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April 24, 2013

SoftBank Technology Corp. Consolidated Financial Report for the Fiscal Year Ended March 31, 2013

[Japanese GAAP]

Company name: SoftBank Technology Corp. (Tokyo Stock Exchange/Code No. 4726)

(URL <http://www.softbanktech.co.jp/>)

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Date of General Shareholders' Meeting (scheduled): June 19, 2013

Dividend Payable Date (scheduled): June 20, 2013

Filing of Securities Report (scheduled): June 19, 2013

Supplementary Documents for Financial Results: Yes

Financial Results Briefing: Yes (for 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 (Percentages shown for sales and incomes represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2013	32,703	1.6	1,463	(8.1)	1,658	2.6	1,040	38.1
Fiscal year ended March 31, 2012	32,185	8.7	1,593	23.6	1,615	42.6	753	58.4

Note: Comprehensive income (million yen) Fiscal year ended March 31, 2013: 1,040 (up 24.1%)

Fiscal year ended March 31, 2012: 838 (up 116.3%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2013	107.53	-	12.2	11.0	4.5
Fiscal year ended March 31, 2012	77.89	-	9.7	11.5	5.0

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended March 31, 2013: - Fiscal year ended March 31, 2012: -

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2013	15,286	8,945	58.4	922.67
As of March 31, 2012	14,783	8,082	54.7	835.12

Reference: Shareholders' equity (million yen) As of March 31, 2013: 8,929 As of March 31, 2012: 8,082

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2013	1,463	205	(226)	6,209
Fiscal year ended March 31, 2012	809	(120)	(186)	4,766

2. Dividends

	Dividends per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2012	-	0.00	-	20.00	20.00	193	25.7	2.5
Fiscal year ended March 31, 2013	-	0.00	-	20.00	20.00	193	18.6	2.3
Fiscal year ending March 31, 2014 (forecast)	-	0.00	-	20.00	20.00		19.4	

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

(Percentages represent year-on-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	16,000	(0.5)	650	(5.7)	650	(24.9)	400	(33.5)	41.33
Full year	34,000	4.0	1,700	16.1	1,700	2.5	1,000	(3.9)	103.32

***Notes**

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

(2) Changes in accounting policies and accounting-based estimates, and restatements

- i. Changes in accounting policies due to revisions in accounting standards, others: Yes
- ii. Changes in accounting policies other than 1) above: None
- iii. Changes in accounting-based estimates: None
- iv. Restatements: None

Note: For more details, please refer to section “4. Consolidated Financial Statements (5) Notes to Consolidated Financial Statement (Changes in accounting policies)” on page 14 in the attached materials.

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

- i. Number of shares outstanding at the end of period (including treasury stock)

As of March 31, 2013:	10,640,200 shares	As of March 31, 2012:	10,640,200 shares
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- ii. Number of shares of treasury stock at the end of period

As of March 31, 2013:	961,890 shares	As of March 31, 2012:	961,852 shares
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- iii. Average number of shares outstanding during the period

Fiscal year ended March 31, 2013:	9,678,334 shares	Fiscal year ended March 31, 2012:	9,678,396 shares
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Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2013 (April 1, 2012 – March 31, 2013)

(1) Non-consolidated Results of Operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2013	32,505	1.8	1,396	(10.0)	1,576	0.4	978	32.5
Fiscal year ended March 31, 2012	31,923	9.3	1,552	25.3	1,570	13.5	738	(0.7)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2013	101.05	-
Fiscal year ended March 31, 2012	76.28	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2013	15,099	8,813	58.3	909.03
As of March 31, 2012	14,676	8,013	54.6	828.00

Reference: Shareholders' equity (million yen) As of March 31, 2013: 8,797 As of March 31, 2012: 8,013

* Indication of audit procedure implementation status

This summary report is not subject to the audit procedures based on the Financial Instruments and Exchange Law. At the time when this report was released, the audit procedures for the financial statements have not been completed.

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Company at the time the materials were created. Actual performance may differ significantly from these forecasts for a number of reasons.

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1. Overview of Results of Operations and Financial Position

(1) Overview of Results of Operations

i. Consolidated Results of Operations

(Millions of yen) (Yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Fiscal year ended March 31, 2013	32,703	1,463	1,658	1,040	107.53
Fiscal year ended March 31, 2012	32,185	1,593	1,615	753	77.89
Change	1.6%	(8.1)%	2.6%	38.1%	38.1%

In the fiscal year that ended on March 31, 2013, consolidated net sales increased 1.6% to 32,703 million yen, operating income decreased 8.1% to 1,463 million yen, ordinary income increased 2.6% to 1,658 million yen and net income increased 38.1% to 1,040 million yen. Ordinary income and net income reached new all-time highs.

Sales were higher than in the previous fiscal year in part because of strong sales of virus protection software. Operating income was lower due to up-front investments in a number of areas. There were expenditures for aggressive recruiting activities, the launch of new solutions, the establishment of the Shiodome office, the creation of advanced internal systems, and other activities. In the previous fiscal year, the equity stake in an equity-method affiliate was sold at a price based on the assumption that a dividend would be paid. Since a dividend of 186 million yen was subsequently received, ordinary income was higher than one year earlier. This dividend was also the reason for the increase in net income.

Business segment performance was as follows.

(Millions of yen)

	Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
e-Business Services	18,016	943	18,790	960	773	17
Solutions	14,169	650	13,913	502	(255)	(147)
Consolidated total	32,185	1,593	32,703	1,463	517	(129)

e-Business Services Business

Segment sales increased 4.3% to 18,790 million yen and operating income increased 1.8% to 960 million yen.

The largest component of this segment is the e-commerce business process outsourcing business, which is a one-stop source of solutions required by online businesses. Virus protection software, which is the primary element of this e-commerce business, generated stable earnings due to the establishment of a framework for consistently billing end users. In the fiscal year under review, growth in sales resulting from higher unit selling prices contributed to the increase in total sales in this segment.

Segment profits were higher but the increase was limited because of a change in sales composition caused by the termination of some high-margin contracts with clients.

Solutions Business

Segment sales decreased 1.8% to 13,913 million yen and operating income decreased 22.6% to 502 million yen.

Support for the transition of e-mail systems to the cloud, activities involving security and infrastructure construction associated with the relocation of the offices of clients all recorded higher sales. However, segment sales decreased in part because of the end in the first quarter of a large development support project for the SoftBank Group that contributed to sales in the previous fiscal year.

Profits were lower than one year earlier because of the sales decline and up-front investments to establish a framework for medium to long-term growth. These investments resulted in higher expenses for measures to significantly strengthen the sales and technical workforces for the entire Solutions Business. In particular, there were up-front investments to recruit many database engineers and have engineers receive vendor certifications for the provision of big data solutions.

In this segment, there was a large increase in profits at subsidiary M-Solutions, Inc., which performs system development and other operations.

ii. Forecasts for the Fiscal Year Ending March 31, 2014

(Millions of yen)

(Yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Fiscal year ending March 31, 2014	34,000	1,700	1,700	1,000	103.32
Fiscal year ended March 31, 2013	32,703	1,463	1,658	1,040	107.53
Change (%)	4.0%	16.1%	2.5%	(3.9)%	(3.9)%

In the fiscal year ending on March 31, 2014, the consolidated forecast is net sales of 34,000 million yen, up 4.0%, operating income of 1,700 million yen, up 16.1%, ordinary income of 1,700 million yen, up 2.5%, and net income of 1,000 million yen, down 3.9%.

SoftBank Technology will continue to make progress with its strategy of “transitioning businesses into services.” The aim is to shift from one-time business activities like the sale of products, which are vulnerable to changes in demand, to a structure consisting mainly of recurring businesses by offering services. In addition, growth strategies will continue to be implemented, including growth of the workforce and substantial capital expenditures.

(2) Overview of Consolidated Financial Position

i. Assets, Liabilities, and Net Assets

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013	Change
Total assets	14,783	15,286	503
Net assets	8,082	8,945	863
Shareholders' equity ratio	54.7%	58.4%	3.7 points
Net assets per share	835.12 yen	922.67 yen	87.55 yen

Assets

Total assets increased 503 million yen from the end of the previous fiscal year to 15,286 million yen at the end of the fiscal year under review.

Current assets increased 564 million yen mainly due to an increase in cash and deposits, while there were decreases in notes and accounts receivable-trade and short-term investment securities.

Noncurrent assets decreased 61 million yen mainly due to a decrease in investment securities, while there were increases in buildings and software.

Liabilities

Total liabilities decreased 360 million yen from the end of the previous fiscal year to 6,340 million yen at the end of the fiscal year under review.

Current liabilities decreased 343 million yen mainly because of decreases in accounts payable-trade and income taxes payable.

Long-term liabilities decreased 16 million yen mainly due to a decrease in lease obligations.

Net assets

Net assets increased 863 million yen from the end of the previous fiscal year to 8,945 million yen at the end of the fiscal year under review mainly due to an increase in retained earnings.

ii. Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Change
Cash flows from operating activities	809	1,463	653
Cash flows from investing activities	(120)	205	326
Cash flows from financing activities	(186)	(226)	(40)
Net increase in cash and cash equivalents	502	1,442	940
Cash and cash equivalents, end of the period	4,766	6,209	1,442

Cash and cash equivalents at the end of the fiscal year under review increased 1,442 million yen over the end of the previous fiscal year to 6,209 million yen.

The details of cash flows from each activity and the major components of changes are as follows.

Cash flows from operating activities

Net cash provided by operating activities totaled 1,463 million yen (up 80.7% from the previous fiscal year). Major sources of cash include income before income taxes of 1,567 million yen, depreciation and amortization of 361 million yen, and a decrease in notes and accounts receivable-trade of 436 million yen. Meanwhile, major uses of cash include a decrease in notes and accounts payable-trade of 319 million yen.

Cash flows from investing activities

Net cash provided by investing activities totaled 205 million yen (compared with 120 million yen used in the previous fiscal year). Major sources of cash include proceeds from redemption of securities of 600 million yen and proceeds from sales and redemption of investment securities of 222 million yen. Meanwhile, major uses of cash include outlays for the purchase of property, plant and equipment of 194 million yen and outlays for the purchase of intangible assets of 400 million yen.

Cash flows from financing activities

Net cash used in financing activities totaled 226 million yen (down 21.5% from the previous fiscal year) mainly due to cash dividends paid of 193 million yen.

(3) Fundamental Policy for Distribution of Profit, and Dividend for the Fiscal Year

SoftBank Technology is dedicated to expanding business operations, increasing earnings and strengthening financial soundness from a long-term perspective as well as to increasing shareholders' equity. Free cash flows are used for increasing corporate value by funding personnel training and technology development as well as investments for the growth of established businesses and the launch of new businesses. The fundamental policy regarding the dividend is to consistently pay a stable dividend while confirming results of operations amid rapidly changing market conditions and taking into consideration the need for retained earnings and other factors.

In accordance with this policy, the year-end ordinary dividend for the fiscal year that ended on March 31, 2013 is expected to be 20 yen per share, the same as one year earlier.

Retained earnings will be used to strengthen business operations in order to adapt to upcoming changes in the operating environment, for investments associated with mergers, acquisitions and business alliances, and for other purposes.

2. The SoftBank Technology Group

The Company Group (the Company and its affiliates) consists of the Company (SoftBank Technology Corp.) and its four consolidated subsidiaries.

The Company Group operates the following eBusiness Service and Solution businesses.

(1) eBusiness Service

The Company Group provides solutions and services for EC business process outsourcing, EC platform services, web marketing, and web fonts.

(2) Solution

The Company Group provides solutions and services for network integration, system integration, operation and maintenance services, and cloud computing.

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 and ordinary income.

(3) Medium to Long-term Strategies

- i. The SoftBank Group, to which the Company Group belongs, has applied “Information Revolution – Happiness for Everyone” 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 new businesses at 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. The Company Group promotes the previous policy of “transitioning businesses into services.” By shifting from one-time businesses of system integration and network integration to service-based businesses, i.e. recurring 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 medium-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 the following measures and will resolve them with a well-developed plan.

i. Strengthening of synergy with the SoftBank Group

The Company Group 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 and accumulate sophisticated technologies by participating in new businesses at the SoftBank Group.

ii. Trend toward service economy

Widespread use of broadband in information networks and matured information technologies prompted the popularization of cloud services as needed instead of operating and a system of one's own.

Consequently, the Company Group will continue to promote the policy of "transitioning businesses into services."

By shifting to the service economy of the business or the stock business structure from the one-time business of system integration and network integration, the Company Group will stabilize the earning structure.

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 Mobile Corp. and other SoftBank Group companies.

Companies that introduced smartphones and smart devices are seeking robust security measures and the active use of smartphones and smart pads in business for improvement of the environment to connect to internal information assets.

Therefore, the Company is developing, designing, and constructing self-developed terminal recognition and control solutions, in-house wireless network, and services for operation and maintenance.

iv. Promotion of development of business in East Asia

In the SoftBank Group that develops businesses under the slogan "Towards No. 1 Asia Internet", the Company Group has expanded the e-commerce business process outsourcing business in East Asia.

Using the business structure that we have developed by this, we will expand the growth strategies in Asian market through development of new businesses.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	FY3/12 (As of March 31, 2012)	FY3/13 (As of March 31, 2013)
Assets		
Current assets		
Cash and deposits	4,766,926	6,209,901
Notes and accounts receivable-trade	5,487,540	5,051,203
Securities	599,065	99,900
Merchandise	60,027	28,718
Work in process	131,965	149,179
Deferred tax assets	173,573	162,870
Other	476,149	561,379
Allowance for doubtful accounts	(22,187)	(25,197)
Total current assets	11,673,061	12,237,954
Noncurrent assets		
Property, plant and equipment		
Buildings	216,241	296,728
Accumulated depreciation	(128,791)	(151,212)
Buildings, net	87,449	145,516
Tools, furniture and fixtures	1,152,039	1,173,474
Accumulated depreciation	(879,209)	(887,039)
Tools, furniture and fixtures, net	272,830	286,435
Total property, plant and equipment	360,280	431,951
Intangible assets		
Software	553,512	642,503
Software in progress	673	41,949
Other	11,498	11,787
Total intangible assets	565,684	696,240
Investments and other assets		
Investment securities	1,305,482	954,012
Deferred tax assets	286,328	333,684
Other	597,530	632,918
Allowance for doubtful accounts	(4,750)	-
Total investments and other assets	2,184,592	1,920,614
Total noncurrent assets	3,110,556	3,048,806
Total assets	14,783,618	15,286,761

	(Thousands of yen)	
	FY3/12 (As of March 31, 2012)	FY3/13 (As of March 31, 2013)
Liabilities		
Current liabilities		
Accounts payable-trade	4,309,493	3,990,375
Lease obligations	32,565	33,723
Accounts payable-other	392,053	467,542
Income taxes payable	488,393	283,925
Provision for bonuses	291,487	302,616
Provision for loss on order received	26,060	3,943
Other	680,428	794,655
Total current liabilities	6,220,482	5,876,781
Noncurrent liabilities		
Lease obligations	60,502	26,779
Long-term advances received	358,322	358,803
Negative goodwill	8,065	4,480
Asset retirement obligations	53,682	74,046
Total noncurrent liabilities	480,573	464,110
Total liabilities	6,701,055	6,340,891
Net assets		
Shareholders' equity		
Capital stock	634,555	634,555
Capital surplus	712,204	712,204
Retained earnings	7,439,046	8,286,159
Treasury stock	(747,604)	(747,634)
Total shareholders' equity	8,038,202	8,885,285
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,359	44,159
Foreign currency translation adjustment	-	434
Total accumulated other comprehensive income	44,359	44,594
Subscription rights to shares	-	15,990
Total net assets	8,082,562	8,945,869
Total liabilities and net assets	14,783,618	15,286,761

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

	(Thousands of yen)	
	FY3/12 (April 1, 2011 to March 31, 2012)	FY3/13 (April 1, 2012 to March 31, 2013)
Net sales	32,185,738	32,703,309
Cost of sales	29,016,051	29,300,725
Gross profit	3,169,686	3,402,583
Selling, general and administrative expenses	1,575,994	1,938,764
Operating income	1,593,692	1,463,819
Non-operating income		
Interest income	50,380	26,581
Dividends income	3,850	189,693
Miscellaneous income	11,391	25,401
Total non-operating income	65,622	241,676
Non-operating expenses		
Interest expenses	3,661	2,597
Loss on investments in partnership	33,859	20,811
Foreign exchange losses	6,005	-
Commission fee	-	24,079
Miscellaneous loss	5	4
Total non-operating expenses	43,532	47,493
Ordinary income	1,615,783	1,658,003
Extraordinary income		
Gain on sales of noncurrent assets	-	456
Gain on sales of investment securities	43,209	-
Other	2,693	-
Total extraordinary income	45,902	456
Extraordinary loss		
Impairment loss	17,044	66,945
Loss on sales of investment securities	109,707	-
Loss on valuation of investment securities	7,875	21,706
Other	-	2,125
Total extraordinary losses	134,626	90,776
Income before income taxes and minority interests	1,527,059	1,567,682
Income taxes-current	586,989	563,490
Income taxes-correction	81,810	-
Income taxes-deferred	104,423	(36,487)
Total income taxes	773,224	527,002
Net income	753,835	1,040,679
Other comprehensive income		
Valuation difference on available-for-sale securities	32,655	(199)
Foreign currency translation adjustment	52,242	434
Total other comprehensive income	84,897	234
Comprehensive income	838,732	1,040,914

(3) Consolidated Statements of Changes in Net Assets

(Thousands of yen)

	FY3/12 (April 1, 2011 to March 31, 2012)	FY3/13 (April 1, 2012 to March 31, 2013)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	634,555	634,555
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	634,555	634,555
Capital surplus		
Balance at the beginning of current period	712,204	712,204
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	712,204	712,204
Retained earnings		
Balance at the beginning of current period	6,840,066	7,439,046
Changes of items during the period		
Dividends from surplus	(154,854)	(193,566)
Net income	753,835	1,040,679
Total changes of items during the period	598,980	847,112
Balance at the end of current period	7,439,046	8,286,159
Treasury stock		
Balance at the beginning of current period	(747,553)	(747,604)
Changes of items during the period		
Purchase of treasury stock	(50)	(29)
Total changes of items during the period	(50)	(29)
Balance at the end of current period	(747,604)	(747,634)
Total shareholders' equity		
Balance at the beginning of current period	7,439,273	8,038,202
Changes of items during the period		
Dividends from surplus	(154,854)	(193,566)
Net income	753,835	1,040,679
Purchase of treasury stock	(50)	(29)
Total changes of items during the period	598,929	847,082
Balance at the end of current period	8,038,202	8,885,285

	(Thousands of yen)	
	FY3/12	FY3/13
	(April 1, 2011 to March 31, 2012)	(April 1, 2012 to March 31, 2013)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	11,704	44,359
Changes of items during the period		
Net changes of items other than shareholders' equity	32,655	(199)
Total changes of items during the period	32,655	(199)
Balance at the end of current period	44,359	44,159
Foreign currency translation adjustment		
Balance at the beginning of current period	(52,242)	-
Changes of items during the period		
Net changes of items other than shareholders' equity	52,242	434
Total changes of items during the period	52,242	434
Balance at the end of current period	-	434
Total accumulated other comprehensive income		
Balance at the beginning of current period	(40,537)	44,359
Changes of items during the period		
Net changes of items other than shareholders' equity	84,897	234
Total changes of items during the period	84,897	234
Balance at the end of current period	44,359	44,594
Subscription rights to shares		
Balance at the beginning of current period	-	-
Changes of items during the period		
Net changes of items other than shareholders' equity	-	15,990
Total changes of items during the period	-	15,990
Balance at the end of current period	-	15,990
Total net assets		
Balance at the beginning of current period	7,398,735	8,082,562
Changes of items during the period		
Dividends from surplus	(154,854)	(193,566)
Net income	753,835	1,040,679
Purchase of treasury stock	(50)	(29)
Net changes of items other than shareholders' equity	84,897	16,224
Total changes of items during the period	683,827	863,307
Balance at the end of current period	8,082,562	8,945,869

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY3/12 (April 1, 2011 to March 31, 2012)	FY3/13 (April 1, 2012 to March 31, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,527,059	1,567,682
Depreciation and amortization	313,567	361,778
Impairment loss	17,044	66,945
Amortization of negative goodwill	(3,584)	(3,584)
Increase (decrease) in allowance for doubtful accounts	3,731	3,010
Increase (decrease) in provision for bonuses	(23,495)	11,129
Increase (decrease) in provision for loss on order received	26,060	(22,116)
Increase (decrease) in allowance for repairs	(6,225)	-
Interest and dividends income	(54,230)	(216,275)
Interest expenses	3,661	2,597
Loss (gain) on investments in partnership	33,859	20,811
Loss (gain) on sales of investment securities	66,498	-
Loss (gain) on valuation of investment securities	7,875	21,706
Decrease (increase) in notes and accounts receivable-trade	(1,323,611)	436,337
Decrease (increase) in inventories	(8,014)	14,112
Decrease (increase) in operating receivables	56,363	(106,586)
Increase (decrease) in notes and accounts payable-trade	281,909	(319,118)
Increase (decrease) in accrued consumption taxes	1,924	5,870
Increase (decrease) in operating debt	120,650	160,087
Other, net	(3,932)	11,841
Subtotal	1,037,111	2,016,229
Interest and dividends income received	46,503	216,211
Interest expenses paid	(3,661)	(2,597)
Income taxes paid	(270,159)	(766,555)
Net cash provided by (used in) operating activities	809,794	1,463,287
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(80,623)	(194,437)
Purchase of intangible assets	(231,649)	(400,869)
Purchase of securities	(398,939)	-
Proceeds from redemption of securities	300,000	600,000
Proceeds from sales of securities	16,650	-
Purchase of investment securities	-	(5,327)
Proceeds from sales and redemption of investment securities	283,526	222,993
Collection of loans receivable	4,800	4,750
Payments for guarantee deposits	(29,637)	(34,091)
Proceeds from collection of guarantee deposits	15,077	4,918
Other, net	227	7,910
Net cash provided by (used in) investing activities	(120,568)	205,846
Net cash provided by (used in) financing activities		
Purchase of treasury stock	(50)	(29)
Cash dividends paid	(155,034)	(193,998)
Repayments of lease obligations	(31,448)	(32,565)
Net cash provided by (used in) financing activities	(186,534)	(226,593)
Effect of exchange rate change on cash and cash equivalents	-	434
Net increase (decrease) in cash and cash equivalents	502,692	1,442,974
Cash and cash equivalents at beginning of period	4,264,234	4,766,926
Cash and cash equivalents at end of period	4,766,926	6,209,901

(5) Notes to Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable

(Basis of Presentation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries: 4

M-SOLUTIONS, Inc.

Mobile Interface Corporation

Solution Business Technology Hong Kong Ltd.

SOLUTION BUSINESS TECHNOLOGY KOREA Ltd.

(2) Nonconsolidated subsidiaries

Not applicable

2. Application of equity method

(1) Equity method affiliated companies: Not applicable

(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

i. Securities

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.

ii. 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

i. Property and equipment

Computed using the declining-balance method

Main durable years are as follows:

Buildings and structures: 8 to 15 years

Tools, furniture and fixtures: 4 to 15 years

ii. 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.

iii. Lease assets

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

(3) Accounting principles for major allowances and reserves

i. Allowance for doubtful accounts:

To prepare for uncollectible credits such as trade receivables and loans receivable, allowance for doubtful accounts for ordinary credits is calculated based on the actual bad debt ratio, and a specific allowance for doubtful accounts deemed to be uncollectible is calculated considering the collectability of such accounts.

ii. Reserve for bonuses for employees

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

iii. 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, 2013, 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

i. 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).

ii. 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.

(Change in Accounting Policies)

(Change in depreciation method)

Commencing in the consolidated first quarter (from April 1, 2012 to June 30, 2012), for those tangible fixed assets that were acquired on or after April 1, 2012, the Company and its domestic consolidated subsidiaries changed the depreciation method in accordance with the revised Corporate Income Tax Law of Japan. The effects of this change were insignificant.

(Segment and Other Information)

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 solutions and services of EC business process outsourcing, EC platform services, web marketing, and web fonts. *Solution* provides solutions and services of network integration, system integration, operation and maintenance services, and cloud computing.

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, 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	18,016,523	14,169,214	32,185,738	-	32,185,738
Inter-segment	-	-	-	-	-
Total	18,016,523	14,169,214	32,185,738	-	32,185,738
Segment income	943,618	650,074	1,593,692	-	1,593,692
Other items					
Depreciation and amortization	114,177	146,146	260,323	53,244	313,567
Increase in fixed assets and intangible assets	169,783	123,027	292,811	19,554	312,365

(Note)

1. The ¥19,554 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, 2012 to March 31, 2013

(Thousands of yen)

	eBusiness Service	Solution	Total	Adjustments (Note 1)	Amounts recorded in Consolidated Financial Statements (Note 2)
Net sales:					
Customers	18,790,081	13,913,227	32,703,309	-	32,703,309
Inter-segment	-	-	-	-	-
Total	18,790,081	13,913,227	32,703,309	-	32,703,309
Segment income	960,985	502,833	1,463,819	-	1,463,819
Other items					
Depreciation and amortization	144,914	157,332	302,246	59,531	361,778
Increase in fixed assets and intangible assets	206,497	161,457	367,954	251,208	619,162

(Note)

1. The ¥251,208 thousand adjustment for increase in fixed assets and intangible assets represents the amount of investments in facilities such as internal 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.

4. Information on impairment loss of fixed assets per reportable segment

For fixed assets for business use that has become less profitable or idle in the segments of eBusiness service and solution, we reduced their book values to recovery values. The impairment losses accounted for during the consolidated fiscal year ended March 31, 2013 were ¥7,185 thousand in eBusiness service and ¥59,760 thousand in Solution.

(Per Share Data)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Owners' equity per share (yen)	835.12	922.67
Net income per share – primary (yen)	77.89	107.53

(Note):

1. Net income per share – diluted for the previous consolidated fiscal year ended March 31, 2012, is not shown in above table because there are no residual shares. Net income per share – diluted for the current consolidated fiscal year ended March 31, 2013 is also not shown in above table because there are no residual shares having possibilities of diluting stock value.
2. Basic data for computation of net income per share is as follows:

Item	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net income (thousands of yen)	753,835	1,040,679
Amounts not allocated to shareholders (thousands of yen)	-	-
Net income allocated to common stock outstanding (thousands of yen)	753,835	1,040,679
Weighted average number of common stock outstanding during each year (unit: shares)	9,678,396	9,678,334
Residual securities, which do not dilute net income per share	-	-

(Significant Subsequent Events)

Not applicable

5. Other

(1) Transfer of Officers

For transfer of officers, refer to “Announcement Regarding Prospective Candidates for Director and Transfer of Officers” that was announced on March 27, 2013.

Disclaimer:

This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.