| Amortization in fiscal year under review | - | 3,584 | 3,584 |
| Balance at the end of fiscal year under review | - | 11,650 | 11,650 |

Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
The amount of amortization of negative goodwill that accrued as the result of business combination implemented before April 1, 2010, and the unamortized balance are as follows:

(Thousands of yen)

| | eBusiness Service | Solution | Total |
|---|---|---|---|
| Amortization in fiscal year under review | - | 3,584 | 3,584 |
| Balance at the end of fiscal year under review | - | 8,065 | 8,065 |

e. Information on gain on negative goodwill by reported segment
Consolidated fiscal year under review (from April 1, 2010 to March 31, 2011)
Not applicable.

Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
Not applicable.

(Per Share Data)

| Fiscal year ended March 31, 2011 | | Fiscal year ended March 31, 2012 | |
|---|---|---|---|
| Net assets per share (yen) | 764.46 | Net assets per share (yen) | 835.12 |
| Net income per share – primary (yen) | 49.17 | Net income per share – primary (yen) | 77.89 |
| Net income per share – diluted (yen) | - | Net income per share – diluted (yen) | - |

(Note): Basic data for computation of net income per share is as follows:

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| Net income per share | | |
| Net income (thousands of yen) | 475,845 | 753,835 |
| Amounts not allocated to shareholders (thousands of yen) | - | - |
| Net income allocated to common stock outstanding (thousands of yen) | 475,845 | 753,835 |
| Weighted average number of common stock outstanding during each year (unit: shares) | 9,678,425 | 9,678,396 |
| | | |
| Net income per share – diluted | | |
| Adjusted net income (thousands of yen) | - | - |
| Increase in common stock (unit: shares) | - | - |
| (residual stock in relation to stock option) | [-] | [-] |
| Residual securities, which do not dilute net income per share | Stock acquisition rights: 1 kind 69,900 Shares | - |

(Significant Subsequent Events)

Not applicable

5. Other

(1) Transfer of officers

For transfer of officers, refer to "Announcement Regarding Prospective Candidates for Director" that was announced today (April 25, 2012).