Translation, Summary

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Consolidated Financial Summary for the Fiscal Year Ended July 31, 2013
(Japanese Accounting Standards)

September 10, 2013

Bit-isle Inc.

Stock Exchange: Tokyo Stock Exchange Code No: 3811

(URL http://www.bit-isle.co.jp/)

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

1. Consolidated operating results for the fiscal year ended July 31, 2013 (August 1, 2012 to July 31, 2013)

(1) Consolidated sales and income (cumulative total)

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating income		Ordinary income		Net income	
Year ended	million yen	%	million yen	%	million yen	%	million yen	%
July 31,2013	16,663	13.0	3,068	11.7	2,745	11.0	1,703	27.4
July 31,2012	14,747	23.4	2,746	35.1	2,472	42.8	1,336	47.9

(Note) Comprehensive income: Fiscal year ended July 31, 2013 2,010 million yen (32.6%)
Fiscal year ended July 31, 2012 1,516 million yen (67.6%)

	Net income per share	Diluted net income per share	Ratio of net income to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Year ended	Yen	yen	%	%	%
July 31, 2012	51.13	49.70	17.1	8.8	18.4
July 31, 2011	40.49	39.48	17.7	8.8	18.6

(Note) One share was split into 200 shares with February 1, 2012.
Therefore, net income per share and diluted net income per share are calculated, assuming that the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	Yen
Year ended July 31, 2013	34,528	12,129	34.2	333.20
Year ended July 31, 2012	28,124	8,291	28.7	244.90

(Reference) Shareholders' equity
Fiscal year ended July 31, 2013 11,823 million yen
Fiscal year ended July 31, 2012 8,079 million yen

(Note) One share was split into 200 shares with February 1, 2012.
Therefore, net income per share and diluted net income per share are calculated, assuming that the stock split was conducted at the beginning of the previous fiscal year.

(3) Consolidated statement of cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
Year ended	million yen	million yen	million yen	million yen
July 31, 2013	4,873	(4,697)	2,998	6,220
July 31, 2012	5,418	(2,065)	(3,772)	3,045

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2. Status of dividend payments

	Dividend per share					Total dividend payment (annual)	Payout ratio (consolidated)	Dividend on equity (consolidated)
(Record date)	End of first quarter	End of second quarter	End of third quarter	End of year	Annual			
Year ended	yen	yen	yen	yen	yen	million yen	%	%
July 31, 2012	—	4.00	—	5.00	9.00	297	22.2	4.0
July 31, 2013	—	5.00	—	10.00	15.00	520	29.3	5.2
Year ending July 31,2014 (forecast)	—	6.00	—	7.00	13.00		21.4	

(note1) End of year dividend per share breakdown Commemorative dividend 4.00yen
(note2) One share was split into 200 shares with February 1, 2012.
Therefore, net income per share and diluted net income per share are calculated, assuming that the stock split was conducted at the beginning of the previous fiscal year.

3. Forecasts for consolidated sales and income for the year ending July 31, 2014 (August 1, 2013 to July 31, 2014)

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Six month period ending July 31, 2014	9,000	11.7	1,650	3.5	1,500	3.0	930	4.0	26.21
Year ending July 31, 2014	18,800	12.8	3,500	14.0	3,200	16.5	2,000	17.4	56.36

Other:
Shares outstanding (common shares)

(i) Shares outstanding at term-end (including treasury stock)

Fiscal year ended July 31, 2013: 35,483,200 shares
Fiscal year ended July 31, 2012: 33,854,400shares

(ii) Treasury stocks at term-end

Fiscal year ended July 31, 2013: -
Fiscal year ended July 31, 2012: 862,400shares

(iii) Average number of shares outstanding

Fiscal year ended July 31, 2013: 33,316,288 shares
Fiscal year ended July 31, 2012: 33,019,191 shares

(note) One share was split into 200 shares with February 1, 2012. Therefore, the number of shares outstanding at and the average number of shares outstanding during the term take the impact of the stock split into account.

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Qualitative Information on Consolidated Results

(1) Qualitative information on consolidated results

i) Operating results

IT outsourcing services market in Japan, which was worth 2,968.4 billion yen in 2012, is expected to grow to 3,292.5 billion yen in 2018 (Yano Research Institute Ltd.). Notwithstanding the increasingly uncertain economic outlook, because IT outsourcing services help users reduce costs, the market should maintain solid growth, particularly for companies that are able to provide services that strengthen the business foundations of their customers while cutting costs with services that meet diversified user needs. And many companies have started to view internet assets as something to "use", instead of something to "own". This paradigm shift is one of the elements that are driving the growth of the Bit-isle Group's businesses.

The data center market, which is closely correlated to the iDC service, the core service of the Bit-isle Group, is also expected to grow from 1,129.8 billion yen in 2012 to 1,215.6 billion yen in 2013, driven by higher demand for new services such as cloud computing and SaaS. Even after that, the market is forecast to continue to grow by around 10% (International Data Corporation Japan).

In this environment, the Group continued its efforts to raise utilization rates at data centers by stepping up sales of its iDC service and sought to increase profits from managed services, particularly rental and cloud services. Thanks to the steady performance of the iDC service, manage services and solutions services, the Group recorded net sales of 16,663 million yen (an increase of 13.0% year on year), operating income of 3,068 million yen (an increase of 11.7% year on year), ordinary income of 2,745 million yen (an increase of 11.0% year on year), and net income of 1,703 million yen (an increase of 27.4% year on year) for currently period under review.

iDC services

In iDC services, as a result of continuing to develop and strengthen the sales system based on data centers equipped with sufficient power receiving capability and extensible space able to respond to the solid market conditions, the number of racks in operation increased to 4,535 racks at current facial year under review (an increase of 3.4% year on year). This represented a steady buildup in sales and customer numbers.

Consequently, net sales in the iDC service reached 10,739 million yen (an increase of 3.6% year on year).

Managed services

In managed services, both sales and profits increased, reflecting our efforts to bolster cloud services and a rise in sales of rental services.

As a result, net sales came to 4,326 million yen (an increase of 32.7% year on year) in managed services.

Solutions services

In solutions services, because the consistently solid performance of system integration and engineering services for users outside the Group at Bit-surf Inc., a wholly owned subsidiary, net sales in solutions services is 1,536 million yen (an increase of 36.7 % year on year) .

ii) Outlook for the fiscal year ending July 31, 2014

Conditions in the iDC market, the Group's mainstay business, are expected to remain firm against a backdrop of continuing strong demand for IT outsourcing as companies focus on consolidating their business resources and reducing costs as well as the evolution of telecommunications technologies, the advancement and diversification of such devices as the iPad and smartphones, and the response to cloud computing. In this environment, the Group is, of course, focusing on further expanding its service lineup for cloud computing. However, it is also seeking to provide customers with as many services as possible on an ongoing basis, based on a management policy of becoming a comprehensive IT outsourcing company that provides a host of IT platform services in a one-stop format, for ease of customer use, and with monthly fees, charged in a user-friendly format. Continual monthly fees are anticipated to contribute to solid revenues, and demand at our Shinagawa and Bunkyo Area remains firm. In addition, the Shinagawa Area are going to be expanded, and we expect to achieve a steady profit increase in the next fiscal year. As a result, we forecast net sales of 18,800 million yen (an increase of 12.8% year on year), operating income of 3,500 million yen (an increase of 14.0% year on year), ordinary income of 3,200 million yen (an increase of 16.5% year on year), and net income of 2,000 million yen (an increase of 17.4% year on year) on a consolidated basis for the next fiscal year.

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(2) Qualitative information on the consolidated financial position

i) Total assets stood 34,528 million yen at currently period of the fiscal year under review, an increase of 6,404 million yen from the end of the previous fiscal year. This was mainly attributable to increase in cash and deposits of 3,174 million yen due to issuance of new shares, increase in property, plant and equipment of 5,044 million yen due to data center buildings and facilities, and decrease depreciation to data center buildings and facilities of 3,269 million yen.

Total liabilities increased 2,566 million yen from the end of the previous fiscal year, to 22,399 million yen at current fiscal year under review. The major factors included to increase debt balance of 2,539 million yen, decrease advances received of 206 million yen and lease obligations of 45 million yen.

Net assets at current fiscal year under review increased 3,837 million yen from the end of the previous fiscal year, to 12,129 million yen. This primarily reflected 330 million yen in dividends from surplus, net income of 1,703 million yen. As a result, the shareholders' equity ratio came to 34.2 %.

ii) Items in statements of cash flows

Cash and cash equivalents (hereinafter "cash") at the end of the fiscal year under review increased 3,174 million yen from the end of the previous fiscal year, to 6,220 million yen.

Cash flows at the end of the fiscal year under review are as follows:

(Cash flow from operating activities)

Cash provided by operating activities was 4,873 million yen (compared with cash provided of 5,418 million yen in the previous fiscal year).

Major factors were income before income taxes and minority interests of 2,759 million yen, depreciation and amortization of 3,427 million yen.

(Cash flow from investing activities)

Cash used in investing activities was 4,697 million yen (compared with cash used of 2,065 million yen in the previous fiscal year).

The figure primarily reflected the purchase of property, plant and equipment of 4,936 million yen for data centers and other facilities, proceeds from sales of property, plant and equipment of 861 million yen.

(Cash flow from financing activities)

Cash used in financing activities was 2,998 million yen (compared with cash used of 3,772 million yen in the previous fiscal year).

This was mainly attributable to increase issuance of new shares and disposal of treasury stock of 2,045 million yen ,increase in loans payable of 5,400 million yen, repayments of loans payable of 2,860 million yen, repayments of lease obligations of 1,255 million yen.

(3) Basic profit distribution policy and dividend payout for the period under review and the period following

The Company regards the distribution of profit to shareholders as an important management task. For the fiscal year under review, we have decided to pay a dividend per share of 15 yen(an interim dividend per share of 5 yen, a year-end dividend per share of 6 yen and commemorative dividend 4 yen for listed in 1st section of Tokyo Stock Exchange.)

For the next fiscal year, we will also steadily distribute profits in the form of dividends while enhancing internal reserves, taking into account the balance between cash provided by operating activities on the one hand and the funds needed to enhance data centers while repaying loans payable on the other. Based on this policy, we plan to pay an annual dividend per share of 13 yen, including an interim dividend per share of 6 yen, and a year-end dividend per share of 7 yen.

We will also acquire treasury stock using a flexible approach, taking market conditions and other factors into consideration.